

ALLIED  Rental
STORAGE

Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

EXPERIENCE THE DIFFERENCE

Quarterly Report September 2021



Contents

02	Company Information	
03	Director Report	
09	Director Report (Urdu)	
10	Condensed Interim Financial Position (Unaudited)	
11	Condensed Interim Profit and Loss Account (Unaudited)	
12	Condensed Interim Statement of Comprehensive Income (Unaudited)	
13	Condensed Interim Cash Flow Statement (Unaudited)	
14	Condensed Interim Statement of Changes in Equity (Unaudited)	
15	Notes to the Condensed Interim Financial Information (Unaudited)	

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, 2021

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, 2021.

Financial Highlights

Rs. in '000

Gross Revenue from operations	1,086,692
Net Revenue after Provincial Sales Tax	986,871
Net Profit for the period	105,166
Net profit margin	10.7%
Earning per certificate	Re. 0.48

Review of Operations

The Management is pleased to report that the Gross Revenue for the quarter ended Sept 2021 was recorded at Rs. 1,087 Million as compared to Rs. 902 Million of the corresponding period last year. On the business front, being the largest rental service provider in Pakistan with the strength of CATERPILLAR brand and focused and targeted marketing campaigns resulting in better outreach to our customers. The Modaraba was able to present stellar performance and closed at the Profits before tax for the period at of Rs.193.5 Million as compared to Rs 76.5 Million of previous period, growth of 152%. After making Provision of Tax of Rs 88 Million, the Net Profits after tax for the quarter ended is Rs 105.2 Mliion.

Revenue from Power Generation segment showed and upward trend of 23%, all sub-segments of power equipment's performed as per the benchmark set for the period. The segment was able to record better deployments of diesel generators especially large MW units. Similarly, gas segment also showed improvement in deployment and resulting in higher revenues, however this segment will continue to remain a challenge due to availability of gas to captive power units.

Sales from our Inbound and Outbound Logistics segment also showed upward trend and increased by 8%. Our customer base for this segment mainly comprises of blue-chip companies in the FMCG sector, including Nestle, Engro, Dalda, Schlumberger, Pakistan Tobacco Company, etc. However, the business is full of challenges due to competitive pricing from unorganized sector, non-implementation of regulatory regime on Motorways and highways for Axel Load Compliance resulting in the menace of Overloading and non-availability of skilled and reliable manpower.

Sales from our Machines and Cranes segment recovered as compared to last year and showed tremendous improvement. The revenue of the segment increased by 54%. The improvement is mainly due to various incentives by government in construction sector and new government-oriented projects. Infrastructure construction and CPEC projects are now back on track with both Government commitment and financial closures and available funding. We are presently working on Bhasha Dam, Jaglot - Skurdu Road, Thar Coal and Jamshoro Power Plant and Mityari Lahore Transmission Line (Project is completed and expected to be commissioned shortly). This sector presents excellent opportunities for the future in the wake of new DAM projects of Daimer 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.

The operating expense for the period increased by 11% to Rs. 713 Million for the period which is in line with increase in Sales, main increase is noted in Salaries and Wages of 24% compared to corresponding period last year which is again in line with increase in sales of 21%. Another main contributor to increase is the maintenance cost of rental fleet which is mainly due to Rupee depreciation and its impact on Consumables, Spare Parts and lube cost. Fleet vehicles running cost reduced by 2.4%. Depreciation for the period dropped by Rs. 10 Million compared to corresponding quarter as assets reached their residual values and due to lower investment levels in recent years.

Administrative and distribution expenses Reduced by Rs. 1 Million primarily due to better cost control initiative by the management. Markup costs went down by Rs. 15 Million in the current quarter, mainly on account of decrease in KIBOR Base rate.

TAXATION

Through Second Amendment Ordinance promulgated by the Honorable President of Pakistan on March 22, 2021, later on ratified through Finance Act 2021, the exemption available to Modaraba under clause 100 of the Second Schedule of the Income tax Ordinance, 2001 was revoked with effect from July 1, 2021. Consequently, Modaraba have made provision for taxation in the financial statements for the Period ended September 30, 2021. The Withholding tax deductible on the Services of the Modaraba are taxable as minimum under section 236Q & 153 (1)(b) at the rate 10%, 8% & 3% on Rental services, O&M Services and Transportation services respectively.

