

Quarterly Report
September 2020

10 Good Reasons to Rent from The Cat® Rental Store



Allied Rental Modaraba
Managed by: Allied Engineering
Management Company (Private) Limited

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Modaraba Information

Board of Directors

Syed Feisal Ali
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Mr. Khwaja Ahad Rahman
Non - Executive Director

Mrs. Saira Nasir (Independent)
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. Muzzammil Tariq

Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

Human Resource and Remuneration Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
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

Askari Bank Limited

Habib Bank Limited

Bank Alfalah Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Soneri Bank Limited

Habib Metropolitan Bank

MCB Islamic Bank Limited

United Bank Limited

First Habib Modaraba

Meezan Bank Limited

Al Baraka Bank Limited

Dubai Islamic Bank

Bank Al Habib Limited

Allied 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

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, 2020

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, 2020.

Financial Highlights	Rs. in '000
Gross Revenue from operations	901,933
Net Revenue after Provincial Sales Tax	821,545
Profit for the period	76,512
Net profit margin	9.31%
Earning per certificate	Re. 0.35

Review of Operations

We are pleased to report that the Gross Revenue for the quarter ended Sep' 2020 was recorded at Rs. 902 Million despite significantly challenging economic conditions and overall stagnation of the business subsequent to the emergence of COVID-19. After deduction of Services Sales Tax of Punjab, Sindh, Balochistan and KP the net revenue for the quarter stands at Rs. 822 Millions against Rs. 928 Million in the corresponding period last year declining by 11.5%. Accordingly, the net profits for the period closed at Rs. 76.512 Millions declined from Rs. 92.14 Million for the corresponding period last year lower by Rs. 16 Million.

Sales from our Inbound and Outbound Logistics segment fell by around 11% to Rs. 390 Millions as compared to Rs. 437 Millions of the corresponding period last year. Due to overall stagnation of the economy, specially with our major customer, Schlumberger on both new exploration activities as well as ongoing drilling contracts, the sales have gone down in this segment. Keeping in view this situation, we have diversified our customer base and focus is now more on movement of FMCG products.

Sales from our Machines and Cranes segment dropped 16% and contributed Rs. 111 Millions during the quarter from Rs. 142 Million for the corresponding period last year. We are presently working on major projects of Mityari Lahore Transmission Line, Skurdu Road, Thar Coal and Jaam Shoro Power Plant. This sector presents excellent opportunities for the future in the wake of new DAM projects of Daimler Basha, Dasu and Mohmand. We are in negotiation with all major contractors, including both FWO and Chinese contractors to identify their needs and accordingly develop our Machine Rental Fleet. We are also working with Caterpillar on price negotiations for new orders.

Sales in the Power Generation segment declined by 11% to Rs. 319 Million due to overall lower deployment and lower time utilization of deployed units resulting in lower variable revenues and completion of our old long term BOT Projects the quarter compared to corresponding period last year. No new investment are planned at this stage for any segment of the Power Rental business, both Diesel and Gas as we feel that our present fleet size is able to meet the current market demands.

The operating expense for the period fell 12% to Rs. 641 Million for the period despite inflationary pressures. In line with decrease in Sales, Salaries and Wages were reduced by 7% compared to corresponding period last year. Fleet vehicles running cost increased by 6% due overall higher transportation costs. Depreciation for the period significantly dropped by Rs. 38 Million compared to corresponding quarter as assets reached their residual values and due to lower investment levels in recent years. Repair & Maintenance expense fell by 43% to Rs. 64 million from Rs. 112 Million in the Corresponding quarter last year mainly due to strict cost control measures adopted by the management.

Administrative and distribution expenses increased by 6.5% to Rs. 59 Million (2019: Rs. 55 Million) primarily due to increase in depreciation expense. Markup costs went down by Rs. 27 Million in the current quarter, mainly on account of decrease in KIBOR Base rate.

