



KPMG Taseer Hadi & Co.
Chartered Accountants

Allied Rental Modaraba
Condensed Interim Financial
Statements

For the period ended
31 December 2019

Company Information

Board of Directors

Syed Feisal Ali
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Mr. Khwaja Ahsan 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. Muzzamil 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
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 Modraba
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-Ameero Centre,
Shahrah-e-Iraq, Saddar, Karachi.
Tel: 021-35662023-24
Fax: 021-35221192



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

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 2019, and the related condensed interim statement of profit and loss account, and other 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 months period then ended (here-in-after referred to as the "condensed interim financial statement"). The Modaraba Management Company [Allied Engineering Management Company (Private) Limited] is responsible for the preparation and presentation of this condensed 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 condensed interim 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 condensed 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.



KPMG Taseer Hadi & Co.

Other matters

The figures for the quarter ended 31 December 2019 and 31 December 2018 in the condensed interim financial statements have not been reviewed and we do not express a conclusion on them.

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

Date: 27 February 2020

Karachi

A handwritten signature in blue ink, appearing to read 'Aryn Pirani', written over a horizontal line.

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

DIRECTORS' REPORT

For the period ended December 31, 2019

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, 2019.

Financial Highlights	Rs. in '000.
Investment in Ijarah assets	6,182,653
Total Revenue	1,806,002
Net profit for the period	149,082
Net profit margin	8.25%
Return on equity	2.83%
Current Ratio	1:1
Earning per certificate	Rs. 0.68
Break-up value per certificate	Rs. 23.92

Review of Operations

Net Sales for the Quarter ended December 2019 declined 7% from the corresponding quarter to close at Rs. 878 million. Sales in the Power Generation segment slowed down by 9% during the quarter compared to corresponding period last year due to overall lower deployment and completion of our old long-term BOT projects, however it continues to maintain our lead segment in terms of profitability. Sales from our Inbound and Outbound Logistics segment remained almost stagnant during the quarter compared to corresponding period last quarter. Infrastructure construction and CPEC projects have taken a go-slow approach, due to non-payment of bills and uncertainty on the future of these projects, as the new Government sets its growth agenda vis-à-vis the macroeconomic indicators of the country. Accordingly, the net profits for the quarter also declined from Rs. 135 Million to Rs. 51 Million for the current quarter.

Gross Revenue for the period was recorded Rs. 1,991 Million compared to Rs. 2,108 Million of the corresponding Jul – Dec 2019 period. The decline in Sales compared to corresponding period confirms overall stagnation of the economy and its effects on the business of the Modaraba. After deduction the Services Sales Tax of Punjab, Sindh and Balochistan, the net revenue for the half year stands at Rs. 1,806 Million compared to Rs. 1,927 for the corresponding period. Accordingly, the net profits for the period also declined from Rs. 277 Million to Rs. 149 Million for the current period.

Sales from our Inbound and Outbound Logistics segment increased by around 5% to Rs. 862 Million as compared to Rs. 823 Million of the corresponding period last year, mainly on account of increase in fuel prices and marginally better price realization. Due to implementation of the Axle Load Regime, a long standing demand of the Logistics operators, per ton freight rates have gone up resulting in better price realization. The effects of better fuel economics and maintenance expenses will also reflect in the future period results.

Sales from our Machines and Cranes segment contributed Rs. 242 Million during the period compared to Rs. 331 Million for the corresponding period last year. Sales decline in this segment is mainly due to slashing of the infrastructure budgets, lower GDP forecasts and non-payment of contractor's bills resulting in accumulation of receivables. Though we have got deployment at some good construction projects, but again overall our future investments in the segment will remain on hold until we see clarity on development budgets at federal government level.

Sales in the Power Generation segment declined by 17% due to overall lower deployment and completion of our old long-term BOT projects. No new investment are planned at this stage for any segment of the Power Rental business, both Diesel and Gas as we feel that our present fleet size is able to meet the current market demands.

The operating expense for the period were reduced by 6% to Rs. 1,354 Million from Rs. 1,438 Million for the period. As compared to corresponding period last year Salaries and Wages remained almost stagnant 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 23% due to increase in Fuel rates. Depreciation for the period dropped by Rs.112 Million compared to corresponding period last year.

Despite inflationary pressures Administrative and distribution expenses remained stagnant at Rs. 120 Million (2018: Rs. 120 Million).