The 10% & 8% withholding tax rate is highly regressive and works out to a net taxable profit margin of 40% & 32% respectively, as per following chart:

Description		W/H @ 10%	W/H @ 8%	W/H @ 3%
Sales	A	100	100	100
Sales tax (Punjab Sales tax on Services) @ 16%	B	16	16	16
Total Sales	C=A+B	116	116	116
Withholding Tax	D = C x W/H Rate	11.6	9.28	3.48
Corporate tax rate	E	29%	29%	29%
Taxable Net Profit Margin	F = D / E	40%	32%	12%

Based on published statistics of our financial results, the last 5 year average Net Profit Margin works out to 10%, ranging from highs of 14% to lows 6% per annum and even achieving this margin in current macroeconomic environment is very challenging. This amply demonstrates that the WHT of 10% and 8% is highly regressive, discriminatory and tantamount of closure of this both Capital and Labor Intensive business, providing essential rental services to all industries and upcoming Power and Infrastructure projects in Pakistan.

Capital intensive businesses such as Rental Assets, either in Pakistan or in any part of the world, cannot generate 40% Taxable Profit in any year or either on a year-to-year basis consistently. This is extremely regressive and tantamount to closer of such businesses in Pakistan. Section 236Q is also not in line with the other 24 businesses classified under 3% withholding tax / Final Tax regime under section 153(1)(b).

In the Finance Bill 2021, Oilfield Services, Warehousing Services, Logistics Services, Collateral Management Services and Telecommunication Services are classified under reduced rate of 3%. Two similar nature of services, namely rent a car and transportation services are already included in the sixteen other services @ 3% Withholding tax rate. Rental of Machinery / asset is similar to these two services and it is discriminatory under section 236Q of Income Tax Ordinance 2000 to levy WHT at extremely higher rate. Further, oil transportation services (included in transportation services) have been further reduced to 2% withholding rate.

In this connection, we made presentations to Senate Standing Committee on Federal budget and Anomaly Committee set up FBR on Federal Budget 2021-22, both endorsed out contention for the reduction of WHT rates to FBR. Unfortunately, both recommendations of these august bodies didn't find positive response from FBR for unknown reasons. We believe that reducing the withholding tax rate of rental of Machinery is essential for the survival and growth of the Modaraba business / Rental business to sustain.

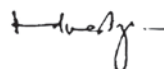
The Management will remain cautious and prudent for its investment strategy on all segments of the business, we expect the economy to bounce back in FY 2021-22, with renewed focus on CPEC projects and stimulus package by the Government, pushing industrial investment and growth. However, there are still uncertainties of COVID-19 and threat of emergence of new waves 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, 2021

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 22 - 2021 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

27 اکتوبر 2021

مر تاضی احمد علی

چیف ایگزیکٹو

ہمارا 10%، 8% اور 3% ودہولڈنگ ٹیکس ریٹ انتہائی رجعی ہے اور بالترتیب 32% اور 40% کے خالص قابل ٹیکس منافع پر کام کرتا ہے، جیسا کہ درج ذیل چارٹ میں ظاہر ہے۔

تفصیلات			ودہولڈنگ بحساب 10%	ودہولڈنگ بحساب 8%	ودہولڈنگ بحساب 3%
ایلز	اے	100	100	100	
ایلز ٹیکس (پنجاب خدمات پر ایلز ٹیکس) بحساب 16%	بی	16	16	16	
کل ایلز	سی = اے + بی	116	116	116	
ودہولڈنگ ٹیکس	ڈی = سی x ڈبلیو / اے	11.6	9.28	3.48	
کارپوریٹ ٹیکس ریٹ	ای	29%	29%	29%	
قابل ٹیکس خالص منافع مارجن	ایف = ڈی / ای	40%	32%	12%	

ہمارے مالیاتی نتائج کے شائع شدہ اعداد و شمار کی بنیاد پر، گزشتہ 5 سال کے اوسط خالص منافع کا مارجن 10% تک ہے، جو زیادہ سے زیادہ 14% اور کم سے کم 6% سالانہ کی رینج میں ہے اور موجودہ میکرو اکنامک کے ماحول میں اس مارجن کا حصول کسی چیخنج سے کم نہیں۔ اس سے واضح طور پر ظاہر ہے کہ 8% اور 10% ڈبلیو ایچ ٹی انتہائی رجعی ہے، غیر منصفانہ ہے اور سرمایہ اور مزدور دونوں مبنی کاروبار کی بندش کا سبب بنتا ہے جو تمام صنعتوں اور پاکستان میں آنے والے پاور اور انفراسٹرکچر کے منصوبوں کو اہم ریٹیل خدمات فراہم کر رہے ہیں۔

سرمایہ کاری کے محرک کاروبار جیسے ریٹیل اثاثہ جات، چاہے پاکستان میں ہوں یا دنیا کے کسی حصے میں، کسی سال میں اور نہ ہی سال بہ سال کی بنیاد پر مستحکم بنیادوں پر 40% قابل ٹیکس منافع حاصل نہیں کر سکتے۔ یہ انتہائی رجعی ہے اور پاکستان میں ایسے کاروبار کی بندش کا سبب بن سکتا ہے۔ سیکشن 236Q بھی 24 کاروباروں سے مطابقت نہیں رکھتا جن کو سیکشن [1][b] کے تحت 3% ودہولڈنگ ٹیکس / فاسٹ ٹیکس کی مد میں رکھا گیا ہے۔