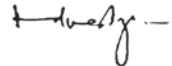
The Management will remain cautious and prudent for its investment strategy on all segments of the business, we expect the economy to bounce back in FY 2020-21, with renewed focus on CPEC projects, stimulus package by the Government and lowering of the discount rates, pushing industrial investment and growth. However, there are still uncertainties of COVID-19 and threat of emergence of second wave for which the management will remain a factor in consideration of its investment strategy.

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.

On Behalf of the Board



Murtaza Ahmed Ali
Chief Executive

October 27, 2020

انتظامیہ اپنے تمام کاروباری شعبہ جات میں ہوشیاری اور دانشمندی سے سرمایہ کاری کی حکمت عملی اپنائے گی اور ہم توقع کرتے ہیں کہ سی پیک پر نئی توجہ کے ساتھ مالی سال 21 - 2020 میں معیشت میں دوبارہ چڑھاؤ آئے گا۔ ابھی بھی COVID-19 کی غیر یقینی صورتحال ہے اور دوسری لہر کے ابھرنے کا خطرہ ہے۔ جس کو انتظامیہ سرمایہ کاری کرتے وقت مد نظر رکھے گی۔ 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 کے خصوصی طور پر ممنون ہیں اور، مذہبی بورڈ، بینکرز 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

مرتضی احمد علی

چیف ایگزیکٹو

27 اکتوبر 2020

ہمارے مشین اور کرین کے شعبہ کی سیلز %16 کی کمی کے ساتھ 111 ملین روپے ہو گئی ہے جب کہ گزشتہ اسی مدت کی سیلز 132 ملین روپے تھی۔ ہم اس وقت بڑے منصوبوں، میٹری لائسنس، اسکرودورڈ پراجیکٹ، تھرکول اور جام شورو پاور پلانٹ پراجیکٹ پر کام کر رہے ہیں۔ یہ سیکٹر دیامیر، بھاشا اور داسوا اور مہمند ڈیم کے نئے منصوبوں کے پیش نظر مستقبل کے لیے بہترین مواقع پیش کرتا ہے۔ ہم تمام بڑے ٹھیکیداروں بشمول FWO اور چائینیز سے بات چیت کر رہے ہیں اور ان کی ضروریات کے مطابق اپنی مشین کی رینٹل فلیٹ تیار کر رہے ہیں۔ ہم اپنے نئے آرڈرز کے لیے کیٹر پلر کے ساتھ بھی بہتر قیمتوں پر گفت و شنید کر رہے ہیں۔

پاور جنریشن کے شعبہ کی سیلز %11 کی کمی کے ساتھ 319 ملین روپے رہی جس کی بڑی وجہ ہمارے مجموعی طور پر کم تعین اور ہمارے پرانے طویل المدت BOT منصوبوں کا پایہ تکمیل تک پہنچنا تھا۔ اس مرحلے پر ڈیزل اور گیس، دونوں طرح کے پاور رینٹل کاروبار کے کسی شعبہ میں نئی سرمایہ کاری کا کوئی منصوبہ نہیں ہے۔ کیونکہ ہمارے خیال میں ہمارے موجودہ بیڑے کا سائز مارکیٹ کی موجودہ طلب پوری کرنے کے لیے کافی ہے۔

کاروباری عمل کو جاری رکھنے کے اخراجات افراتر ز کے دباؤ کے باوجود %12 کی کمی کے ساتھ تقریباً 641 ملین روپے رہے۔ سیلز تنخواہوں اور اجرتوں میں گزشتہ سال کے مقابلے میں %7 کمی آئی۔

ہمارے بیڑے کی گاڑیوں کے چلنے کے اخراجات %6 بڑھ گئے جس کی وجہ فیول کے ریٹس میں اضافہ تھی۔ اس مدت میں فرسودگی کے اخراجات گزشتہ سال اسی مدت کے مقابلے میں 38 ملین روپے کم ہوئے۔ مرمت اور دیکھ بھال کے اخراجات %43 کی کمی کے ساتھ 64 ملین ہو گئے ہیں۔ جبکہ پچھلے سال اسی مدت میں 112 ملین روپے تھے۔ جس کی بنیادی وجہ انتظامیہ کے اس سلسلے میں سخت اقدامات ہیں۔

