

Quarterly Report
March 2021

10 Good Reasons to Rent from The Cat® Rental Store



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

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Modaraba Information

Board of Directors

Syed Feisal Ali
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Mr. Khwaja Ahad Rahman
Non - Executive Director

Mrs. Saira Nasir (Independent)
Non - Executive Director

Mr. Ali Akbar
Non - Executive Director

Mr. Hassan Shehzad Abidi
Non - Executive Director

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

Audit Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Ali Akbar
Member

Chief Financial Officer

Mr. Muhammad Saad

Company Secretary

Mr. Muzzammil Tariq

Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

Human Resource and Remuneration Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
Member

Strategic Management

Syed Zulqarnain Jafri
Business Unit Head - Power

Mr. Ali Ahsan
Business Unit Head - Logistics & MHE

Mr. Rashid Jehangiri
Business Unit Head - Machines and Cranes

Mr. Ali Ammar
Business Administrator

Mr. Muhammad Azeem Siddiqui
Head of Human Resource and Administration

Mr. Muhammad Farooq
Head of Information Technology

Islamic Banks, Islamic Window of Commercial Banks & Lending Institutions

Askari Bank Limited

Habib Bank Limited

Bank Alfalah Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Soneri Bank Limited

Habib Metropolitan Bank

MCB Islamic Bank Limited

United Bank Limited

First Habib Modaraba

Meezan Bank Limited

Al Baraka Bank Limited

Dubai Islamic Bank

Bank Al Habib Limited

Allied Bank Limited

Auditors

KPMG Taseer Hadi & Co. Chartered
Accountants

Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head office

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

Website: www.arm.com.pk

Registrar & Certificate Transfer Office

JWAFFS Registrar Services (Private) Limited
407-408, Al-Ameera Centre, Shahrah-e-Iraq,
Saddar, Karachi.

Tel: 021-35662023-24

Fax: 021-35221192

Directors' Report

For the period ended March 31, 2021

The Board of Directors of Allied Engineering Management Company (Private) Limited, the Management Company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with un-audited accounts of the Modaraba for the Nine months' period ended March 31, 2021.

Financial Highlights	Rs. in '000
Investment in Ijarah assets	5,856,699
Total Revenue	2,689,207
Net profit for the period	276,798
Net profit margin	10.3%
Return on equity	5.1%
Current Ratio	1.3:1
Earning per certificate	Rs. 1.26
Break-up value per certificate	Rs. 24.83

Review of Operations

We are pleased to report that the Gross Revenue for the nine months ended March 2021 was recorded at Rs. 2,956 Million as compared to Rs. 2,934 Million of the last year despite significantly challenging economic conditions and overall stagnation of the business subsequent to the emergence of COVID-19. Accordingly, the net profits for the period closed at 277 Millions as compared to Rs. 216 Million of the last year, increased by Rs 61 Million.

Modaraba continued to maintain its track record of growth in Sales. Rental Power segment continues to maintain our lead segment in terms of Sales and profitability. All segments of Rental Power performed according to the benchmark and targets set for the period. The increase in sales is denoted by overall good deployment of our smaller units and maintaining our rental contracts for Megawatt segment. Further, We expect better utilization of our Gas Engines due to availability of Gas to textile sector.

Sales from our Inbound and Outbound Logistics segment geared up a bit and with 2% addition closed at Rs.1264 Millions as compared to Rs. 1240 Millions of the corresponding period last year. Due to overall stagnation of the economy, specially with our major customer, Schlumberger on both new exploration activities as well as ongoing drilling contracts, the sales have remained stagnant in this segment. Keeping in view this situation, we have diversified our customer base and focus is now more on movement of FMCG products.

Sales from our Machines and Cranes segment remained under pressure during the period and a drop of 12% witnessed on the last year levels. This sector presents excellent opportunities for the future in the wake of new DAM projects of Daimer Basha, Dasu and Mohmand. 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). 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 Daimer Basha Dam site.

The operating expense for the period increased 8% to Rs. 2,141 Million for the period as compared to Rs. 1,978 million of the corresponding period last year. Salaries and Wages were reduced by 6.4%. Fleet vehicles running cost increased to Rs. 762 due overall higher transportation costs. Depreciation for the period dropped by Rs. 18 Million compared to corresponding period as assets reached their residual values and due to lower investment levels in recent years. Repair & Maintenance expense increased by 6%.

Administrative and distribution expenses increased by 16% to Rs. 200 Million (2019: Rs. 173 Million). Primary reason for such increase is increase in depreciation expense due to change in accounting policy. Markup costs went down by Rs. 111 Million in the current quarter, mainly on account of decrease in KIBOR Base rate.

