

Half Yearly Report  
December 2020

**10**  
**Good Reasons**  
**to Rent from**  
**The Cat® Rental Store**



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

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# Modaraba Information

## Board of Directors

Syed Feisal Ali  
Chairman

Mr. Murtaza Ahmed Ali  
Chief Executive

Mr. Khwaja Ahad Rahman  
Non - Executive Director

Mrs. Saira Nasir (Independent)  
Non - Executive Director

Mr. Ali Akbar  
Non - Executive Director

Mr. Hassan Shehzad Abidi  
Non - Executive Director

Mr. Abdul Rahim Suriya (Independent)  
Non - Executive Director

## Audit Committee

Mr. Abdul Rahim Suriya (Independent)  
Chairman

Syed Feisal Ali  
Member

Mr. Ali Akbar  
Member

## Chief Financial Officer

Mr. Muhammad Saad

## Company Secretary

Mr. Muzzammil Tariq

## Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

## Human Resource and Remuneration Committee

Mr. Abdul Rahim Suriya (Independent)  
Chairman

Syed Feisal Ali  
Member

Mr. Murtaza Ahmed Ali  
Member

## Strategic Management

Syed Zulqarnain Jafri  
Business Unit Head - Power

Mr. Ali Ahsan  
Business Unit Head - Logistics & MHE

Mr. Rashid Jehangiri  
Business Unit Head - Machines and Cranes

Mr. Ali Ammar  
Business Administrator

Mr. Muhammad Azeem Siddiqui  
Head of Human Resource and Administration

Mr. Muhammad Farooq  
Head of Information Technology

## Islamic Banks, Islamic Window of Commercial Banks & Lending Institutions

Askari Bank Limited

Habib Bank Limited

Bank Alfalah Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Soneri Bank Limited

Habib Metropolitan Bank

MCB Islamic Bank Limited

United Bank Limited

First Habib Modaraba

Meezan Bank Limited

Al Baraka Bank Limited

Dubai Islamic Bank

Bank Al Habib Limited

Allied Bank Limited

## Auditors

KPMG Taseer Hadi & Co. Chartered  
Accountants

## Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

## Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

## Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

## Registered & Head office

21/3 Sector 22, Korangi Industrial Area,  
Karachi - 74900 UAN; (021) 111-250-250

Website: [www.arm.com.pk](http://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 December 31, 2020

The Board of Directors of Allied Engineering Management Company (Pvt.) Limited, the management company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with Unaudited Financial Statements of the Modaraba for the half year ended December 31, 2020.

<b>Financial Highlights</b>	<b>Rs. in '000</b>
Investment in Ijarah assets	5,981,141
Total Revenue	1,763,837
Net profit for the period	158,506
Net profit margin	8.99%
Return on equity	2.96%
Current Ratio	1.16:1
Earning per certificate	Rs. 0.72
Break-up value per certificate	Rs. 24.29

## Review of Operations

Net Sales for the Quarter ended December 2020 appreciated by 7.28% from the corresponding quarter to close at Rs. 942 million despite significantly challenging economic conditions and overall stagnation of the business subsequent to the emergence of COVID-19.

Sales in the Power Generation segment geared up by 8.7% during the quarter compared to corresponding period last year due to overall deployment of our smaller units improved and maintaining our rental contracts for Megawatt segment, further Power continues to maintain our lead segment in terms of profitability. Sales from our Inbound and Outbound Logistics segment showed slight improvement of 3% during the quarter compared to corresponding period last quarter.

Sales from construction machines and cranes segment improved significantly and contributed an increase of 24% to close at 123 Million as compared to Rs. 99 million of the corresponding period last year. Infrastructure construction and CPEC projects are now gearing up which were previously gone on a go-slow approach. We are presently working on major projects of Skurdu Road, Thar Coal and Jamshoro Power Plant and Mityari Lahore Transmission Line (The project is expected to be complete by year end 2021). This sector presents excellent opportunities for the future in the wake of new DAM projects of Daimer Basha, Dasu and Mohmand. We are in negotiation with all major contractors, including both FWO and Chinese contractors to identify their needs and accordingly develop our Machine Rental Fleet, our initial mobilization of 24 machines including Excavators, wheel loaders, Dozers and Dumper have been finalized at Diامر Bhasa Dam site.

In line with the increase in rental revenue the operating expense for the period showed a slight increase of 3.5% to Rs. 1,403 Million from Rs. 1,355 Million for the period. As compared to corresponding period last year Salaries and Wages decreased by 12% due to the steps taken by management and had an offsetting effect of upward revision in Minimum Wage by the Government. Fleet vehicles running cost raised by 25% due to overall higher transportation cost. Depreciation for the period dropped by Rs. 12 Million compared to corresponding period last year.

Administrative and distribution expenses increased by 9% to Rs. 131 Million (2019: Rs. 120 Million) primarily due to increase in depreciation expense. Markup costs went down by 46% in the current period, mainly on account of decrease in KIBOR Base rate.

Provision against potential Ijarah losses and operation and maintenance income was recorded at Rs. 12 Million being in compliance with the Prudential Regulations for the Modaraba's.

## Future Prospects

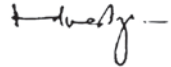
The Management will remain cautious and prudent for its investment strategy on all segments of the business, we expect the economy to bounce back in 2021, with renewed focus on CPEC projects, stimulus package by the Government and lowering of the discount rates, pushing industrial investment and growth. However, there are still uncertainties of COVID-19 and its post vaccination impacts for which the management will remain a factor in consideration of its investment strategy.

The Management is positive of the rental industry potential, CPEC development and tremendous opportunities it has to date generated for the Modaraba. 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, 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

February 23, 2021

کاروباری عمل کو جاری رکھنے کے اخراجات پچھلے سال کے اسی عرصے کے مقابلے میں 3.5% کے اضافے کے ساتھ تقریباً 1,403 ملین روپے رہے۔ تنخواہوں اور اجرتوں میں گزشتہ سال کے مقابلے میں 12% کمی آئی، جس کی وجہ انتظامیہ کے اقدامات ہیں جس سے حکومت کی جانب سے کم سے کم اجرتوں میں اضافہ کے اثرات کو کم کرنے میں مدد ملی۔

ہمارے بیڑے کی گاڑیوں کے چلنے کے اخراجات 25% بڑھ گئے جس کی وجہ فیول کے ریٹس میں اضافہ تھی۔ اس مدت میں فرمودگی کے اخراجات گزشتہ سال اسی مدت کے مقابلے میں 12 ملین روپے کم ہوئے۔

انتظامی امور اور تقسیم کاری کے اخراجات 9% اضافہ کے ساتھ 131 ملین روپے ہو گئے ہیں (2019: 120 ملین روپے) اس کی بڑی وجہ فرمودگی کے اخراجات میں اضافہ ہے۔ مارک اپ کے اخراجات 46% سے کم ہو گئے ہیں جس کی وجہ KIBOR ریٹس میں کمی تھی۔

مودارہ پر پروڈینشل ریگولیشن کے مطابق اجارہ رینٹل اور آپریشن مینٹیننس کی آمدنی کے بدلے میں ممکنہ نقصانات کی مد میں 12 ملین روپے مختص کیئے گئے ہیں۔

### مستقبل کا منظر نامہ

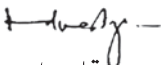
انتظامیہ اپنے تمام کاروباری شعبہ جات میں ہوشیاری اور دانشمندی سے سرمایہ کاری کی حکمت عملی اپنائے گی اور ہم توقع کرتے ہیں کہ سی بیک پر نئی توجہ کے ساتھ مالی سال 2020 - 21 میں معیشت میں دوبارہ چڑھاؤ آئے گا۔ ابھی بھی COVID-19 کی غیر یقینی صورتحال ہے اور دوسری لہر کے ابھرنے کا خطرہ ہے۔ جس کو انتظامیہ سرمایہ کاری کرتے وقت مد نظر رکھے گی۔ ہم ہمیشہ صارف کے اطمینان پر خاص توجہ دیتے ہیں اور اپنے کاروباری لین دین میں اسلامی شریعہ اصولوں پر عمل پیرا رہتے ہیں۔

انتظامیہ رینٹل صنعت کی گنجائش کیلئے نہایت پر امید ہے جس میں سی بیک ڈیولپمنٹ اور مضاربہ کیلئے دیگر کئی بے شمار مواقع موجود ہیں لیکن اس کے ساتھ ہمیں رینٹل پاور کے شعبہ میں سرمایہ کاری کیلئے نہایت ہوشیاری، دانشمندی اور انتخاب پر مبنی فیصلہ کرنا ہوگا۔ ہم ہمیشہ صارفین کے اطمینان پر خصوصی زور دیتے ہیں اور اپنے کاروباری لین دین کے طریقہ کار میں اسلامی شرعی اصولوں کی پیروی کو یقینی بناتے ہیں۔

### اعتراف

بورڈ، رجسٹرڈ مضاربہ کے خصوصی طور پر مومنوں ہیں اور، مذہبی بورڈ، بینکرز اور اپنے مالیاتی پارٹنرز کے مستقل تعاون اور رہنمائی کیلئے ان کا بے حد شکر گزار ہے اور صارفین کی سرپرستی اور کاروباری امور میں شرکت کیلئے ان کا شکریہ ادا کرتا ہے۔

منجانب بورڈ



مرتضی احمد علی

چیف ایگزیکٹو

23 فروری 2021

## ڈائریکٹرز کی رپورٹ

برائے مدتِ مختتمہ 31 دسمبر 2020

الائیڈ رینٹل مضاربہ کی منتظمہ کمپنی الائیڈ انجینئرنگ مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز اپنے حقیقت کی ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے ششماہیِ مختتمہ 31 دسمبر 2020 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مالیاتی جھلکیاں	000 روپے میں
اجارہ اثاثہ جات میں سرمایہ کاری	5,981,141
کل آمدنی	1,763,837
منافع برائے مذکورہ مدت	158,506
خالص منافع کا مارجن	8.99%
ایکویٹی پر منافع	2.96%
موجودہ شرح	1.16:1
فی سرٹیفکیٹ آمدنی	Rs. 0.72
فی سرٹیفکیٹ بریک اپ ویلیو	Rs. 24.29

