

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 28th November, 2006 AND WILL CLOSE ON 28th 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:
20th November 2006

GLOSSARY OF TECHNICAL TERMS

AESL	Allied Engineering & Services Limited
AOP	Association of Persons
ARS	Allied Rental Services (Pvt.) Limited
BOT	Build, Operate, Transfer
CAT RENTAL STORE	Brand identity of Caterpillars Rental Division
CDA	Central Depositories Act, 1997
CDC	The Central Depository Company of Pakistan Limited
CDS	Central Depository System
CNIC	Computerized National Identity Card
Commission/ SECP	Securities and Exchange Commission of Pakistan
CVT	Capital Value Tax
GOP	Government of Pakistan
IPO	Initial Public Offering
ITO	Income Tax Ordinance, 2001
Modaraba Ordinance	Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980
Modaraba Rules	Modaraba Companies and Modaraba Rules, 1981
Modaraba or ARM	Allied Rental Modaraba
MWE	Mega Watt Electric
NIC	National Identity Card
Stock Exchange or KSE	The Karachi Stock Exchange (Guarantee) Limited
Stockyard Space	Equipment Parking & Servicing space
The Modaraba Management Company or the Modaraba Company	Allied Engineering Management Company (Pvt.) Limited
The Companies Ordinance	Companies Ordinance, 1984
WHT	Withholding Tax

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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. FILING OF THE PROSPECTUS

The Modaraba Company as required under Rule 20(2) of the Modaraba Companies and Modaraba Rules, 1981, (the "Modaraba Rules") has filed with the Registrar of the Modaraba Companies and Modaraba, Islamabad (the "Registrar Modaraba") a copy of this Prospectus signed by all the directors of the Modaraba Company together with the following documents attached thereto:

- a) Letter dated 18 May 2006 from KPMG – Taseer Hadi & Co. Chartered Accountants consenting to the issue of Prospectus, which contains in Part VI certain statements and reports issued by them as experts (which consent has not been withdrawn) under Section 57(5) of the Companies Ordinance.
- b) Copies of contracts and agreements mentioned in Part VIII of this Prospectus under Section 57(4) of the Companies Ordinance.
- c) Written confirmation of the Auditors, Legal Advisors and Bankers to the Issue, mentioned in this Prospectus Consenting to act in their respective capacity, as required under Section 57(5) of the Companies Ordinance.
- d) Consent of Directors and Chief Executive of the Modaraba to their respective appointments being made and their having been named or described as such Directors and Chief Executive in this Prospectus as required under Section 184 of the Companies Ordinance.

1.5. LISTING ON THE STOCK EXCHANGE

Application has been made to the Karachi Stock Exchange (Guarantee) Limited for permission to deal in and for quotation of the Certificates of the Modaraba.

In accordance with the prescribed "Regulations for Trading in Provisionally Listed Companies" of the Karachi Stock Exchange, the Modaraba shall stand listed provisionally for trading and for quotation of its certificates on that exchange from the date of publication of Prospectus/ Offer for Sale Document.

If for any reason the application for official listing is not accepted by the Karachi Stock Exchange (Guarantee) Limited, the Modaraba company undertakes to publish immediately in the press a notice to that effect and to forthwith repay the subscription money to the applicants without any surcharge.

1.6. CONDITIONS IMPOSED BY REGISTRAR MODARABA ON MODARABA COMPANY

While granting registration to the Modaraba Company, the Registrar Modaraba Companies and Modaraba had, interalia 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 (Floatation 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.

1.7. 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.

2. MODARABA FUND AND RELATED MATTERS

2.1. MODARABA FUND

Number of Certificates		Amount in Rupees
	ALLIED RENTAL MODARABA (ARM) AUTHORIZED CAPITAL	
50,000,000	Certificates of Rs.10/ - each.	500,000,000
<hr/>		
	SUBSCRIBED AND PAID UP	
	Modaraba Certificates of Rs. 10 each fully paid in cash by:	
	Modaraba Management Company	
6,000,000	Allied Engineering Management Company (Pvt.) Ltd. (AEMC)	60,000,000
	Other Sponsors	
9,000,000	Allied Engineering & Services Ltd	90,000,000
15,000,000	Sub Total	150,000,000
<hr/>		
	PRESENT ISSUE	
	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
15,000,000	Sub Total	150,000,000
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30,000,000	GRAND TOTAL	300,000,000

Notes:

- 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.
- 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.
- 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.
- 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.
- 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 28th of November,2006 and will close on 28th of 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.

 - e) Allocation of certificates will be subject to scrutiny of the applications for subscription.
 - f) Applications, which do not meet with the above requirements or which are incomplete, will be rejected.
 - g) 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. REFUND OF SUBSCRIPTION MONEY TO UNSUCCESSFUL APPLICANTS

The Modaraba Company shall take a decision within 10 days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful application within 10 days of such decision as required under the provisions of Section 71 (1) of the Companies Ordinance, 1984.

As per sub section (2) of Section 71 of the said Ordinance, if the refund as required by sub section (1) of section 71 of the said Ordinance is not made within the time specified therein, the Directors of the Company shall be jointly and severally liable to repay the money with surcharge at the rate of one and half percent, for every month or part thereof from the expiration of the 15th day and in addition, to a fine not exceeding Rs. 5,000/- and in case of a continuing offence to a further fine not exceeding Rs. 100/- for every day after the said 15th day on which the default continues.

Provided that a Director shall not be liable if he proves that the default in making the refund was not due to any misconduct or negligence on his part.

2.6. 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.

2.7. 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. The detail of use of proceeds is mentioned in Part 5.12.

2.8. INTEREST OF CERTIFICATE HOLDERS

None of the certificate holders of the issued certificates of the Modaraba have any special or other interest in the property or profit of the Modaraba other than that as holders of the certificates in the funds of the Modaraba.

2.9. ISSUE AND DISPATCH OF MODARABA CERTIFICATES

The Company will dispatch Modaraba certificates to successful applicants within 30 days of the date of allotment through the respective bankers to the issue in compliance with the requirements of the Karachi Stock Exchange.

Modaraba certificates will be issued either in scrip less form in the Central Depository System (CDS) or in the shape of physical scrips on the basis of option exercised by the successful applicants. Modaraba certificates in physical scrips shall be dispatched to banker to the issue for onward delivery to the successful applicants, whereas scrip less Modaraba certificates shall be directly credited through book entries in the respective CDC account of allottees maintained with the Central Depository Company of Pakistan Ltd.

The successful applicants who opt for issuance of certificates in scrip less form in the CDS should fill in the relevant columns of the application form. In order to exercise the scrip less option, the applicant should also have CDC account at the time of subscription.

If the company makes default in complying with the requirements of the Listing Regulations, it shall pay to the Stock Exchange a penalty of Rs.500/-per day during which the default continues. The Stock Exchange may also notify the fact of such default and the name of the company by notice and also by publication in the Ready Board Quotation of the Stock Exchange.

2.10. TRANSFER OF CERTIFICATES

2.10.1. Physical Scrips:

In terms of the Companies Ordinance, 1984 and Rule 22 of the Modaraba Companies and Modaraba Rules, 1981, there are no restrictions on the free transferability of Modaraba certificates where a proper instrument of transfer, duly stamped and executed by the transferor and the transferee has been delivered to the Modaraba Company along with the relevant Modaraba certificates.

