



Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited



Progress anchored in tradition

Quarterly Report September 2022

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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 Zulqamain Jafri
Business Unit Head - Power

Mr. Ali Ahsan
Business Unit Head - Logistics

Mr. Rashid Jehangiri
Business Unit Head - MHE, Machines and Cranes

Mr. Ali Ammar
Business Administrator

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

Meezan Bank Limited

Dubai Islamic Bank

Bank Al Habib Limited

Auditors

AF. Ferguson & 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,
Sadder, Karachi.

Tel: 021-35662023-24

Fax:021-35221192

Directors' Report

For the period ended September 30, 2022

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, 2022.

Financial Highlights	Rs in '000
Gross Revenue from operations	1,390,655
Net Revenue after Provincial Sales Tax	1,249,212
Net Profit for the period	150,192
Net profit margin	12%
Earning per certificate	Re. 0.68

Review of Operations

We are pleased to report that despite the overall economy facing difficult times and adjoined by fiscal issue, devaluation of Currency, ban of imports and various other matters confronting the industry, the modaraba was able to sustain its growth trend. Both revenue and profitability showed positive movements and during the three months period the Revenue increased by 27% to Rs. 1,249 million from Rs. 987 million in the corresponding period last year.

Revenue from Power Generation segment showed an upward trend of 35%, all sub-segments of rental power performed as per the benchmark set for the period. However, Gas Rental Power Segment will suffer lower revenues due to availability of gas to captive power units in the winter months. Sales from our Outbound Logistics segment also showed upward trend and increased by 42%, mainly due to increase in the price of fuel. However, the business is full of challenges due to competitive pricing from unorganized sector, non-implementation of regulatory regime on Motorways and highways for Axle Load Compliance resulting in the menace of Overloading and non-availability of skilled and reliable manpower.

Sales from our Machines and Cranes segment was adversely affected by the floods in the last quarter, resulting in lower utilization of the Machines. Machine rental is very challenging business again due to market dominated by unorganized sector with extremely low-quality product and lack of skilled workforce.

The operating expense for the period increased by 28% to Rs. 899 Million for the period which is in line with increase in Sales, main increase is noted in Fleet vehicle due to increase in price of fuel. Similarly, administrative and distribution expenses increased by 20% compared to corresponding period last year which is in line with increase in sales. Markup costs went up by 9 Million in the current period, mainly on account of increase in KIBOR Base rate.

As the tax exemption available to Modaraba has been withdrawn, a tax charge of Rs. 80 Million have been booked in the Profit and loss account. This includes Rs. 65 Million as Current Tax for the year and Rs. 15 Million for deferred tax liability arising due to timing differences.

Restructuring of the Modaraba

As mentioned in previous annual and quarterly reports pursuant to withdrawal of the Tax Exemption on Modarabas from July 1, 2021, the Board in its meeting held on September 7, 2021 re-analyzed the strategy of continuing to operate the business under the legal structure of a Modaraba. It was discussed at the Board Meeting and the Board advised the Management to explore the opportunities of conversion of the Modaraba to two Private Limited entities to reduce the burden of regulatory compliance and accordingly reduce the cost of doing business. During the Financial year 2022, the draft scheme of arrangement was finalized and submitted to the SECP - Registrar Modarabas for its approval. The SECP vide a letter no. SC/M/PRDD/Allied/2022-RS 49 / 134 dated June 23, 2022 has issued a no objection certificate (NOC) on the scheme of arrangement. The draft Scheme was also approved by Competition Commission of Pakistan – CCP on August 1, 2022.

Upon successfully obtaining NOCs from all the creditors, the Modaraba have filed the petition with the Honorable Sindh High Court in the Month of October 2022, the first hearing at the Honorable Sindh High Court on the Petition was held on October 19, 2022, whereby, the petition was admitted and court instructed to issue notices to the petitioners. The Modaraba management company expects to get approval from the Sindh High Court, the Certificate Holders, and the other relevant authorities before December 31, 2022.

Going Concern Assumption of the Modaraba - Consequent to the above proposed resolution by the Board of Directors of the Modaraba Management Company, the Modaraba is no longer considered to be a going concern as the business of the Modaraba will in its entirety be transferred to two separate entities. The management intends to carry out transfer of assets and liabilities at the carrying values of assets and liabilities appearing in the books of Modaraba at the date of transfer subject to the approval of the relevant authorities.

We would like to highlight that no adjustments have been made in the carrying value of assets and liabilities held by the Modaraba and the classifications of balances between long-term and short-term have not been adjusted as the transaction is at the preliminary stage, subject to the final approval of High Court of Sindh and the businesses and balances will be transferred on going concern basis at the carrying values.

Further, since more than 90 percent of the certificates are held by the associates and the group companies by virtue of which this transaction will be considered as a transaction under common control and will be accounted for as predecessor accounting in accordance with the requirements of “Accounting for Common Control Transactions” standard (which specifies the accounting for common control transactions) issued by the

Securities and Exchange Commission of Pakistan (SECP). The management believes that in cases where there is insignificant non-controlling interest, the receiving entity will be carrying out predecessor accounting whereby assets and liabilities appearing in the books of Modaraba will be transferred at the same values on the date of transfer. Therefore, there is no potential impact that requires adjustment to the carrying values and classification of assets and liabilities currently being carried in the books of the Modaraba as at the reporting date as a result of Modaraba no longer being a going concern.