کاروباری عمل کا جائزہ

دسمبر 2020 کو ختم ہونے والی سہ ماہی میں مضاربہ کی سیلز 7.28% اضافہ کے ساتھ 942 ملین روپے ریکارڈ کی گئی باوجود اس کے کہ COVID-19 اور نمایاں طور پر مشکل معاشی حالات اور کاروبار میں مجموعی طور پر جمود رہا۔

پاور جنریشن شعبہ کی سیلز میں گزشتہ سال کی اسی مدت کے لحاظ سے 8.7% کا اضافہ رہا، جس کی بڑی وجہ ہمارے چھوٹے یونٹس کی سیلز میں بہتری اور میگا واٹ یونٹس کے نئے معاہدے ہیں، مزید پاور جنریشن کا شعبہ منافع کے معاملے میں اپنی لیڈ برقرار رکھے ہوئے ہے۔ پچھلی سہ ماہی کے اسی عرصے کے مقابلے میں ہمارے داخلی اور خارجی لاجسٹک کے شعبہ کی سیلز میں 3% کی معمولی بہتری آئی ہے۔

ہمارے مشین اور کرین کے شعبہ کی سیلز 24% اضافہ کے ساتھ 123 ملین روپے ہو گئی ہے جب کہ گزشتہ اسی مدت کی سیلز 99 ملین روپے تھی۔ ہم اس وقت بڑے منصوبوں، میٹری لائسنس لائن پراجیکٹ (جس کی تکمیل 2021 کے اختتام تک متوقع ہے)، اسکرودور وڈ پراجیکٹ، تھرکول اور جام شورو پاور پلانٹ پراجیکٹ پر کام کر رہے ہیں۔ یہ سیکٹر دیا میر، بھاشا اور داسو اور مہمند ڈیم کے نئے منصوبوں کے پیش نظر مستقبل کے لیے بہترین مواقع پیش کرتا ہے۔ ہم تمام بڑے ٹھیکیداروں بشمول FWO اور چائینیز سے بات چیت کر رہے ہیں اور ان کی ضروریات کے مطابق اپنی مشین کی رینٹل فلیٹ تیار کر رہے ہیں۔ ابتدائی طور پر ہم اپنی 24 نئی مشینز جس میں ویل لوڈر، ایکسکو ایٹر، ڈوزر اور ڈمپر شامل ہیں، بھاشا ڈیم پر تعینات کر چکے ہیں۔



**KPMG Taseer Hadi & Co.**

Chartered Accountants

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the Certificate holders of Allied Rental Modaraba  
Report on review of Interim Financial Statements**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Allied Rental Modaraba ("the Modaraba") as at 31 December 2020, and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred to as the "interim financial statements"). The Modaraba Management Company [Allied Engineering Management Company (Private) Limited] is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### **Other matters**

The figures for the quarters ended 31 December 2020 and 31 December 2019 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the audit resulting in this independent auditor's report is Amyn Pirani.

**Date: 26 February 2021**

Karachi

*KPMG Taseer Hadi*  
KPMG Taseer Hadi & Co.  
Chartered Accountants



# Condensed Interim Statement of Financial Position

As at December 31, 2020

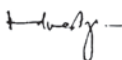
	Note	31 December 2020 (Unaudited)	30 June 2020 (Audited)
(Rupees)			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	7	153,451,749	92,916,094
Ijarah rentals receivable	8	999,552,772	1,100,301,006
Operation and maintenance income receivable	9	27,502,445	37,513,933
Advances, deposits, prepayments and other receivable	10	633,094,428	826,777,902
Spare parts		214,916,871	196,176,407
		<u>2,028,518,265</u>	<u>2,253,685,342</u>
<b>Non-current assets</b>			
Long term security deposits		50,000	50,000
Fixed assets in own use - tangible	11	226,707,492	207,010,534
Intangible asset for own use	12	1,255,070	1,961,154
Ijarah assets	13	5,981,140,638	6,120,338,820
Capital work-in-progress - ijarah asset	14	43,994,443	51,236,756
		<u>6,253,147,643</u>	<u>6,380,597,264</u>
Non-current assets classified as held for sale	15	140,364,996	-
<b>Total assets</b>		<u>8,422,030,904</u>	<u>8,634,282,606</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	16	1,002,305,721	1,050,219,451
Payable to the Modaraba Management Company	17	3,224,488	11,300,000
Current maturity of diminishing musharaka financing payable - secured	18	541,960,218	365,546,132
Current portion of long - term borrowings	19	166,293,958	75,915,791
Current portion of other long term liabilities	21	10,802,889	29,779,470
Unclaimed dividend		1,227,617	1,052,715
Current maturity of liability against right-of-use assets	22	18,663,245	18,042,712
		<u>1,744,478,136</u>	<u>1,551,856,271</u>
<b>Non-current liabilities</b>			
Diminishing musharaka financing payable - secured	18	931,602,619	1,406,038,650
Long - term borrowings	19	160,869,247	89,726,681
Deferred liability for staff gratuity	20	101,853,967	95,966,148
Other long-term employee benefit		28,261,589	28,632,954
Other long term liabilities	21	64,703,860	56,633,544
Liability against right-of-use assets	22	46,629,654	53,709,939
		<u>1,333,920,936</u>	<u>1,730,707,916</u>
<b>Total liabilities</b>		<u>3,078,399,072</u>	<u>3,282,564,187</u>
<b>NET ASSETS</b>		<u>5,343,631,832</u>	<u>5,351,718,419</u>
<b>FINANCED BY: CAPITAL AND RESERVES</b>			
Authorized certificate capital			
250,000,000 (30 June 2020: 225,000,000) Modaraba certificates of Rs.10 each	23	2,500,000,000	2,500,000,000
Issued, subscribed and paid-up certificate capital			
220,000,000 (30 June 2020: 200,000,000) Modaraba certificates of Rs.10 each	23	2,200,000,000	2,200,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve		1,725,068,817	1,685,840,464
Unappropriated profit		162,850,515	210,165,455
		<u>5,343,631,832</u>	<u>5,351,718,419</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes from 1 to 37 form an integral part of these condensed interim financial information.

## 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 Profit or Loss (Unaudited)

For the six months period ended December 31, 2020

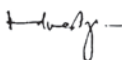
	Note	Six months period ended		Three months period ended	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
----- (Rupees) -----					
Ijarah rentals - net	26	1,694,483,446	1,739,535,240	907,261,758	842,295,146
Operation and maintenance income - net	27	69,353,599	66,467,299	35,029,812	35,484,250
		1,763,837,045	1,806,002,539	942,291,570	877,779,396
Operation, maintenance and Ijarah related expenses	28	(1,402,757,102)	(1,354,702,202)	(761,531,246)	(648,145,049)
<b>Gross profit</b>		<b>361,079,943</b>	<b>451,300,337</b>	<b>180,760,324</b>	<b>229,634,347</b>
Administrative expenses	29	(130,967,119)	(120,389,531)	(72,077,345)	(65,294,400)
Provision against potential Ijarah losses and operation and maintenance income	8.2 & 9.1	(11,817,532)	(51,194,511)	(11,817,532)	(51,194,511)
Finance cost	30	(87,204,301)	(161,738,531)	(38,026,850)	(85,685,697)
Other income	31	31,966,087	36,104,816	27,706,915	28,955,368
		(198,022,865)	(297,217,757)	(94,214,812)	(173,219,240)
		163,057,078	154,082,580	86,545,512	56,415,107
Modaraba Management Company's remuneration	17	(2,000,000)	(5,000,000)	(2,000,000)	(5,000,000)
Provincial worker's welfare fund		(2,551,254)	-	(2,551,254)	-
<b>Profit for the period before taxation</b>		<b>158,505,824</b>	<b>149,082,580</b>	<b>81,994,258</b>	<b>51,415,107</b>
Taxation	32	-	-	-	-
<b>Profit for the period</b>		<b>158,505,824</b>	<b>149,082,580</b>	<b>81,994,258</b>	<b>51,415,107</b>
<b>Earnings per certificate - basic and diluted<sup>33</sup></b>		<b>0.72</b>	<b>0.68</b>	<b>0.37</b>	<b>0.23</b>

The annexed notes from 1 to 37 form an integral part of these condensed interim financial information.

**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 six months period ended December 31, 2020


	Note	Six months period ended		Three months period ended	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
----- (Rupees) -----					
Profit for the period after taxation		158,505,824	149,082,580	81,994,258	51,415,107
Other comprehensive income for the period					
<i>Items that will not be reclassified to profit or loss</i>					
Loss on remeasurement of defined benefit plan obligation	20	(1,592,411)	-	(1,592,411)	-
Total comprehensive income for the period		<u>156,913,413</u>	<u>149,082,580</u>	<u>80,401,847</u>	<u>51,415,107</u>

The annexed notes from 1 to 37 form an integral part of these condensed interim financial information.