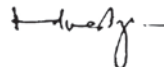
The Management will remain cautious and prudent for its investment strategy on all segments of the business, we expect the economy to bounce back in FY 2021-22, with renewed focus on CPEC projects, settlement of circular debts and pushing industrial investment and growth. However, there are still uncertainties of COVID-19 and threat of emergence of third wave for which the management will remain a factor in consideration of its investment strategy.

We always strive to keep special emphasis on customer satisfaction, also ensuring in the process that we always follow the Islamic Shariah principles in all our business transactions.

Acknowledgement

The Board wishes to place on record its sincere gratitude to the Registrar Modarabas, Director Modarabas and his support staff at SECP, Religious Board, bankers, customers and its business partners for their continued support and guidance.

On Behalf of the Board



Murtaza Ahmed Ali
Chief Executive

April 28, 2021

اعتراف

بورڈ، رجسٹرار مضاربہ، مذہبی بورڈ، مالیاتی اداروں 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

28 اپریل 2021

مارچ 2021 کو ختم ہونے والی نو ماہ کی مدت میں داخلی اور خارجی لاجسٹکس کی سیلز %2 اضافہ کے ساتھ 1,264 روپے ہو گئی جب کہ گزشتہ اسی مدت کی سیلز 1,240 ملین روپے تھی۔ معیشت کے مجموعی طور پر چھوڑنے کی وجہ سے، خاص طور پر ہمارے بڑے کسٹمر شلیمبرجر کے ساتھ Drilling معاہدوں کی وجہ سے اس شعبہ کی سیلز مستحکم رہی، اس صورتحال کو مد نظر رکھتے ہوئے ہم نے اپنے کسٹمر میں متنوع کر دیا ہے FMCG کی مصنوعات کی نقل و حرکت پر توجہ مرکوز کر دی ہے۔

ہمارے مشین اور کرین کے شعبے کی سیلز اس عرصے کے دوران دباؤ کا شکار رہی اور گزشتہ سال کے مقابلے میں %12 کمی دیکھنے میں آئی ہے۔ ہم اس وقت بڑے منصوبوں، میٹیری لاء اور ٹرانسمیشن لائین پراجیکٹ (جس کی تکمیل 2021 کے اختتام تک متوقع ہے)، اسکرودور وڈ پراجیکٹ، تھرکول اور جام شور و پاور پلانٹ پراجیکٹ پر کام کر رہے ہیں۔ یہ سیکٹر دیا میر، بھاشا اور داسوا اور مہند ڈیم کے نئے منصوبوں کے پیش نظر مستقبل کے لیے بہترین مواقع فراہم کرتا ہے۔ ہم تمام بڑے ٹھیکیداروں بشمول FWO اور چائینیز سے بات چیت کر رہے ہیں اور ان کی ضروریات کے مطابق اپنی مشینوں کی ریٹیل فلیٹ تیار کر رہے ہیں۔ ابتدائی طور پر ہم نے اپنی 24 نئی مشینیں جس میں ویل لوڈر، ایکسکو ایٹر، ڈوزر اور ڈمپر شامل ہیں، بھاشا ڈیم پر تعینات کر چکے ہیں۔

کاروباری عمل کو جاری رکھنے کے اخراجات گزشتہ مدت کے 1,978 ملین روپے سے %8 بڑھ کر اس مدت میں 2,141 ملین روپے ہو گئے۔ جبکہ آمدورفت کے اخراجات بڑھ کر 762 ملین روپے ہو گئے ہیں جس کی بڑی وجہ ٹرانسپورٹیشن میں اضافہ ہے۔ گزشتہ سال کی اسی مدت کے مقابلے میں تنخواہوں اور اجرتوں کی رقم تقریباً %6.4 کم رہی اس کی وجہ انتظامیہ کے اقدامات ہیں۔ فرسودگی کے اخراجات گزشتہ سال کی اس مدت سے 18 ملین روپے سے کم رہے۔ اور مرمت اور بحالی کے اخراجات %6 سے بڑھ گئے ہیں۔

انتظامی امور اور تقسیم کاری کے اخراجات %16 اضافے کے ساتھ 200 ملین روپے ہوئے (2020: 173 ملین روپے) اسکی بڑی وجہ فرسودگی کے اخراجات میں اضافہ ہے۔ مارک اپ کے اخراجات 111 ملین سے کم ہو گئے ہیں جس کی وجہ KIBOR پر مبنی ریٹس می کمی ہے۔

ہم ہمیشہ صارف کے مکمل اطمینان پر خاص توجہ رکھتے ہیں اور اپنے کاروباری لین دین میں اسلامی شریعہ اصولوں پر عمل پیرا رہتے ہیں۔

ڈائریکٹرز کی رپورٹ

برائے مدتِ مختتمہ 31 مارچ 2021

الائیڈرینٹل مضاربہ کی منظمہ کمپنی الائیڈ انجینئرنگ منجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز اپنے ٹھوقلیٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے نو ماہِ مختتمہ 31 مارچ 2021 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

