

# Annual Report 2014



**Allied Rental Modaraba**

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

# Ten Good Reasons to Rent from the Cat® Rental Store

## **Minimize Costly Breakdowns**

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

## **Get Your Job Completed More Efficiently**

Expect the latest technology from The CAT Rental Stores. We rent Caterpillar and other quality brands of equipment utilizing the most innovative ideas available today. You will be using the right equipment to get the job done.

## **No Maintenance Cost**

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

## **Eliminate Storage Cost**

No need to maintain a storage yard. Just give us a call for quick pick-up or simply drop off the equipment at the nearest CAT Rental Store when you've finished using it. We'll take care of the equipment storage.

## **No Capital Investment**

Renting frees up your business capital. An expense is only incurred for the equipment when it is needed for a particular job. The extra capital you save through renting equipment from The CAT Rental Store can be applied to the other demands within your business so you can grow profitably. Release your business from the costs associated to equipment ownership.

## **Increase Your Borrowing Power**

Renting equipment does not appear as a liability on your business balance sheet. So renting can actually increase your borrowing power by offering a better ratio of assets to liabilities.

## **No Equipment Obsolescence**

Equipment ownership can be costly. The value of equipment depreciates over time. Renting from The CAT Rental Store allows you to use the latest technology equipment without the concern of costly depreciation. No more trying to get the job done with old, worn-out equipment.

## **Try It Before You Buy It**

You may be considering buying a certain model of equipment and would like to operate it on your job to make sure it suits you before making that potential purchase. What better way to thoroughly try out equipment than to rent a similar machine from the large selection of equipment at The CAT Rental Store.

## **Supplement Your Core Fleet**

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

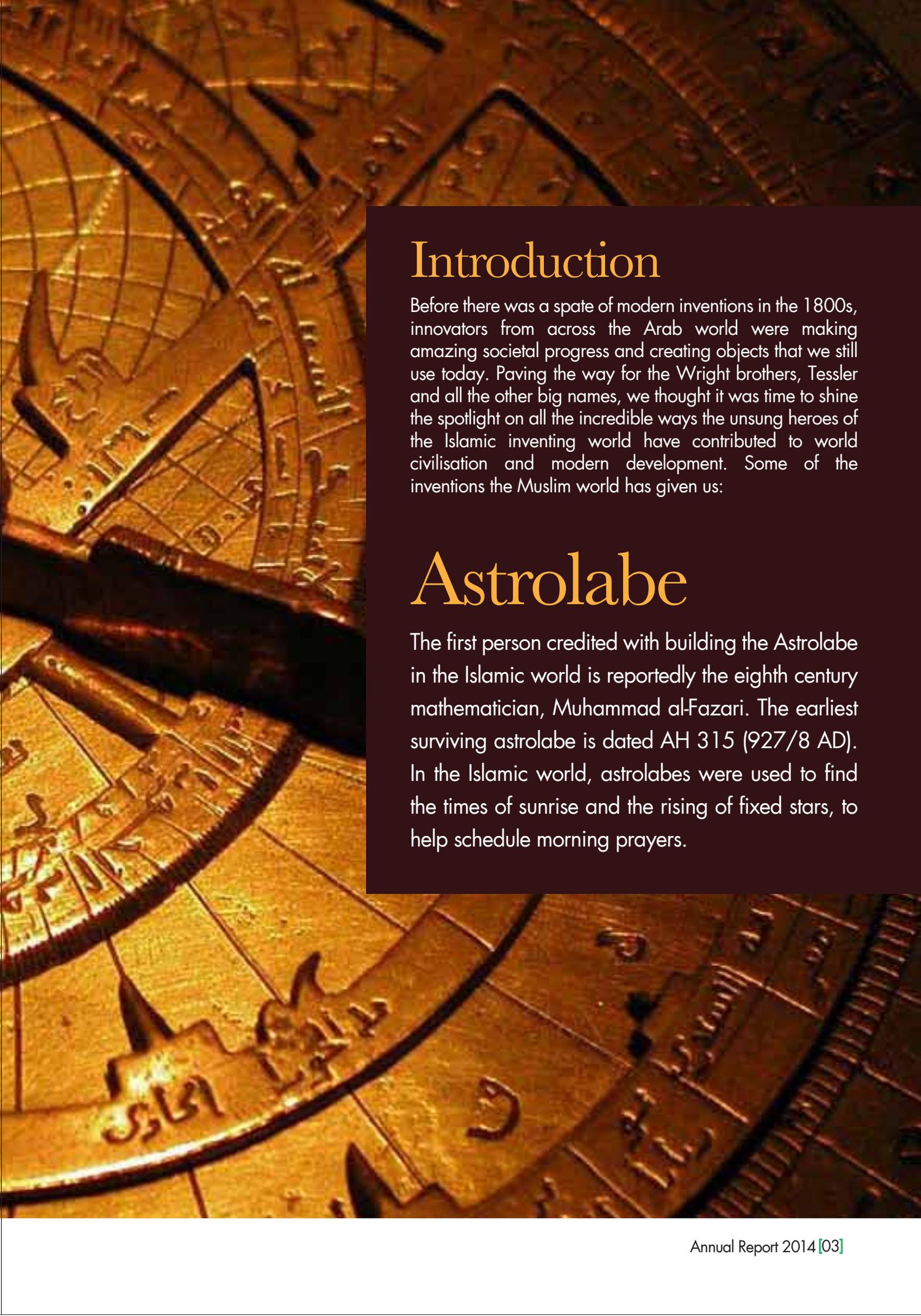
## **Expect Responsive Service**

Our team can knowledgeablely consult you on equipment and applications. We will work to become your trusted rental source and make your job easier. We are only a phone call away.

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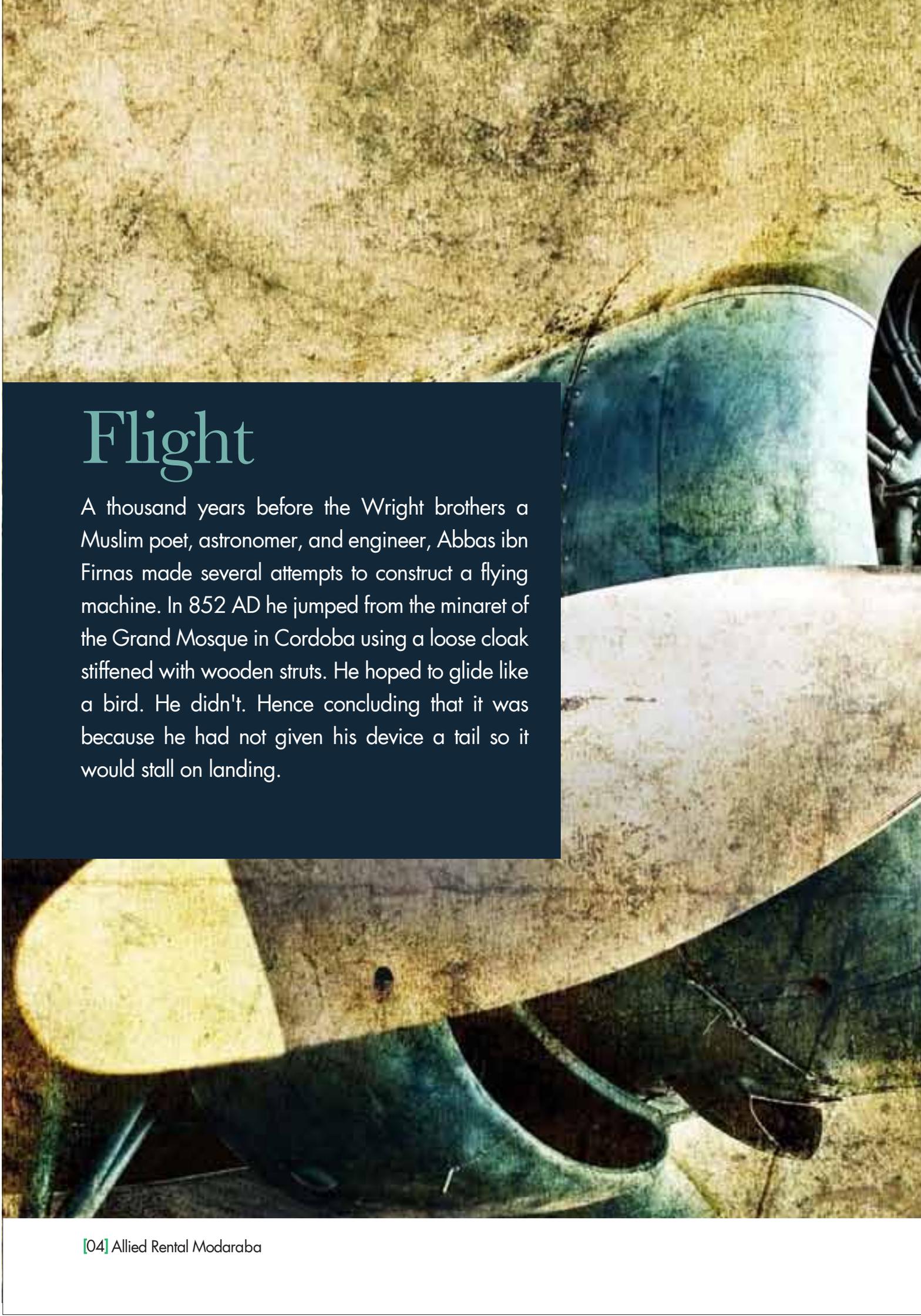


## Introduction

Before there was a spate of modern inventions in the 1800s, innovators from across the Arab world were making amazing societal progress and creating objects that we still use today. Paving the way for the Wright brothers, Tessler and all the other big names, we thought it was time to shine the spotlight on all the incredible ways the unsung heroes of the Islamic inventing world have contributed to world civilisation and modern development. Some of the inventions the Muslim world has given us:

## Astrolabe

The first person credited with building the Astrolabe in the Islamic world is reportedly the eighth century mathematician, Muhammad al-Fazari. The earliest surviving astrolabe is dated AH 315 (927/8 AD). In the Islamic world, astrolabes were used to find the times of sunrise and the rising of fixed stars, to help schedule morning prayers.



# Flight

A thousand years before the Wright brothers a Muslim poet, astronomer, and engineer, Abbas ibn Firnas made several attempts to construct a flying machine. In 852 AD he jumped from the minaret of the Grand Mosque in Cordoba using a loose cloak stiffened with wooden struts. He hoped to glide like a bird. He didn't. Hence concluding that it was because he had not given his device a tail so it would stall on landing.



# Pen

The fountain pen was invented for the Sultan of Egypt in 953 AD after he demanded a pen which would not stain his hands or clothes. It held ink in a reservoir and, as with modern pens, fed ink to the nib by a combination of gravity and capillary action.









# Windmill

The windmill was invented in 634 AD for a Persian caliph and was used to grind corn and draw up water for irrigation. In the vast deserts of Arabia, when the seasonal streams ran dry, the only source of power was the wind which blew steadily from one direction for months. Mills had six or twelve sails covered in fabric or palm leaves. It was 500 years before the first windmill was seen in Europe.





# Our Vision

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

# Our Mission

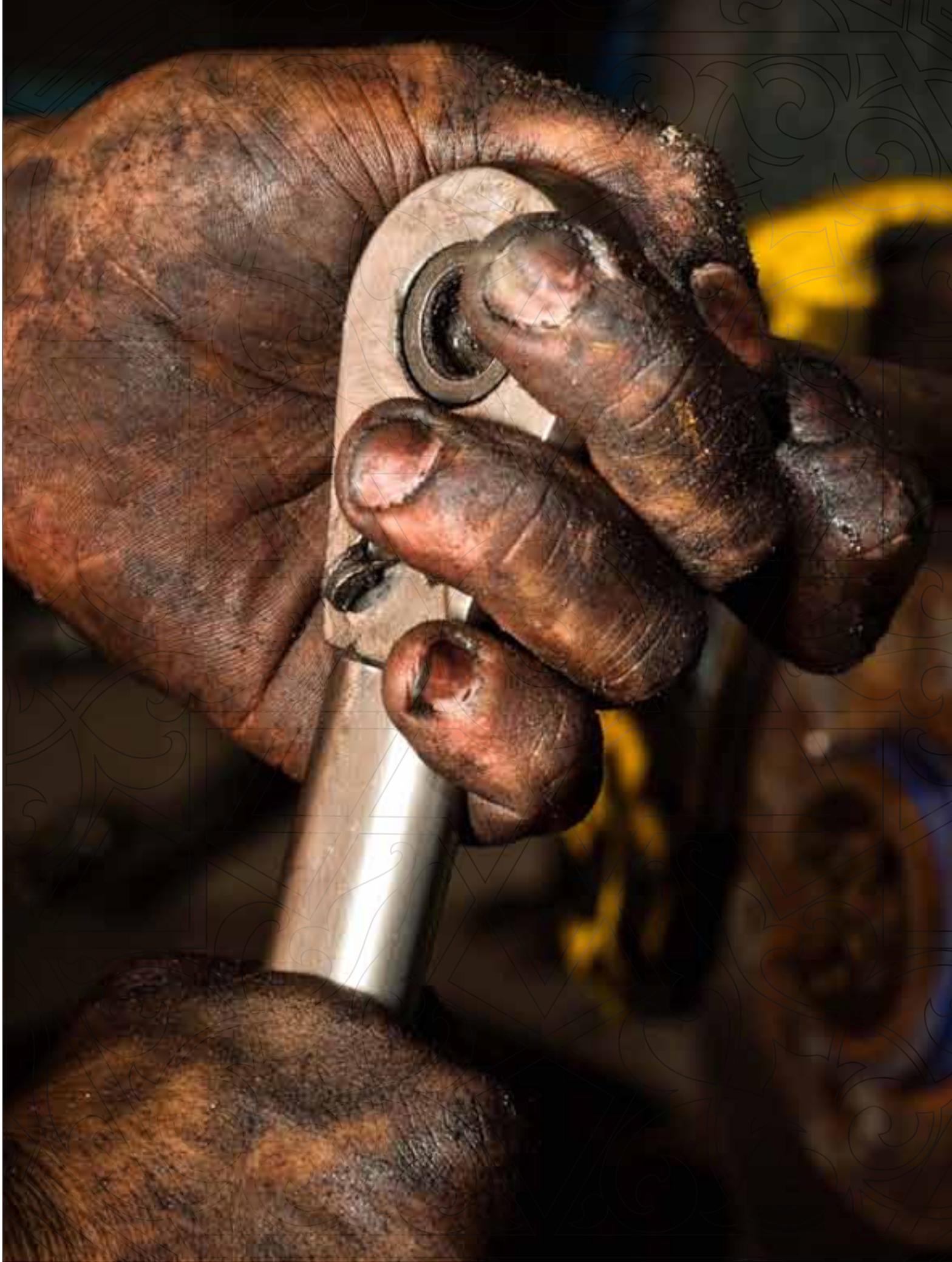
To provide best value to our customers through innovative and reliable power generation, earth moving and material handling equipment rental solutions.

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.

# Energy Security of Pakistan

## A viable strategy

**Arsalan Ali Bugti** - Service Engineer (south)



Society in the developed world is based on the assumption that energy is both readily available and relatively cheap. The developing countries, however, do not have the luxury of taking energy for granted. The growth of countries in general, and developing countries in particular, relies on its energy resources. The oil crisis of the 1970s made developed nations realize that they would have to revise their national and international policies to counter any threats to their energy security. The last century, in particular, has seen energy become a strategic commodity for nations, whose security is being considered vital for national sovereignty.

Ever since its inception, Pakistan has faced numerous strategic challenges. Over the last few decades, however, the anomalous population growth, coupled with the sudden economic growth have served together to overburden the existing energy infrastructure. To say that Pakistan is in the midst of one of the worst energy crises in its history would not be an overstatement. Pakistan's energy woes have been further exacerbated due to the nation's heavy reliance on the import of fossil fuels. Percentage share of hydro and coal energy in our energy mix is negligible as compared to available potential. Despite being a nuclear power, our energy mix does not reflect a suitable share of nuclear energy. Pakistan also possesses a huge potential of untapped solar, wind and ocean energy.

Pakistan is a country blessed with a wealth of natural resources, but these indigenous resources are mismanaged, with the infrastructure required to extract them being non-existent or technologically outdated. Keeping in view the energy demand and rich indigenous resources, we need to increase the share of coal, nuclear and renewable energy in our energy mix. New policies for energy efficiency and conservation need to be devised, with power losses and pilferage of energy resources being dealt with on a priority basis. It is of paramount importance that academia and industrial sector join hands to play their role in energy security for optimum and efficient utilization of energy resources.

### INTRODUCTION

Energy security, simply defined, means the security of a particular energy supply. Many now believe that energy security has broader implications for the mutual security of supply and demand. Energy security, in short, refers to a resilient energy system, capable of withstanding threats through a combination of both active and passive measures. An energy secure nation must possess the elements of surety, self – sufficiency, survivability and sustainability.

Due to limited availability of fossil fuels and a poor economy, a huge portion of the population in Pakistan still has no access to modern day energy services, such as electricity. Furthermore, due to technological and industrial development, the gap between demand and supply of energy grows wider with the passage of time, resulting in a severe deficit of energy. Prompt actions at government level need to be taken to solve this problem in time.

### PAKISTAN'S ENERGY SCENARIO

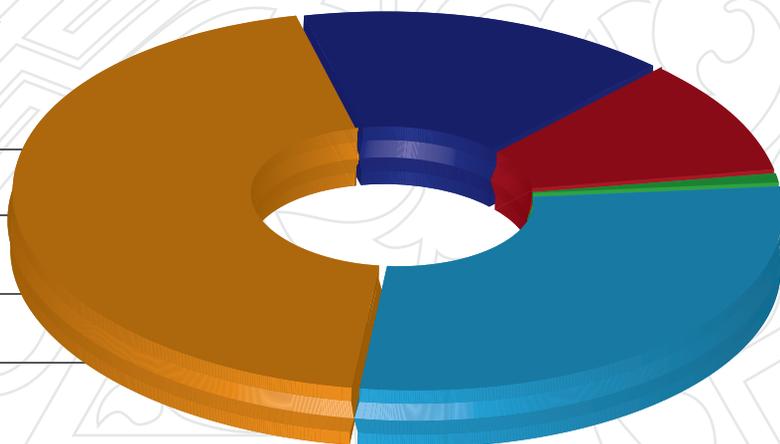
Pakistan, with a population of 190.7 million is the world's 6th most populous country. Pakistan saw an encouraging economic growth rate of approximately 7% per annum in the earlier part of the new millennium. However, the economic outlook exhibited a dramatic downturn after 2008 due to political instability, the war on terror, and the ongoing world recession. The economic growth rate of Pakistan currently stands at 3.7%.

