

**THE INVESTORS ARE ADVISED IN THEIR OWN INTEREST TO READ THE CONTENTS OF THE PROSPECTUS CAREFULLY ESPECIALLY THE RISK FACTORS GIVEN AT PARA 5.13 BEFORE MAKING ANY INVESTMENT DECISION.**

**Abridged Prospectus**  
**OF**  
**ALLIED RENTAL MODARABA**

**MANAGED BY:**

**ALLIED ENGINEERING MANAGEMENT COMPANY (PRIVATE) LIMITED**

For

**PUBLIC ISSUE OF 15,000,000 MODARABA  
CERTIFICATES OUT OF A TOTAL OF 30,000,000  
MODARABA CERTIFICATES OF  
RS. 10 EACH AT PAR**

THE SUBSCRIPTION LIST WILL "INSHA ALLAH" OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 28<sup>th</sup> November, 2006 AND WILL CLOSE ON 28<sup>th</sup> November, 2006 AT THE CLOSE OF BANKING HOURS

**LEAD MANAGER:**



**UNDERWRITTEN BY:**

**ARIF HABIB SECURITIES LIMITED  
ARIF HABIB RUPALI BANK LIMITED  
PAK OMAN INVESTMENT COMPANY LIMITED**

DATE OF PUBLICATION OF PROSPECTUS IS:  
20<sup>th</sup> November 2006

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**PART I****1. APPROVALS AND LISTING ON THE STOCK EXCHANGE****1.1. APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**

Approval of the Securities & Exchange Commission of Pakistan (SECP) as required under Section 57 (1) of the Companies Ordinance, 1984 has been obtained for the issue, circulation and publication of this prospectus.

**It must be distinctly understood that in giving this approval, the Securities and Exchange Commission of Pakistan does not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.**

**1.2. AUTHORIZATION FOR THE ISSUE**

Authorization has been granted under the Modaraba Companies and Modaraba (Flotation & Control) Ordinance, 1980 for the floatation of the ALLIED RENTAL MODARABA (The Modaraba). The Religious Board constituted under the provisions of Section 9 of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 has certified that the business proposed to be undertaken by the Modaraba is not opposed to the injunctions of Islam.

**1.3. CLEARANCE OF THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED**

The Prospectus of the Modaraba has been cleared by the Karachi Stock Exchange (Guarantee) Limited in accordance with the requirements under its Listing Regulations. **While clearing the Prospectus, the Stock Exchange does not guarantee the correctness of the contents of the Prospectus nor the viability of the Modaraba.**

**1.4. CONDITIONS IMPOSED BY REGISTRAR MODARABA ON MODARABA COMPANY**

While granting registration to the Modaraba Company, the Registrar Modaraba Companies and Modaraba had, inter alia prescribed the following conditions:

- a. The Company shall make such investments as may be required in terms of the prospectus for floatation of a Modaraba.
- b. Subscription in compliance to Section 17(3) of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, will be in the nature of permanent investment of the Modaraba Company in the Modaraba free from encumbrances for all time, which will not be disinvested during the life of the Modaraba.
- c. The Company shall undertake such business as is approved by the Registrar in terms of the prospectus.
- d. The promoters, sponsors or persons holding controlling interest shall not transfer any shares held by them without the prior permission in writing of the Registrar.
- e. The company shall furnish its annual audited accounts along with the Directors report to the Registrar immediately on issue of the same to the shareholders.
- f. An amount of not less than Rs. 2.5 million shall be set aside free from any encumbrance in respect of each Modaraba to be floated by the Company and that the particulars thereof shall be furnished to the Registrar along with the application for floatation of each Modaraba.

- g. No change shall be made in the Company's major shareholders and directors without prior approval of the Registrar.
- h. The Modaraba Company shall not engage itself in any business except the floatation and management of Modaraba, unless it has raised the paid up capital to as prescribed by the Rules.

**1.5. CONDITIONS IMPOSED BY REGISTRAR MODARABA ON THE MODARABA INCLUDES THE FOLLOWING:**

- a) The Modaraba shall not undertake any business other than those specified in the Prospectus
- b) The Modaraba shall not disinvest or create encumbrance in favour of any person on any part of the investment in Modaraba
- c) The Modaraba Certificates to be subscribed by the Modaraba Company and/or sponsors, of the Modaraba Company shall not be transferred except with the prior written authorization of the Registrar.
- d) No change shall be made in the directors of the Modaraba Company or management of the Modaraba except with the prior written consent of the Registrar (Modarabas). Application for the change of Chief Executive or Director(s) of the Modaraba Company shall be filed with Registrar (Modarabas) in a manner as prescribed by the Registrar (Modarabas) and in the Prudential Regulations for Modarabas.
- e) The Modaraba Company shall not engage in any business, which is of the same nature and competes with the business of the Modaraba
- f) The objects outlined in the Prospectus shall be achieved and the business operation conducted on the basis of business arrangements and agreements as already approved by Religious Board. In case any new arrangement is to be entered into, approval of the Religious Board shall be obtained.
- g) The business of the Modaraba shall be conducted in line with the provisions of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, the Prudential Regulations for Modarabas and the Prospectus of the Modaraba.

