



Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

LAYING FOUNDATIONS POWERING PROGRESS AND MOVING AHEAD

Quarterly Report September 2023



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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
Non - Executive Director

Audit Committee

Mr. Abdul Rahim Suriya
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
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
Member

Strategic Management

Syed Zulfqarnain 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
Head of Human Resource and Business Administrator

Mr. Haider Qutbuddin
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

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

A.F. 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, Saddar,
Karachi. Tel: 021-35662023-24
Fax: 021-35221192

Directors' Report

For the period ended September 30, 2023

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, 2023.

| Financial Highlights | Rs in '000 |
|--|-------------------|
| Gross Revenue from operations | 1,479,600 |
| Net Revenue after Provincial Sales Tax | 1,315,518 |
| Net Profit for the period | 177,850 |
| Net profit margin | 13.5% |
| Earning per certificate | Re. 0.81 |

Review of Operations

We are pleased to announce that despite the challenging economic climate marked by fiscal concerns, currency devaluation, import restrictions, and several other industry-related challenges, the modaraba has successfully maintained its growth trajectory. Both revenue and profitability have demonstrated favorable trends. Over the course of the last three months, our revenue surged by 14%, reaching Rs. 1,316 million from Rs. 1,249 million during the same period in the previous year.

This year, the Power Generation segment experienced a slight decline in revenue, a departure from the previous year's growth trends, primarily due to challenges such as a scarcity of gas supply to captive power units and high capital costs for power generation equipment. Conversely, the Outbound Logistics segment saw a substantial sales increase, though it faces challenges like competitive pricing from the unorganized sector. The implementation of the axle load regime is expected to be beneficial. Meanwhile, the Machines and Cranes as well as Material Handling Equipment (MHE) segment achieved impressive revenue growth, thanks to more efficient machine deployment and a strategic shift to higher-margin projects, despite the challenges of an unorganized sector and a shortage of skilled workers in the machine rental industry.

In the current period, our total operating expenses have remained stable compared to the previous year. However, there has been a positive decrease in expenses as a percentage of revenue, dropping from 72% to 68%. This improvement is mainly due to increased efficiency, especially in repair and maintenance. Although certain costs like fleet vehicle running expenses, administrative, and distribution costs have increased, they are aligned with increased sales. There was also a minor 1% increase in markup costs due to a higher KIBOR base rate.

As the tax exemption available to Modaraba has been withdrawn, a current tax charge of Rs. 125 Million have been booked in the Profit and loss account. This includes Rs. 109 Million as Current Tax for the year and Rs. 16 Million for deferred tax liability arising due to timing differences.

Restructuring of the Modaraba

As mentioned in previous annual and quarterly reports due to withdrawal of the Tax Exemption on Modarabas with effect from July 1, 2021, as announced earlier, the Management decided to restructure its current legal structure of the Modaraba and separate the existing businesses with all its assets and liabilities, including all contingent liabilities into two separate Private Limited Companies, one for the Rental Business of all Machines and Equipment and another for the Logistics business. The petition for the scheme of arrangement was filed in the Sindh High Court (SHC) on October 10, 2022. Thereafter the SHC accepted the petition for hearing and ordered to convene the Extra Ordinary General Meeting of the certificate holders / shareholders of the Modaraba and other petitioner companies and publication of the petition in the official gazette. The Extra ordinary general meetings of all the petitioner companies were conducted on November 25, 2022 wherein, the resolution approving the scheme of arrangement was passed unanimously by the certificate holders / shareholders of all the petitioner companies. Thereafter, the minutes of the meetings of all the petitioners were submitted in the SHC. All the relevant information / disclosures were timely made to the stakeholders through PSX data portal. The publication in the official gazette has been completed in the month of October 2023. At present only the final hearing at SHC to decide on the matter is pending, hence, the petition is awaiting the final decision. In compliance with regulatory and listing requirements all appropriate and relevant disclosures were made during the year on the PSX Board to timely inform our Certificate holders. The modaraba management expects to get approval from the SHC before June 30, 2024.

More than 95% certificates of the Modaraba are held by the associated and the group companies by virtue of which this transaction 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.

