

RIISING TO THE CHALLENGE



Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

Quarterly Report September 2018

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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. Muhammad Saad

Company Secretary

Mr. Muzzamil Tariq

Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Alaf

Human Resource and Remuneration Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
Member

Mr. Khwaja Asif Rahman
Member

Strategic Management

Syed Zulqarnain Jafri
Business Unit Head - Power

Mr. Ali Ahsan
Business Unit Head - Logistics & MHE

Mr. Rashid Jahangiri
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 Inshad 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.om.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 September 30, 2018

The Board of Directors of Allied Engineering Management Company (Private) Limited, the Management Company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with un-audited accounts of the Modaraba for the three months period ended September 30, 2018.

Financial Highlights

	Rs in '000
Gross Revenue from operations	1,052,819
Net Revenue after Provincial Sales Tax	971,175
Profit for the period	141,846
Net profit margin	14.6%
Earning per certificate	Re 0.71

Review of Operations

We are pleased to report that the Gross Revenue for the quarter crossed the **ONE BILLION** mark and closed at Rs. 1.053 Billion, registering a Sales Growth of 18.4% as compared to corresponding period last year. After deduction the Services Sales Tax of Punjab, Sindh and Balochistan, the net revenue for the quarter stands at Rs. 971 Millions. Accordingly, the net profits for the period also increased by 16.13% to Rs. 142 million as compared to Rs. 122 million for the corresponding period last year.

Modaraba continued to maintain its track record of growth in Sales. Rental Power segment continues to maintain our lead segment in terms of Sales and profitability. All segments of Rental Power performed according to the benchmark and targets set for the period. We expect better utilization of our Gas Engines due to Gas pricing incentive announced for the Textiles sector.

Sales from our Machines and Cranes segment remained in line and contributed Rs. 130 Millions during the quarter from Rs. 114 Million for the corresponding period last year, though it remained below our targets for the period. Infrastructure construction and CPEC projects have taken a go slow approach, due to non payment of bills and uncertainty on the future of these projects, as the new Government sets its growth agenda vis-à-vis the macro economic indicators of the country. We are careful on this segment for investments, until the direction is set by the new government for CPEC and other infrastructure projects.

Furthermore, the diversification strategy adopted by the Management to Non Power sectors of the Rental business, as we see our investment in other segments of the Rental market including Logistics bearing results.

Sales from our Inbound and Outbound Logistics segment increased by around 45% to Rs. 395 Millions as compared to Rs. 272 Millions of the corresponding period last year, however, we see further strong growth prospects, both in term of development of this segment in the country vis-à-vis its potential with specific reference to CPEC.

The operating expense for the period went up by Rs. 110 Million. The main increase in expenses is recorded in salaries and wages expenses which went up by 20% mainly on account higher labor factor element to handle the increased asset portfolio, Fleet vehicles running cost also raised by 40% due to increase in Fuel rates and higher Logistics Sales. Ijarah rentals declined to NIL as all our contracts matured during the period and assets transferred to the Modaraba at its residual values. Depreciation for the quarter slightly went up by Rs. 13 Million compared to corresponding quarter.

Administrative and distribution expenses increased by Rs. 12.5 Million to Rs. 56.6 Million (2017: Rs. 44 Million) in line with inflation and putting resources in place to handle diversified business portfolio. Mark up charges slightly increased by Rs. 4 Million to Rs. 60 Million during the quarter, mainly on account of increase in discount rates.

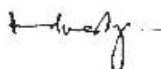
The Management will remain cautious and prudent for its investment strategy on all segments of the business, as we expect the economy to slow down to control the negative balance of payment issue and until the economic direction is set by the new government. We always strive to keep special emphasis 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 Modarabas, Director Modarabas and his support staff at SECP, Religious Board, bankers, customers and its business partners for their continued support and guidance.