**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 Cash Flow (Unaudited)

For the six months period ended December 31, 2020

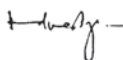
	Six months period ended	
	31 December 2020	31 December 2019
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	158,505,824	149,082,580
<i>Adjustments for:</i>		
Depreciation	275,753,327	279,621,951
Amortization	706,084	1,069,876
Provision against potential Ijarah losses and operation and maintenance income	-	51,194,511
Provision for deferred liabilities - gratuity	4,295,408	11,770,393
Provision for long term employee benefits	123,713	-
Financial charges including bank profit	87,204,301	161,738,531
Profit on deposit accounts	-	(2,602,530)
Reversal of provision against long term employee benefits	-	(9,261,228)
Profit on disposal of Ijarah and fixed assets	(1,492,662)	(10,032,150)
	<b>366,590,171</b>	<b>483,499,354</b>
	<b>525,095,995</b>	<b>632,581,934</b>
<i>Decrease / (increase) in assets</i>		
Ijarah rentals receivable	100,748,234	(45,454,833)
Operation and maintenance income receivable	10,011,488	1,815,708
Advances, deposits, prepayments and other receivable	193,683,474	(42,474,204)
Spare parts	(18,740,464)	(33,577,229)
	<b>285,702,732</b>	<b>(119,690,558)</b>
<i>(Decrease) / increase in operating liabilities</i>		
Creditors, accrued and other liabilities	(38,884,124)	359,385,804
Payable to the Modaraba Management Company	(8,075,512)	(14,307,738)
Security deposits	(10,906,265)	(30,832,400)
	<b>(57,865,901)</b>	<b>314,245,666</b>
	<b>752,932,826</b>	<b>827,137,042</b>
Gratuity paid	-	(328,364)
Compensated absences paid	(495,078)	-
Profit on deposit accounts received	-	2,610,795
Financial charges paid	(96,233,907)	(159,475,479)
	<b>(96,728,985)</b>	<b>(157,193,048)</b>
<b>Net cash flows from operating activities</b>	<b>656,203,841</b>	<b>669,943,994</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(345,045,779)	(263,683,209)
Proceeds from disposal of Ijarah assets	55,358,729	75,896,475
Proceeds from disposal of fixed assets in own use	1,804,926	111,100
<b>Net cash flows from investing activities</b>	<b>(287,882,124)</b>	<b>(187,675,634)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution to the certificate holders	(164,825,098)	(220,009,935)
Diminishing musharaka financing availed	65,330,000	277,254,574
Long term borrowing availed	161,520,733	-
Running musharaka financing availed	-	98,532,248
Repayment of lease liability against right-of-use assets	(6,459,753)	(5,084,630)
Repayment of diminishing musharaka financing	(363,351,945)	(607,081,182)
<b>Net cash flows from financing activities</b>	<b>(307,786,063)</b>	<b>(456,388,925)</b>
<b>Net increase in cash and cash equivalents</b>	<b>60,535,654</b>	<b>25,879,435</b>
Cash and cash equivalents at the beginning of the period	<b>92,916,094</b>	<b>50,644,643</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>153,451,748</b>	<b>76,524,078</b>

The annexed notes from 1 to 37 form an integral part of these condensed interim financial information.

## 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 six months period ended December 31, 2020

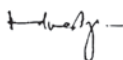
	Issued, subscribed and paid up certificate capital	Premium on issue of certificates	Statutory reserve	Unappropriated profit	Total
----- (Rupees) -----					
Balance as on 1 July 2019	2,200,000,000	1,255,712,500	1,614,386,450	263,439,424	5,333,538,374
Total comprehensive income for the six months period ended 31 December 2019	-	-	-	149,082,580	149,082,580
Transfer to statutory reserve (at 50% of the profit for the period)	-	-	37,270,645	(37,270,645)	-
<b>Transaction with owners - recorded directly in equity</b>					
Profit distribution for the year ended 30 June 2019 @ Rs. 1.00 per certificate declared subsequent to the year end	-	-	-	(220,000,000)	(220,000,000)
<b>Balance as at 31 December 2019</b>	<b>2,200,000,000</b>	<b>1,255,712,500</b>	<b>1,651,657,095</b>	<b>155,251,359</b>	<b>5,262,620,954</b>
Balance as on 1 July 2020	2,200,000,000	1,255,712,500	1,685,840,464	210,165,455	5,351,718,419
Total comprehensive income for the six months period ended 31 December 2020	-	-	-	156,913,413	156,913,413
Transfer to statutory reserve (at 25% of the profit for the period)	-	-	39,228,353	(39,228,353)	-
<b>Transaction with owners - recorded directly in equity</b>					
Profit distribution for the year ended 30 June 2020 @ Rs. 0.75 per certificate declared subsequent to the year end	-	-	-	(165,000,000)	(165,000,000)
<b>Balance as at 31 December 2020</b>	<b>2,200,000,000</b>	<b>1,255,712,500</b>	<b>1,725,068,817</b>	<b>162,850,515</b>	<b>5,343,631,832</b>

The annexed notes from 1 to 37 form an integral part of these condensed interim financial information.

**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 six months period ended December 31, 2020

## 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 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 10 May 2006, authorized Allied Engineering Management Company (Private) Limited to float Allied Rental Modaraba (the Modaraba). The Modaraba commenced its operations on 10 January 2007.

The Modaraba is a perpetual Modaraba and is primarily engaged in rental / Ijarah and operation and maintenance of Caterpillar and other 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.

- 1.2 The JCR-VIS Credit Rating Company Limited has assigned long term A+ rating and short term A-1 rating to the Modaraba.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The condensed interim financial information of the Modaraba for the six months period ended on 31 December 2020 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, interim financial reporting issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act, 2017;
- Provisions of and directions issued under the Companies Act, 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas and IFAS differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFAS have been followed.

- 2.2 The disclosures made in these condensed interim financial statements are based on the requirements of the International Accounting Standard (IAS) 34: 'Interim Financial Reporting'. These condensed interim financial information does not include all the information required for a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended 30 June 2020.

- 2.3 The comparative condensed interim statement of financial position presented in these condensed interim financial statements have been extracted from the audited annual financial statements of the Modaraba for the year ended 30 June 2020, whereas, the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial statements for the period ended 31 December 2019.

2.4 These condensed interim financial statements are unaudited. However, a review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance.

## 2.5 Basis of measurement

These condensed interim financial statements have been prepared on the basis of historical cost convention.

## 2.6 Functional and presentation currency

These condensed interim financial information are 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 IMPACT OF COVID-19

On March 11, 2020, the World Health Organization (WHO) declared the 2019 Novel Coronavirus (COVID-19) outbreak a pandemic which impacted countries globally including Pakistan. Due to COVID-19 and resulting measures taken to control the spread of virus including travel bans, quarantines, social distancing and closures of non-essential services impacted adversely various businesses and enhanced volatility in the Pakistan Stock Exchange (PSX). The Modaraba is conducting business with some modifications to employee working and cancellation of certain events, among other modifications while following all necessary Standard Operating Procedures (SOPs). The Modaraba will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of their employees, customers, partners, and stockholders.

Management based on its assessment considers that there would be no significant impact that will adversely affect the Modaraba's business, results of operations and financial condition in future period.

## 4 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, ASSUMPTIONS AND CHANGES THEREIN

4.1 Except for the adoption of an accounting policy as disclosed in note 4.4, the accounting policies and the methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of annual audited unconsolidated financial statements of the Modaraba as at and for the year ended 30 June 2020.

### 4.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after 1 July 2020 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and therefore are not detailed in these condensed interim unconsolidated financial statements.

### 4.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning / ending on or after 01 January 2021:

- IFRS 9 'Financial Instruments' – As per SRO 321(I)/2020 of SECP applicability of International Financial Reporting Standard - Financial Instruments (IFRS 9) in place of International Accounting Standard (IAS) 39 (Financial Instruments: Recognition and Measurement) for Modarabas was deferred and was made applicable for reporting period/year ending on or after 30 June 2021. However, the management has obtained clarification on the applicability of IFRS 9 for interim periods (31 December 2020 and 31 March 2021) whereby the SECP has confirmed via an email that the application of IFRS-9 is not mandatory for the reporting periods ended 31 December 2020 and ending 31 March 2021.

IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

During the period, the Modaraba carried out an exercise to determine the impact of IFRS 9 as at the period end, which was based on certain estimates and assumptions. The Modaraba has estimated the impact of the adoption of IFRS 9 on the financial statements of the Modaraba as of 31 December 2020 and expects no additional charge on its financial statements for the year ending 30 June 2021.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

#### **Annual Improvements to IFRS standards 2018-2020:**

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the 10 per cent test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.



- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

#### 4.4 Adoption of an accounting policy

- 4.4.1 The Modaraba has adopted the following accounting policy for non-current assets held for sale in respect of assets so classified and disclosed in note 15 to these condensed interim financial information. The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset classified as held for sale is carried at the lower of its carrying amount and fair value less costs to sell. Impairment losses are recognised through the statement of profit or loss for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less cost to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale.

## 5 CRITICAL MANAGEMENT ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2020.

## 6 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 2020.

## 7 CASH AND BANK BALANCES

		31 December 2020 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
Balances with banks in:			
- current accounts		72,124,872	23,424,894
- deposit accounts	7.1	80,617,159	68,988,523
		<u>152,742,031</u>	<u>92,413,417</u>
Cash in hand		709,718	502,677
		<u>153,451,749</u>	<u>92,916,094</u>

7.1 These balances carry profit at rates ranging from 2.75% to 5.52% per annum (30 June 2020: 4.41% to 9.51% per annum).

## 8 IJARAH RENTALS RECEIVABLE

		31 December 2020 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
Balance as at the period / year end		1,185,432,747	1,336,893,270
Provision against potential Ijarah losses	8.1 & 8.2	(185,879,975)	(236,592,264)
		<u>999,552,772</u>	<u>1,100,301,006</u>

8.1 In accordance with the prudential regulations for the Modaraba issued by the Securities and Exchange Commission of Pakistan, the Modaraba has availed the benefit of cash deposit collaterals held by the Modaraba in respect of its non-performing portfolio. Such collaterals held as at 31 December 2020 amounted to Rs. 1.050 million (30 June 2020: Rs. 5.284 million). Due to the consideration of this benefit available with the Modaraba, profit for the six month period ended 31 December 2020 and the balance of provision against the potential Ijarah losses as of the period end is respectively higher and lower by Rs. 1.050 million.

