

Quarterly Report March 31, 2015



Allied Rental Modaraba

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

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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

Registrar & Certificate Transfer Office

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

Tel: 021 - 35643871-72

Fax: 021 - 35643873

DIRECTORS' REPORT

For the nine months period ended March 31, 2015

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 Un-audited Condensed Interim Financial Statements of the Modaraba for the nine months period ended March 31, 2015.

Financial Highlights

	Rs in '000
Total Revenue	2,030,836
Profit for the period	326,417
Net profit margin	16.07%
Earning per certificate	Rs. 2.23
Investment in Ijarah assets	5,206,464

Review of Operations

Modaraba continued to post escalation in its Revenues for March quarter and cumulatively for the period of nine months. Though the revenues for the quarter went up by 7%, but fell short of our expectations and investment in the Rental Fleet. This is mainly due to sluggish response from the Textile sector due to downturn in their business; firstly on account of revaluation of Pak Rupee against US dollar and subsequently due to parity change in Euro versus US dollar, resulting in appreciation of Pak Rupee versus Euro. Obviously against weak demand and profit pressure, yarn manufacturers. opted not to rent Standby Diesel Equipment for use during power outages. Also, as we are told, the yarn market remained under pressure due to lower demand from China and better export pricing from Indian Yarn suppliers.

Accordingly, the profit for the quarter closed at Rs. 71 Million as against Rs. 123 Million of corresponding period last year. Cumulatively also, the profit declined by Rs. 148 Million compared to corresponding period last year. On the expense front, the major dampener to the profits are increased Deprecation charge , Ijarah Rentals and Financial costs, which cumulatively went up by Rs. 39 Million in this quarter and Rs. 179 Million for the cumulative nine months period. All these charges are the direct result of increased investments made in the Rental Fleet.

The increase in Salaries and Wages and Fleet Vehicles Running costs is mainly due to increase in the Logistic business segment. Sales for this segment went up from Rs. 55 Million in July 13 – March 14 to Rs. 187 Million in July 14 - March 15 period.

Administrative and distribution expenses increased by Rs. 15 million in the nine months period, mainly due to salary increments and creation of new positions to handle increased business volume, Rs. 5 Million paid for the increase in the Authorized Capital of the Modaraba and Rs. 1.6 Million charge for the up gradation of Stock Yard facilities at Port Qasim facility.

Future Prospects

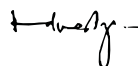
We are continuously expanding in the Logistics segment and are targeting blue chip companies for their Outbound Logistic requirements. This will be our main area of growth in the coming periods. Our Forklifts segment is also continuously expanding with blue chip companies, with companies realizing the importance of outsourcing their Inbound Logistics Operations.

On the Power front, the investment will remain low, as significant investments were made in prior periods. Also as the demand is low, especially from the textile segment, new investments will be subject to future demand forecast.

Acknowledgement

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

On Behalf of the Board



Murtaza Ahmed Ali
Chief Executive

April 27, 2015

Condensed Interim Balance Sheet (Unaudited)

AS AT MARCH 31, 2015

	Note	(Rupees)	
		Unaudited Mar 31, 2015	Audited Jun 30, 2014
ASSETS			
Current assets			
Cash and bank balances		61,542,673	48,027,231
Ijarah rentals receivable		415,609,682	305,483,559
Operation and maintenance income receivable		34,699,669	21,557,025
Advances, deposits, prepayments and other receivable		51,674,311	54,210,173
Spare parts		56,134,527	47,229,267
		619,660,862	476,507,255
Non-current assets			
Long-term security deposits		46,546,448	70,359,926
Fixed assets in own use - tangible		71,626,567	65,032,652
Ijarah assets	5	5,103,251,574	4,644,854,276
Capital work-in-progress		103,212,540	99,882,793
		5,324,637,129	4,880,129,647
Total assets		5,944,297,991	5,356,636,902
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities		439,531,518	419,735,513
Payable to the Modaraba Management Company	6	-	7,057,997
Current portion of Diminishing Musharakah financing payable - secured	7	814,498,167	804,727,207
Current portion of security deposits		15,000,000	24,000,000
		1,269,029,685	1,255,520,717
Non-current liabilities			
Diminishing Musharakah financing payable -secured	7	978,217,870	924,463,183
Deferred liabilities		30,725,666	24,730,674
Other long-term employee benefits		6,888,024	7,227,702
Security deposits		34,000,000	26,000,000
		1,049,831,560	982,421,559
Total liabilities		2,318,861,245	2,237,942,276
NET ASSETS		3,625,436,746	3,118,694,626
FINANCED BY : CAPITAL AND RESERVES			
Authorised certificate capital			
150,000,000 Modaraba certificates of Rs.10 each		1,500,000,000	1,500,000,000
Issued, subscribed and paid-up certificate capital		1,462,500,000	1,218,750,000
Premium on issue of right certificates		744,187,500	439,500,000
Statutory (mandatory) reserve		1,241,589,375	1,078,380,652
Unappropriated profit		177,159,871	382,063,974
		3,625,436,746	3,118,694,626