October 25, 2018

On Behalf of the Board



Murtaza Ahmed Ali
Chief Executive

اعتراف

بورڈ، رجسٹرڈ مضاربہ ڈائریکٹر مضاربہ جات اور SECP میں ان کے معاون عملہ، مذہبی بورڈ، بینکوں، صارفین اور اپنے کاروباری ساتھیوں کے مسلسل تعاون اور رہنمائی پر ان کا پر خلوص شکریہ ادا کرتا ہے۔

منجانب بورڈ

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25 اکتوبر 2018

مرتضی احمد علی
(چیف ایگزیکٹو)

منصوبوں کے لئے ریٹیل مارکیٹ کی بڑھتی ہوئی طلب کو پورا کرنے کی غرض سے ہم نے مزید مشینیں اور کرینیں اپنے بیڑے میں شامل کیں۔ اس کاروبار کا ایک اور بڑا پہلو کنٹریکٹر کے ادائیگی کے قواعد کا ہے۔ کنٹریکٹر کی ادائیگی حکومت کی جانب سے بلوں کے وصول ہونے پر ہوتی ہے۔ خاص طور پر جب حکومت بدلتی ہے تو ہر قسم کی ادائیگیاں روک دی جاتی ہیں جس کے نتیجے میں قابل وصول رقمات جمع ہوتی جاتی ہیں۔ ہمیں ملک کے موجودہ معاشی منظر کے سبب اس شعبہ میں نئی سرمایہ کاری کیلئے چوکنا رہنا ہوگا اور ہم انتظار کریں گے کہ پی ٹی آئی کی حکومت ترقی کے ایجنڈے کو کس طرح تیار کرتی ہے۔ ہمیں یہ بھی انتظار کرنا ہوگا کہ نئی حکومت سی پیک کے منصوبوں اور بیرونی قرضہ جات اور ان کی ادائیگی کیلئے کیا لائحہ عمل اختیار کرتی ہے۔

مزید برآں، منجمنٹ کی تنوع کی حکمت عملی کے تحت پاور سیکٹر کے علاوہ لاجسٹکس میں بھی مزید انویسٹمنٹ پر غور کیا جا رہا ہے۔ اس مدت میں ہمارے داخلی اور خارجی نقل و حمل (لاجسٹکس) کی فروخت بھی بہتر رہی اور 395 ملین روپے کی فروخت ہوئی جب کہ گزشتہ سال کے اسی عرصے کی فروخت 272 ملین روپے تھی۔ تاہم ملک میں اس شعبہ میں ترقی اور خاص طور پر سی پیک کے منصوبوں کی بناء پر ہمیں اضافہ کے بھرپور امکانات نظر آ رہے ہیں۔

اس مدت میں آپریٹنگ کے اخراجات 110 ملین روپے ہوئے۔ اخراجات میں نمایاں اضافہ ٹنخواہوں اور اجرتوں کی مد میں ہوا جو %20 بڑھ گئے۔ اس کی وجہ لیبیٹ پورٹ فولیو میں اضافہ کی وجہ سے اضافی افرادی قوت کا حصول ہے۔ نقل و حمل کی سیکڑ میں اضافہ سے بیڑے کی گاڑیوں کی آمدورفت کے اخراجات میں %40 اضافہ ہوا۔ اجارہ ریٹیل میں مسلسل کمی کا سامنا رہا کیونکہ اس عرصہ میں ہمارے بڑے معاہدے بحال کیے گئے تھے اور اثاثوں کو ریزیڈیل ویلیو پر مضاربہ میں منتقل کر دیا گیا تھا۔ اس سرمایہ میں فرسودگی کی رقم گزشتہ سال کی اسی مدت کے مقابلے میں تیرا ملین روپے زیادہ رہی۔

انتظامی اور تقسیم کاری کے اخراجات 12.5 ملین روپے کے اضافہ کے ساتھ 56 ملین روپے رہے (2017: 44 ملین روپے) جو افراط زر اور متنوع کاروباری پورٹ فولیو میں وسائل کی فراہمی کے باعث ہوا۔ اسی طرح مارک اپ چارجز 4 ملین روپے کے اضافہ کے ساتھ اس مدت میں 60 ملین روپے ہوئے۔ جسکی بڑی وجہ ڈسکاؤنٹ ریٹ میں اضافہ ہے۔

منجمنٹ، گورنمنٹ کی پالیسیوں کو دیکھتے ہوئے ایک محتاط انداز میں اپنی انویسٹمنٹ کی پالیسی اختیار کی ہوئی ہے۔ 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 ریٹیل پاور کے شعبہ میں سرمایہ کاری کیلئے محتاط، دانشمندانہ اور مخصوص طریقہ کار اختیار کرنے پر کاربند 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۔