2.10.2. Transfer Under Central Depository System:

The Modaraba certificates, maintained within the Central Depository System in the book entry form shall be transferred in accordance with the provisions of the Central Depositories Act, 1997 and the Central Depository Company of Pakistan's Regulations. If the Modaraba Company refuses to register the transfer of any certificate, it shall, within such time as required under the law, send to the transferee and the transferor notice of the refusal indicating reason for such refusal.

The Government of Sindh through Finance Bill of 2006, levy stamp duty on transfer of Book-entry Securities through CDS @ 0.10% of the face value of certificates.

2.11. CERTIFICATES ISSUED SINCE FLOATATION OF MODARABA

Since, obtaining authorization for floatation of Modaraba on 10th of May, 2006, 15 million certificates of Rs 10 each have been issued, against subscription in cash, to the Modaraba Company and the sponsor.

2.12. 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.

2.13. MODE OF DISTRIBUTION OF PROFITS

Not less than 90% of the net income in respect of the Modaraba's business activities, (determined after charging the management fee up to 10% and after setting aside the mandatory reserve as per SECP's Prudential Regulations for Modaraba) is proposed to be distributed at least once in every year to the certificate holders in proportion to the number of certificates held by them.

2.14. 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.

2.15. 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).

2.16. 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.

2.17. FUTURE CAPITALIZATION

The Modaraba Company may make a right or a bonus issue of Modaraba certificates, subject to approval of the Registrar Modaraba, as deemed necessary for the business operations of the Modaraba, in accordance with the Modaraba Ordinance and the Modaraba Rules.

2.18. WITHHOLDING TAX ON DIVIDENDS

Profit distribution to certificates holders, not being a public limited company or an insurance company, shall be subject to withholding tax at 10% under Section 150, read with Division III of Part 1 of the First Schedule of the Income Tax Ordinance.

This restriction has been amended in the Budget 2006-07, whereas the Finance Bill proposes to extend the benefit of 5% tax on dividend to all resident companies. After this amendment 10% tax shall apply to individuals, AOPs and non-resident corporate shareholders.

2.19. 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.

2.20. 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:

Underwriter	No. of Certificates	Amount in Rupees
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
Total	15,000,000	150,000,000

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. UNDERWRITING COMMISSION

The Underwriters have been paid an underwriting commission @ 0.5% on the amount of public issue underwritten by them. In addition a take up commission of 0.5% shall be paid to the Underwriters on the amount of certificates actually taken up by them.

3.4. COMMISSION TO THE BANKERS TO THE ISSUE

A commission not exceeding 0.5% of the amount collected on allotment in respect of successful applicants of the Modaraba certificates will be paid to the bankers to the issue for services to be rendered by them in connection with this issue. No commission shall be paid to the bankers in respect of Modaraba certificates subscribed by the underwriters by virtue of their underwriting commitments.

3.5. BROKERAGE

Brokerage shall be paid to the members of the Karachi Stock Exchange (Guarantee) Limited, at the rate of 1.0% of paid-up value of Modaraba certificates actually sold through them. No brokerage shall be payable in respect of Modaraba certificates taken up by the Underwriters by virtue of their underwriting commitment.

3.6. 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.

Expense	Rate	Amount (Rs.)
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
TOTAL		10,630,500

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

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.

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 ljarah of Caterpillar equipment. The Modaraba may also engage in ljarah activities for equipment of other suppliers where Caterpillar does not have the appropriate equipment in their product line.

The Modaraba will engage in ljarah 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 ljarah 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, and its valuation certificate is disclosed in section 6.5. 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 ljarah 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 ljarah.

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. CONFLICT OF INTEREST

- a. The Modaraba shall not make any loans or advance money to any person, except in connection with the normal business of the Modaraba. Such loans or advances shall not be on the basis of interest.
- b. The Modaraba Company or any of its directors, officers or their relatives shall not obtain loan, advance or credit from the funds of the Modaraba or on the security of the assets of the Modaraba.

5.8. 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 (see Section 8.13, Material Contracts) 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 (see Section 8.13, Material Contracts) 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, whose report is attached (see Section 6.5 and section 8.13.1)

5.9. RATIO OF CERTIFICATE HOLDERS FUNDS TO LIABILITIES

As per Part III (1) of the Prudential Regulations for Modarabas, the Modaraba shall maintain for the first two years of its operation a ratio of equity to liabilities of a maximum of 1:7 (one to seven) and thereafter this ratio may be increased up to a maximum of 1:10 (one to ten). The ratio may further be increased only after obtaining the consent of the Registrar Modaraba Companies and Modarabas.

5.10. ACQUISITION OF CONTROLLING INTEREST

Except where it is necessary to protect its investments, the Modaraba shall not seek to acquire a controlling interest in any undertaking in which it has invested or has any other interest, which would involve the Modaraba in primary responsibility of management.

5.11. ADHERENCE TO SHARIA IN ALL MATTERS

The Modaraba shall not enter into any business, investment or other transactions that is repugnant to the injunctions of Islam; and involves the element of Riba either directly or indirectly.

5.12. 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
TOTAL	300,000,000
Acquisition of Equipment from Allied Rental Services Pvt Ltd	270,516,000*
Preliminary & Flotation Expenses	10,630,500
Working Capital	18,853,500
TOTAL	300,000,000

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

5.13. 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
Total	300,000,000	150,000,000	150,000,000

5.14. 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 & Ijarah agreements with various financial institutions.

5.15. RENTAL BUSINESS PEFFORMANCE 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	<u>31,406</u>	<u>35,249</u>	<u>20,048</u>
Total Revenue	190,603	136,844	97,456
Cost of Services	<u>104,919</u>	<u>81,827</u>	<u>60,893</u>
Gross Profit	85,684	55,017	36,563
Administrative and General Expenses	<u>17,147</u>	<u>27,521</u>	<u>17,176</u>
Operating Profit	<u>68,537</u>	<u>27,497</u>	<u>19,387</u>
Net Profit	62,539	13,150	8,430
Capital (26,500 shares of Rs 10 each)	265	265	265
Earnings per share (Rupees)	2,359	496	318
Assets	411,313	318,199	215,828
Liabilities	215,458	181,359	92,139
Equity	195,855	136,840	123,689
Breakup value per share (Rupees)	7,390	5,163	4,667

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.

5.16. RENTAL ADVANTAGE

Recent studies and research have shown that customers will rely on an outside source that can undertake specific tasks with perfection. Due to rapidly changing business environment single window solution providers will be the key players in the market. Modern age customers have learned that to endure fluctuating business conditions they should keep core fleets with high utilization and use rental when more capacity is required. Rental is therefore becoming a service that customers expect to receive from specialized companies whose business is selling machine utilization and associated

services rather than the machine itself.

There are many good reasons that customers will opt for rental of equipment from ARM including:

- Hassle Free Operation
- No Capital Budget is required
- Value added comfort / Single window solution
- Tailor made packages
- Hedge against technological obsolescence & Inflation

Hassle Free Operation

Customer can concentrate on the core business and qualified engineers and professionals can take care of uninterrupted power requirement.