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

For Allied Engineering Management Company (Private) Limited

(Modaraba Management Company)


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period ended March 31, 2015

	Note	Nine months period ended		Three months period ended	
		Mar 31, 2015	Mar 31, 2014	Mar 31, 2015	Mar 31, 2014
		(Rupees)		(Rupees)	
Ijarah rentals		1,958,402,166	1,781,316,079	605,757,745	561,152,377
Operation and maintenance income		72,434,242	63,846,223	21,755,809	27,004,991
		2,030,836,408	1,845,162,302	627,513,554	588,157,368
Operating expenses	9	(1,480,641,864)	(1,226,451,527)	(486,090,139)	(433,373,722)
Gross Profit		550,194,544	618,710,775	141,423,415	154,783,646
Administrative and distribution expenses	10	(78,183,781)	(63,219,502)	(29,723,185)	(22,583,353)
Provision against potential Ijarah losses and operation and maintenance income		-	(11,058,115)	-	-
Finance costs	11	(169,220,669)	(99,126,344)	(55,172,375)	(16,771,869)
Other income		30,288,932	38,569,489	16,165,691	10,541,602
		(217,115,518)	(134,834,472)	(68,729,869)	(28,813,620)
		333,079,026	483,876,303	72,693,546	125,970,026
Modaraba Management Company's remuneration	6.1	-	-	-	-
		333,079,026	483,876,303	72,693,546	125,970,026
Workers' Welfare Fund		(6,661,581)	(9,677,526)	(1,453,871)	(2,519,400)
Profit for the period before taxation		326,417,445	474,198,777	71,239,675	123,450,626
Taxation	12	-	-	-	-
Profit for the period after taxation		326,417,445	474,198,777	71,239,675	123,450,626
Earnings per certificate - basic & diluted		2.23	3.24	0.49	0.84

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

For Allied Engineering Management Company (Private) Limited

(Modaraba Management Company)


Murtaza Ahmed Ali
 Chief Executive


Khwaja Asif Rahman
 Chairman


Syed Feisal Ali
 Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months period ended March 31, 2015

	Nine months period ended		Three months period ended	
	Mar 31, 2015	Mar 31, 2014	Mar 31, 2015	Mar 31, 2014
	(Rupees)		(Rupees)	
Profit for the period after taxation	326,417,445	474,198,776	71,239,675	123,450,626
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	326,417,445	474,198,776	71,239,675	123,450,626

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

For Allied Engineering Management Company (Private) Limited

(Modaraba Management Company)


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended March 31, 2015

	Nine months period ended	
	Mar 31, 2015	Mar 31, 2014
(Rupees)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	326,417,445	474,198,776
Adjustments for non-cash charges and other items:		
Depreciation	559,190,978	453,529,423
Provision for deferred liabilities - gratuity	5,994,992	2,412,254
Financial charges including bank charges	169,220,669	99,126,344
Profit on disposal of Ijarah assets	(13,349,750)	(17,630,481)
Loss on disposal of fixed assets in own use	136,523	22,587
	1,047,610,857	1,011,658,903
(Increase) / decrease in assets		
Ijarah rentals receivable	(110,126,124)	91,216,575
Operation and maintenance income receivable	(13,142,644)	137,217
Advances, deposits and other receivable	2,535,862	6,804,409
Spare parts	(8,905,260)	(11,699,822)
Long-term security deposits	23,813,478	(4,757,861)
	(105,824,688)	81,700,518
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	17,963,158	(385,827,648)
Payable to the Modaraba Management Company	(7,057,997)	(6,304,776)
Security deposits	(1,000,000)	(22,500,000)
	9,905,161	(414,632,424)
Cash utilised in operations	(95,919,527)	(332,931,906)
Gratuity paid	-	(3,750,778)
Compensated absence paid	(339,678)	(578,768)
Financial charges paid	(167,387,822)	(81,963,494)
Net cash flows from operating activities	783,963,830	592,433,957
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,124,004,426)	(1,447,081,537)
Proceeds from disposal of fixed assets in own use	8,144,465	1,226,128
Proceeds from disposal of Ijarah assets	101,561,250	92,725,339
Net cash flows from investing activities	(1,014,298,711)	(1,353,130,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharakah financing availed	747,118,549	1,062,110,280
Repayment of Diminishing Musharakah financing	(683,592,901)	(416,869,048)
Proceeds from issue of right certificate	548,437,500	409,500,000
Expenses against issuance of bonus / right certificates	(2,487,825)	(1,076,493)
Dividend paid	(365,625,000)	(292,500,000)
Net cash flows from financing activities	243,850,323	761,164,739
Net increase in cash and cash equivalents	13,515,442	468,626
Cash and cash equivalents at the beginning of the period	48,027,231	205,048,935
Cash and cash equivalents at the end of the period	61,542,673	205,517,561