ڈائریکٹرز کی رپورٹ

برائے مدتِ مختتمہ 30 ستمبر 2018

الائیڈ انجیرنگ مینجمنٹ کمپنی (پرائیوٹ) لمیٹڈ جو الائیڈ رینٹل مضاربہ کی مینجمنٹ کمپنی ہے، کے بورڈ آف ڈائریکٹرز اپنے شوقیلیٹ ہولڈرز کو، ہمسرت ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ حسابات برائے مدتِ مختتمہ 30 ستمبر 2018 پیش کرتے ہیں۔

مالیاتی جھلکیاں	000 روپے میں
سیلز کی کل آمدنی	1,052,819
سیلز کی خالص آمدنی	971,175
منافع برائے مذکورہ مدت	141,846
خالص منافع کا تناسب	14.6%
فی شوقیلیٹ آمدنی	0.71

کاروباری عمل کا جائزہ

ہم ہمسرت اطلاع دیتے ہیں کہ مذکورہ مدت میں سیلز کی مجموعی آمدنی مع پرودنشل سروسز سیلز ٹیکس 1 بلین روپے کی حد کو پار کر گئی ہے اور 1.053 بلین روپے حاصل ہوئی جو کہ گزشتہ سال کی آمدنی سے 18.4% زیادہ ہے۔ پنجاب، سندھ اور بلوچستان کے سروس سیلز ٹیکس کو منہنا کرنے کے بعد کمپنی کی خالص آمدنی 971 ملین روپیہ۔ مذکورہ مدت میں خالص منافع بھی 16.13% اضافہ کے ساتھ 142 ملین روپے ہو گیا ہے۔ اس کے مقابلے میں گزشتہ سال اسی مدت کا منافع 122 ملین روپے تھا۔

مضاربہ نے اپنی مستقل سرمایہ کاری کی حکمت عملی جاری رکھی۔ مجموعی طور پر پادار رینٹل کاروبار نے اپنی آمدنی کے ہدف حاصل کر لیے ہمارے گیس انجنوں کے استعمال میں بہتری آئی ہے جو کہ ٹیکسٹائل سیکٹر میں بہتر قیمت کی وجہ سے ہے۔

اس سرمایہ کے دوران میں مشینوں اور کرین کے شعبہ کی فروخت 130 ملین روپے ہو گئی جب کہ گزشتہ سال اسی مدت میں 114 ملین روپے کی فروخت ہوئی تھی۔ اس کا سبب ایسیٹ پورٹ فولیو میں ہماری سرمایہ کاری میں اضافہ اور بہتر قیمت کا حصول تھا۔ سی پیک کے

Condensed Interim Statement of Financial Position

As at September 30, 2018

Note	Unaudited	Audited
	Sep 30, 2018	Jun 30, 2018

(Rupees)

ASSETS

Current assets

Cash and bank balances	151,021,767	91,230,840
Ijarah rentals receivable	1,361,790,523	1,334,114,468
Operation and maintenance income receivable	28,232,469	29,363,774
Advances, deposits, prepayments and other receivable	582,804,757	540,717,302
Spare parts	99,295,380	104,835,161
Total	2,223,144,896	2,100,261,545

Non-current assets

Long-term security deposits	50,000	50,000
Diminishing musharaka financing - secured	246,461	967,729
Fixed assets in own use - tangible	120,237,172	131,283,995
Intangible asset for own use	5,063,379	6,126,565
Ijarah assets	6,658,267,369	6,732,935,766
Capital work-in-progress	132,462,669	64,856,641
Total	6,916,327,050	6,936,220,696

Total assets

9,139,471,946	9,036,482,241
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LIABILITIES

Current liabilities

Creditors, accrued and other liabilities	689,456,349	625,286,025
Dividend Payable	200,000,000	-
Unclaimed Dividend	852,198	1,092,249
Payable to the Modaraba Management Company	13,016,148	12,265,972
Current portion of Diminishing Musharakah financing payable	1,087,212,915	1,008,787,702
Current portion of security deposits	56,453,000	56,983,000
Total	2,046,990,610	1,704,394,948

Non-current liabilities

Diminishing Musharakah financing payable - secured	1,851,448,637	2,035,200,403
Deferred liabilities	69,496,155	69,496,154
Other long-term employee benefits	18,729,168	18,729,167
Security deposits	60,425,000	58,125,000
Total	2,000,098,960	2,181,550,724