Provision against potential Ijarah losses and operation and maintenance income increased 12% to Rs. 51 Million being in compliance with the Prudential Regulations for the Modaraba's. Despite overall reduction in Net Borrowing level, Markup costs went up by Rs. 27 Million in the current period on account of increase in KIBOR Base rate.

The Management will remain cautious and prudent for its investment strategy on all segments of the business, as we expect the economy to slow down to control the negative balance of payment issue and until the economic direction is set by the new government. 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.

Future Prospects

The strength of Caterpillar brand name and our strategy of continuous investment in prior years on new technologies, new products, new markets and new segments perfectly position us as the lowest Capital Cost Rental set up in the country for all business segments. This gives us a huge competitive edge in

terms of meeting the price challenges of the market and offering effective prices to our customers in this challenging business environment. 2019-20 will remain challenging due to sluggish economic growth and lower funds available for infrastructure development projects. We will have to cautiously review the situation regularly and wait and see the direction of the economy set by the Government before finalizing our Investment Plans. On the other hand, due to higher discount rates, our threshold of minimum return on investment will also go up, thereby resulting in comparatively lower qualification of new investment approvals. The Modaraba and its team of people from Managers to technicians to Drivers/Operators are all geared to their optimum potential of a COMPLETE RENTAL SOLUTION PROVIDER for all sorts of EQUIPMENTS TO ITS CUSTOMERS from POWER TO LOGISTICS. By applying prudent policies and disciplines in our business operations, we are confident that the targets set for the year will be achieved.

Modaraba is also continuously tapping new rental agreements for the transportation business with leading FMCG and Oil Field Services companies to deploy its Rental assets to more profitable sectors of the business.

Modaraba has to continuously develop its Human Resource to cater for the new requirements of the business. Though Pakistan has large population, but we are extremely short in technical semi-skilled and skilled workforce and as their demand picks up in the market, we see continuous and strenuous efforts on the part of the Modaraba to retain them. We expect the wage element to go up due to inflationary pressures and increased demand levels. This is one of the major challenges presently faced by the Modaraba to judiciously increase the wage rate and retain the workforce.

The Management is positive of the rental industry potential, CPEC development and tremendous opportunities it has to date generated for the Modaraba, but will also remain cautious, prudent and selective for its investment on the Rental Power segment. 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.

February 27, 2020

On Behalf of the Board


Murtaza Ahmed Ali
Chief Executive

ڈائریکٹرز کی رپورٹ

برائے مدت تختہ 31 دسمبر 2019

الائیڈ ریٹیل مضاربہ کی منظمہ کمپنی الائیڈ انجینئرنگ منجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز اپنے مشق کیٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شد مالیاتی گوشوارے برائے ششماہی تختہ 31 دسمبر 2019 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

000 روپے میں	مالیاتی جھلکیاں
6,182,653	اجارہ اثاثہ جات میں سرمایہ کاری
1,806,002	مجموعی آمدنی
149,082	خالص منافع برائے مدت
8.25%	خالص منافع کا مارجن
2.83%	ایکویٹی پر آمدنی
1:1	موجودہ تناسب
Rs. 0.68	نی سرٹیفکیٹ آمدنی
Rs. 23.92	نی سرٹیفکیٹ بریک اپ ویلیو
	کاروباری عمل کا جائزہ

سہ ماہی تختہ دسمبر 2019 کیلئے خالص فروخت میں گزشتہ سال کی اسی سہ ماہی سے 7% کم ہوئی جو 878 ملین روپے ہے۔ سہ ماہی میں پاور جنریشن کے شعبہ کی فروخت میں سست روی نظر آئی اور گزشتہ سال کی اسی مدت کے مقابلے میں 9% کمی آئی جس کی وجہ مجموعی طور پر تعین میں کمی اور ہمارے پرانے طویل المدت BOT پروجیکٹ کا پایہ تکمیل کو پہنچنا تھی۔ تاہم ہمارے بڑے شعبہ میں منافع کے اعتبار سے صورتحال گزشتہ کے مطابق رہی۔ ہمارے داخلی اور خارجی لاجسٹکس کے شعبہ کی فروخت گزشتہ سال کی اسی سہ ماہی کی مدت اور موجودہ سہ ماہی میں تقریباً یکساں رہی۔ انفراسٹرکچر تعمیرات اور سپیک کے پروجیکٹ بھی سست روی کا شکار رہے جس کی وجہ بلوں کی عدم ادائیگی اور ان پروجیکٹ کے سسٹم کے بارے میں غیر یقینی کی کیفیت پیدا ہوئی تھی کیونکہ نئی حکومت نے اپنا ترقی کا ایجنڈا اور اس کے ساتھ ملک کے نیٹرو واکناک کے اشاریے مقرر کئے ہیں۔ اس لحاظ سے سہ ماہی کے خالص منافع جات میں بھی کمی آئی جو 135 ملین روپے سے کم ہو کر موجودہ سہ ماہی میں 51 ملین روپے تک آگئے۔