انتظامی امور اور تقسیم کاری کے اخراجات %6.5 اضافہ کے ساتھ 59 ملین روپے ہو گئے ہیں (2019: 55 ملین روپے) اس کی بڑی وجہ فرسودگی کے اخراجات میں اضافہ ہے۔ مارک اپ کے اخراجات 27 ملین روپے سے کم ہو گئے ہیں جس کی وجہ KIBOR پر بنی ریٹس میں کمی تھی۔

ڈائریکٹرز کی رپورٹ
برائے مدتِ مختتمہ 30 ستمبر 2020

الائیڈ ریٹیل مضاربہ کی منتظمہ کمپنی الائیڈ انجیرنگ مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز اپنے سٹیٹمنٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے سہ ماہیِ مختتمہ 30 ستمبر 2020 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مالیاتی جھلکیاں	000 روپے میں
کاروباری عمل سے حاصل شدہ کل آمدنی	901,933
خالص منافع بعد از صوبائی سیلز ٹیکس	821,545
مذکورہ مدت کا منافع	76,512
خالص منافع کا فرق	9.31%
فی سٹیٹمنٹ آمدنی	Re. 0.35

کاروباری عمل کا جائزہ

ہم بمسرت اطلاع دیتے ہیں کہ ستمبر 2020 کو ختم ہونے والی سہ ماہی میں کل آمدنی 902 ملین روپے ریکارڈ کی گئی باوجود اس کے کہ COVID-19 اور نمایاں طور پر مشکل معاشی حالات اور کاروبار میں مجموعی طور پر جمود رہا۔ پنجاب، سندھ، بلوچستان اور کے پی کے، سرسبز سیلز ٹیکس کی کٹوتی کے بعد اس سہ ماہی کی آمدنی 822 ملین روپے رہی جبکہ گزشتہ سال اسی مدت کی آمدنی 928 ملین روپے تھی۔ اس کے لحاظ سے خالص منافع بھی 92.14 ملین روپے سے کم ہو کر 76.512 ملین روپے رہ گیا ہے۔ جو کہ پچھلے سال کے اسی عرصے سے 16 ملین روپے کم ہے۔

ہمارے داخلی اور خارجی لائسنس کے شعبہ کی سیلز تقریباً 11% کی کمی کے ساتھ 390 ملین روپے ہو گئی جب کہ گزشتہ اسی مدت کی سیلز 437 ملین روپے تھی۔ معیشت کی مجموعی طور پر سست رومی کی وجہ سے اور خاص طور پر ہمارے بڑے گراہک، شلمبرجر کی محدود آپریشن ایکٹیوٹی کی وجہ سے ہم نے اپنا کسٹمر بیڈ فوکس ایف ایم سی جی پراڈکٹس والے کسٹمر پر زیادہ کر دیا ہے۔

Condensed Interim Financial Position (Unaudited)