No Capital Budget is required

By paying simply a rental charge customers can avail world-renowned equipment services and utilize equipment when required. This is especially suitable for small & medium size industries plus stopgap arrangements for temporary projects and large industries.

Value Added Comfort / Single Window Solution

Customers can get a bundle of services from a single window to fulfill their requirements i.e. procurement, technical expertise, services, manpower, fuel management, O&M (Operation & Maintenance), transportation, power cables, etc.

Tailor Made Packages

Customer can avail services as per requirement ranging from daily, weekly, monthly to long term rentals. They can renew the contract at the end of the period, purchase the equipment at fair market price, return the equipment with no further obligation or upgrade the equipment to take advantage of new technology.

Hedge Against Technological Obsolescence

With growth in business and technological changes additional or upgraded equipment is inevitable. Rental customers can easily upgrade the equipment and stay apace with evolving technology.

ADVANTAGES FOR ALLIED RENTAL MODARABA (ARM)

ARM will have the definite edge over the competition, which can be summarized by the following critical success factors:

- Product
- Infrastructure
- Promotion
- Network
- Pricing
- Brand
- Customer Reference

Product

Caterpillar and Olympian generator sets/machines are the best equipment available in the market. The parts and service backup AESL provides is excellent. The product retains a high **resale value** thus ensuring less financial cost.

Infrastructure

Well-educated & trained professionals help us to communicate better with the customer. High quality communication facilities are available to respond quickly to the

customer's needs.

Promotion

ARS currently advertises in newspapers and magazines as well as by billboards at important locations. Event sponsorship is also done to promote the product. These practices will continue in Modaraba as well.

Network

The presence of AESL all over Pakistan provides an excellent sales tool and gives wide exposure. ARM will rent facilities from AESL at Karachi, Lahore and Islamabad. Workshop facilities, vehicles and trained servicemen are available at these major cities. No other rental supplier has such a good network.

Pricing

The prices will be in-line with the competition. Flexibility will be available in pricing for long-term rentals and special cases.

Brand

ARM will operate under the Caterpillar Rentals brand that will help give it credibility.

Customer Reference

AESL will refer potential customers to ARM.

5.17. LIMITATIONS AND CONSTRAINTS

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

5.17.1. 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.

5.17.2. 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.

5.18. RISK FACTORS

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

5.18.1. 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.

5.18.2. 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.

5.18.3. **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.

5.18.4. **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 in the ordinary course of business continue to replace its old models with newer ones.

5.18.5. **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.

5.18.6. **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.

5.18.7. **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.

5.18.8. **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.

5.18.9. **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.

5.19. 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.

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:

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

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.

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

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.

6.5. ASSET VALUATION REPORT BY INDEPENDENT SURVEYOR

Tel : 92-42-5760571, 5759933,
Fax : 92-42-5711770.
E-mail : mahmeds@brain.net.pk
Web : www.hamidmukhtar.com.pk



HAMID MUKHTAR & CO. (PVT) LTD.
14-Q, GULBERG-2, LAHORE - 54660,
PAKISTAN.

CONSULTING ENGINEERS, SURVEYORS & LOSS ADJUSTERS, VALUATION CONSULTANTS

Our Ref: VAL-2566/ARS/NM.MKR

April 7, 2006

M/s Allied Rental Services (Pvt) Ltd.,
21/3, Sector No. 22,
Korangi Industrial Area,
KARACHI.

"VALUATION CERTIFICATE"

**SUBJECT: VALUATION OF GENERATORS, FORKLIFTERS,
VEHICLES, COMPUTERS & FURNITURE OF M/S
ALLIED RENTAL SERVICES (PVT) LTD., KORANGI
INDUSTRIAL ESTATE, KARACHI; AS ON FEBUARY
13TH, 2006.**

Dear Sir,

On your request we visited your sites in Karachi, Lahore, Shekhupura, Faisalabad, Tandlian wala, PAF Rafiquee Base Shorkot Cantt., Mansehra, Abbottabad and Islamabad, where generators were found installed; for the purpose of carrying out valuation of subject assets.

We inspected the asset items with regard to their existence, condition and level of maintenance etc. We carried out our own market inquiries for the valuation of the assets as detailed in attached sections.

As a result of this valuation exercise, we have arrived at the following fair Depreciated Market Values: -

S.No.	ITEM	DEPRECIATED MARKET VALUE (Rs)
1.	GENERATORS	227,190,000
2.	GENERATOR ACCESSORIES	3,600,000
3.	FORK LIFTERS	18,238,000
4.	CANOPIES	12,543,000
5.	COMPUTERS & FURNITURE	700,000
6.	VEHICLES	8,245,000
Total =		270,516,000

= 2 =

We understand this valuation exercise has been carried out for the approval for Modarba with SECP and to enlist on the stock exchange. The valuation is not meant to avail any financial facility from a Bank/DFI.

We undertake not to reveal the contents of this report to any person or agency unless requested in writing by you.

We are enclosing our Invoice for your consideration and payment along with two copies of the report. We are keeping one copy of the report in our record.

Thanking and assuring you of our best services and co-operation at all times.

Issued without prejudice and liabilities.

Yours faithfully,

For HAMID MUKHTAR & CO. (PVT) LTD.


ENGR. NOOR MOHAMMAD
B.Sc. (Ind. Tech.), B.Sc. (Engg.)
Manager Valuation Division



7. BOARD OF DIRECTORS AND ORGANIZATIONAL SET UP

7.1. DIRECTORS OF THE MODARABA MANAGEMENT COMPANY

The current board of directors comprises of:

Name, Address and Occupation	Designation	Directorship in other Companies
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

Name of company	Dividend/Bonus	2005	2004	2003
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.

7.6. ADMINISTRATION AND MANAGEMENT OF ALLIED RENTAL MODARABA

- a. The Modaraba Company shall maintain a Register of Modaraba Certificate holders and only certificate holders registered in the said Register shall be deemed to be owners thereof.
- b. The Modaraba Company shall keep separate books of accounts relating to its own income and expenditure and to income and expenditure of and connected with the Modaraba or other Modarabas. The said books of accounts shall be open to inspection by the Directors and Auditors of the Modaraba Company and the Auditors of the Modarabas.
- c. The Modaraba Company shall, within two months of the end of first half of the financial year, prepare and submit the financial position of the Modaraba whether audited or otherwise, besides any other statements or information that the Board of Modaraba Company may like to include, to the Registrar of Modarabas and to all registered Certificate Holders.
- d. Within six months of the close of the accounting year of the Modaraba, the Modaraba Company shall prepare and circulate to the holders of Modaraba certificates:
 - (i) the annual balance sheet and profit and loss account;
 - (ii) a report of the Auditors on the balance sheet and profit and loss account;
 - (iii) a report by the Modaraba Company on the activities and business prospects of the Modaraba and the profits for distribution to the certificate holders; and

- (iv) any other statement or information that the Board of the Modaraba Company may like to include.
- e. KPMG Taseer Hadi & Co, Chartered Accountants have been appointed as Auditors of the Modaraba. The Registrar of Modaraba Companies and Modarabas has approved their appointment as the Auditors of the Allied Rental Modaraba for the first accounting year.
- f. Modaraba auditors will be appointed and approved on an annual basis as required under Modaraba Ordinance and Rules.
- g. The accounting record of Allied Rental Modaraba will be kept on the basis of fiscal year ending on the last day of June in each financial year.
- h. The Modaraba Company will provide office space, custodial and management services and charge a management fee at the rate of 10% per annum of the net annual profits of the Modaraba.
- i. The Modaraba Company shall be competent to do all other acts which in its opinion may be necessary to promote the interest of the Certificate holders based on the investment climate in Pakistan and elsewhere and conditions of the capital market and as may be warranted by commercial considerations.