Total liabilities

4,047,089,570	3,885,945,672
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NET ASSETS

5,092,382,376	5,150,536,569
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FINANCED BY : CAPITAL AND RESERVES

Authorised certificate capital		
225,000,000 (Jun 2018 : 225,000,000) Modaraba certificates of Rs.10 each	2,250,000,000	2,250,000,000
Issued, subscribed and paid-up certificate capital	2,000,000,000	2,000,000,000
Premium on issue of right certificates	1,255,712,500	1,255,712,500
Statutory (mandatory) reserve	1,660,688,804	1,660,688,804
Unappropriated profit	175,981,072	234,135,265
Total	5,092,382,376	5,150,536,569

CONTINGENCIES AND COMMITMENTS

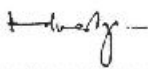
8

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



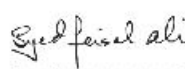
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the three months period ended September 30, 2018

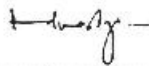
	Note	Three months period ended	
		Sep 30, 2018	Sep 30, 2017
(Rupees)			
Ijarah rentals	9	941,659,205	788,934,494
Operation and maintenance income	10	29,515,452	31,213,470
		<u>971,174,657</u>	<u>820,147,964</u>
Operating expenses	11	(713,323,906)	(603,662,846)
Gross Profit		<u>257,850,750</u>	<u>216,485,118</u>
Administrative and distribution expenses	12	(56,557,599)	(44,085,764)
Provision against potential Ijarah losses and operation and maintenance income		(10,000,000)	-
Finance costs	13	(60,268,991)	(56,115,218)
Other income		10,821,647	5,861,312
		<u>(116,004,943)</u>	<u>(94,339,670)</u>
		<u>141,845,807</u>	<u>122,145,448</u>
Modaraba Management Company's remuneration		-	-
Profit for the period before taxation		<u>141,845,807</u>	<u>122,145,448</u>
Taxation	14	-	-
Profit for the period after taxation		<u>141,845,807</u>	<u>122,145,448</u>
Earnings per certificate - basic & diluted		<u>0.71</u>	<u>0.61</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



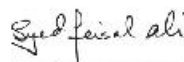
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the three months period ended September 30, 2018

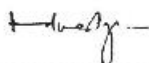
	Three months period ended	
	Sep 30, 2018	Sep 30, 2017
	(Rupees)	
Profit for the period after taxation	141,845,807	122,145,448
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>141,845,807</u>	<u>122,145,448</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



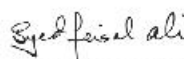
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director
Quarterly Report 2018 / 10

Condensed Interim Statement of Changes in Equity (Unaudited)

For the three months period ended September 30, 2018

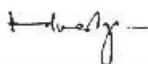
	Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve (Rupees)	Un- appropriated profit	Total
Balance as at June 30, 2017	1,755,000,000	1,133,212,500	1,463,126,925	307,251,794	4,658,591,219
Total comprehensive income for the three months period ended 30 September 2017	-	-	-	122,145,448	122,145,448
Profit distribution for the year ended June 30, 2017 @ Rs. 1.50 per certificate				(263,250,000)	(263,250,000)
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2017	<u>1,755,000,000</u>	<u>1,133,212,500</u>	<u>1,463,126,925</u>	<u>166,147,242</u>	<u>4,517,486,667</u>
Balance as at June 30, 2018	2,000,000,000	1,255,712,500	1,660,688,804	234,135,265	5,150,536,569
Total comprehensive income for the three months period ended 30 September 2018	-	-	-	141,845,807	141,845,807
Profit distribution for the year ended June 30, 2018 @ Rs. 1.00 per certificate				(200,000,000)	(200,000,000)
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2018	<u>2,000,000,000</u>	<u>1,255,712,500</u>	<u>1,660,688,804</u>	<u>175,981,072</u>	<u>5,092,382,376</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



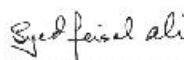
Muhammad Saad
Chief Financial Officer
Allied Rental Modaraba



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director

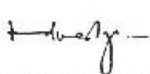
**Condensed Interim Cash Flow Statement (Unaudited)
For the three months period ended September 30, 2018**