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 2022-23, with renewed focus on CPEC and major infrastructure projects, pushing industrial investment and growth.

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 24, 2022

انتظامیہ کاروبار کے تمام شعبوں پر اپنی سرمایہ کاری کی حکمت عملی کے لیے محتاط اور ہوشیار رہے گی، ہم توقع کرتے ہیں کہ مالی سال 2022-23 میں معیشت میں واپسی آئے گی، CPEC اور بڑے بنیادی ڈھانچے کے منصوبوں پر نئے سرے سے توجہ دی جائے گی، صنعتی سرمایہ کاری اور نمو کو آگے بڑھایا جائے گا۔

ہم ہمیشہ صارفین کی اطمینان پر خصوصی توجہ دینے کی کوشش کرتے ہیں، اس عمل میں اس بات کو بھی یقینی بناتے ہیں کہ ہم اپنے تمام کاروباری لین دین میں ہمیشہ اسلامی شرعی اصولوں کی پیروی کریں۔

اعتراف

بورڈر رجسٹرار مضارب، ڈائریکٹر مضاربہ اور ایس ای سی پی میں ان کے معاون عملے، مذہبی بورڈ، بینکرز، صارفین اور اس کے کاروباری شراکت داروں کے مسلسل تعاون اور رہنمائی کے لیے ان کا تہہ دل سے شکریہ ادا کرنا چاہتا ہے۔

منجانب بورڈ
—
مرتضی احمد علی
چیف ایگزیکٹو

24 اکتوبر 2022

تمام قرض دہندگان سے کامیابی کے ساتھ NOC حاصل کرنے کے بعد، مضاربہ نے اکتوبر 2022 کے مہینے میں معزز سندھ ہائی کورٹ میں درخواست دائر کی، درخواست پر معزز سندھ ہائی کورٹ میں پہلی سماعت 19 اکتوبر 2022 کو ہوئی، جس کے تحت، درخواست منظور کرتے ہوئے عدالت نے درخواست گزاروں کو نوٹس جاری کرنے کی ہدایت کی۔ مضاربہ بینجمنٹ کمپنی کو توقع ہے کہ وہ 31 دسمبر 2022 سے پہلے سندھ ہائی کورٹ، سرٹیفکیٹ ہولڈرز اور دیگر متعلقہ حکام سے منظوری حاصل کر لے گی۔

مضاربہ کے بارے میں تشویش کا مفروضہ۔ مضاربہ بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کی مذکورہ تجویز کردہ قرارداد کے نتیجے میں، مضاربہ کو مزید تشویش کا باعث نہیں سمجھا جائے گا کیونکہ مضاربہ کا کاروبار مکمل طور پر دو الگ الگ اداروں میں منتقل ہو جائے گا۔ اداروں انتظامیہ متعلقہ حکام کی منظوری سے مشروط منتقلی کی تاریخ پر مضاربہ کی کتابوں میں ظاہر ہونے والے اثاثوں اور واجبات کی قیمتوں کے مطابق اثاثوں اور واجبات کی منتقلی کا ارادہ رکھتی ہے۔

ہم اس بات کو اجاگر کرنا چاہتے ہیں کہ مضاربہ کے پاس موجود اثاثوں اور واجبات کی کیریئرنگ ویلیو میں کوئی ایڈجسٹمنٹ نہیں کی گئی ہے اور طویل مدتی اور مختصر مدت کے درمیان بیلنس کی درجہ بندی کو ایڈجسٹ نہیں کیا گیا ہے کیونکہ لین دین ابتدائی مرحلے پر ہے، موضوع سندھ ہائی کورٹ کی حتمی منظوری تک اور کاروبار اور بیلنس کو متعلقہ اقدار کی بنیاد پر منتقل کیا جائے گا۔

مزید برآں، چونکہ 90 فیصد سے زیادہ سرٹیفکیٹس ایسوسی ایٹس اور گروپ کمپنیوں کے پاس ہیں جن کی وجہ سے اس لین دین کو مشترکہ کنٹرول کے تحت ایک لین دین کے طور پر سمجھا جائے گا اور "اکاؤنٹنگ" کے تقاضوں کے مطابق پیشرو اکاؤنٹنگ کے طور پر حساب کیا جائے گا۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی طرف سے جاری کردہ کامن کنٹرول ٹرانزیکشنز کے لیے "معیار" (جو مشترکہ کنٹرول ٹرانزیکشنز کے لیے اکاؤنٹنگ کی وضاحت کرتا ہے)۔ انتظامیہ کا خیال ہے کہ ایسے معاملات میں جہاں غیر کنٹرول کرنے والی دلچسپی بہت کم ہے، وصول کرنے والا ادارہ پیشگی حساب کتاب کرے گا جس کے تحت مضاربہ کی کتابوں میں ظاہر ہونے والے اثاثے اور واجبات کو منتقلی کی تاریخ پر انہی اقدار پر منتقل کیا جائے گا۔ اس لیے، ایسا کوئی ممکنہ اثر نہیں ہے جس کے لیے مضاربہ کی کتابوں میں اس وقت لے جانے والے اثاثوں اور واجبات کی درجہ بندی میں ایڈجسٹمنٹ کی ضرورت ہو جیسا کہ رپورٹنگ کی تاریخ میں مضاربہ کے نتیجے میں اب کوئی تشویش نہیں ہے۔