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended March 31, 2015

	Issued Subscribed & Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve	Un- appropriated profit	Total
	(Rupees)				
Balance as at June 30, 2013	975,000,000	225,000,000	801,402,963	353,287,234	2,354,690,197
Profit distribution for the year ended June 30, 2013 @ Rs. 3.00 per certificate	-	-	-	(292,500,000)	(292,500,000)
Bonus issue for the year ended June 30, 2013 @ 5% i.e. 1 certificate for every 20 certificates held	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
Total comprehensive income for the nine months period ended March 31, 2014	-	-	-	474,198,776	474,198,776
Expenses against issuance of right / bonus certificates	-	-	-	(1,076,493)	(1,076,493)
Transfer to statutory (mandatory) reserve	-	-	237,099,388	(237,099,388)	-
Balance as at March 31, 2014	1,218,750,000	439,500,000	989,752,351	296,810,129	2,944,812,480
Total comprehensive income for the three months period ended June 30, 2014	-	-	-	173,882,146	173,882,146
Transfer to statutory (mandatory) reserve	-	-	88,628,301	(88,628,301)	-
Balance as at June 30, 2014	1,218,750,000	439,500,000	1,078,380,652	382,063,974	3,118,694,626
Profit distribution for the year ended June 30, 2014 @ Rs. 3.00 per certificate	-	-	-	(365,625,000)	(365,625,000)
20 % right issue at a premium of Rs.12.5 per certificate during the period	243,750,000	304,687,500	-	-	548,437,500
Total comprehensive income for the nine months period ended March 31, 2015	-	-	-	326,417,445	326,417,445
Expenses against issuance of right certificates	-	-	-	(2,487,825)	(2,487,825)
Transfer to statutory (mandatory) reserve	-	-	163,208,723	(163,208,723)	-
Balance as at March 31, 2015	1,462,500,000	744,187,500	1,241,589,375	177,159,871	3,625,436,746

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

For Allied Engineering Management Company (Private) Limited

(Modaraba Management Company)


Murtaza Ahmed Ali
 Chief Executive


Khwaja Asif Rahman
 Chairman


Syed Feisal Ali
 Director

Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended March 31, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

Allied Rental Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Allied Engineering Management Company (Private) Limited (the 'Modaraba Management Company'), which is a wholly owned subsidiary of Allied Engineering and Services 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.

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, IFAS, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the SECP differ with the requirements of IFRSs, 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 SECP prevail.

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for Interim financial reporting. This condensed interim financial information does not include all the information required for a full set of financial statements and should be read in conjunction with the published financial statements of the Modaraba for the year ended June 30, 2014.

2.2 Functional and presentation currency

This condensed interim financial information has been presented in Pakistani Rupees, which is the functional and presentational currency of the Modaraba.

2.3 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 2.4.

2.4 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) present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are 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 this condensed interim financial information, the Modaraba has treated the leasing transactions in accordance with the requirements of IFAS 2.

3 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

3.1 The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Modaraba for the year ended June 30, 2014.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

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 are therefore not detailed in this condensed interim financial information.

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

There are certain amended standards and interpretations that are mandatory for the accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are therefore not detailed in this condensed interim financial information.

3.4 The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.5 The significant judgments made by management in applying the Modaraba's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the financial statements for the year ended June 30, 2014.

