



ALLIED **CAT** Rental

## Allied Rental Modaraba

Managed by: Allied Engineering  
Management Company (Private) Limited

Quarterly Report March 2018

# Partnerships at work

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# Modaraba Information

## Board of Directors

Mr. Khwaja Asif Rahman  
Chairman

Mr. Murtaza Ahmed Ali  
Chief Executive

Syed Feisal Ali  
Non - Executive Director

Mr. Raees A. Khan  
Non - Executive Director

Mr. Ali Akbar  
Non - Executive Director

Mr. Hassan Shehzad Abidi  
Non - Executive Director

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

## Audit Committee

Mr. Abdul Rahim Suriya (Independent)  
Chairman

Syed Feisal Ali  
Member

Mr. Ali Akbar  
Member

## Chief Financial Officer

Mr. Naveed Shaheen

## Company Secretary

Mr. Muhammad Saad

## Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

## Human Resource and Remuneration Committee

Mr. Khwaja Asif Rahman  
Chairman

Syed Feisal Ali  
Member

Mr. Murtaza Ahmed Ali  
Member

Mr. Abdul Rahim Suriya (Independent)  
Member

## Strategic Management

Syed Zulqarnain Jafri  
Business Unit Head - Power

Mr. Ali Ahsan  
Business Unit Head - Logistics & MHE

Mr. Rashid Jehangiri  
Business Unit Head - Machines and Cranes

Mr. Ali Ammar  
Business Administrator

Mr. Muhammad Azeem Siddiqui  
Head of Human Resource and Administration

Mr. Muhammad Farooq  
Head of Information Technology

## Islamic Banks, Islamic Window of Commercial Banks & Lending Institutions

Habib Bank Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Soneri Bank Limited

Habib Metropolitan Bank

MCB Bank Limited

United Bank Limited

Orix Modaraba

First Habib Modaraba

Meezan Bank Limited

Burj Bank Limited

## Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

## Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

## Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

## Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

## Registered & Head office

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

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

## Registrar & Certificate Transfer Office

JWAFFS Registrar Services (Private) Limited  
407-408, Al-Ameera Centre,  
Shahrah-e-Iraq, Saddar, Karachi.

Tel: 021-35662023-24

Fax: 021-35221192

# Directors' Report

For the period ended March 31, 2018

The Board of Directors of Allied Engineering Management Company (Pvt.) Limited, the management company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with Unaudited Financial Statements of the Modaraba for the nine months period ended March 31, 2018.

## Financial Highlights

Rs in '000

Investment in Ijarah assets	6,501,762
Total Revenue	2,706,885
Net profit for the period	350,768
Net profit margin	13%
Return on equity	6.86%
Current Ratio	1.13:1
Earning per certificate	Rs. 1.75
Break-up value per certificate	Rs. 25.56

## Review of Operations

We are pleased to announce that during the quarter, the Modaraba managed to post escalation in its Revenue by 20.7% to Rs. 894 million from Rs. 740 million in the corresponding quarter last year. This is mainly attributed to the diversification strategy adopted by the Management to invest in the Machines, Cranes and Logistics segment to offer extensive line of Rental products to its customers.

Logistics sales increased significantly to Rs. 703 Million in the nine months period ended March 2018 against corresponding period sales of Rs. 583 Million; mainly on account of addition of new contracts and also shift of business to better price realization contracts. Sales from our Machine & Crane segment raised by 58% during the corresponding periods as new Construction Equipment, Machines and Cranes are being inducted in the Rental Fleet. Improved performance in this Rental Sales is expected to continue in the future as we continue to invest in Machines and Cranes to cater for the increased demand from the Machine Rental market for CPEC Projects. Sales in the Power Generation segment registered 10% growth in the cumulative nine months period mainly due to better deployment and comparatively better price realization.

Operating costs have increased by Rs 346 Million mainly due to fleet vehicle running costs which have increased from Rs. 236 Million in the corresponding period to Rs. 260 Million, such increase is attributable to higher revenues and new investment in our Logistics, MHE & Cranes segment. Second contributor to the increase is depreciation expenses which increased from Rs. 580 Million to Rs. 684 Million during the nine months period respectively, this increase is due to new investment made in Machines and Crane and logistics segment. Further, salaries and wages expenses increased by 35% mainly on account of higher labor factor element to handle the increased asset portfolio.

The Administrative and Distribution expenses went up by Rs. 22 million as compared to the corresponding period mainly due to increments in Salaries and Wages and set up of different business segments as we diversify into other sectors of our Rental portfolio and to handle increased business volumes.

Ijarah rentals significantly declined to Rs. 10 Million from Rs. 72 Million of corresponding period last year due to reduction in markup rates and maturity of our Ijarah contracts. Markup costs went up by Rs. 53 Million due to increased borrowing for New Capital Investment and slight increase in mark up rates.

## Future Prospects

The Management is continuously expanding its rental fleet and have placed orders for both new and used Excavators, Compactors, Motor Graders and other construction equipment from Caterpillar and new Cranes from Sany. Modaraba is also continuously tapping new rental agreements for the transportation business with leading FMCG and Oil Field Services companies to deploy its Rental assets to more profitable sectors of the business.