**PART II****2. MODARABA FUND AND RELATED MATTERS****2.1. MODARABA FUND**

<b>Number of Certificates</b>		<b>Amount in Rupees</b>
<b>ALLIED RENTAL MODARABA (ARM) AUTHORIZED CAPITAL</b>		
<b>50,000,000</b>	Certificates of Rs.10/- each.	<b>500,000,000</b>
<b>SUBSCRIBED AND PAID UP</b>		
Modaraba Certificates of Rs. 10 each fully paid in cash by:		
<b>Modaraba Management Company</b>		
6,000,000	Allied Engineering Management Company (Pvt.) Ltd. (AEMC)	60,000,000
<b>Other Sponsors</b>		
9,000,000	Allied Engineering & Services Ltd	90,000,000
<b>15,000,000</b>	<b>Sub Total</b>	<b>150,000,000</b>
<b>PRESENT ISSUE</b>		
Now offered for subscription at par in cash, by full payment on application, as follows:		
750,000	Employees of the Modaraba and its sponsors	7,500,000
14,250,000	General Public	142,500,000
<b>15,000,000</b>	<b>Sub Total</b>	<b>150,000,000</b>
<b>30,000,000</b>	<b>GRAND TOTAL</b>	<b>300,000,000</b>

**Notes:**

- i. As per Rule 3(II) (v) of the Companies (Issue of Capital) Rules, 1996, the sponsors shall retain at least twenty five percent (25%) of the capital of the Modaraba for a period of five years from the date of public subscription.
- ii. As per the Exchange Letter No. KSE/Gen-3950, dated June 02, 2006, share allocated to the Modaraba Management Company/ Sponsors to the extent of 50% shall not be saleable for a period of 2 years from the date of public subscription.
- iii. The SECP has granted relaxation as per Regulation 6(A)6 of the Listing Regulation of Karachi Stock Exchange regarding the public offer of at least 70%, whereas the actual offer size is 50% of the total size of the Modaraba.
- iv. Preferential Allocation of 750,000 ordinary certificates has been made to the employees of the Modaraba and its sponsors at par value which they will subscribe at the time of public subscription.
- v. The certificates subscribed by the employees of the Company shall not be saleable for a period of 6 months from the date of public subscription as per Listing Regulation 6(A) 7(ii).

## 2.2. OPENING AND CLOSING OF SUBSCRIPTION LIST

The subscription list will Insha'Allah open at the commencement of banking hours on 28<sup>th</sup> November, 2006 and will close on 28<sup>th</sup> November, 2006 at the close of banking hours

## 2.3. INVESTORS ELIGIBILITY

All Pakistani residents, provident fund/trusts, pension/gratuity funds (subject to the terms of their Trust Deed) and corporate entities (to the extent permitted by their constitutive or corporate documents, as the case may be) are allowed to subscribe to the certificates offered to the general public.

## 2.4. MINIMUM AMOUNT OF APPLICATION AND BASIS OF ALLOTMENT OF MODARABA CERTIFICATES

The basis and conditions of allotment to the general public shall be as follows:

- i. The minimum amount of application for subscription of 500 ordinary certificates is Rs. 5,000/-.
- ii. **Fictitious and multiple applications (more than one application per applicant) are prohibited and such application money shall be liable to confiscation under Section 18-A of the Securities and Exchange Ordinance, 1969.**
- iii. Application for certificates below the total value of Rs. 5,000/- shall not be entertained.
- iv. Applications for certificates must be made for 500 certificates or in multiples of 500 certificates only. Applications which are neither for 500 certificates nor for multiples of 500 certificates shall be rejected.
- v. If the certificates to be offered to the general public are sufficient to accommodate all applications, all applications shall be accommodated.
- vi. If this Issue is oversubscribed in terms of number of applications, the certificates shall be allotted by conducting computer balloting in the presence of the representatives of the Stock Exchanges in the following manner:
  - (i) If all applications for 500 certificates can be accommodated, then all such applications shall be accommodated first. If all applications for 500 certificates cannot be accommodated, then balloting will be held among the applications for 500 certificates only.
  - (ii) If all applications for 500 certificates have been accommodated and certificates are still available for allotment, then all applications for 1000 certificates will be accommodated. If all applications for 1000 certificates cannot be accommodated, then balloting will be conducted among applications for 1000 certificates only.
  - (iii) If all applications for 500 certificates and 1000 certificates have been accommodated and certificates are still available for allotment, then all applications for 1500 certificates will be accommodated. If all applications for 1500 certificates cannot be accommodated, then balloting will be conducted among applications for 1500 certificates only.

- (iv) If all applications for 500 certificates, 1000 certificates, and 1500 certificates have been accommodated and certificates are still available for allotment, then all applications for 2000 certificates will be accommodated. If all applications for 2000 certificates cannot be accommodated, then balloting will be conducted among applications for 2000 certificates only.
- (v) After the allotment in the above mentioned manner, the balance certificates, if any, shall be allotted in the following manner:
  - 1. If the remaining certificates are sufficient to accommodate each application for over 2000 certificates, then 2000 certificates shall be allotted to each applicant and the remaining certificates shall be allotted on a prorata basis.
  - 2. If the remaining certificates are not sufficient to accommodate all remaining applications for at least 2000 certificates, then balloting shall be conducted for allocation of 2000 certificates to the successful applicants.
- vii. If the Issue is oversubscribed in terms of amount only, then the allotment of certificates shall be made on the following basis:
  - (i) First preference will be given to applicants who applied for 500 certificates;
  - (ii) Next preference will be given to applicants who applied for 1000 certificates;
  - (iii) Next preference will be given to applicants who applied for 1500 certificates; and then;
  - (iv) Next preference will be given to applicants who applied for 2000 certificates;

After allotment of the above, the balance certificates, if any, shall be allotted on a prorata basis to the applicants who applied for more than 2000 certificates.

  - a) Allocation of certificates will be subject to scrutiny of the applications for subscription.
  - b) Applications, which do not meet with the above requirements or which are incomplete, will be rejected.
  - c) In addition to the above, employees of the Company have given preferential allocation of 750,000 certificates in the IPO of the Modaraba to which they will subscribe on the public subscription date.

## **2.5. MINIMUM SUBSCRIPTION FOR ALLOTMENT**

In the opinion of the Directors of the Modaraba Company, the amount that must be raised as a minimum subscription in order to provide for the business operations and expenses is the whole amount of present issue of Rs 300 million out of which Rs 150 million has already been subscribed as cash by the Modaraba Management Company and the other sponsor.

## **2.6. PRINCIPAL PURPOSE OF THE USE OF SUBSCRIPTION MONEY**

The Primary function of Modaraba will be to engage in the rental business by managing a rental fleet of equipments. The principal use of subscription money will be to take-over the rental assets of Allied Rental Services (Pvt.) Ltd. within 30 days after the close of public subscription. The total cost of the assets to be acquired as per the Valuation Report of SECP nominated Valuer is estimated to PKR 270 million which will be financed through IPO and sponsors contribution.