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 2023-24, with renewed focus on CPEC and major infrastructure and mining 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

October 26, 2023

Murtaza Ahmed Ali
Chief Executive

اعتراف

بورڈر جسٹرار مضارباز، 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

26 اکتوبر 2023

کامیڈی آرڈینی میٹنگ بلانے کا حکم دیا۔ دیگر درخواست گزار کمپنیاں اور سرکاری گزٹ میں پیشین کی اشاعت۔ 25 نومبر 2022 کو تمام پیشتر کمپنیوں کی غیر معمولی جزل میٹنگز منعقد کی گئیں جس میں تمام درخواست گزار کمپنیوں کے سرٹیفکیٹ ہولڈرز / شیئر ہولڈرز کی جانب سے انتظامات کی اسکیم کی منظوری کی قرارداد متفقہ طور پر منظور کی گئی۔ اس کے بعد تمام درخواست گزاروں کی میٹنگ کے منٹس سندھ ہائی کورٹ میں جمع کرائے گئے۔ تمام متعلقہ معلومات / انکشافات PSX ڈیٹا پورٹل کے ذریعے اسٹیک ہولڈرز کو بروقت کیے گئے۔ سرکاری گزٹ میں اشاعت اکتوبر 2023 میں مکمل ہو چکی ہے۔ فی الحال اس معاملے پر فیصلہ کرنے کے لیے سندھ ہائی کورٹ میں صرف حتمی سماعت زیر التوا ہے، اس لیے درخواست حتمی فیصلے کا انتظار کر رہی ہے۔ ریگولیٹری اور لسٹنگ کے تقاضوں کی تعمیل میں PSX بورڈ پر رسال کے دوران تمام مناسب اور متعلقہ انکشافات کیے گئے تھے تاکہ ہمارے سرٹیفکیٹ ہولڈرز کو بروقت مطلع کیا جاسکے۔ مضاربہ انتظامیہ کو توقع ہے کہ 30 جون 2024 سے پہلے سندھ ہائی کورٹ سے منظوری مل جائے گی۔

مضاربہ کے 95% سے زیادہ سرٹیفکیٹس متعلقہ اور گروپ کمپنیوں کے پاس ہیں جن کی وجہ سے اس لین دین کو مشترکہ کنٹرول کے تحت ایک لین دین سمجھا جائے گا اور اکاؤنٹنگ کے تقاضوں کے مطابق اکاؤنٹنگ کے پیشرو طریقہ کے تحت حساب کیا جائے گا۔ SECP کی طرف سے جاری کردہ کامن کنٹرول ٹرانزیکشنز کے معیار (جو مشترکہ کنٹرول ٹرانزیکشنز کے لیے اکاؤنٹنگ کی وضاحت کرتا ہے) کے لیے۔ فی الحال، کوئی ممکنہ اثر نہیں ہے جس کے لیے رپورٹنگ کی تاریخ کے مطابق مضاربہ کی کتابوں میں لے جانے والی اقدار اور اثاثوں اور واجبات کی درجہ بندی میں ایڈجسٹمنٹ کی ضرورت ہے۔

انتظامیہ کاروبار کے تمام شعبوں پر اپنی سرمایہ کاری کی حکمت عملی کے لیے محتاط اور ہوشیار رہے گی، ہم توقع کرتے ہیں کہ CPEC اور بڑے بنیادی ڈھانچے اور کان کنی کے منصوبوں پر نئے سرے سے توجہ مرکوز کرتے ہوئے، صنعتی سرمایہ کاری اور نمو کو آگے بڑھاتے ہوئے مالی سال 2023-24 میں معیشت میں بہتری آئے گی۔

ہم اپنے اسٹیک ہولڈرز کے لیے قدر پیدا کرنے کی اپنی صلاحیت پر پر اعتماد ہیں اور امید کے ساتھ مستقبل کا انتظار کرتے ہیں، اس عمل میں یہ بھی یقینی بناتے ہیں کہ ہم اپنے تمام کاروباری لین دین میں ہمیشہ اسلامی شرعی اصولوں کی پیروی کریں۔

مسابقتی قیمتوں کے تعین جیسے چیلنجوں کا سامنا ہے۔ ایکسل لوڈر جیم کے نفاذ سے فائدہ مند ہونے کی امید ہے۔ دریں اثنا، مشینوں اور کرینوں کے ساتھ ساتھ میٹرل ہینڈلنگ ایکونپمنٹ (MHE) کے حصے نے غیر منظم شعبے کے چیلنجوں اور ہنرمند کارکنوں کی کمی کے باوجود، زیادہ موثر مشینوں کی تعیناتی اور زیادہ مارجن والے منصوبوں کی طرف اسٹریٹجک تبدیلی کی بدولت متاثر کن آمدنی میں اضافہ حاصل کیا۔ مشین رینٹل انڈسٹری میں۔