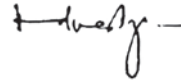
The Management is upbeat on the CPEC development and tremendous opportunities it has to date generated for the Modaraba, but will also remain cautious, prudent and selective for its investment on the Rental Power segment. We always strive to keep special emphasis on customer satisfaction, also ensuring in the process that we always follow the Islamic Shariah principles in all our business transactions.

## Acknowledgement

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

April 24, 2018

On Behalf on the Board



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**Murtaza Ahmed Ali**  
Chief Executive

انتظامی امور اور تقسیم کاری کے اخراجات گزشتہ سال کی اسی مدت کے اخراجات سے 22 ملین روپے بڑھ گئے۔ اس کی بڑی وجہ تنخواہوں اور اجرتوں میں سالانہ اضافہ اور رینٹل برنس پورٹ فولیو کے دوسرے شعبوں کو شامل کرنے سے مختلف کاروباری شعبہ جات قائم کرنے اور اضافی کاروباری حجم کو ہینڈل کرنے کے اخراجات تھے۔

اجارہ رینٹلز میں نمایاں کمی ہوئی جو گزشتہ سال کی اسی مدت کے 72 ملین روپے سے کم ہو کر صرف 10 ملین روپے ہوئے۔ اس کی وجہ مارک اپ ریٹس میں کمی اور ہمارے کئی اجارہ معاہدوں کا ٹیکس کی مدت کو پہنچنا تھی۔ اس کے ساتھ نئے کیپٹل انوسٹمنٹ کیلئے قرضہ جات کے حصول کی وجہ سے مارک اپ کے اخراجات 53 ملین روپے تک کا اضافہ ہوا۔

### مستقبل کے امکانات

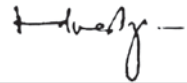
انتظامیہ اپنے رینٹل فلیٹ (Fleet) میں مسلسل اضافہ کر رہی ہے اور اس کیلئے نئے اور استعمال شدہ ایکسکویپیٹرز، کمپیکٹرز، موٹر گریڈرز اور دیگر ترقیاتی مشینری میں کیٹر پلر سے لے کر اور Sany سے نئی کرینوں کی خریداری کے آرڈر دیئے جا چکے ہیں۔ مضاربہ ٹرانسپورٹیشن کے کاروبار میں مشہور و معروف FMCG اور آٹو فیلڈ سروسز کمپنیوں کے ساتھ نئے رینٹل معاہدوں کیلئے کوشاں ہے جن سے کاروبار کے زیادہ منافع بخش شعبوں میں رینٹل اثاثہ جات کی تنصیب کی جاسکے۔

انتظامیہ سی پیک کے ترقیاتی عمل اور اس سے مضاربہ کیلئے پیدا ہونے والے شاندار مواقع حاصل کرنے کیلئے پرجوش طریقے سے سرگرم ہے لیکن رینٹل پاور کے شعبہ میں سرمایہ کاری کیلئے محتاط، دانشمندانہ اور مخصوص طریقہ کار اختیار کرنے پر کار بند ہے۔ ہم ہمیشہ صارف کے اطمینان پر خاص توجہ دیتے ہیں اور اپنے کاروباری لین دین میں اسلامی شریعہ اصولوں پر عمل پیرا رہتے ہیں۔

### اعتراف

بورڈ، رجسٹرار مضاربہ، مذہبی بورڈ، مالیاتی اداروں اور اپنے مالیاتی پارٹنرز کے مستقل تعاون اور رہنمائی کیلئے ان کا بے حد شکر گزار ہے اور صارفین کی سرپرستی اور کاروباری امور میں شرکت کیلئے ان کا شکریہ ادا کرتا ہے۔

منجانب بورڈ



مرتضیٰ احمد علی  
چیف ایگزیکٹو

12 اپریل 2018

## ڈائریکٹرز کی رپورٹ

برائے مدتِ مختتمہ 31 مارچ 2018

الائیڈ انجینئرنگ مینجمنٹ کمپنی (پرائیوٹ) لمیٹڈ جو الائیڈ ریٹیل مضاربہ کی مینجمنٹ کمپنی ہے، کے بورڈ آف ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ حسابات برائے مدتِ ششماہی مختتمہ 31 دسمبر 2018 پیش کرتے ہوئے خوش محسوس کرتا ہے۔

روپے میں	مالیاتی جھلکیاں
6,501,762	اجارہ اثاثہ جات میں سرمایہ کاری
2,706,885	کل آمدنی
350,768	منافع برائے مذکورہ مدت
13%	خالص منافع کا فرق
6.86%	ایکیوٹی پر منافع
1.13:1	موجودہ شرح
Rs. 1.75	فی شیئر کی آمدنی
Rs. 25.56	فی شیئر کی بریک اپ ویلیو

### کاروباری عمل کا جائزہ

ہم ہمسرت اطلاع دیتے ہیں کہ مذکورہ مدت میں مضاربہ نے 20.7% اضافہ کے ساتھ گزشتہ سال کی اسی مدت کی آمدنی 740 ملین روپے مقابلے میں 894 ملین روپے حاصل کی ہے۔ اس کی بڑی وجہ انتظامیہ کی مختلف النوع کی حکمت عملی کے تحت اپنے صارفین کو ریٹیل پروڈکٹس کی توسیعی لائن فراہم کرنے کیلئے مشینز، کریز اور لاجسٹکس میں سرمایہ کاری کرنا تھی۔