## 8.2 Provision against potential ijarah losses

		31 December 2020 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
Opening balance		236,592,264	187,302,324
Charge for the period / year		8,111,858	99,012,922
Reversal during the year		-	-
Written off during the period / year		(58,824,147)	(49,722,982)
Closing balance		<u>185,879,975</u>	<u>236,592,264</u>

## 9 OPERATION AND MAINTENANCE INCOME RECEIVABLE

Balance as at the period / year end		36,540,530	42,846,340
Provision against operation and maintenance income receivable	9.1	(9,038,085)	(5,332,407)
		<u>27,502,445</u>	<u>37,513,933</u>

## 9.1 Provision against operation and maintenance income receivable

Opening balance		5,332,407	7,578,963
Charge during the period / year		3,705,678	-
Reversal during the period / year		-	(2,246,556)
Closing balance		<u>9,038,085</u>	<u>5,332,407</u>

## 10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	31 December 2020 (Unaudited) (Rupees)	30 June 2020 (Audited)
Income tax recoverable	10.1	484,749,627	637,881,844
Federal Excise Duty (FED) receivable	25.1.2	50,000,000	50,000,000
Sindh sales tax refundable	25.1.4	4,775,668	4,775,668
Sales Tax on imports refundable	10.2	4,182,666	4,182,666
Advances (unsecured):			
- to suppliers for expenses		44,469,075	69,972,218
- to employees against salary (interest free & secured against retirement benefit)		1,688,900	1,354,937
- to employees for expenses		4,155,235	4,484,986
Prepayments		1,154,519	-
Security deposits	10.3	16,498,394	18,368,872
Accrued income on profit or loss sharing bank accounts		-	128,627
Insurance claim receivable		-	54,112
Others	10.4	21,420,344	35,573,972
		<b>633,094,428</b>	<b>826,777,902</b>

- 10.1** This represent income tax collected at source at the import stage by the collector of customs amounting to Rs 88.181 million (30 June 2020: Rs 122 million) and tax deductions of Rs. 396.568 million (30 June 2020: Rs 515.87) from various payments made to Modaraba.

As explained in note 32, income of the Modaraba is exempt from tax under clause 100 of the Second Schedule of Income Tax Ordinance, 2001. However, withholding of taxes under sections 153 (1)(b), 148 and other sections of the Income Tax Ordinance, 2001 have been made by the withholding agents as exemption certificates for non-deduction of tax at source were not available with the Modaraba and were not renewed by Commissioner Inland Revenue Large Tax Payer Unit (LTU-II) till September 2019 and an appeal to the Chief Commissioner LTU-II was also not accepted.

The Modaraba is of the view that since its total income is exempt from income tax by virtue of compliance of clause 100 of the Second Schedule, exemption certificates should have been granted by Federal Board of Revenue as the Modaraba has always complied with the requirement of the clause 100 of the Second Schedule.

However, after the orders passed by CIR and Chief Commissioner of turning down the exemption request under section 148 and 153 (1) (b) of the Modaraba, management filed the constitutional petition in the Honourable Sindh High Court against the said orders which is pending herein. The Modaraba, in consultation with its tax advisor is of the view that it has a fair chance of succeeding in the above matter.

However in September 2019, the Modaraba received an exemption certificate in respect of tax withheld under section 153(1)(a) and 153(1)(b) (excluding withholding tax on receipt against logistic rentals), which was valid till 31 December 2019. However taxes under other section of income tax ordinance 2001 were still deducted. Furthermore, subsequent to the period end the Modaraba obtained another exemption certificate related to non deduction of taxes under section 153(1)(a), 153(1)(b) (including withholding tax on receipt against logistic rentals), which is valid till 31 December 2020.

- 10.2** The Modaraba filed a petition in High Court of Sindh against the levy of Additional Sales tax (AST) at 3% at the time of import of equipment by it. The Honorable court has stayed the levy but has directed the Modaraba to deposit 3% AST with Nazir High court for the release of consignments received thereafter. However, later the ministry of Finance, Economic Affairs, Statistics and Revenue vide circular dated 08 May 2013 also exempted service industry from levy of AST hence strengthening the contentions of the Modaraba's petitions. The management, in consultation with its tax advisor, is hopeful that the petition will be decided in their favour. Once the matter is disposed off, the amount deposited with the Nazir of High Court will be released.
- 10.3** This includes Rs. 12.4 million (June 2020: Rs. 12.4 million) held by Banks as security for the guarantees of the same amount given by them on behalf of the Modaraba to its suppliers / customers.
- 10.4** This includes balance of Rs. 19.737 million (30 June 2020: Rs. 33 million) representing receivable from fuel suppliers against fuel inventory held on behalf of the modaraba.

**11 FIXED ASSETS IN OWN USE - tangible**

	Note	31 December 2020 (Unaudited)	30 June 2020 (Audited)
(Rupees)			
Fixed assets in own use - tangible (at cost less accumulated depreciation)	11.1	153,817,860	142,272,101
Capital work-in-progress	11.2	10,405,753	1,765,440
Right-of-use assets	11.3	62,483,879	62,972,993
		<u>226,707,492</u>	<u>207,010,534</u>

**11.1 Fixed assets in own use - tangible**

	31 December 2020 (Unaudited)			Total
	Furniture and fixtures	Other equipments	Vehicles	
(Rupees)				
At 01 July 2020				
Cost	19,410,108	16,862,262	205,016,098	241,288,468
Accumulated depreciation	(6,269,508)	(12,085,286)	(80,661,573)	(99,016,367)
Net book value as at 01 July 2020	13,140,600	4,776,976	124,354,525	142,272,101
Additions during the period	-	-	26,024,588	26,024,588
Disposals during the period				
Cost	-	-	(2,619,760)	(2,619,760)
Accumulated depreciation	-	-	1,263,481	1,263,481
	-	-	(1,356,279)	(1,356,279)
Depreciation charge for the period	(953,825)	(363,283)	(11,805,442)	(13,122,550)
Closing net book value as at 31 December 2020	12,186,775	4,413,693	137,217,392	153,817,860
At 31 December 2020				
Cost	19,410,108	16,862,262	228,420,926	264,693,296
Accumulated depreciation	(7,223,333)	(12,448,569)	(91,203,534)	(110,875,436)
Net book value as at 31 December 2020	12,186,775	4,413,693	137,217,392	153,817,860
Life (years)	8	3 to 8	4 to 8	
30 June 2020 (Audited)				
	Furniture and fixtures	Other equipment	Vehicles	Total
(Rupees)				
At 01 July 2019				
Cost	17,510,108	16,756,961	167,088,554	201,355,623
Accumulated depreciation	(4,516,640)	(10,964,136)	(58,668,931)	(74,149,707)
Net book value as at 01 July 2019	12,993,468	5,792,825	108,419,623	127,205,916
Additions during the year	1,900,000	105,301	40,115,044	42,120,345
Disposals during the year				
Cost	-	-	(2,187,500)	(2,187,500)
Accumulated depreciation	-	-	1,378,320	1,378,320
	-	-	(809,180)	(809,180)
Depreciation charge for the year	(1,752,868)	(1,121,150)	(23,370,962)	(26,244,980)
Closing net book value as at 30 June 2020	13,140,600	4,776,976	124,354,525	142,272,101
At 30 June 2019				
Cost	19,410,108	16,862,262	205,016,098	241,288,468
Accumulated depreciation	(6,269,508)	(12,085,286)	(80,661,573)	(99,016,367)
Net book value as at 30 June 2020	13,140,600	4,776,976	124,354,525	142,272,101
Life (years)	8	3 to 8	4 to 8	

**11.2** This represents advances paid for the purchase of vehicles for own use.

**11.3** This relates to right-of-use assets amounting to Rs. 62.484 million (30 June 2020: Rs. 62.973 million) recognized due to the adoption of IFRS 16. This represent yards on rent for logistic vehicles and generators.

**12 INTANGIBLE ASSET FOR OWN USE**

	Note	31 December 2020 (Unaudited)	30 June 2020 (Audited)
(Rupees)			
Intangible asset for own use (at cost less amortization)			
- software	12.1	<u>1,255,070</u>	<u>1,961,154</u>
<b>12.1 Intangible asset for own use (at cost less amortisation)</b>			
<b>- software at 1 July</b>			
Cost - computer software		9,471,794	9,471,794
Accumulated amortization		(7,510,640)	(5,256,789)
Net book value as at 1 July		<u>1,961,154</u>	<u>4,215,005</u>
Amortization during the period / year	29	<u>(706,084)</u>	<u>(2,253,851)</u>
Carrying value as at the period-end / year-end		<u>1,255,070</u>	<u>1,961,154</u>
Life over which cost of the asset is amortized		<u>4 years</u>	<u>4 years</u>
<b>13 IJARAH ASSETS</b>			
Ijarah assets (at cost less accumulated depreciation)	13.1	<u>5,981,140,638</u>	<u>6,120,338,820</u>

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

	31 December 2020 (Unaudited)			
	Generators and related	Logistics Vehicles	Machines	Total
(Rupees)				
<b>At 01 July 2020</b>				
Cost	7,128,336,301	2,183,943,055	1,292,842,081	10,605,121,437
Accumulated depreciation	(3,371,402,855)	(768,054,972)	(345,324,791)	(4,484,782,618)
Net book value as at 1 July 2020	<u>3,756,933,446</u>	<u>1,415,888,083</u>	<u>947,517,290</u>	<u>6,120,338,819</u>
Additions during the period	152,388,320	131,929,378	25,976,258	310,293,956
Disposals during the period				
Cost	(65,962,742)	(33,169,317)	(7,061,506)	(106,193,565)
Accumulated depreciation	35,461,916	13,118,937	3,297,998	51,878,851
	<u>(30,500,826)</u>	<u>(20,050,380)</u>	<u>(3,763,508)</u>	<u>(54,314,714)</u>
Transfer during the period				
Cost	-	(89,988,059)	89,988,059	-
Accumulated depreciation	-	34,186,805	(34,186,805)	-
	-	<u>(55,801,254)</u>	<u>55,801,254</u>	-
Classified as held for sale				
Cost	(238,420,689)	-	-	(238,420,689)
Accumulated depreciation	98,055,693	-	-	98,055,693
	<u>(140,364,996)</u>	-	-	<u>(140,364,996)</u>
Depreciation charge for the period	(147,177,902)	(61,155,410)	(46,479,115)	(254,812,427)
Closing net book value as at 31 December 2020	<u>3,591,278,041</u>	<u>1,410,810,417</u>	<u>979,052,179</u>	<u>5,981,140,638</u>
<b>At 31 December 2020</b>				
Cost	6,976,341,190	2,192,715,057	1,401,744,892	10,570,801,139
Accumulated depreciation	(3,385,063,148)	(781,904,640)	(422,692,713)	(4,589,660,501)
Net book value as at 31 December 2020	<u>3,591,278,042</u>	<u>1,410,810,417</u>	<u>979,052,179</u>	<u>5,981,140,638</u>
Life (years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