7.7. SAFEGUARDS AND INVESTMENT POLICY

- 7.7.1. The Modaraba's safeguards provide a framework to ensure that:
 - a. All the business dealings, transactions and conduct at all times conform to Sharia.
 - b. The total exposure of ALLIED RENTAL MODARABA to a single group shall not exceed 20% of the paid-up fund of the Modaraba and 20% of the paid-up capital of the client/group.
 - c. Reasonable financial and business prudence will be observed in investments, resource mobilization and financial advisory services.
 - d. Risks are managed on sound professional basis.
 - e. Business transactions shall be conducted in accordance with the applicable laws and regulations in Pakistan but no transactions will be entered into which are in any manner in conflict with injunctions of Islam.
 - f. The Modaraba shall not enter into any business transaction with any person, except in connection with the normal business of the Modaraba.
 - g. Management controls and safeguards are built in the investment and business process.
 - h. All the Modaraba activities and transactions shall be in conformity with the rules and regulations issued by the Registrar Modaraba Companies and Modarabas, the Securities and Exchange Commission of Pakistan, and/or any other relevant authority from time to time.
 - i. In order to ensure adherence with Sharia in all its dealings the Modaraba shall consult with Ulema and Sharia Consultants well versed in Sharia matters particularly relating to the business and financial matters.
 - j. None of the types of business contemplated herein shall include directly or indirectly an element of 'Riba' and no business or transaction shall in any way be violative of the injunction of Islam. Before undertaking any such business as contemplated herein the precise nature of the business as well as the arrangements and instruments through which the business will be undertaken shall be supplied and submitted to the Religious Board for its approval.

7.7.2. GENERAL

- a. The directors of the Modaraba Company shall exercise strict vigilance over the business of the Modaraba. All decisions will be made on sound business principles and based on the best possible advice.
- b. Suitably qualified and experienced personnel for the Modaraba will be engaged by the Modaraba Company who will bring with them knowledge and expertise in credit assessment and marketing.
- c. Business and investment decisions shall be judiciously based on thorough analysis and studies, scope of future prospects in the light of cash flow, market, operations, business projections and environment considerations, as well as the management of enterprise.
- d. In making financial investments the risks will be minimized through diversification of the portfolio.
- e. A separate bank account will be maintained by the Modaraba Company in respect of the Modaraba. This will be operated by authorized directors and officers of the Modaraba Company.
- f. Collection accounts for subscription towards the Modaraba Certificates will be operated jointly by two authorized directors/officers of the Modaraba Company.
- g. Rental of equipment will be to sound industrial and commercial entities and other enterprises which are enjoying or may enjoy similar facilities from the banking and financial sector.
- h. Business transactions shall be conducted in accordance with the applicable laws and regulations in Pakistan but no transactions will be entered into which are in any manner in conflict with injunctions of Islam.

7.7.3. COMPLIANCE WITH PRUDENTIAL REGULATIONS

Chief Executive and Directors of the Modaraba Company will ensure that the business transactions undertaken by the Modaraba are in compliance with the Prudential Regulations for Modarabas (as amended from time to time) issued by the SECP.

7.8. INTEREST OF THE MODARABA COMPANY, ASSOCIATED CONCERNS ITS DIRECTORS AND OFFICERS

Modaraba Company is interested to the extent of its capital investment in the Modaraba, in management fee to the extent of 10% of the annual profits of the Modaraba and reimbursement of expenses incurred by it on behalf of the Modaraba. The Directors may also be deemed to be interested in the dividends payable on Certificates of Allied Rental Modaraba that may be acquired by them.

The Modaraba Company is majority owned by Allied Engineering & Services Limited (AESL) and the directors of the Modaraba Company are also employees and directors of AESL and its associated company Allied Rental Services (Pvt) Ltd. (ARSL). The Modaraba shall take over the rental business carried out by ARSL and will acquire from ARSL equipment in this regard. This transaction will be at arms length and at the value appraised by an independent valuer appointed by SECP. In addition, in the ordinary course of business the Modaraba will enter into various transactions with AESL as the dealer of the equipment that it rents. These transactions are detailed in Sections 5.8 and 8.13 of this prospectus.

Chief Executive or Directors appointed to work as full time in the Management committee of the Modaraba will be paid remuneration according to the terms of their appointment. No other Directors, except for other executive Directors working full or

part time in the Modaraba Company, shall be entitled to a monthly remuneration. However all other Directors will be entitled to the fees payable for attending meeting of the Board of Directors.

7.9. BENEFITS TO PROMOTORS AND OFFICERS

No amount or benefit has been paid or given or is intended to be paid or given to any promoter, director or to any officer of the Modaraba Company from the funds of Modaraba.

7.10. PENAL PROVISIONS

The provisions of section 31 and 32 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 shall *ipso facto* apply to the Modaraba Management Company, its Chief Executive and Directors for contravening the contents of this Prospectus

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

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

Hong Kong Shanghai Bank

Jahangir Siddiqui Investment Bank Limited

KASB Bank Limited

MCB Bank Limited

Oman International Bank

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. MATERIAL CONTRACTS

8.13.1. Assets Transfer agreement

Assets transfer agreement between Allied Rental Services (Pvt) Ltd and Allied Rental Modaraba dated 15th day of May 2006 for the purchase of certain assets owned by Allied Rental Services (Pvt) Ltd.

The following are particulars of equipment to be purchased from Allied Rental Services (Pvt.) Limited, 21/3, Sector No. 22, Korangi Industrial Area, Karachi-74200 from the proceeds of this issue and name and address of the vendors.