اس سلسلے میں ہم نے سینٹ کی اسٹینڈنگ کمیٹی کو وفاقی بجٹ اور ایف بی آر کی قائم کردہ اناملی کمیٹی برائے وفاقی بجٹ 2021-22 کو پریزنٹیشن دیں، دونوں نے ودہولڈنگ ٹیکس کی شرح میں کمی کے تنازع کو ملاحظہ کے لئے ایف بی آر کو بھیج دیا۔ بد قسمتی سے نامعلوم وجوہات کی بنیاد پر ان دونوں باوقار اداروں کی سفارشات کا ایف بی آر کی جانب سے مثبت جواب نہیں آیا۔ ہمیں یقین ہے کہ مشینری کے ریٹیل پر ودہولڈنگ ٹیکس کی شرح میں کمی مضاربہ کے کاروبار / ریٹیل کاروبار کے بچاؤ، فروغ اور قائم رہنے کے لئے لازمی ہے۔

ہمارے داخلی اور خارجی لاجسٹکس کے شعبہ کی سبز تقریباً 8% کا اضافہ ہوا پر ہمارے بڑے گراہک، شلمبرجر کی محدود آپریشن ایکٹیویٹیز کی وجہ اس شعبہ میں ہمارے صارفین میں عام طور پر ایف ایم سی جی کے شعبہ میں بلیو چیس کمپنیز، نیسلے اینگرو، ڈالڈا، ناردرن بیورٹیز اور آئل اینڈ گیس کمپنی شلمبرجر اور کئی دیگر کمپنیاں شامل ہیں ہمارے مضبوط سیٹ اپ اور ایچ ایس ای رہنما ہدایات کی پیروی کے باعث صنعت میں اپنے خارجی لاجسٹکس کے لیے ہمیں قابل بھروسہ وینڈر کی حیثیت سے جانا جاتا ہے۔

تاہم کاروبار میں کئی چیلنج موجود ہیں جو غیر منظم شعبہ کی جانب سے مسابقتی قیمتوں، موٹرویز پر ضابطوں کی حدود پر عمل درآمد نہ ہونا اور ہائی ویز پرائیکسل لوڈ کی عدم پیروی کے نتیجے میں اور لوڈنگ کے خطرے اور ہنرمند اور بھروسے مند افرادی قوت کی عدم دستیابی جیسے مسائل پیش آتے ہیں۔

کاروباری عمل کو جاری رکھنے کے اخراجات افراط زر کے دباؤ کے باوجود 11% اضافہ کے ساتھ تقریباً 713 ملین روپے رہے۔ سبز تنخواہوں اور اجرتوں میں گزشتہ سال کے مقابلے میں 24% اضافہ ہوا ہے۔ جس کی وجہ سے ہماری سبز میں 21% کا اضافہ ہوا۔

ہمارے بیڑے کی گاڑیوں کے چلنے کے اخراجات 21% بڑھ گئے جس کی وجہ فیول کے ریٹس میں اضافہ تھی۔ اس مدت میں فرسودگی کے اخراجات گزشتہ سال اسی مدت کے مقابلے میں 10 ملین روپے کم ہوئے۔ جس کی بنیادی وجہ انتظامیہ کے اس سلسلے میں سخت اقدامات ہیں۔

انتظامی امور اور تقسیم کاری کے اخراجات پچھلے سال کے مقابلے میں 1 ملین روپے سے کم رہے۔ مارک اپ کے اخراجات 15 ملین روپے سے کم ہو گئے ہیں جس کی وجہ KIBOR پر مبنی ریٹس میں کمی تھی۔

ٹیکسیشن

سال کے دوران میں معزز صدر پاکستان کی جانب سے 22 مارچ 2021 کو نافذ کردہ اور بعد میں فنانس ایکٹ 2021 کے ذریعے توثیق شدہ دوسرے ترمیم شدہ آرڈیننس کے ذریعے آگم ٹیکس آرڈیننس کے سیکنڈ شیڈول کی شق 100 کے تحت مضاربہ کو حاصل استثنیٰ کو یکم جولائی 2021 سے منسوخ قرار دیا گیا ہے۔ مضاربہ کی سروسز پر قابل کٹوتی ٹیکس سیکشن 236Q اور (b)(1) 153 کے تحت بالترتیب ریٹیل سروسز، O&M اور ٹرانسپورٹیشن سروسز پر 10%، 8% اور 3% کی شرح سے ٹیکس ہے۔