As at September 30, 2020

	Note	Unaudited Sep 30, 2020	Audited Jun 30, 2020
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances		381,626,493	92,916,094
Ijarah rentals receivable		1,007,829,176	1,100,301,006
Operation and maintenance income receivable		35,281,907	37,513,933
Advances, deposits, prepayments and other receivable		650,027,703	826,777,902
Spare parts		200,456,021	196,176,407
		<u>2,275,221,299</u>	<u>2,253,685,342</u>
Non-current assets			
Long-term security deposits		50,000	50,000
Fixed assets in own use - tangible		190,937,707	207,010,534
Intangible asset for own use		1,369,167	1,961,154
Ijarah assets	6	5,973,726,745	6,120,338,820
Capital work-in-progress		91,267,985	51,236,756
		<u>6,257,351,605</u>	<u>6,380,597,264</u>
Total assets		<u>8,532,572,904</u>	<u>8,634,282,606</u>
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities		932,218,888	1,088,108,181
Dividend Payable		166,052,715	1,052,715
Payable to the Modaraba Management Company		12,561,198	11,300,000
Current portion of Diminishing Musharakah financing payable	7	587,500,340	365,546,132
Current portion of long-term borrowings		131,645,983	75,915,791
Current maturity of liability against right of use assets		17,826,241	18,042,712
Current portion of security deposits		3,882,600	24,524,283
		<u>1,851,687,965</u>	<u>1,584,489,814</u>
Non-current liabilities			
Diminishing Musharakah financing payable - secured	7	1,073,230,901	1,406,038,650
Long-term borrowings		143,471,105	89,726,681
Liability against right of use assets		51,795,113	53,709,940
Deferred liability for staff gratuity		95,966,148	95,966,148
Other long-term employee benefits		28,632,955	28,632,954
Security deposits		24,558,732	24,000,000
		<u>1,417,654,954</u>	<u>1,698,074,373</u>
Total liabilities		<u>3,269,342,920</u>	<u>3,282,564,187</u>
NET ASSETS		<u>5,263,229,984</u>	<u>5,351,718,419</u>
FINANCED BY : CAPITAL AND RESERVES			
Authorised certificate capital			
250,000,000 (Jun 2020 : 225,000,000) Modaraba certificates of Rs.10 each		2,500,000,000	2,500,000,000
Issued, subscribed and paid-up certificate capital		2,200,000,000	2,200,000,000
Premium on issue of right certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve		1,685,840,464	1,685,840,464
Unappropriated profit		121,677,020	210,165,455
		<u>5,263,229,984</u>	<u>5,351,718,419</u>

CONTINGENCIES AND COMMITMENTS

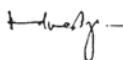
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The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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
Chairman

Condensed Interim Profit and Loss Account (Unaudited)

For the three months period ended September 30, 2020

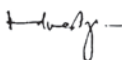
	Note	Three months period ended	
		Sep 30, 2020	Sep 30, 2019
(Rupees)			
Ijarah rentals	9	787,221,688	906,981,594
Operation and maintenance income	10	34,323,787	30,983,049
		821,545,474	937,964,643
Operating expenses	11	(641,225,856)	(721,426,939)
Gross Profit		180,319,619	216,537,704
Administrative and distribution expenses	12	(58,889,774)	(55,095,131)
Provision against potential Ijarah losses and operation and maintenance income		-	-
Finance costs	13	(49,177,451)	(76,052,834)
Other income		4,259,172	6,753,778
		(103,808,053)	(124,394,186)
		76,511,566	92,143,518
Modaraba Management Company's remuneration		-	-
		76,511,566	92,143,518
Workers' welfare fund		-	-
Profit for the period before taxation		76,511,566	92,143,518
Taxation	14	-	-
Profit for the period after taxation		76,511,566	92,143,518
Earnings per certificate - basic & diluted		0.35	0.42

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
Chairman

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the three months period ended September 30, 2020

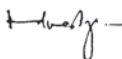
	Three months period ended	
	Sep 30, 2020	Sep 30, 2019
	(Rupees)	
Profit for the period after taxation	76,511,566	92,143,518
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>76,511,566</u>	<u>92,143,518</u>

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
Chairman

Condensed Interim Cash Flow Statement (Unaudited)