نومہ کے عرصہ مختتمہ 31 مارچ 2018 میں لاجسٹکس کی سیلز گزشتہ اسی مدت کی 583 ملین روپے کی سیلز میں نمایاں اضافہ کے ساتھ 703 ملین روپے ہوئی۔ اس کی بڑی وجہ نئے معاہدوں کا طے پانا اور کاروبار کا حقیقی طور پر بہتر قیمت کے معاہدوں کی طرف منتقلی تھی۔

ہمارے مشین اور کریں کے شعبہ کی سیلز میں گزشتہ سال اسی مدت کے مقابلے میں 58% اضافہ ہوا۔ جس کی وجہ ریٹیل فلیٹ میں نئے کنسٹرکشن آلات، مشینوں اور کریں کا شامل کیا جانا تھا۔ مستقبل میں ریٹیل سیلز کے شعبہ کی کارکردگی میں مزید بہتری کی توقع ہے کیونکہ ہم سی پیک پروڈکٹس کیلئے مشین ریٹیل مارکیٹ کی بڑھتی ہوئی طلب کو پورا کرنے کیلئے مشین اور کریں میں مزید سرمایہ کاری کرتے رہیں گے۔

اس نومہ کی مدت میں پاور جنریشن کے شعبہ کی سیلز میں مجموعی طور پر 10% اضافہ ہوا ہے جس کی وجہ بہتر پڈاٹمنٹ اور نسبتاً بہتر قیمت کا حصول ہے۔

کاروباری عمل کو جاری رکھنے کی لاگت 346 ملین روپے تک بڑھ گئی۔ جس کی بڑی وجہ فلیٹ کی Running Cost گزشتہ سال کی اسی مدت کی لاگت 236 ملین روپے سے بڑھ کر 260 ملین روپے ہونا تھی۔ اس اضافہ کی وجہ لاجسٹکس، IMHE اور کریں کے شعبہ میں مزید سرمایہ کاری اور کاروبار میں توسیع ہے۔ دوسری وجہ اس نومہ کی مدت میں فرسودگی کے اخراجات کا بڑھنا تھی جو گزشتہ اسی مدت کے 580 ملین روپے سے بڑھ کر 684 ملین روپے ہو گئی۔ جس کی وجہ مشینوں اور کریوں اور لاجسٹکس کے شعبہ جات میں کی جانے والی نئی سرمایہ کاری تھی۔ اس کے علاوہ اثاثہ جات کے پورٹ فولیو میں اضافہ کو ہینڈل کرنے کیلئے زیادہ افرادی قوت کی تنخواہوں اور اجروں میں 35% اضافہ ہوا۔

# Condensed Interim Balance Sheet (Unaudited)

As at March 31, 2018


	Note	Unaudited Mar 31, 2018	Audited Jun 30, 2017
(Rupees)			
<b>ASSETS</b>			
Current assets			
Cash and bank balances		191,143,450	307,439,392
Ijarah rentals receivable		1,194,728,699	987,904,537
Operation and maintenance income receivable		37,135,370	29,676,680
Advances, deposits, prepayments and other receivable		414,834,933	268,981,882
Spare parts		143,665,002	72,886,796
		<u>1,981,507,454</u>	<u>1,666,889,287</u>
<b>Non-current assets</b>			
Long term security deposits		50,000	50,000
Diminishing musharaka financing - secured		2,390,968	6,769,730
Fixed assets in own use - tangible		117,124,554	104,982,296
Intangible asset for own use	6	4,778,899	7,452,828
Ijarah assets		6,501,762,099	6,059,664,727
Capital work-in-progress		254,560,875	515,143,800
		<u>6,880,667,395</u>	<u>6,694,063,381</u>
<b>Total assets</b>		<u>8,862,174,849</u>	<u>8,360,952,668</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities		514,525,537	590,480,743
Bai Muajjal - secured		199,835,414	99,694,340
Payable to the Modaraba Management Company	7	16,038,583	13,982,571
Current maturity of diminishing musharaka financing payable - secured	8	984,830,723	794,791,146
Current portion of security deposits		34,873,000	34,423,000
		<u>1,750,103,257</u>	<u>1,533,371,800</u>
<b>Non-current liabilities</b>			
Diminishing musharaka financing payable - secured	8	1,858,019,454	2,043,013,353
Deferred liability for staff gratuity		64,128,584	52,067,969
Other long-term employee benefit		15,798,120	15,973,327
Security deposits		62,025,000	57,935,000
		<u>1,999,971,158</u>	<u>2,168,989,649</u>
<b>Total liabilities</b>		<u>3,750,074,415</u>	<u>3,702,361,449</u>
<b>NET ASSETS</b>		<u>5,112,100,434</u>	<u>4,658,591,219</u>
<b>FINANCED BY: CAPITAL AND RESERVES</b>			
<b>Authorized certificate capital</b>			
225,000,000 (30 June 2017: 225,000,000) modaraba certificates of Rs.10 each		<u>2,250,000,000</u>	<u>2,250,000,000</u>
<b>Issued, subscribed and paid-up certificate capital</b>			
200,000,000 (30 June 2017: 175,500,000) modaraba certificates of Rs.10 each		2,000,000,000	1,755,000,000
Premium on issue of certificates		1,255,712,500	1,133,212,500
Statutory reserve		1,533,280,570	1,463,126,925
Unappropriated profit		323,107,364	307,251,794
		<u>5,112,100,434</u>	<u>4,658,591,219</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