اس مدت کیلئے مجموعی آمدنی 1,991 ملین روپے ریکارڈ کی گئی جبکہ اس کے مقابلے میں جولائی-دسمبر 2019 کی مدت میں 2,108 ملین روپے تھی۔ گزشتہ اسی مدت کے مقابلے میں فروخت میں کمی سے ثابت ہوتا ہے کہ معیشت پر مجموعی طور مجموعی طور جاری ہے جس کا اثر مضاربہ کے کاروبار پر بھی پڑا ہے۔ پنجاب، سندھ اور بلوچستان میں سروسز سیکٹرز کی کٹوتی کے بعد سہ ماہی کی خالص آمدنی 1,806 ملین روپے حاصل ہوئی جو کہ گزشتہ اسی مدت میں 1,927 ملین روپے تھی۔ اس کے مطابق مدت کا خالص منافع بھی 277 ملین روپے سے کم ہو کر موجودہ مدت میں 149 ملین روپے رہ گیا۔

ہمارے داخلی اور خارجی لاجسٹکس کے شعبہ کی سلاز تقریباً 5% کے اضافہ کے ساتھ 862 ملین روپے ہو گئی جب کہ گزشتہ سال اسی مدت کی سلاز 823 ملین روپے تھی۔ اس کی بڑی وجہ فیول کی قیمتوں میں اضافہ اور نمایاں طور پر بہتر قیمت کا حصول تھی۔ لاجسٹکس آپریٹرز کی طویل مدت کی ڈیمانڈ یعنی ایکسل لوڈز تکمیل پر عمل درآمد سے فی ٹن فریٹ کے ریش میں اضافہ ہوا جس کے نتیجے میں بہتر قیمتیں حاصل ہوئیں۔ فیول کی بہتر معیشت اور دیکھ بھال کے اخراجات کے اثرات اگلی مدت کے نتائج میں نظر آئیں گے۔

اس مدت میں ہمارے مشین اور کریٹرز کے شعبہ میں فروخت سے 242 ملین روپے حاصل ہوئے جبکہ گزشتہ سال اسی مدت میں 331 ملین روپے کی فروخت ہوئی تھی۔ اس شعبہ میں فروخت میں کمی کا بڑا سبب انفراسٹرکچرز کے بجٹ میں کٹوتی، کم تر جی ڈی پی کی توقعات اور کنٹریکٹرز کے بلوں کی عدم ادائیگی ہے جس کے نتیجے میں قابل وصول رقم میں اضافہ ہو گیا۔ اگرچہ ہم نے بعض اچھے تیسراتی منصوبوں میں تعین کی ہے لیکن ایک مرتبہ پھر مجموعی طور پر اس شعبہ میں ہم مستقبل کی سرمایہ کاری سے اس وقت تک گریزاں ہیں جب تک ہم پر وفاقی حکومت کی سطح پر ترقیاتی بجٹ کے خدو خال واضح نہ ہو جائیں۔

پاور جنریشن کے شعبہ کی سلاز میں 17% کمی آئی جس کی وجہ ہمارے مجموعی طور پر کم تعین اور ہمارے پرانے طویل المدت BOT منصوبوں کا پائیدار بحال کو پہنچ جانا تھی۔ اس مرحلے پر ڈیزل اور گیس، دونوں طرح کے پاور پلانٹ کاروبار کے کسی شعبہ میں نئی سرمایہ کاری کا کوئی منصوبہ نہیں ہے کیونکہ ہم محسوس کر رہے ہیں کہ ہمارے موجودہ بیڑے کا سائز مارکیٹ کی موجودہ طلب پوری کرنے کیلئے کافی ہے۔

کاروباری عمل کو جاری رکھنے کے اخراجات گزشتہ مدت کے 1,438 ملین روپے سے 6% کم ہو کر اس مدت میں 1,354 ملین روپے ہو گئے۔ گزشتہ سال کی اسی مدت کے مقابلے میں تخواہوں اور اجرتوں کی رقم تقریباً ٹھہری رہی اس کی وجہ انتظامیہ کے اقدامات ہیں جن 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 23% بڑھ گئے جس کی وجہ فیول کے ریش میں اضافہ تھی۔ اس مدت میں فرسودگی کے اخراجات گزشتہ سال کی اسی مدت کے مقابلے میں 112 ملین روپے کم ہوئے۔