**2.7. DIVIDEND POLICY**

The rights in respect of capital and dividends attached to each certificate would be the same.

The Board of Director of the Modaraba Company may from time to time pay to certificate holders such interim dividend as appear to the Directors to be justified by the profits of the Modaraba. No dividend shall be paid otherwise than out of the profits of the Modaraba for the year or any other undistributed profits. No unpaid dividends shall bear interest or mark-up against the Modaraba.

The dividend will be paid within the period laid down under the Listing Regulation of KSE and in the Modaraba Companies and Modaraba Rules, 1981.

**2.8. ELIGIBILITY FOR DIVIDEND**

All Modaraba certificate holders shall be eligible for any distribution whenever declared.

Except to the extent otherwise specified by the Registrar Modaraba for reasons to be recorded, the new Modaraba certificates shall rank pari passu with existing certificates in all matters including the right to such bonus and dividend as may be declared subsequent to the date of issue of such new certificates.

**2.9. DEDUCTION OF ZAKAT**

Dividend distribution will be subject to deduction of Zakat at source pursuant to the provision of the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**2.10. TAX EXEMPTION**

Under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001) the income of the Modaraba, not arising from trading activities will be exempt from tax subject to distribution of at least 90% of its net income to the certificate holders, after transferring requisite amount to reserves in accordance with Prudential Regulations for Modarabas. Provided that with effect from the first day of July, 1999 for the purpose of determining the distribution of ninety per cent profits, the profits distributed through bonus certificates or shares to the certificate holders shall not be taken into account.

**2.11. WITHHOLDING TAX ON DIVIDENDS**

Profit distribution to the shareholders will be subject to withholding tax at source under section 150 of the Income Tax Ordinance, 2001 at the rate of 10% for the shareholders other than company and 5% for inter-corporate dividends received by resident companies including private, public & Insurance companies specified in part I, Division III of First Schedule to the said Ordinance. In terms of the provision of Section 8 of the said Ordinance, said deduction at source, shall be deemed to be full and final liability in respect of such profits.

**2.12. EXEMPTION FROM CAPITAL GAINS**

Capital gains derived from the sale of listed securities/Modaraba certificates are presently not liable to Income tax, under clause 110 of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001 (XLIX of 2001). This exemption is presently available up to income year ending June 30, 2007.

**2.13. CAPITAL VALUE TAX (“CVT”) & WITHHOLDING TAX (“WHT”) ON SALE/  
PURCHASE OF CERTIFICATES**

The amendments made through Finance Act 2006 into the provision of Section 233(A) of the Income Tax Ordinance, 2001, and Capital Value Tax (Finance Act 1989), the following changes have been made effective from July 01, 2006:

- a) 0.02% CVT will be charged on purchase of all shares, Modaraba certificates, and instruments of redeemable capital as defined in the Ordinance.
- b) 0.01% WHT will be charged on sale of all shares, Modaraba certificates, and instruments of redeemable capital as defined in the Ordinance.

**3. UNDERWRITING, COMMISSION, BROKERAGE AND EXPENSES TO THE ISSUE****3.1. UNDERWRITING**

The present public offer of 15 million Modaraba certificates of Rs. 10 each, offered at a par, has been fully underwritten as under:

<b>Underwriter</b>	<b>No. of Certificates</b>	<b>Amount in Rupees</b>
Arif Habib Securities Limited	5,000,000	50,000,000
Arif Habib Rupali Bank Limited	5,000,000	50,000,000
Pak Oman Investment Company Ltd	5,000,000	50,000,000
<b>Total</b>	<b>15,000,000</b>	<b>150,000,000</b>

If and to the extent, Modaraba certificates hereby offered are not subscribed and paid for in cash in full by the closing of the subscription list, the Underwriter shall within 10 days of being duly called upon by the Modaraba Company to do so, subscribe and pay for or procure subscribers to subscribe and pay for in cash in full those Modaraba certificates not so subscribed.

In the opinion of the Directors of the Modaraba Company, the resources of the Underwriters are sufficient to discharge their underwriting commitments.

**3.2. NO BUYBACK / REPURCHASE AGREEMENT**

**THE UNDERWRITERS HAVE NOT ENTERED INTO ANY BUYBACK OR REPURCHASE AGREEMENT WITH THE SPONSORS OR ANY OTHER PERSON IN RESPECT OF THIS PUBLIC ISSUE.**

**3.3. PRELIMINARY EXPENSES AND EXPENSES OF THE ISSUE**

The preliminary expenses payable by the Modaraba and expenses of the proposed issue to the public inclusive of cost of organization and floatation of the Modaraba cost of printing, publication and distribution of this prospectus underwriting commission, commission to the bankers to the issue and brokerage etc. are not expected to exceed Rs. 10,630,500. The estimated preliminary expenses and expenses to the issue, as described below, shall be paid by the Modaraba and shall be charged to the Profit & Loss account of Modaraba during first year of operations.

<b>Expense</b>	<b>Rate</b>	<b>Amount (Rs.)</b>
Underwriting Commission fee	0.5%	750,000
Take-up Commission*	0.5%	750,000
Commission to Bankers to the Issue*	0.5%	750,000
Brokerage to Members of the Stock Exchange*	1.0%	1,500,000
Consultant to the Issue Fee		750,000
Authorized Capital Fee		2,525,000
Publication & Advertisement		1,200,000
CDC and KSE Charges & Deposits		802,500
Out-of-pocket expenses of bankers and advisor		750,000
Printing, allotment, legal and other charges		850,000
Stamp Duty		3,000
<b>TOTAL</b>		<b>10,630,500</b>

\* These amounts represent the maximum possible costs under these heads.