**Naveed Shaheen**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rahman**  
Chairman



**Syed Feisal Ali**  
Director



# Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period ended March 31, 2018

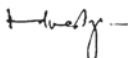
	Note	Nine months period ended		Three months period ended	
		Mar 31, 2018	Mar 31, 2017	Mar 31, 2018	Mar 31, 2017
		(Rupees)		(Rupees)	
Ijarah rentals	10	2,615,244,291	2,182,604,198	893,633,560	739,808,775
Operation and maintenance income	11	91,640,212	86,155,121	30,659,973	30,059,216
		2,706,884,503	2,268,759,319	924,293,533	769,867,991
Operating expenses	12	(2,010,598,289)	(1,665,198,807)	(707,095,145)	(562,178,709)
Gross Profit		696,286,214	603,560,512	217,198,388	207,689,282
Administrative and distribution expenses	13	(148,473,298)	(125,830,611)	(56,610,942)	(45,254,421)
Provision against potential Ijarah losses and operation and maintenance income		(30,561,279)	(41,990,970)	-	-
Finance costs	14	(173,263,190)	(119,987,282)	(56,881,903)	(46,476,055)
Other income		11,779,777	30,581,999	3,455,725	26,988,221
		(340,517,990)	(257,226,864)	(110,037,120)	(64,742,255)
		355,768,224	346,333,648	107,161,268	142,947,027
Modaraba Management Company's remuneration	7.1	(5,000,000)	(2,033,866)	-	-
		350,768,224	344,299,782	107,161,268	142,947,027
Workers' welfare fund		-	-	-	-
Profit for the period before taxation		350,768,224	344,299,782	107,161,268	142,947,027
Taxation	15	-	-	-	-
Profit for the period after taxation		350,768,224	344,299,782	107,161,268	142,947,027
Earnings per certificate - basic & diluted		1.75	1.72	0.54	0.71

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



**Naveed Shaheen**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rahman**  
Chairman



**Syed Feisal Ali**  
Director

# Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months period ended March 31, 2018

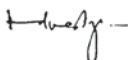
	Nine months period ended		Three months period ended	
	Mar 31, 2018	Mar 31, 2017	Mar 31, 2018	Mar 31, 2017
	(Rupees)		(Rupees)	
Profit for the period after taxation	350,768,224	344,299,782	107,161,268	142,947,027
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>350,768,224</u>	<u>344,299,782</u>	<u>107,161,268</u>	<u>142,947,027</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



**Naveed Shaheen**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rahman**  
Chairman



**Syed Feisal Ali**  
Director

# Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended March 31, 2018

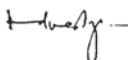
	Issued Subscribed & Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve	Un- appropriated profit	Total
	(Rupees)				
Balance as at June 30,2016	1,755,000,000	1,133,212,500	1,282,359,552	211,600,734	4,382,172,786
Profit distribution for the year ended June 30,2016 @ Rs. 1.00 per certificate	-	-	-	(175,500,000)	(175,500,000)
Total comprehensive income for the nine months period ended March 31,2017	-	-	-	344,299,781	344,299,781
Transfer to statutory (mandatory) reserve	-	-	50,338,189	(50,338,189)	-
Balance as at March 31,2017	1,755,000,000	1,133,212,500	1,332,697,741	330,062,326	4,550,972,567
Total comprehensive income for the three months period ended June 30,2017	-	-	-	107,618,652	107,618,652
Transfer to statutory (mandatory) reserve	-	-	130,429,184	(130,429,184)	-
Balance as at June 30,2017	1,755,000,000	1,133,212,500	1,463,126,925	307,251,794	4,658,591,219
Profit distribution for the year ended June 30,2017 @ Rs. 1.50 per certificate	-	-	-	(263,250,000)	(263,250,000)
Total comprehensive income for the nine months period ended March 31,2018	-	-	-	350,768,224	350,768,224
13.96 % right issue at a premium of Rs. 5 per certificate during the period	245,000,000	122,500,000	-	-	367,500,000
Expenses against issuance of right certificate	-	-	-	(1,509,009)	(1,509,009)
Transfer to statutory (mandatory) reserve	-	-	70,153,645	(70,153,645)	-
<b>Balance as at March 31, 2018</b>	<b>2,000,000,000</b>	<b>1,255,712,500</b>	<b>1,533,280,570</b>	<b>323,107,364</b>	<b>5,112,100,434</b>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