موجودہ مدت میں، ہمارے کل آپریٹنگ اخراجات پچھلے سال کے مقابلے میں مستحکم رہے ہیں۔ تاہم، آمدنی کے فیصد کے طور پر اخراجات میں مثبت کمی واقع ہوئی ہے، جو کہ 72% سے گر کر 68% ہو گئی ہے۔ یہ بہتری بنیادی طور پر بڑھتی ہوئی کارکردگی کی وجہ سے ہے، خاص طور پر مرمت اور دیکھ بھال میں۔ اگرچہ بعض اخراجات جیسے فلیٹ گاڑی چلانے کے اخراجات، انتظامی، اور تقسیم کے اخراجات بڑھ گئے ہیں، لیکن وہ بڑھتی ہوئی فروخت کے ساتھ منسلک ہیں۔ زیادہ KIBOR بنیادی شرح کی وجہ سے مارک اپ کی لاگت میں معمولی 1% اضافہ بھی ہوا۔

چونکہ مضاربہ کو دستیاب ٹیکس اسٹیٹس واپس لے لیا گیا ہے، موجودہ ٹیکس چارج منافع اور نقصان کے کھاتے میں 125 ملین بک ہو چکے ہیں۔ اس میں 109 ملین بطور موجودہ ٹیکس سال کے لیے اور، وقت کے فرق کی وجہ سے موخر ٹیکس کی ذمہ داری کے لیے 16 ملین روپے شامل ہیں۔

مضاربہ کے ڈھانچے کی تشکیل نو

جیسا کہ 1 جولائی 2021 سے مضاربہ پر ٹیکس چھوٹ واپس لینے کی وجہ سے پچھلی سالانہ اور سہ ماہی رپورٹس میں ذکر کیا گیا ہے، جیسا کہ پہلے اعلان کیا گیا تھا، انتظامیہ نے مضاربہ کے اپنے موجودہ قانونی ڈھانچے کی تشکیل نو کرنے اور موجودہ کاروبار کو اپنے تمام اثاثوں کے ساتھ الگ کرنے کا فیصلہ کیا۔ اور ذمہ داریاں، بشمول تمام ہنگامی ذمہ داریاں دو الگ الگ پرائیویٹ لمیٹڈ کمپنیوں میں، ایک تمام مشینوں اور آلات کے کرایے کے کاروبار کے لیے اور دوسری لاجسٹک کاروبار کے لیے۔ انتظامات کی اسکیم کے لیے درخواست 10 اکتوبر 2022 کو سندھ ہائی کورٹ (SHC) میں دائر کی گئی تھی۔ اس کے بعد SHC نے درخواست کو سماعت کے لیے منظور کرتے ہوئے مضاربہ کے سرٹیفکیٹ ہولڈرز / حصص یافتگان

ڈائریکٹرز کی رپورٹ

برائے مدت مختتمہ ۳۰ ستمبر، ۲۰۲۳

الائیڈ ریٹیل مضاربہ کی منتظمہ کمپنی، الائیڈ انجینئرنگ مینیجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز اپنے سرٹیفکیٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے مدت مختتمہ ۳۰ ستمبر ۲۰۲۳ پیش کرتے ہوئے خوش محسوس کرتا ہے۔

مالیاتی جھلکیاں

000 روپے میں

1,479,600

کاروباری عمل سے حاصل شدہ کل آمدنی

1,315,518

خالص منافع بعد از صوبائی سلیز ٹیکس

177,850

مذکورہ مدت کا منافع

13.5%

خالص منافع کا فرق

Re. 0.81

فی سرٹیفکیٹ آمدنی

جائزہ

ہمیں یہ اعلان کرتے ہوئے خوشی ہو رہی ہے کہ مالیاتی خدشات، کرنسی کی قدر میں کمی، درآمدی پابندیوں، اور صنعت سے متعلق کئی دیگر چیلنجز اور مشکل معاشی ماحول کے باوجود، مضاربہ نے کامیابی کے ساتھ اپنی ترقی کی رفتار کو برقرار رکھا ہے۔ آمدنی اور منافع دونوں نے سازگار رجحانات کا مظاہرہ کیا ہے۔ پچھلے تین مہینوں کے دوران، ہماری آمدنی میں 14% کا اضافہ ہوا، جو 1,316 ملین روپے تک پہنچ گیا۔ پچھلے سال کی اسی مدت کے دوران 1,249 ملین۔