**PART IV****4. THE MODARABA MANAGEMENT COMPANY****4.1. INTRODUCTION TO THE MANAGERS OF THE MODARABA**

Allied Engineering Management Company (Pvt.) Ltd (AEMC) is a Private Limited Company incorporated in the province of Sindh under the Companies Ordinance, 1984. It was registered as a Modaraba Management Company with the Registrar of Modaraba Companies and Modarabas, on September 30, 2002. Presently Modaraba Company comprises of the following persons:

Mr. Murtaza Ahmed Ali	Director and CEO
Mr. Kamran Akhtar	Director and Company Secretary
Mr. Shahid Karim Siddiqui	Director (Non-Executive)
Mr. Ali Akbar	Director (Non-Executive)
Syed Feisal Ali	Director (Non-Executive)
Mr. Tajdar Ahmed Shah	Director (Non-Executive)
Mr. Raees Akhtar Khan	Director (Non-Executive)

**4.2. CAPITAL**

The authorized capital of AEMC is Rs. 100 million divided into 10 million shares of Rs. 10 each. The paid-up capital of the Modaraba Company of Rs. 62.5 million is divided into 6.25 million shares of Rs.10 each.

**4.3. OBJECTIVES OF THE MODARABA COMPANY**

To initiate sponsor, promote, float, organize, manage, administer, and operate Modarabas, Modaraba Funds of all types and description, and other similar concerns either in syndicate or otherwise subject to the approval of the Registrar Modaraba, under the Modaraba Companies & Modaraba (Flotation & Control) Ordinance, 1980.

It is envisaged that the Company would float a series of Modarabas for undertaking various business ventures that are in conformity with the injunctions of Islam. In accordance with Section 17 of the Modaraba Ordinance, the Modaraba Company will not compete with the business to be carried on by the Modaraba floated by it.

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**PART V****5. MODARABA OBJECTIVES, BUSINESS AND PROSPECTS****5.1. TYPE OF MODARABA**

The ALLIED RENTAL MODARABA is a general purpose and perpetual Modaraba.

**5.2. OBJECTIVES OF THE MODARABA**

The Modaraba is floated with a view to:

- a. Providing an opportunity to certificate holders to participate gainfully in economic development of Pakistan and especially in the elimination of RIBA.
- b. Earn maximum possible income for distribution to the Certificate holders so that attractive, sound and lawful avenues of investment be provided to them in accordance with the SHARIAH.
- c. Produce appreciation of capital through increase in value of certificates.
- d. Generate long-term growth.

**5.3. MODE OF TRANSACTIONS**

The principle mode of transaction of the Modaraba is expected to be Ijara according to the contracts already approved by the Religious Board.

In addition, the Modaraba may use other avenues of investment as already approved by the Religious Board for other modarabas or that may be approved by the Religious Board in the future such as equity market investments, project financing, venture capital and investment in mutual funds and other funds approved by the SECP.

All transactions of the Modaraba will be in accordance to the Holy Quran and Sunnah and the Modaraba will maintain a close liaison with religious scholars for this purpose.

All transactions of the Modaraba will be in accordance to the modes already approved by the Religious Board or that may be approved or modified by the Religious Board in the Future.

All transactions of the Modaraba will be in accordance with the Prudential Regulations for Modarabas or any such rule approved by the SECP.

**5.4. RESOURCES AND MOBILIZATION**

It is planned to mobilize additional resources without the element of Riba using following modes:

- a. Musharaka
- b. Murabaha
- c. Modaraba
- d. Term Finance Certificates
- e. Other permissible Islamic modes approved by the Religious Board and the SECP from time to time.

All the operations and transactions shall be in conformity with the injunctions of the Holy Quran and Sunnah and in accordance with the arrangements/ instruments approved by the Religious Board from time to time or to be got approved from the Religious Board.

**5.5. BUSINESS STRATEGY OF THE MODARABA**

The sponsors of this Modaraba are also the Dealers for Caterpillar equipment (i.e. Generators, Fork Lifters etc.) in Pakistan and possess vast expertise and experience in operating and maintaining this equipment through its associated Company Allied Rental Services (Pvt.) Limited ("ARS"). The ARS will be wound up after the floatation of the Modaraba. The Modaraba will take advantage of this support infrastructure for Caterpillar equipment, provided by the sponsors, and concentrate on Ijara of Caterpillar equipment. The Modaraba may also engage in Ijara activities for equipment of other suppliers where Caterpillar does not have the appropriate equipment in their product line.

The Modaraba will engage in Ijara of Capital Equipment for periods varying from one hour to days, weeks, months or even year. Object is to give turn key solution to its customers i.e. if the customer so wishes to provide him on a temporary basis not only the equipment but also maintain and operate it for him. At the end of the Ijara period the equipment would be returned to the Modaraba re-serviced for deployment to the next customer.

**The Modaraba will takeover the existing rental business carried out by Allied Rental Services (Pvt.) Ltd. within 30 days of the close of public subscription. The amount to ARS will be paid off by means of Sponsor's contribution and through IPO. For this purposes an independent valuation of the equipment to be transferred to Modaraba has been carried out by a Valuer nominated by SECP whereby the value assessed is Rs. 270 million. This floatation of Modaraba will generate cash flows for its associated company ARS against the sale of Rental Equipment as mentioned above.**

In the ordinary course of business additional equipment will be acquired and added according to the needs of the Modaraba's Ijara customers. These assets will be acquired not for the purposes of trading but rather for their consumption over a major portion of their finite lives. Any disposal of these assets after their consumption shall be incidental to the main business of Equipment Ijara.

The Modaraba shall also engage in the Operation & Maintenance contracts for the equipment owned by its clients against monthly/yearly service fee.

**5.5.1. Scope of Modaraba**

The Modaraba shall engage in the business of providing Equipment Rental solutions and Operation & Maintenance services contracts as per the contracts already approved by the Religious Board. In selecting the range of equipment for Rental services, the Modaraba shall take advantage of the support infrastructure and technical expertise available with the sponsors of the Modaraba who are dealers of Caterpillar for the last 30 years and shall concentrate on the world renowned Caterpillar Equipment. The Modaraba may however select equipments of other suppliers for its Rental operations where Caterpillar does not have the appropriate equipment in its product line. Besides the usual Rental services, the Modaraba may also engage in the long-term BOT-type projects whereby Modaraba will provide Equipment and Operate & Maintain it for customers for a specified period.