	Three months period ended	
	Sep 30, 2018	Sep 30, 2017
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	141,845,807	122,145,448
Adjustments for non-cash charges and other items:		
Depreciation	200,691,979	186,225,608
Financial charges including bank charges	60,268,991	56,115,218
Loss/(Profit) on disposal of Ijarah assets	(851,962)	-
	401,954,815	364,486,274
(Increase) / decrease in assets		
Ijarah rentals receivable	(27,676,055)	(47,864,464)
Operation and maintenance income receivable	1,131,305	321,725
Advances, deposits and other receivable	(42,087,455)	(51,347,507)
Spare parts	5,539,781	(33,478,957)
Diminishing musharaka financing - secured	721,268	1,686,535
Long-term security deposits	-	-
	(62,371,156)	(130,682,668)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	58,149,498	10,416,490
Payable to the Modaraba Management Company	750,176	31,774
Security Deposits	1,790,000	-
	60,689,674	10,448,263
Cash generated from / (utilized in) operations	(1,681,482)	(120,234,405)
Gratuity paid	-	(57,576)
Compensated absence paid	-	(77,579)
Financial charges paid	(54,488,215)	(78,746,730)
Net cash flows from operating activities	345,785,118	165,369,985
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(183,467,639)	(582,720,542)
Proceeds from disposal of Ijarah assets	2,800,000	-
Net cash flows from investing activities	(180,667,639)	(582,720,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharakah financing availed	163,901,383	638,709,653
Repayment of Bai Muajjal facility	-	(99,694,340)
Repayment of Diminishing Musharakah financing	(269,227,936)	(247,650,332)
Net cash flows from financing activities	(105,326,553)	291,364,981
Net (decrease)/increase in cash and cash equivalents	59,790,927	(125,985,577)
Cash and cash equivalents at the beginning of the period	91,230,840	307,439,392
Cash and cash equivalents at the end of the period	151,021,767	181,453,815

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director

Allied Rental Modaraba

Notes to the Condensed Interim Financial Information (Unaudited)

For the three months period ended 30 September 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 Companies Ordinance, 1984 and is registered with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

The Securities and Exchange Commission of Pakistan (the 'SECP'), vide its certificate No. SC/M/RW/ARM/2006-166 dated 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 equipment (i.e. generators, forklifts, compactors, etc.). The registered office of the Modaraba is located at 21/3, Sector 22, Korangi Industrial Area, Karachi. The Modaraba is listed on the Pakistan Stock Exchange.

- 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, 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-1 rating to the Modaraba.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

- 2.2 The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These condensed interim financial information does not include all the information required for a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended 30 June 2018.
- 2.3 The comparative balance sheet presented in these condensed interim financial information as at 30 June 2018 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2018, whereas the comparative profit and loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the three months period ended 30 September

2017 have been extracted from the unaudited condensed interim financial information for the period then ended.

2.4 Functional and presentation currency

These condensed interim financial information is 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 2018. However during the period, the Modaraba adopted the accounting policies as follows:

3.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognized as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. Amortization is charged to income using the straight line method. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each reporting date. Amortization is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gain or loss on disposal of intangible assets, if any, is taken to the profit and loss account in the period in which these arise.

3.3 Revenue recognition on Diminishing Musharaka

Profit on Diminishing Musharaka arrangements is recognized under the effective profit rate method based on the outstanding amount.

3.4 Amendment and interpretation to approved accounting standards effective

During the period certain amendments and interpretation to approved accounting standards became effective. However, these are either not relevant to the Modaraba's operation and/or do not have any impact on the accounting policies of the Modaraba.

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 2018.

5. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2018.