اس سال، پاور جنریشن طبقہ کو آمدنی میں معمولی کمی کا سامنا کرنا پڑا، پچھلے سال کے نمو کے رجحانات سے علیحدگی، بنیادی طور پر کیٹیویو پاور یونٹس کو گیس کی سپلائی کی کمی اور پاور جنریشن کے آلات کے لیے زیادہ سرمائے کی لاگت جیسے چیلنجز کی وجہ سے۔ اس کے برعکس، آؤٹ باؤنڈل جسنٹکس سیگمنٹ نے فروخت میں خاطر خواہ اضافہ دیکھا، حالانکہ اسے غیر منظم شعبے سے

Condensed Interim Financial Position (Unaudited)

As at September 30, 2023

| | Note | Unaudited Sep 30, 2023 | Audited Jun 30, 2023 |
|--|------|---------------------------|-------------------------|
| (Rupees) | | | |
| ASSETS | | | |
| Non-current assets | | | |
| Long-term security deposits | | 231,009 | 231,009 |
| Fixed assets in own use - tangible | | 206,389,600 | 204,377,216 |
| Intangible asset for own use | | - | 114,097 |
| Ijarah assets | 6 | 6,055,770,939 | 6,039,626,525 |
| Capital work-in-progress | | 74,296,515 | 149,827,063 |
| | | 6,336,688,063 | 6,394,175,910 |
| Current assets | | | |
| Cash and bank balances | | 199,816,555 | 152,833,955 |
| Investment | | 98,233,673 | 31,934,583 |
| Ijarah rentals receivable | | 1,245,152,031 | 1,158,130,313 |
| Operation and maintenance income receivable | | 39,927,124 | 32,353,136 |
| Advances, deposits, prepayments and other receivable | | 318,503,687 | 457,367,736 |
| Store and spare | | 341,283,302 | 357,635,725 |
| | | 2,242,916,372 | 2,190,255,448 |
| Total assets | | 8,579,604,435 | 8,584,431,358 |
| EQUITY AND LIABILITIES | | | |
| Authorized certificate capital 250,000,000 (June 30, 2023: 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 / (Loss) | | 11,257,717 | (166,591,907) |
| | | 5,416,024,290 | 5,238,174,666 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Diminishing Musharakah financing payable - secured | 7 | 386,282,224 | 454,760,288 |
| Other long term liabilities | | 30,459,878 | 29,403,987 |
| Liability against right of use assets | | 7,096,064 | 12,297,944 |
| Deferred Tax liability | | 1,100,166,912 | 1,083,539,360 |
| Deferred liability for staff gratuity | | 161,275,168 | 161,275,168 |
| Compensated absences | | 23,570,893 | 23,848,987 |
| | | 1,708,851,139 | 1,765,125,734 |
| Current liabilities | | | |
| Creditors, accrued and other liabilities | | 1,005,800,727 | 1,058,589,389 |
| Contract Liabilities (Advance from customers) | | 87,454,031 | 98,296,962 |
| Unclaimed dividend | | 797,591 | 797,591 |
| Payable to the Modaraba Management Company | | 10,108,209 | 10,341,384 |
| Current portion of Diminishing Musharakah financing payable - secured | 7 | 321,559,150 | 384,835,317 |
| Current maturity of liability against right of use assets | | 19,289,869 | 18,440,764 |
| Current portion of other long term liabilities | | 9,719,429 | 9,829,551 |
| | | 1,454,729,006 | 1,581,130,958 |
| Total liabilities | | 3,163,580,145 | 3,346,256,692 |
| Total equity and Liabilities | | 8,579,604,435 | 8,584,431,358 |
| 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, 2023