000 روپے میں	مالیاتی جھلکیاں
5,856,699	اجارہ اثاثہ جات میں سرمایہ کاری
2,689,207	کل آمدنی
276,798	منافع برائے مذکورہ مدت
10.3%	خالص منافع کا فرق
5.1%	ایکویٹی پر منافع
1:3:1	موجودہ شرح
Rs. 1.26	فی ٹھوقلیٹ آمدنی
Rs. 24.83	فی ٹھوقلیٹ بریک اپ ویلیو

کاروباری عمل کا جائزہ

ہم ہمسرت اطلاع دیتے ہیں کہ مارچ 2021 کو ختم ہونے والی نو ماہی میں کل آمدنی 2,956 ملین روپے ریکارڈ کی گئی جو کہ گزشتہ سال 2,934 تھی باوجود اس کے کہ COVID-19 اور نمایاں طور پر مشکل معاشی حالات اور کاروبار میں مجموعی طور پر جمود رہا۔ اس کے لحاظ سے خالص منافع بھی 277 ملین روپے سے بڑھ کر 216 ملین روپے ہو گیا ہے۔ جو کہ پچھلے سال کے اسی عرصے سے 61 ملین روپے زیادہ ہے۔

مودارہ نے اپنے فروخت میں اضافہ کے ٹریک ریکارڈ کو برقرار رکھا۔ ہمارا ریٹیل پاور نے فروخت اور منافع کے لحاظ سے اپنی لیڈ کو برقرار رکھا۔ ریٹیل پاور کے تمام طبقات نے مدت کے لیے مقرر کردہ بیچ مارک اور اہداف کے مطابق کارکردگی کا مظاہرہ کیا۔ جس کی بڑی وجہ ہمارے چھوٹے ٹیونس کی سیلز میں بہتری اور میگا واٹ ٹیونس کے نئے معاہدے ہیں۔ اور ہم امید کرتے ہیں کہ ہمارے گیس جزیئر کی سیل بھی، ٹیکسٹائل سیکٹر میں گیس کی فراہمی کے ساتھ بہتر رہے گی۔

Condensed Interim Statement of Financial Position (Unaudited)

As at March 31, 2021

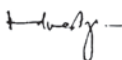
	Note	Unaudited Mar 31, 2021	Audited Jun 30, 2020
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances		153,458,478	92,916,094
Ijarah rentals receivable		1,069,194,622	1,100,301,006
Operation and maintenance income receivable		29,633,741	37,513,933
Advances, deposits, prepayments and other receivable		688,082,532	826,777,902
Spare parts		227,377,887	196,176,407
		2,167,747,260	2,253,685,342
Non-current assets			
Long term security deposits		50,000	50,000
Fixed assets in own use - tangible		224,071,751	207,010,534
Intangible asset for own use	6	1,140,973	1,961,154
Ijarah assets		5,856,698,618	6,120,338,820
Capital work-in-progress		11,392,728	51,236,756
		6,093,354,070	6,380,597,264
Total assets		8,261,101,330	8,634,282,606
LIABILITIES			
Current liabilities			
Current maturity of liability against right of use assets		17,398,510	18,042,712
Creditors, accrued and other liabilities		793,578,224	1,089,160,896
Current portion of long - term borrowings		183,418,458	75,915,791
Payable to the Modaraba Management Company	7	2,848,046	11,300,000
Current maturity of diminishing musharaka financing payable - secured	8	658,639,224	365,546,132
Current portion of security deposits		1,208,732	24,524,283
		1,657,091,194	1,584,489,814
Non-current liabilities			
Diminishing musharaka financing payable - secured	8	818,917,522	1,406,038,650
Long-term borrowings		122,613,468	89,726,681
Deferred liability for staff gratuity		101,853,967	95,966,148
Other long-term employee benefit		28,261,589	28,632,954
Security deposits		25,200,000	24,000,000
Liability against right of use assets		45,239,256	53,709,940
		1,142,085,802	1,698,074,373
Total liabilities		2,799,176,996	3,282,564,187
NET ASSETS		5,461,924,334	5,351,718,419
FINANCED BY: CAPITAL AND RESERVES			
Authorized certificate capital			
225,000,000 (30 June 2020: 225,000,000) modaraba certificates of Rs.10 each		2,250,000,000	2,250,000,000
Issued, subscribed and paid-up certificate capital			
220,000,000 (30 June 2020: 200,000,000) modaraba certificates of Rs.10 each		2,200,000,000	2,200,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory reserve		1,725,068,817	1,685,840,464
Unappropriated profit		281,143,017	210,165,455
		5,461,924,334	5,351,718,419
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Statement of Profit and Loss Account (Unaudited)