ہماری مشینوں اور کریمنوں کے حصے کی فروخت پچھلی سہ ماہی میں سیلاب سے بری طرح متاثر ہوئی، جس کے نتیجے میں مشینوں کا کم استعمال ہوا۔ انتہائی کم معیار کی مصنوعات اور ہنرمند افرادی قوت کی کمی کے ساتھ غیر منظم شعبے کے زیر تسلط مارکیٹ کی وجہ سے مشین کرایہ پر لینا ایک بار پھر بہت مشکل کاروبار ہے۔

اس مدت کے لیے آپریٹنگ اخراجات 28 فیصد سے بڑھ کر 899 ملین روپے ہو گئے۔ اس مدت کے لیے جو سیلز میں اضافے کے مطابق ہے، ایندھن کی قیمت میں اضافے کی وجہ سے فلیٹ گاڑیوں میں اہم اضافہ نوٹ کیا گیا ہے۔ اسی طرح انتظامی اور تقسیمی اخراجات میں گزشتہ سال کی اسی مدت کے مقابلے میں 20 فیصد اضافہ ہوا جو کہ فروخت میں اضافے کے مطابق ہے۔ موجودہ مدت میں مارک اپ کی لاگت میں 9 ملین کا اضافہ ہوا، بنیادی طور پر KIBOR بنیادی شرح میں اضافے کی وجہ سے۔

چونکہ مضاربہ کو دستیاب ٹیکس اسٹنٹی واپس لے لیا گیا ہے، اس لیے منافع اور نقصان کے کھاتے میں 80 ملین روپے کا ٹیکس چارج ہو چکا ہے۔ اس میں 65 ملین روپے بطور موجودہ ٹیکس اس سال کے لیے شامل ہیں۔ اور 15 ملین روپے موخر ٹیکس کی ذمہ داری کے لیے ہیں۔

مضاربہ کی تنظیم نو

جیسا کہ یکم جولائی 2021 سے مضاربہ پر ٹیکس اسٹنٹی واپس لینے کے سلسلے میں پچھلی سالانہ اور سہ ماہی رپورٹس میں ذکر کیا گیا ہے، بورڈ نے 7 ستمبر 2021 کو ہونے والے اپنے اجلاس میں قانونی ڈھانچے کے تحت کاروبار کو جاری رکھنے کی حکمت عملی کا ازمز نو تجزیہ کیا۔ مضاربہ بورڈ مینٹنگ میں اس پر تبادلہ خیال کیا گیا اور بورڈ نے انتظامیہ کو مشورہ دیا کہ وہ مضاربہ کو دو پرائیویٹ لمیٹڈ اداروں میں تبدیل کرنے کے مواقع تلاش کرے تاکہ ریگولیٹری تعمیل کے بوجھ کو کم کیا جاسکے اور اس کے مطابق کاروبار کرنے کی لاگت کو کم کیا جاسکے۔ مالی سال 2022 کے دوران انتظامات کے مسودے کو حتمی شکل دی گئی اور اس کی منظوری کے لیے ایس ای سی پی۔ رجسٹرار مضاربہ کو پیش کیا گیا۔ ایس ای سی پی نے ایک خط نمبر SC/M/PRDD/Allied/2022-RS 49/134 کے ذریعے، مورخہ 23 جون 2022 کی اسکیم پر ”کوئی اعتراض نہیں“ سرٹیفیکیٹ (NOC) جاری کیا ہے۔ مسودہ سکیم کو مسابقتی کمیشن آف پاکستان۔ سی سی پی نے 1 اگست

ڈائریکٹرز کی رپورٹ

الائیڈ انجینئرنگ مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز، الائیڈ ریٹیل مضاربہ کی مینجمنٹ کمپنی، اپنے سرٹیفکیٹ ہولڈرز کو مضاربہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے سال 30 ستمبر 2022 کے ساتھ ختم ہونے والی تین ماہ کی مدت کے لیے ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہی ہے۔

000 روپے میں

مالیاتی جھلکیاں

1,390,655

کاروباری عمل سے حاصل شدہ کل آمدنی

1,249,212

خالص منافع بعد از صوبائی سیز ٹیکس

150,192

مذکورہ مدت کا منافع

12%

خالص منافع کا فرق

Re. 0.68

نی سرٹیفکیٹ آمدنی

ہمیں یہ اطلاع دیتے ہوئے خوشی ہو رہی ہے کہ باوجود اس کے کہ مجموعی معیشت کو مشکل وقت کا سامنا ہے اور مالیاتی مسئلہ، کرنسی کی قدر میں کمی، درآمدات پر پابندی اور صنعت کو درپیش دیگر مختلف معاملات سے منسلک ہونے کے باوجود، مضاربہ اپنی ترقی کے رجحان کو برقرار رکھنے میں کامیاب رہا۔ آمدنی اور منافع دونوں ہی مثبت رہے اور تین ماہ کی مدت کے دوران ریونیو 27 فیصد سے بڑھ کر 1,249 ملین روپے ہو گیا۔ گزشتہ سال کی اسی مدت میں 987 ملین روپے سے۔