افراط زر کے دباؤ کے باوجود انتظامی امور اور تقسیم کاری کے اخراجات 120 ملین روپے پر ٹھہرے رہے (2018: 120 ملین روپے)

اجارہ کے متوقع نقصانات کے باوجود آپریشنز اور دیکھ بھال کی آمدنی %12 اضافہ کے ساتھ 51 بلین روپے ہو گئی جس کی وجہ مضاربہ کیلئے دانشمندانہ ضوابط پر عمل درآمد کرنا تھی۔ مجموعی طور پر خالص قرضہ جات کے حصول میں کمی آنے کے باوجود موجودہ مدت میں مارک اپ کے اخراجات 27 بلین روپے تک بڑھ گئے جس کی وجہ KIBOR کے بنیادی ریش میں اضافہ تھی۔

انتظامیہ اپنے کاروبار کے تمام شعبہ جات میں سرمایہ کاری کی حکمت عملی میں ہوشیاری اور دانشمندی سے کام لے گی کیونکہ ہمیں توقع ہے کہ منفی توازن ادائیگی کے مسئلے پر قابو پانے کیلئے معیشت کی رفتار سست رہے گی جب تک کہ نئی حکومت کی جانب سے معیشت کے رخ کا تعین نہ ہو۔ ہم ہمیشہ صارف کے اطمینان پر خاص توجہ دیتے ہیں اور اپنے تمام کاروباری لین دین میں اسلامی شریعہ اصولوں پر عمل پیرا رہتے ہیں۔ مستقبل کا منظر نامہ

کیفریبل برانڈ کے نام کی قوت اور گزشتہ سالوں میں نئی ٹیکنالوجی، نئی پروڈکٹس، نئی مارکیٹس اور نئے شعبہ جات میں مسلسل سرمایہ کاری کی حکمت عملی نے ہمیں ملک میں تمام اقسام کے کاروبار کیلئے سب سے کم کپینٹل کا سٹریٹجی سٹاپ کیلئے مشہور کر دیا ہے۔ اس نے ہمیں مارکیٹ میں قیمتوں کے چیلنج کا مقابلہ کرنے میں اور اس چیلنج والے کاروبار کے ماحول میں اپنے صارفین کو مناسب قیمتیں پیش کرنے میں سہولت دی ہے۔ 2019-2020 بھی معیشت کی سست روتی اور انفراسٹرکچر ڈیولپمنٹ پر وجیکٹ کیلئے کم تر فنڈز کی دستیابی کے سبب چیلنج والا سال رہے گا۔ ہمیں صورتحال کا بڑی ہوشیاری کے ساتھ جائزہ لینا ہوگا اور اپنے سرمایہ کاری کے پلان کو فائل کرنے سے پہلے انتظار کرنا اور دیکھنا ہوگا، حکومت کی جانب سے معیشت کے رخ کی تاریخ متعین ہوتا ہے۔ دوسری طرف بلند سکاؤنٹ ریٹ کے سبب، ہماری سرمایہ پر کم سے کم آمدنی کی حد میں بھی اضافہ ہوگا جس کے نتیجے میں نئی سرمایہ کاری کی منظوری کی اہلیت بھی متاثر ہوگی۔ مضاربہ اور اس کی نیچرز سے لے کر ٹیکنیشن اور ڈرائیورز / آپریٹرز تک نئی ٹیم کو اپنے پاور سے لے کر لاجسٹکس تک کے صارفین کو تمام اقسام کے ایکو پمنٹ کیلئے مکمل ریٹیل سلوشن پرووائیڈر کی حیثیت سے بھرپور کوششیں کرنا ہوں گی۔ اپنے کاروبار میں دانشمندانہ پالیسیوں اور ڈسپلنز کے ذریعہ ہم یقیناً سال کیلئے مقرر کردہ اہداف حاصل کر لیں گے۔

مضاربہ معروف FMCGs اور آئل فیلڈ سروس پرائیویز کے ساتھ نقل و حمل کے کاروبار کیلئے نئے ریٹیل معاہدوں کیلئے سرگرم عمل ہے جن میں ریٹیل اثاثہ جات کا کاروبار کے زیادہ منافع بخش شعبوں میں تعین کرنے کا موقع حاصل ہو۔