(Unaudited) September 30, 2018			
Generators, material handling / transportation vehicles and related equipment	Machines	Total	
(Rupees)			
At July 01, 2018			
Cost	9,517,812,918	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,827,769,801)	(166,649,104)	(3,994,418,905)
Net book value	5,690,043,117	1,042,892,649	6,732,935,766
Additions	123,187,603	-	123,187,603
Disposals			
Cost	(3,533,058)	-	(3,533,058)
Depreciation	1,585,020	-	1,585,020
	(1,948,038)	-	(1,948,038)
Depreciation charge for the period	(174,199,403)	(21,708,559)	(195,907,962)
Closing net book value	5,637,083,279	1,021,184,090	6,658,267,369
At Sep 30, 2018			
Cost	9,637,467,463	1,209,541,753	10,847,009,216
Accumulated depreciation	(4,000,384,184)	(188,357,663)	(4,188,741,847)
Net book value	5,637,083,279	1,021,184,090	6,658,267,369
Life (Years)	1 to 24	8 to 10	

(Audited) June 30, 2018			
Generators, material handling / transportation vehicles and related equipment	Machines	Total	
(Rupees)			
At July 01, 2017			
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)
Net book value	5,335,336,157	724,328,570	6,059,664,727
Additions	1,335,204,974	391,561,526	1,726,766,500
Disposals			
Cost	(388,976,698)	-	(388,976,698)
Depreciation	265,027,293	-	265,027,293
	(123,949,405)	-	(123,949,405)
Depreciation charge for the period	(856,548,609)	(72,997,447)	(929,546,056)
Closing net book value	5,690,043,117	1,042,892,649	6,732,935,766
At Jun 30, 2018			
Cost	9,517,812,918	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,827,769,801)	(166,649,104)	(3,994,418,905)
Net book value	5,690,043,117	1,042,892,649	6,732,935,766
Life (Years)	1 to 24	8 to 10	

	Unaudited Sep 30, 2018	Audited Jun 30, 2018
	(Rupees)	
7 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED		
Musharakah financing	2,938,661,552	3,043,988,105
Due within one year	(1,087,212,915)	(1,008,787,702)
	<u>1,851,448,637</u>	<u>2,035,200,403</u>
7.1 Financing from banking and financial institutions	2,815,900,882	2,860,237,958
Financing from modarabas	122,760,670	183,750,147
	<u>2,938,661,552</u>	<u>3,043,988,105</u>

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

Contingencies outstanding as at 30 September 2018 are as follows:

8.1.1 Sindh Sales Tax on operations and maintenance services of the Modaraba

During the year ended 30 June 2014, the Assistant Commissioner - Sindh Revenue Board (SRB) issued an order no. 160 of 2013 dated 12 July 2013 demanding Sindh Sales Tax of Rs. 25.633 million at 16% on total Operation and Maintenance income of the Modaraba of Rs. 160.204 million for the year ended 30 June 2012.

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

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 Modaraba had 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 had suspended the operation of the impugned order of the Commissioner Appeals - SRB. Subsequently, the Sindh Revenue Board Tribunal was constituted and became functional in June 2015. The Modaraba, on direction of the Honorable High Court of Sindh, filed an appeal to the tribunal.

During the year ended 30 June 2018, tribunal disposed of the appeal in favour of the Modaraba. However, the Commissioner has demanded the said tax dues along with default surcharge. Modaraba has filed an appeal with the Commissioner appeals along with applications for stay of demand which remains undisposed, therefore, Modaraba filed a petition dated 15 May 2018 in the Honourable High Court of Sindh for the stay of demand and the Court granted a stay order till the next date of hearing. The Management believes that the outcome of the petition will be in favour of the Modaraba and hence no provision has been made in these financial statements.

8.1.2 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 (CIR-A) 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 7 to these financial statements.

8.1.3 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 Honourable 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 22.775 million as of 30 June 2018. The management, based on a legal advice, believes that the decision will be in its favour.

8.1.4 During the year ended 30 June 2018, Commissioner demanded, through assessment order no. 01 of 2018 dated 27 June 2018, sales tax amounting to Rs. 26 228 million in respect of disposal of ijarah asset against sales value of Rs. 156.64 million. Modaraba has filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amount. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these financial statements.

8.1.5 During the year ended 30 June 2018, Deputy Commissioner Inland Revenue (CIR) issued an order D.C. no. 21/03 dated 9 June 2018 in respect of tax audit for the tax year 2012. Order demanded tax amounting to Rs. 8.152 million against the profit on ijarah financing, gain on assets of ijarah assets and management fees which were adjusted against the income tax recoverable for the said tax year. Modaraba has filed an appeal with Commissioner Inland Revenue (Appeal) against the order. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these financial statements.