**Naveed Shaheen**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rahman**  
Chairman



**Syed Feisal Ali**  
Director

# Condensed Interim Cash Flow Statement (Unaudited)


For the nine months period ended March 31, 2018

	Unaudited Mar 31, 2018	Audited Jun 30, 2017
(Rupees)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	350,768,224	344,299,782
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	696,382,888	590,080,185
Provision for deferred liabilities - gratuity	12,206,190	4,888,016
Financial charges including bank charges	173,263,190	119,987,282
Loss / (Profit) on disposal of Ijarah assets	2,844,598	(12,611,367)
Loss / (Profit) on disposal of fixed assets in own use	1,081,843	(519,584)
	1,236,546,933	1,046,124,314
<b>(Increase) / decrease in assets</b>		
Ijarah rentals receivable	(206,824,162)	(185,517,318)
Operation and maintenance income receivable	(7,458,690)	(5,003,988)
Advances, deposits and other receivable	(145,853,051)	(75,491,048)
Diminishing Musharakah financing	4,378,762	-
Spare parts	(70,778,206)	(8,981,514)
Long-term security deposits	-	25,388,002
	(426,535,347)	(249,605,866)
<b>Increase / (decrease) in liabilities</b>		
Creditors, accrued and other liabilities (excluding accrued financial charges)	(57,102,668)	(219,718,818)
Payable to the Modaraba Management Company	2,056,012	(6,033,470)
Security Deposits	4,540,000	27,483,000
	(50,506,656)	(198,269,288)
<b>Cash generated from / (utilised in) operations</b>	759,504,930	598,249,160
Gratuity paid	(145,575)	(214,125)
Compensated absence paid	(175,207)	(559,646)
Financial charges paid	(192,115,725)	(104,854,349)
	(192,436,507)	(105,628,120)
<b>Net cash flows from operating activities</b>	567,068,423	492,621,040
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(895,124,449)	(895,264,609)
Proceeds from disposal of fixed assets in own use	1,700,003	2,565,500
Proceeds from disposal of Ijarah assets	2,132,340	175,584,056
Net cash flows from investing activities	(891,292,106)	(717,115,053)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Diminishing Musharakah financing availed	802,043,802	1,384,483,505
Repayment of Diminishing Musharakah financing	(796,998,124)	(735,969,563)
Proceeds from issue of right certificate	367,500,000	-
Expenses against issuance of right certificates	(1,509,009)	-
Bai Muajjal facility availed	199,835,414	99,694,340
Repayment of Bai Muajjal facility	(99,694,340)	(99,714,147)
Dividend paid	(263,250,000)	(175,500,000)
<b>Net cash flows from financing activities</b>	207,927,743	472,994,135
<b>Net increase in cash and cash equivalents</b>	(116,295,940)	248,500,122
Cash and cash equivalents at the beginning of the period	307,439,390	57,352,970
Cash and cash equivalents at the end of the period	191,143,450	305,853,092

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



**Naveed Shaheen**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rahman**  
Chairman



**Syed Feisal Ali**  
Director

# Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended March 31, 2018

## 1. LEGAL STATUS AND NATURE OF BUSINESS

**1.1** Allied Rental Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Allied Engineering Management Company (Private) Limited (the Modaraba Management Company), which is a wholly owned subsidiary of Allied Engineering and Services (Private) Limited. The Modaraba Management Company is incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is registered with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

The Securities and Exchange Commission of Pakistan (the SECP), vide its certificate No. SC/M/RW/ARM/2006-166 dated 10 May 2006, authorized Allied Engineering Management Company (Private) Limited to float Allied Rental Modaraba (the Modaraba). The Modaraba commenced its operations on 10 January 2007.

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

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

**1.3** The JCR-VIS Credit Rating Company Limited has assigned long term A+ rating and short term A+ rating to the Modaraba.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim financial information of the Modaraba for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Report" and provisions of and directives issued under the repealed Companies Ordinance, 1984, Islamic Financial Accounting Standard (IFASs), Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, and Prudential Regulations for Modarabas. In case the requirements differ the provisions of or directives issued under the repealed Companies Ordinance, 1984, IFASs, Modaraba Companies and Modarabas (Floatation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

**2.1.1** Companies Act, 2017 was enacted on 30 May 2017 and is applicable with immediate effect. The Securities and Exchange Commission of Pakistan through press release and vide circular no. 17 of 2017 dated 20 July 2017 has decided that all the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017, shall prepare their financial statements, including interim financial statements, in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after 30 June 2017.

**2.2** These condensed interim financial information do not include all the information required for a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended 30 June 2017.

**2.3** These condensed interim financial information comprise of the balance sheet as at 31 December 2017 and profit and loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the six months period ended 31 December 2017 which have been subjected to a review but not audited.

**2.4** The comparative balance sheet presented in these condensed interim financial information as at 31 December 2017 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2017, whereas the comparative profit and loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the six months period ended 31 December 2016 have been extracted from the unaudited condensed interim financial information for the period then ended.

## **2.5 Functional and presentation currency**

These condensed interim financial information are presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest Rupee, unless otherwise stated.

## **3. ACCOUNTING POLICIES**

**3.1** The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2017.

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

**3.2.1** Certain new amendments to approved accounting standards have been published and are mandatory for the Company's accounting period beginning on or after 01 July 2017 but are considered not to be relevant or to have any significant effect on this unconsolidated condensed interim financial information.

## **4. ESTIMATES AND JUDGMENTS**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the accounting policies and the key sources of estimation and uncertainty those are the same as those that applied to the financial statements as at and for the year ended 30 June 2017.

## **5. FINANCIAL RISK MANAGEMENT**

The Modaraba's financial risk management objectives and polices are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2017.