4 RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Modaraba for the year ended June 30, 2014.

5 **IJARAH ASSETS**

(Unaudited) March 31, 2015		
Generators, forklifts and related parts	Machines	Total

(Rupees)

At July 01, 2014

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)
Net book value	4,473,137,416	171,716,860	4,644,854,276

Additions	1,084,775,095	14,199,000	1,098,974,095
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Disposals

Cost	(96,159,013)	(14,515,023)	(110,674,036)
Depreciation	19,195,060	3,267,475	22,462,535
	(76,963,953)	(11,247,548)	(88,211,501)

Depreciation charge for the period

	(543,803,247)	(8,562,049)	(552,365,296)
Closing net book value	4,937,145,311	166,106,263	5,103,251,574

At March 31, 2015

Cost	6,937,730,029	228,500,737	7,166,230,766
Accumulated depreciation	(2,000,584,718)	(62,394,474)	(2,062,979,192)
Net book value	4,937,145,311	166,106,263	5,103,251,574

Life (Years)

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(Audited) June 30, 2014		
Generators, forklifts and related parts	Machines	Total

(Rupees)

At July 01, 2013

Cost	4,541,453,046	192,513,825	4,733,966,871
Accumulated depreciation	(1,011,978,484)	(44,445,210)	(1,056,423,694)
Net book value	3,529,474,562	148,068,615	3,677,543,177

Additions	1,661,344,635	36,302,935	1,697,647,570
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Disposals

Cost	(253,683,734)	-	(253,683,734)
Depreciation	126,157,070	-	126,157,070
	(127,526,664)	-	(127,526,664)

Depreciation charge for the period

	(590,155,117)	(12,654,690)	(602,809,807)
Closing net book value	4,473,137,416	171,716,860	4,644,854,276

At Jun 30, 2014

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)
Net book value	4,473,137,416	171,716,860	4,644,854,276

Life (Years)

1 to 9 4 to 7

6 **PAYABLE TO THE MODARABA MANAGEMENT COMPANY**

	Note	Unaudited Mar 31, 2015	Audited Jun 30, 2014
(Rupees)			
Remuneration payable to Management Company - net	6.1	-	6,080,814
Sindh Sales Tax payable on remuneration of Management Company		-	977,183
		-	7,057,997

- 6.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba.

The management records accrual in respect of remuneration of the Management Company annually after finalisation of the profits for the year.

7	DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED	Unaudited	Audited
		Mar 31, 2015	Jun 30, 2014
(Rupees)			
	Musharakah financing	1,792,716,037	1,729,190,390
	Due within one year	(814,498,167)	(804,727,207)
		<u>978,217,870</u>	<u>924,463,183</u>

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1 There were no contingencies as at March 31, 2015 other than as explained below.

8.1.2 Sindh Sales Tax on Operations & Maintenance Income of the Modaraba

During the year ended June 30, 2014, 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 with 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 the 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 the 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 the Commissioner Appeals - SRB. The Management believes that the outcome of the petition will be in favour of the Modaraba and accordingly no provision has been made in this condensed interim financial information.

8.2 Commitments

8.2.1 Contractual rentals receivable on Ijarah contracts

	(Unaudited) March 31, 2015			(Audited) June 30, 2014		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)					
Rentals receivable in future	208,560,200	277,450,000	486,010,200	334,320,400	388,382,600	722,703,000

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

8.2.2 Ijarah rentals payable

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

	(Unaudited) March 31, 2015			(Audited) June 30, 2014		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)					
Future Ijarah rentals payable	134,523,920	143,214,829	277,738,749	260,771,873	275,524,295	536,296,168

9	OPERATING EXPENSES	Nine months period ended		Three months period ended	
		Mar 31, 2015	Mar 31, 2014	Mar 31, 2015	Mar 31, 2014
		(Rupees)		(Rupees)	
	Salaries, wages and other staff benefits	349,595,431	291,333,851	121,166,881	95,361,924
	Depreciation expense	552,365,295	447,641,054	186,407,561	162,339,656
	Repairs and maintenance cost	291,718,831	266,130,352	89,367,912	103,638,445
	Ijarah rentals	183,245,728	154,202,345	48,830,366	48,565,654
	Fleet vehicles running cost	54,250,190	24,912,263	24,896,071	8,083,403
	Vehicles running cost	18,002,929	17,042,604	4,676,754	6,145,868
	Insurance cost - equipments	19,474,860	15,028,770	6,330,696	6,746,375
	Travelling and conveyance	7,277,705	6,432,327	2,515,411	1,307,877
	Miscellaneous	4,710,895	3,727,961	1,898,487	1,184,520
		1,480,641,864	1,226,451,527	486,090,139	433,373,722