In addition, the Modaraba may use other avenues of investment as already approved by the Religious Board for other Modarabas or that may be approved by the Religious Board in the future. All transactions of Modaraba shall be in accordance with Holy Quran and Sunnah and the modes approved by Religious Board and within the confines of Prudential Regulations of Modaraba.

### 5.5.2. Functions of Modaraba

The Primary function of Modaraba will be to engage in the rental business by managing a rental fleet of equipments comprising Power Generation Equipment, Material Handling Equipment and Construction Machinery. Modaraba will provide rental services across Pakistan through its offices at Lahore, Islamabad, Multan, Faisalabad, Peshawar & Quetta. Modaraba also have a plan to provide rental services in countries around the globe like Middle east and Afghanistan using the Dealership network of CAT RENTAL STORE, after analyzing the financial risks and obtaining the Customs and other regulatory approvals. Modaraba will benefit from the vast clientele established by the sponsors of the Modaraba, of which some of the prominent names are:

- Nestle Milkpak Ltd (Lahore)
- Aventis Pharma Ltd (Karachi)
- Ibrahim Energy Ltd (Faisalabad)
- PIA (Karachi)
- PSO (Karachi)
- Riaz Bottlers Ltd (Pepsi-Lahore)
- Sambu Construction (Chitral)
- ICI Pakistan Ltd (Lahore)
- D.G. Khan Cement (KalarKahar)
- Khwaja Flat Glass (Islamabad)
- Agha Khan Hospital (Karachi)
- Sindh Institute of Urology and Transplantation (Karachi)

### 5.6. NON-COMPETING CLAUSE

Allied Rental Services (Pvt.) Limited and Allied Engineering & Services Ltd or the sponsors of the Modaraba will not continue with the rental business once the Modaraba is floated. Allied Rental Services (Pvt) Limited will be wound up after the floatation of the Modaraba.

### 5.7. TRANSACTIONS WITH BENEFICIAL OWNERS OF MODARABA COMPANY

Allied Engineering and Services Limited ("AESL") beneficially owns the Modaraba Company and most of the Directors of the Modaraba Company are employees of AESL or fall within the definition of 'connected persons'. AESL is the Dealer for Caterpillar in Pakistan and in the ordinary course of business the Modaraba will have the following transactions with the Company:

- a. Purchase of Caterpillar equipment for rental purpose.
- b. Sale of Caterpillar equipment that has become too old to be profitable for rental.
- c. Maintenance and reconditioning of equipment.
- d. Purchase of spare parts and other consumables.
- e. Rent of stockyard space.

The transactions in the ordinary course of business are covered by agreements signed between the Modaraba and AESL. In the agreements AESL undertakes to conduct business on an arms length basis and at prices that are at par with the prices offered to their best customers and below the list prices of equipment and spare parts. The Modaraba will also obtain the stockyards space situated in Karachi and Lahore on rental basis in order to conduct various repair & maintenance operations and for the storage of its equipments from time to time.

In addition, to the transactions entered into in the ordinary course of business, the Modaraba has also entered into a purchase agreement with Allied Rental Services (Pvt.) Ltd. to acquire the assets used in their rental business. These assets have been valued by an independent surveyor, recommended by SECP.

**5.8. USE OF PROCEEDS OF THE ISSUE**

The proceeds of this public issue will be used in the following manner:

Proceeds of the Issue	300,000,000
<b>TOTAL</b>	<b>300,000,000</b>
Acquisition of Equipment from Allied Rental Services Pvt Ltd	270,516,000
Preliminary & Flotation Expenses	10,630,500
Working Capital	18,853,500
<b>TOTAL</b>	<b>300,000,000</b>

\* Book value of the assets as at the Date of Valuation is Rs 240,691,000

**5.9. SOURCE OF FINANCING**

Finance Source	Total Amount (Rs.)	Amount Received (Rs.)	Balance
Equity			
Sponsors Contribution	150,000,000	150,000,000	Nil
Public Subscription	150,000,000	Nil	150,000,000
Debt			
Long Term Loans	Nil	Nil	Nil
<b>Total</b>	<b>300,000,000</b>	<b>150,000,000</b>	<b>150,000,000</b>

**5.10. BRIEF HISTORY OF ALLIED'S RENTAL DIVISION DEVELOPMENT**

The Modaraba will takeover the rental business of Allied Rental Services (Pvt) Ltd. The rental division development is based on the experience of approximately nine years when in 1997 a joint venture arrangement was made with First Capital Leasing Company Limited (FCLCL) to launch a rental service to explore the untapped rental market. The business was started with 12 diesel generators with a total capacity of 2 MWE. The size of the rental fleet is currently 75 plus units, with a total capacity of around 40 MWE including 10 1MW gas gensets. Now the whole rental fleet is owned by Allied Rental Services (Pvt.) Ltd through direct ownership or under leases & ljarah agreements with various financial institutions.