CATERPILLAR USED GENERATOR SETS

Name/Description Equipment	ID Equipment	Model	KVA Capacity/	Serial Nos.	As at May 2006 Utilization in Hours	New/ Used	Cost
CATERPILLAR GENERATOR	M002	3306-D	250	9NR01105	19177	Used	1,143,000
CATERPILLAR GENERATOR	M004	3406-D	365	4 ZR 01377	6736	Used	1,567,000
CATERPILLAR GENERATOR	M005	3306-D	225	5 JC 00572	10579	Used	974,000
CATERPILLAR GENERATOR	M006	3512-D	1275	24Z 002806	21401	Used	3,446,000
CATERPILLAR GENERATOR	M008	3512-D	1275	24 Z 02652/7C5185	24412	Used	3,188,000
CATERPILLAR GENERATOR	M009	3412-D	500	3 FZ 02406	9478	Used	2,398,000
CATERPILLAR GENERATOR	M010	3412-D	500	8 IZ 22131	17081	Used	1,406,000
CATERPILLAR GENERATOR	M011	GEH-200-D	200	WS4486N1220120	10576	Used	974,000
CATERPILLAR GENERATOR	M012	3406-D	365	1 DZ 00693	16252	Used	1,200,000
CATERPILLAR GENERATOR	M014	3512-D	1275	24 Z 02507	16724	Used	3,188,000
CATERPILLAR GENERATOR	M018	3412-D	635	2 WJ 00780	24342	Used	1,806,000
CATERPILLAR GENERATOR	M020	3512-D	1275	24 Z 04841	26335	Used	4,355,000
CATERPILLAR GENERATOR	M021	3306-D	275	1 CZ 00771	17884	Used	1,306,000
CATERPILLAR GENERATOR	M022	3512-D	1275	24 ZO 7932	26620	Used	5,948,000
CATERPILLAR GENERATOR	M023	3412-D	500	3 FZ 03742	9033	Used	2,740,000
CATERPILLAR GENERATOR	M024	3406E-D	455	1 MZ 00886	9806	Used	2,474,000
CATERPILLAR GENERATOR	M025	3516-G	1218	CTL 00428	19009	Used	9,027,000
CATERPILLAR GENERATOR	M026	3412-D	500	3FZ03908	6112	Used	2,740,000
CATERPILLAR GENERATOR	M027	3512-D	1275	1 KZ 00272	13892	Used	5,386,000
CATERPILLAR GENERATOR	M028	3306-D	244	85 ZI 0856	13963	Used	1,114,000
CATERPILLAR GENERATOR	M030	3306-D	250	JAA 00487	8640	Used	1,706,000
CATERPILLAR GENERATOR	M031	3406-D	365	1 DZ 05138	4303	Used	2,047,000
CATERPILLAR GENERATOR	M032	GEH-200-D	200	WS 4486 N 1409181	5547	Used	1,454,000
CATERPILLAR GENERATOR	M033	3412-D	500	3 FZ 04806	5526	Used	3,132,000
CATERPILLAR GENERATOR	M035	3412-D	500	3 FZ 04815	7595	Used	3,132,000
CATERPILLAR GENERATOR	M036	3516-G	1218	CTL 00650	15703	Used	10,316,000
CATERPILLAR GENERATOR	M037	3516-G	1218	CTL 00642	13245	Used	10,316,000
CATERPILLAR GENERATOR	M038	3412-D	725	1 EZ 00802	21032	Used	2,978,000
CATERPILLAR GENERATOR	M039	3306-D	250	J AA 00740	10758	Used	1,706,000
CATERPILLAR GENERATOR	M040	3412-D	500	3 FZ 04936	6392	Used	3,132,000
CATERPILLAR GENERATOR	M041	3406-D	365	1DZ07058	1964	Used	2,339,000
CATERPILLAR GENERATOR	M042	3406-D	365	1DZ07090	3910	Used	2,339,000
CATERPILLAR GENERATOR	M043	GE-110-D	100	7AK 01633	3906	Used	294,000
CATERPILLAR GENERATOR	M044	3512-D	1275	24 ZO 5480	23297	Used	4,355,000
CATERPILLAR GENERATOR	M045	3306-D	275	JAA 01005	1654	Used	1,950,000
CATERPILLAR GENERATOR	M046	3306-D	275	JAA 01026	9737	Used	1,493,000
CATERPILLAR GENERATOR	M048	GEH-200-D	200	WS 4486 N 1457151	4827	Used	1,662,000
CATERPILLAR GENERATOR	M049	3516-G	1218	CTL 00741	10257	Used	11,790,000
CATERPILLAR GENERATOR	M050	3406-D	365	1DZ07096	514	Used	2,339,000
CATERPILLAR GENERATOR	M051	3412-D	500	3FZ07565	3359	Used	3,132,000
CATERPILLAR GENERATOR	M052	3516-G	1218	CTL00814	9617	Used	11,790,000

Continued on Next Page

CATERPILLAR GENERATOR	M053	3512-D	1275	24 Z 02867	11997	Used	3,188,000
CATERPILLAR GENERATOR	M054	3456-D	455	7 WG 02625	3602	Used	3,231,000
CATERPILLAR GENERATOR	M055	3412-D	635	2 WJ 00777	38351	Used	3,147,000
CATERPILLAR GENERATOR	M056	3412-G	450	CTP 02403	5451	Used	4,594,000
CATERPILLAR GENERATOR	M057	3516-G	1218	ZBA 00137	2610	Used	13,475,000
CATERPILLAR GENERATOR	M059	3412-G	450	CTP 02432	4034	Used	5,250,000
CATERPILLAR GENERATOR	M060	3516-G	1218	ZBA 00151	4254	Used	13,475,000
CATERPILLAR GENERATOR	M061	GEH-275-D	250	WS4418N1472657	2238	Used	1,950,000
CATERPILLAR GENERATOR	M062	GEP-110-D	100	YB51047U8390978M	1685	Used	979,000
CATERPILLAR GENERATOR	M063	3406C-D	365	1DZ09593	97	Used	2,673,000
CATERPILLAR GENERATOR	M064	3406C-D	365	1DZ09636	709	Used	2,673,000
CATERPILLAR GENERATOR	M066	3406C-D	365	1DZ09554	482	Used	2,673,000
CATERPILLAR GENERATOR	M067	GEP-110-D	100	UBU 83949M	2626	Used	979,000
CATERPILLAR GENERATOR	M068	3516-G	1218	ZBA 00168	4459	Used	13,475,000
CATERPILLAR GENERATOR	M069	GEP-30-D	27	CM 51035 U 219409 L	237	Used	554,000
CATERPILLAR GENERATOR	M070	GEP-30-D	27	CM 51035 U 219601 M	277	Used	554,000
CATERPILLAR GENERATOR	M071	GEP-30-D	27	CM 51035 U 219090 L	123	Used	554,000
CATERPILLAR GENERATOR	M072	GEP-30-D	27	CM 51035 U 218997 L	314	Used	554,000
CATERPILLAR GENERATOR	M073	GEP-110-D	100	YB51047 U 848133M	18	Used	1,119,000
CATERPILLAR GENERATOR	M074	C-18-D	500	STH 01203	194	Used	4,091,000
CATERPILLAR GENERATOR	M075	C-18-D	500	STH 01217	87	Used	4,091,000
CATERPILLAR GENERATOR	M076	GEH-275-D	250	RNS 04605	228	Used	2,229,000
CATERPILLAR GENERATOR	M077	GEH-220-D	200	RNS 04895	967	Used	1,900,000
TOTAL							227,190,000