پاور جزیشن سیگمنٹ سے ریونیو میں 35% کا اضافہ ہوا، ریٹیل پاور کے تمام ذیلی حصوں نے اس مدت کے لیے مقرر کردہ بیچ مارک کے مطابق کارکردگی کا مظاہرہ کیا۔ تاہم، گیس ریٹیل پاور سیگمنٹ کو سردیوں کے مہینوں میں کیپیٹیو پاور یونٹس کو گیس کی دستیابی کی وجہ سے کم آمدنی کا سامنا کرنا پڑے گا۔ ہمارے آڈٹ باؤنڈڈ جسٹس سیگمنٹ کی سیز نے بھی اوپر کی طرف رجحان دکھایا اور 42% کا اضافہ ہوا، جس کی بنیادی وجہ ایندھن کی قیمت میں اضافہ ہے۔ تاہم، کاروبار غیر منظم سیکٹر کی جانب سے مسابقتی قیمتوں کے تعین، موٹرویز اور ہائی ویز پرائیکسل لوڈ کپلائمنٹس کے لیے ریگولیٹری نظام کے عدم نفاذ کی وجہ سے چیلنجوں سے بھرا ہوا ہے جس کے نتیجے میں اوور لوڈنگ کا خطرہ اور ہنرمند اور قابل اعتماد افرادی قوت کی عدم

Condensed Interim Financial Position (Unaudited)

As at September 30, 2022

	Note	Unaudited Sep 30, 2022	Audited Jun 30, 2022
(Rupees)			
ASSETS			
Non-current assets			
Long-term security deposits		50,000	50,000
Fixed assets in own use - tangible		198,427,075	190,197,116
Intangible asset for own use		456,389	570,486
Ijarah assets	6	5,892,577,838	5,881,757,203
Capital work-in-progress		146,917,416	64,904,484
		6,238,428,718	6,137,479,289
Current assets			
Cash and bank balances		93,792,916	290,423,919
Ijarah rentals receivable		1,080,529,445	950,212,604
Operation and maintenance income receivable		53,196,238	21,574,924
Advances, deposits, prepayments and other receivable		667,876,108	625,788,324
Spare parts		304,090,109	281,311,632
		2,199,484,816	2,169,311,403
Total assets		8,437,913,534	8,306,790,692
EQUITY AND LIABILITIES			
Authorized certificate capital 250,000,000 (June 30, 2022: 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		1,949,054,073	1,949,054,073
Unappropriated profit		(318,147,622)	(468,339,791)
		5,086,618,951	4,936,426,782
LIABILITIES			
Non-current liabilities			
Diminishing Musharakah financing payable - secured	7	524,025,170	545,781,004
Other long term liabilities		25,717,547	23,246,536
Liability against right of use assets		26,385,932	30,738,716
Deferred Tax liability		881,076,884	866,017,146
Deferred liability for staff gratuity		132,755,367	132,755,367
Other long-term employee benefits		27,814,543	27,766,018
		1,617,775,443	1,626,304,787
Current liabilities			
Creditors, accrued and other liabilities		1,177,972,367	1,126,000,163
Contract Liabilities (Advance from customers)		56,039,555	65,670,295
Unclaimed dividend		1,246,177	1,246,177
Payable to the Modaraba Management Company		10,496,500	10,519,525
Current portion of Diminishing Musharakah financing payable	7	395,421,275	410,600,730
Current portion of long term borrowings and deferred grants		60,896,359	101,747,694
Current maturity of liability against right of use assets		16,638,717	16,769,988
Current portion of other long term liabilities		14,808,190	11,504,551
		1,733,519,140	1,744,059,123
Total liabilities		3,351,294,583	3,370,363,910
Total equity and Liabilities		8,437,913,534	8,306,790,692
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, 2022

	Note	Three months period ended	
		Sep 30, 2022	Sep 30, 2021
		(Rupees)	
Ijarah rentals	9	1,204,010,121	950,248,975
Operation and maintenance income	10	45,201,730	36,622,037
		1,249,211,851	986,871,012
Operating expenses	11	(898,740,378)	(704,705,733)
Gross Profit		350,471,473	282,165,280
Administrative and distribution expenses	12	(81,420,993)	(67,640,919)
Provision against potential Ijarah losses and operation and maintenance income		-	-
Finance costs	13	(42,845,596)	(34,141,715)
Other income		7,324,190	17,024,340
		(116,942,399)	(84,758,295)
		233,529,074	197,406,985
Modaraba Management Company's remuneration		-	-
		233,529,074	197,406,985
Workers' welfare fund		(3,538,505)	(3,870,725)
Profit for the period before taxation		229,990,569	193,536,260
Taxation	14	(79,798,400)	(88,370,610)
Profit for the period after taxation		150,192,169	105,165,650
Earnings per certificate - basic & diluted		0.68	0.48

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, 2022

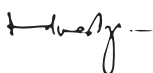
	Three months period ended	
	Sep 30, 2022	Sep 30, 2021
Profit for the period after taxation	150,192,169	105,165,650
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>150,192,169</u>	<u>105,165,650</u>