The per capita energy consumption is considered a key development indicator of a nation, a quantitative measurement of its 'quality of life'. Pakistan's per capita energy consumption is 15 Million British Thermal Unit (MBTU) compared to 68 MBTU of world's average. During calendar year 2012, net primary energy of Pakistani supply remained 64, 727 thousand TOEs, with the final energy usage during 2012 being 40, 026 thousand TOE. Statistics on energy consumption by source revealed that gas and oil have the largest share in our energy mix, as exhibited by the figure below:

Figure 1: Share of sources in energy consumption As far as Pakistan's electricity needs are concerned, Pakistan had total installed generation capacity of 22,797 MW at the end of the year 2012. Pakistan's electricity is primarily dependent on oil, gas and hydel as exhibited in the figure below:

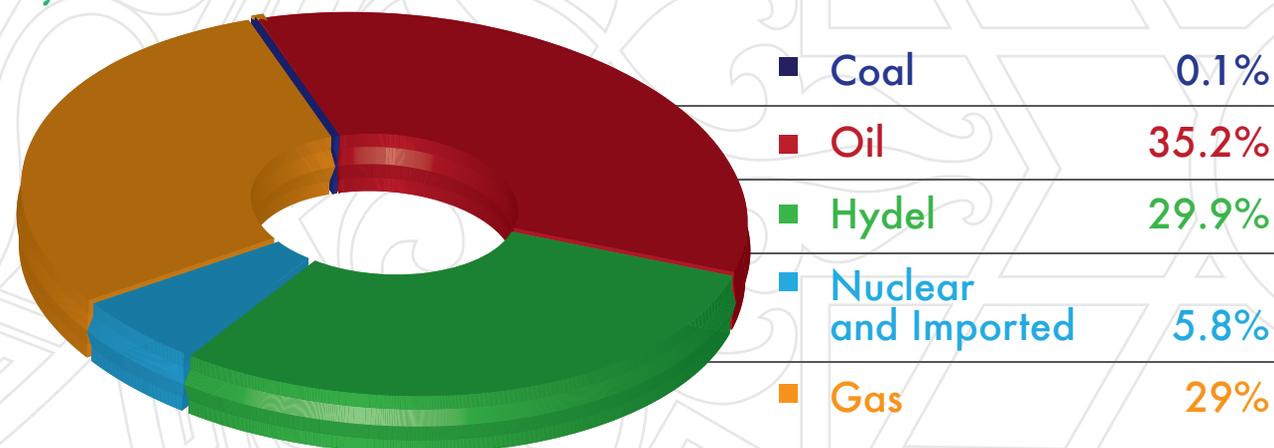
## Share of sources in energy consumption

■ Electricity	16%
■ Coal	10%
■ LPG	1%
■ Oil	29%
■ Gas	44%



As far as Pakistan's electricity needs are concerned, Pakistan had total installed generation capacity of 22,797 MW at the end of the year 2012. Pakistan's electricity is primarily dependent on oil, gas and hydel as exhibited in the figure below:

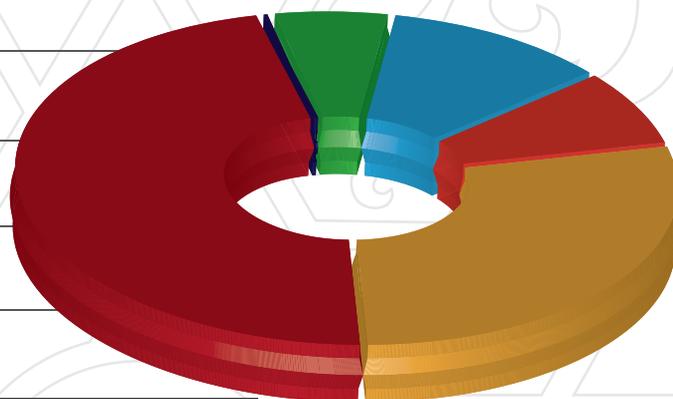
## Electricity generation by source



Pakistan's total electricity consumption currently stands at 76,761 GWh. As the figure below shows, most of the electricity is consumed by the domestic and industrial sectors.

## Pakistan's electricity consumption by sector

■ St. Light, Traction & Ot	0.7%
■ Bulk Supplies	5.9%
■ Agriculture	11.1%
■ Commercial	7.5%
■ Industries	28.4%
■ Domestic	46.4%



The generation, transmission, distribution and retail of electricity in Pakistan is primarily handled by two public sector utilities, namely, Water and Power Development Authority of Pakistan (WAPDA), which caters to electrical needs of the whole country (with the exception of Karachi), and Karachi Electric Supply Company, which supplies electricity to Karachi and its adjoining areas. Moreover, 20 independent power producers (IPPS) make a significant contribution towards electricity generation in the country as well.

For years, the issue of balancing Pakistan's electrical supply and demand remains an unresolved matter. In 2013, massive electricity shortages, and the long-standing failure of concerned institutions to provide reliable services, coupled with rampant corruption, sparked public protests, power pilferage, and even blatant refusal by consumers to pay for intermittent service.

Simply put, our resources are few and the demands more, which will only increase in the future.

### ENERGY RESOURCES OF PAKISTAN

Indigenous energy resources are the primary contributors to the energy security of a nation. Pakistan is one of those fortunate countries which have sufficient resources, not only as far as present needs are concerned, but for future needs as well. However, steep population growth, coupled with ineffective steps to exploit indigenous resources has led to an energy crisis.

In the fairly recent past, a shift, albeit a small one, towards alternate sources of energy in Pakistan has been noted. These sources of energy include, but are not necessarily restricted to, hydropower, nuclear, wind, and solar.

Pakistan has a huge hydropower potential, of 40,000 – 45,000 MW out of which approximately 6,500 MW has been exploited.

Pakistan has two nuclear plants (one KANUPP at Karachi CHASNUPP Unit-1 at Chashma) in operation at present. Together, they contribute less than 1% to the overall energy mix.

In the past, no serious efforts were made to further the cause of renewable energy. However, the recent establishment of the Alternative Energy Development Board (AEDB) is a step in the right direction. The organization has listed wind power potential of 300,000 MW, and a solar potential of 100,000 MW. Pakistan is considered to be the 6th luckiest country as far as solar energy is considered, and receives 16 hours of sunlight per day average.

Category	Oil MTOE (Million Barrels)	Natural Gas MTOE (Trillion Barrels)	Coal MTOE (Billion Tonne)
Resource Potential	3622 (27)	6,849 (282)	82,695 (185)
Proven Recoverable Reserves	113 (0.84)	1,023 (51.532)	886 (1.98)
Cumulative Production so far	72 (0.54)	410 (18.714)	~89 (~0.20)
Remaining Recoverable Reserves	41 (0.31)	612 (32.819)	797 (1.78)
Annual Production barrels/day	3.2 66079	27.9 (1.345) tonne)	2.1 (4.587 million
Reserve, Production Ratio	13 years	22 years	~ 400 years

### RECOMMENDATIONS

To address the shortcoming of existing policies and to move on the path envisaged in preceding chapters, certain recommendations are appended below:

- a. Energy conservation and efficiency may be set as a national goal in our national policy.
- b. Development of hydro-electric power plants and large water reservoirs may begin immediately.
- c. Coal resources may be put to effective use by rapid development of infrastructure and power plants to ensure generation of electricity up to 5000MW by the year 2015.
- d. Domestic applications of solar/wind energy may be publicized and encouraged.
- e. Concept of DE/DPS may be introduced in Pakistan to meet energy needs of remote and underdeveloped areas. This will help to address the inherent problem of line losses.
- f. A target of 1500 MW through nuclear power generation by the year 2015 may be set and pursued.
- g. Single apex body for analysis of governmental policies, preparation and implementation of a National Energy Plan may be setup. Lead may be taken from many other countries which have set up statutory bodies, like National Energy Authority (NEA), etc.
- h. Strong linkage between academic/research institutes and industry may be established to jointly tackle energy problem at national level. This step will accelerate the utilization of indigenous resources and efforts.
- i. More stringent laws may be enforced in full letter and spirit to curb electricity theft.

Conclusion - Energy sector is a vital stakeholder in the national security of a country and economic growth. Pakistan is presently confronted with the energy crisis of the magnitude which was never experienced before. Pakistan has limited explored fossil fuel resources as compared to the estimated reserves and reliance is mostly on imported fuel. In current state of economy, country can neither afford to increase its import bill nor rely on energy import.

Realizing that energy is an important string for national development; countries like Pakistan, which are deficient in energy resources, need to take adequate measures and diversified approach to ensure a sustainable energy future. Improved diplomatic relationships through a well-planned foreign policy and by creating favorable geopolitical situation is important to energy security and may solve the problem to some extent. But to ensure that all element of energy security (Surety, Supply, Sufficiency, Survivability, and Sustainability) are intact; the only viable strategy is to develop indigenization in energy sector. To achieve this; an integrated approach for energy planning and development is required. A whole hearted political will and determination from all those at the helm of affair is paramount.

Indigenous efforts for energy sector are key to our energy security. Term indigenization in context of energy security does not only cover the exploitation of energy resources but requires an integrated effort covering all aspects including R&D in energy efficient technology, development of local infrastructure, preparation of qualified manpower including foresighted policy makers. Our long term planning should, therefore, cover all these elements where industries, universities and policymakers have an equal role to play. Energy conservation has also lot to contribute in energy security and due awareness needs to be created among the masses.

Notwithstanding above, Pakistan has abundance of nature gifted energy resources; especially coal, hydropower and renewable energy resources. Since our independence some headway has been made on hydropower but still we are only tapping 11% of available hydel energy. Situation is even worse for coal exploration. To achieve our short to medium term goals, we need to focus on our Coal and Gas reserves and their optimum utilization. For our long term solution, we need to focus on enhanced share of renewable energy (solar and wind) and hydel power as both of these sources have no threats to diminish. Being nuclear Power our share of nuclear energy in energy mix need to be enhanced as we have due expertise and infrastructure to increase percentage of nuclear energy.

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# Awards & Accomplishments



Mr. Murtaza Ahmed Ali, CEO Allied Rental Modaraba, receiving Performance Award from Mr. Imtiaz Haider, Commissioner, SCD, SECP.

# FPCCI Achievement Award



FPCCI (The Federation of Pakistan Chambers of Commerce & Industry) Achievement Award.



Honourable President of Pakistan, Mr. Mamnoon Hussain, presenting the FPCCI Award to Mr. Murtaza Ahmed Ali, CEO Allied Rental Modaraba.

# Cat® Rental Power Operational Excellence Program

**Ali Ammar** - Program Team Leader

Introduced globally, the aim of the Cat® Rental Power Operational Excellence Program is to create a culture of market-leading quality and continuous improvement, through the standardization in processes, procedures, and policies. By encouraging the sharing of key learning and best practices from the most successful operations, it aims to elevate standards across its entire network.

Operational Excellence is a philosophy of leadership, teamwork, and problem solving; resulting in continuous improvement at every stage of the business, cutting through organizational boundaries, lower costs and higher customer satisfaction. Through becoming customer centric, empowering employees, optimizing existing processes, and adapting global best practices, Caterpillar believes the dealer network will be empowered to provide consistent value and positioned to exceed customer expectations.

The Cat® Rental Power Operational Excellence Program assessment is extremely rigorous and reviews all aspects of the business processes and working practices including:

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

## RANKING SYSTEM

Scoring is based on a level of Stars, which serve as a scoring mechanism and trigger for the award.

Ranking		
85-100%	Platinum	5 Stars
70 - 84%	Gold	4 Stars
50-69%	Silver	3 Stars
25 - 49%	Bronze	2 Stars
0 - 24%	Copper	1 Star

The final accreditation a company receives can range from ONE to FIVE stars, as per the standard and quality of its business practices.

## IMPLEMENTATION OF PROGRAM AT ALLIED RENTAL

It is not easy to implement Operational Excellence program and the risk of a fall back in performance is

present every day. It is simple in its principles but as hard to translate into practical concepts as to apply in practice. When Caterpillar proposed the idea of implementing operational excellence at Allied Rental, CEO Mr. Murtaza Ahmed Ali, immediately decided to volunteer for the program. The decision was based on the company's vision of acquiring leadership role in everything we do and when it comes to adopting and complying with the best practices worldwide, it was a natural choice for Allied Rental.



Before Audit



After Audit

*"We are what we repeatedly do. Excellence, then, is not an act, but a habit."* - Aristotle

## CHALLENGES

Many organizations that started enthusiastically with Operational Excellence programs, stopped as they failed to succeed in embedding Operational Excellence in the organization which leads to falling back to old ways of working. In the current trend of austerity and cost-cutting, Operational Excellence is more relevant than ever before.

But due to the focus on cost-cutting, the approach becomes too narrow and fragmented which increases the likelihood of failure.

A famous saying goes like "Old habits die hard". Implementing an Operational excellence program requires incremental but continuous changes in how we perform and live by our daily tasks. Sustainable results can only be attained if Operational Excellence becomes an integral part of the organizations' culture. This is only possible if attention is given to processes, people and the organization around them. No matter how much resource commitment is promised by an organization for such programs, the onus and ownership lies with the people. To engage people in such a program that focuses on performance benchmarking and eventual accountability is one of the key challenges. The approach adopted to tackle this baffled task was the involvement of all stakeholders and clearly identifying and communicating the associated benefits rather than approach of enforcement and forced compliance. Once people own an idea, it becomes easy to execute and evaluate.

*"People rarely buy what they need. They buy what they want."* Seth Godin

Such operational excellence programs exact many types of documentation to be carried out at every stage to gauge productivity and measure efficiency. In a dynamic and fast paced industry like Rental business, there are many everyday operational challenges that consume a lot of daily time so people find it difficult to document the activities. Therefore, along with proper communication about the importance of program, management also supported the implementation by providing additional workforce to complement this added activity of documentation.

#### **FIRST AUDIT**

Before the first audit, ARM was asked to self evaluate themselves on a set of parameters, benchmarks, policies and procedures implementation to make an initial assessment and identify major areas of focus that requires improvement. Through back and forth communication, full support was extended from CATERPILLAR for clarification over assessment templates and ways of implementation. Wholehearted commitment from senior management was the key motivator for other employees.

Once self assessment was done and feedback sent to CATERPILLAR, CAT Six Sigma Black Belt team visited Pakistan for the first Audit. The audit was carried out in Karachi and Lahore regions. The purview of audit expanded to all the organizational functions like Sales, marketing, Operations, Human Resource, Safety, Finance and Business growth. CAT auditors carried out a comprehensive audit of rules, procedures, policies and business practices. Several interview sessions were held with concerned managers. The auditors also visited several customer sites and Allied's own facilities where

they thoroughly analyzed the operation and safety practices.

Based on the meticulous and exhaustive audit, CAT auditors rated the Modaraba as FOUR STAR compliance to best practices.



**Before Audit**



**After Audit**

"This acknowledgment from Caterpillar is recognition of our efforts and achievements, and we thank Caterpillar for their continued support and guidance. The credit goes to entire team of Allied Rental whose untiring hard work, commitment and dedication made it possible to achieve 4-star status in our very first Audit. This will go a long way in paving future road of success and adherence to world's best business practices," said Murtaza Ahmed Ali, CEO Allied Rental Modaraba.

#### **FUTURE OUTLOOK**

A 30/60/90 plan was developed in consultation with CAT representatives to work on major areas of improvement. The plan carried recommendations to be implemented in 30, 60 and 90 days respectively as per the viability of actions. The Management is now working hard to further improve the areas identified by CAT Auditors. A new and dedicated management position has been created to cater to specific requirements of this Operational Excellence program. The effort so far put into the program is already bearing fruit in several ways. With the aid of regular reviews and self audits, performance tracking and visibility has become much easier. Level of documentation has improved significantly. Development of process maps, establishment of performance benchmarks and evaluation procedures are some of the key achievements of this program. A burgeoning focus on Employee, Equipment and Environmental safety is a landmark outcome.

CAT auditors' visit has been planned to carry out the next audit. The management hopes to attain FIVE STAR rating in its next Audit and strongly believes that the future reviews will help in further streamlining our processes and functions to ensure sustained growth.

# Modaraba Information

## Board of Directors

Mr. Khwaja Asif Rahman  
Chairman

Mr. Murtaza Ahmed Ali  
Chief Executive

Syed Feisal Ali  
Non - Executive Director

Mr. Raees A. Khan  
Non - Executive Director

Mr. Ali Akbar  
Non - Executive Director

Mr. Hassan Shehzad Abidi  
Non - Executive Director

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

## Audit Committee

Mr. Abdul Rahim Suriya (Independent)  
Chairman

Syed Feisal Ali  
Member

Mr. Ali Akbar  
Member

## Chief Financial Officer

Mr. Naveed Shaheen

## Company Secretary

Mr. Ilyas Asif

## Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

## Human Resource and Remuneration Committee

Mr. Khwaja Asif Rahman  
Chairman

Syed Feisal Ali  
Member

Mr. Murtaza Ahmed Ali  
Member

Mr. Abdul Rahim Suriya (Independent)  
Member

## Strategic Management

Mr. Rashid Jehangiri  
Head of Operations - Lahore

Mr. Ali Ahsan  
Head of Operations - Karachi

Mr. Naveed Akhter  
Head of Operations - Islamabad

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

Soneri Bank Limited

Habib Metropolitan Bank

MCB Bank Limited

United Bank Limited

Standard Chartered Modaraba

First Habib Modaraba

Meezan Bank Limited

Burj Bank Limited

## Auditors

A.F. Ferguson & Co. Chartered Accountants

## Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

## Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

## Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

## Registered & Head office

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

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

## Registrar & Certificate Transfer Office

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

Tel: 021 - 35643871-72

Fax: 021 - 35643873

# Credit Rating



# Product Profile

## Power Generation Equipment



The Lifblood of any business is reliable electric power. Allied Rental offers a wide range of Caterpillar power generation equipment to meet the most specific power requirements for various types of applications.

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

## Powerhouse Operation and Maintenance

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



## Lighting Towers



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

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

## Load Bank Rental

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

## 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.



# Logistics Business

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

# Trucking Logistics Solution



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

# Inbound Logistics / Material Handling Solutions



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

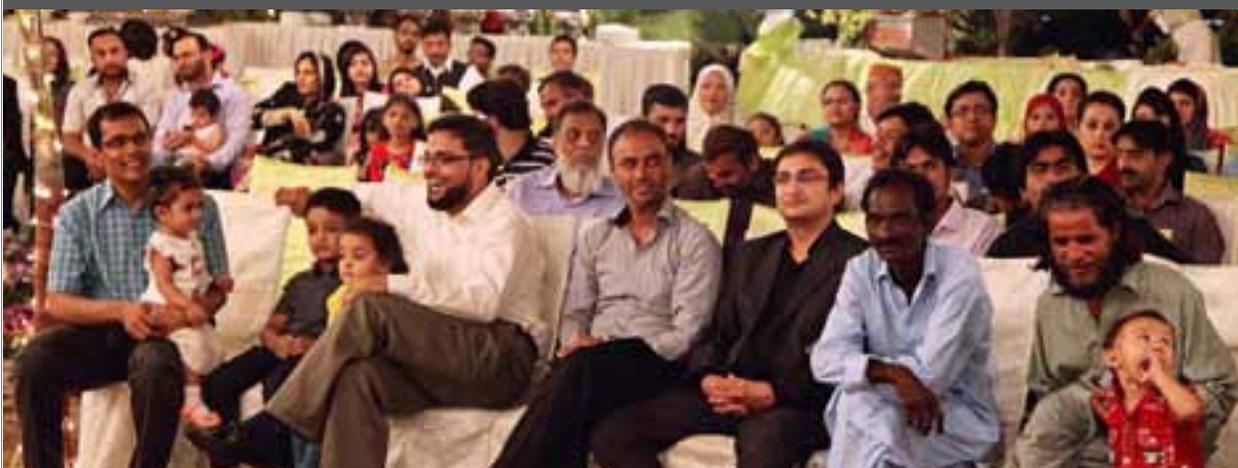


## Crane Services

Our Cranes Fleet comprises of diverse equipment to match unique and customized requirement for crane services by our customers. Our Specially designed dual purpose 10 & 12 tons Crane Mounted Trucks not only lift load, but also transport the load to desired location providing one window solution for both lifting and transportation jobs. The addition of 25, 30 & 75 Tons Brand new Sany Truck Cranes in our rental fleet enhances our operation capabilities in Logistics business and provides quality Crane services with Reliable and Certified equipment.