## 6. IJARAH ASSETS

	(Unaudited) March 31, 2018		
	Generators, material handling / transportation vehicles and related equipment	Machines	Total
	(Rupees)		
<b>At July 01, 2017</b>			
Cost	8,571,584,642	817,980,227	9,389,564,869
Accumulated depreciation	(3,236,248,485)	(93,651,657)	(3,329,900,142)
<b>Net book value</b>	5,335,336,157	724,328,570	6,059,664,727
<b>Additions</b>	891,947,534	238,731,168	1,130,678,702
<b>Disposals</b>			
Cost	(76,349,716)	-	(76,349,716)
Depreciation	71,805,115	-	71,805,115
	(4,544,601)	-	(4,544,601)
Depreciation charge for the period	(631,485,203)	(52,551,526)	(684,036,729)
<b>Closing net book value</b>	5,591,253,887	910,508,212	6,501,762,099
<b>At March 31, 2018</b>			
Cost	9,387,182,460	1,056,711,395	10,443,893,855
Accumulated depreciation	(3,795,928,573)	(146,203,183)	(3,942,131,756)
<b>Net book value</b>	5,591,253,887	910,508,212	6,501,762,099
<b>Life (Years)</b>	1 to 9	4 to 7	
	June 30, 2017		
	Generators, material handling / transportation vehicles and related equipment	Machines	Total
	(Rupees)		
<b>At July 01, 2016</b>			
Cost	8,147,104,314	363,400,318	8,510,504,632
Accumulated depreciation	(2,724,722,965)	(59,582,490)	(2,784,305,455)
<b>Net book value</b>	5,422,381,349	303,817,828	5,726,199,177
<b>Additions</b>	824,976,605	470,831,471	1,295,808,076
<b>Disposals</b>			
Cost	(400,496,277)	(16,251,562)	(416,747,839)
Depreciation	234,648,840	5,920,269	240,569,109
	(165,847,437)	(10,331,293)	(176,178,730)
Depreciation charge for the period	(746,174,360)	(39,989,436)	(786,163,796)
<b>Closing net book value</b>	5,335,336,157	724,328,570	6,059,664,727
<b>At June 30, 2017</b>			
Cost	8,571,584,642	817,980,227	9,389,564,869
Accumulated depreciation	(3,236,248,485)	(93,651,657)	(3,329,900,142)
<b>Net book value</b>	5,335,336,157	724,328,570	6,059,664,727
<b>Life (Years)</b>	1 to 9	4 to 7	

## 7. PAYABLE TO THE MODARABA MANAGEMENT COMPANY

	Note	Unaudited Mar 31, 2018	Audited Jun 30, 2017
(Rupees)			
Remuneration payable to Management Company - net	6.1	12,501,087	10,445,075
Sindh Sales Tax payable on remuneration of Management Company		<u>3,537,496</u>	<u>3,537,496</u>
		<u>16,038,583</u>	<u>13,982,571</u>

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

During the period, the Modaraba recorded liability for remuneration amounting to Rs. 5 million. Remuneration based on the annual results shall be paid after the year ending 30 June 2018.

## 8. DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED

	Unaudited Mar 31, 2018	Audited Jun 30, 2017
(Rupees)		
Musharakah financing	2,842,850,177	2,837,804,499
Due within one year	<u>(984,830,723)</u>	<u>(794,791,146)</u>
	<u>1,858,019,454</u>	<u>2,043,013,353</u>

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

Contingencies outstanding as at 31 March 2018 are as follows:

#### 9.1.1 Sindh Sales Tax on operations and maintenance services of the Modaraba

On 12th July 2013, an order No. 160 was received from the Assistant Commissioner - Sindh Revenue Board (SRB) demanding Sindh Sales Tax of Rs. 25.633 million on total Operation and Maintenance income for the year ended 30 June 2012.

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

The matter involved is the chargeability of Sindh Sales Tax on the "Operation and maintenance services" provided by the Modaraba during the period from July 2011 to July 2012 in the Order-in-Original No. 160 of 2013 dated July 12, 2013. This has been placed under tariff heading 9809.0000 of the Second Schedule to the Sindh Sales Tax on Services Act, 2011 by the department, whereas the matter is being contested on the basis that the said service falls under tariff heading "9822.2000 Maintenance or Cleaning Services" and that such services has not been included as part of taxable services in the Second Schedule. Such service was taxable with effect from 1 July 2014 and the sales tax thereon is being discharged from that period onwards.

The Modaraba has filed a Constitutional Petition CP No. D-1190 in the Honorable High Court of Sindh against the order of the Commissioner Appeals - Sindh Revenue Board (SRB) by virtue of which the Honorable High Court of Sindh vide its order dated 11 March 2014 has suspended the operation of the impugned order of the Commissioner Appeals - SRB. Subsequently, the Sindh Revenue Board Tribunal has been constituted and is functional in June 2015. The Modaraba, on the direction of the Honorable High Court of Sindh, has filed an appeal with the tribunal, the judgment of which was announced on 06 March, 2018, by virtue of which the Honorable Tribunal set aside the previous orders issued by the Assistant Commissioner SRB and the Commissioner (Appeals) and remanded back the case to the concerned Assistant Commissioner to determine the nature of service and determine the proper classification of service provided or rendered by the appellant after providing due opportunity of hearing to the appellant outcome of which is pending. The Management, based on a legal opinion, believes that the outcome of the order of the Honorable Tribunal will be in favor of the Modaraba and hence no provision has been made in these condensed financial information.