For the nine months period ended March 31, 2021

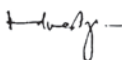
	Note	Nine months period ended		Three months period ended	
		Mar 31, 2021	Mar 31, 2020	Mar 31, 2021	Mar 31, 2020
		(Rupees)		(Rupees)	
Ijarah rentals	10	2,586,644,821	2,568,432,804	892,161,375	807,714,995
Operation and maintenance income	11	102,561,921	98,752,478	33,208,322	32,285,179
		<u>2,689,206,742</u>	<u>2,667,185,282</u>	<u>925,369,697</u>	<u>840,000,174</u>
Operating expenses	12	(2,140,984,760)	(1,978,084,184)	(738,227,658)	(602,199,413)
Gross Profit		<u>548,221,982</u>	<u>689,101,099</u>	<u>187,142,039</u>	<u>237,800,762</u>
Administrative and distribution expenses	13	(199,848,865)	(172,688,136)	(68,881,746)	(52,298,605)
Provision against potential Ijarah losses and operation and maintenance income	14	(26,817,532)	(86,194,511)	(15,000,000)	(35,000,000)
Finance costs		(125,969,573)	(237,123,511)	(38,765,272)	(75,384,980)
Other income		87,097,780	33,121,204	55,131,693	(2,983,612)
		<u>(265,538,190)</u>	<u>(462,884,953)</u>	<u>(67,515,325)</u>	<u>(165,667,196)</u>
		<u>282,683,792</u>	<u>226,216,145</u>	<u>119,626,714</u>	<u>72,133,565</u>
Modaraba Management Company's remuneration		(2,000,000)	(10,000,000)	-	(5,000,000)
		<u>280,683,792</u>	<u>216,216,145</u>	<u>119,626,714</u>	<u>67,133,565</u>
Workers' welfare fund		(3,885,466)	-	(1,334,212)	-
Profit for the period before taxation		<u>276,798,326</u>	<u>216,216,145</u>	<u>118,292,502</u>	<u>67,133,565</u>
Taxation	15	-	-	-	-
Profit for the period after taxation		<u>276,798,326</u>	<u>216,216,145</u>	<u>118,292,502</u>	<u>67,133,565</u>
Earnings per certificate - basic & diluted		<u>1.26</u>	<u>0.98</u>	<u>0.54</u>	<u>0.31</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months period ended March 31, 2021

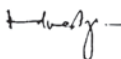
	Nine months period ended		Three months period ended	
	Mar 31, 2021	Mar 31, 2020	Mar 31, 2021	Mar 31, 2020
	(Rupees)		(Rupees)	
Profit for the period after taxation	276,798,326	216,216,145	118,292,502	67,133,565
Other comprehensive income	-	-	-	-
<i>Items that will not be reclassified to profit or loss</i>				
Loss on remeasurement of defined benefit plan obligation	(1,592,411)	-	-	-
Total comprehensive income for the period	275,205,915	216,216,145	118,292,502	67,133,565

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended March 31, 2021

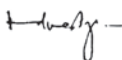
	Nine months period ended	
	Mar 31, 2021	Mar 31, 2020
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	276,798,326	216,216,145
Adjustments for non-cash charges and other items:		
Depreciation	414,968,199	419,808,557
Provision for deferred liabilities - gratuity	4,295,408	11,770,393
Provision against long term employee benefits	123,713	(9,261,227)
Financial charges including bank charges	125,969,569	237,123,511
(Profit)/Loss on disposal of ljarah assets	(40,050,933)	(4,842,480)
(Profit)/Loss on disposal of fixed assets in own use	(1,255,769)	(422,120)
	780,848,513	870,392,779
(Increase) / decrease in assets		
ljarah rentals receivable	31,106,384	161,602,489
Operation and maintenance income receivable	7,880,192	(1,851,762)
Advances, deposits and other receivable	138,695,371	(89,721,030)
Spare parts	(31,201,480)	(26,394,608)
	146,480,466	43,635,089
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	(289,392,767)	238,596,616
Payable to the Modaraba Management Company	(8,451,954)	59,670,942
Security Deposits	(22,115,551)	(30,832,400)
	(319,960,272)	267,435,158
Cash generated from / (utilised in) operations	607,368,707	1,181,463,026
Gratuity paid	-	(328,364)
Compensated absence paid	(495,078)	(156,000)
Financial charges paid	(132,159,474)	(233,180,749)
	(132,654,552)	(233,665,113)
Net cash flows from operating activities	474,714,155	947,797,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(348,975,158)	(372,940,009)
Proceeds from disposal of fixed assets in own use	8,642,493	1,091,100
Proceeds from disposal of ljarah assets	253,914,363	99,914,946
Net cash flows from investing activities	(86,418,302)	(271,933,964)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharaka financing availed	140,210,000	234,393,756
Repayment of Diminishing Musharaka financing	(434,238,036)	(812,832,474)
Running Musharaka facility availed	-	67,416,259
Long term borrowing availed	161,520,733	-
Repayment of Long term borrowing	(21,131,279)	-
Repayment of lease liability against ROU assets	(9,114,886)	65,453,719
Dividend paid	(165,000,000)	(220,000,000)
Net cash flows from financing activities	(327,753,468)	(665,568,740)
Net increase in cash and cash equivalents	60,542,385	10,295,209
Cash and cash equivalents at the beginning of the period	92,916,093	50,644,642
Cash and cash equivalents at the end of the period	153,458,478	60,939,851