| | Note | Three months period ended | |
|--|------|---------------------------|----------------------|
| | | Sep 30, 2023 | Sep 30, 2022 |
| | | (Rupees) | |
| Ijarah rentals | 9 | 1,270,990,214 | 1,204,010,121 |
| Operation and maintenance income | 10 | 44,527,400 | 45,201,730 |
| | | <u>1,315,517,614</u> | <u>1,249,211,851</u> |
| Operating expenses | 11 | (899,016,212) | (898,740,378) |
| Gross Profit | | <u>416,501,402</u> | <u>350,471,473</u> |
| Administrative and distribution expenses | 12 | (87,571,040) | (81,420,993) |
| Provision against potential Ijarah losses and operation and maintenance income | | - | - |
| Finance costs | 13 | (43,321,152) | (42,845,596) |
| Other income | | 21,876,675 | 7,324,190 |
| | | <u>(109,015,516)</u> | <u>(116,942,399)</u> |
| | | <u>307,485,885</u> | <u>233,529,074</u> |
| Modaraba Management Company's remuneration | | - | - |
| | | <u>307,485,885</u> | <u>233,529,074</u> |
| Workers' welfare fund | | (4,254,041) | (3,538,505) |
| Profit for the period before taxation | | <u>303,231,844</u> | <u>229,990,569</u> |
| Taxation | 14 | (125,382,220) | (79,798,400) |
| Profit for the period after taxation | | <u>177,849,624</u> | <u>150,192,169</u> |
| Earnings per certificate - basic & diluted | | <u>0.81</u> | <u>0.68</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 Statement of Comprehensive Income (Unaudited)

For the three months period ended September 30, 2023

| | Three months period ended | |
|---|---------------------------|--------------------|
| | Sep 30, 2023 | Sep 30, 2022 |
| | (Rupees) | |
| Profit for the period after taxation | 177,849,624 | 150,192,169 |
| Other comprehensive income for the period | - | - |
| Total comprehensive income for the period | <u>177,849,624</u> | <u>150,192,169</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, 2023

| | Three months period ended | |
|--|---------------------------|----------------------|
| | Sep 30, 2023 | Sep 30, 2022 |
| | (Rupees) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the period | 177,849,624 | 150,192,169 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 112,152,461 | 94,717,973 |
| Financial charges including bank charges | 43,321,152 | 42,845,596 |
| Provision for other long-term employee benefits | - | 48,525 |
| Loss/(Profit) on disposal of assets | (11,337,635) | (29,999) |
| | 321,985,601 | 287,774,263 |
| (Increase) / decrease in assets | | |
| Ijarah rentals receivable | (87,021,718) | (130,316,841) |
| Investment | (66,299,090) | |
| Operation and maintenance income receivable | (7,573,988) | (31,621,314) |
| Advances, deposits and other receivable | 138,864,049 | (42,087,784) |
| Spare parts | 16,352,422 | (22,778,477) |
| | (5,678,324) | (226,804,416) |
| Increase / (decrease) in liabilities | | |
| Creditors, accrued and other liabilities (excluding accrued financial charges) | (57,553,670) | 44,207,195 |
| Contract Liabilities (Advance from customers) | (10,842,931) | (9,630,740) |
| Payable to the Modaraba Management Company | (233,175) | (23,025) |
| Deferred Tax liability | 16,627,552 | 15,059,738 |
| Other long term liabilities | 945,769 | 5,774,650 |
| | (51,056,456) | 55,387,817 |
| Cash generated from / (utilized in) operations | (56,734,780) | (171,416,600) |
| Gratuity paid | - | - |
| Compensated absence paid | (278,094) | - |
| Financial charges paid | (38,556,143) | (35,080,587) |
| Net cash flows from operating activities | 226,416,584 | 81,277,076 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (115,878,904) | (195,667,403) |
| Proceeds from disposal of assets | 72,551,925 | 30,000 |
| Net cash flows from investing activities | (43,326,979) | (195,637,403) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Diminishing Musharakah financing availed | - | 79,859,753 |
| Repayment of long term borrowing | - | (40,851,335) |
| Repayment of lease liability against ROU assets | (4,352,775) | (4,484,055) |
| Repayment of Diminishing Musharakah financing | (131,754,231) | (116,795,037) |
| Net cash flows from financing activities | (136,107,006) | (82,270,674) |
| Net (decrease)/increase in cash and cash equivalents | 46,982,599 | (196,631,003) |
| Cash and cash equivalents at the beginning of the period | 152,833,956 | 290,423,919 |
| Cash and cash equivalents at the end of the period | 199,816,555 | 93,792,916 |

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, 2023

| | Paid up certificate capital | Premium on issue of certificates | Statutory (mandatory) reserve (Rupees) | Un-appropriated profit | Total |
|--|-----------------------------|----------------------------------|---|------------------------|----------------------|
| 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 | <u>2,200,000,000</u> | <u>1,255,712,500</u> | <u>1,949,054,073</u> | <u>(318,147,622)</u> | <u>5,086,618,951</u> |
| Balance as at June 30, 2023 | 2,200,000,000 | 1,255,712,500 | 1,949,054,073 | (166,591,907) | 5,238,174,666 |
| Total comprehensive income for the three months period ended 30 September 2023 | - | - | - | 177,849,624 | 177,849,624 |
| Transfer to statutory (mandatory) reserve | - | - | - | - | - |
| Balance as at September 30, 2023 | <u>2,200,000,000</u> | <u>1,255,712,500</u> | <u>1,949,054,073</u> | <u>11,257,717</u> | <u>5,416,024,290</u> |