8.2 Commitments

8.2.1 Contractual rentals receivable on Ijarah contracts

	(Unaudited) September 30, 2018				(Audited) June 30, 2018			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)							
Rentals receivable in future	70,251,006	223,848,500	-	294,099,506	156,885,437	189,472,000	-	356,337,437

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

9. IJARAH RENTALS - Net

		Three months period ended	
		Sep 30, 2018	Sep 30, 2017
		(Rupees)	
Ijarah Rentals		1,020,068,728	886,408,351
Less : Punjab Sales Tax		(52,814,201)	(69,114,204)
Less : Sindh Sales Tax		(19,670,741)	(8,359,654)
Less : Balochistan Sales Tax		(5,924,582)	-
		<u>941,659,204</u>	<u>788,934,493</u>

10. OPERATION AND MAINTENANCE INCOME - Net

Operation and Maintenance Income	32,750,266	33,415,089
Less : Sindh Sales Tax	(2,648,053)	(2,201,619)
Less : Balochistan Sales Tax	(588,761)	-
	<u>29,515,452</u>	<u>31,213,470</u>

11. OPERATING EXPENSES

Salaries, wages and other staff benefits	241,136,993	201,455,653
Depreciation expense	195,907,962	182,535,269
Repairs and maintenance cost	108,023,534	88,167,770
Ijarah rentals	-	9,934,771
Fleet vehicles running cost	140,152,124	100,355,230
Vehicles running cost	9,074,584	4,752,110
Insurance cost - equipments	10,456,906	8,874,489
Travelling and conveyance	3,352,873	2,517,438
Rent expense	5,218,930	5,070,116
	<u>713,323,906</u>	<u>603,662,846</u>

12. ADMINISTRATIVE AND DISTRIBUTION EXPENSES

Salaries, wages and other staff benefits	37,107,527	26,344,474
Vehicle running costs	3,032,904	2,546,180
Travelling and conveyance	1,114,182	1,359,510
Depreciation expense	4,784,018	3,690,339
Legal and professional charges	3,337,768	2,667,982
Telephone, postage and fax charges	1,680,260	1,433,533
Advertisement and sales promotion	263,952	412,279
Printing and stationery	975,474	1,142,649
Insurance cost - vehicles	645,370	493,777
Training, meetings and tender participation	328,065	504,169
Donation	150,000	-
Software Development	5,250	479,512
Entertainment	858,985	1,068,885
Utilities	911,098	867,168
Security	959,826	855,954
Miscellaneous	402,920	219,353
	<u>56,557,599</u>	<u>44,085,784</u>

Three months period ended	
Sep 30, 2018	Sep 30, 2017
(Rupees)	

13. FINANCE COSTS

Financial cost on Diminishing Musharakah financing	59,318,260	55,177,521
Exchange loss / (Profit)	179,483	(462,754)
Bank charges and commission	771,248	1,400,451
	60,268,991	56,115,218

14. TAXATION

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

15. RELATED PARTY TRANSACTIONS

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

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

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

	Three months period ended	
	Sep 30, 2018	Sep 30, 2017
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Modaraba Management Company's remuneration	-	-
Allied Engineering and Services (Private) Limited (holding company of the Modaraba Management Company)		
Purchase of assets	33,138,359	34,151,819
Purchase of parts and services	64,706,920	70,548,060
Rental revenue	2,430,937	1,276,774
Apex Machinery (Private) Limited (Associated Company)		
Purchase of parts and services	2,575,990	4,008,911
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Income from ijarah assets	14,325,946	-
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	3,353,709	2,653,657

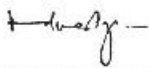
	Unaudited Sep 30, 2018	Audited Jun 30, 2018 (Rupees)
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 39,999,998 (June 30, 2018: 39,999,998)	<u>399,999,980</u>	<u>351,000,000</u>
Payable to the Modaraba Management Company	<u>13,016,148</u>	<u>12,265,972</u>
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 138,119,158 (June 30, 2018: 140,119,158)	<u>1,381,191,580</u>	<u>1,401,191,580</u>
Payable against purchase of parts and services	<u>313,281,089</u>	<u>287,878,649</u>
Apex Machinery (Private) Limited (Associated Company)		
Payable against purchase of parts and services	<u>4,791,567</u>	<u>10,315,427</u>
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Ijarah rental receivable	<u>21,423,529</u>	<u>20,009,023</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 3,395,335 (June 30, 2018: 3,395,335)	<u>33,953,350</u>	<u>33,953,350</u>

16. DATE OF AUTHORISATION

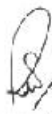
These financial statements were authorised in the meeting of the Board of Directors of the Management Company held on October 25, 2018.