# Staff Activities



Field Trip  
to Port  
Qasim Yard





## Allied Premier League 2013-2014

## Allied Table Tennis Championship 2014





## Asghar Ali Shah Cricket Stadium



# Key Financial Data

		2014	2013	2012	2011	2010	2009
Total Assets	Rs. Million	5,357	4,440	2,711	2,111	1,511	1,273
Current Assets	Rs. Million	477	587	353	228	205	183
Current Liabilities	Rs. Million	1,256	1,353	645	658	317	203
Paid-up capital	Rs. Million	1,219	975	750	600	600	600
Reserves	Rs. Million	1,900	1,378	913	703	550	178
Stock holders' equity	Rs. Million	3,119	2,353	1,663	1,303	1,150	962
Gross Profit	Rs. Million	873	808	595	379	338	253
Net Profit	Rs. Million	651	632	499	288	278	176
Profit after Tax	%	26	30	32	28	34	28
Return on Assets	%	13	18	21	16	20	16
Return on Equity	%	24	31	34	24	26	25
Return on Capital employed	%	16	20	24	20	22	17
Expense Ratio	%	70	67	66	70	66	72
Debt / Equity Ratio	%	28 : 72	33 : 67	24 : 76	15 : 85	15 : 85	19 : 81
Current Ratio	times	0.38 : 1	0.43 : 1	0.55 : 1	0.35 : 1	0.65 : 1	0.90 : 1
Price Earning Ratio	times	10.27	7.51	5.87	4.56	3.24	3.75
Earning per certificate - basic and diluted	Rs.	5.52	5.53	5.49	3.84	4.63	3.60
Dividend yield Ratio	%	5	7	9	13	15	11
Dividend Pay out ratio	%	54	54	55	60	49	42
Cash dividend	%	30	30	30	23	23	15
Stock dividend	%	0	5	10	25	-	-
Cash dividend per certificate	Rs.	3.00	3.00	3.00	2.3	2.25	1.50
Book Value per certificate	Rs.	25.59	24.13	22.17	21.72	19.16	16.03
Market Value per certificate	Rs.	56.70	41.53	32.25	17.50	15.00	13.50

# Summary of Cash Flows

	2014	2013	2012	2011	2010	2009
	(Rupees in '000)					
Profit for the year	651,455	631,865	498,792	288,294	277,973	176,141
Adjustments For Non-Cash and Other Items	605,484	440,837	252,092	236,098	157,643	153,218
Decrease / (increase) in operating assets	(82,320)	(159,074)	(91,255)	(582,063)	39,157	(1,429)
Increase / (decrease) in operating liabilities	(415,136)	386,728	(71,862)	430,299	55,322	(52,742)
Cash generated from operations	(497,456)	227,654	(163,117)	(151,764)	94,479	(54,171)
Cash Flows From Operating Activities	759,483	1,300,356	587,767	372,628	530,095	275,188
Cash Flows From Investing Activities	(1,592,817)	(1,913,279)	(696,388)	(241,358)	(366,131)	(490,899)
Cash Flows From Financing Activities	676,312	700,360	164,743	(157,404)	(111,319)	130,636
Net Cash increase/ (decrease) during the period	(157,022)	87,437	56,122	(26,134)	52,645	(85,075)
Cash and cash equivalents at beginning of the period	205,049	117,612	61,490	87,624	34,979	120,054
Cash and cash equivalents at end of the period	48,027	205,049	117,612	61,490	87,624	34,979

# Value Added Statement

## VALUE ADDED

Revenue from Operations  
Profit on Ijarah Finance  
Other Income

2014		2013	
(Rupees in '000)	(%)	(Rupees in '000)	(%)
2,542,211	97.16	2,134,640	98.28
-	0.00	4,559	0.21
74,285	2.84	32,867	1.51
<u>2,616,496</u>	<u>100</u>	<u>2,172,066</u>	<u>100</u>

## VALUE ALLOCATED

Employees  
Operating Expenses  
Providers of Finance  
Modaraba Management Fee  
Certificate Holders

Expansion & Growth

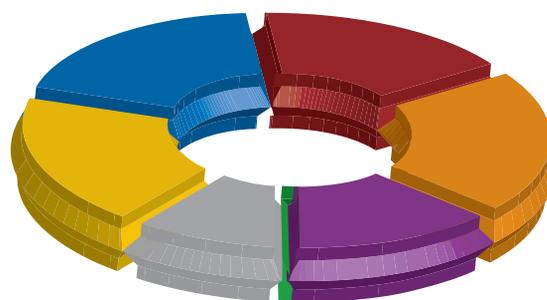
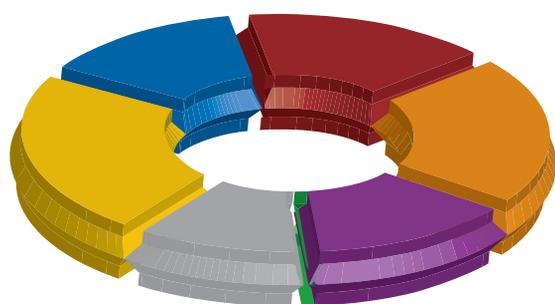
As Depreciation  
As Reserve and Retained Earnings

429,861	16.43	367,754	16.93
540,619	20.66	455,404	20.97
377,058	14.41	300,086	13.82
6,515	0.25	6,319	0.29
292,500	11.18	225,000	10.36
Expansion & Growth			
610,987	23.35	410,638	18.90
358,956	13.72	406,865	18.73
<u>2,616,496</u>	<u>100</u>	<u>2,172,066</u>	<u>100</u>

## Value Allocated

# 2014

# 2013



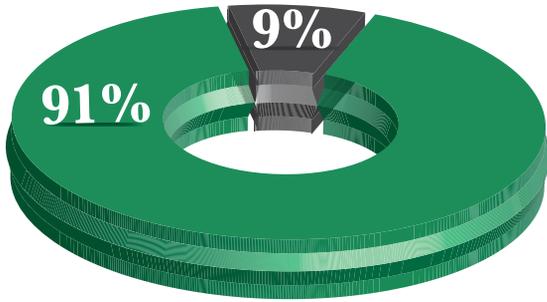
■ Employees	16.43%
■ Operating Expenses	20.66%
■ Providers of Finance	14.41%
■ Modaraba Management Fee	0.25%
■ Certificate Holders	11.18%
■ As Depreciation	23.35%
■ As Reserve and Retained Earnings	13.72%

■ Employees	16.93%
■ Operating Expenses	20.97%
■ Providers of Finance	13.82%
■ Modaraba Management Fee	0.29%
■ Certificate Holders	10.36%
■ As Depreciation	18.90%
■ As Reserve and Retained Earnings	18.73%

# Balance Sheet Composition

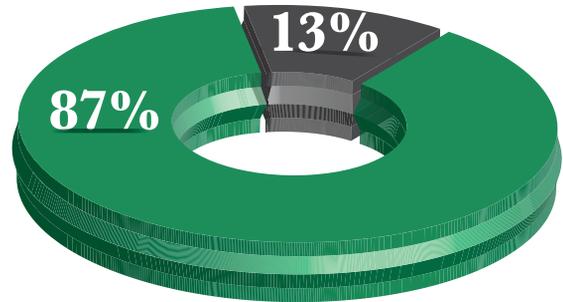
## Assets

2014



- Total Current Assets
- Total Non - Current Assets

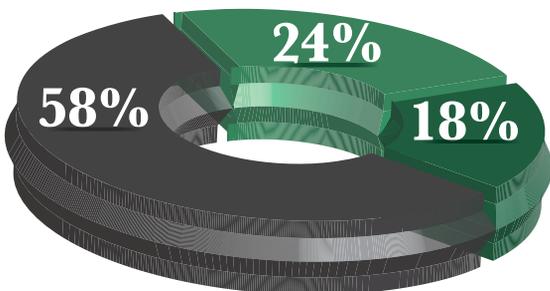
2013



- Total Current Assets
- Total Non - Current Assets

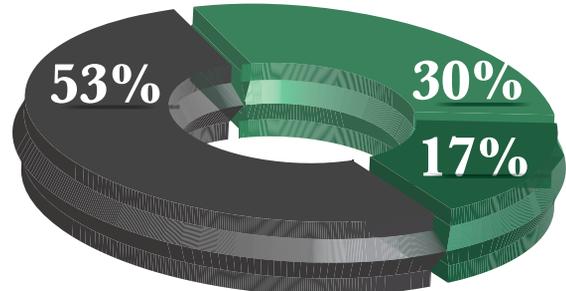
## Equity & Liabilities

2014



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

2013



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

# Vertical Analysis

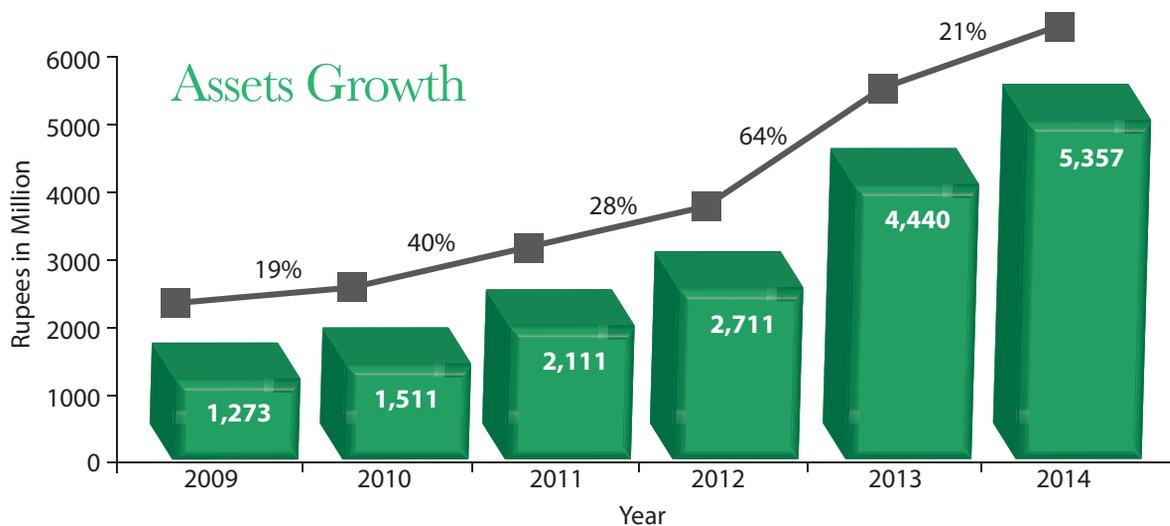
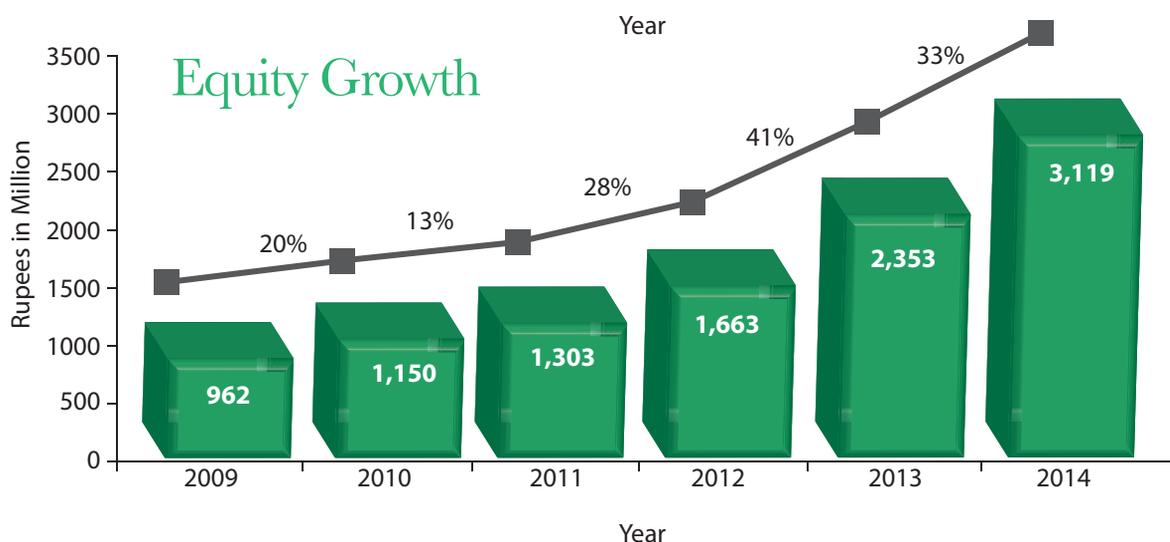
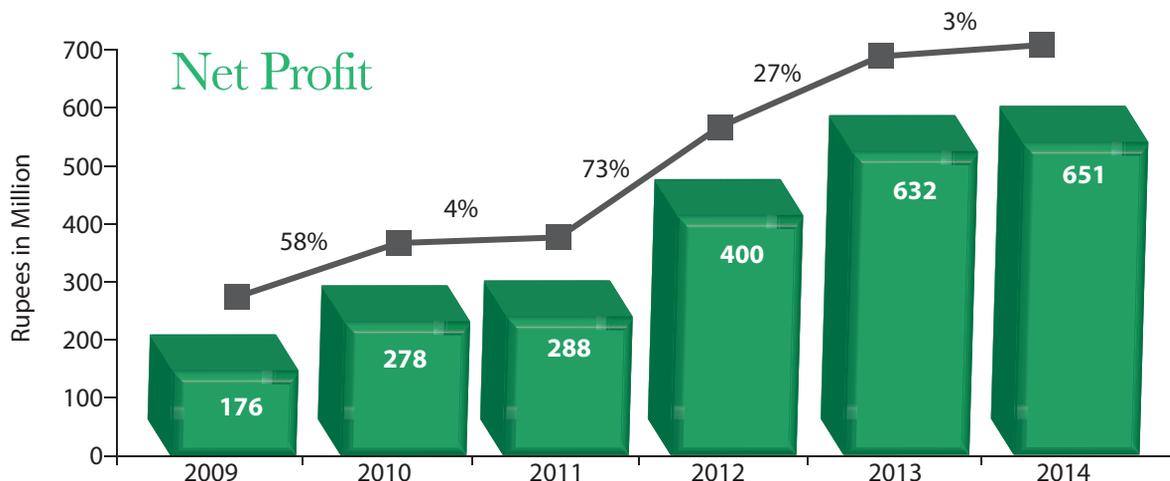
	2014	2013	2012	2011	2010	2009
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	1%	5%	3%	3%	6%	3%
Short-term investments	0%	0%	1%	0%	0%	0%
Ijarah rentals receivable	6%	7%	6%	5%	4%	5%
Operation and maintenance income receivable	0%	0%	1%	1%	1%	1%
Advances, deposits and other receivable	1%	1%	1%	1%	1%	2%
Spare parts	1%	1%	1%	1%	0%	0%
Current portion of net investment in Ijarah finance	0%	0%	0%	0%	1%	4%
	9%	13%	13%	11%	14%	14%
<b>Non-current assets</b>						
Net investment in Ijarah finance	0%	0%	2%	3%	5%	7%
Long-term security deposits	1%	1%	2%	1%	1%	2%
Fixed assets in own use - tangible	1%	1%	2%	2%	1%	2%
Ijarah assets	87%	83%	79%	84%	78%	74%
Capital work-in-progress	2%	2%	3%	0%	1%	1%
	91%	87%	87%	89%	86%	86%
	100%	100%	100%	100%	100%	100%
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Creditors, accrued and other liabilities	8%	19%	16%	25%	9%	6%
Borrowing from an associated company - unsecured	0%	0%	0%	0%	0%	0%
Payable to the Modaraba Management Company	0%	0%	0%	0%	1%	0%
Current portion of Diminishing Musharakah financing payable	16%	11%	7%	5%	8%	0%
Current portion of liabilities against assets subject to finance lease	0%	0%	0%	1%	4%	10%
Current portion of security deposits	0%	1%	0%	0%	0%	0%
	24%	30%	24%	31%	21%	16%
<b>Non-current liabilities</b>						
Diminishing Musharakah financing payable	18%	15%	12%	5%	0%	0%
Liabilities against assets subject to finance lease	0%	0%	0%	0%	2%	8%
Deferred liabilities	0%	0%	1%	1%	1%	1%
Other long-term employee benefits	0%	0%	0%	0%	0%	0%
Security deposits	0%	1%	2%	2%	0%	0%
	18%	17%	15%	7%	3%	8%
<b>FINANCED BY : CAPITAL AND RESERVES</b>						
Issued, subscribed and paid-up certificate capital	23%	22%	28%	28%	40%	47%
Premium on issue of right certificates	8%	5%	3%	4%	6%	7%
Statutory (mandatory) reserve	20%	18%	21%	22%	21%	14%
Unappropriated profit	7%	8%	10%	7%	9%	7%
	58%	53%	61%	62%	76%	76%
	100%	100%	100%	100%	100%	100%
<b>PROFIT AND LOSS ACCOUNT</b>						
Ijarah rentals	93%	93%	87%	82%	77%	74%
Operation and maintenance income	4%	6%	10%	15%	18%	21%
Profit on Ijarah finance	0%	0%	1%	1%	2%	3%
Other income	3%	2%	2%	2%	3%	3%
	100%	100%	100%	100%	100%	100%
<b>Gross Revenue</b>						
<b>Operating expenses</b>						
Administrative and distribution expenses	64%	61%	60%	62%	57%	58%
Provision against potential Ijarah losses and operation and maintenance income	3%	3%	4%	5%	5%	7%
Finance costs	1%	1%	0%	0%	1%	0%
Workers' welfare fund	6%	4%	3%	3%	2%	7%
	1%	1%	1%	1%	1%	0%
	75%	71%	68%	72%	67%	73%
Modaraba Management Company's remuneration	0%	0%	0%	1%	1%	0%
Sindh Sales Tax on Management Company's remuneration	0%	0%	0%	0%	0%	0%
	0%	0%	0%	0%	0%	0%
<b>Profit Margin</b>	25%	29%	32%	27%	32%	27%