### 9.1.1.2 Federal Excise Duty on gross revenue receipts of the Modaraba

On 01 March 2016, assessment orders relating to tax years 2014 and 2015 were received from the Assistant Commissioner of Inland Revenue demanding Federal Excise Duty (FED) aggregating to Rs 838,662 million (calculated @16% of gross receipts of the Modaraba for the above mentioned tax years) and the related default surcharge and applicable penalty. In response, an appeal was filed by the Modaraba with the Commissioner Inland Revenue Appeals (CIRA) on 16 March 2016. An under protest payment of Rs 50 million was also made by the Modaraba to the Federal Board of Revenue in respect of the above.

In the opinion of the management pursuant to the 18th amendment in the Constitution of Pakistan, the authority to collect sales tax has been delegated to the provinces. Accordingly, the Modaraba filed Constitutional Petitions with the Honorable Sindh High Court (SHC) in respect of which the SHC granted an interim injunction order to the Modaraba. The petitions were decided by the SHC on 02 June 2016 in which the SHC declared the levy of FED as ultra vires with effect from 01 July 2011 and also quashed any duty recovered by the FBR.

However, in contradiction to the above mentioned judgment by the SHC, the CIR-A through orders dated 03 June 2016 upheld the levy of FED on the Modaraba and consequently directed the Modaraba to pay the alleged amount of FED along with default surcharge and penalty. In response the Modaraba has filed appeals with the Honorable Appellate Tribunal Inland Revenue (ATIR) which is pending hearing.

Subsequently, appeals have been filed in the Honorable Supreme Court of Pakistan by the counter parties aggrieved by the above mentioned order of SHC which is pending hearing.

In light of the judgment of the SHC and based on consultations with its tax advisors, the management believes that the outcome of the appeals with the ATIR and Supreme Court of Pakistan will be in favour of the Modaraba. Accordingly, no provision in respect of FED has been made in these financial statements. Further, the under protest payment of Rs 50 million made to the FBR has been shown as a refundable balance in note 9 to these condensed financial information.

**9.1.3** On 05 June 2017, the Sindh Revenue Board issued a notification under which an amendment was made in Rule 42E (5) Sindh Sales Tax on Service Act, 2011. The amount of reimbursement of salaries and allowances of the labour and manpower are included in the value of services. Hence such reimbursements is now exposed to Sindh sales tax at 13% under tariff heading 9829.0000 of the Second Schedule of Sindh Sales Tax on Service Act, 2011. Earlier such reimbursements were not exposed to Sindh sales tax. The Honorable Court of Sindh has granted interim stay on aforesaid change on 21 August 2017. The amount involved in respect of this amendment is estimated to be of Rs. 10,365 million as of 31 December 2017. The management, based on a legal advise, believes that the decision will be in its favour.

## 9.2 Commitments

### 9.2.1 Contractual rentals receivable on Ijarah contracts

(Unaudited) March 31, 2018				(Audited) June 30, 2017			
Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total

Rentals receivable  
in future

131,525,484	272,210,006	-	403,735,490	96,561,512	59,353,086	-	155,914,598
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This represents the rentals receivable by the Modaraba in future periods in respect of Ijarah assets given under long-term arrangements.

### 9.2.2 Ijarah rentals payable

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

(Unaudited) March 31, 2018			(Audited) June 30, 2017		
Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total

Future Ijarah rentals payable

-	-	-	831,846	-	831,846
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	Nine months period ended		Three months period ended	
	Mar 31, 2018	Mar 31, 2017	Mar 31, 2018	Mar 31, 2017
	(Rupees)		(Rupees)	
<b>10. IJARAH RENTALS - net</b>				
Ijarah rentals	2,847,108,120	2,365,450,557	973,053,497	796,832,739
Less: Punjab sales tax	(186,230,652)	(160,748,895)	(55,986,141)	(50,863,851)
Less: Sindh sales tax	(39,921,902)	(22,097,464)	(17,722,521)	(6,160,113)
Less: Balochistan sales tax	(5,711,275)	-	(5,711,275)	-
	<u>2,615,244,291</u>	<u>2,182,604,198</u>	<u>893,633,560</u>	<u>739,808,775</u>
<b>11. OPERATION AND MAINTENANCE INCOME - net</b>				
Operation and maintenance income	98,517,978	94,146,074	33,029,430	32,286,379
Less: Sindh sales tax	(6,877,766)	(7,990,953)	(2,369,457)	(2,227,163)
	<u>91,640,212</u>	<u>86,155,121</u>	<u>30,659,973</u>	<u>30,059,216</u>
<b>12. OPERATING EXPENSES</b>				
Salaries,wages and other staff benefits	592,678,442	436,429,150	198,240,209	138,731,296
Depreciation expense	684,036,730	579,816,857	235,549,518	197,233,709
Repairs and maintenance cost	259,699,798	236,145,012	90,099,855	76,183,393
Ijarah rentals	9,934,771	72,275,558	-	20,105,345
Fleet vehicles running cost	391,255,745	279,658,677	158,485,263	112,839,926
Vehicles running cost	17,729,473	11,741,482	7,170,723	3,469,097
Insurance cost - equipments	29,924,086	21,754,403	9,768,483	7,662,837
Travelling and conveyance	7,250,355	10,273,209	2,484,465	1,917,751
Rent Expense	18,088,889	17,104,459	5,296,629	4,035,355
	<u>2,010,598,289</u>	<u>1,665,198,807</u>	<u>707,095,145</u>	<u>562,178,709</u>
<b>13. ADMINISTRATIVE AND DISTRIBUTION EXPENSES</b>				
Salaries,wages and other staff benefits	86,788,086	75,339,365	30,847,870	29,683,394
Vehicle running costs	7,750,045	5,364,394	2,925,150	2,217,613
Travelling and conveyance	4,837,796	4,427,848	1,346,093	1,087,739
Depreciation expense	10,912,489	9,307,548	3,983,290	3,059,564
Amortization expense	1,433,670	955,780	477,891	477,890
Legal and professional charges	13,977,441	8,559,614	10,319,004	1,951,778
Auditors' remuneration	704,581	704,581	104,581	-
Telephone,postage and fax charges	4,226,000	3,563,455	1,438,046	1,270,464
Advertisement and sales promotion	1,545,148	631,042	202,475	394,302
Printing and stationery	4,428,239	4,445,291	1,117,184	1,444,195
Insurance cost - vehicles	1,698,371	1,460,597	548,188	431,061
Training,meetings and tender participation	1,026,260	715,376	187,834	278,600
Donation	167,920	355,000	-	-
Software development	839,390	957,222	359,878	322,292
Entertainment	3,544,606	4,533,444	1,339,375	1,041,780
Utilities	1,953,104	2,699,508	536,702	868,097
Security	2,475,609	1,384,646	751,221	338,017
Miscellaneous	164,543	425,900	126,160	387,635
	<u>148,473,298</u>	<u>125,830,611</u>	<u>56,610,942</u>	<u>45,254,421</u>