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

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



Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Notes to the Condensed Interim Financial Information (Unaudited)

For the three months period ended September 30, 2023

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+ (2022: A+) and short term rating of A-1 (2022: A-1) to the Modaraba on August 7, 2023 (2022: June 17, 2022).

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 subject to the fulfilment of the following conditions:

- The modaraba shall determine a buy-back price in consultation with the PSX to buy shares from the dissenting certificate holders which shall not be lower than the 12 months' average daily price reported by PSX preceding to the date of the board meeting for approval of swap ratio and the scheme and the book value per certificate as per the audited financial statements as at December 31, 2021; and
- No objection certificate(s) shall be obtained from all the creditors before making a petition to the Court and certified true copies shall be submitted to the Registrar Modaraba.

Upon successfully obtaining NOCs from all creditors, the Modaraba and the related companies have filed the petition with the Honorable Sindh High Court (SHC) 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 the court ordered to convene separate meetings of members of all the petitioners (Modaraba and related companies) and publication of the scheme in the official gazette. Thereafter, separate meetings of members of all the petitioners were held on November 25, 2022 whereby, the scheme was approved unanimously. Minutes of the meetings of members were also submitted to the SHC subsequently within seven days of the meeting. The modaraba management company expects to get approval from the SHC before June 30, 2024.

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.

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 2023.

2.3 The comparative balance sheet presented in these condensed interim financial information as at 30 June 2023 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2023, 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 2023.

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 2023.

5. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2023.

6 Ijarah assets - at cost less accumulated depreciation

| | (Unaudited) September 30, 2023 | | | |
|-----------------------------------|---|-----------------------|--------------------|----------------------|
| | Generators and related equipments | Logistics vehicles | Machines | Total |
| At 01 July 2023 | ----- (Rupees) ----- | | | |
| Cost | 7,655,591,541 | 2,121,252,923 | 1,401,190,499 | 11,178,034,963 |
| Accumulated depreciation | (3,672,931,964) | (809,701,820) | (539,408,709) | (5,022,042,493) |
| Accumulated impairment losses | (115,798,945) | - | (567,000) | (116,365,945) |
| Net book value as at July 1, 2023 | <u>3,866,860,632</u> | <u>1,311,551,103</u> | <u>861,214,790</u> | <u>6,039,626,525</u> |
| Additions | 176,498,651 | - | - | 176,498,651 |
| Disposals | | | | |
| Cost | (51,580,075) | (1,891,672) | (23,046,256) | (76,518,003) |
| Accumulated depreciation | 7,542,698 | 160,570 | 7,608,945 | 15,312,213 |
| | (44,037,377) | (1,731,102) | (15,437,311) | (61,205,790) |
| Depreciation charge for the year | (62,211,737) | (21,029,944) | (15,906,766) | (99,148,447) |
| Closing net book value | <u>3,937,110,169</u> | <u>1,288,790,057</u> | <u>829,870,713</u> | <u>6,055,770,939</u> |
| At 30 September 2023 | | | | |
| Cost | 7,780,510,117 | 2,119,361,251 | 1,378,144,243 | 11,278,015,611 |
| Accumulated depreciation | (3,843,399,948) | (830,571,194) | (548,273,530) | (5,222,244,672) |
| Net book value | <u>3,937,110,169</u> | <u>1,288,790,057</u> | <u>829,870,713</u> | <u>6,055,770,939</u> |
| Life (Years) | <u>3 to 24</u> | <u>8</u> | <u>8 to 10</u> | |