FORKLIFTER TRUCKS

Name/Description Equipment	ID Equipment	Model	Serial Nos.	New/ Used	Cost
CATERPILLAR FORKLIFT	F01	DP 25N	S4S130788	Used	1,658,000
CATERPILLAR FORKLIFT	F02	DP 25N	S4S130883	Used	1,658,000
CATERPILLAR FORKLIFT	F03	DP 25N	S4S131058	Used	1,658,000
CATERPILLAR FORKLIFT	F04	DP 25N	S4S130464	Used	1,658,000
CATERPILLAR FORKLIFT	F05	DP 25N	S4S131184	Used	1,658,000
CATERPILLAR FORKLIFT	F06	DP 25N	S4S131258	Used	1,658,000
CATERPILLAR FORKLIFT	F07	DP 25N	S4S131253	Used	1,658,000
CATERPILLAR FORKLIFT	F08	DP 25N	S4S131318	Used	1,658,000
CATERPILLAR FORKLIFT	F09	DP 25N	S4S131346	Used	1,658,000
CATERPILLAR FORKLIFT	F10	DP 25N	S4S131584	Used	1,658,000
CATERPILLAR FORKLIFT	F11	DP 25N	S4S130963	Used	1,658,000
TOTAL					18,238,000

VEHICLES

Description	Model	Reg.No.	Value (Rupees)
Honda Civic	1996	AAN-651	400,000
Honda Civic	1999	ABZ-911	500,000
Suzuki Cultus	2002	AEN-743	450,000
Toyota Land Cruiser	1991	B-3082	900,000
Suzuki Bolan	2003	CN-3282	350,000
Suzuki Bolan	2004	CN-4797	400,000
Changan Double Cabin	2004	CN-5229	250,000
Suzuki Khyber	1996	LXA-4490	225,000
Toyota Hilux	2005	LJ-8980	825,000
Toyota Hilux	2005	LZR-1510	825,000
Toyota Hilux	2005	C-6685	825,000
Double Cabin Pick up	2005	LZR-4462	350,000
Double Cabin Pick up	2005	LZR-3425	350,000
Suzuki Bolan	1998	CK-3883	225,000
Single Cabin Ford Pickup	1997	CK-5701	350,000
Suzuki Khyber	1991	S-7836	175,000
Toyota Hilux	2005	6685	825,000
Star DS 70 Motor Cycle	2004	KBD-766	20,000
TOTAL			8,245,000

OTHER EQUIPMENT

Equipment Description	Value (Rupees)
Miscellaneous Genset Accessories	3,600,000
Genset Canopies (55 Nos)	12,543,000
Computers & Furniture etc	700,000
TOTAL	16,843,000

The above amounts are in accordance with independent appraisal of these assets by a Valuer nominated by SECP and include no figure for goodwill. Allied Engineering & Services Limited is the sponsor for the Modaraba Company and Allied Rental Services (Pvt) Limited in an associated company. The purchase takes place on an arms length basis as per the valuation of independent surveyor.

8.13.2. Machinery & Parts Purchases Agreement

Machinery & Parts purchase agreement between Allied Engineering & Services Ltd and Allied Rental Modaraba dated 15th day of May 2006 for the future purchase of Machinery and parts at discounted prices.

8.13.3. Use of Stockyard space agreement

- Stockyard space agreement between Allied Engineering & Services Ltd and Allied Rental Modaraba dated 15th day of May 2006 for the use of stockyard spaces in Karachi.
- Stockyard space agreement between Allied Engineering & Services Ltd and Allied Rental Modaraba dated 15th day of May 2006 for the use of stockyard spaces in Lahore.

8.13.4. Underwriting Agreements

- Underwriting Agreement dated 22nd day of May 2006 with Arif Habib Securities Limited and Pak Oman Investment Company Ltd.
- Underwriting Agreement dated 17th of August 2006 with Arif Habib Rupali Bank Limited.

8.14. 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.

8.15. 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.

8.16. 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.

9. MODARABA CERTIFICATE

ALLIED RENTAL MODARABA

MANAGED BY

ALLIED ENGINEERING MANAGEMENT COMPANY (PRIVATE) LIMITED

AUTHORISED FUND CAPITAL RS. 500,000,000

DIVIDED INTO 50,000,000 CERTIFICATES OF RS. 10 EACH

This is to certify that

Name _____ is / are the registered holder (s) of

*** FIVE HUNDRED ***

fully paid Modaraba Certificates of Rs.____ each numbered as below in ALLIED RENTAL MODARABA subject to the terms of the prospectus.

Father's / Husband's
Name

Address

Folio No.	Certificate No.	Distinctive Nos. From - To	No. of Certificates. (inclusive)

Given under the Common Seal of the Company

Director

this _____ day of _____

Director

10. APPLICATION AND TRANSFER INSTRUCTIONS

- 10.1 Eligible investors include Pakistani citizens resident in Pakistan, companies, bodies corporate or other legal entities incorporated or established in Pakistan (to the extent permitted by their constitutive documents and existing regulations as the case may be); Provident/ pension/ gratuity funds/ trusts (subject to the terms of their Trust Deed and existing regulations) and branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.
- 10.2 Copies of this Prospectus and applications forms can be obtained from members of the Karachi Stock Exchange and Lahore Stock Exchange, the Bankers to the Issue and their Branches, the Lead Manager, and the registered office of the Company. The Prospectus and the Application Form can also be downloaded from the following website:
www.arifhabib.com.pk or www.aesl.com.pk
- 10.3 **APPLICATION MUST BE MADE IN THE OFFERORS' APPLICATION FORM OR A LEGIBLE COPY THEREOF.**
- 10.4 Applicants opting for scripless form of security are required to complete the relevant sections of the application. In accordance with the provisions of the Central Depositories Act, 1997 and the CDC regulations, credit of such securities in book entry form is allowed ONLY in the applicant's own CDC account. In case of discrepancy between the information provided in the Application Form and the information already held by the CDC, the Company reserves the right to issue share certificates in physical form.
- 10.5 Names and Addresses must be written in block letters, in English, and should not be abbreviated.
- (i) An attested copy of the computerized NIC ("CNIC") should be enclosed and the CNIC number indicated against the name of the applicant. Copies of CNIC can be attested by any Federal/Provincial Government gazetted officer, Councilor, Bank Manager, Oath Commissioner, or Head Master of High School etc.
 - (ii) Original CNIC, along with one attested copy, must be produced for verification to the branch at the time of presenting an application. The attested photocopy shall, after verification, be retained by the bank branch along with the application
 - (iii) Only one application will be accepted against each account. In case of joint accounts, one application will be accepted in the name of each of the joint account holders.
 - (iv) Joint applications by more than four persons shall not be accepted.
 - (v) In case of joint applications by two or more persons, particulars of one applicant must be entered on the main application and the particulars of the remaining applicants including name, father's or husband's name, CNIC number and specimen signature should be provided on a separate sheet. The said sheet along with the attested copy of their CNIC must be attached with the main application form.
 - (vi) In case of joint applications, the share certificates will be dispatched to the person whose name appears in the main application form while in case of CDS, it will be credited to the respective CDC account and where any amount is refundable, in whole or in part, the same will be refunded by cheque by post, or through the bank where the application was lodged to the person named on the main application form without interest, profit, or return.
 - (vii) Applications by Companies etc.:
 - (a) Applications made by companies, corporate bodies, provident/ pension/ gratuity funds/ trusts and other legal entities must be accompanied by a copy of their Memorandum and Articles of Association or equivalent constitutive document. Where applications are made by virtue of a Power of Attorney, the Power of Attorney must be attached to the Application Form. Copies of documents can be attested by any Federal/ Provincial Government gazette officer, Councilor, Bank Manager, Oath Commissioner, or Head Master of High School etc.
 - (b) Attested copies of the documents mentioned in this section must be produced along with originals for verification to the branch at the time of presenting an application. The attested copies shall, after verification, be retained by the bank branch along with the application.