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, 2022


	Three months period ended	
	Sep 30, 2022	Sep 30, 2021
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	150,192,169	105,165,650
Adjustments for non-cash charges and other items:		
Depreciation	94,717,973	114,441,423
Financial charges including bank charges	42,845,596	34,141,715
Provision for other long-term employee benefits	48,525	-
Loss/(Profit) on disposal of assets	(29,999)	(4,425,635)
	287,774,263	249,323,152
(Increase) / decrease in assets		
Ijarah rentals receivable	(130,316,841)	27,519,773
Operation and maintenance income receivable	(31,621,314)	(11,231,703)
Advances, deposits and other receivable	(42,087,784)	17,419,505
Spare parts	(22,778,477)	(17,558,318)
	(226,804,416)	16,149,257
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	44,207,195	209,286,813
Contract Liabilities (Advance from customers)	(9,630,740)	(2,049,828)
Payable to the Modaraba Management Company	(23,025)	(37,677)
Deferred Tax liability	15,059,738	-
Other long term liabilities	5,774,650	(558,732)
	55,387,817	206,640,575
Cash generated from / (utilized in) operations	(171,416,600)	222,789,832
Gratuity paid	-	-
Compensated absence paid	-	-
Financial charges paid	(35,080,587)	(32,319,336)
Net cash flows from operating activities	81,277,076	439,793,648
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(195,667,403)	(61,146,178)
Proceeds from disposal of assets	30,000	23,022,659
Net cash flows from investing activities	(195,637,403)	(38,123,519)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharakah financing availed	79,859,753	-
Repayment of long term borrowing	(40,851,335)	(40,853,579)
Repayment of lease liability against ROU assets	(4,484,055)	(3,767,144)
Repayment of Diminishing Musharakah financing	(116,795,037)	(160,928,907)
Net cash flows from financing activities	(82,270,674)	(205,549,630)
Net (decrease)/increase in cash and cash equivalents	(196,631,003)	196,120,501
Cash and cash equivalents at the beginning of the period	290,423,919	117,119,860
Cash and cash equivalents at the end of the period	93,792,916	313,240,361

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, 2022

	Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve	Un-appropriated profit	Total
	(Rupees)				
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
Balance as at June 30, 2022	2,200,000,000	1,255,712,500	1,949,054,073	(468,339,791)	4,936,426,782
Total comprehensive income for the three months period ended 30 September 2022	-	-	-	150,192,169	150,192,169
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2022	2,200,000,000	1,255,712,500	1,949,054,073	(318,147,622)	5,086,618,951

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, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

- 1.2 The VIS Credit Rating Company Limited has assigned long term rating of A+ (2021: A+) and short term rating of A-1 (2021: A-1) to the Modaraba on June 17, 2022 (2021: June 11, 2021).

1.3 Restructuring of Modaraba

Pursuant to the Finance Act, 2021, the tax exemption on Modarabas has been withdrawn, effective from July 1, 2021. Consequent to this withdrawal, the Board of Directors of the Modaraba Management Company in their meeting held on September 7, 2021 discussed and approved a plan to restructure the current legal structure of the Modaraba and transfer the entire existing business of the Modaraba, on a going concern basis, along with all its assets and liabilities at their respective carrying values, including all contingent liabilities, to two separate legal entities.

It has been proposed that the existing logistics business of the Modaraba will be transferred to a newly incorporated entity - Allied Transport & Logistics (Private) Limited (a related party), along with all its existing assets, staff and liabilities. Whereas the other or remaining business segments of the Modaraba along with their assets, staff and liabilities, including all the contingent liabilities, will be transferred to the Allied Engineering Management Company (Private) Limited (the existing Management Company of the Modaraba). The management intends to carry out the transfer of assets and liabilities (including contingent liabilities) at the carrying values of assets and liabilities appearing in the books of the Modaraba as per the latest audited financial statements at the date of transfer subject to the approval of the relevant authorities. No adjustments have been made in the carrying value of assets and liabilities held by the Modaraba. The classifications of balances between long-term and short-term have not been adjusted as the businesses and balances will be transferred on a going concern basis at their respective carrying values.

The draft scheme of arrangement was finalised and submitted to the SECP - Registrar Modarabas for its approval. The SECP vide a letter no. SC/M/PRDD/Allied/2022-RS 49 / 134 dated June 23, 2022 has issued a no objection certificate (NOC) on the scheme of arrangement.

Upon successfully obtaining NOCs from all the creditors, the Modaraba have filed the petition with the Honorable Sindh High Court in the Month of October 2022, the first hearing at the Honorable Sindh High Court on the Petition was held on October 19, 2022, whereby, the petition was admitted and court instructed to issue notices. The Modaraba management company expects to get approval from the Sindh High Court, the Certificate Holders, and the other relevant authorities before December 31, 2022.

The licence of the Modaraba Management Company is proposed to be surrendered to the Registrar Modarabas and the SECP after the completion of the aforementioned scheme of arrangement. Later, the Modaraba Management Company will be converted into an ordinary Private Limited Company.

More than 90 percent of the certificates are held directly and indirectly by the associated and the group companies by virtue of which this restructuring will be considered as a transaction under common control and will be accounted for under predecessor method of accounting in accordance with the requirements of 'Accounting for Common Control Transactions' standard (which specifies the accounting for common control transactions) issued by the SECP. Currently, there is no potential impact that requires adjustment to the carrying values and classification of assets and liabilities in the books of the Modaraba as at the reporting date.

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 2022.

2.3 The comparative balance sheet presented in these condensed interim financial information as at 30 June 2022 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2022, 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 2022.

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 2022.

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 2022.