مضاربہ کو کاروبار کی نئی ضروریات کے لئے اپنے انسانی وسائل میں مسلسل اضافہ کرنے کی ضرورت ہے۔ اگرچہ پاکستان کی آبادی بہت زیادہ ہے لیکن ٹیکنیکل اور نیم ہنرمند اور ہنرمند افرادی قوت کی بہت کمی ہے اور جیسے جیسے مارکیٹ میں ان کی طلب بڑھ رہی ہے، ہم ان کو مضاربہ کے ساتھ منسلک رکھنے کیلئے مسلسل از حد کوششیں کر رہے ہیں۔

ہم توقع کرتے ہیں کہ افرادی قوت کے دباؤ اور طلب کے مزید بڑھنے سے اجرتوں میں بھی اضافہ ہوگا۔ اس وقت یہ مضاربہ کو درپیش بڑے چیلنجز میں سے ایک بڑا چیلنج ہے کہ منصفانہ طور پر اجرت میں اضافہ کیا جائے اور افرادی قوت کو اپنے ساتھ جڑا رکھا جائے۔

اجتہامیہ ریٹیل صنعت کی گنجائش کیلئے نہایت پر امید ہے جس میں سی پیک ڈیولپمنٹ اور مضاربہ کیلئے دیگر کئی بے شمار مواقع موجود ہیں لیکن اس کے ساتھ ہمیں ریٹیل 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، رجسٹرار مضاربہ، SECP میں ان کے عملے، منڈی بورڈ، بینکرز اور اپنے کاروباری پارٹنرز کے مستقل تعاون اور رہنمائی کیلئے ان کا بے حد شکر گزار ہے۔

منجانب بورڈ

مرتنضی احمد علی


چیف ایگزیکٹو

27 فروری 2020

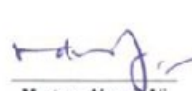
Allied Rental Modaraba
Condensed Interim Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
ASSETS			
Current Assets			
Cash and bank balances	6	76,524,078	50,544,643
Ijarah rentals receivable	7	1,229,840,418	1,235,580,096
Operation and maintenance income receivable	8	25,956,271	27,761,979
Advances, deposits, prepayments and other receivable	9	774,766,195	732,291,991
Spare parts		169,938,993	136,361,764
		2,277,035,955	2,182,660,473
Non-current assets			
Long term security deposits		50,000	50,000
Fixed assets in own use - tangible	10	209,779,071	139,827,871
Intangible asset for own use	11	3,145,129	4,215,005
Ijarah assets	12	6,182,652,842	6,434,721,942
Capital work-in-progress - ijarah asset	13	236,008,948	67,582,112
		6,631,635,990	6,646,376,930
Total assets		8,908,671,945	8,829,037,403
LIABILITIES			
Current Liabilities			
Current maturity of liability against right of use assets	3,4	16,089,730	-
Creditors, accrued and other liabilities	14	1,181,018,527	821,822,788
Running musharaka - secured	15	98,532,248	-
Payable to the Modaraba Management Company	16	9,920,703	24,228,441
Current maturity of diminishing musharaka financing payable - secured	17	898,342,735	1,038,025,290
Current portion of security deposits		68,101,332	95,810,000
Unclaimed dividend		1,085,131	1,095,066
		2,273,090,406	1,981,381,585
Non-current liabilities			
Diminishing musharaka financing payable - secured	17	1,186,432,844	1,375,976,897
Deferred liability for staff gratuity		95,638,521	84,196,492
Other long-term employee benefit		17,559,096	28,820,323
Security deposits		24,000,000	27,123,732
Liability against right of use assets	3,4	49,330,124	-
		1,372,960,585	1,514,117,444
Total liabilities		3,646,050,991	3,495,499,029
NET ASSETS		5,262,620,954	5,333,538,374
FINANCED BY: CAPITAL AND RESERVES			
Authorized certificate capital 250,000,000 (30 June 2019: 225,000,000) Modaraba certificates of Rs.10 each	18	2,500,000,000	2,250,000,000
Issued, subscribed and paid-up certificate capital 220,000,000 (30 June 2019: 200,000,000) Modaraba certificates of Rs.10 each	18	2,200,000,000	2,200,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve		1,651,657,095	1,614,386,450
Unappropriated profit		155,251,359	263,439,424
		5,262,620,954	5,333,538,374
CONTINGENCIES AND COMMITMENTS			
	20		

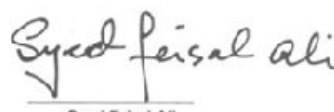
The annexed notes from 1 to 32 form an integral part of these condensed interim financial information.