### 5.11. RENTAL BUSINESS PERFORMANCE TREND OF ALLIED RENTAL SERVICES (PVT.) LIMITED TO BE ACQUIRED BY THE MODARABA

ALLIED RENTAL SERVICES (PVT) LTD	Rupees in thousands		
	9 Month Ended Mar 2006 (Unaudited)	Year Ended June 2005 (Audited)	Year Ended June 2004 (Audited)
Rental Income	159,197	101,595	77,408
O&M Revenue	31,406	35,249	20,048
<b>Total Revenue</b>	<b>190,603</b>	<b>136,844</b>	<b>97,456</b>
Cost of Services	104,919	81,827	60,893
<b>Gross Profit</b>	<b>85,684</b>	<b>55,017</b>	<b>36,563</b>
Administrative and General Expenses	17,147	27,521	17,176
<b>Operating Profit</b>	<b>68,537</b>	<b>27,497</b>	<b>19,387</b>
<b>Net Profit</b>	<b>62,539</b>	<b>13,150</b>	<b>8,430</b>
<b>Capital (26,500 shares of Rs 10 each)</b>	<b>265</b>	<b>265</b>	<b>265</b>
<b>Earnings per share (Rupees)</b>	<b>2,359</b>	<b>496</b>	<b>318</b>
<b>Assets</b>	<b>411,313</b>	<b>318,199</b>	<b>215,828</b>
<b>Liabilities</b>	<b>215,458</b>	<b>181,359</b>	<b>92,139</b>
<b>Equity</b>	<b>195,855</b>	<b>136,840</b>	<b>123,689</b>
<b>Breakup value per share (Rupees)</b>	<b>7,390</b>	<b>5,163</b>	<b>4,667</b>

The above table indicates that the revenue of the Company increase from 97.45 million to Rs. 136.84 million in the year 2005 as compared to same period last year, showing an increase of 40%, whereas 9-months results also posted a notable upsurge of 39% (Rs. 190 million). The incremental change occurs mainly in the rental income because of increase in the fleet of equipment that Company owns.

### 5.12. LIMITATIONS AND CONSTRAINTS

The main limitations and constraints for the Modaraba would be as follows

#### 5.12.1. New Equipment Delivery Lead times

Due to high demand of Caterpillar products in the global market, the lead times on deliveries are increasing which may create a limitation on Modaraba's expansion plans in the short term.

#### 5.12.2. Skilled Staff Availability

Availability of skilled staff to operate and maintain the equipment can be a constraint on the Modaraba's ability in the short term to undertake big projects.

### 5.13. RISK FACTORS

The directors wish to highlight the major factors, which may affect the profitability of the Modaraba, these are:

#### 5.13.1. Changes in Taxation Policy

The success of the Modaraba, amongst other factors, is dependent upon the privilege of tax exemption by the Government, which is to minimum distribution of 90% of the profit distribution to its certificate holders. If at any stage, this exemption withdrawn by the Government, the profitability of the Modaraba may be affected.

#### 5.13.2. Geo-Political Risk

The political risk remains the single largest unmitigated risk factor. Any political unrest could undermine the government's efforts to restore investors' confidence. At the same time, intense competition for the available business is going to put more pressure on business growth, margins and profits.

#### 5.13.3. **Business Risk**

Change in the government power policies and any major political or economic turmoil significantly disrupting the industrial or trade activities may affect the business of the Modaraba. This risk is mitigated by the Government support for power generation to captive power plants in the export oriented industry. Any business risk of downturn in the business is further mitigated by the fact that the Modaraba will be a part of CAT dealership and CAT RENTAL STORE network, thereby offering the Equipment on rent outside Pakistan or dispose off the Capital assets in the international market at favorable prices, subject to required Government approvals.

#### 5.13.4. **Obsolescence Risk**

The Modaraba is faced with the risk of obsolescence of its equipment however this risk is not very significant as majority of the equipment that the Modaraba is acquiring is relatively new. Moreover, the Modaraba will the ordinary course of business continue to replace its old models with newer ones.

#### 5.13.5. **Market Competition**

The Modaraba may face competition from existing competitors mainly leasing companies through their operating lease segment. Modaraba's competitive advantage stems from its technical expertise, product support infrastructure and Brand image of CAT Rental Store. Modaraba will take distinctive measures in sustaining its market share by expanding into Construction Equipment Rentals and by participating in the infrastructure development projects initiated by the Government.

#### 5.13.6. **Risk of New Entrants**

The risk of any new entrants in the business is low as it requires extensive Capital investment, Operational and Product Support infrastructure, technical expertise, optimum fleet sizing and database of customers for marketing and sales purposes. These combination of factors are a significant deterrent for any new player to enter this market. The risk has also been mitigated by the Sponsors of the Modaraba, who possess comprehensive track record in successfully running rental business.

#### 5.13.7. **Financial Risk**

The major financial risk of the business is the recovery of the Equipment at the end of the Rental term from its customer. This risk is mitigated by the fact that the Equipment is rented along with the Operator ensuring proper usage and speedier and timely recovery. Moreover in extreme situations involving legal proceedings, Modaraba's access to banking courts will enable quicker recovery of Rented Equipments.

#### 5.13.8. **Liquidity Risk**

Investors face possible risk of not being able to sell their certificates on the secondary market without adversely affecting the price. This risk is mitigated by the fact that the Modaraba's certificates will be listed on the KSE, which will enhance the liquidity of the Modaraba's certificates by facilitating secondary market trades.

#### 5.13.9. **Force Majeure**

The performance of the Modaraba may be affected on account of force majeure events which are as follows:

- a) Natural events
  - i. Any material effect of the natural calamities including fire, earthquake etc;
  - ii. Explosion of chemical contamination;
  - iii. Epidemic or plague;

- 
- iv. Any event or circumstance of a nature or having an effect analogous to any of the foregoing.
- b) Political Events
- i. Acts of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, civil commotion, act of terrorism, or sabotage;
  - ii. Strikes, works to rule or go-slow which are either widespread, nationwide or citywide or of a political nature;
  - iii. Radioactive contamination or ionizing radiation;
  - iv. Any event or circumstance of a nature or having an effect analogous to any of the foregoing.

**Note: It is stated that all material risk factors have been disclosed and nothing has been concealed with respect to this prospectus.**

#### **5.14. COMMENCEMENT OF BUSINESS OF THE MODARABA**

Full-fledged business of the Modaraba will be started INSHALLAH after the present issue and completion of necessary formalities which is expected within 30 days of the close of public subscription.