6 Ijarah assets - at cost less accumulated depreciation

	(Unaudited) September 30, 2022			Total
	Generators and related equipments	Logistics vehicles	Machines	
At 01 July 2022	----- (Rupees) -----			
Cost	7,182,828,489	2,153,670,539	1,425,848,022	10,762,347,050
Accumulated depreciation	(3,490,551,843)	(783,816,082)	(489,855,977)	(4,764,223,902)
Accumulated impairment losses	(115,798,945)	-	(567,000)	(116,365,945)
Net book value as at June 30, 2022	<u>3,576,477,701</u>	<u>1,369,854,457</u>	<u>935,425,045</u>	<u>5,881,757,203</u>
Additions	46,087,500	46,600,000	-	92,687,500
Disposals				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
	-	-	-	-
Depreciation charge for the year	<u>(46,798,020)</u>	<u>(20,220,678)</u>	<u>(14,848,166)</u>	<u>(81,866,865)</u>
Closing net book value	<u>3,575,767,181</u>	<u>1,396,233,779</u>	<u>920,576,879</u>	<u>5,892,577,838</u>
At 30 September 2022				
Cost	7,228,915,989	2,200,270,539	1,425,848,022	10,855,034,550
Accumulated depreciation	(3,653,148,808)	(804,036,760)	(505,271,143)	(4,962,456,712)
Net book value	<u>3,575,767,181</u>	<u>1,396,233,779</u>	<u>920,576,879</u>	<u>5,892,577,838</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

	(Audited) June 30, 2022			
	Generators and related equipments	Logistics vehicles	Machines	Total
	(Rupees)			
At 01 July 2021				
Cost	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated depreciation	(3,509,191,221)	(725,961,096)	(462,840,485)	(4,697,992,802)
Accumulated impairment losses	(19,432)	-	(567,000)	(586,432)
Net book value as at July 1, 2021	<u>3,515,520,231</u>	<u>1,361,471,560</u>	<u>1,014,190,140</u>	<u>5,891,181,931</u>
Additions during the year	484,902,017	103,157,600	11,597,380	599,656,997
Disposals during the year				
Cost	(326,804,412)	(36,919,717)	(63,346,983)	(427,071,112)
Accumulated depreciation	218,552,116	17,403,802	32,650,999	268,606,917
	(108,252,296)	(19,515,915)	(30,695,984)	(158,464,195)
Impairment during the year	(115,779,513)	-	-	(115,779,513)
Depreciation charge for the year	(199,912,738)	(75,258,788)	(59,666,491)	(334,838,017)
Closing net book value as at June 30, 2022	<u>3,576,477,701</u>	<u>1,369,854,457</u>	<u>935,425,045</u>	<u>5,881,757,203</u>
At June 30, 2022				
Cost	7,182,828,489	2,153,670,539	1,425,848,022	10,762,347,050
Accumulated depreciation	(3,490,551,843)	(783,816,082)	(489,855,977)	(4,764,223,902)
Accumulated impairment losses	(115,798,945)	-	(567,000)	(116,365,945)
Net book value as at June 30, 2022	<u>3,576,477,701</u>	<u>1,369,854,457</u>	<u>935,425,045</u>	<u>5,881,757,203</u>
Life (Years)	<u>2 to 24</u>	<u>8</u>	<u>8 to 10</u>	

Unaudited Sep 30, 2022	Audited Jun 30, 2022
(Rupees)	

7 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED

Musharakah financing	919,446,445	956,381,734
Due within one year	(395,421,275)	(410,600,730)
	<u>524,025,170</u>	<u>545,781,004</u>
7.1 Financing from banking and financial institutions	919,446,445	956,381,734
Financing from modarabas	-	-
	<u>919,446,445</u>	<u>956,381,734</u>

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

Contingencies outstanding as at June 30, 2022 are as follows:

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

During the year ended June 30, 2014, the Assistant Commissioner - Sindh Revenue Board (SRB) issued an order no. 160 of 2013 dated July 12, 2013 demanding Sindh sales tax of Rs. 25.633 million at 16% on total operation and maintenance income amounting to Rs 160.204 million of the Modaraba for the year ended June 30, 2014.

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 - (SRB). Simultaneously, the Modaraba also filed a Constitutional petition in the Honourable High Court of Sindh relating to the levy of Sindh Sales Tax by virtue of which the Honourable High Court of Sindh stayed the demand of Sindh Sales Tax vide its order dated October 11, 2013. Subsequently, the Honourable High Court of Sindh issued a judgment dated January 27, 2014 directing SRB not to take any coercive action against the Modaraba till the decision has been reached in appeal pending before the Commissioner (Appeals) - (SRB).

The Commissioner (Appeals) - (SRB) vide an order in appeal number 16/2014 dated February 25, 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 Honourable High Court of Sindh against the order of the Commissioner (Appeals) - Sindh Revenue Board (SRB) by virtue of which the Honourable High Court of Sindh vide its order dated March 11, 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 the direction of the Honourable High Court of Sindh, filed an appeal to the Tribunal.

The Tribunal disposed of the appeal in favour of Modaraba. However, the Commissioner has demanded the said tax dues along with default surcharge. The Modaraba has filed an appeal with the Commissioner (Appeals) along with applications for stay of demand which remains undisposed, therefore, the Modaraba filed a petition dated May 15, 2018 in the Honourable High Court of Sindh for the stay of demand and the Court granted a stay order till the next date of hearing.