Muhammad Saad
Chief Financial Officer

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


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director

Allied Rental Modaraba

Condensed Interim Statement of Profit and Loss Account (Unaudited)

For the six months period ended 31 December 2019

	Note	Six months period ended		Three months period ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		(Rupees)			
Ijarah rentals - net	21	1,739,535,240	1,858,100,307	842,295,146	916,441,102
Operation and maintenance income - net	22	66,467,299	69,123,764	35,484,250	39,608,312
		1,806,002,539	1,927,224,071	877,779,396	956,049,414
Operation, maintenance and Ijarah related expenses	23	(1,354,702,202)	(1,438,470,602)	(648,145,049)	(725,146,696)
Gross profit		451,300,337	488,753,469	229,634,347	230,902,718
Administrative expenses	24	(120,389,531)	(120,191,779)	(65,294,400)	(63,634,180)
Provision against potential Ijarah losses and operation and maintenance income	7.2 & 8.1	(51,194,511)	(45,902,016)	(51,194,511)	(35,902,016)
Finance cost	25	(161,738,531)	(134,431,474)	(85,665,697)	(74,162,463)
Other income	25	36,104,816	94,117,504	28,955,358	83,295,857
		(297,217,757)	(206,407,765)	(173,219,240)	(90,402,822)
		154,082,580	282,345,704	56,415,107	140,499,896
Modaraba Management Company's remuneration	19	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Profit for the period before taxation		149,082,580	277,345,704	51,415,107	135,499,896
Taxation	27	-	-	-	-
Profit for the period		149,082,580	277,345,704	51,415,107	135,499,896
Earnings per certificate - basic and diluted	28	0.58	1.26	0.23	0.62

The annexed notes from 1 to 32 form an integral part of these condensed interim financial information.

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


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director

Allied Rental Modaraba

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2019

	Six months period ended		Three months period ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees)			
Profit for the period after taxation	143,082,580	277,345,704	61,415,107	135,499,896
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>143,082,580</u>	<u>277,345,704</u>	<u>61,415,107</u>	<u>135,499,896</u>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial information.

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


Muhammad Saad
Chief Financial Officer


Murtaza Ahmad Ali
Chief Executive



Abdul Rahim Suriya
Director


Syed Feisal Ali
Director

Allied Rental Modaraba
Condensed Interim Statement of Cash Flow (Unaudited)
For the six months period ended 31 December 2019

	Six months period ended	
	31 December 2019	31 December 2018
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	149,082,580	277,345,704
<i>Adjustments for</i>		
Depreciation	279,821,951	381,864,704
Amortization	1,069,876	955,780
Provision against potential Ijarah losses and operation and maintenance income	51,194,511	45,902,018
Provision for deferred liabilities - gratuity	11,770,393	8,096,203
Financial charges including bank charges	161,736,531	134,431,474
Profit on deposit accounts	(2,602,530)	(2,844,698)
Reversal of provision against long term employee benefits	(9,261,228)	-
Profit on disposal of Ijarah and fixed assets	(10,032,150)	(77,752,252)
	483,499,354	500,653,227
	632,581,934	777,998,931
<i>Decrease in assets</i>		
Ijarah rentals receivable	(45,454,833)	(104,025,871)
Operation and maintenance income receivable	1,815,708	(3,718,660)
Advances, deposits, prepayments and other receivable	(42,474,204)	(32,739,793)
Spare parts	(33,577,229)	3,195,335
Diminishing musharaka financing	-	967,729
	(119,690,558)	(196,321,260)
<i>Increase / (decrease) in operating liabilities</i>		
Creditors, accrued and other liabilities	359,385,804	152,206,373
Payable to the Modaraba Management Company	(14,307,738)	4,890,520
Security deposits	(30,832,400)	(3,689,268)
	314,245,666	153,407,631
	827,137,042	735,085,302
Gratuity paid	(328,364)	-
Compensated absences paid	-	(431,532)
Profit on deposit accounts received	2,610,795	2,844,698
Financial charges paid	(159,475,479)	(134,316,993)
	(157,193,048)	(131,903,827)
	669,943,994	603,181,476
Net cash flows from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(263,683,209)	(282,227,618)
Proceeds from disposal of Ijarah assets	75,896,475	117,750,000
Proceeds from disposal of fixed assets in own use	111,100	7,166,981
	(187,675,634)	(157,310,637)
Net cash flows from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution to the certificate holders	(220,009,935)	(199,834,394)
Diminishing musharaka financing availed	277,254,574	350,472,155
Expenses against issuance of bonus certificates	-	(1,242,311)
Running musharaka financing availed	98,532,248	-
Repayment of lease liability against RDU asset	(5,064,630)	-
Repayment of diminishing musharaka financing	(607,081,182)	(526,056,223)
	(456,388,925)	(376,760,773)
Net cash flows from financing activities		
Net increase in cash and cash equivalents	25,879,435	69,110,066
Cash and cash equivalents at the beginning of the period	50,644,643	91,230,840
Cash and cash equivalents at the end of the period	76,524,078	160,340,906