ڈائریکٹرز کی رپورٹ

برائے مدتِ تختہ 30 ستمبر 2021

الائیڈ ریٹیل مضاربہ کی منتظمہ کمپنی الائیڈ انجینئرنگ منجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز اپنے سرٹیفکیٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے سہ ماہیِ تختہ 30 ستمبر 2021 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مالیاتی جھلکیاں	000 روپے میں
کاروباری عمل سے حاصل شدہ کل آمدنی	1,086,692
خالص منافع بعد از صوبائی سیز ٹیکس	986,871
مذکورہ مدت کا منافع	105,166
خالص منافع کا فرق	10.7%
فی سرٹیفکیٹ آمدنی	Re. 0.48

کاروباری عمل کا جائزہ

انتظامیہ کہ یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ ستمبر 2021 کو ختم ہونے والی سہ ماہی میں کل آمدنی 1,087 ملین روپے ریکارڈ کی گئی جبکہ گزشتہ سال اسی مدت کی آمدنی 902 ملین روپے تھی۔ کاروبار میں فوسسڈ اور ٹارگیٹڈ مارکیٹنگ اور CATERPILLAR برانڈ کے ساتھ پاکستان میں سب سے بڑا ریٹیل سروس فرم کنندہ ہونے کے ناطے ہمیں صارفین تک بہتر رسائی حاصل ہوتی ہے۔ مضاربہ شاندار کارکردگی پیش کرنے میں کامیاب رہا ہے اور گزشتہ مدت کے 76.5 ملین روپے کے مقابلے میں 193.5 ملین روپے کا ٹیکس سے پہلے کا منافع حاصل ہوا ہے۔ جو کہ گزشتہ سے 152% زیادہ ہے۔ 88 ملین روپے کے ٹیکس کے بعد خالص مالی منافع 105.2 ملین روپے ہے۔

پاور جنریشن کے شعبے کی سیز میں 23% کا اضافہ ہوا اور اپنے مقرر کردہ ہدف کے مطابق کارکردگی کی، یہ شعبہ ڈیزل جنریٹرز خصوصاً بڑے میگا واٹ یونٹس کی بہتر فراہمی پیش کرتا ہے اسی طرح گیس کے جنریٹرز کی تعیناتی بہتر رہی اور زیادہ آمدنی حاصل ہوئی، تاہم گیس جنریٹرز کے شعبے کو کمپنی پاور یونٹس کو گیس کی دستیابی کے سبب چیلنج کا سامنا رہے گا۔

Condensed Interim Financial Position (Unaudited)

As at September 30, 2021

	Note	Unaudited Sep 30, 2021	Audited Jun 30, 2021 (Rupees)
ASSETS			
Current assets			
Cash and bank balances		313,240,361	117,119,860
Ijarah rentals receivable		1,140,948,257	1,168,468,030
Operation and maintenance income receivable		38,088,263	26,856,560
Advances, deposits, prepayments and other receivable		722,165,608	739,585,113
Spare parts		180,698,010	163,139,692
		2,395,140,499	2,215,169,255
Non-current assets			
Long-term security deposits		50,000	50,000
Fixed assets in own use - tangible		181,687,274	190,716,695
Intangible asset for own use		912,778	1,026,875
Ijarah assets	6	5,782,001,028	5,891,181,931
Capital work-in-progress		67,240,136	20,807,985
		6,031,891,217	6,103,783,486
Total assets		8,427,031,716	8,318,952,741
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities		951,137,502	740,028,310
Contract Liabilities (Advance from customers)		66,004,691	68,054,519
Dividend Payable		331,134,696	1,134,696
Payable to the Modaraba Management Company		10,750,423	10,788,100
Current portion of Diminishing Musharakah financing payable	7	603,666,608	636,194,123
Current portion of long-term borrowings		175,911,113	179,562,908
Current maturity of liability against right of use assets		14,583,333	14,166,667
Current portion of security deposits		25,200,000	25,758,732
		2,178,388,366	1,675,688,055
Non-current liabilities			
Diminishing Musharakah financing payable - secured	7	592,379,193	720,780,585
Long-term borrowings		48,394,372	85,596,156
Liability against right of use assets		33,908,082	38,091,892
Deferred liability for staff gratuity		109,060,825	109,060,825
Other long-term employee benefits		24,052,311	24,052,311
		807,794,783	977,581,769
Total liabilities		2,986,183,148	2,653,269,824
NET ASSETS			
		5,440,848,567	5,665,682,917
FINANCED BY : CAPITAL AND RESERVES			
Authorised certificate capital			
250,000,000 (Jun 2021 : 250,000,000) 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		1,872,085,044	1,872,085,044
Unappropriated profit		113,051,023	337,885,373
		5,440,848,567	5,665,682,917

CONTINGENCIES AND COMMITMENTS

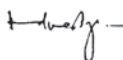
8

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
Chairman

Condensed Interim Profit and Loss Account (Unaudited)