The Commissioner (Appeals) issued an order dated April 23, 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 them 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 November 13, 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 back to the assessing officer to hear the parties afresh. The Tribunal required the assessing officer to first determine the actual nature of services provided or rendered by the taxpayer and then to invoke proper tariff heading under which such services falls for the purpose of taxing the services provided or rendered by the taxpayer and consider available exemption notifications and allow the benefits of the same to the taxpayer, if applicable. The officer, through the letter dated December 24, 2019, had initiated the remand back proceedings.

During the year ended June 30, 2020, an Order-in-Original No. 34 of 2020 dated February 27, 2020 was passed on an ex-parte basis whilst finalising the matter remanded back by the ATIR in its order dated November 13, 2019. In the said order, the officer changed the earlier stance and now concluded that 'Operating and Maintenance' services provided by the Modaraba 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 the decision in this respect is pending to date. As per the opinion of the tax advisor the management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision amounting to Rs. 12.238 million has been made in these financial statements.

8.1.2 Federal Excise Duty on gross revenue receipts of the Modaraba

On March 11, 2016, assessment orders relating to tax years 2014 and 2015 were received from the Assistant Commissioner of Inland Revenue demanding a Federal Excise Duty (FED) aggregating to Rs 838.662 million (calculated @16% of gross receipts of the Modaraba for the above mentioned tax years) 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 March 16, 2016. The Modaraba had paid an amount of Rs 50 million to the Federal Board of Revenue under protest 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 Honourable 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 June 2, 2016 in which the SHC declared the levy of FED as 'ultra vires' with effect from July 1, 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 June 03, 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 had filed appeals with the Honourable Appellate Tribunal Inland Revenue (ATIR) which is pending for hearing.

Subsequently, appeals have been filed in the Honourable Supreme Court of Pakistan by the counterparties aggrieved by the above mentioned order of SHC which is pending for hearing.

During the current year, the hearing of ATIR was held on September 16, 2021. The order dated September 21, 2021 was passed by ATIR stating that "Under the light of the decision of SHC CP-3184/2014 in the favour of the Modaraba, it is concluded that both the orders for the charge years have already been quashed and set aside by the Honourable Court, therefore, there is no place for this forum for any further comments or action".

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 SHC 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 12 to these financial statements.

As per the opinion of the tax advisor, the management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision amounting to Rs. 838.662 million has been made in these financial statements.

- 8.1.3** The Commissioner had demanded, through an assessment order no. 11/30 of 2019 dated April 26, 2019 and an order no. 01 of 2018 dated June 27, 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 respectively against disposal value of Rs. 126.28 million and Rs. 154.64 million respectively. The Modaraba had filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amounts. Against the order no. 01 of 2018, the hearing of the appeal was made on September 23, 2021. The appellate ordered under section 45B to pay the liable amount along with the default surcharge and penalty @ 5%. Against the order no. 11/30, hearing of the appeal was made on October 8, 2021. The authority ordered under section 45B of sales tax act, 1990 to pay the liable amount along with default surcharge @ 5%. The order of DCIR was received dated December 14, 2021 to pay the total ordered amount on or before December 21, 2021.

During the year ended June 30, 2021, the Modaraba further 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 disposal value of Rs. 286.88 million.

The appeal before the CIR (A) filed vide the letter DST 055 dated July 1, 2018 in respect of sales tax on disposal of ijarah assets. The matter was heard earlier and has been re-fixed for hearing on January 20, 2020. The appeal could not be heard due to the transfer of CIR (A).

The appeal on aforementioned matter was finalised vide Order No. OIR/Enforcement-1/S/2020/48/03 dated February 2, 2021 demanding sales tax of Rs. 48.769 million along with a 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.

The management, in consultation with its tax advisor, believes that the outcome of the appeal will be in their favour and, accordingly, no provision has been made in these financial statements. Further, the under protest payment of Rs. 9.896 million has been shown as a refundable balance in note 11 of these financial statements.

8.1.4 Deputy Commissioner Inland Revenue (CIR) issued an order D.C. no. 21/03 dated June 9, 2018 in respect of tax audit for the tax year 2012. The CIR raised a tax demand amounting to Rs. 8.152 million against the profit on ijarah financing, gain on disposed of ijarah assets and the management fee. The Modaraba has filed an appeal with Commissioner Inland Revenue (Appeal) against the order. The management in consultation with the tax advisor, believes that the outcome of the appeal will be in favour of the Modaraba and ,accordingly, no provision has been made in these financial statements.

8.1.5 The Additional Commissioner Inland Revenue (ACIR) issued an order DC No. 02/29 dated October 7, 2020. The order states that on the scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2015 showed 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 were calculated by the department on the entire amount of the expenditures claimed in the return (Rs. 1.346 billion). The department demanded Rs. 232.830 million from the Modaraba along with the default surcharge u/s 205 of Rs. 41.910 million.

The Modaraba has filed an appeal against the order in the Sindh High Court and obtained a stay order on this matter. The appeal was heard on February 12, 2021, May 4, 2021 and later on October, 11 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 favour of the Modaraba and, accordingly, no provision has been made in these financial statements.