10 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

	Salaries, wages and other staff benefits	28,672,523	22,945,943	10,587,654	8,898,624
	Commission	9,341,940	9,344,062	4,091,105	3,645,262
	Vehicle running costs	3,937,731	4,365,920	1,199,149	1,428,275
	Travelling and conveyance	1,935,981	3,836,516	414,392	1,354,375
	Depreciation expense	6,825,683	5,888,369	2,096,223	2,074,627
	Legal and professional charges	10,656,594	5,018,852	5,331,171	1,508,071
	Auditors' remuneration	515,000	530,665	-	-
	Telephone, postage and fax charges	2,027,618	1,670,640	806,607	505,930
	Advertisement and sales promotion	1,773,433	1,761,810	556,324	423,380
	Printing and stationery	2,658,516	2,144,195	701,247	816,072
	Insurance cost - vehicles	1,448,831	1,394,200	438,636	587,406
	Training, meetings and tender participation	2,535,651	1,415,320	493,387	550,349
	Charity	387,000	-	-	-
	Entertainment	1,713,785	1,255,413	660,283	256,119
	Repair & Maintenance	1,604,002	-	1,556,731	-
	Miscellaneous	2,149,493	1,647,597	790,276	534,863
		78,183,781	63,219,502	29,723,185	22,583,353

11 FINANCE COSTS

	Financial cost on Diminishing Musharakah financing	162,018,507	116,787,970	55,226,349	41,216,789
	Exchange loss / (Gain) - net	6,069,311	(19,188,344)	(286,936)	(25,336,761)
	Bank charges and commission	1,132,851	1,526,718	232,962	891,841
		169,220,669	99,126,344	55,172,375	16,771,869

12 TAXATION

12.1 As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly, no provision in respect of current and deferred tax has been made in this condensed interim financial information.

12.2 The income tax returns of the Modaraba have been filed up to the financial year ended June 30, 2014 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

13 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 personal 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.

13.1 Detail of transactions with related parties during the period are as follows:

	Unaudited	
	Nine months period ended	
	March 31, 2015	March 31, 2014
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Issue of Bonus certificate Nil (March 31, 2014 : 975,000)	-	9,750,000
Dividend Paid	<u>73,125,000</u>	<u>58,500,000</u>
Issue of 4,875,000 Right certificate (March 31, 2014 : 3,900,000)	<u>109,687,500</u>	<u>81,900,000</u>
Allied Engineering and Services (Private)Limited (holding company of the Management Company)		
Purchase of assets	<u>162,989,277</u>	<u>238,331,612</u>
Purchase of parts and services	<u>281,606,518</u>	<u>276,313,163</u>
Sale of rental assets and rent revenue	<u>1,302,500</u>	<u>767,500</u>
Issue of Bonus certificate Nil (March 31, 2014 : 1,476,289)	-	14,762,893
Dividend Paid	<u>110,721,693</u>	<u>88,577,355</u>
Issue of 7,381,446 Right certificate (March 31, 2014 : 5,905,157)	<u>166,082,535</u>	<u>124,008,297</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	<u>5,226,516</u>	<u>4,541,707</u>
Issue of Bonus certificate Nil (March 31, 2014 : 76,898)	-	768,987
Dividend Paid	<u>5,884,194</u>	<u>4,613,922</u>
Issue of 430,398 Right certificate (March 31, 2014 : 346,526)	<u>9,683,955</u>	<u>7,277,046</u>

13.2 Detail of balances with related parties as at period end are as follows:

	Unaudited	Audited
	March 31, 2015	June 30, 2014
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 29,250,000 (June 30, 2014 : 24,375,000)	<u>292,500,000</u>	<u>243,750,000</u>
Payable to the Modaraba Management Company	-	7,057,997
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 44,288,677 (June 30, 2014 : 36,907,231)	<u>442,886,770</u>	<u>369,072,310</u>
Payable against purchase of parts and services	<u>239,858,219</u>	<u>200,173,491</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 235,3668 (June 30, 2014 : 1,961,398)	<u>23,536,680</u>	<u>19,613,980</u>

14 GENERAL

14.1 The figures in this condensed interim financial information has been rounded off to the nearest Rupee.

14.2 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 this condensed interim financial information.

15 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on April 27, 2015.

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


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

ALLIED  **THE**
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STORE.

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