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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




Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended March 31, 2021

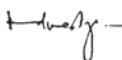
	Issued Subscribed & Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve (Rupees)	Un- appropriated profit	Total
Balance as at June 30, 2019	2,200,000,000	1,255,712,500	1,614,386,450	263,439,424	5,333,538,374
Profit distribution for the year ended June 30, 2019 @ Rs. 1.00 per certificate	-	-	-	(220,000,000)	(220,000,000)
Total comprehensive income for the nine months period ended March 31, 2020	-	-	-	216,216,145	216,216,145
Transfer to statutory (mandatory) reserve	-	-	37,270,645	(37,270,645)	-
Balance as at March 31, 2020	2,200,000,000	1,255,712,500	1,651,657,095	222,384,924	5,329,754,519
Total comprehensive income for the three months period ended June 30, 2020	-	-	-	21,963,900	21,963,900
Transfer to statutory (mandatory) reserve	-	-	34,183,369	(34,183,369)	-
Balance as at June 30, 2020	2,200,000,000	1,255,712,500	1,685,840,464	210,165,455	5,351,718,419
Profit distribution for the year ended June 30, 2020 @ Rs. 0.75 per certificate	-	-	-	(165,000,000)	(165,000,000)
Total comprehensive income for the nine months period ended March 31, 2021	-	-	-	275,205,915	275,205,915
Transfer to statutory (mandatory) reserve	-	-	39,228,353	(39,228,353)	-
Balance as at March 31, 2021	2,200,000,000	1,255,712,500	1,725,068,817	281,143,017	5,461,924,334

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended March 31, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Allied Rental Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Allied Engineering Management Company (Private) Limited (the 'Modaraba Management Company'), which is a wholly owned subsidiary of Allied Engineering and Services (Private) Limited. The Modaraba Management Company is incorporated in Pakistan under the 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 Effective from 10 January 2007, the Modaraba took over the rental business transactions and the related equipments of Allied Rental Services (Private) Limited (ARSL - an associated undertaking). The assets and liabilities acquired by the Modaraba comprise of certain fixed assets and the related lease liabilities. These were taken over under a prospectus floated by the Modaraba and approved by the SECP.
- 1.3 The JCR-VIS Credit Rating Company Limited has assigned long term A+ rating and short term A+ rating to the Modaraba.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial information of the Modaraba for the six months period ended 31 December 2020 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Report" and provisions of and directives issued under the repealed Companies Ordinance, 1984, Islamic Financial Accounting Standard (IFASs), Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, and Prudential Regulations for Modarabas. In case the requirements differ the provisions of or directives issued under the repealed Companies Ordinance, 1984, IFASs, Modaraba Companies and Modarabas (Floatation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

- 2.2 These condensed interim financial information do 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 These condensed interim financial information comprise of the balance sheet as at 31 December 2020 and profit and loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the six months period ended 31 December 2020 which have been subjected to a review but not audited.
- 2.4 The comparative balance sheet presented in these condensed interim financial information as at 31 December 2020 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2020, whereas the comparative profit and loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the six months period ended 31 December 2018 have been extracted from the unaudited condensed interim financial information for the period then ended.

2.5 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. ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2020.

3.2 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current period**

3.2.1 Certain new amendments to approved accounting standards have been published and are mandatory for the Company's accounting period beginning on or after 01 July 2020 but are considered not to be relevant or to have any significant effect on this unconsolidated condensed interim financial information.

4. ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the accounting policies and the key sources of estimation and uncertainty those are the same as those that applied to the financial statements as at and for the year ended 30 June 2020.

5. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and polices are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2020.