- 10.6 Subscription money must be paid by cheque drawn on the applicants own account payable to one of the Bankers to the Issue "A/C PUBLIC ISSUE OF CERTIFICATES OF ALLIED RENTAL MODARABA LIMITED" and crossed "A/C PAYEE ONLY" and must be drawn on a bank in the same town as the bank through which the application has been made.
- 10.7 Applications are not to be made by minors or persons of unsound mind.
- 10.8 Applicants should ensure that the bank branch, on which their application is drawn, completes the relevant portion of the application form.
- 10.9 Applicants should retain the bottom portion of their application as provisional acknowledgment of submission of their application. This may be made available at the time of submission of the Application Form, or may be collected at a later time from the bank branch through which application was made. This should not be construed as acceptance of the application or a guarantee that the applicant will be allotted the number of certificates for which the applicant has subscribed.
- 10.10 No receipt will be issued for payment made with an application but an acknowledgement will be forwarded in due course by issuance of share certificate in whole or in part or by refund of the money in case of unaccepted or unsuccessful applications. No interest or profit shall be payable in respect of the refund amount.
- 10.11 It would be permissible for a Banker to the Issue to refund subscription money unsuccessful applicants having a bank account in that bank by crediting such account instead of through cheque, pay order or bank draft. Applicants should therefore not fail to give their bank account numbers.
- 10.12 The transfer of certificates to successful applicants shall be made in accordance with the criteria disclosed in this Prospectus subject to the rules of the Securities and Exchange Commission of Pakistan.
- 10.13 Making of any false statement in the application or willfully embodying incorrect information therein will make the applicant or the bank liable to legal action.
- 10.14 The basis of the Public Issue of certificates is as follows
- (a) This offer is being made at a price of Rs. 10 per ordinary share of a face value of Rs. 10 each.
 - (b) Applications for certificates must be made for 500 certificates or in multiples of 500 certificates. Applications which are neither for 500 certificates nor for multiples of 500 certificates shall be rejected.
 - (c) The minimum amount of application for subscription of 500 certificates is Rs. 5,000/-.
 - (d) Applications for certificates below the value of Rs. 5,000/- shall not be entertained.
 - (e) **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.**
 - (f) If the certificates to be offered to the general public are sufficient to accommodate all applications, all applications shall be accommodated.
 - (g) If this Issue is oversubscribed the certificates shall be allotted by conducting computer balloting in the presence of 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 1000 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.
- (h) 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.
- (i) Allocation of certificates will be subject to scrutiny of the applications for subscription.
- (j) Applications, which do not meet with the above requirements, or applications which are incomplete, will be rejected.

10.15 Bankers to the Issue

01.	Faysal Bank Limited
02.	Hong Kong Shanghai Bank
03.	KASB Bank Limited
04.	Jahangir Siddiqui Investment Bank Limited
05.	MCB Bank Limited
06.	Oman International Bank
07.	Soneri Bank Limited

10.16 Code of Occupation

01.	Business	06.	Professional
02.	Business Executive	07.	Student
03.	Service	08.	Agriculturist
04.	Housewife	09.	Industrialist
05.	Household	10.	Other

11. SIGNATORIES TO THE PROSPECTUS

Sd/-

Mr. Murtaza Ahmed Ali, CEO

Sd/-

Mr. Kamran Akhtar, Company Secretary & Director

Sd/-

Mr. Shahid Karim Siddiqui, Director

Sd/-

Mr. Ali Akbar, Director

Sd/-

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/-

Kamran Akhtar
Company Secretary

Sd/-

Mr. M. Akmal Jameel
Arif Habib Securities Ltd.

Dated:
Karachi.

12. MEMORANDUM OF ASSOCIATION OF ALLIED ENGINEERING MANAGEMENT COMPANY (PRIVATE) LIMITED

1. The name of the Company is ALLIED ENGINEERING MANAGEMENT COMPANY (PRIVATE) LIMITED.
- II. The registered office of the Company will be situated in the Province of Sindh.
- III. The objects for which the Company is established are as follows:
 1. To carry on the business of Modaraba floatation and management in Pakistan and to initiate, sponsor, promote, float, organize, administer and operate Modaraba funds and modarabas of all types and descriptions, musharikas, musharika fund mutual funds, unit trust and such other businesses as the members of the Company may from time to time resolve by special resolution to carry on (hereinafter referred to as the "Business").
 2. To acquire on-going businesses, shares of companies' doing businesses similar to the Business, assets being used or required to be used for the Business, merge with any company doing business similar to the Business or owing shares in a company doing any business similar to the Business and to enter into joint venture, technology transfer, license or similar arrangements and agreements with local or foreign companies, firms or persons in relation to the Business and to invest or participate in and to collaborate or co-operate with any Modaraba company, Modaraba fund, Modaraba, musharika, mutual fund, musharika fund, open or closed end funds, unit trusts, investment company or any other concern or company.
 3. To acquire, lease, license, construct, set up, establish, own, operate and manage any factory or establishment for the purposes of the Business or any item of the Business.
 4. To purchase or by any other means acquire and take options over any property whatsoever, and any rights or privileges of any kind over or in respect of any property for the purposes of the Business.
 5. To acquire property for the business of the company with all rights and privileges in respect thereof and deal with the same as may be beneficial to the company.
 6. To develop and or transfer technology and to acquire or pass on technical know-how, and to train personnel and workers and to advise investors on and to attract capital for participation in financing on a non-interest basis the establishing, expanding, buying, selling, or renting of all kinds of plant, equipment, machinery, land, units and factories and the carrying of all kinds of commercial, agricultural and industrial businesses.
 7. To carry on any other trade or business whatsoever which can in the opinion of the Board of Directors of the Company be advantageously carried on in connection with or ancillary to any of the Business.
 8. To import or otherwise acquire, lease or otherwise utilise raw materials, equipment, machinery, spare parts, or other articles required by the Company for the purpose of carrying on the Business.
 9. To enter into agreement(s) with any individual, firm, co-operative or other society, company, corporate body, Government or local authority or other legal entity necessary or expedient for the purpose of carrying on the business of the Company.