## PART VI

## 6. FINANCIAL INFORMATION

## 6.1. AUDITOR'S CERTIFICATE UNDER THE MODARABA COMPANIES AND MODARABA RULES, 1981

Ref No: KA-ZS-022

The Board of Directors  
Allied Engineering Management Company (Private) Limited  
21/3, Sector No. 22  
Korangi Industrial Area  
Karachi - 74900

05 July 2006

Dear Sirs,

**Auditors' report under rule 20(6) read with clauses 27(1) and 27(2) of Part II of the Fourth Schedule to the Modaraba Companies and Modaraba Rules, 1981**

We have audited the financial statements of Allied Rental Modaraba as of 30 June 2006 and in accordance with the rule 20(6) read with clauses 27(1) of part II of the Fourth Schedule to the Modaraba Companies and Modaraba Rules, 1981, we report that the assets and liabilities of Allied Rental Modaraba as at 30 June 2006, were as follows:

<b>ASSETS</b>	<b>(Rupees)</b>
<b>Current Assets</b>	
Bank Balance	150,031,693
<b>Long Term Assets</b>	
Preliminary expenses – net	2,138,307
<b>Total Assets</b>	<b>152,170,000</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Payable to Allied Rental Services (Pvt.) Ltd.	10,000
Payable to Allied Engineering Management Company Private Limited (management Company)	2,160,000
	<b>2,170,000</b>
	<b>150,000,000</b>
<b>Authorized Certificate Capital</b>	
50,000,000 Modaraba Certificates of Rs. 10 each	500,000,000
<b>Subscribed and paid-up certificates</b>	
15,000,000 Modaraba Certificates of Rs.10 each paid in cash	<b>150,000,000</b>

We further report that:

- a) The Modaraba is in the process of establishment and such has not commenced operations. Accordingly, profit and loss account has not been prepared and no dividend has been declared and no balance sheet/ statement of assets and liabilities have been prepared other than statement of assets and liabilities as at 30 June 2006.
- b) There are no subsidiaries of the Modaraba
- c) Any proceeds or part thereof has not been applied in the purchase of any business or property.

Yours faithfully,

Sd/-

KPMG Taseer Hadi & Co.  
Chartered Accountants

## 6.2. AUDITOR CERTIFICATE ON CAPITAL

Ref No: KA-ZS-021

The Board of Directors  
Allied Engineering Management Company (Private) Limited  
21/3, Sector No. 22  
Korangi Industrial Area  
Karachi – 74900

05 July 2006

Dear Sirs,

### **Allied Rental Modaraba Certificate of subscription money received**

As requested, we are pleased to confirm that we have verified the books of accounts and records of Allied Rental Modaraba, managed by Allied Engineering Management Company (Private) Limited, that an amount of Rs. 150,000,000 has been received as subscription from the following entities against the issuance of 15,000,000 Modaraba certificates of Rs. 10 each.

	<b>(Rupees)</b>
Allied Engineering and Management Company (Pvt.) Limited	60,000,000
Allied Engineering and Services Limited	90,000,000
	<b><u>150,000,000</u></b>

Yours faithfully,

Sd/-

KPMG Taseer Hadi & Co.  
Chartered Accountants

**6.3. AUDITOR CERTIFICATE ON BREAKUP VALUE OF MODARABA CERTIFICATE**

Ref No: KA-ZS-020

The Board of Directors  
Allied Engineering Management Company (Private) Limited  
21/3, Sector No. 22  
Korangi Industrial Area  
Karachi – 74900

05 July 2006

Dear Sirs,

**Auditor certificate for break-up value of Modaraba Certificates**

As requested, we confirm that the breakup value of Modaraba certificates of Rs. 10 each of Allied Rental Modaraba based on the audited financial statements as of 30 June 2006 is Rs. 10 each.

Yours faithfully,

Sd/-

KPMG Taseer Hadi & Co.  
Chartered Accountants

**6.4. FINANCIAL YEAR**

Financial year of the ALLIED RENTAL MODARABA will be July 01 to June 30.

**PART VII****7. BOARD OF DIRECTORS AND ORGANIZATIONAL SET UP****7.1. DIRECTORS OF THE MODARABA MANAGEMENT COMPANY**

The current board of directors comprises of:

<b>Name, Address and Occupation</b>	<b>Designation</b>	<b>Directorship in other Companies</b>
Mr. Murtaza Ahmed Ali 7/II, Zulfiqar Street 10-A Defence Phase VIII, Karachi (Corporate Executive)	Director & CEO	N.A.
Mr. Kamran Akhtar D-102/7 Block-2 Clifton, Karachi (Corporate Executive)	Director & Company Secretary	N.A.
Mr. Shahid Karim Siddiqui 123/F-61, Block 7, Kehkashan, Clifton, Karachi (Corporate Executive)	Director (Non- Executive)	Haroon Oil Mills Limited
Mr. Ali Akbar Flat No. 301, Saira Apt, Parsi colony Karachi. (Corporate Executive)	Director (Non- Executive)	N.A.
Syed Feisal Ali 34/11, Khayaban-e-Shaheen, DHA Karachi (Corporate Executive)	Director (Non- Executive)	N.A.
Mr. Tajdar Ahmed Shah House no. 17, Brigadier House, Askari, Defence, Lahore Cantt. (Corporate Executive)	Director (Non- Executive)	N.A.
Mr. Raees Akhtar Khan F102 Ruffi Lake Drive Gulistan Jauhar Block 18, Karachi (Corporate Executive)	Director (Non- Executive)	N.A.

**7.2. INFORMATION IN RESPECT OF COMPANIES IN WHICH DIRECTORS ARE HOLDING DIRECTORSHIP****Dividend / Bonus Declared**

<b>Name of company</b>	<b>Dividend/Bonus</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Haroon Oil Mills Limited	Cash Dividend	Nil	14%	13%

**7.3. OVERDUE LOANS**

There are no overdue loans (local and foreign currency) on the Company or its Directors.

**7.4. PROFILE OF CHIEF EXECUTIVE**

Mr. Murtaza Ahmed Ali is the Chief Executive of Allied Engineering Management Company (Private) Limited (AEMC). He is a Chartered Accountant who did his article ship from A.F. Ferguson & Company. He is also a Cost and Management Accountant. Mr. Ali has 21 years of experience in the field of Finance and Business Management.