6. IJARAH ASSETS

		31 March	30 June
		2021	2020
	<i>Note</i>	(Unaudited)	(Audited)
		(Rupees)	
Ijarah assets - at cost less accumulated depreciation	6.1	<u>5,856,698,618</u>	<u>6,120,338,819</u>
		<u>5,856,698,618</u>	<u>6,120,338,819</u>

6.1 Ijarah assets - at cost less accumulated depreciation

	(Unaudited) March 31, 2021			
	Generators and related equipments	Logistics vehicles	Machines	Total
At 01 July 2020	----- (Rupees) -----			
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	<u>3,756,933,446</u>	<u>1,415,888,083</u>	<u>947,517,290</u>	<u>6,120,338,819</u>
Additions	171,041,651	63,070,313	94,955,534	329,067,498
Disposals				
Cost	<u>(328,660,641)</u>	<u>(35,793,990)</u>	<u>(13,531,691)</u>	<u>(377,986,322)</u>
Accumulated depreciation	<u>145,329,995</u>	<u>14,383,379</u>	<u>6,910,518</u>	<u>166,623,892</u>
	<u>(183,330,646)</u>	<u>(21,410,611)</u>	<u>(6,621,173)</u>	<u>(211,362,430)</u>
Transfer during the period				
Cost		<u>(100,689,447)</u>	<u>100,689,447</u>	<u>-</u>
Accumulated depreciation		<u>38,517,563</u>	<u>(38,517,563)</u>	<u>-</u>
	-	<u>(62,171,884)</u>	<u>62,171,884</u>	<u>-</u>
Depreciation charge for the year	<u>(227,775,618)</u>	<u>(83,315,001)</u>	<u>(70,254,651)</u>	<u>(381,345,270)</u>
Closing net book value	<u>3,516,868,834</u>	<u>1,312,060,899</u>	<u>1,027,768,884</u>	<u>5,856,698,618</u>
At 31 March 2021				
Cost	6,970,717,311	2,110,529,931	1,474,955,371	10,556,202,613
Accumulated depreciation	<u>(3,453,848,478)</u>	<u>(798,469,031)</u>	<u>(447,186,487)</u>	<u>(4,699,503,996)</u>
Net book value	<u>3,516,868,834</u>	<u>1,312,060,899</u>	<u>1,027,768,884</u>	<u>5,856,698,618</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	
	(Audited) June 30, 2020			
	Generators and related equipments	Logistics vehicles	Machines	Total
At 01 July 2019	----- (Rupees) -----			
Cost	7,590,004,032	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	<u>3,982,826,656</u>	<u>1,440,525,396</u>	<u>1,011,369,889</u>	<u>6,434,721,941</u>
Additions	166,923,230	108,038,498	27,573,997	302,535,725
Disposals				
Cost	<u>(628,590,961)</u>	<u>(29,706,848)</u>	<u>(8,961,600)</u>	<u>(667,259,409)</u>
Accumulated depreciation	<u>548,104,177</u>	<u>12,139,898</u>	<u>7,169,280</u>	<u>567,413,355</u>
	<u>(80,486,784)</u>	<u>(17,566,950)</u>	<u>(1,792,320)</u>	<u>(99,846,054)</u>
Depreciation charge for the year	<u>(312,329,656)</u>	<u>(115,108,861)</u>	<u>(89,634,276)</u>	<u>(517,072,793)</u>
Closing net book value	<u>3,756,933,446</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	<u>3,756,933,446</u>	<u>1,415,888,083</u>	<u>947,517,290</u>	<u>6,120,338,819</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

7. PAYABLE TO THE 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 amounting to Rs. 2 million (nine months period ended 31 March 2020 : amounting to Rs. 5 million). Remuneration based on the annual results shall be paid after the year ending 30 June 2021.

8. DIMINISHING MUSHARAKA FINANCING PAYABLE - secured	Note	31 March	30 June
		2021	2020
		(Unaudited)	(Audited)
		(Rupees)	
Musharaka finance	8.1	1,477,556,746	1,771,584,782
Due within one year		<u>(658,639,224)</u>	<u>(365,546,132)</u>
		<u>818,917,522</u>	<u>1,406,038,650</u>
8.1 Financing from Islamic banking and financial institutions		1,466,644,246	1,741,269,224
Financing from Modarabas		<u>10,912,500</u>	<u>30,315,558</u>
		<u>1,477,556,746</u>	<u>1,771,584,782</u>

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

Contingencies outstanding as at 31 March 2021 are as follows:

9.1.1 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 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, has 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.

9.1.2 Federal Excise Duty on gross revenue receipts of the Modaraba

On 01 March 2016, assessment orders relating to tax years 2014 and 2015 were received from the Assistant Commissioner of Inland Revenue demanding Federal Excise Duty (FED) aggregating to Rs 838.662 million (calculated @16% of gross receipts of the Modaraba for the above mentioned tax years) and the related default surcharge and applicable penalty. In response, an appeal was filed by the Modaraba with the Commissioner Inland Revenue – Appeals (CIR-A) on 16 March 2016. An under protest payment of Rs 50 million was also made by the Modaraba to the Federal Board of Revenue in respect of the above.

In the opinion of the management pursuant to the 18th amendment in the Constitution of Pakistan, the authority to collect sales tax has been delegated to the provinces. Accordingly, the Modaraba filed Constitutional Petitions with the Honorable Sindh High Court (SHC) in respect of which the SHC granted an interim injunction order to the Modaraba. The petitions were decided by the SHC on 02 June 2016 in which the SHC declared the levy of FED as 'ultra vires' with effect from 01 July 2011 and also quashed any duty recovered by the FBR.