For the three months period ended September 30, 2020

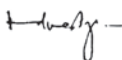
	Three months period ended	
	Sep 30, 2020	Sep 30, 2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	76,511,566	92,143,518
Adjustments for non-cash charges and other items:		
Depreciation	128,632,376	163,356,395
Financial charges including bank charges	49,177,451	76,052,834
Loss/(Profit) on disposal of Ijarah assets	778,046	760,513
	255,099,439	332,313,260
(Increase) / decrease in assets		
Ijarah rentals receivable	92,471,830	(21,132,181)
Operation and maintenance income receivable	2,232,026	(3,201,070)
Advances, deposits and other receivable	176,750,199	(16,384,513)
Spare parts	(4,279,614)	(28,647,462)
	267,174,442	(69,365,225)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	(154,549,158.44)	144,129,600
Payable to the Modaraba Management Company	1,261,198	(10,057,433)
Security Deposits	(20,082,951)	(30,500,000)
	(173,370,911)	103,572,167
Cash generated from / (utilized in) operations	93,803,531	34,206,941
Gratuity paid	-	-
Compensated absence paid	-	-
Financial charges paid	(50,517,585)	(70,272,058)
Net cash flows from operating activities	298,385,385	296,248,143
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(34,343,823)	(34,023,549)
Proceeds from disposal of Ijarah assets	28,179,060	30,679,487
Net cash flows from investing activities	(6,164,763)	(3,344,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharakah financing availed	-	12,500,747
Long term borrowing availed	109,474,616	-
Repayment of lease liability against ROU assets	(2,131,298)	-
Repayment of Diminishing Musharakah financing	(110,853,541)	(302,984,591)
Net cash flows from financing activities	(3,510,223)	(290,483,844)
Net (decrease)/increase in cash and cash equivalents	288,710,399	2,420,236
Cash and cash equivalents at the beginning of the period	92,916,094	50,644,643
Cash and cash equivalents at the end of the period	381,626,493	53,064,879

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
Chairman

Condensed Interim Statement of Changes in Equity (Unaudited)

For the three months period ended September 30, 2020

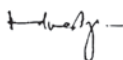
	Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve (Rupees)	Un- appropriated profit	Total
Balance as at June 30, 2019	2,200,000,000	1,255,712,500	1,614,386,450	263,439,424	5,333,538,374
Total comprehensive income for the three months period ended 30 September 2019	-	-	-	92,143,518	92,143,518
Profit distribution for the year ended June 30, 2019 @ Rs. 1.00 per certificate				(220,000,000)	(220,000,000)
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2019	<u>2,200,000,000</u>	<u>1,255,712,500</u>	<u>1,614,386,450</u>	<u>135,582,942</u>	<u>5,205,681,892</u>
Balance as at June 30, 2020	2,200,000,000	1,255,712,500	1,685,840,464	210,165,455	5,351,718,419
Total comprehensive income for the three months period ended 30 September 2020	-	-	-	76,511,566	76,511,566
Profit distribution for the year ended June 30, 2020 @ Rs. 0.75 per certificate	-	-	-	(165,000,000)	(165,000,000)
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2020	<u>2,200,000,000</u>	<u>1,255,712,500</u>	<u>1,685,840,464</u>	<u>121,677,021</u>	<u>5,263,229,984</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
Chairman

Notes to the Condensed Interim Financial Information (Unaudited)

For the three months period ended 30 September 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

Allied Rental Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed 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.

- 1.1 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 / ljarah 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 financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) differ from IFRS, the provision of and directives issues under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) have been followed.

- 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 2020.
- 2.3 The comparative balance sheet presented in these condensed interim financial information as at 30 June 2020 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2020, 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 2019 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 2020.

3.2 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 2020.

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 2020.

6. Ijarah assets - at cost less accumulated depreciation

	(Unaudited) September 30, 2020			
	Generators and related equipments	Logistics vehicles	Machines	Total
At 01 July 2020	----- (Rupees) -----			
Cost	7,152,715,905	2,150,842,821	1,301,562,692	10,605,121,418
Accumulated depreciation	<u>(3,373,786,728)</u>	<u>(764,668,243)</u>	<u>(346,327,627)</u>	<u>(4,484,782,598)</u>
Net book value	3,778,929,177	1,386,174,578	955,235,065	6,120,338,820
Additions	300,000	-	-	300,000
Disposals				
Cost	<u>(40,284,740)</u>	<u>-</u>	<u>(7,061,507)</u>	<u>(47,346,247)</u>
Accumulated depreciation	<u>15,091,144</u>	<u>-</u>	<u>3,297,998</u>	<u>18,389,142</u>
	(25,193,596)	-	(3,763,509)	(28,957,105)
Depreciation charge for the year	<u>(65,663,035)</u>	<u>(30,272,739)</u>	<u>(22,019,195)</u>	<u>(117,954,969)</u>
Closing net book value	<u>3,688,372,545</u>	<u>1,355,901,839</u>	<u>929,452,361</u>	<u>5,973,726,745</u>
At 30 September 2020				
Cost	7,112,731,165	2,150,842,821	1,294,501,185	10,558,075,171
Accumulated depreciation	<u>(3,424,358,619)</u>	<u>(794,940,982)</u>	<u>(365,048,824)</u>	<u>(4,584,348,425)</u>
Net book value	<u>3,688,372,545</u>	<u>1,355,901,839</u>	<u>929,452,361</u>	<u>5,973,726,745</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