	30 June 2020 (Audited)			
	Generators and related	Logistics Vehicles	Machines	Total
	(Rupees)			
At 01 July 2019				
Cost	7,590,004,032	2,105,611,405	1,274,229,684	10,969,845,121
Accumulated depreciation	<u>(3,607,177,376)</u>	<u>(665,086,009)</u>	<u>(262,859,795)</u>	<u>(4,535,123,180)</u>
Net book value as at 1 July 2019	3,982,826,656	1,440,525,396	1,011,369,889	6,434,721,941
Additions during the year	166,923,230	108,038,498	27,573,997	302,535,725
Disposals during the year				
Cost	(628,590,961)	(29,706,848)	(8,961,600)	(667,259,409)
Accumulated depreciation	<u>548,104,177</u>	<u>12,139,898</u>	<u>7,169,280</u>	<u>567,413,355</u>
	(80,486,784)	(17,566,950)	(1,792,320)	(99,846,054)
Depreciation charge for the year	<u>(312,329,656)</u>	<u>(115,108,861)</u>	<u>(89,634,276)</u>	<u>(517,072,793)</u>
Closing net book value as at 30 June 2020	<u>3,756,933,446</u>	<u>1,415,888,083</u>	<u>947,517,290</u>	<u>6,120,338,819</u>
At 30 June 2020				
Cost	7,128,336,301	2,183,943,055	1,292,842,081	10,605,121,437
Accumulated depreciation	<u>(3,371,402,855)</u>	<u>(768,054,972)</u>	<u>(345,324,791)</u>	<u>(4,484,782,618)</u>
Net book value as at 30 June 2020	<u>3,756,933,446</u>	<u>1,415,888,083</u>	<u>947,517,290</u>	<u>6,120,338,820</u>
Life (years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

- 13.2** During the period, the Modaraba acquired certain equipments and parts amounting to Rs. 3.7 million (year ended 30 June 2020: Rs. 27.643 million) and Rs. 20.76 million (year ended 30 June 2020: Rs. 10.998 million) from Allied Engineering and Services (Private) Limited (AESL) and Apex Machinery (Private) Limited, associated companies.
- 13.3** Additions to Ijarah assets during the period include assets amounting to Rs. 65.33 million (year ended 30 June 2020: Rs. 341.82 million) acquired under Diminishing Musharaka financing. The Modaraba holds title to these assets. The carrying value of assets acquired under this arrangement, as outstanding as of the period end, amounts to Rs. 1,984.637 million (year ended 30 June 2020: Rs. 2,840.127 million).

14	CAPITAL WORK-IN-PROGRESS - Ijarah assets	31 December	30 June
		2020	2020
		Note	(Audited)
			(Rupees)
	Equipments		50,498,733
	Advance for purchase of trucks		<u>738,023</u>
			<u>43,994,443</u>
			<u>51,236,756</u>
<b>15</b>	<b>NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
	HFO Gensets (Generators)	15.1	<u>140,364,996</u>
			<u>-</u>

- 15.1** During the period, the management entered in an agreement for the sale of HFO Gensets within the Power Segment, with another company. Accordingly, these assets are classified as held for sale (under IFRS 5 'Non-current assets held for sale and discontinued operations'). Sale price as agreed is Rs. 182 million (excluding sales tax) and to date Rs. 153 million (excluding sales tax) has been received, while the remaining amount of Rs. 29 million is expected to be received in March 2021, after which the ownership of the assets are expected to be transferred by April 2021.

These assets are being carried at the lower of the carrying amount and fair value less cost to sell. Accordingly, no impairment has arisen.

**16 CREDITORS, ACCRUED AND OTHER LIABILITIES**

	Note	31 December 2020 (Unaudited) (Rupees)	30 June 2020 (Audited)
Creditors for goods	16.1	562,006,884	706,551,272
Creditors for expenses		138,109,772	120,011,321
Advances from customers		144,714,677	53,183,306
<i>Accrued expenses and other liabilities</i>			
- Accrued staff bonus		52,771,093	32,872,803
- Accrued financial charges	16.2	14,597,089	23,626,695
- Accrued Worker's Welfare Fund		3,221,142	4,545,656
		70,589,324	61,045,154
Income tax deductions at source from			
- employees		1,217,062	686,703
- suppliers		1,617,437	2,697,397
Sindh sales tax payable		60,332,622	106,044,298
Punjab sales tax payable		23,460,671	-
Balochistan sales tax payable		223,231	-
KPK sales tax payable		34,041	-
		<b>1,002,305,721</b>	<b>1,050,219,451</b>

**16.1** This includes Rs. 510.801 million (30 June 2020: Rs. 621.019 million) and Rs. 1.247 million (30 June 2020: Rs. 14.363) payable to Allied Engineering and Services (Private) Limited and Apex Machinery (Private) Limited (associated companies) for various purchases and services availed by the Modaraba.

**16.2** This represents accrual of financial charges of Rs. 14.347 million (30 June 2020: Rs. 23.184 million), Rs. 0.25 million (30 June 2020: Rs. 0.433 million) and Rs. 4.59 million (30 June 2020: Rs. 0.177 million) in respect of Diminishing Musharaka, Running Musharaka and SBP Refinancing availed by the Modaraba, respectively.

**17 PAYABLE TO THE MODARABA MANAGEMENT COMPANY**

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. During the period, the Modaraba recorded liability for remuneration at 1.25% of the profit for the six months period ended 31 December 2020 amounting to Rs. 2 million (six months period ended 31 December 2019: 3.35% of the profit amounting to Rs. 5 million). Remuneration based on the annual results shall be paid after the year ending 30 June 2020.

**18 DIMINISHING MUSHARAKA FINANCING  
PAYABLE - secured**

	Note	31 December 2020 (Unaudited) (Rupees)	30 June 2020 (Audited)
Musharaka finance	18.1 & 18.3	1,473,562,837	1,771,584,782
Due within one year		(541,960,218)	(365,546,132)
		<b>931,602,619</b>	<b>1,406,038,650</b>
<b>18.1</b> Financing from Islamic window operations of banks		1,416,834,391	1,741,269,224
Financing from Modarabas	18.2	56,728,446	30,315,558
		<b>1,473,562,837</b>	<b>1,771,584,782</b>

**18.2** The total facility from Musharaka finance available from financial institutions amounts to Rs. 1.466 billion (30 June 2020: Rs. 1.946 billion) and Modarabas amounts to Rs. 16.368 million (30 June 2020: Rs. 30.315 million), respectively. These facilities have maturities from September 2021 to October 2025 (30 June 2020: July 2020 to October 2024) and are secured against the hypothecation of Ijarah assets amounting to Rs. 6.083 billion (30 June 2020: Rs. 5.982 billion). Share of profit payable on these facilities ranges between 7.22% to 14.50% per annum (30 June 2020: 6.05% to 16.01%) per annum.

**18.3** This includes advance for diminishing musharaka amounting to Rs. 65.330 million (30 June 2020: Nil) which will be converted subsequent to the period end into diminishing musharaka facility when the assets will be available for its intended use. Share of profit payable on this balance is 8.29% per annum (30 June 2020: Nil).

## 19 LONG-TERM BORROWINGS AND DEFERRED GRANT

Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for the payment of salaries and wages at subsidized rate of borrowing. The Modaraba has obtained the said facilities of Rs. 165.473 million from Habib Bank Limited at subsidized rate of 3% per annum and of Rs. 160 million from Bank Alfalah Limited at 3% concessional mark-up rate. The principal amount of Habib Bank Limited is payable in eight quarterly installments of Rs. 6.40 million and Rs. 14.28 million commencing from 1 January 2021 which is secured against Hypothecation charge over Machines and Spares. The principal amount of Bank Alfalah Limited is payable in eight quarterly installments of Rs. 8.789 million, Rs. 4.714 million and Rs. 6.496 million starting from 3 March 2021 which is secured against hypothecation charge over Machines. The facility is available to all the eligible borrowers meeting the threshold requirement.

Government grant amounting to Rs. 14.825 million has been recorded during the period ended 31 December 2020 in respect of the grant received during the current period and Rs. 7.469 million has been amortised during the period. In accordance with the terms of the grant, the Modaraba can not lay-off the employees atleast for three months from the period of the grant.