However, in contradiction to the above mentioned judgment by the SHC, the CIR-A through orders dated 03 June 2016 upheld the levy of FED on the Modaraba and consequently directed the Modaraba to pay the alleged amount of FED along with default surcharge and penalty. In response the Modaraba has filed appeals with the Honorable Appellate Tribunal Inland Revenue (ATIR) which is pending hearing.

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

In light of the judgment of the SHC and based on consultations with its 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 9 to these condensed interim financial information.

9.1.3 Sales Tax on reimbursement of salary to Contractual Staff

On 05 June 2017, the Sindh Revenue Board issued a notification under which an amendment was made in Rule 42E (5) Sindh Sales Tax on Service Act, 2011. The amount of reimbursement of salaries and allowances of the labour and manpower are included in the value of services. Hence such reimbursements is now exposed to Sindh sales tax at 13% under tariff heading 9829.0000 of the Second Schedule of Sindh Sales Tax on Service Act, 2011. Earlier such reimbursements were not exposed to Sindh sales tax. The Honourable Court of Sindh has granted interim stay on aforesaid change on 21 August 2017. The amount involved in respect of this amendment is estimated to be of Rs. 84.680 million as of 31 December 2019. The management, based on a legal advise, believes that the decision will be in its favour.

- 9.1.4** 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.

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

- 9.1.6** 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.

- 9.1.7** 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.

9.2 Commitments

9.2.1 Contractual rentals receivable on Ijarah contracts

	31 March 2021 (Unaudited)			30 June 2020 (Audited)		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)			(Rupees)		
Rentals receivable in future	<u>124,050,000</u>	<u>190,000</u>	<u>124,240,000</u>	<u>71,802,500</u>	<u>131,715,000</u>	<u>203,517,500</u>

This represents the rentals receivable by the Modaraba in future periods in respect of Ijarah assets given for the period mentioned above.

	Nine months period ended		Three months period ended	
	Mar 31, 2021	Mar 31, 2020	Mar 31, 2021	Mar 31, 2020
	(Rupees)		(Rupees)	
10. IJARAH RENTALS - net				
Ijarah rentals	2,842,488,452	2,825,954,461	979,959,485	889,730,007
Less: Sales tax	<u>(255,843,631)</u>	<u>(257,521,657)</u>	<u>(87,798,110)</u>	<u>(82,015,012)</u>
	<u>2,586,644,821</u>	<u>2,568,432,804</u>	<u>892,161,375</u>	<u>807,714,995</u>
11. OPERATION AND MAINTENANCE INCOME - net				
Operation and maintenance income	113,230,870	108,585,731	35,627,339	34,900,612
Less: Sindh sales tax	<u>(10,668,949)</u>	<u>(9,833,253)</u>	<u>(2,419,017)</u>	<u>(2,615,433)</u>
	<u>102,561,921</u>	<u>98,752,478</u>	<u>33,208,322</u>	<u>32,285,179</u>
12. OPERATING EXPENSES				
Salaries, wages and other staff benefits	610,566,303	652,025,821	207,665,289	192,676,036
Depreciation expense	381,345,270	399,117,080	126,532,843	132,251,176
Repairs and maintenance cost	250,796,125	236,537,642	91,743,737	57,105,483
Fleet vehicles running cost	762,432,150	585,471,532	268,838,025	190,965,213
Vehicles running cost	31,381,311	31,637,173	9,998,518	8,411,764
Insurance cost - equipments	29,132,277	29,319,254	10,447,957	8,908,276
Transportation cost	54,454,385	30,945,125	16,159,000	9,762,556
Travelling and conveyance	7,922,751	7,360,399	2,422,856	1,196,880
Rent Expense	12,954,188	5,670,158	4,419,433	922,029
	<u>2,140,984,760</u>	<u>1,978,084,184</u>	<u>738,227,658</u>	<u>602,199,413</u>
13. ADMINISTRATIVE AND DISTRIBUTION EXPENSES				
Salaries, wages and other staff benefits	112,568,804	98,895,172	38,314,285	31,681,570
Vehicle running costs	11,072,799	11,772,997	3,657,503	2,198,787
Travelling and conveyance	869,169	2,538,791	208,649	459,690
Depreciation expense	32,802,747	19,029,613	11,861,847	6,273,566
Amortization expense	820,182	1,661,864	114,098	591,988
Legal and professional charges	8,279,349	6,318,150	3,881,416	1,046,668
Auditors' remuneration	828,276	577,683	-	-
Telephone, postage and fax charges	5,900,839	5,618,525	1,824,768	1,847,728
Advertisement and sales promotion	934,100	968,392	780,320	765,385
Printing and stationery	4,626,865	4,024,182	1,144,414	628,232
Insurance cost - vehicles	2,370,816	2,244,776	843,505	702,209
Training, meetings and tender participation	1,227,012	1,059,490	464,440	427,695
Donation	325,000	103,000	100,000	25,000
Software development	775,436	629,275	545,966	520,769
Entertainment	4,148,956	4,348,619	1,553,279	1,156,070
Utilities	7,208,422	6,996,884	1,932,431	2,250,272
Security	4,559,531	4,402,355	1,464,230	1,666,576
Miscellaneous	530,562	1,498,368	190,595	56,400
	<u>199,848,865</u>	<u>172,688,136</u>	<u>68,881,747</u>	<u>52,298,605</u>
14. FINANCE COSTS				
Financial cost on Diminishing Musharaka	100,093,893	223,287,526	29,831,594	69,769,191
Financial cost on Running Musharaka financing arrangement	324,741	4,807,276	73,267	2,641,075
Finance cost on long term borrowing	17,856,089	-	6,649,100	-
Finance cost on liability against right of use Assets	4,552,674	8,085,035	1,445,868	2,297,665
Exchange loss / (Gain) - net	91,687	(930,539)	-	204,364
Bank charges and commission	3,050,489	1,874,213	765,443	472,685
	<u>125,969,573</u>	<u>237,123,511</u>	<u>38,765,272</u>	<u>75,384,980</u>