# Horizontal Analysis

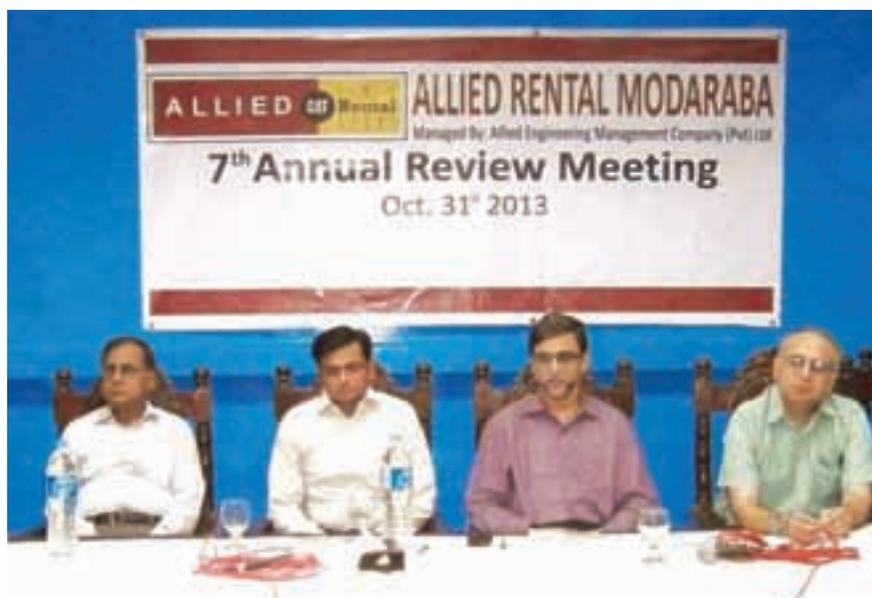
	2014	2013	2012	2011	2010	2009
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	-77%	148%	34%	-30%	151%	-71%
Short-term investments	0%	-100%	100%	0%	0%	0%
Ijarah rentals receivable	5%	93%	33%	89%	-12%	12%
Operation and maintenance income receivable	39%	-10%	-3%	-7%	103%	0%
Advances, deposits and other receivable	2%	122%	32%	-17%	-5%	242%
Spare parts	110%	-36%	192%	100%	0%	0%
Current portion of net investment in Ijarah finance	0%	-100%	20%	-62%	-66%	84%
	-19%	66%	55%	13%	12%	-18%
<b>Non-current assets</b>						
Net investment in Ijarah finance	0%	-100%	-12%	-11%	-17%	-30%
Long-term security deposits	34%	17%	148%	8%	-35%	-29%
Fixed assets in own use - tangible	24%	4%	44%	76%	-4%	9%
Ijarah assets	26%	72%	21%	49%	25%	66%
Capital work-in-progress	43%	-2%	2491%	-82%	21%	141%
	27%	63%	25%	44%	20%	45%
	21%	64%	28%	40%	19%	30%
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Creditors, accrued and other liabilities	-49%	87%	-15%	308%	57%	8%
Borrowing from an associated company - unsecured	0%	0%	0%	0%	0%	-100%
Payable to the Modaraba Management Company	-4%	60%	-37%	-16%	4110%	-88%
Current portion of Diminishing Musharakah financing payable	63%	151%	106%	-16%	100%	0%
Current portion of liabilities against assets subject to finance lease	0%	0%	-100%	-54%	-46%	-18%
Current portion of security deposits	7%	100%	0%	0%	0%	0%
	-7%	110%	-2%	108%	56%	-28%
<b>Non-current liabilities</b>						
Diminishing Musharakah financing payable	37%	105%	240%	100%	0%	0%
Liabilities against assets subject to finance lease	0%	0%	0%	-100%	-69%	-56%
Deferred liabilities	24%	21%	28%	30%	26%	26%
Other long-term employee benefits	-10%	30%	35%	6%	100%	0%
Security deposits	-7%	-45%	43%	100%	-100%	-82%
	34%	82%	169%	236%	-59%	-55%
<b>FINANCED BY : CAPITAL AND RESERVES</b>						
Issued, subscribed and paid-up certificate capital	25%	30%	25%	0%	0%	100%
Premium on issue of right certificates	95%	150%	0%	0%	0%	100%
Statutory (mandatory) reserve	35%	43%	22%	45%	78%	98%
Unappropriated profit	8%	34%	73%	6%	52%	43%
	32%	42%	28%	13%	20%	111%
	21%	64%	28%	40%	19%	30%
<b>PROFIT AND LOSS ACCOUNT</b>						
Ijarah rentals	22%	46%	59%	30%	38%	47%
Operation and maintenance income	-26%	-22%	1%	5%	12%	25%
Profit on Ijarah finance	-100%	-61%	-9%	-18%	-19%	-21%
Other income	126%	17%	67%	-39%	65%	304%
<b>Gross Revenue</b>	20%	38%	50%	23%	32%	41%
<b>Operating expenses</b>						
Administrative and distribution expenses	25%	40%	45%	33%	29%	41%
Provision against potential Ijarah losses	21%	28%	7%	23%	-5%	59%
and operation and maintenance income	-2%	322%	2%	-1%	46%	50%
Finance costs	75%	109%	31%	65%	-52%	32%
Workers' welfare fund	3%	27%	77%	-36%	100%	0%
<b>Total Expenses</b>	28%	44%	41%	32%	20%	42%
Modaraba Management Company's remuneration	3%	27%	-33%	-14%	100%	0%
Sindh Sales Tax on Management Company's remuneration	-3%	90%	100%	0%	0%	0%
<b>Profit Margin</b>	3%	27%	73%	4%	58%	38%



# Financial Summary at a Glance



# Annual Review Meeting 2013



# Notice of Annual Review Meeting

Notice is hereby given that the 8th Annual Review Meeting of the Certificate Holders will be held on Friday, October 31, 2014 at 03:30 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, 2014.

The Certificate Holders whose names appear on the Register of Certificate Holders of Allied Rental Modaraba as on October 22, 2014 will be eligible to attend the Annual Review Meeting.

## By order of the Board

Murtaza Ahmed Ali  
Chief Executive Officer  
September 16, 2014

## Note:

1. The Certificate Transfer Book will remain closed from October 23, 2014 to October 31, 2014 (both days inclusive) for the purpose of attending Annual Review Meeting. All transfer received in order up to close of business on October 22, 2014 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, 2014

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, 2014 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 Shariah requirement as well as the requirement of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulation for Modarabas.;

### Conclusion:

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

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

وَصَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



**Irshad Ahmad Aijaz**

Dated: 10 September, 2014



# Directors' Report

for the year ended June 30, 2014

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, 2014.

Financial Highlights	Rs. in '000
Sales Revenue	2,542,211
Profit for the year	651,455
Un-appropriated profit brought forward	59,019
Available for Appropriation	707,792
Transfer to Statutory Reserve @ 50% of profit for the year	325,728
Proposed cash dividend @ 30% (Rs. 3 per certificate)	365,625
Right Issue @ 20% (1 certificate for every 5 certificates held)	243,750
Premium on issue of Right certificates	304,688
Un-appropriated profit carried forward	16,439
Net profit margin	26%
Return on equity	24%
Earning per certificate	Rs. 5.52
Break-up value per Certificate	Rs. 25.59
Price Quoted on Karachi Stock Exchange on June 30, 2014	Rs. 56.70

## Business Review

The Management is pleased to report the Financial Statements for the year ended June 30, 2014, which again witnessed remarkable growth in terms of revenues, investment in the Rental Assets and expansion of the Rental business to other growth



sectors of the country. However, the profits for the year registered a marginal growth due to various factors as explained below.

Modaraba is continuously achieving new heights of

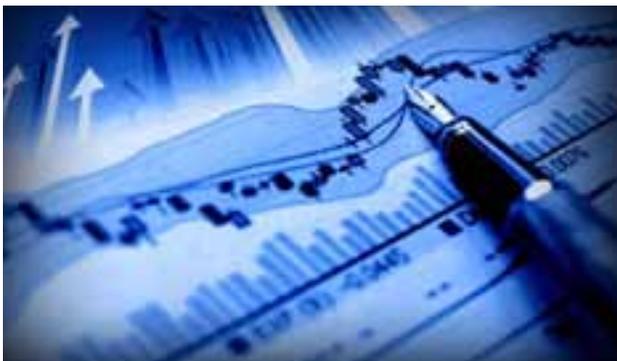
growth and crossed sales revenue of Rs. 2.5 Billion, 19% plus compared to previous year and consistent double digit growth recorded since its floatation in 2007. During the year, the new investment in the Rental Assets also crossed Rs 2 Billion, making total investment in the Ijarah assets at Rs 4.6 Billion. The new investment in the Ijarah Assets covered all areas of our Portfolio investment, including both Diesel and Gas Power Generation Equipment, Forklifts and Logistics Equipment. The market capitalization of the Modaraba substantially increased during the year and now stands at approximately Rs. 7 Billion compared to NET WORTH of Rs 3.1 Billion of the Modaraba as per books of accounts at June 30, 2014 closing. This growth in the NET WORTH of the Modaraba reflects the confidence of the investor on the performance of the Modaraba and its future earning potential, which is all made possible due to continuous reinvestment of the profits in the business by maximum retention to finance the expansion and growth of Rental Assets. However, the Management has also ensured that Dividend payment is retained at maximum level and this will be the third year that the Modaraba will be paying 30% Cash Dividend.

The profits for the year witnessed a small growth and remained stagnant at Rs 651 million as compared to Rs. 632 million in the preceding year. This is mainly due to decline in the gross margin percentage by 3.4% largely attributable to higher Depreciation charge of Rs 611 million as compared to Rs 411 million in the preceding year. The Depreciation this year accounts for 24% of the Sales as compared to 19% of the previous year. The Ijarah Rental charge also went up from Rs 205 million to Rs 211 million in the current year. The higher charge on these two accounts is basically the reflection of investment made in the Rental Assets. The charge for Staff costs went up by 16 % is in line with growth of Rental business, however its percentage of Sales came down from 16% to 15% which is made possible due to strict control and strong monitoring of staff costs despite inflationary pressures.

The other major factor for stagnant profitability despite higher sales is the increase in financial costs which went up from Rs 85 million of last year to Rs 166 million in the current year. This is again mainly due on account of borrowings for expansion of the Rental Fleet.

The other major cost is the Operating Expenses which are now Rs 1,670 million showing an increase of 25% as compared to last year. The said increase is mainly attributable to our Logistics segment. The Ijarah Rental Income from Logistics segment went up from previous Rs 41 million to Rs 75 million in the current year. The Modaraba is mainly providing Logistic Rental Solution to two major blue chip FMCG brands in the country.

The Administrative and distribution costs went up to Rs 91 million as compared to Rs 75 million of the last year. However, the overall percentage of the cost compared to Sales again this year remains stagnant at 3.5%. 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 27 Million, Proceeds from sale of Scrap of Rs 11 Million, exchange gain of Rs. 21 Million and Profits on its savings with Islamic

Banks of Rs 14 Million. The Modaraba Management Company has also kindly agreed to charge only 1% of Modaraba's Net Income which works out to Rs 6.5 Million as compared to Rs 6.3 Million of the prior year.

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. The Management expects that with the arrival of LNG in the country, the utilization level of its Gas Engine Rental segment will increase.

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

The construction rental business did pick some momentum during the year but is much below the requirement and potential of the country. Though we feel that there is excess capacity of construction equipment available in the country, both with the construction companies and investor cum operator unorganized sector, but still there is a window of opportunity in niche market segment of Cranes and other specialized Equipment. Though, presently the Management has no immediate plans to make any major new investment in this sector but is rolling out products to cash on the demand of the niche market segment. Modaraba is continuously reviewing its Product portfolio and 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. As mentioned earlier our investment in the sector stands at Rs 224 Million during the current year, generating Ijarah Sales of Rs 75 Million.

### Dividend

The Board is pleased to announce a cash dividend of 30 % i.e. Rs. 3 per certificate of Rs. 10/- each.

### Rights Issue

The Management is continuously expanding its Rental Fleet, both in Power Generation Rental business and logistics business, where it sees potential for investment and growth. This is evident of the investment made in 2013 -14 whereby initially the management projected to invest Rs 1 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 2 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. 12.5 per Certificate. The premium is worked out based on the Break-up Value of the Certificate as at June 30, 2014 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 rated the entity ratings of Allied Rental Modaraba (ARM) at "A +" (Single A Plus) for long term & "A-1" (Single A-One) for short term. This again depicts the confidence of the rating agency on the performance of the Modaraba and its capacity to meet its financial obligations.

### Cat® Rental Power Operational Excellence Program

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. During the year, 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 2015 and onwards. By applying prudent policies and disciplines in our business operations, we are confident that the targets sets for the year will be achieved. We see year 2015 as an opportunity to 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. Wherever we see window of opportunity, we must not let these opportunities lapse and must continue to make new investments in all sorts of Rental products by offering Islamic Ijarah Rental products and work with our customers for their rental needs.

### **OUR COMMITMENT TO REGULATOR AND CERTIFICATE HOLDERS**

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

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

- a) complying with Islamic Shari'ah principles in all our business areas;
- b) generate fair returns on their investment through cash dividends, bonus issues and offering of Rights Certificates; and
- c) 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 Modaraba lives up to its core values and principles, institutionalizing excellence in everything we do. Driven by the highest governance standards of integrity, transparency and zeal to protect stakeholders' value, Modaraba has aligned its governance framework to the industry's best practices. The board of directors and senior management place significant emphasis on internal controls, which trickles down to each and every employee of the Modaraba.

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

### **Control Activities**

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

### **Review**

The Board meets at-least once each quarter to consider Modarabas' financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals



and other key performance indicators. Post completion reviews are performed on all material investment expenditures

### Audit

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

### Whistle Blower Mechanism

The Board has developed the Whistle Blower Mechanism in line with the requirements of the Code of Corporate Governance. There may sometimes be circumstances in which people feel uncomfortable raising issues directly with their managers. Hence we plan to provide a confidential "whistle blowing" mechanism throughout the Modaraba which the employees will be able to use. The policy encourages open discussion of these issues and no one will be disadvantaged as a result of informing in good faith any concerns about compliance with the Modaraba's Code of Conduct. Under the policy, all disclosures are kept confidential and the identity of the individual making the allegation may be kept confidential so long as it does not hinder or aggravate any investigation. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required. If an employee needs to make a disclosure he/she should first raise the issue to his/her Department Head (unless he/she is the potential transgressor), in which case he/she can write to the Audit committee in the following format for the purpose of recording and monitoring.

- The background and history of the concern (with relevant dates)

- The reason why they are particularly concerned about the situation.

### Alternative Complaint Methods:

#### Independent Hotline:

An independent compliance hotline, operated by an external agency gives employees the opportunity to report potential improprieties in financial reporting or other matters. The hotline is available to all and callers can remain anonymous if they wish.

### Directors

#### The Structure of the Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience, and 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:

- Five non-executive directors representing Allied Group of companies, the majority shareholder;
- One executive director being the CEO of the Management Company, managing the affairs of the Modaraba; and
- One Independent Director, Mr. Abdul Rahim Suriya was appointed during the year as per the requirements of the Code of Corporate Governance.



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

Mr. Abdul Rahim Suriya, an independent director appointed on the Board is a seasoned professional and well known personality in the professional circles of the country. We feel that with his appointment, the Modaraba and its Management will get an independent view of the business processes and prospects and will gain a lot from his expertise and knowledge, specially with reference to Governance policies and sustainability standards.

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	1
Mr. Abdul Rahim Suriya	2
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, three directors attended the CCG program organized by the Institute of Chartered Accountants of Pakistan. As of today, there are 6 out of 7 director are qualified individual under the CCG directive.

Newly appointed directors are given induction training that introduces them to their role, duties, and

responsibilities, as well as knowledge of the Modaraba, their legal obligations, and the regulations that apply to them as directors of a listed entity. They also go through a rigorous approval mechanism set at SECP with interviews conducted by Registrar Modarabas, specially with reference to their knowledge on Islamic Finance and Shariah compliance standards.

### Compliance with Corporate Governance

The Board of Directors reviews all significant matters of the Modaraba. These include Modaraba'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 except for the change as stated in note 2.5.15.1 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, 2014 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	53,105	13,276	20,000
Syed Feisal Ali	Non-Executive Director	200,000	50,000	-
Mr. Ali Akbar	Non-Executive Director	9,750	2,438	-
Mr. Rees A. Khan	Non-Executive Director	52,000	13,000	-
Mr. Hassan Shahzad Abidi	Non-Executive Director	650	162	-
Mr. Abdul Rahim Suriya	Independent Director	4,100	1,025	-
Mr. Naveed Shaheen	Chief Financial Officer	3	1	-
Mr. Ilyas Asif	Company Secretary	5,500	-	-

- The value of investments in Employee's Provident Funds based on the audited financial statements of the fund as at December 31, 2013 is Rs. 32,954,014 (2012: Rs. 28,560,033)
- 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
  - a sound organizational plan of the Modaraba,
  - an effective employee development program and;
  - sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve set objectives.

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

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

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

Mr. Abdul Rahim Suriya	2
Syed Feisal Ali	4
Mr. Murtaza Ahmed Ali	2
Mr. Ali Akbar	4

### 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, 2015 subject to the approval of Registrar of Modaraba Companies & Modarabas.

### Shari'ah Audit Report

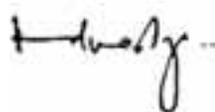
The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Irshad Ahmed Aijaz as and when required to ensure full compliance to Sharia'h Audit mechanism developed in consultation with Registrar Modarabas. The internal audit department has also been trained to handle the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shari'ah Audit Report issued for the affairs of the Modaraba for the year ended June 30, 2014 is attached in the Annual Financial Statements.

### Acknowledgement

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

We would also like to express our sincere gratitude to the Registrar Modarabas, Religious Board, financial institutions and our business partners for their continued support and guidance; and our customers for their continued patronage and business. We are also grateful to our certificate holders for their support and confidence in our management.

On behalf of the Board



**Murtaza Ahmed Ali**  
Chief Executive  
September 16, 2014

# Statement of Compliance

with the best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI of the Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Allied Engineering Management Company (Private) Limited (the Modaraba Management Company) is not listed. However, Allied Rental Modaraba is listed at Karachi Stock Exchange. The Board of Directors of the Modaraba Management Company is responsible for managing the affairs of the Modaraba.

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

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

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

The independent director meets the criteria of independence under clause i(b) of the CCG. All the Director's appointment have been duly approved by the Registrar Modarabas, Securities and Exchange Commission of Pakistan (SECP).

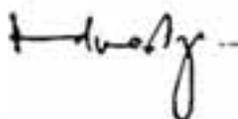
2. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Management Company.
3. All the resident directors of the Modaraba Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking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

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

4. During the year, no casual vacancy occurred on the Board of Directors.
5. The Modaraba has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of the particulars of these significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer of the Modaraba Management Company, other executive and non – executive directors, have been taken by the Board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year ended June 30, 2014, Mr. Feisal Ali, Mr. Ali Akbar and Mr. Hassan Shahzad Abidi attended the CCG training program organized by the Institute of Chartered Accountants of Pakistan (ICAP). As of today, there are 6 directors out of 7, who meet the training requirements under the CCG directive.
10. The Board has approved the appointment of Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It presently comprises of three members all of whom are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Modaraba as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of four members of whom three are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set-up an effective internal audit function including Shari'ah compliance mechanism as required under circular 8 of 2012 issued by the Registrar of Modarabas, SECP. 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. Mufi Irshad Ahmed Aijaz is the Shari'ah Advisor of the Modaraba and has issued Shari'ah Review Report for the year ended June 30, 2014.
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 ICAP, 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 the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of 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 16, 2014



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

# Review Report to the Certificate Holders

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Allied Engineering Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of Allied Rental Modaraba for the year ended June 30, 2014 to comply with the requirements of the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Modaraba is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's

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

The Code requires the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended June 30, 2014.

**Date: September 22, 2014  
Karachi**

**Chartered Accountants**



**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, 2014 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 Modaraba Management Company in respect of Allied Rental Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
- 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 except for the change as stated in note 2.5.15.1 to the accompanying financial statements with which we concur;
  - the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - 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, 2014 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.