Nine months period ended		Three months period ended	
Mar 31, 2018	Mar 31, 2017	Mar 31, 2018	Mar 31, 2017
(Rupees)		(Rupees)	

## 14. FINANCE COSTS

Financial cost on Diminishing Musharakah and Bai Muajjal financing	168,473,992	117,591,628	56,199,898	44,877,945
Exchange loss / (Gain) - net	1,719,129	964,983	216,088	964,983
Bank charges and commission	3,070,069	1,430,671	465,917	633,127
	<u>173,263,190</u>	<u>119,987,282</u>	<u>56,881,903</u>	<u>46,476,055</u>

## 15 TAXATION

- 15.1** As per the Second Schedule to the Income Tax Ordinance,2001,the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly,no provision in respect of current and deferred tax has been made in this condensed interim financial information.
- 15.2** As explained in note 15.1,the income of the Modaraba is exempt from tax under clause 100 of the Second Schedule of Income Tax Ordinance,2001. However,withholding of taxes under sections 153 (1)(b),148 and other sections of the Income Tax Ordinance,2001 have been made by the withholding agents. Up to 30 June 2017,the Modaraba availed exemption from withholding of such taxes by obtaining the tax exemption certificates from the taxation authorities. However,since 01 July 2017 the exemption was not renewed by Commissioner Inland Revenue Large Tax Payer Unit (LTU-II) and further appeal to the Chief Commissioner LTU-II was also not accepted. The Modaraba is of the view that since its total income is exempt from income tax by virtue of compliance of clause 100 of the Second Schedule,exemption certificate under sections 153 (1)(b),148 be at least granted by Federal Board of Revenue as the Modaraba has always complied with the requirement of the clause 100 of the Second Schedule. However,after the orders passed by CIR and Chief Commissioner of turning down the exemption request under section 148 & 1531 (b) of the Modaraba,the Modarba has filed constitutional petitions in the Honorable Sindh High Court against the said orders which are pending hearing.

## 16. RELATED PARTY TRANSACTIONS

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

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

**Unaudited  
Nine months period ended**

Mar 31, 2018	Mar 31, 2017
--------------	--------------

(Rupees)

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

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

Dividend Paid	52,650,000	35,100,000
Amount received against subscription of right certificate	73,499,970	-

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

Purchase of assets	68,266,219	49,861,953
Purchase of parts and services	201,306,738	201,403,678
Sale of rental assets and rent revenue	8,872,672	7,744,706
Dividend Paid	127,719,618	85,146,412
Amount received against subscription of right certificate	257,468,805	-

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

Contribution to the staff provident fund	8,678,145	7,120,282
Dividend Paid	4,469,111	2,979,407
Amount received against subscription of right certificate	6,238,920	-

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

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

Mar 31, 2018	Jun 30, 2017
--------------	--------------

(Rupees)

Outstanding certificates 39,999,998 ( June 30,2017: 35,100,000)	399,999,980	351,000,000
Payable to the Modaraba Management Company	16,038,583	13,982,571

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

Outstanding certificates 102,310,999 (June 30,2017 : 85,146,412)	1,023,109,990	851,464,120
Payable against purchase of parts and services	163,577,596	268,889,781

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

Outstanding certificates 3,395,335 (June 30,2017: 2,979,407)	33,953,350	29,794,070
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**17 GENERAL**

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

**17.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant rearrangements or reclassifications in this condensed interim financial information.

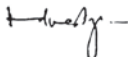
**18 DATE OF AUTHORISATION**

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on April 24, 2018.

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



**Naveed Shaheen**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rahman**  
Chairman

















**Syed Feisal Ali**  
Director



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## **Allied Rental Modaraba**

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