For the three months period ended September 30, 2021

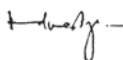
	Note	Three months period ended	
		Sep 30, 2021	Sep 30, 2020
		(Rupees)	
Ijarah rentals	9	950,248,975	787,221,688
Operation and maintenance income	10	36,622,037	34,323,787
		986,871,012	821,545,474
Operating expenses	11	(714,208,146)	(641,225,856)
Gross Profit		272,662,867	180,319,619
Administrative and distribution expenses	12	(58,138,506)	(58,889,774)
Provision against potential Ijarah losses and operation and maintenance income		-	-
Finance costs	13	(34,141,715)	(49,177,451)
Other income		17,024,340	4,259,172
		(75,255,882)	(103,808,053)
		197,406,985	76,511,566
Modaraba Management Company's remuneration		-	-
		197,406,985	76,511,566
Workers' welfare fund		(3,870,725)	-
Profit for the period before taxation		193,536,260	76,511,566
Taxation	14	(88,370,610)	-
Profit for the period after taxation		105,165,650	76,511,566
Earnings per certificate - basic & diluted		0.48	0.35

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, 2021

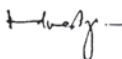
	Three months period ended	
	Sep 30, 2021	Sep 30, 2020
	(Rupees)	
Profit for the period after taxation	105,165,650	76,511,566
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>105,165,650</u>	<u>76,511,566</u>

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, 2021

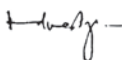
	Three months period ended	
	Sep 30, 2021	Sep 30, 2020
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	105,165,650	76,511,566
Adjustments for non-cash charges and other items:		
Depreciation	114,441,423	128,632,376
Financial charges including bank charges	34,141,715	49,177,451
Loss/(Profit) on disposal of assets	(4,425,635)	778,046
	249,323,152	255,099,439
(Increase) / decrease in assets		
Ijarah rentals receivable	27,519,773	92,471,830
Operation and maintenance income receivable	(11,231,703)	2,232,026
Advances, deposits and other receivable	17,419,505	176,750,199
Spare parts	(17,558,318)	(4,279,614)
	16,149,257	267,174,442
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	209,286,813	(154,549,158)
Contract Liabilities (Advance from customers)	(2,049,828)	-
Payable to the Modaraba Management Company	(37,677)	1,261,198
Security Deposits	(558,732)	(20,082,951)
	206,640,575	(173,370,911)
Cash generated from / (utilized in) operations	222,789,832	93,803,531
Gratuity paid	-	-
Compensated absence paid	-	-
Financial charges paid	(32,319,336)	(50,517,585)
Net cash flows from operating activities	439,793,648	298,385,385
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(61,146,178)	(34,343,823)
Proceeds from disposal of Ijarah assets	23,022,659	28,179,060
Net cash flows from investing activities	(38,123,519)	(6,164,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharakah financing availed	-	-
Long term borrowing availed	-	109,474,616
Repayment of long term borrowing	(40,853,579)	-
Repayment of lease liability against ROU assets	(3,767,144)	(2,131,298)
Repayment of Diminishing Musharakah financing	(160,928,907)	(110,853,541)
Net cash flows from financing activities	(205,549,630)	(3,510,223)
Net (decrease)/increase in cash and cash equivalents	196,120,501	288,710,399
Cash and cash equivalents at the beginning of the period	117,119,860	92,916,094
Cash and cash equivalents at the end of the period	313,240,361	381,626,493

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, 2021

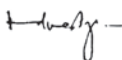
	Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve (Rupees)	Un-appropriated profit	Total
Balance as at June 30, 2020	2,200,000,000	1,255,712,500	1,685,840,464	210,165,455	5,351,718,419
Total comprehensive income for the three months period ended 30 September 2020	-	-	-	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	2,200,000,000	1,255,712,500	1,685,840,464	121,677,021	5,263,229,985
Balance as at June 30, 2021	2,200,000,000	1,255,712,500	1,872,085,044	337,885,373	5,665,682,917
Total comprehensive income for the three months period ended 30 September 2021	-	-	-	105,165,650	105,165,650
Profit distribution for the year ended June 30, 2021 @ Rs. 1.50 per certificate	-	-	-	(330,000,000)	(330,000,000)
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2021	2,200,000,000	1,255,712,500	1,872,085,044	113,051,023	5,440,848,567

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 September 30, 2021

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 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 2021.

2.3 The comparative balance sheet presented in these condensed interim financial information as at 30 June 2021 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2021, 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 2021.

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 2021.

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 2021.