**Date: September 22, 2014**  
**Karachi**

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

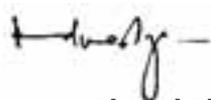
# Balance Sheet

As at June 30, 2014

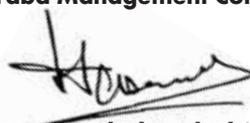
	Note	2014	2013
			Restated
		(Rupees)	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	3	48,027,231	205,048,935
Ijarah rentals receivable	4	305,483,559	291,008,820
Operation and maintenance income receivable	5	21,557,025	15,506,250
Advances, deposits and other receivables	6	54,210,173	53,145,791
Spare parts		47,229,267	22,487,148
		476,507,255	587,196,944
<b>Non-current assets</b>			
Long-term security deposits	7	70,359,926	52,563,565
Fixed assets in own use - tangible	8	65,032,652	52,347,976
Ijarah assets	9	4,644,854,276	3,677,543,177
Capital work-in-progress	10	99,882,793	69,925,080
		4,880,129,647	3,852,379,798
<b>Total assets</b>		<b>5,356,636,902</b>	<b>4,439,576,742</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	11	419,735,513	831,019,502
Payable to the Modaraba Management Company	12	7,057,997	7,315,759
Current portion of diminishing musharakah financing payable - secured	13	804,727,207	492,435,571
Current portion of security deposits	16	24,000,000	22,500,000
		1,255,520,717	1,353,270,832
<b>Non-current liabilities</b>			
Diminishing musharakah financing payable - secured	13	924,463,183	676,365,991
Deferred liability	14	24,730,674	19,902,817
Other long-term employee benefit	15	7,227,702	8,038,987
Security deposits	16	26,000,000	28,000,000
		982,421,559	732,307,795
<b>Total liabilities</b>		<b>2,237,942,276</b>	<b>2,085,578,627</b>
<b>NET ASSETS</b>		<b>3,118,694,626</b>	<b>2,353,998,115</b>
<b>FINANCED BY : CAPITAL AND RESERVES</b>			
Authorised certificate capital			
150,000,000 (2013: 125,000,000) modaraba certificates of Rs.10 each	17	1,500,000,000	1,250,000,000
Issued, subscribed and paid-up certificate capital	17	1,218,750,000	975,000,000
Premium on issue of right certificates		439,500,000	225,000,000
Statutory (mandatory) reserve	18	1,078,380,652	801,402,963
Unappropriated profit		382,063,974	352,595,152
		3,118,694,626	2,353,998,115
<b>CONTINGENCIES AND COMMITMENTS</b>	19		

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

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



**Murtaza Ahmed Ali**  
Chief Executive



**Hassan Shehzad Abidi**  
Director



**Abdul Rahim Suriya**  
Director

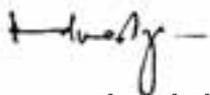
# Profit and Loss Account

For the year ended June 30, 2014

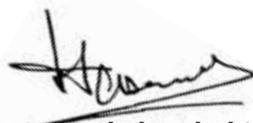
	Note	2014	2013
		(Rupees)	
Ijarah rentals		2,450,135,752	2,009,836,666
Operation and maintenance income		92,075,399	124,803,537
Profit on Ijarah finance		-	4,558,996
		<u>2,542,211,151</u>	<u>2,139,199,199</u>
Operating expenses	20	(1,669,589,435)	(1,331,441,120)
<b>Gross Profit</b>		<u>872,621,716</u>	<u>807,758,079</u>
Administrative and distribution expenses	21	(90,720,299)	(75,134,124)
Provision against potential Ijarah losses and operation and maintenance income	4.3 & 5.2	(18,191,882)	(18,628,717)
Finance costs	22	(165,752,412)	(94,773,321)
Other income	23	74,285,001	32,867,450
		<u>(200,379,592)</u>	<u>(155,668,712)</u>
		<u>672,242,124</u>	<u>652,089,367</u>
Modaraba Management Company's remuneration	12.1	(6,514,554)	(6,318,645)
Sindh sales tax on Modaraba Management Company's remuneration	24	(977,183)	(1,010,983)
		<u>664,750,387</u>	<u>644,759,739</u>
Workers' welfare fund	25	(13,295,008)	(12,895,195)
<b>Profit for the year before taxation</b>		<u>651,455,379</u>	<u>631,864,544</u>
Taxation	26	-	-
<b>Profit for the year after taxation</b>		<u>651,455,379</u>	<u>631,864,544</u>
			Restated
Earnings per certificate - basic & diluted	27	<u>5.52</u>	<u>5.53</u>

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

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



**Murtaza Ahmed Ali**  
Chief Executive



**Hassan Shehzad Abidi**  
Director



**Abdul Rahim Suriya**  
Director

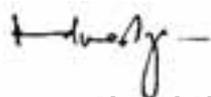
# Statement of Comprehensive Income

For the year ended June 30, 2014

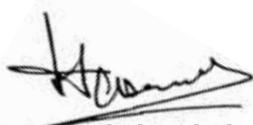
Note	2014	2013
		Restated
	(Rupees)	
Profit for the year after taxation	651,455,379	631,864,544
Other comprehensive income for the year	-	-
<b>Items that will not be reclassified to profit or loss</b>		
Loss on remeasurement of defined benefit plan	14.6 (2,682,375)	(795,728)
Total comprehensive income for the year	<u>648,773,004</u>	<u>631,068,816</u>

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

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



**Murtaza Ahmed Ali**  
Chief Executive



**Hassan Shehzad Abidi**  
Director



**Abdul Rahim Suriya**  
Director

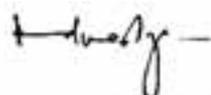
# Cash Flow Statement

For the year ended June 30, 2014

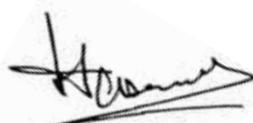
Note	2014	2013
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	651,455,379	631,864,544
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	8.3 610,986,966	410,638,384
Provision for potential Ijarah losses and operation and maintenance income receivable	4.3&5.2 18,191,882	18,628,717
Provision for deferred liabilities - gratuity	14.5 6,000,890	4,720,864
Provision for compensated absences	-	1,985,083
Financial charges including bank charges	22 165,752,412	94,773,321
(Profit) / loss on disposal of fixed assets in own use	23 (58,618)	3,810
Profit on disposal of Ijarah assets	23 (27,113,336)	(31,964,151)
Profit on disposal of Certificate of Musharaka	(951,454)	(47,599)
	1,424,264,121	1,130,602,973
<b>(Increase) / decrease in assets</b>		
Ijarah rentals receivable	(32,666,621)	(158,751,136)
Operation and maintenance income receivable	(6,050,775)	1,384,914
Advances, deposits and other receivables	(1,064,382)	(29,189,641)
Spare parts	(24,742,119)	12,685,715
Net investment in Ijarah finance	-	62,050,805
Long-term security deposits	(17,796,361)	(7,452,808)
	(82,320,258)	(119,272,151)
<b>Increase / (decrease) in liabilities</b>		
Creditors, accrued and other liabilities (excluding accrued financial charges)	(414,377,831)	383,992,675
Payable to the Modaraba Management Company	(257,762)	2,734,899
Security Deposits	(500,000)	-
	(415,135,593)	386,727,574
<b>Cash generated from / (utilised in) operations</b>	(497,455,851)	267,455,423
Gratuity paid	(3,855,408)	-
Compensated absence paid	(811,285)	(117,747)
Financial charges paid	(162,658,570)	(91,807,290)
<b>Net cash flows from operating activities</b>	759,483,007	1,306,133,359
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,752,551,545)	(2,015,468,308)
Certificate of Musharaka	(75,000,000)	-
Proceeds from disposal of Ijarah assets	9.5 154,640,000	87,861,574
Proceeds from disposal of fixed assets in own use	8.2 4,143,045	7,471,016
Proceeds from disposal of Certificate of Musharaka	75,951,454	1,079,317
<b>Net cash flows from investing activities</b>	(1,592,817,046)	(1,919,056,401)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit paid to certificate holders	(292,500,000)	(225,000,000)
Proceeds from issue of certificates	409,500,000	285,000,000
Diminishing musharakah financing availed	1,238,394,428	944,804,092
Expenses against issuance of bonus / right certificates	(1,076,493)	(1,972,420)
Repayment of diminishing musharakah financing	(678,005,600)	(302,471,361)
<b>Net cash flows from financing activities</b>	676,312,335	700,360,311
<b>Net increase / (decrease) in cash and cash equivalents</b>	(157,021,704)	87,437,269
Cash and cash equivalents at the beginning of the year	205,048,935	117,611,666
<b>Cash and cash equivalents at the end of the year</b>	28 48,027,231	205,048,935

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

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



**Murtaza Ahmed Ali**  
Chief Executive



**Hassan Shehzad Abidi**  
Director



**Abdul Rahim Suriya**  
Director

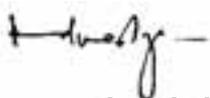
# Statement of Changes in Equity

For the year ended June 30, 2014

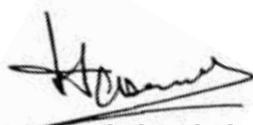
	Issued, subscribed and paid-up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve	Un-appropriated profit	Total
	(Rupees)				
<b>Balance as at June 30, 2012</b>	750,000,000	90,000,000	560,470,691	262,366,924	1,662,837,615
Effect of change in accounting policy as disclosed in note 2.5.15.1	-	-	-	2,064,104	2,064,104
Balance as at June 30, 2012 - restated	750,000,000	90,000,000	560,470,691	264,431,028	1,664,901,719
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 certificate 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 as previously reported	-	-	-	631,864,544	631,864,544
Effect of change in accounting policy as disclosed in note 2.5.15.1	-	-	-	(795,728)	(795,728)
Total comprehensive income for the year ended June 30, 2013 - restated	-	-	-	631,068,816	631,068,816
Transfer to statutory (mandatory) reserve	-	-	315,932,272	(315,932,272)	-
<b>Balance as at June 30, 2013 - restated</b>	975,000,000	225,000,000	801,402,963	352,595,152	2,353,998,115
Profit distribution for the year ended June 30, 2013 @ Rs. 3 per certificate declared subsequent to year end	-	-	-	(292,500,000)	(292,500,000)
Bonus issue for the year ended June 30, 2013 @ 5% i.e. 1 certificate for every 20 certificate held, made subsequent to the year end	48,750,000	-	(48,750,000)	-	-
20 % right issue at a premium of Rs.11 per certificate during the period	195,000,000	214,500,000	-	-	409,500,000
Expenses against issuance of bonus / right certificates	-	-	-	(1,076,493)	(1,076,493)
Total comprehensive income for the year ended June 30, 2014	-	-	-	648,773,004	648,773,004
Transfer to statutory (mandatory) reserve	-	-	325,727,689	(325,727,689)	-
<b>Balance as at June 30, 2014</b>	1,218,750,000	439,500,000	1,078,380,652	382,063,974	3,118,694,626

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

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



**Murtaza Ahmed Ali**  
Chief Executive



**Hassan Shehzad Abidi**  
Director



**Abdul Rahim Suriya**  
Director

# Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2014

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

### 2.1 Basis of Preparation

#### 2.1.1 Statement of compliance

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

#### 2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain staff retirement benefits are carried at present value of defined benefit obligation.

#### 2.1.3 Functional and presentation currency

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

#### **2.1.4 New and amended standards and interpretations to published approved accounting standards that are effective in the current year**

**2.1.4.1** IAS 19 (revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires remeasurements to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur. The Modaraba has applied the standard retrospectively in accordance with the transitional provision of the standard and comparative figures have been restated. The effects have been summarised in note 2.5.15.1.

The Modaraba's policy for Staff Retirement Benefits (note 2.5.15) has been amended to comply with the requirement of IAS 19 (revised). The revised standard also requires additional disclosures to present the characteristics of benefit plans and risks associated with them and a description of how the defined benefit plan may affect the amount, timing and uncertainty of the Modaraba's future cash flows. These disclosures have been set out in note 14 to these financial statements.

**2.1.4.2** 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 significant effect on the Modaraba's operations and are, therefore, not disclosed in these financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and 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. Currently, lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained in note 2.3.

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

- Muj`ir (lessors) presents the assets subject to Ijarah in their Balance Sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income is recognised as an expense.
- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Consequently, in preparation of these financial statements the Modaraba has treated the leasing transactions in accordance with the requirements of IFAS 2.

## 2.4 Critical accounting estimates and judgments

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

### **i) Fixed assets in own use and assets held under Ijarah arrangements (notes 2.5.8, 2.5.9, 8 and 9);**

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

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

### **ii) Provision against non-performing ijarah portfolio, trade debts and other receivables (notes 2.5.2.1.4, 2.5.5, 4, 5 and 6);**

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

### **iii) Staff retirement benefits (notes 2.5.15 and 14);**

The Modaraba has post retirement benefit obligations, which are determined through actuarial valuations carried out by an independent actuary using various assumptions as disclosed in note 14 to these financial statements. Changes in these assumptions in future years may affect the liability under these schemes in those years.

### **iv) Provision for taxation (notes 2.5.11 and 26);**

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

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

### **v) Spare parts (note 2.5.7)**

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

## **2.5 Summary of significant accounting policies**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 2.5.15.1.

### **2.5.1 Cash and cash equivalents**

Cash and cash equivalents include cash and balances with banks in current and saving accounts, cash in hand and other short-term highly liquid investments with original maturities of three months or less (if any).

### **2.5.2 Financial instruments**

#### **2.5.2.1 Financial assets**

##### **2.5.2.1.1 Classification**

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

##### **a) Loans and receivables**

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

##### **b) Held-to-maturity**

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

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

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

##### **d) Available for sale financial assets**

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

##### **2.5.2.1.2 Initial recognition and measurement**

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

### 2.5.2.1.3 Subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

### 2.5.2.1.5 Collateral

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

#### **2.5.2.2 Financial liabilities**

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

#### **2.5.2.3 Derecognition**

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

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

#### **2.5.2.4 Offsetting of financial assets and financial liabilities**

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

#### **2.5.3 Derivative financial instruments and hedge accounting**

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

##### **Fair value hedge**

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

##### **Cash flow hedge**

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

#### **2.5.4 Ijarah rentals and operation and maintenance income receivable**

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

#### **2.5.5 Receivable from terminated / matured contracts**

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

#### **2.5.6 Advances, deposits and other receivables**

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

#### **2.5.7 Spare parts**

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

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

## **2.5.8 Ijarah assets**

### **2.5.8.1 Owned assets**

Assets leased out under Ijarah arrangements on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the standard hours of usage, which is considered to be the estimated useful life of the asset. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

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

### **2.5.8.2 Change in accounting estimate**

During the year the Modaraba has reviewed the residual values of generators as required by International Accounting Standard (IAS)-16 "Property, Plant and Equipment" (refer note 2.5.8.1). This review has resulted in upward revision of the residual value of the generators. This revision has been accounted for as a change in accounting estimate in accordance with the requirements of IAS-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, 2014 would have been lower by Rs. 26.961 million.

## **2.5.9 Fixed assets in own use - tangible**

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

Depreciation on all fixed assets is charged to income applying the straight-line method over the useful life of asset as disclosed in note 8 to the financial statements and after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

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

## **2.5.10 Capital work-in-progress**

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

## **2.5.11 Taxation**

### **2.5.11.1 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 90% of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 are distributed amongst the shareholders. The Modaraba intends to continue availing the tax exemption by distributing its profit on the above mentioned basis.

### **2.5.11.2 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.

## **2.5.12 Creditors, accrued and other liabilities**

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

## **2.5.13 Compensated absences**

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

## **2.5.14 Provisions**

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

## **2.5.15 Staff retirement benefits**

### **2.5.15.1 Unfunded gratuity scheme**

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Provision in respect of the Modaraba's liability is made on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit method. In accordance with IAS 19 (revised) "Employee Benefits" remeasurements arising as a result of actuarial valuations are now being recorded in the Comprehensive Income in the period in which they occur.

Previously, cumulative net unrecognised actuarial gains and losses at the end of the preceding year which exceed 10% of the higher of the present value of the Modaraba's gratuity obligation were amortised over the expected average remaining working lives of the employees.

The effect of change in accounting policy has been summarised below:

	June 30, 2014	June 30, 2013	June 30, 2012
	(Rupees)		
<b>Impact on Statement of Financial Position</b>			
Increase / (decrease) in deferred liabilities	2,682,375	(1,268,376)	(2,064,104)
(Decrease) / increase in unappropriated profit	(2,682,375)	1,268,376	2,064,104
<b>Impact on Statement of Comprehensive Income</b>			
Decrease in Other Comprehensive Income	(2,682,375)	(795,728)	N/A
			(Rupees)
<b>Impact on Statement of Changes in Equity</b>			
Increase / (decrease) in unappropriated profit			
- Cumulative effect from prior periods till June 30, 2012			2,064,104
- Impact for the year ended June 30, 2013			(795,728)
- Impact for the year ended June 30, 2014			(2,682,375)

The Modaraba had recognised Rs. 103,644 and Rs. 153,644 in respect of remeasurements and non-vested negative past service cost in the profit and loss accounts for the years ended June 30, 2013 and June 30, 2012 respectively. However, these amounts are immaterial and therefore profit and loss account for the said years has not been restated. Consequently, there is no impact on earnings per certificate in those years. Further, retrospective application of IAS 19 has immaterial effect on the information in the Balance Sheet at the beginning of the preceding period i.e. at July 1, 2012. Accordingly, the Balance Sheet for the year ended June 30, 2012 has not been disclosed.

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

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

#### **2.5.16 Diminishing musharakah financing payable**

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

#### **2.5.17 Revenue recognition**

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

Ijarah rentals are recognised as income on an accrual basis. In case of ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

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

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

##### **2.5.17.3 Operation and maintenance services**

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

#### 2.5.17.4 Income on savings accounts with banks

Return on savings accounts is recognised on accrual basis.

#### 2.5.18 Impairment on non-financial assets

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

#### 2.5.19 Foreign currency transactions

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

#### 2.5.20 Segment reporting

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

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

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

#### 2.5.21 Earnings per certificate

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

#### 2.5.22 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	2014	2013
		(Rupees)	
Cash with banks in:			
- current accounts		38,409,956	8,460,027
- saving accounts	3.1	6,280,962	195,802,063
		<u>44,690,918</u>	<u>204,262,090</u>
Cash in hand		3,336,313	786,845
		<u>48,027,231</u>	<u>205,048,935</u>

3.1 These accounts carry profit at rates ranging from 6% to 10% (2013: 5% to 8%).

#### 4 IJARAH RENTALS RECEIVABLE

	Note	2014	2013
(Rupees)			
Considered good		192,950,788	172,777,238
Considered doubtful (classified portfolio)	4.1	146,813,830	139,443,249
	4.2	339,764,618	312,220,487
Less: Provision against potential ijarah losses	4.3	(34,281,059)	(21,211,667)
		<u>305,483,559</u>	<u>291,008,820</u>

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

	2014		2013	
	Balance outstanding	Provision held	Balance outstanding	Provision held
(Rupees)				
OAEM	45,293,105	-	54,903,094	-
Substandard	59,911,919	11,982,384	70,194,701	14,038,940
Doubtful	38,620,263	19,310,132	14,345,454	7,172,727
Loss	2,988,543	2,988,543	-	-
	<u>146,813,830</u>	<u>34,281,059</u>	<u>139,443,249</u>	<u>21,211,667</u>

4.2 The Ijarah financing is secured by way of cash deposits amounting to Rs. 50 million (2013: Rs. 50.5 million).

#### 4.3 Provision against potential ijarah losses

	Note	2014	2013
(Rupees)			
Opening balance		21,211,667	9,421,592
Charged during the year		16,805,731	18,305,717
Write-offs during the year		(3,736,339)	(6,515,642)
Closing balance		<u>34,281,059</u>	<u>21,211,667</u>

#### 5 OPERATION AND MAINTENANCE INCOME RECEIVABLE

Considered good		14,069,743	10,252,737
Considered doubtful (classified portfolio)	5.1	9,196,433	5,576,513
		23,266,176	15,829,250
Less: Provision against operation and maintenance income receivable	5.2	(1,709,151)	(323,000)
		<u>21,557,025</u>	<u>15,506,250</u>

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

	2014		2013	
	Balance outstanding	Provision held	Balance outstanding	Provision held
(Rupees)				
OAEM	4,310,000	-	3,961,513	-
Substandard	2,446,885	489,377	1,615,000	323,000
Doubtful	2,439,548	1,219,774	-	-
Loss	-	-	-	-
	<u>9,196,433</u>	<u>1,709,151</u>	<u>5,576,513</u>	<u>323,000</u>

#### 5.2 Provision against operation & maintenance income receivable

	2014	2013
(Rupees)		
Opening balance	323,000	-
Charged during the year	1,386,151	323,000
Write-offs during the year	-	-
Closing balance	<u>1,709,151</u>	<u>323,000</u>

## 6 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	Note	2014	2013
		(Rupees)	
Income tax recoverable	6.1	9,860,856	11,789,963
Advances (unsecured)			
- to contractor		1,285,227	791,790
- to suppliers		15,256,730	2,244,111
- to employees against salary		1,817,845	832,243
- to employees for expenses	6.2	257,090	3,918,091
		<u>28,477,748</u>	<u>19,576,198</u>
Insurance claim receivable		2,449,853	13,522,647
Security deposits	6.3	12,034,128	17,837,117
Accrued income	6.4	-	813,572
L/C margin and others		11,248,444	1,396,257
		<u>54,210,173</u>	<u>53,145,791</u>

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

**6.2** This represents advance given to employees for expenses. The maximum amount receivable at the end of any month during the year was Rs. 0.257 million (2013: Rs. 3.918 million).