	(Audited) June 30, 2020			
	Generators and related equipments	Logistics vehicles	Machines	Total
At 01 July 2019	----- (Rupees) -----			
Cost	7,614,383,636	2,072,511,171	1,282,950,295	10,969,845,102
Accumulated depreciation	<u>(3,609,561,249)</u>	<u>(661,699,280)</u>	<u>(263,862,631)</u>	<u>(4,535,123,160)</u>
Net book value	4,004,822,387	1,410,811,891	1,019,087,664	6,434,721,942
Additions	166,923,230	108,038,498	27,573,997	302,535,725
Disposals				
Cost	(628,590,961)	(29,706,848)	(8,961,600)	(667,259,409)
Accumulated depreciation	548,104,177	12,139,898	7,169,280	567,413,355
	(80,486,784)	(17,566,950)	(1,792,320)	(99,846,054)
Depreciation charge for the year	<u>(312,329,656)</u>	<u>(115,108,861)</u>	<u>(89,634,276)</u>	<u>(517,072,793)</u>
Closing net book value	<u>3,778,929,177</u>	<u>1,386,174,578</u>	<u>955,235,065</u>	<u>6,120,338,820</u>
At 30 June 2020				
Cost	7,152,715,905	2,150,842,821	1,301,562,692	10,605,121,418
Accumulated depreciation	<u>(3,373,786,728)</u>	<u>(764,668,243)</u>	<u>(346,327,627)</u>	<u>(4,484,782,598)</u>
Net book value	<u>3,778,929,177</u>	<u>1,386,174,578</u>	<u>955,235,065</u>	<u>6,120,338,820</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

Unaudited Sep 30, 2020	Audited Jun 30, 2020
(Rupees)	

7. DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED

Musharakah financing	1,660,731,241	1,771,584,782
Due within one year	<u>(587,500,340)</u>	<u>(365,546,132)</u>
	<u>1,073,230,901</u>	<u>1,406,038,650</u>
7.1 Financing from banking and financial institutions	1,637,665,681	1,741,269,224
Financing from modarabas	<u>23,065,560</u>	<u>30,315,558</u>
	<u>1,660,731,241</u>	<u>1,771,584,782</u>

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

Contingencies outstanding as at 30 September 2020 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.

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.

During the year the Commissioner Appeal issued an order dated 23 April 2019 against the Modaraba and directed the tax officer to work out the sales tax liability on the 'equipment rental agreements' along with the default surcharge considering it taxable under tariff heading "Commodity or equipment leasing" by also setting aside tax officers' grounds to charge tax under the category of "Contractual execution of work or furnishing supplies".

The Modaraba and the assistant commissioner have filed appeals against the said order in ATIR which is yet to be heard. 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.

8.1.2 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 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. 74.185 million as of 30 June 2019. The management, based on a legal advice, believes that the decision will be in its favour.
- 8.1.4** The Commissioner has demanded, through assessment order no. 11/30 of 2019 dated 26 April 2019 and order no. 01 of 2018 dated 27 June 2018, sales tax amounting to Rs. 21.47 million and Rs. 26.228 million in respect of disposal of ijarah asset during the year ended 2015 and 2014 against sales value of Rs. 126.28 million and Rs. 156.64 million respectively . million. Modaraba has filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amounts. 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** 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 appeal preferred in respect of assets sold in the year 2014 was heard on 1 November 2018 however no order was issued, furthermore the assets sold during the year 2015 is yet to be heard. 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, 2020			(Audited) June 30, 2020		
Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
(Rupees)					

Rentals receivable in future	35,617,500	131,715,000	167,332,500	71,802,500	131,715,000	203,517,500
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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.