| (Audited) June 30, 2023 | | | | |
|--|---|-----------------------|---------------------------|-------------------------|
| | Generators and related equipments | Logistics vehicles | Machines | Total |
| ----- (Rupees) ----- | | | | |
| At 01 July 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 July 1, 2022 | 3,576,477,701 | 1,369,854,457 | 935,425,045 | 5,881,757,203 |
| Additions during the year | 536,276,473 | 85,751,603 | 7,527,124 | 629,555,200 |
| Disposals during the year | | | | |
| Cost | (63,513,421) | (118,169,219) | (32,184,647) | (213,867,287) |
| Accumulated depreciation | 33,189,401 | 55,208,615 | 9,585,836 | 97,983,852 |
| | (30,324,020) | (62,960,604) | (22,598,811) | (115,883,435) |
| Impairment during the year | - | - | - | - |
| Depreciation charge for the year | (215,569,522) | (81,094,353) | (59,138,568) | (355,802,443) |
| Closing net book value as at June 30, 2023 | <u>3,866,860,632</u> | <u>1,311,551,103</u> | <u>861,214,790</u> | <u>6,039,626,525</u> |
| At June 30, 2023 | | | | |
| Cost | 7,655,591,541 | 2,121,252,923 | 1,401,190,499 | 11,178,034,963 |
| Accumulated depreciation | (3,672,931,964) | (809,701,820) | (539,408,709) | (5,022,042,493) |
| Accumulated impairment losses | (115,798,945) | - | (567,000) | (116,365,945) |
| Net book value as at June 30, 2023 | <u>3,866,860,632</u> | <u>1,311,551,103</u> | <u>861,214,790</u> | <u>6,039,626,525</u> |
| Life (Years) | <u>2 to 24</u> | <u>8</u> | <u>8 to 10</u> | |
| | | Note | Unaudited Sep 30, 2023 | Audited Jun 30, 2023 |
| | | | (Rupees) | |

7 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED

| | | |
|---|--------------------|--------------------|
| Musharakah financing | 707,841,374 | 839,595,605 |
| Due within one year | (321,559,150) | (384,835,317) |
| | <u>386,282,224</u> | <u>454,760,288</u> |
| 7.1 Financing from banking and financial institutions | 707,841,374 | 839,595,605 |
| Financing from modarabas | - | - |
| | <u>707,841,374</u> | <u>839,595,605</u> |

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

Contingencies outstanding as at September 30, 2023 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 year ended June 30, 2022 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 11 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) was 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 deposited 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 stated on the basis of scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2015 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. 232.83 million from the Modaraba along with the default surcharge u/s 205 of Rs. 41.91 million.

The Modaraba filed an appeal against the assessment with the Commissioner Inland Revenue Appeals CIR (A). The appeal was heard on February 12, 2021, May 4, 2021 and later on October 11, 2021. The appeal has been decided by the CIR (A) vide his order dated November 25, 2021, in which the assessment has been set-aside and remanded back to the assessing officer. Re-assessment proceedings have been initiated but the same has not been concluded.

- 8.1.6** The Additional Commissioner Inland Revenue (ACIR) issued an order dated June 30, 2022. The order stated upon the scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2016 that the Modaraba has not deducted / partially deducted taxes from the payments against purchase of fixed assets. The department demanded Rs. 11.94 million from the Modaraba along with the default surcharge u/s 205 and penalty u/s 182 of Rs. 1.43 million and Rs. 1.19 million respectively.

The Modaraba had filed an appeal against the assessment with the Commissioner Inland Revenue Appeals CIR (A). The appeal was decided by the CIR (A) vide his order dated December 23, 2022. The assessment has been set-aside and remanded back to the assessing officer. Re-assessment proceedings have not been initiated.

- 8.1.7** Additional Commissioner Inland Revenue (ACIR) issued an order dated June 27, 2023. The order stated on the basis of scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2017 that the Modaraba has not deducted taxes from the payments against expenses amounting Rs. 24.91 million. The department demanded Rs. 2.94 million from the Modaraba along with the default surcharge u/s 205 and penalty u/s 182 of Rs. 0.29 million and Rs. 0.24 million respectively.

Appeal against the assessment has been filed with the Commissioner Inland Revenue Appeals CIR (A) and is pending for adjudication. 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.