**6.3** This includes current portion of long-term security deposits (note 7) amounting to Rs. 4 million (2013: Rs. 7.250 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:

	Note	2014	2013
		(Rupees)	
Term Deposit Receipt		-	15,612
Saving accounts		-	797,960
		<u>-</u>	<u>813,572</u>

## 7 LONG-TERM SECURITY DEPOSITS

Security deposits receivable in respect of assets obtained under Ijarah arrangements (IFAS - 2)		74,309,926	59,764,006
Others		50,000	50,000
Repayable / adjustable within one year	6.3	(4,000,000)	(7,250,441)
		<u>70,359,926</u>	<u>52,563,565</u>

## 8 FIXED ASSETS IN OWN USE - TANGIBLE

Fixed assets in own use - tangible at cost less accumulated depreciation	8.1	<u>65,032,652</u>	<u>52,347,976</u>
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## 8.1 Fixed assets in own use - tangible

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

	Year ended June 30, 2014		
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
<b>At July 01, 2013</b>			
Cost	6,664,239	63,442,707	70,106,946
Accumulated depreciation	(2,324,094)	(15,434,876)	(17,758,970)
<b>Net book value</b>	<u>4,340,145</u>	<u>48,007,831</u>	<u>52,347,976</u>
<b>Additions</b>	2,474,367	22,471,895	24,946,262
<b>Disposals</b>			
Cost	(216,854)	(7,167,815)	(7,384,669)
Depreciation	88,479	3,211,763	3,300,242
	(128,375)	(3,956,052)	(4,084,427)
Depreciation charge for the year	(1,318,172)	(6,858,987)	(8,177,159)
<b>Closing net book value</b>	<u>5,367,965</u>	<u>59,664,687</u>	<u>65,032,652</u>
<b>At June 30, 2014</b>			
Cost	8,921,752	78,746,787	87,668,539
Accumulated depreciation	(3,553,787)	(19,082,100)	(22,635,887)
<b>Net book value</b>	<u>5,367,965</u>	<u>59,664,687</u>	<u>65,032,652</u>
<b>Life (Years)</b>	<u>3 to 8</u>	<u>6 to 8</u>	
	Year ended June 30, 2013		
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
<b>At July 01, 2012</b>			
Cost	5,382,007	59,624,882	65,006,889
Accumulated depreciation	(2,049,099)	(12,387,710)	(14,436,809)
<b>Net book value</b>	<u>3,332,908</u>	<u>47,237,172</u>	<u>50,570,080</u>
<b>Additions</b>	2,146,704	13,905,049	16,051,753
<b>Disposals</b>			
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)
<b>Closing net book value</b>	<u>4,340,145</u>	<u>48,007,831</u>	<u>52,347,976</u>
<b>At June 30, 2013</b>			
Cost	6,664,239	63,442,707	70,106,946
Accumulated depreciation	(2,324,094)	(15,434,876)	(17,758,970)
<b>Net book value</b>	<u>4,340,145</u>	<u>48,007,831</u>	<u>52,347,976</u>
<b>Life (Years)</b>	<u>3 to 8</u>	<u>6 to 8</u>	

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

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
<b>Vehicles</b>							
	350,000	280,000	70,000	155,000	85,000	Company's Policy	Mr. Abid Hussain (Employee)
	606,750	413,550	193,200	419,888	226,688	Negotiation	Mr. Kashif Zameer (Karachi)
	40,415	17,850	22,565	14,400	(8,165)	Company's Policy	Mr. Muhammad Siddiqui (Employee)
	42,000	5,950	36,050	31,800	(4,250)	Insurance Claim	M/s Adamjee Insurance
	1,426,000	499,100	926,900	605,040	(321,860)	Company's Policy	Mr. Hazoor Bux Memon (Employee)
	935,000	202,583	732,417	389,403	(343,014)	Company's Policy	Mr. Hilal Faridi (Employee)
	1,300,000	97,500	1,202,500	1,191,214	(11,286)	Company's Policy	Mr. Muhammad Uzair (Employee)
	1,004,450	712,970	291,480	615,000	323,520	Negotiation	Mr. Syed Hassan Raza (Lahore)
	1,463,200	982,260	480,940	690,000	209,060	Negotiation	Mr. Muhammad Mujahid (Lahore)
<b>Computers</b>							
	54,054	8,408	45,646	-	(45,646)	Write-off	-
	94,800	50,560	44,240	-	(44,240)	Write-off	-
	24,000	13,867	10,133	-	(10,133)	Write-off	-
	44,000	15,644	28,356	31,300	2,944	Company's Policy	Mr. Salman Sabir (Employee)
<b>2014</b>	<u>7,384,669</u>	<u>3,300,242</u>	<u>4,084,427</u>	<u>4,143,045</u>	<u>58,618</u>		
<b>2013</b>	<u>10,951,696</u>	<u>3,476,870</u>	<u>7,474,826</u>	<u>7,471,016</u>	<u>(3,810)</u>		

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

	Note	2014	2013
		(Rupees)	
Operating expenses (representing depreciation on ijarah assets - note 9.1)	20	602,809,807	403,839,353
Administrative and distribution expenses (representing depreciation on fixed assets in own use - note 8.1)	21	8,177,159	6,799,031
		<u>610,986,966</u>	<u>410,638,384</u>

	Note	2014	2013
		(Rupees)	
Ijarah assets at cost less accumulated depreciation	9.1	4,644,854,276	3,677,543,177

### 9.1 Ijarah assets - at cost less accumulated depreciation

The following is a statement of Ijarah assets:

	Year ended June 30, 2014		
	Generators, forklifts and related parts	Machines	Total
	(Rupees)		
<b>At July 01, 2013</b>			
Cost	4,541,453,046	192,513,825	4,733,966,871
Accumulated depreciation	(1,011,978,484)	(44,445,210)	(1,056,423,694)
<b>Net book value</b>	<u>3,529,474,562</u>	<u>148,068,615</u>	<u>3,677,543,177</u>
<b>Additions</b>	1,661,344,635	36,302,935	1,697,647,570
<b>Disposals</b>			
Cost	(253,683,734)	-	(253,683,734)
Depreciation	126,157,070	-	126,157,070
	(127,526,664)	-	(127,526,664)
Depreciation charge for the year	(590,155,117)	(12,654,690)	(602,809,807)
<b>Closing net book value</b>	<u>4,473,137,416</u>	<u>171,716,860</u>	<u>4,644,854,276</u>
<b>At June 30, 2014</b>			
Cost	5,949,113,947	228,816,760	6,177,930,707
Accumulated depreciation	(1,475,976,531)	(57,099,900)	(1,533,076,431)
<b>Net book value</b>	<u>4,473,137,416</u>	<u>171,716,860</u>	<u>4,644,854,276</u>
<b>Life (Years)</b>	<u>1 to 9</u>	<u>4 to 7</u>	
	Year ended June 30, 2013		
	Generators, forklifts and related parts	Machines	Total
	(Rupees)		
<b>At July 01, 2012</b>			
Cost	2,671,975,106	192,071,349	2,864,046,455
Accumulated depreciation	(693,781,590)	(33,612,289)	(727,393,879)
<b>Net book value</b>	<u>1,978,193,516</u>	<u>158,459,060</u>	<u>2,136,652,576</u>
<b>Additions</b>	2,000,184,901	442,476	2,000,627,377
<b>Disposals</b>			
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)
<b>Closing net book value</b>	<u>3,529,474,562</u>	<u>148,068,615</u>	<u>3,677,543,177</u>
<b>At June 30, 2013</b>			
Cost	4,541,453,046	192,513,825	4,733,966,871
Accumulated depreciation	(1,011,978,484)	(44,445,210)	(1,056,423,694)
<b>Net book value</b>	<u>3,529,474,562</u>	<u>148,068,615</u>	<u>3,677,543,177</u>
<b>Life (Years)</b>	<u>1 to 9</u>	<u>4 to 7</u>	

**9.2** During the year, the Modaraba acquired certain equipment and parts amounting to Rs. 307.159 million (2013: Rs. 322.753 million) from Allied Engineering and Services (Private) Limited (AESL) an associated company. Out of the total assets acquired from AESL during the year, assets for Rs. 180.413 million (2013: Rs. 96.649 million), have been hypothecated with banks and modarabas as security for Diminishing Musharakah financing payable (note 7) in favour of banks and modarabas (note 13).

**9.3** Additions to Ijarah assets during the year include assets amounting to Rs. 1,318.89 million (2013: Rs. 1,251.922 million) acquired under Diminishing Musharakah financing. The Modaraba holds title to these assets. As at June 30, 2014 total assets acquired by the Modaraba under Diminishing Musharakah financing payable amounts to Rs. 2,848.954 million (2013: Rs. 1,586.728 million).

**9.4** As at June 30, 2014, cost of total assets acquired under ijarah arrangements (IFAS - 2) amounts to Rs. 769.953 million (June 30, 2013: Rs. 679.044 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. 317.400 million (2013: Rs. 179.791 million) have been acquired under Ijarah arrangements.

During the year, assets acquired under ijarah arrangements (IFAS - 2) amounting to Rs. 46.472 million (2013: Rs. 10.562 million) have been transferred / sold to the Modaraba after expiry of the respective Ijarah agreement and are included in additions during the year.

**9.5 Details of disposal of ijarah assets are as follows:**

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
<b>Gensets</b>							
	47,732,307	12,357,579	35,374,728	44,500,000	9,125,272	Negotiation	Rehman Cotton Mills Limited Takht-I-Bhai, Mardan, Khyber Pakhtunkhwa
	4,248,437	-	4,248,437	5,000,000	751,563	Negotiation	Anoud Power Generation Limited Plot # 7-B/1, NRL, Korangi Industrial Area, Karachi
	37,776,325	27,776,325	10,000,000	10,000,000	-	Negotiation	Anoud Power Generation Limited Plot # 7-B/1, NRL, Korangi Industrial Area, Karachi
	1,239,090	599,090	640,000	1,300,000	660,000	Negotiation	Mov & Pick Super Store Gulistan-e-Jauhar, Near Kamran Chowrangi, Karachi.
	21,537,511	16,537,511	5,000,000	5,000,000	-	Negotiation	Al-Karam Packages Suite # 4, 9Th Floor, Sharjah Trade Center, New Challi, Karachi.
	2,715,426	1,283,849	1,431,577	3,700,000	2,268,423	Negotiation	Mr. Akhter Zada Koki Khel Sikandar Khel Chapri Jamrood Zilla Khyber Agency.
	3,547,950	1,627,950	1,920,000	2,525,000	605,000	Negotiation	Bitumen Traders 7-Mambot Town, Mustafa Town, Wahdat Road, Lahore.
	3,476,282	1,531,792	1,944,490	2,900,000	955,510	Negotiation	Asia Generation (Pvt.) Limited 2C-12, Commercial Street, Phase II, Ext. DHA Karachi.
	23,025,282	15,525,282	7,500,000	7,500,000	-	Negotiation	Anoud Power Generation Limited Plot # 7-B/1, NRL, Korangi Industrial Area, Karachi
	3,547,949	1,627,949	1,920,000	2,340,000	420,000	Negotiation	Bismillah CNG Station St - 2/6, Sector 23, Korangi Industrial Area, Karachi.

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
	(Rupees)						
	2,414,282	1,106,190	1,308,092	2,600,000	1,291,908	Negotiation	Askari Investment Plot # 20-C, Khayaban-E-Nishat, Phase VI, DHA, Karachi.
	2,103,457	908,930	1,194,527	1,950,000	755,473	Negotiation	M. Raaj Textiles F-601, Labour Square, S.I.T.E, Karachi.
	1,239,090	599,090	640,000	1,475,000	835,000	Negotiation	Pak Arab Engineering Suit # 512, 5Th Floor Park Avenue PECHS Block 6 Sh. Faisal Karachi
	2,553,555	1,033,555	1,520,000	3,000,000	1,480,000	Negotiation	Fazleesons (Pvt) Limited F,142, S.I.T.E, Karachi.
	3,139,811	1,121,364	2,018,447	3,700,000	1,681,553	Negotiation	Nimir Industrial Chemicals Limited 12B, Muslim Town, Lahore
	3,678,810	1,764,260	1,914,550	4,600,000	2,685,450	Negotiation	Mohsin Enterprises 90-B Industrial Estate, Jamrud Road, Peshawar.
	17,500,000	172,619	17,327,381	22,500,000	5,172,619	Negotiation	Crescent Cotton Mills Limited 408-409 Business Avenue, 26-A Block 6 P.E.C.H.S Shahrah-e-Faisal Karachi
	15,306,024	9,056,024	6,250,000	6,000,000	(250,000)	Negotiation	Monnoo Industries Limited Monnoo House, 3 – Montgomery Road, Lahore
	15,868,177	9,368,177	6,500,000	7,500,000	1,000,000	Negotiation	Wasal Kamal 87-P, Gulberg II, Lahore
	23,706,656	16,706,656	7,000,000	7,000,000	-	Negotiation	Wasal Kamal 87-P, Gulberg II, Lahore
	2,666,513	1,031,620	1,634,893	2,700,000	1,065,107	Negotiation	Denim Clothing Company Unit # 1 Sc 7 Street # 1, Sector 19, Korangi Industrial Area, Karachi
	2,605,700	1,331,003	1,274,697	1,900,000	625,303	Negotiation	Sadabahar Banquet Hall Sadabahar Banquet, Ismail Centre 6-C Central Commercial Area, Bahadurabad Karachi
<b>Canopies</b>							
	1,497,600	511,680	985,920	-	(985,920)	Negotiation	Anoud Power Generation Limited Plot # 7-B/1, NRL, Korangi Industrial Area, Karachi
	2,835,788	726,187	2,109,601	-	(2,109,601)	Negotiation	Anoud Power Generation Limited Plot # 7-B/1, NRL, Korangi Industrial Area, Karachi
	168,480	78,624	89,856	-	(89,856)	Negotiation	Mov & Pick Super Store Gulistan-e-Jauhar, Near Kamran Chowrangi, Karachi.
	362,700	160,193	202,507	-	(202,507)	Negotiation	Bitumen Traders 7-Mambot Town, Mustafa Town, Wahdat Road, Lahore.

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
	(Rupees)						
	362,700	169,260	193,440	-	(193,440)	Negotiation	Bismillah CNG Station St – 2/6, Sector 23, Korangi Industrial Area, Karachi.
	234,000	103,350	130,650	-	(130,650)	Negotiation	Askari Investment Plot # 20-C, Khayaban-E- Nishat, Phase VI, DHA, Karachi.
	168,480	89,856	78,624	-	(78,624)	Negotiation	Pak Arab Engineering Suit # 512, 5Th Floor Park Avenue P.E.C.H.S Block 6 Sh. Faisal Karachi
	230,000	139,917	90,083	-	(90,083)	Negotiation	Fazleesons (Pvt) Limited F,142, S.I.T.E, Karachi.
	254,000	203,200	50,800	-	(50,800)	Negotiation	Nimir Industrial Chemicals Limited 12B, Muslim Town, Lahore
	362,700	175,305	187,395	-	(187,395)	Negotiation	Mohsin Enterprises 90-B Industrial Estate, Jamrud Road, Peshawar.
	71,920	13,785	58,135	-	(58,135)	Negotiation	Ahmed Embroidery Plot # 68 Adamjee Nagar Near Makkah Masjid Tipu Sultan Road Karachi
	71,920	13,785	58,135	-	(58,135)	Negotiation	Ahmed Embroidery Plot # 68 Adamjee Nagar Near Makkah Masjid Tipu Sultan Road Karachi
	71,920	13,785	58,135	-	(58,135)	Negotiation	Ahmed Embroidery Plot # 68 Adamjee Nagar Near Makkah Masjid Tipu Sultan Road Karachi
<b>Forklift</b>	3,081,540	520,226	2,561,314	2,100,000	(461,314)	Negotiation	ABB (Pvt.) Limited 4-B, Chamba House Lane, GOR - 1, Lahore
<b>Lighting Towers</b>	1,140,676	85,551	1,055,125	1,425,000	369,875	Negotiation	Descon Engineering Limited 18 – Km Ferozepur Road, Lahore.
	1,140,676	85,551	1,055,125	1,425,000	369,875	Negotiation	Descon Engineering Limited 18 – Km Ferozepur Road, Lahore.
<b>2014</b>	<u>253,683,734</u>	<u>126,157,070</u>	<u>127,526,664</u>	<u>154,640,000</u>	<u>27,113,336</u>		
<b>2013</b>	<u>130,706,961</u>	<u>74,809,538</u>	<u>55,897,423</u>	<u>87,861,574</u>	<u>31,964,151</u>		

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

## 10 CAPITAL WORK-IN-PROGRESS

	Note	2014	2013
		(Rupees)	
Advance for equipment	10.1	37,309,723	7,624,136
Assets under installation	10.2	62,573,070	62,300,944
		<u>99,882,793</u>	<u>69,925,080</u>

**10.1** 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.

	Note	2014	2013
(Rupees)			
<b>10.2</b>			
Generators		62,312,726	59,705,244
Machines		260,344	2,595,700
		<u>62,573,070</u>	<u>62,300,944</u>

## 11 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for goods	11.1	243,294,829	653,377,849
Creditors for expenses		26,408,508	45,866,476
Advances from customers		29,689,691	43,249,308
Security deposit	11.2	258,000	200,000
Employee car scheme - deductions	11.3	12,428,818	8,626,952
Dividend payable		621,148	438,686
Accrued expenses			
- commission		933,613	1,273,055
- bonus		18,575,664	15,830,018
- auditors' remuneration		548,144	495,005
- financial charges	11.4	12,152,125	9,058,283
- charity payable	11.6	-	-
- miscellaneous		9,278,579	2,778,734
		<u>41,488,125</u>	<u>29,435,095</u>
Tax deducted at source from			
- employees		462,010	157,505
- suppliers		1,878,799	4,910,893
Ijarah rentals payable	11.5	49,910,577	31,861,543
Workers' Welfare Fund		13,295,008	12,895,195
		<u>419,735,513</u>	<u>831,019,502</u>

**11.1** This includes Rs. 200.173 million (2013: Rs. 307.488 million) payable to Allied Engineering and Services (Private) Limited (an associated company) for various purchases and services availed by the Modaraba.

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

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

**11.4** This represents accrual of financial charges in respect of Diminishing Musharakah Financing.

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

### 11.6 Reconciliation of charity payable

	Note	2014	2013
(Rupees)			
Opening balance		-	165,000
Additions during the year	21	519,000	127,000
Paid during the year	11.7	(519,000)	(292,000)
Closing balance		<u>-</u>	<u>-</u>

**11.7** Charity was paid to the following institutions / organisations.

	Note	2014	2013
		(Rupees)	
Zafar & Atia Foundation Charitable Trust		-	75,000
Islamic Educational & Welfare Society		-	25,000
Burhani Medical Welfare Association		100,000	75,000
SOS Children's Village Of Sindh		-	72,000
Markaz-e-Umeed For Special Children		25,000	25,000
St. Patricks High School		-	20,000
Fatimid Foundation (Blood Bank, Haematological Services & Kidney Center)		100,000	-
Haswa (Healthcare And Social Welfare Association)		50,000	-
Koochi Goth Hospital		164,000	-
Poor Patients Aid Society Civil Hospital Karachi		50,000	-
The Layton Rahmatulla Benevolent Trust		30,000	-
		<u>519,000</u>	<u>292,000</u>

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

**12 PAYABLE TO THE MODARABA MANAGEMENT COMPANY**

Remuneration payable to Modaraba Management Company - net		6,080,814	6,304,776
Sindh sales tax payable on remuneration of Modaraba Management Company		977,183	1,010,983
		<u>7,057,997</u>	<u>7,315,759</u>

**12.1** The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended June 2014 has been recognised at 1% (2013: 1%) of profit for the year.