10. To invest the surplus moneys of the Company not immediately required in such manner as may from time to time be determined and to hold or otherwise deal with such investments made and to accept stock, shares, Modaraba certificates, musharika certificates, term finance certificates, bonds, debentures or other securities for any services rendered or for any sale made to or debt owing from any other company and to guarantee or obtain the guarantee or indemnity of any company or person for any matter whatsoever.
11. To provide equipment and articles on hire purchase, and/ or rent basis.
12. To carryout transactions on a Build, Operate and Transfer Basis and or Build, Own and Operate Basis.
13. To do and carry on counter-indemnity and counter guarantee business of all kinds and in all forms as may be permissible under the shariah and the law.
14. To carry on business of building or erecting and constructing structures and house, flats or apartments sheds and other fixtures on lands and/ or buildings and to purchase, take on lease or otherwise acquire or exchange or transfer any lands/or buildings to dispose them by sale or under any hire-purchase scheme.
15. To transact and carry on all kinds of agency business and to act as Director, manager or Secretaries of any company, concern or corporation, and for that purpose to appoint and remunerate any Director, Accountants or other experts or Agents.
16. To engage or appoint or obtain service from consultants, advisers, architects, engineers, technicians, advocates, lawyers, solicitors, attorneys, agents, brokers, doctors, professionals on such terms and conditions as may be deemed suitable.
17. To enter into, institute, prosecute, defend, compromise any legal. Arbitration or other proceedings before any forum, courts, tribunals, bodies, boards, authorities and other agencies in Pakistan or elsewhere.
18. To insure the Company against the risk or peril of loss, damage destruction, demolition, diminution and generally take measure for the safe custody, defence and protection of Company's interests, assets, moveable and immovable properties, records, documents, belongings and manpower and take out insurance policies or enter into contracts of insurance, guarantee or indemnity for attaining the aforesaid objectives, Without limiting the generality of the foregoing to take out marine, hull, fire, motor and miscellaneous accidents, personal accidents, fidelity guarantee, groups insurance, explosion, third party claims, loss of profit, workman compensation and all other forms of insurance as may be considered necessary.
19. To buy, sell, import, export, manufacture, manipulate, treat, prepare and deal in merchandise, commodities and articles of all kinds, and generally to carry on business as merchants, importers and exporters.
20. To receive non-equity financing from financial institutions and scheduled banks or to obtain finances as the Company shall think fit for its Business, and in particular, by the issue of debentures, or debenture stock (perpetual or otherwise), term finance certificates and like instruments and finances under interest free system such as finances by purchase of moveable and immovable properties, securities and instruments with buy-back agreements, and to secure the payment/repayment of the finances, indebtedness and any

money raised through non-equity financing or owed by mortgage, charge, lien or any other security upon all or any part of the property or assets or the Company (both present and future) and also by a similar mortgage, charge, lien or any other security to secure and guarantee the performance by the Company of any obligation undertaken by the Company which may become binding on it.

21. To open, close, maintain and operate bank accounts of the Company with any bank or banks and to draw, make, accept, endorse, discount, negotiate, execute and issue cheques, bills of exchange, promissory notes, bills of lading, warrants debentures, and other negotiable or transferable instruments concerning the Business.
22. To apply for, and obtain necessary consents permissions and licenses from any Government, State or Local and other authorities for enabling the Company to carry any of its objects into effect, or for effecting any modification of the constitution of the Company, or for any other purpose which may seem calculated directly or indirectly to promote the Company's interests, and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests.
23. To enter into arrangements with any Government or authorities, central or provincial, municipal, local or otherwise, public or quasi-public bodies, or with any other persons in any place where the Company may have interests that may seem conducive to the purposes of the Business and to obtain from any such Government, authorities or persons any rights, privileges and concessions which the Company may think fit to obtain and to carry out, Exercise and comply therewith.
24. To promote any other company for the purpose of acquiring the whole or any part of the business or property or undertaking or any of the liabilities of any other company, or of undertaking any business or operations which may appear likely to assist or benefit the Company or to enhance the value of any property or business of the Company and to place or guarantee the placing of, subscribe for, or otherwise acquire all or any part of the shares or securities of any such company as aforesaid.
25. To subscribe for, take, underwrite, guarantee, purchase, or otherwise acquire, hold, sell and dispose of shares, stocks, Modaraba certificates, term finance certificates, musharika certificates, unit trust certificates, debentures, debenture stocks, bonds, other financial instruments, obligations or securities issued, floated or guaranteed by any other company or Modaraba fund constituted or carrying on business in any part of the world, and debentures, debenture stocks, bonds obligations or securities issued or guaranteed by any government or authority, municipal, local or otherwise, in any part of the world.
26. To sell or otherwise dispose of the whole or any part of the Business or property of the Company, either together or in portions, for such consideration as the Company may think fit, and in particular for shares, debentures, or securities of any company purchasing the same.
27. To act as agents, representatives, dealers consultants or broker for any person, firm or company, and to undertake and perform sub-contracts.
28. To remunerate any person, firm or company rendering service to the Company either by cash payment or by the allotment to him or them of shares or other securities of the Company credited as paid up in full as may be thought expedient.

29. To pay out of the funds of the Company all expenses of and incidental to the promotion, formation, incorporation and registration of the Company or to Contract with any person, firm or company to pay the same.
30. To subscribe or contribute or otherwise assist or to grant money to charitable, benevolent, scientific, national public institutions objects or purposes; to support and subscribe to any institution, society or club which may be for the benefit of the Company or its Directors or employees, or may be connected with any town or place where the Company carries on business; to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of and give or procure the giving of donations, gratuities, pensions, allowances, or emoluments and provide advantages, facilities and services for any persons who are or have been Directors or Officers of, or who are or have been employed by, or who are serving or have served the Company, or any company which is a subsidiary of the Company or is allied or associated with the Company or with such subsidiary company and the wives, widows, children and other relatives and dependants of such persons; to make payments towards insurance; and to set up, establish, support and maintain profit sharing or share purchase schemes for the benefit of any of the employees of the Company or of any such subsidiary, and to lend money to any such employees or to trustees on their behalf to enable any such purchase schemes to be established or maintained and do to any of the matters as aforesaid either alone or in conjunction with any such other company as aforesaid.
31. Subject to the provisions of the Companies Ordinance 1984, to distribute among the members in specie any property of the Company of whatever nature or any proceeds of the sale or disposal of any property of the Company, in the event of winding up.
32. To do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors or otherwise, and by or through agents, brokers, sub-contractors or otherwise and either alone or in conjunction with others.
33. To do all such other things as may be deemed incidental or conducive to the attainment of the objects of the Company or any of them.

AND so that:

- (1) None of the objects set forth in any sub-clause of this Clause shall be restrictively construed but the widest interpretation shall be given to each such object, and none of such objects shall except where the context expressly so requires, be in any way limited or restricted by reference to or inference from any other object or objects set forth in such sub-clause of this Clause, or by reference to or inference from the name of the company.
- (2) None of the Sub-Clauses of this Clause and none of the objects therein specified shall be deemed subsidiary or ancillary to any of the objects specified in any other such sub-clause, and the Company shall have as full a power to exercise each and every one of the objects specified in each sub-clause of this Clause as though each sub-clause contain the objects of a separate Company.
- (3) The work "company" in this Clause except where used in reference to this Company, shall be deemed to include any partnership, sole proprietorship or other body of persons whether corporate or unincorporated, registered or otherwise, and whether domiciled in Pakistan or elsewhere.

- (4) Notwithstanding anything contained in this Clause, nothing herein shall be Construed as empowering the Company to undertake to indulge in the business of banking, leasing, investment or insurance directly or indirectly, as restricted under law or any unlawful operations and that the Company or any Modaraba floated by the Company shall not engage in any activity or business which is contrary to the injunctions of Islam or which may involve the element of Riba in any form whatsoever.

IV. The liability of the Members is limited.

V. The Authorized Share Capital of the Company shall be Rs. 100,000,000 divided into 10,000,000 shares of Rs 10/- each.