	31 December 2020 (Unaudited)	30 June 2020 (Audited)
	(Rupees)	
Details are as follows:		
SBP Salary refinance scheme	305,929,387	151,581,201
Deferred income - government grant	21,233,818	14,061,271
Total funds received	<u>327,163,205</u>	<u>165,642,472</u>
Current portion of SBP Salary refinance scheme	<u>(151,118,933)</u>	<u>(66,722,666)</u>
Current portion of deferred income - government grant	<u>(15,175,025)</u>	<u>(9,193,125)</u>
	<u>(166,293,958)</u>	<u>(75,915,791)</u>
	<u>160,869,247</u>	<u>89,726,681</u>
The break-up of the long term portion is as follows:		
Long term portion of the SBP salary refinance scheme	154,810,454	84,858,535
Long term portion of deferred income	6,058,793	4,868,146
	<u>160,869,247</u>	<u>89,726,681</u>

## 20 DEFERRED LIABILITY

	31 December 2020 (Unaudited)	30 June 2020 (Audited)
	(Rupees)	
Deferred liability for staff gratuity	101,853,967	95,966,148

During the period, the management carried out a revised actuarial valuation of its obligation under the staff defined benefit plan as of 31 December 2020, due to change in the term of the entitlement. The actuarial valuation carried out using the Projected Unit Credit Method by an independent actuary, has determined the liability as follows:

	31 December 2020 (Unaudited)	30 June 2020 (Audited)
	(Rupees)	
20.1 Amount recognised in statement of financial position		
Present value of defined benefit obligation	101,853,967	95,966,148
20.2 Movement in amount payable to the defined benefit plan		
Opening balance	95,966,148	84,196,492
Charge for the period / year	4,295,408	23,540,788
Benefits paid during the period / year	-	(1,112,000)
Remeasurement loss / (gain) on obligation recognised in other comprehensive income of the period / year	1,592,411	(10,659,132)
Closing balance	<u>101,853,967</u>	<u>95,966,148</u>



**20.3** Movement in the present value of defined benefit obligation is as follows:

	<b>31 December 2020 (Unaudited) (Rupees)</b>	<b>30 June 2020 (Audited)</b>
Present value of defined benefit obligation - opening	95,966,148	84,196,492
Current service cost	(309,940)	10,743,455
Mark-up cost	4,605,348	12,797,333
Benefit paid during the period / year	-	(1,112,000)
Remeasurement loss / (gain) on obligation recognised in other comprehensive income of the period / year	1,592,411	(10,659,132)
Present value of defined benefit obligation - closing	<u>101,853,967</u>	<u>95,966,148</u>

The following significant assumptions have been used for valuation of this plan:

	<b>31 December 2020 %</b>	<b>30 June 2020 %</b>
Valuation discount rate	10.25	9.25
Salary increase rate	10.25	9.25
Rate of employee turnover	Moderate	Moderate

There is no material impact due to the above change.

	<b>Note</b>	<b>31 December 2020 (Unaudited) (Rupees)</b>	<b>30 June 2020 (Audited)</b>
<b>21 OTHER LONG TERM LIABILITIES</b>			
Security deposits	21.1	29,641,332	48,524,283
Employee car scheme - deductions	21.2	45,865,417	37,888,731
		<u>75,506,749</u>	<u>86,413,014</u>
Current portion of security deposits		4,441,332	24,524,283
Current portion of employee car scheme - deductions		6,361,557	5,255,187
		<u>10,802,889</u>	<u>29,779,470</u>
Non-current portion of security deposits		25,200,000	24,000,000
Non-current portion of employee car scheme - deductions		39,503,860	32,633,544
		<u>64,703,860</u>	<u>56,633,544</u>

**21.1** This represents security deposits payable in respect of assets given under Ijarah arrangements (IFAS-2).

**21.2** This represents amount received from employee against the Modaraba's employee car scheme policy.

**22 LIABILITY AGAINST RIGHT-OF-USE ASSETS**

These represent the present value of the future annual rent of different properties obtained on rent by the Modaraba. Annual rent of the properties carry finance charge at 14.43%. The amount of future payments against the right-of-use assets and the period in which these become due are as follows:

	<b>31 December 2020 (Unaudited)</b>		<b>30 June 2020 (Audited)</b>	
	Minimum Lease Payments	Present Value of minimum lease payments	Minimum Lease Payments	Present Value of minimum lease payments
	(Rupees)		(Rupees)	
Not later than one year	17,707,204	12,349,389	19,060,749	9,852,432
Later than one year but not later than five years	60,731,339	52,943,510	74,605,430	60,527,038
Later than five years	-	-	1,558,974	1,373,181
	<u>78,438,543</u>	<u>65,292,899</u>	<u>95,225,153</u>	<u>71,752,651</u>
Financial charges allocated to future periods	(13,145,644)	-	(23,472,502)	-
	<u>65,292,899</u>	<u>65,292,899</u>	<u>71,752,651</u>	<u>71,752,651</u>
Less: Current maturity	(18,663,245)	(18,663,245)	(18,042,712)	(18,042,712)
	<u>46,629,654</u>	<u>46,629,654</u>	<u>53,709,939</u>	<u>53,709,939</u>

The lease term varies between 55 to 64 months.

## 23 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

### 23.1 Authorised certificate capital

31 December 2020 (Unaudited) (Number of certificates)	30 June 2020 (Audited)		31 December 2020 (Unaudited) (Rupees)	30 June 2020 (Audited)
<u>250,000,000</u>	<u>250,000,000</u>	Modaraba Certificates of Rs. 10 each	<u>2,500,000,000</u>	<u>2,500,000,000</u>

### 23.2 Issued, subscribed and paid-up certificate capital

<u>220,000,000</u>	<u>220,000,000</u>	Modaraba Certificates of Rs. 10 each fully paid in cash	<u>2,200,000,000</u>	<u>2,200,000,000</u>
-	-	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	-	-
<u>220,000,000</u>	<u>220,000,000</u>		<u>2,200,000,000</u>	<u>2,200,000,000</u>

## 24 STATUTORY (MANDATORY) RESERVE

Statutory reserve represents profits set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserve equal 100% of the paid - up capital.

During the current period the Modaraba has transferred an amount of Rs. 37.271 million (31 December 2019: Rs. 37.271 million) which represents 25% (31 December 2019: 25%) of the profit after tax.

## 25 CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

Contingencies outstanding as at 31 December 2020 are as follows:

#### 25.1.1 Sindh Sales Tax on operations and maintenance services of the Modaraba

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

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

The Commissioner Appeals- Sindh Revenue Board (SRB) vide his order in appeal number 16/2014 dated 25 February 2014 reduced the demand of Sindh Sales Tax from Rs. 25.633 million to Rs. 12.238 million stating that the differential amount of Rs. 13.395 million pertains to the services rendered outside the province of Sindh.

The Modaraba had filed a Constitutional Petition CP No. D-1190 in the Honorable High Court of Sindh against the order of the Commissioner Appeals - Sindh Revenue Board (SRB) by virtue of which the Honorable High Court of Sindh vide its order dated 11 March 2014 had suspended the operation of the impugned order of the Commissioner Appeals - SRB. Subsequently, the Sindh Revenue Board Tribunal was constituted and became functional in June 2015. The Modaraba, on direction of the Honorable High Court of Sindh, filed an appeal to the tribunal.

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

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

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

During the year, an Order-in-Original No. 34 of 2020 dated February 27, 2020 was passed on an ex-parte basis whilst finalizing 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 company are taxable under "Others, including the services provided or rendered by non-banking, finance companies, modaraba and musharika companies and other financial institutions" of the Second Schedule to the Sindh Sales Tax on Services Act, 2011.

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

### **25.1.2 Federal Excise Duty on gross revenue receipts of the Modaraba**

On 1 March 2016, assessment orders relating to tax years 2014 and 2015 were received from the Assistant Commissioner of Inland Revenue demanding Federal Excise Duty (FED) aggregating to Rs. 838.662 million (calculated @16% of gross receipts of the Modaraba for the above mentioned tax years) and the related default surcharge and applicable penalty. In response, an appeal was filed by the Modaraba with the Commissioner Inland Revenue – Appeals (CIR-A) on 16 March 2016. An under protest payment of Rs. 50 million was also made by the Modaraba to the Federal Board of Revenue in respect of the above.

In the opinion of the management pursuant to the 18th amendment in the Constitution of Pakistan, the authority to collect sales tax has been delegated to the provinces. Accordingly, the Modaraba filed Constitutional Petitions with the Honorable Sindh High Court (SHC) in respect of which the SHC granted an interim injunction order to the Modaraba. The petitions were decided by the SHC on 2 June 2016 in which the SHC declared the levy of FED as 'ultra vires' with effect from 1 July 2011 and also quashed any duty recovered by the FBR.

However, in contradiction to the above mentioned judgment by the SHC, the CIR-A through orders dated 3 June 2016 upheld the levy of FED on the Modaraba and consequently directed the Modaraba to pay the alleged amount of FED along with default surcharge and penalty. In response the Modaraba has filed appeals with the Honorable Appellate Tribunal Inland Revenue (ATIR) which is pending hearing.

Subsequently, appeals have been filed in the Honorable Supreme Court of Pakistan by the counter parties aggrieved by the above mentioned order of SHC which is pending hearing.

In light of the judgment of the SHC and based on consultations with its tax advisors, the management believes that the outcome of the appeals with the ATIR and Supreme Court of Pakistan will be in favour of the Modaraba. Accordingly, no provision in respect of FED has been made in these financial statements. Further, the under protest payment of Rs. 50 million made to the FBR has been shown as a refundable balance in note 10 to these interim financial information.

### **25.1.3 Sales Tax on reimbursement of salary to Contractual Staff**

On 5 June 2017, the Sindh Revenue Board issued a notification under which an amendment was made in Rule 42E(5) Sindh Sales Tax on Service Act, 2011. The amount of reimbursement of salaries and allowances of the labour and manpower are included in the value of services. Hence such reimbursements is now exposed to Sindh sales tax at 13% under tariff heading 9829.0000 of the Second Schedule of Sindh Sales Tax on Service Act, 2011. Earlier such reimbursements were not exposed to Sindh sales tax. The Honourable Court of Sindh has granted interim stay on aforesaid change on 21 August 2017. The amount involved in respect of this amendment is estimated to be of Rs. 93.645 million as of 30 June 2020. The management, based on a legal advise, believes that the decision will be in its favour.

**25.1.4** The Commissioner had demanded, through assessment order no. 11/30 of 2019 dated 26 April 2019 and order no. 01 of 2018 dated 27 June 2018, sales tax amounting to Rs. 21.47 million and Rs. 26.228 million in respect of disposal of ijarah assets during the year ended 2015 and 2014 against sales value of Rs. 126.28 million and Rs. 154.64 million, respectively. Modaraba filed an appeal with Commissioner (Appeal) (which is yet to be fixed) and paid ten percent of the demanded amounts.

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

The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these interim financial information.