15 TAXATION

- 15.1 On March 22, 2021, the President of Pakistan promulgated the Tax Law (Second Amendment) Ordinance, 2021,(Ordinance 2021) whereby Clause 100 of the Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 relating to the Tax Exemption available to the Modarabas stands withdrawn.

Tax Exemption has been available to the Modarabas under Section 37 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, which is still operative and was specified under Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, which exemption has been removed by Ordinance 2021. It is believed that the Ordinance 2021 will be placed before the Assembly to be ratified through a Finance Act. It is a settled law that the taxes can only be levied from prospective effect and any retrospective applicability thereof is ultra-vires under the Constitution. Based on the legal and professional advice, the Management along with other Modarabas, have made representations to the appropriate authorities to remove intended withdrawal of tax exemption available to the Modarabas, particularly any retrospective effect of the Ordinance 2021.

Accordingly, no provision for Income Tax has been made in the quarterly accounts for the period ended July 1, 2020 to March 31, 2021."

- 15.2 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.

16. RELATED PARTY TRANSACTIONS

The related parties comprise of major certificate holders and their close family members, directors of the Modaraba Management Company and their close family members, key management personnel of the Modaraba Management Company, Key Management personal of the Modaraba and their close family members, the provident fund trust and the entities with common directors or under common management and control.

Contribution to the provident fund is made in accordance with the services rules. Modaraba management fee, if any, is accrued in accordance with the requirements of the Modaraba Regulations. Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are carried out at agreed terms.

16.1 Detail of transactions with related parties during the period are as follows:

	Unaudited	
	Nine months period ended	
	March 31, 2021	March 31, 2020
(Rupees)		
Allied Engineering Management company (Private) Limited (Modaraba Management Company)		
Dividend Paid	32,999,998	43,999,997
Modaraba Management Company's remuneration	2,000,000	5,000,000
Allied Engineering and Services (Private)Limited (holding company of the Management Company)		
Purchase of assets	4,329,000	27,643,265
Purchase of parts and services	244,789,974	267,201,504
Sale of rental assets and rent revenue	338,310	1,655,914
Dividend Paid	113,948,305	151,931,073
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	11,237,332	11,505,716
Dividend Paid	2,801,151	3,734,868
Apex Machinery (Private) Limited (Associated Company)		
Purchase of parts and services	5,578,987	15,274,246
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Income from ijarah assets	-	30,628,289

16.2 Detail of balances with related parties as at period end are as follows:

	Unaudited	Audited
	Mar 31, 2021	Jun 30, 2020
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 43,999,997 (June 30, 2020: 43,999,997)	439,999,970	439,999,970
Payable to the Modaraba Management Company	2,848,046	11,300,000
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 151,931,073 (June 30, 2020 : 151,931,073)	1,519,310,730	1,519,310,730
Payable against purchase of parts and services	485,909,085	689,505,292
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 3,734,868 (June 30, 2020: 3,734,868)	37,348,680	37,348,680
Apex Machinery (Private) Limited (Associated Company)		
Payable against purchase of parts and services	7,133,556	17,044,572
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Ijarah rental receivable	-	8,813,033

17. GENERAL

- 17.1 The figures in this condensed interim financial information has been rounded off to the nearest Rupee.
- 17.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant rearrangements or reclassifications in this condensed interim financial information.


18. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on April 28 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

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ALLIED  THE CAT RENTAL STORE

Allied Rental Modaraba

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