- 8.1.8** 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 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 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, 2023 | Sep 30, 2022 |
| | (Rupees) | |
| 9 IJARAH RENTALS - Net | | |
| Ijarah Rentals | 1,430,092,043 | 1,341,780,009 |
| Less : Sales Tax | <u>(159,101,829)</u> | <u>(137,769,888)</u> |
| | <u>1,270,990,214</u> | <u>1,204,010,121</u> |
| 10 OPERATION AND MAINTENANCE INCOME - Net | | |
| Operation and Maintenance Income | 49,507,707 | 48,874,870 |
| Less : Sales Tax | <u>(4,980,307)</u> | <u>(3,673,140)</u> |
| | <u>44,527,400</u> | <u>45,201,730</u> |
| 11 OPERATING EXPENSES | | |
| Salaries, wages and other staff benefits | 306,843,746 | 302,863,934 |
| Depreciation expense | 99,148,447 | 81,866,865 |
| Repairs and maintenance cost | 89,305,664 | 103,849,241 |
| Fleet vehicles running cost | 340,467,862 | 347,193,512 |
| Vehicles running cost | 30,295,432 | 24,327,236 |
| Insurance cost - equipments | 11,149,191 | 11,759,275 |
| Travelling and conveyance | 2,317,850 | 2,876,100 |
| Transportation | 13,343,950 | 20,556,855 |
| Rent expense | 6,144,070 | 3,447,361 |
| | <u>899,016,212</u> | <u>898,740,379</u> |
| 12 ADMINISTRATIVE AND DISTRIBUTION EXPENSES | | |
| Salaries, wages and other staff benefits | 47,180,094 | 44,426,850 |
| Vehicle running costs | 9,062,511 | 7,623,460 |
| Travelling and conveyance | 642,481 | 680,356 |
| Depreciation expense | 13,004,014 | 12,851,108 |
| Legal and professional charges | 3,388,594 | 6,117,679 |
| Telephone, postage and fax charges | 2,246,378 | 1,897,483 |
| Advertisement and sales promotion | 131,292 | 16,720 |
| Printing and stationery | 706,274 | 753,959 |
| Insurance cost - vehicles | 315,784 | 244,303 |
| Training, meetings and tender participation | 262,879 | 360,509 |
| Donation | - | 450,000 |
| Entertainment | 2,239,343 | 1,128,810 |
| Utilities | 5,169,794 | 1,823,554 |
| Security | 1,784,143 | 1,926,412 |
| Software Development | 505,443 | - |
| Miscellaneous | 932,015 | 1,119,790 |
| | <u>87,571,039</u> | <u>81,420,993</u> |
| 13 FINANCE COSTS | | |
| Financial cost on Diminishing Musharakah financing | 42,131,697 | 37,421,443 |
| Financial cost on liability against right to use assets | 597,217 | 953,445 |
| Financial cost on long term borrowing | - | 1,768,972 |
| Financial cost on Running Musharakah financing | 327,534 | 2,127,633 |
| Bank charges and commission | 264,704 | 574,103 |
| | <u>43,321,152</u> | <u>42,845,596</u> |

14 TAXATION

The management has recognised a provision for taxation amounting to Rs.125.382 million for the three months period ended September 30, 2023.

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:

| | Note | Three months period ended | |
|---|------|---------------------------|--------------|
| | | Sep 30, 2023 | Sep 30, 2022 |
| | | (Rupees) | |
| Details of transactions with related parties during the period are as follows: | | | |
| 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 | | - | 26,032,500 |
| Purchase of parts and services | | 126,606,152 | 74,483,655 |
| Rental revenue | | 54,106,191 | 1,623,420 |
| Apex Machinery (Private) Limited (Associated Company) | | | |
| Purchase of parts and services | | 2,232,340 | 4,712,535 |
| 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 | | 4,533,215 | 4,078,279 |

| | Unaudited Sep 30, 2023 | Audited Jun 30, 2023 |
|---|---------------------------|-------------------------|
| | (Rupees) | |
| Allied Engineering Management Company (Private) Limited (Modaraba Management Company) | | |
| Outstanding certificates 43,999,997 (June 30, 2023: 43,999,997) | <u>439,999,970</u> | <u>439,999,970</u> |
| Payable to the Modaraba Management Company | <u>10,108,209</u> | <u>10,341,384</u> |
| Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company) | | |
| Outstanding certificates 163,196,645 (June 30, 2023: 163,196,645) | <u>1,631,966,450</u> | <u>1,631,966,450</u> |
| Payable against purchase of parts and services | <u>587,026,732</u> | <u>582,492,588</u> |
| Apex Machinery (Private) Limited (Associated Company) | | |
| Payable against purchase of parts and services | <u>8,104,251</u> | <u>5,871,912</u> |
| Allied E-Commerce Solutions (Private) Limited (Associated Company) | | |
| Receivable against miscellaneous expenses | <u>1,726,479</u> | <u>1,676,242</u> |

16 DATE OF AUTHORISATION

These financial statements were authorised in the meeting of the Board of Directors of the Management Company held on October 26, 2023.

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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