He has worked as Finance Director and subsequently as Director Agro Operations with Rhone Poulenc Group a French multinational. He served as Finance Manager of Allied Engineering & Services Ltd, from 1998 to 2000 where he was instrumental in consolidating the rental operations and in formation of AEMC. He subsequently left to join National Pesticides Company (a Jaffer Brothers operation) and has since rejoined as the CEO AEMC.

No remuneration/ compensation/ benefit will be paid from the assets/ funds of the Modaraba to the Chief Executive of the Modaraba Company.

**7.5. PROFILE OF COMPANY SECRETARY**

Mr. Kamran Akhtar is the Company Secretary of Allied Engineering Management Company (Private) Limited (AEMC). He is a Chartered Accountant who did his article ship from A.F. Ferguson & Co. He has also completed all exams of Chartered Management Accountancy from CIMA-UK as well as Chartered Financial Analyst from CFA Institute-USA. Mr. Akhtar has around 9 years of experience of working in Pakistan as well as abroad in the areas of Audit, Financial Reporting, Taxation and Financial Management.

He is currently working as Finance Manager of Allied Rental Services (Pvt) Ltd since January 2004. He has also served as International Internal Auditor from Nov 2002 to Nov 2003 in the Kinnevik Group Sweden and traveled across several countries in connection with his assignments.

No remuneration/ compensation/ benefit will be paid from the assets/ funds of the Modaraba to the Company Secretary of the Modaraba Company.

**PART VIII****8. MISCELLANEOUS****8.1. NAME OF MODARABA**

Allied Rental Modaraba

**8.2. PRINCIPAL PLACE OF BUSINESS**

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

**8.3. MODARABA COMPANY & ITS REGISTERED OFFICE**

Allied Engineering Management Company (Pvt.) Limited.

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

Phone No. 111-250-250

Fax: 5066915 – 16

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

**8.4. BANKERS TO THE MODARABA**

Soneri Bank Ltd

Faysal Bank Ltd

**8.5. BANKER TO THE MODARABA COMPANY**

Soneri Bank Ltd

**8.6. BANKERS TO THE ISSUE**

Faysal Bank Limited

The Hongkong & Shanghai Banking Corporation

Jahangir Siddiqui Investment Bank Limited

KASB Bank Limited

MCB Bank Limited

Oman International Bank S.A.O.G

Soneri Bank Limited

**8.7. AUDITORS TO THE MODARABA MANAGEMENT COMPANY**

M/S Tanveer M Khan & Co.

Chartered Accountants

**8.8. AUDITORS TO THE MODARABA**

M/s KPMG Taseer Hadi & Co.

Chartered Accountants

First Floor, Sheikh Sultan Trust Building No. II

Beaumont Road

Karachi.

**8.9. LEGAL ADVISOR OF MODARABA COMPANY**

M/S Khalil Ahmed Siddiqui

Advocate High Court

**8.10. CONSULTANT TO THE ISSUE**

Arif Habib Securities Limited

2/1, R.Y 16

Old Queens Road

Karachi

Phone: 111-468-378

Fax: (021) 247 0496

**8.11. COMPUTER BALLOTING**

Gangjees Registrar Services (Pvt) Ltd.  
413, Clifton Centre  
Khayaban-e-Roomi  
Block-5, Clifton  
Karachi.  
Phone: (021) 537 5714

**8.12. SHARE REGISTRAR SERVICES**

Gangjees Registrar Services (Pvt.) Ltd.  
413, Clifton Centre  
Khayaban-e-Roomi  
Block-5, Clifton  
Karachi.  
Phone: (021) 537 5714

**8.13. INSPECTION OF DOCUMENTS AND CONTRACTS**

Copies of Memorandum and Articles of Association of the Management Company, the Registration Certificate, the Religious Board Certificate, Registrar's permission to float the Modaraba, the Auditors Certificates, Feasibility Report, copies of the agreements referred to in this prospectus and the Valuer's Report may be inspected during the usual business hours on any working day at the Registered Office of the management company from the date of publication of this prospectus till the closing of the subscription list.

**8.14. CERTIFICATE OF RELIGIOUS BOARD**

The Religious Board constituted under Section 9 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 has certified in writing that the business proposed to be undertaken by the ALLIED RENTAL MODARABA as per the draft prospectus submitted by ALLIED ENGINEERING MANAGEMENT COMPANY (PRIVATE) LTD. is not opposed to the injunctions of Islam.

**8.15. FULFILLMENT OF THE REQUIREMENTS OF VARIOUS CLAUSES OF FOURTH SCHEDULE OF THE MODARABA COMPANIES AND MODARABA RULES, 1981**

It is hereby stated under clause 18 of the schedule that no certificate has been issued or agreed to be issued by the Modaraba, otherwise than in cash. As required under Clauses 26 of the schedule it is clarified that no business has also so far been carried on by the Modaraba. It is also confirmed that no amount has been paid or benefit given to the Modaraba Company. The requirements of Clauses 19, 20, 21, 22 and 25 of the Fourth Schedule under reference, have also been suitably dealt with.

**PART IX****9. SIGNATORIES TO THE PROSPECTUS**

Sd/-

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Mr. Murtaza Ahmed Ali, CEO

Sd/-

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Mr. Kamran Akhtar, Company Secretary & Director

Sd/-

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Mr. Shahid Karim Siddiqui, Director

Sd/-

---

Mr. Ali Akbar, Director

Sd/-

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Syed Feisal Ali, Director

Sd/-

---

Mr. Tajdar Ahmed Shah, Director

Sd/-

---

Mr. Raees Akhtar Khan, Director

Signed by the above in the presence of witnesses:

Sd/-

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Kamran Akhtar  
Company Secretary

Sd/-

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Mr. M. Akmal Jameel  
Arif Habib Securities Ltd.Dated:  
Karachi