**25.1.5** Deputy Commissioner Inland Revenue (CIR) issued an order D.C. no. 21/03 dated 9 June 2018 in respect of tax audit for the tax year 2012. Order demanded tax amounting to Rs. 8.152 million against the profit on ijarah financing, gain on assets of ijarah assets and management fees which were adjusted against the income tax recoverable for the said tax year. Modaraba has filed an appeal with Commissioner Inland Revenue (Appeal) against the order. The appeal preferred in respect of assets sold in the year 2014 was heard on 1 November 2018 however no order was issued, furthermore the assets sold during the year 2015 is yet to be heard. The Management, based on its tax advisor's view, believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these interim financial information.

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

The Modaraba has filed an appeal against the order in the Sindh High Court and a stay order in this regard has been obtained. The management, based on its lawyer/tax advisor's view, is of the view that the appeal filed by the Modaraba will be adjudicated in its favour.

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

- The ACIR has rejected the exemption under clause 100 Part I of Second schedule to the Ordinance and imposed tax @ 30% on the income of Rs. 1.342 billion. The rejection is alleged on the premise that the amount transferred to Statutory Reserve is not as that prescribed under the prudential regulations for Modarabas.
- The Modaraba's tax deductions under section 148(1) of the Ordinance amounting to Rs. 40.93 million is a tax under the final tax regime of section 148(7) of the Ordinance. This was based on the inference that income for this year is not exempt as the conditions were not met and as such tax collected under section 148 is alleged to be final tax.
- The Modaraba's tax deductions of Rs. 96.36 million under section 153(1)(b) of the Ordinance is minimum tax. This was also based on the alleged argument that the income has been incorrectly claimed as exempt income.
- 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.

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

**25.1.8** Refer notes 10.1 and 10.2 also.

	Six months period ended		Three months period ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>26 IJARAH RENTALS - net</b>	Note ----- (Unaudited) ----- (Rupees)			
Ijarah rentals	1,862,528,993	1,916,837,617	998,867,172	937,106,473
Sales tax	(168,045,547)	(177,302,327)	(91,595,414)	(94,811,327)
	<u>1,694,483,446</u>	<u>1,739,535,240</u>	<u>907,271,758</u>	<u>842,295,146</u>

### 27 OPERATION AND MAINTENANCE INCOME - net

Operation and maintenance income	77,603,537	74,079,626	39,332,514	40,004,325
Sales tax	(8,249,938)	(7,612,327)	(4,302,702)	(4,520,075)
	<u>69,353,599</u>	<u>66,467,299</u>	<u>35,029,812</u>	<u>35,484,250</u>

### 28 OPERATION, MAINTENANCE AND IJARAH RELATED EXPENSES

Salaries, wages and other staff benefits	402,901,014	459,349,785	190,148,845	230,700,622
Depreciation expense	254,812,427	266,865,904	136,857,458	110,445,858
Repairs and maintenance expenses	159,052,388	179,432,159	94,763,130	67,303,384
Fleet vehicles running expenses	493,594,125	394,506,319	286,974,336	207,998,970
Vehicles running expenses	21,382,793	23,225,409	11,354,179	13,323,316
Insurance expense - equipments	18,684,320	20,410,978	9,512,952	10,214,490
Transportation cost	38,295,385	-	23,515,172	-
Travelling, conveyance and other expenses	5,499,895	5,628,459	2,679,459	8,158,409
Rent expense (for short term leases)	8,534,755	5,283,189	5,725,715	-
	<u>1,402,757,102</u>	<u>1,354,702,202</u>	<u>761,531,246</u>	<u>648,145,049</u>

### 29 ADMINISTRATIVE EXPENSES

Salaries, wages and other staff benefits	74,254,519	67,213,602	42,657,866	35,609,482
Vehicle running costs	7,415,296	9,574,210	3,918,509	4,955,742
Travelling and conveyance	660,520	2,079,101	439,582	1,091,556
Depreciation expense	20,940,900	12,756,047	10,741,383	6,297,587
Amortization expense	706,084	1,069,876	228,195	591,987
Legal and professional charges	4,397,933	5,271,482	1,106,218	2,999,086
Auditors' remuneration	828,276	577,683	828,276	577,683
Telephone, postage and fax charges	4,076,071	3,770,797	2,277,253	2,037,432
Advertisement and sales promotion	153,780	203,007	136,480	153,641
Printing and stationery	3,482,451	3,395,950	2,640,045	2,609,169
Insurance cost - vehicles	1,527,311	1,542,567	804,062	778,321
Training, meetings and tender participation	762,572	631,795	539,306	299,475
Donations	225,000	78,000	50,000	78,000
Software development	229,470	108,506	116,171	-
Entertainment	2,595,677	3,192,549	1,462,461	1,794,473
Utilities	5,275,991	4,746,612	2,427,264	2,608,406
Security	3,095,301	2,735,779	1,581,418	1,675,888
Miscellaneous	339,967	1,441,968	122,857	1,136,473
	<u>130,967,119</u>	<u>120,389,531</u>	<u>72,077,345</u>	<u>65,294,400</u>

### 29.1 Donations

Donations were paid to the following organisations:

	Six months period ended	
	31 December 2020	31 December 2019
	----- (Unaudited) ----- (Rupees)	
Aab the Need of Life	25,000	-
Aashyana Welfare Society	50,000	-
Anjuman e Hasani	50,000	-
Akhawat Microfinance - Sindh flood	100,000	-
Health Education Livelihood Promoters	-	25,000
Shababul Eidiz-Zahabi	-	53,000
	<u>225,000</u>	<u>78,000</u>

The Directors and their spouses of the Modaraba Management Company do not have any interest in the above donees.

**30 FINANCE COST**

	Six months period ended		Three months period ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	----- (Unaudited) -----			
	----- (Rupees) -----			
Financial cost on Diminishing Musharaka financing arrangement	70,262,299	153,518,335	28,619,261	77,639,212
Financial cost on Running Musharaka financing arrangement	251,474	2,166,201	249,615	2,166,201
Finance cost on long term borrowing	11,206,989	-	6,786,281	-
Finance cost on liability against right-of-use assets	3,106,806	5,787,370	799,604	5,787,370
Bank charges and commission	2,285,046	1,401,528	1,480,402	1,227,817
Exchange loss / (gain)	91,687	(1,134,903)	91,687	(1,134,903)
	<b>87,204,301</b>	<b>161,738,531</b>	<b>38,026,850</b>	<b>85,685,697</b>

**31 OTHER INCOME - net**

Profit on deposit accounts with bank	2,754,274	2,602,530	2,238,588	2,206,861
Proceeds for disposal of scrap	12,588,186	14,208,908	8,461,775	6,694,616
Gain on disposal of fixed assets and Ijarah assets	1,492,661	10,032,150	4,848,861	10,792,663
Reversal of provision of long-term employee benefit	-	9,261,228	-	9,261,228
Amortization of deferred government grant	7,468,092	-	9,544,492	-
Gain on reassessment of lease liability	7,662,874	-	7,662,874	-
	<b>31,966,087</b>	<b>36,104,816</b>	<b>32,756,590</b>	<b>28,955,368</b>

**32 TAXATION**

**32.1** As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after meeting appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves for the year ending 30 June 2021. Accordingly, no provision in respect of current and deferred tax has been made in these condensed interim financial information.

**32.2** The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2020 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities. Details of tax related proceedings are given in note 25 to these condensed interim financial information.

**33 EARNINGS PER CERTIFICATE**

	For the six month period ended		Three months period ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	(Restated)			
	----- (Unaudited) -----			
	----- (Rupees) -----			
Profit for the period	158,505,824	149,082,580	81,994,258	51,415,107
	----- (Number of certificates) -----			
Weighted average number of ordinary certificates outstanding during the period	220,000,000	220,000,000	220,000,000	220,000,000
	----- (Rupees) -----			
Earnings per certificate - basic and diluted	0.72	0.68	0.37	0.23

**33.1** No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instrument which would have a dilutive impact on basic earnings per certificate when exercised.

### 34 RELATED PARTY TRANSACTIONS

Parties which are related to the Modaraba in pursuit of IAS 24 'Related Party Disclosures' and includes associates, directors, staff retirement benefit plans and key management personnel. Remuneration of key management personnel are in accordance with the terms of employment. Dividend payout is recorded at the rate approved by the Modaraba Management Company. Management Company's remuneration is in accordance with the rate mentioned in the law. Contribution to the Provident Fund is in accordance with the service rules. Other transactions are at agreed rates.

#### 34.1 Transactions with related parties (other than those which have been disclosed else where in these condensed interim financial information):

Name of the related party	Relationship and percentage shareholding	Transactions during the period	Six months period ended	
			31 December 2020	31 December 2019
			----- (Unaudited) ----- ----- (Rupees) -----	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Modaraba Management Company's remuneration	2,000,000	5,000,000
		Payment made to the Modaraba Management Company (including management fee) during the period	11,300,000	96,407,739
		Amount received from the Modaraba Management Company during the period	-	77,100,000
		Dividend paid during the period	32,999,998	43,999,997
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	4,329,000	27,643,265
		Purchase of parts and services	171,092,909	199,846,272
		Income from ijarah assets	338,310	1,655,914
		Reimbursement of expenses	7,955,868	6,357,879
		Receivable from AESL against customer deposits	444,500	-
		Dividend paid during the period	113,948,305	151,931,073
Apex Machinery (Private) Limited	Associated Company	Purchase of parts and services	8,697,329	12,732,170
		Purchase of assets	24,507,513	-
Allied Commercial Enterprises (Private) Limited	Associated Company	Income from ijarah assets	8,137,452	7,564,436
		Reimbursement of expenses	-	1,708,869
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Contribution to the Staff Provident Fund during the period	9,322,982	7,808,028
		Dividend paid during the period	2,801,151	3,734,868
Key Management Personnel (Other than the CEO and the employees of the Management Company)	Key Management Personnel	Remuneration of key management personnel during the period	22,977,821	21,439,873
		Dividend paid during the period	86,884	115,844
		Contribution to the Staff Provident Fund during the period	1,141,404	1,066,518
		Charge for staff gratuity scheme during the period	1,804,997	1,020,976
Directors	Directors of Management Company	Dividend paid during the period	6,657,936	8,877,248