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

- The ACIR has rejected the tax 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 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 treated as a tax under the final tax regime under section 148(7) of the Ordinance (and not as tax recoverable). 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 million 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 it's appellate order dated May 25, 2021 issued under section 29 of the Ordinance has adjudicated on the Modaraba's appeal. The Modaraba has now filed an appeal on the adjudication before ATIR which is pending hearing. A stay has been granted by ATIR till August 21, 2021.

The management, based on the merits of the case and on the basis of its tax advisor's views, is confident that the above matter will be decided in favour of the Modaraba and hence no provision has been made in these financial statements.

Three months period ended
Sep 30, 2022 **Sep 30, 2021**

(Rupees)

9	IJARAH RENTALS - Net		
	Ijarah Rentals	1,341,780,009	1,045,984,938
	Less : Sales Tax	<u>(137,769,888)</u>	<u>(95,735,963)</u>
		<u>1,204,010,121</u>	<u>950,248,975</u>
10	OPERATION AND MAINTENANCE INCOME - Net		
	Operation and Maintenance Income	48,874,870	40,707,263
	Less : Sales Tax	<u>(3,673,140)</u>	<u>(4,085,226)</u>
		<u>45,201,730</u>	<u>36,622,037</u>
11	OPERATING EXPENSES		
	Salaries, wages and other staff benefits	302,863,934	260,311,172
	Depreciation expense	81,866,865	103,138,457
	Repairs and maintenance cost	103,849,241	101,241,798
	Fleet vehicles running cost	347,193,512	199,136,960
	Vehicles running cost	24,327,236	12,207,338
	Insurance cost - equipments	11,759,275	11,651,608
	Travelling and conveyance	2,876,100	2,328,583
	Transportation	20,556,855	11,699,400
	Rent expense	<u>3,447,361</u>	<u>2,990,417</u>
		<u>898,740,378</u>	<u>704,705,733</u>
12	ADMINISTRATIVE AND DISTRIBUTION EXPENSES		
	Salaries, wages and other staff benefits	44,426,850	38,816,691
	Vehicle running costs	7,623,460	4,533,739
	Travelling and conveyance	680,356	417,135
	Depreciation expense	12,851,108	11,302,966
	Legal and professional charges	6,117,679	2,833,318
	Telephone, postage and fax charges	1,897,483	1,786,194
	Advertisement and sales promotion	16,720	100,660
	Printing and stationery	753,959	1,051,656
	Insurance cost - vehicles	244,303	193,893
	Training, meetings and tender participation	360,509	517,863
	Donation	450,000	50,000
	Entertainment	1,128,810	1,263,280
	Utilities	1,823,554	3,542,135
	Security	1,926,412	1,132,495
	Miscellaneous	<u>1,119,790</u>	<u>98,894</u>
		<u>81,420,993</u>	<u>67,640,919</u>
13	FINANCE COSTS		
	Financial cost on Diminishing Musharakah financing	37,421,443	26,944,227
	Financial cost on liability against right to use assets	953,445	1,154,135
	Financial cost on long term borrowing	1,768,972	5,418,575
	Financial cost on Running Musharakah financing	2,127,633	57,006
	Bank charges and commission	<u>574,103</u>	<u>567,772</u>
		<u>42,845,596</u>	<u>34,141,715</u>

14 TAXATION

The management has recognised a provision for taxation amounting to Rs.79.798 million for the three months period ended September 30, 2022.

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, 2022	Sep 30, 2021
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Modaraba Management Company's remuneration	<u>-</u>	<u>-</u>
Allied Engineering and Services (Private) Limited (holding company of the Modaraba Management Company)		
Purchase of assets	<u>26,032,500</u>	<u>24,561,794</u>
Purchase of parts and services	<u>74,483,655</u>	<u>90,151,029</u>
Rental revenue	<u>1,623,420</u>	<u>-</u>
Apex Machinery (Private) Limited (Associated Company)		
Purchase of parts and services	<u>4,712,535</u>	<u>4,701,761</u>
Allied E-Commerce Solutions (Private) Limited (Associated Company)		
Income from ijarah assets	<u>-</u>	<u>-</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	<u>4,078,279</u>	<u>3,833,290</u>

Unaudited Sep 30, 2022	Audited Jun 30, 2022 (Rupees)
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**Allied Engineering Management Company (Private) Limited
(Modaraba Management Company)**

Outstanding certificates 43,999,997 (June 30, 2022: 43,999,997)	<u>439,999,970</u>	<u>439,999,970</u>
Payable to the Modaraba Management Company	<u>10,496,500</u>	<u>10,519,525</u>

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

Outstanding certificates 153,717,423 (June 30, 2022: 151,931,073)	<u>1,537,174,230</u>	<u>1,519,310,730</u>
Payable against purchase of parts and services	<u>768,914,364</u>	<u>670,021,629</u>

**Apex Machinery (Private) Limited
(Associated Company)**

Payable against purchase of parts and services	<u>23,369,011</u>	<u>18,656,476</u>
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**Allied E-Commerce Solutions (Private) Limited
(Associated Company)**

Receivable against miscellaneous expenses	<u>2,998,216</u>	<u>2,958,148</u>
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Allied Engineering and Services (Private) Limited - Staff Provident Fund

Outstanding certificates 3,734,868 (June 30, 2022: 3,734,868)	<u>37,348,680</u>	<u>37,348,680</u>
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16 DATE OF AUTHORISATION

These financial statements were authorised in the meeting of the Board of Directors of the Management Company held on October 24, 2022.

**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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