**13 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED**

Musharakah financing	13.1	1,729,190,390	1,168,801,562
Due within one year		(804,727,207)	(492,435,571)
		<u>924,463,183</u>	<u>676,365,991</u>

Financing from banking and financial institutions		1,631,007,166	989,973,391
Financing from modarabas		98,183,224	178,828,171
		<u>1,729,190,390</u>	<u>1,168,801,562</u>

**13.2** These facilities have maturities from September, 2014 to July, 2017 (2013: June, 2014 to November, 2016) and are secured against hypothecation of Ijarah assets amounting to Rs. 3,567.052 million (2013: 2,237.888 million) and demand promissory notes. The share of profit payable on these facilities ranges from 10.29% to 15.55% (2013: 10.61% to 12.50%).

**14 DEFERRED LIABILITY**

	Note	2014	2013
		Restated (Rupees)	
Deferred liability for staff gratuity	14.2	<u>24,730,674</u>	<u>19,902,817</u>

**14.1 Defined benefit plan - gratuity**

**14.1.1 Salient Features**

The Modaraba operates an unfunded scheme to provide gratuity to the permanent employees on retirement. The latest actuarial valuation of this scheme was carried out as at June 30, 2014 using the Projected Unit Credit Method. Currently the Modaraba does not have any plan assets in respect of its unfunded gratuity scheme.

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

The Gratuity scheme exposes the entity to the following risks:

#### **Mortality risks**

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

#### **Final salary risks**

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

#### **Withdrawal risks**

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

### **14.1.2 Valuation results**

Actuarial valuation is carried out once every two years. The latest valuation was carried out as at June 30, 2014. The information provided in notes 14.2 to 14.9 has been obtained from the latest actuarial valuation report. The following significant assumptions have been used for valuation of this scheme:

	2014	2013
	%	
Valuation discount rate	13.5	11.5
Salary increase rate	13.5	11.5
Rate of employee turnover	moderate	moderate

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

### **14.2 Amount recognised in the balance sheet**

	Note	2014	2013
		Restated	
		(Rupees)	
Present value of defined benefit obligation	14.4	24,730,674	19,902,817
Fair value of plan assets		-	-
Net liability recognised in the balance sheet		24,730,674	19,902,817

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

Opening balance		19,902,817	14,386,227
Charge for the year	14.5	6,000,890	4,720,862
Benefits paid / payable during the year		(3,855,408)	-
Remeasurement loss on obligation recognised in other comprehensive income	14.6	2,682,375	795,728
Closing balance		24,730,674	19,902,817

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

	Note	2014	2013
		Restated	
		(Rupees)	
Present value of defined benefit obligation - opening		19,902,817	14,386,227
Current service cost		3,597,645	2,705,048
Mark-up cost		2,403,245	2,119,458
Benefit paid / payable during the year		(3,855,408)	-
Amortised actuarial gain and non-vested negative past service cost		-	(103,644)
Remeasurement loss on obligation	14.6	2,682,375	795,728
Present value of defined benefit obligation - closing		<u>24,730,674</u>	<u>19,902,817</u>

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

##### Split by type of members:

	2014
(Rupees)	
<b>Split by vested / non-vested</b>	
(i) Vested benefits	7,939,225
(ii) Non-vested benefits	16,791,449
	<u>24,730,674</u>

##### Split by benefits earned to date

(i) Accumulated benefit obligation	5,436,071
(ii) Amounts attributable to future salary increase	19,294,603
	<u>24,730,674</u>

#### 14.5 Amount charged to the profit and loss account

The following amounts have been charged to the profit and loss account during the current year in respect of this scheme:

	2014	2013
(Rupees)		
Current service cost	3,597,645	2,705,048
Mark-up cost	2,403,245	2,119,458
Amortised actuarial gain and non-vested negative past service cost	-	(103,644)
	<u>6,000,890</u>	<u>4,720,862</u>

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

Remeasurement loss on obligation recognised in other comprehensive income	<u>2,682,375</u>	<u>795,728</u>
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#### 14.7 Historic Information

	2014	2013	2012	2011	2010
(Rupees)					
Present value of defined benefit obligation	<u>24,730,674</u>	<u>19,902,817</u>	<u>14,386,227</u>	<u>13,233,012</u>	<u>9,999,824</u>
Remeasurement loss on obligation	<u>(2,682,375)</u>	<u>(795,728)</u>	<u>(2,369,762)</u>	-	<u>(292,618)</u>

**14.8** The defined benefit obligations are based in Pakistan.

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees)	
Discount rate	1%	21,557,667	28,558,599
Salary increase rate	1%	28,521,897	21,531,996

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

**14.9** The weighted average duration of the defined benefit obligation is 15.65 years.

	Note	2014	2013
		(Rupees)	
<b>15 OTHER LONG-TERM EMPLOYEE BENEFIT</b>	15.1	7,227,702	8,038,987

**15.1** This represents accrual for staff compensated absences and includes liability in respect of key management personnel amounting to Rs. 1.845 million (2013: Rs. 1.904 million) (refer note 2.5.12).

**16 SECURITY DEPOSITS**

Security deposits payable in respect of assets given under Ijarah arrangements (IFAS - 2)	50,000,000	50,500,000
Repayable / adjustable within one year	(24,000,000)	(22,500,000)
	<u>26,000,000</u>	<u>28,000,000</u>

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

**Authorised certificate capital**

2014	2013		2014	2013
Number of certificates			(Rupees)	
150,000,000	125,000,000	Modaraba Certificates of Rs. 10 each	1,500,000,000	1,250,000,000

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

97,500,000	75,000,000	Modaraba Certificates of Rs. 10 each fully paid in cash	975,000,000	750,000,000
24,375,000	22,500,000	Modaraba Certificates of Rs.10 each issued as fully paid bonus certificates	243,750,000	225,000,000
<u>121,875,000</u>	<u>97,500,000</u>		<u>1,218,750,000</u>	<u>975,000,000</u>

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

	2014		2013	
	Number of certificates	Rupees	Number of certificates	Rupees
Allied Engineering and Services (Private) Limited	36,907,231	369,072,310	29,525,785	295,257,850
Allied Engineering Management Company (Private) Limited	24,375,000	243,750,000	19,500,000	195,000,000
	<u>61,282,231</u>	<u>612,822,310</u>	<u>49,025,785</u>	<u>490,257,850</u>

## 18 STATUTORY (MANDATORY) RESERVE

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

During the current year the Modaraba has transferred an amount of Rs. 325.728 million (2013: Rs. 315.932 million) which represents 50% (2013: 50%) of the profit after tax.

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

19.1.1 There were no contingencies outstanding as at June 30, 2014 other than as explained below:

### 19.1.2 Sindh Sales Tax on operations & maintenance services of the modaraba

During the year, the Assistant Commissioner - Sindh Revenue Board (SRB) issued order in original No. 160 of 2013 dated July 12, 2013 demanding sindh sales tax of Rs. 25.633 million @ 16% on total Operation & Maintenance income of the Modaraba for the year ended June 30, 2012 amounting to Rs. 160.204 million.

Considering the nature of Operation & Maintenance Services, their geographical limitations and method of computation relating to levy of provincial Sales Tax on services as envisaged in the Sindh Sales Tax on Services Act 2011, the Modaraba filed an appeal to the Commissioner Appeals - SRB. Simultaneously, the Modaraba also filed a Constitutional Petition in the Honourable High Court of Sindh regarding this levy of Sindh sales tax by virtue of which the Honourable High Court of Sindh kindly stayed the demand of Sindh sales tax vide its order dated October 11, 2013. However, subsequently the Honourable High Court of Sindh issued a judgment dated January 27, 2014 directing SRB not to take any coercive action against Allied Rental Modaraba, till the decision has been reached in Appeal which is pending before Commissioner Appeals - SRB.

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

The Modaraba has filed a Constitutional Petition CP No. D-1190 in the Honourable High Court of Sindh against the order of Commissioner Appeals - SRB by virtue of which the Honourable High Court of Sindh vide its order dated March 11, 2014 has suspended the operation of impugned order of Commissioner Appeals - SRB. The Management believes that the outcome of petition will be in favour of the Modaraba and accordingly no provision has been made in these financial statements.

## 19.2 Commitments

### 19.2.1 Contractual rentals receivable on Ijarah contracts

	June 30, 2014				June 30, 2013			
	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	334,320,400	388,382,600	-	722,703,000	382,380,400	336,768,000	-	719,148,400

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

### 19.2.2 Ijarah rentals payable

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

	June 30, 2014			June 30, 2013		
	Due within one year	Due after one years	Total	Due within one year	Due after one years	Total
	(Rupees)					
Future Ijarah rentals payables	260,771,873	275,524,295	536,296,168	159,545,799	273,269,908	432,815,707

Assets acquired under the above arrangements have been further sub-let under Ijarah arrangements (IFAS - 2). During the year, an expense of Rs. 211.306 million (2013: Rs. 205.313 million) and income of Rs. 344.64 million (2013: Rs. 265.303 million) was recognised under the above Ijarah arrangements and as at the year end Rs. 62.991 million (2013: Rs. 30.252 million) was due under these arrangements. The cost of assets acquired under Ijarah arrangements as at June 30, 2014 is Rs. 769.953 million (2013: Rs. 679.044 million) (note 9.4).

**19.2.3** Commitments in respect of outstanding letter of credit and registered import contracts amount to Rs. 266.559 million (2013: Rs. Nil).

## 20 OPERATING EXPENSES

	Note	2014	2013
		(Rupees)	
Salaries, wages and other staff benefits	20.1	384,341,413	332,125,163
Depreciation expense	8.3	602,809,807	403,839,353
Repairs and maintenance cost	20.2	380,638,473	322,392,129
Ijarah rentals		211,305,866	205,313,453
Fleet vehicles running cost		34,664,935	13,699,420
Vehicles running cost		22,088,915	15,927,137
Insurance cost - equipment		19,681,293	19,813,134
Travelling and conveyance		8,072,705	10,309,036
Rent expense		5,986,028	8,022,295
		<u>1,669,589,435</u>	<u>1,331,441,120</u>

- 20.1** This includes contribution of Rs. 4.689 million (2013: Rs. 3.766 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs. 3.457 million (2013: Rs. 3.843 million).
- 20.2** This includes expenses of Rs. 355.904 million (2013: Rs. 245.527 million) for parts purchased and services availed from Allied Engineering and Services (Private) Limited, an associated company.

## 21 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

	Note	2014	2013
(Rupees)			
Salaries, wages and other staff benefits	21.1	34,737,585	24,087,548
Commission		10,781,941	11,542,086
Vehicle running costs		5,395,232	5,618,812
Travelling and conveyance		5,401,431	3,903,180
Depreciation expense	8.3	8,177,159	6,799,031
Legal and professional charges		8,818,616	8,724,597
Auditors' remuneration	21.2	830,665	733,000
Telephone, postage and fax charges		2,261,450	1,696,886
Advertisement and sales promotion		2,418,489	1,838,094
Printing and stationery		2,628,850	2,538,481
Insurance cost - vehicles		1,655,084	1,363,478
Training, meetings and tender participation		1,777,899	978,481
Charity	11.6	519,000	127,000
Entertainment		2,467,714	2,074,261
Miscellaneous		2,849,184	3,109,189
		<u>90,720,299</u>	<u>75,134,124</u>

- 21.1** This includes contribution of Rs. 1.448 million (2013: Rs. 1.307 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs. 2.544 million (2013: Rs 0.878 million).

### 21.2 Auditors' remuneration

Audit fee		450,000	400,000
Fee for the review of the condensed interim financial information		210,000	180,000
Fee for the review of the statement of compliance with the best practices of the Code of Corporate Governance		60,000	50,000
Other certifications		50,000	45,000
Out of pocket expenses		60,665	58,000
		<u>830,665</u>	<u>733,000</u>

## 22 FINANCE COSTS

Exchange loss		-	10,073,489
Financial cost on Diminishing Musharakah Financing		163,904,235	83,988,012
Bank charges and commission		1,848,177	711,820
		<u>165,752,412</u>	<u>94,773,321</u>

## 23 OTHER INCOME

Profit on savings accounts		13,368,957	8,704,248
Profit on short term investments		951,454	195,414
Exchange gain		21,329,294	-
Proceeds from disposal of scrap		11,463,342	5,777,747
Gain on disposal of ijarah asset	9.5	27,113,336	31,964,151
Gain / (loss) on disposal of fixed assets in own use	8.2	58,618	(3,810)
Loss on transfer of assets under ijarah finance		-	(13,770,300)
		<u>74,285,001</u>	<u>32,867,450</u>

## 24 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, taking a prudent view, full provision for Sindh sales tax has been made in these financial statements.

## 25 WORKERS' WELFARE FUND

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

## 26 TAXATION

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

The Additional Commissioner of Inland Revenue (CIR) has made an assessment under section 122 (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 (ITAT) against the order of CIR (Appeals-II). During the year 2013, the Appellate Tribunal Inland Revenue of Pakistan passed an order in favour of the Modaraba stating that there is no merit in the appeals of the Income Tax Department.

The Income Tax Department filed appeal before the Honourable High Court of Sindh against the order of ITAT which was dismissed by the Honourable High Court of Sindh vide order dated January 01, 2014 on the basis that the question of law cannot be framed on merit.

**26.2** The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2013 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

## 27 EARNINGS PER CERTIFICATE - basic and diluted

Basic earnings per certificate is worked out as under:

Note	2014	2013
	(Rupees)	
Profit for the year	651,455,379	631,864,544
Weighted average number of ordinary certificates outstanding during the year	118,067,894	114,197,835
Earnings per certificate - basic & diluted	5.52	5.53

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

## 28 CASH AND CASH EQUIVALENTS

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

	Note	2014	2013
(Rupees)			
Cash and bank balances	3	48,027,231	205,048,935

## 29 REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2014			2013		
	Executives (Key management personnel)	Other employees	Total	Executives (Key management personnel)	Other employees	Total
(Rupees)						
Basic salary	16,346,367	49,957,122	66,303,489	13,713,300	38,802,398	52,515,698
Bonus	3,053,220	12,365,628	15,418,848	6,125,288	17,331,776	23,457,064
House rent allowance	7,355,877	22,480,709	29,836,586	6,171,024	17,461,937	23,632,961
Utility allowance	1,634,640	4,995,619	6,630,259	1,371,330	3,880,224	5,251,554
Conveyance allowance	95,928	4,401,444	4,497,372	806,172	3,832,608	4,638,780
Provident fund	1,532,100	4,604,276	6,136,376	1,371,330	3,701,434	5,072,764
Gratuity	1,544,026	4,456,864	6,000,890	1,232,748	3,488,116	4,720,864
Contribution to Employees' Old Age Benefit	92,160	1,875,653	1,967,813	80,640	1,529,509	1,610,149
Medical benefits	1,797,056	6,755,480	8,552,536	1,691,229	4,961,753	6,652,982
	<u>33,451,374</u>	<u>111,892,795</u>	<u>145,344,169</u>	<u>32,563,061</u>	<u>94,989,755</u>	<u>127,552,816</u>
Number of persons	16	346	362	14	318	332

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

## 30 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2014				
Loans and receivables	Assets at fair value through profit & loss	Available for sale	Held-to- maturity	Total
(Rupees)				

### ASSETS

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

## LIABILITIES

As at June 30, 2014			
Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total	
(Rupees)			
Creditors, accrued and other liabilities	-	419,735,513	419,735,513
Payable to the Modaraba Management Company	-	7,057,997	7,057,997
Diminishing musharakah financing payable - secured	-	1,729,190,390	1,729,190,390
Deferred liability	-	24,730,674	24,730,674
Other long-term employee benefit	-	7,227,702	7,227,702
Security deposits	-	50,000,000	50,000,000
	-	<u>2,237,942,276</u>	<u>2,237,942,276</u>

## ASSETS

As at June 30, 2013				
Loans and receivables	Assets at fair value through profit & loss	Available for sale	Held-to- maturity	Total
(Rupees)				
Cash and bank balances	205,048,935	-	-	205,048,935
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	41,355,828	-	-	41,355,828
Long-term security deposits	52,563,565	-	-	52,563,565
	<u>605,483,398</u>	-	-	<u>605,483,398</u>

## LIABILITIES

As at June 30, 2013			
Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total	
(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 - secured	-	1,168,801,562	1,168,801,562
Deferred liability	-	19,902,817	19,902,817
Other long-term employee benefit	-	8,038,987	8,038,987
Security deposits	-	50,500,000	50,500,000
	-	<u>2,067,615,034</u>	<u>2,067,615,034</u>

## 31 FINANCIAL RISK MANAGEMENT

### Risk management framework

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

reflect the business strategy and market environment of the Modaraba as well as the level of the risk that the Modaraba is willing to accept. The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

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

### 31.1 Market Risk

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

#### Management of market risks

The Management Company manages market risk by monitoring its financial instruments as per the internal risk management policies and investment guidelines approved by the Board of Directors of the Management Company.

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

#### 31.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Modaraba primarily has foreign currency exposure in US Dollars (USD). At June 30, 2014, the Modaraba's exposure to foreign currency risk in respect of its obligation is USD 552,029 (2013: 3,390,000). Net exposure is payable by the Modaraba in Rupees at the rate on which these are settled by the Modaraba.

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

The following significant exchange rates were applied during the year:

	Average rates		Balance sheet date rates	
	2014	2013	2014	2013
Rupees / US Dollar	102.88	96.85	98.80	99.66

#### Sensitivity risk

A five percent strengthening / (weakening) of the Rupee against USD at June 30, 2014 would have increased/ (decreased) equity and profit by Rs. 2.727 million (2013: 16.892 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 2013.