Three months period ended	
Sep 30, 2020	Sep 30, 2019
(Rupees)	

9. IJARAH RENTALS - Net

Ijarah Rentals	863,661,821	989,472,644
Less : Sales Tax	<u>(76,440,133)</u>	<u>(82,491,050)</u>
	<u>787,221,688</u>	<u>906,981,594</u>

10. OPERATION AND MAINTENANCE INCOME - Net

Operation and Maintenance Income	38,271,023	34,075,301
Less : Sales Tax	<u>(3,947,236)</u>	<u>(3,092,252)</u>
	<u>34,323,787</u>	<u>30,983,049</u>

Three months period ended	
Sep 30, 2020	Sep 30, 2019
(Rupees)	

11. OPERATING EXPENSES

Salaries, wages and other staff benefits	212,752,169	228,649,163
Depreciation expense	117,954,969	156,420,046
Repairs and maintenance cost	64,289,258	112,128,775
Fleet vehicles running cost	206,619,789	186,507,349
Vehicles running cost	10,028,614	9,902,093
Insurance cost - equipments	9,171,368	10,196,488
Travelling and conveyance	2,820,436	2,753,239
Transportation	14,780,213	9,741,500
Rent expense	2,809,040	5,128,286
	641,225,856	721,426,939

12. ADMINISTRATIVE AND DISTRIBUTION EXPENSES

Salaries, wages and other staff benefits	31,596,653	31,604,120
Vehicle running costs	3,496,787	4,618,468
Travelling and conveyance	220,938	987,545
Depreciation expense	10,677,407	6,936,350
Legal and professional charges	3,291,715	2,272,396
Telephone, postage and fax charges	1,798,818	1,733,365
Advertisement and sales promotion	17,300	49,366
Printing and stationery	842,406	786,781
Insurance cost - vehicles	723,249	764,246
Training, meetings and tender participation	223,266	332,320
Donation	175,000	-
Software Development	113,299	108,506
Entertainment	1,133,216	1,398,076
Utilities	2,848,727	2,138,206
Security	1,513,883	1,059,891
Miscellaneous	217,110	305,495
	58,889,774	55,095,131

13. FINANCE COSTS

Financial cost on Diminishing Musharakah financing	41,643,038	75,879,123
Financial cost on liability against right to use assets	2,307,202	-
Financial cost on long term borrowing	4,420,708	-
Financial cost on Running Musharakah financing	1,859	-
Bank charges and commission	804,644	173,711
	49,177,451	76,052,834

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, 2020	Sep 30, 2019
	(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	-	18,130,055
Purchase of parts and services	53,328,115	106,540,157
Rental revenue	-	847,495
Apex Machinery (Private) Limited (Associated Company)		
Purchase of parts and services	4,066,786	5,013,021
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Income from ijarah assets	-	12,304,746
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	3,656,972	3,899,192

	Unaudited Sep 30, 2020	Audited Jun 30, 2020
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 43,999,997 (June 30, 2020: 43,999,997)	439,999,970	439,999,970
Payable to the Modaraba Management Company	12,561,198	11,300,000
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 151,931,073 (June 30, 2020: 151,931,073)	1,519,310,730	1,519,310,730
Payable against purchase of parts and services	485,091,075	621,019,184
Apex Machinery (Private) Limited (Associated Company)		
Payable against purchase of parts and services	8,400,414	14,166,639
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Ijarah rental receivable	2,425,308	12,194,513
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 3,734,868 (June 30, 2020: 3,734,868)	37,348,680	37,348,680

16. DATE OF AUTHORISATION

These financial statements were authorised in the meeting of the Board of Directors of the Management Company held on October 27, 2020.

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
Chairman

ALLIED  THE CAT RENTAL STORE

Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

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