**34.2 Balances with related parties (other than those which have been disclosed elsewhere in these condensed interim financial information):**

Name of the related party	Relationship and percentage shareholding	Period-end balances	Six months period ended		
			(Unaudited)	(Audited)	
			31 December 2020	30 June 2020	
			----- (Rupees) -----		
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Outstanding certificates 43,999,997 (30 June 2020: 43,999,997) Payable to the Modaraba Management Company	17	439,999,970 3,224,488	439,999,970 11,300,000
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Outstanding certificates 151,931,073 (30 June 2020: 151,931,073) Payable against purchase of parts and services		1,519,310,730 510,801,577	1,519,310,730 689,505,292
Apex Machinery (Private) Limited	Associated Company	Payable against purchase of parts		1,247,951	17,044,572
Allied Commercial Enterprises (Private) Limited	Associated Company	Ijarah rental receivable		4,057,061	8,813,033
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Outstanding certificates 3,734,868 (30 June 2020: 3,734,868)		37,348,680	37,348,680
Key Management Personnel	Key Management Personnel	Outstanding certificates 115,844 (30 June 2020: 115,844)		1,158,440	1,158,440
Directors	Directors of Management Company	Outstanding certificates 8,877,248 (30 June 2020: 9,643,914)		88,772,480	88,772,480

**35 SEGMENTAL INFORMATION**

As per IFRS 8, "Operating Segments", Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Modaraba has determined the operating segments based on the reports reviewed by the Chief Executive Officer, which are used to make strategic decisions.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have two operating segments. The Modaraba's asset allocation decisions are based on an integrated investment strategy. The Modaraba is domiciled in Pakistan and all of its income is generated in Pakistan. The Modaraba's performance is evaluated on the basis of two operating segments.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba's operating segments consists of rental business (operating and finance lease) and maintenance business (operation and maintenance income). There were no changes in the reportable segments during the period.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from financing investments in entities incorporated in Pakistan.

The Modaraba has a diversified product portfolio whereby resources have been allocated.



35.1 Details of segment revenues, costs, profit, assets and liabilities are as follows:

	For the six months period ended					
	Ijarah		Operation and Maintenance		Total	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
----- (Un-audited) ----- ----- (Rupees) -----						
<b>Segment revenues / profits</b>						
Revenue	1,694,483,446	1,739,535,240	69,353,599	127,364,783	1,763,837,045	1,866,900,023
Costs	(1,469,165,477)	(1,573,091,323)	(47,942,676)	(40,115,776)	(1,517,108,152)	(1,613,207,099)
Reportable segment profit	<u>225,317,969</u>	<u>166,443,917</u>	<u>21,410,923</u>	<u>87,249,007</u>	<u>246,728,893</u>	<u>253,692,924</u>
	Ijarah		Operation and Maintenance		Total	
	31 December 2020	30 June 2020	31 December 2020	30 June 2020	31 December 2020	30 June 2020
----- (Un-audited) ----- ----- (Rupees) -----						
<b>Reportable segment assets</b>						
Rentals receivable	999,552,772	1,100,301,006	27,502,445	37,513,933	1,027,055,217	1,137,814,939
Advances, deposits, prepayments and other receivables	545,717,096	726,222,934	-	-	545,717,096	726,222,934
Spare parts	214,916,871	196,176,407	-	-	214,916,871	196,176,407
Ijarah assets	5,981,140,638	6,120,338,820	-	-	5,981,140,638	6,120,338,820
Capital work-in-progress - Ijarah asset	43,994,443	51,236,756	-	-	43,994,443	51,236,756
Non-current assets classified as held for sale	140,364,996	-	-	-	140,364,996	-
	<u>7,925,686,816</u>	<u>8,194,275,923</u>	<u>27,502,445</u>	<u>37,513,933</u>	<u>7,953,189,261</u>	<u>8,231,789,856</u>
<b>Reportable segment liabilities</b>						
Creditors, accrued and other liabilities	810,207,794	896,648,624	-	-	810,207,794	896,648,624
Diminishing Musharaka	1,473,562,837	1,771,584,782	-	-	1,473,562,837	1,771,584,782
Long term borrowing	327,163,205	165,642,472	-	-	327,163,205	165,642,472
Security deposits	75,506,749	86,413,014	-	-	75,506,749	86,413,014
	<u>2,686,440,585</u>	<u>2,920,288,892</u>	<u>-</u>	<u>-</u>	<u>2,686,440,585</u>	<u>2,920,288,892</u>

35.2 Reconciliation of reportable segments profit, assets and liabilities is as follow:

		31 December 2020	31 December 2019
	Note	----- (Un-audited) -----	----- (Rupees) -----
<b>Profit</b>			
Total profit for reportable segments	35.1	1,763,837,045	117,977,764
Other income	31	31,966,087	36,104,816
		<u>1,795,803,132</u>	<u>154,082,580</u>
<b>Assets</b>			
Total assets for reportable segments	35.1	7,953,189,261	8,231,789,856
Unallocated assets			
- Cash and bank balances	7	153,451,749	92,916,094
- Advances and other receivables		87,377,332	100,554,968
- Security deposits		50,000	50,000
- Fixed assets in own use - tangible	11	226,707,492	207,010,534
- Intangible asset for own use	12	1,255,070	1,961,154
		<u>8,422,030,904</u>	<u>8,634,282,606</u>
<b>Liabilities</b>			
Total liabilities for reportable segments	35.1	2,686,440,585	2,920,288,892
Unallocated liabilities			
- Creditors, accrued and other liabilities		192,097,927	153,570,827
- Liability against right of use assets and finance lease		65,292,899	71,752,651
- Payable to the Modaraba Management Company	17	3,224,488	11,300,000
- Deferred liability for staff gratuity		101,853,967	95,966,148
- Other long-term employee benefit		28,261,589	28,632,954
- Unclaimed dividend		1,227,617	1,052,715
		<u>3,078,399,072</u>	<u>3,282,564,187</u>

35.3 The above mentioned segments do not necessarily match with the organisational structure of the Modaraba.

## 36 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of financial asset fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Modaraba determine fair values using valuation techniques unless the fair value cannot be reliably measured.

For assets that are recognised in the financial statements at fair value on a recurring basis, the Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The table below shows the carrying amounts and fair values of a financial asset and financial liability including their fair value hierarchy for financial instruments measured at fair value. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

As at 31 December 2020 (Unaudited)

	Carrying Value			Fair Value				
	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note								
36.1								
<b>Financial assets not measured at fair value</b>								
Cash and bank balances	153,451,749	-	-	153,451,749	-	-	-	-
Ijarah rentals receivable	999,552,772	-	-	999,552,772	-	-	-	-
Operation and maintenance income receivable	27,502,445	-	-	27,502,445	-	-	-	-
Advances, deposits and other receivables	37,918,738	-	-	37,918,738	-	-	-	-
Long term security deposit	50,000	-	-	50,000	-	-	-	-
	<b>1,218,475,704</b>	-	-	<b>1,218,475,704</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Creditors, accrued and other liabilities	-	770,705,980	-	770,705,980	-	-	-	-
Payable to the Modaraba Management Company	-	3,224,488	-	3,224,488	-	-	-	-
Diminishing musharaka	-	1,473,562,837	-	1,473,562,837	-	-	-	-
Long term borrowing	-	327,163,205	-	327,163,205	-	-	-	-
Other long term liabilities	-	69,145,192	-	69,145,192	-	-	-	-
Liability against right-of-use assets	-	65,292,899	-	65,292,899	-	-	-	-
Unclaimed dividend	-	1,227,617	-	1,227,617	-	-	-	-
	-	<b>2,710,322,218</b>	-	<b>2,710,322,218</b>	-	-	-	-

As at 30 June 2020 (Audited)

Note	Carrying Value			Fair Value				
	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>								
36.1								
Cash and bank balances	92,916,094	-	-	92,916,094	-	-	-	-
Ijarah rentals receivable	1,100,301,006	-	-	1,100,301,006	-	-	-	-
Operation and maintenance income receivable	37,513,933	-	-	37,513,933	-	-	-	-
Advances, deposits and other receivables	54,125,583	-	-	54,125,583	-	-	-	-
Long term security deposit	50,000	-	-	50,000	-	-	-	-
	<u>1,284,906,616</u>	<u>-</u>	<u>-</u>	<u>1,284,906,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>								
36.1								
Creditors, accrued and other liabilities	-	-	887,607,747	887,607,747	-	-	-	-
Payable to the Modaraba Management Company	-	-	11,300,000	11,300,000	-	-	-	-
Diminishing musharaka	-	-	1,771,584,782	1,771,584,782	-	-	-	-
Long-term borrowings	-	-	165,642,472	165,642,472	-	-	-	-
Other long term liabilities	-	-	86,413,014	86,413,014	-	-	-	-
Liability against right-of-use assets	-	-	71,752,651	71,752,651	-	-	-	-
Unclaimed dividend	-	-	1,052,715	1,052,715	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,995,353,381</u>	<u>2,995,353,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**36.1** The Modaraba has not disclosed the fair values for the above financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their fair values are not significantly different from their carrying amounts.

**37 GENERAL**

**37.1** Figures in these condensed interim financial information for the quarters ended 31 December 2020 and 31 December 2019 have not been subjected to limited scope review of the auditors.

**37.2 Reclassification of comparatives**

Deductions under the employee car scheme up to the previous year amounting to Rs. 32.63 million have been classified to non-current liabilities from current liabilities for a better presentation and comparison.

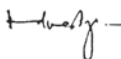
**37.3 Date of authorisation**

These condensed interim financial information were authorised for issue by the Board of Directors of the Management Company in its meeting held on February 23, 2021.

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



**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Chairman



## **Allied Rental Modaraba**

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