#### 31.1.2 Interest rate risk

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

As at June 30, 2014

	Effective yield / profit rate	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Not exposed to yield / profit	Total carrying
(Rupees)										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets</b>										
Cash and bank balances	6%- 10%	6,280,962	-	-	-	-	-	-	41,746,269	48,027,231
Ijarah rentals receivable		-	-	-	-	-	-	-	305,483,559	305,483,559
Operation and maintenance income receivable		-	-	-	-	-	-	-	21,557,025	21,557,025
Advances, deposits and other receivables		-	-	-	-	-	-	-	44,349,317	44,349,317
Long-term security deposits		-	-	-	-	-	-	-	70,359,926	70,359,926
<b>Sub total</b>		6,280,962	-	-	-	-	-	-	483,496,096	489,777,058
<b>Financial liabilities</b>										
Creditors, accrued and other liabilities payable to the Modaraba Management Company		-	-	-	-	-	-	-	419,735,513	419,735,513
Diminishing musharakah financing payable - secured	10.29% - 15.55%	86,301,347	129,982,873	203,633,827	384,809,160	924,463,183	-	-	-	1,729,190,390
Deferred liability		-	-	-	-	-	-	-	24,730,674	24,730,674
Other long-term employee benefit Security deposits		-	-	-	-	-	-	-	7,227,702	7,227,702
<b>Sub total</b>		86,301,347	129,982,873	203,633,827	384,809,160	924,463,183	-	-	508,751,886	2,237,942,276
<b>On-balance sheet gap</b>		(80,020,385)	(129,982,873)	(203,633,827)	(384,809,160)	(924,463,183)	-	-	(25,255,790)	(1,748,165,218)
<b>Off-balance sheet financial instruments</b>										
<b>Financial assets</b>										
Rentals receivable in future		-	-	-	-	-	-	-	722,703,000	722,703,000
<b>Financial liabilities</b>										
Future ijarah rentals payable		14,243,405	61,343,201	59,084,158	126,101,109	275,524,295	-	-	-	536,296,168
Commitments in respect of outstanding letter of credits and registered import contracts		-	-	-	-	-	-	-	266,558,651	266,558,651
<b>Off-balance sheet gap</b>		(14,243,405)	(61,343,201)	(59,084,158)	(126,101,109)	(275,524,295)	-	-	456,144,349	(80,151,819)
<b>Total interest rate sensitivity gap</b>		(94,263,790)	(191,326,074)	(262,717,985)	(510,910,269)	(1,199,987,478)	-	-	430,888,559	(1,828,317,037)
<b>Cumulative interest rate sensitivity gap</b>		(94,263,790)	(285,589,864)	(548,307,849)	(1,059,218,118)	(2,259,205,596)	(2,259,205,596)	(2,259,205,596)	(1,828,317,037)	(1,828,317,037)

(Rupees)

	Effective yield / profit rate	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Not exposed to yield / profit	Total carrying
<b>On-balance sheet financial instruments</b>										
<b>Financial assets</b>										
Cash and bank balances	5%-8%	195,802,063	-	-	-	-	-	-	9,246,872	205,048,935
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	7.25%	-	-	-	812,505	-	-	-	40,543,323	41,355,828
Long-term security deposits		-	-	-	-	-	-	-	52,563,565	52,563,565
<b>Sub total</b>		<b>195,802,063</b>	<b>-</b>	<b>-</b>	<b>812,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>408,868,830</b>	<b>605,483,398</b>
<b>Financial liabilities</b>										
Creditors, accrued and other liabilities payable to the Modaraba Management Company		-	-	-	-	-	-	-	813,055,909	813,055,909
Diminishing musharakah financing payable - secured	10.61% - 12.50%	24,321,308	84,128,285	137,768,189	246,217,789	656,514,180	19,851,811	-	-	1,168,801,562
Deferred liability		-	-	-	-	-	-	-	19,902,817	19,902,817
Other long-term employee benefit Security deposits		-	-	-	-	-	-	-	8,038,987	8,038,987
<b>Sub total</b>		<b>24,321,308</b>	<b>84,128,285</b>	<b>137,768,189</b>	<b>246,217,789</b>	<b>656,514,180</b>	<b>19,851,811</b>	<b>-</b>	<b>898,813,472</b>	<b>2,067,615,034</b>
<b>On-balance sheet gap</b>		<b>171,480,755</b>	<b>(84,128,285)</b>	<b>(137,768,189)</b>	<b>(245,405,284)</b>	<b>(656,514,180)</b>	<b>(19,851,811)</b>	<b>-</b>	<b>(489,944,642)</b>	<b>(1,462,131,636)</b>
<b>Off-balance sheet financial instruments</b>										
<b>Financial assets</b>										
Rentals receivable in future		-	-	-	-	-	-	-	719,148,400	719,148,400
<b>Financial liabilities</b>										
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
Commitments in respect of outstanding letter of credits and registered import contracts		-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>(15,729,350)</b>	<b>(42,399,124)</b>	<b>(41,454,444)</b>	<b>(59,962,881)</b>	<b>(268,113,012)</b>	<b>(5,156,896)</b>	<b>-</b>	<b>719,148,400</b>	<b>286,332,693</b>
<b>Total interest rate sensitivity gap</b>		<b>155,751,405</b>	<b>(126,527,409)</b>	<b>(179,222,633)</b>	<b>(305,368,165)</b>	<b>(924,627,192)</b>	<b>(25,008,707)</b>	<b>-</b>	<b>229,203,758</b>	<b>(1,175,798,943)</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>155,751,405</b>	<b>29,223,996</b>	<b>(149,998,637)</b>	<b>(455,366,802)</b>	<b>(1,379,993,994)</b>	<b>(1,405,002,701)</b>	<b>(1,405,002,701)</b>	<b>(1,175,798,943)</b>	<b>(1,175,798,943)</b>

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

	Note	Carrying amount	
		2014	2013
		(Rupees)	
<b>Fixed rate instruments</b>			
<b>Financial assets</b>			
Term Deposit Receipt		-	812,505
		-	812,505
<b>Financial liabilities</b>		-	-
<b>Variable rate instruments</b>			
<b>Financial assets</b>			
Saving accounts with banks	3	6,280,962	195,802,063
<b>Financial liabilities</b>			
Diminishing Musharakah financing payable - secured	13	1,729,190,390	1,168,801,562
		1,729,190,390	1,168,801,562

#### 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 affect 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. 2.138 million (2013: Rs. 1.194 million). The sensitivity of savings account has not been presented as the impact would not be material.

### 31.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The modaraba is not exposed to the price risk.

### 31.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Modaraba, resulting in a financial loss to the Modaraba. At the year end it arises principally from Ijarah rental receivable, 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	2014	2013
(Rupees)			
Bank balances	3	44,690,918	204,262,090
Ijarah rentals receivable		305,483,559	291,008,820
Operation and maintenance income receivable		21,557,025	15,506,250
Long-term security deposits		70,359,926	52,563,565
Advances, deposits and other receivables		44,349,317	41,355,828
Total carrying value (and maximum exposure to credit risk)		<u>486,440,745</u>	<u>604,696,553</u>

### 31.2.1 Credit risk ratings and collaterals held

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

Rating			
AAA		25,775,206	124,633,538
AA+		5,741,493	3,886,819
AA		302,084	852,559
AA-		(2,309,585)	65,069,472
A		15,181,720	9,819,702
		<u>44,690,918</u>	<u>204,262,090</u>

### 31.2.1.2 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 million (2013: 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.

### 31.2.2 Impairment losses and past due balances

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

	2014		2013	
	Gross	Impairment loss recognised	Gross	Impairment loss recognised
(Rupees)				
Not past due	-	-	-	-
Past due 1-90 days	207,020,531	-	183,029,975	-
Past due 91 days to 180 days	49,603,105	-	58,864,607	-
Past due 181 days to one year	62,358,804	12,471,761	71,809,701	14,361,940
Past due one year to two years	41,059,811	20,529,906	14,345,454	7,172,727
More than two years	2,988,543	2,988,543	-	-
Total	<u>363,030,794</u>	<u>35,990,210</u>	<u>328,049,737</u>	<u>21,534,667</u>

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

### 31.2.3 Concentration of credit risk

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

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

	2014		2013	
	(Rupees)	%	(Rupees)	%
Airline	1,898,667	0.40%	580,000	0.10%
Banks and development financial institutions (DFI's)	134,330,900	27.60%	292,306,892	48.00%
Cement	273,533	0.10%	2,419,600	0.40%
Chemicals and pharmaceuticals	10,548,868	2.20%	11,230,300	2.00%
Construction	5,516,897	1.10%	607,120	0.10%
Dairy & poultry	652,633	0.10%	170,000	0.03%
Education	3,467,245	0.70%	961,661	0.20%
Energy, oil and gas	49,670,499	10.20%	35,549,358	6.00%
Engineering	37,099,606	7.60%	25,294,225	4.00%
Fast moving consumer goods (FMCG)	21,658,284	4.50%	21,247,856	4.00%
Food and beverages	56,467,268	11.60%	45,832,190	8.00%
Glass and ceramics	1,959,926	0.40%	3,287,995	1.00%
Healthcare	2,662,725	0.50%	1,420,433	0.20%
Hotels	3,773,240	0.80%	1,085,550	0.20%
Information technology and communication	13,569,060	2.80%	7,789,267	1.00%
Packaging	8,286,141	1.70%	19,372,767	3.00%
Paper and board	3,115,650	0.60%	1,869,892	0.30%
Printing	400,000	0.10%	307,833	0.10%
Textile and cotton	96,367,517	19.80%	116,848,552	18.17%
Transport	8,361,280	1.70%	1,310,651	0.20%
Others	26,360,806	5.50%	15,204,411	3.00%
	<u>486,440,745</u>	<u>100%</u>	<u>604,696,553</u>	<u>100%</u>

### 31.3 Liquidity risk

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

#### Management of liquidity risk

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

## Maturity analysis of financial liabilities

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

2014					
Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	
(Rupees)					
<b>Non-derivative financial liabilities</b>					
Creditors, accrued and other liabilities	419,735,513	419,735,513	401,159,849	18,575,664	-
Payable to the Modaraba Management Company	7,057,997	7,057,997	7,057,997	-	-
Diminishing musharakah financing payable - secured	1,729,190,390	1,989,456,277	514,051,156	453,518,770	1,021,886,351
Deferred liability	24,730,674	-	-	-	24,730,674
Other long-term employee benefit - compensated absences	7,227,702	-	-	-	7,227,702
Security deposits	50,000,000	50,000,000	-	24,000,000	26,000,000
	<u>2,237,942,276</u>	<u>2,466,249,787</u>	<u>922,269,002</u>	<u>496,094,434</u>	<u>1,079,844,727</u>
2013					
Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	
(Rupees)					
<b>Non-derivative financial liabilities</b>					
Creditors, accrued and other liabilities	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 - secured	1,168,801,562	1,349,643,787	307,068,337	293,039,780	749,535,670
Deferred liability	19,902,817	-	-	-	19,902,817
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>2,067,615,034</u>	<u>2,220,515,455</u>	<u>1,111,609,987</u>	<u>331,369,798</u>	<u>805,477,474</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 31.1.2 to these financial statements.

## 32 OPERATIONAL RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

### **33 CAPITAL RISK MANAGEMENT**

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

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

The Modaraba is not subject to externally imposed capital requirements.

### **34 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Company does not hold any investments as at June 30, 2014.

### 35 RELATED PARTY TRANSACTIONS

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

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

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

	2014	2013
	(Rupees)	
<b>Allied Engineering Management Company (Private) Limited (Modaraba Management Company)</b>		
Modaraba Management Company's remuneration	6,514,554	6,318,645
Sindh sale tax on management company's remuneration	977,183	1,010,983
Issue of 975,000 Bonus certificates (2013: 1,500,000)	9,750,000	15,000,000
Issue of 3,900,000 Right certificates (2013 : 3,000,000) (including premium of Rs. 11 per certificate)	81,900,000	57,000,000
Dividend paid	58,500,000	45,000,000
<b>Allied Engineering and Services (Private) Limited (holding company of the Modaraba Management Company)</b>		
Purchase of assets	307,159,266	322,752,951
Purchase of parts and services	355,903,923	302,062,914
Rental revenue	2,281,200	887,470
Issue of 1,476,289 Bonus certificates (2013 : 2,271,214)	14,762,893	22,712,140
Issue of 5,905,157 Right certificates (2013: 4,542,428) (including premium of Rs. 11 per certificate)	124,008,297	86,306,132
Dividend paid	88,577,355	68,136,429
<b>Allied Engineering and Services (Private) Limited - Staff Provident Fund</b>		
Contribution to the staff provident fund	6,136,376	5,072,764
Issue of 76,898 Bonus certificates (2013 : 115,250)	768,987	1,152,500
Issue of 346,526 Right certificates (2013 : 270,224) (including premium of Rs. 11 per certificate)	7,277,046	5,134,256
Dividend paid	4,613,922	3,457,500

2014	2013
(Rupees)	

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

Outstanding certificates 24,375,000 (June 30, 2013: 19,500,000)	243,750,000	195,000,000
Payable to the Modaraba Management Company	7,057,997	7,315,759

**Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)**

Outstanding certificates 36,907,231 (June 30, 2013: 29,525,785)	369,072,310	295,257,850
Payable against purchase of parts and services	200,173,491	307,487,951

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

Outstanding certificates 1,961,398 (June 30, 2013: 1,537,974)	19,613,980	15,379,740
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**35.1** The status and details of outstanding balances with associated undertakings / related parties as at June 30, 2014 are included in the respective notes to the financial statements.

**36 SEGMENT INFORMATION**

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

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

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

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

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

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

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

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

	2014	2013	2014	2013	2014	2013
	Profit on Ijarah Finance and rentals		Operation and maintenance income		Total	
	(Rupees)					
Revenue	2,450,135,752	2,014,395,662	92,075,399	124,803,537	2,542,211,151	2,139,199,199
Costs	(1,899,873,018)	(1,456,637,818)	(65,167,755)	(83,564,287)	(1,965,040,773)	(1,540,202,105)
Reportable segment profit	<u>550,262,734</u>	<u>557,757,844</u>	<u>26,907,644</u>	<u>41,239,250</u>	<u>577,170,378</u>	<u>598,997,094</u>

**Reportable segment assets:**

Rental receivable	305,483,559	291,008,820	21,557,025	15,506,250	327,040,584	306,515,070
Security deposits	74,309,926	59,764,006	-	-	74,309,926	59,764,006
Spares parts	47,229,267	22,487,148	-	-	47,229,267	22,487,148
Ijarah assets	4,644,854,276	3,677,543,177	-	-	4,644,854,276	3,677,543,177
Fixed assets in own use - tangible	65,032,652	52,347,976	-	-	65,032,652	52,347,976
Capital work-in-progress	99,882,793	69,925,080	-	-	99,882,793	69,925,080
	<u>5,236,792,473</u>	<u>4,173,076,207</u>	<u>21,557,025</u>	<u>15,506,250</u>	<u>5,258,349,498</u>	<u>4,188,582,457</u>

**Reportable segment liabilities:**

Creditors, accrued and other liabilities	419,735,513	828,809,776	-	2,209,726	419,735,513	831,019,502
Diminishing musharakah financing payable - secured	1,729,190,390	1,168,801,562	-	-	1,729,190,390	1,168,801,562
Security deposits	50,000,000	50,500,000	-	-	50,000,000	50,500,000
	<u>2,198,925,903</u>	<u>2,048,111,338</u>	<u>-</u>	<u>2,209,726</u>	<u>2,198,925,903</u>	<u>2,050,321,064</u>

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

	Note	2014	2013
		(Rupees)	
<b>Revenues</b>			
Total revenue for reportable segments		2,542,211,151	2,139,199,199
Other revenue	23	74,285,001	32,867,450
Total revenue		<u>2,616,496,152</u>	<u>2,172,066,649</u>
<b>Profit or loss</b>			
Total profit or loss for reportable segments		577,170,378	598,997,094
Other profit or loss	23	74,285,001	32,867,450
		<u>651,455,379</u>	<u>631,864,544</u>
<b>Assets</b>			
Total assets for reportable segments		5,258,349,498	4,188,582,457
Advances and other receivables (other than security deposit)		50,210,173	45,895,350
Cash and bank balances		48,027,231	205,048,935
Long term security deposit - Others		50,000	50,000
		<u>5,356,636,902</u>	<u>4,439,576,742</u>
<b>Liabilities</b>			
Total liabilities for reportable segments		2,198,925,903	2,050,321,064
Payable to the Modaraba Management Company		7,057,997	7,315,759
Deferred staff liability		24,730,674	21,171,193
Other long term employee benefit		7,227,702	8,038,987
		<u>2,237,942,276</u>	<u>2,086,847,003</u>

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

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

The Board of Directors of the Management Company has approved dividend at the rate of Rs. 3 per certificate (2013: Rs. 3 per certificate) for the year ended June 30, 2014, resulting in a total distribution of profit amounting to Rs. 365.625 million (2013: Rs. 292.5 million), in its meeting held on September 16, 2014, which is more than 90% of the net profit for the year ended June 30, 2014, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending June 30, 2015.

### **38 CORRESPONDING FIGURES**

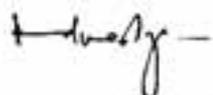
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant rearrangements or reclassifications in these financial statements.

### **39 GENERAL**

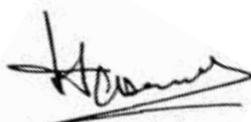
#### **39.1 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on September 16, 2014.

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



**Murtaza Ahmed Ali**  
Chief Executive



**Hassan Shehzad Abidi**  
Director



**Abdul Rahim Suriya**  
Director

# Certificate Holding Pattern

As at June 30, 2014

No. of Certificate holders	Certificate Holding		Total Certificates Held
	From	To	
80	1	100	1,079
34	101	500	11,946
41	501	1000	32,420
84	1001	5000	223,918
28	5001	10000	192,814
14	10001	15000	171,389
6	15001	20000	100,338
5	20001	25000	105,304
11	25001	30000	306,157
2	30001	35000	67,233
2	40001	45000	81,250
2	45001	50000	93,687
3	50001	55000	153,971
1	55001	60000	56,062
2	60001	65000	121,874
2	70001	75000	146,542
1	80001	85000	80,875
1	85001	90000	88,968
2	120001	125000	243,562
1	145001	150000	147,500
1	160001	165000	161,204
2	175001	180000	353,483
1	245001	250000	250,000
1	310001	315000	311,906
1	1245001	1250000	1,250,000
1	1960001	1965000	1,961,398
2	2695001	2700000	5,400,000
1	24370001	24375000	24,375,000
1	36905001	36910000	36,907,231
1	48475001	48480000	48,477,889
<u>334</u>			<u>121,875,000</u>

Categories of Certificateholders	Number	Certificate Held	Percentage
Individuals	325	9,972,277	8.18%
Modaraba / Modaraba Management Company	2	24,378,000	20.00%
Joint Stock Companies	5	85,561,620	70.20%
Employees Provident Fund	2	1,963,103	1.61%
<b>Total</b>	<u>334</u>	<u>121,875,000</u>	<u>100.00%</u>

# Certificate Holding Pattern

As at June 30, 2014

Categories of Certificateholders	Number	Certificate Held	Percentage
<b>Associated Companies</b>			
Allied Engineering & Services (Pvt) Limited	1	36,907,231	30.28%
Allied Engineering Management Company (Pvt) Limited	1	24,375,000	20.00%
Allied Engineering & Services (Pvt) Limited - Employees Provident Fund	1	1,961,398	1.61%
		63,243,629	51.89%
<b>Directors, CEO &amp; their Spouses &amp; Minor Children</b>			
1. Mr. Murtaza Ahmed Ali	1	311,906	
2. Syed Feisal Ali	1	1,250,000	
3. Mr. Ali Akbar	1	60,937	
4. Mr. Raees A. Khan	1	325,000	
5. Mr. Hassan Shahzad Abidi	1	4,059	
6. Mr. Abdul Rahim Suriya	1	25,625	
		1,977,527	1.62%
Executives	7	283,109	0.22%
Employees Provident Fund	1	1,705	0.01%
Modaraba	1	3,000	0.01%
Mutual Fund & Others	3	176,500	0.14%
<b>Certificateholders holding five percent or more certificates in the Modaraba</b>			
Magenta International Limited	1	48,477,889	39.78%
General Public	312	7,711,641	6.32%
	334	121,875,000	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

Plot No 55-A  
Main Industrial Estate,  
Jamrud Road Hayatabad  
Tel : +9291 - 5830445 - 6  
Fax : +9291 - 5830445  
Email : pesh@aesl.com.pk

## Quetta

1st Floor, Burger Inn Building,  
Suraj Ganj Bazar  
Tel : +9281 - 822196  
Email: admin@aesl.com.pk

## Faisalabad

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

# Proxy Form

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

As my proxy to vote for me and on my behalf at the 8th Annual Review Meeting of the Modaraba to be held on 31st day of October 2014 and at any adjournment there of.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

## WITNESSES:

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

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

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

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

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

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

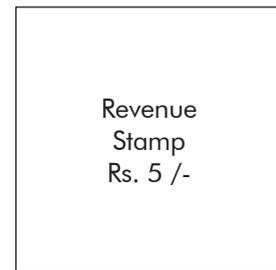
Name: \_\_\_\_\_

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

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

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

Signature



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

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



## Allied Rental Modaraba

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

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

UAN: +9221 - 111-250-250

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

Fax: +9221 - 35066915 - 16

Email: [rental@aesl.com.pk](mailto:rental@aesl.com.pk)

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