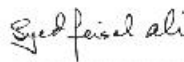
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director

















Syed Feisal Ali
Director



**Be aware, Be alert,
Be safe**
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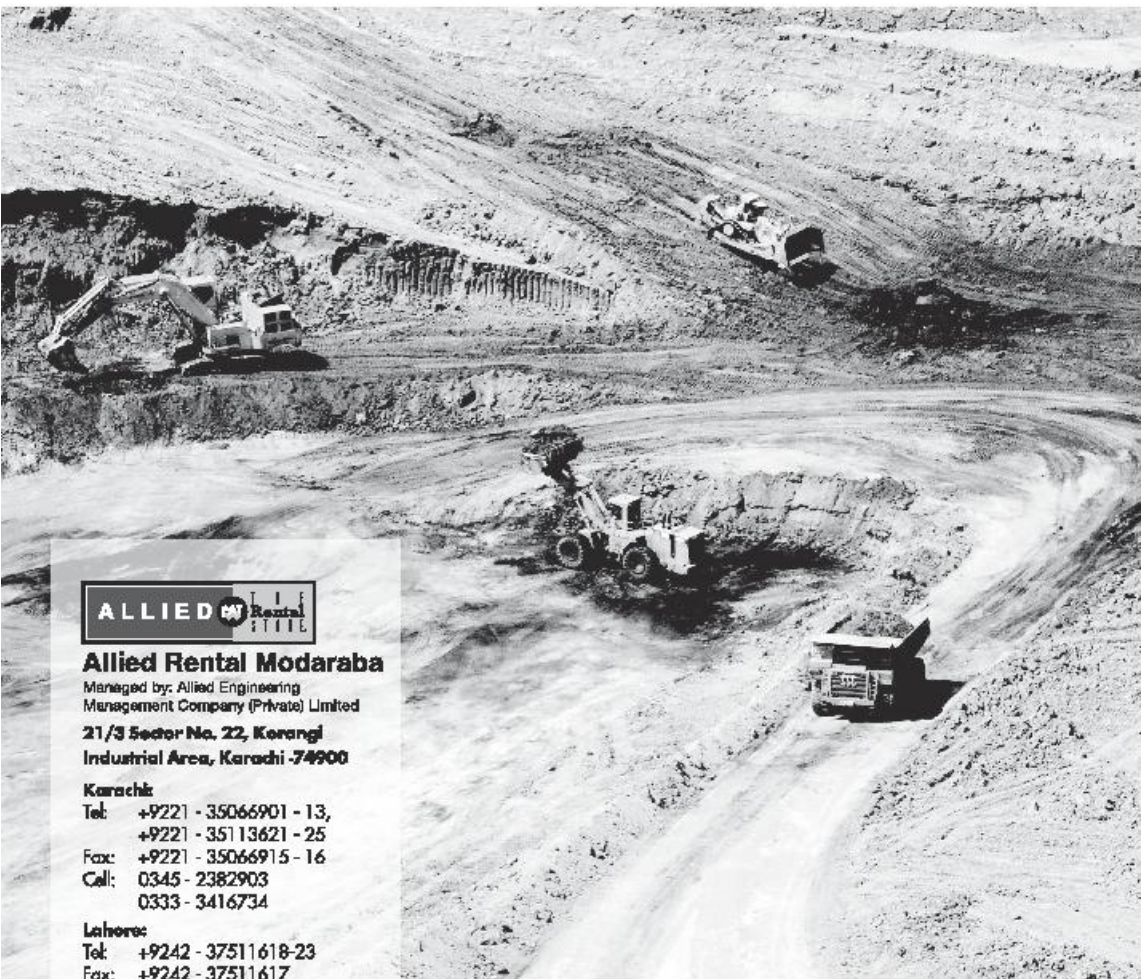


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Call: 0345 - 2382903
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Lahore:

Tel: +9242 - 37511618-23
Fax: +9242 - 37511617
Cell: 0320 - 8778809
0320 - 8778808
0320 - 8777733

Islamabad:

Tel: +9251 - 2227000-4
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