6 **Ijarah assets - at cost less accumulated depreciation**

	(Unaudited) September 30, 2021			
	Generators and related equipments	Logistics vehicles	Machines	Total
At 01 July 2021	----- (Rupees) -----			
Cost	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated depreciation	<u>(3,509,210,653)</u>	<u>(725,961,096)</u>	<u>(463,407,485)</u>	<u>(4,698,579,234)</u>
Net book value	3,515,520,231	1,361,471,560	1,014,190,140	5,891,181,931
Additions	6,885,347	-	-	6,885,347
Disposals				
Cost	<u>(17,746,753)</u>	<u>-</u>	<u>(10,239,902)</u>	<u>(27,986,655)</u>
Accumulated depreciation	<u>8,209,229</u>	<u>-</u>	<u>6,849,633</u>	<u>15,058,862</u>
	(9,537,524)	-	(3,390,269)	(12,927,793)
Depreciation charge for the year	<u>(59,930,333)</u>	<u>(17,686,166)</u>	<u>(25,521,958)</u>	<u>(103,138,457)</u>
Closing net book value	<u>3,452,937,721</u>	<u>1,343,785,394</u>	<u>985,277,913</u>	<u>5,782,001,028</u>
At 30 September 2021				
Cost	7,013,869,478	2,087,432,656	1,467,357,723	10,568,659,857
Accumulated depreciation	<u>(3,560,931,757)</u>	<u>(743,647,262)</u>	<u>(482,079,810)</u>	<u>(4,786,658,829)</u>
Net book value	<u>3,452,937,721</u>	<u>1,343,785,394</u>	<u>985,277,913</u>	<u>5,782,001,028</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

	(Audited) June 30, 2021			
	Generators and related equipments	Logistics vehicles	Machines	Total
At 01 July 2020	----- (Rupees) -----			
Cost				
Accumulated depreciation	7,128,336,301	2,183,943,055	1,292,842,081	10,605,121,437
Net book value	<u>(3,371,402,855)</u>	<u>(768,054,972)</u>	<u>(345,324,791)</u>	<u>(4,484,782,618)</u>
	3,756,933,446	1,415,888,083	947,517,290	6,120,338,819
Additions				
	295,671,683	158,195,968	118,574,924	572,442,575
Disposals / Adjustments				
Cost				
Accumulated depreciation	<u>(399,277,100)</u>	<u>(150,616,920)</u>	<u>(37,908,827)</u>	<u>(587,802,847)</u>
	169,058,065	27,924,258	6,910,514	203,892,837
Transfer during the period	<u>(230,219,035)</u>	<u>(122,692,662)</u>	<u>(30,998,313)</u>	<u>(383,910,010)</u>
Cost				
Accumulated depreciation	<u>-</u>	<u>(104,089,447)</u>	<u>104,089,447</u>	<u>-</u>
	<u>-</u>	<u>38,517,564</u>	<u>(38,517,564)</u>	<u>-</u>
	<u>-</u>	<u>(65,571,883)</u>	<u>65,571,883</u>	<u>-</u>
Impairment during the year	(19,432)	-	(567,000)	(586,432)
Depreciation charge for the year	<u>(306,846,431)</u>	<u>(24,347,946)</u>	<u>(85,908,644)</u>	<u>(417,103,021)</u>
Closing net book value	<u>3,515,520,231</u>	<u>1,361,471,560</u>	<u>1,014,190,140</u>	<u>5,891,181,931</u>
At 30 June 2021				
Cost				
Accumulated depreciation	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated impairment losses	<u>(3,509,191,221)</u>	<u>(725,961,096)</u>	<u>(462,840,485)</u>	<u>(4,697,992,802)</u>
Net book value	<u>(19,432)</u>	<u>-</u>	<u>(567,000)</u>	<u>(586,432)</u>
	<u>3,515,520,231</u>	<u>1,361,471,560</u>	<u>1,014,190,140</u>	<u>5,891,181,931</u>
Life (Years)	<u>2 to 24</u>	<u>8</u>	<u>8 to 10</u>	

	Unaudited Sep 30, 2021	Audited Jun 30, 2021 (Rupees)
7 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED		
Musharakah financing	1,196,045,801	1,356,974,708
Due within one year	<u>(603,666,608)</u>	<u>(636,194,123)</u>
	<u>592,379,193</u>	<u>720,780,585</u>
7.1 Financing from banking and financial institutions	1,196,045,801	1,351,518,458
Financing from modarabas	-	<u>5,456,250</u>
	<u>1,196,045,801</u>	<u>1,356,974,708</u>

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

Contingencies outstanding as at 30 September 2021 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.

Commissioner (Appeals) 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 officer's grounds to charge tax under the category of "Contractual execution of work or furnishing supplies".