The annexed notes from 1 to 32 form an integral part of these condensed interim financial information.


Muhammad Saad
Chief Financial Officer

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

Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director


Allied Rental Modaraba
Condensed Interim Statement of Changes in Equity (Unaudited)
For the six months period ended 31 December 2019

	Note				
	Issued, subscribed and paid up certificate capital	Premium on issue of certificates	Statutory Reserve	Unappropriated profit	Total
	(Rupees)				
Balance as on 1 July 2018	2,000,000,000	1,255,712,500	1,560,688,804	234,135,265	5,150,536,569
Total comprehensive income for the six months period ended 31 December 2018	-	-	-	277,345,704	277,345,704
Transfer to statutory reserve (at 50% of the profit for the period)	-	-	138,672,852	(138,672,852)	-
Transaction with owners - recorded directly in equity					
Profit distribution for the year ended 30 June 2018 @ Rs. 1.00 per certificate declared subsequent to the year end	-	-	-	(200,000,000)	(200,000,000)
10% bonus issue for the year ended 30 June 2018 (i.e. 1 certificate for every 10 certificates held) declared subsequent to the year end	200,000,000	-	(200,000,000)	-	-
Expenses against issuance of bonus certificates	-	-	-	(1,242,311)	(1,242,311)
Balance as at 31 December 2018	2,200,000,000	1,255,712,500	1,599,361,656	171,565,806	5,226,639,962
Balance as on 1 July 2019	2,200,000,000	1,255,712,500	1,614,386,450	263,409,424	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 25% of the profit for the period)	-	-	37,270,645	(37,270,645)	-
Transaction with owners - recorded directly in equity					
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)
Balance as at 31 December 2019	2,200,000,000	1,255,712,500	1,651,657,095	155,251,359	5,262,620,954

The annexed notes from 1 to 32 form an integral part of these condensed interim financial information.

kuq

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


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Faisal Ali
Director

Allied Rental Modaraba

Notes to the Condensed Interim Financial Information (Unaudited)

For the six months period ended 31 December 2019

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/R/W/ 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 2019 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 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 2019.
- 2.3 These condensed interim financial information comprise of the condensed interim statement of financial position as at 30 June 2019 and condensed interim statement of profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity for the six months period ended 31 December 2019.
- 2.4 The comparative statement of financial position presented in these condensed interim financial information as at 30 June 2019 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2019, whereas the comparative condensed interim statement of profit and loss account; condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim 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 adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Modaraba as at and for the year ended 30 June 2019 except for the adoption of a new standard effective as of 01 July 2019 as referred to in note 3.4 to these condensed interim financial information.

3.2 New standards, interpretations and amendments adopted by the Modaraba

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than those disclosed in note 3.4. These are considered not to be relevant or do not have any significant effect on the Modaraba's financial statements and are therefore not stated in these condensed interim financial information.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning / ending mentioned there under:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements of the Modaraba.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 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 the recognition and derecognition of financial instruments from IAS 39. The Securities and Exchange Commission of Pakistan vide its notification dated 24 February 2020 has deferred the effective date for the applicability of IFRS 9 in place of IAS 39 for Modarabas as reporting period ending on or after 30 June 2020. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial information. The Modaraba is in the process of assessing the impact of this standard.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review these policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Modaraba.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e.

hmy

the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Modaraba's financial statements.

3.4 Change in significant accounting policy

On 1 July 2019, the Modaraba adopted IFRS 16 Leases. This IFRS has introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 - Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Modaraba is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The discount rate applied to lease liabilities on the transition date 1 July 2019 was 14.43 percent.