The Modaraba and the Assistant commissioner had filed appeals against the said order in ATIR. ATIR issued an Order No. AT 56/2019 dated 13 November 2019 setting aside both the orders in original no. 457/2018 and order in appeal no. 89/2019 and held that the services of "operation and maintenance" neither fell within the ambit of tariff heading "Contractual execution of work or furnishing supplies" nor "Commodity or equipment leasing". Both the appeals were allowed and the case was remanded to the assessing officer to hear the parties afresh. Tribunal required the assessing officer to first determine the actual nature of services provided or rendered by the tax payer and then to invoke proper tariff heading under which such services falls for the purpose of taxing the services provided or rendered by the tax payer and consider available exemption notifications and allow the benefits of the same to the tax payer if applicable. The officer through the letter dated 24 December 2019, had initiated the remand back proceedings.

During the year, an Order-in-Original No. 34 of 2020 dated 27 February 2020 was passed on an ex-parte basis whilst finalizing the matter remanded back by the ATIR in its Order dated 13 November 2019. In the said order, the Officer changed the earlier stance and now concluded that 'Operating and Maintenance' services provided by the company are taxable under "Others, including the services provided or rendered by non-banking, finance companies, modaraba and musharaka companies and other financial institutions" of the Second Schedule to the Sindh Sales Tax on Services Act, 2011.

The Modaraba has filed an appeal before Commissioner (Appeals) and as per the opinion of the tax advisor, Modaraba will obtain a favorable outcome.

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 favor 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 11 to these financial statements.

8.1.3 The Commissioner had 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. 154.64 million respectively. Modaraba filed an appeal with Commissioner (Appeal) (which is yet to be fixed) and paid ten percent of the demanded amounts.

During the year, the Modaraba received notices for the tax years 2016 and 2017 demanding sales tax amounting to Rs. 48.77 million in respect of disposal of ijarah assets during the year ended 2016 and 2017 against aggregate sales value of Rs. 286.88 million.

The appeal before the CIR (A) filed vide the letter DST 055 dated July 18 in respect of sales tax on disposal of ijarah asset, earlier heard, was re-fixed on January 20, 2020 when the matter was partly heard. However, the appeal is expected to be re-fixed due to the transfer of CIR (A). The Allied Rental believes that the outcome of the appeal will be in favor of the Modaraba and hence no provision has been made in these financial statements in respect of the sales tax on disposal of ijarah assets during the tax year 2014 and 2015.

For Sales tax on disposal of Ijarah asset for the tax year 2016 and 2017 the appeal was finalized vide Order No. OIR/Enforcemnet-1/S/2020/48/03 dated February 2, 2021 demanding sales tax of Rs. 48.769 million along with penalty under section 33(5) of Rs 2.438 million. The Modaraba has submitted payment under protest of Rs. 5.181 million (adjusted from income tax refundable) and filed an appeal against the above order before the ATIR which is pending hearing.

The Management, in consultation with its tax advisor, believes that the outcome of the appeal will be in favor of the Modaraba and hence no provision has been made in these financial statements.

8.1.4 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 favor of the Modaraba and hence no provision has been made in these financial statements.

8.1.5 Additional Commissioner Inland Revenue (ACIR) issued an order DC No. 02/29 dated 07 October 2020. The order states that the scrutiny of return and monthly/ annual statements filed by the Modaraba for the tax year 2015 shows that the Modaraba has not deducted / partially deducted taxes from the payments against expenses made during the year. In the order, short deductions of tax was calculated on the entire amount of the expenditures of Rs. 1.346 billion claimed under various heads by applying highest rates / withholding tax rates, calculating total tax deductible of Rs. 232.83 million along with the default surcharge u/s 205 @ 18% of Rs. 41.91 million (demanding total tax payable along with the default surcharge of Rs. 274.74 million from the Modaraba).

The Modaraba has filed an appeal against the order in the Sindh High Court and a stay order in this regard has been obtained. The appeals were heard on 12 February 2021 and later on 4 May 2021, however, order is still awaited. The management, based on its lawyer/tax advisor's view, is of the view that the appeal filed by the Modaraba will be adjudicated in its favor.

8.1.6 The Additional Commissioner Inland Revenue, through the order dated 30 December 2020 has amended the return filed for the tax year 2018. The order was based on the following references:

The ACIR has rejected the exemption under clause 100 Part I of Second schedule to the Ordinance and imposed tax @ 30% on the income of Rs. 1.342 billion. The rejection is alleged on the premise that the amount transferred to Statutory Reserve is not as that prescribed under the prudential regulations for Modarabas.

The Modaraba's tax deductions under section 148(1) of the Ordinance amounting to Rs. 40.93 million is a tax under the final tax regime of section 148(7) of the Ordinance. This was based on the inference that income for this year is not exempt as the conditions were not met and as such tax collected under section 148 is alleged to be final tax.

Credit of taxes claimed for taxes paid / deducted aggregating to Rs. 142.66 million has been disallowed pending the provision of evidence.

After taking into account the above, taxable income of Rs. 1.342 billion has been assessed and income tax of Rs. 350.25 million has been demanded.

Appeals have been filed by the Modaraba before the tax authorities and an application has been filed with the Sindh High Court in this regard for a stay order. The CIR(A) vide its appellate order no 51e dated May 25, 2021 issued under section 29 of the ordinance has adjudicated on the Company's appeal. The Modaraba has now filed an appeal on the adjudication before ATIR which is pending hearing, however stay has been granted by ATIR till August 21, 2021.

Management is confident, based on the merits of the case and on the basis of its tax advisor's views that the above matter shall be decided in its favor.

8.2 Commitments

8.2.1 Contractual rentals receivable on Ijarah contracts

(Unaudited) September 30, 2021			(Audited) June 30, 2021		
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	15,487,500	10,705,000	26,192,500	51,675,000	10,705,000	62,380,000
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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, 2021	Sep 30, 2020

(Rupees)

9 IJARAH RENTALS - Net

Ijarah Rentals	1,045,984,938	863,661,821
Less : Sales Tax	(95,735,963)	(76,440,133)
	950,248,975	787,221,688

10 OPERATION AND MAINTENANCE INCOME - Net

Operation and Maintenance Income	40,707,263	38,271,023
Less : Sales Tax	(4,085,226)	(3,947,236)
	36,622,037	34,323,787

11 OPERATING EXPENSES

Salaries, wages and other staff benefits	265,311,172	212,752,169
Depreciation expense	107,640,870	117,954,969
Repairs and maintenance cost	101,241,798	64,289,258
Fleet vehicles running cost	199,136,960	206,619,789
Vehicles running cost	12,207,338	10,028,614
Insurance cost - equipments	11,651,608	9,171,368
Travelling and conveyance	2,328,583	2,820,436
Transportation	11,699,400	14,780,213
Rent expense	2,990,417	2,809,040
	714,208,146	641,225,856

12 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

Salaries, wages and other staff benefits	33,816,691	31,596,653
Vehicle running costs	4,533,739	3,496,787
Travelling and conveyance	417,135	220,938
Depreciation expense	6,800,553	10,677,407
Legal and professional charges	2,833,318	3,291,715
Telephone, postage and fax charges	1,786,194	1,798,818
Advertisement and sales promotion	100,660	17,300
Printing and stationery	1,051,656	842,406
Insurance cost - vehicles	193,893	723,249
Training, meetings and tender participation	517,863	223,266
Donation	50,000	175,000
Software Development	-	113,299
Entertainment	1,263,280	1,133,216
Utilities	3,542,135	2,848,727
Security	1,132,495	1,513,883
Miscellaneous	98,894	217,110
	58,138,506	58,889,774

Three months period ended	
Sep 30, 2021	Sep 30, 2020
(Rupees)	

13 FINANCE COSTS

Financial cost on Diminishing Musharakah financing	26,944,227	41,643,038
Financial cost on liability against right to use assets	1,154,135	2,307,202
Financial cost on long term borrowing	5,418,575	4,420,708
Financial cost on Running Musharakah financing	57,006	1,859
Bank charges and commission	567,772	804,644
	34,141,715	49,177,451

14 TAXATION

Through Second Ammendment Ordinance promulgated by the Honorable President of Pakistan on March 22, 2021, later on ratified through Finance Act 2021, the exemption available to Modaraba under clause 100 of the Second Schedule of the Income tax Ordinance, 2001 was revoeked with effect from July 1, 2021. Consequently, Modaraba have made provision for taxation in the financial statements for the Period ended September 30, 2021.

The Withholding tax deductible on the Services of the Modaraba are taxable as minimum under section 236Q & 153 (1)(b) at the rate 10%, 8% & 3% on Rental services, O&M Services and Transportation services respectively.

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, 2021	Sep 30, 2020
	(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	24,561,794	-
Purchase of parts and services	90,151,029	53,328,115
Rental revenue	-	-
Apex Machinery (Private) Limited (Associated Company)		
Purchase of parts and services	4,701,761	4,066,786
Allied E-Commerce Solutions (Private) Limited (Associated Company)		
Income from ijarah assets	-	-
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	3,833,290	3,656,972
	Unaudited	Audited
	Sep 30, 2021	Jun 30, 2021
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 43,999,997 (June 30, 2021: 43,999,997)	439,999,970	439,999,970
Payable to the Modaraba Management Company	10,750,423	10,788,100
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 151,931,073 (June 30, 2021: 151,931,073)	1,519,310,730	1,519,310,730
Payable against purchase of parts and services	542,132,965	425,484,687
Apex Machinery (Private) Limited (Associated Company)		
Payable against purchase of parts and services	169,144	21,550,405
Allied E-Commerce Solutions (Private) Limited (Associated Company)		
Payable against miscellaneous expenses	15,267	54,791
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 3,734,868 (June 30, 2021: 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, 2021.

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 Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

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