The impact of IFRS 16 on the Modaraba is primarily where the Modaraba is a lessee in property lease contracts. The Modaraba has elected to adopt simplified approach on transition and has not restated comparative information. On 1 July 2019, the Modaraba recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Modaraba's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid amounts related to those leases. The balance sheet has increased as a result of the recognition of lease liability and right-to-use assets as of 1 July 2019 was Rs 70,504 million with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Liability against right of use assets' presented separately on the condensed interim statement of financial information. Also in relation to those leases under IFRS 16, the Modaraba has recognized depreciation and interest costs, instead of operating lease expenses.

The Modaraba has elected not to recognize right of use assets and lease liabilities for some leases of low value assets. The lease payment associated with these leases are recognized as an expense on a straight-line basis over the lease term. The right of use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 30 June 2019, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments or accruals under operating leases were recognised in profit and loss on a straight line basis over term of the lease.

The effect of this change in accounting policy as of 31 December 2019 is as follows:

	31 December 2019 (Rupees)
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	64,191,758
	<u>64,191,758</u>
Increase in other liabilities - lease liability against right-of-use assets	* (65,419,854)
Decrease in net assets	<u>(1,228,096)</u>

* Includes current maturity of Rs. 16,089 million.

	Half year ended 31 December 2019 (Rupees)
Impact on Profit and Loss account	
Increase in mark-up expense - liability against right-of-use assets	(5,767,370)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(6,312,726)
- Rent expense	10,872,000
Decrease in profit	<u>(1,228,096)</u>

In view of the application of above IFRS, the Modaraba's accounting policy for right-of-use assets and its related lease liability is as follow:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Modaraba mainly leases properties for its operations. The Modaraba recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the

earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Modaraba's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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 2019 except for the change of estimation in the residual value of certain Ijarah assets (logistic fleet vehicles) from 20 percent to 40 percent resulting in a decrease of Rs. 49.721 million in depreciation charge for the period (and a resultant increase in the profit for the period by the same amount). This revision the management consider is more appropriate considering the prevailing residual values.

5. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2019.

6. CASH AND BANK BALANCES	Note	31 December 2019	30 June 2019
		(Unaudited)	(Audited)
(Rupees)			
Balances with banks in:			
- current accounts		19,606,042	14,825,228
- deposit accounts	6.1	56,202,747	35,204,677
		<u>75,808,789</u>	<u>50,029,905</u>
Cash in hand		715,289	614,738
		<u>76,524,078</u>	<u>50,644,643</u>

6.1 These balances carry profit at rates ranging from 4.41% to 9.51% per annum (30 June 2019: 4.15% to 8.77% per annum).

7. IJARAH RENTALS RECEIVABLE	Note	31 December 2019	30 June 2019
		(Unaudited)	(Audited)
(Rupees)			
Considered good		454,796,560	704,175,184
Considered doubtful	7.1	1,014,050,494	718,707,236
		<u>1,468,847,054</u>	<u>1,422,882,420</u>
Provision against potential Ijarah losses	7.1 & 7.2	(239,006,636)	(187,302,324)
		<u>1,229,840,418</u>	<u>1,235,580,096</u>

7.1 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 2019 amounted to Rs. 63.45 million (30 June 2019: Rs. 94.348 million). Due to the consideration of this benefit available with the Modaraba, profit for the six month period ended 31 December 2019 and the balance of provision against the potential Ijarah losses as of the period end is respectively higher and lower by Rs. 20.842 million.

7.2 Provision against potential Ijarah losses	31 December 2019	30 June 2019
	(Unaudited)	(Audited)
(Rupees)		
Opening balance	187,302,324	125,638,085
Charge for the period / year	52,857,820	99,158,073
Written off during the period / year	(1,197,998)	(37,493,835)
Closing balance	<u>239,006,636</u>	<u>187,302,324</u>



		31 December 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
8.	OPERATION AND MAINTENANCE INCOME RECEIVABLE		
	Considered good	1,709,155	14,692,866
	Considered doubtful (classified portfolio)	30,172,770	20,668,086
		<u>31,881,925</u>	<u>35,360,942</u>
	Provision against operation and maintenance income receivable	8.1 (5,915,654)	(7,578,963)
		<u>25,966,271</u>	<u>27,781,979</u>
8.1	Provision against operation and maintenance income receivable		
	Opening balance	7,578,963	3,424,539
	Charge during the period / year	-	4,154,424
	Reversal during the period / year	(1,663,309)	-
	Written off during the period / year	-	-
	Closing balance	<u>5,915,654</u>	<u>7,578,963</u>
9.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Income tax recoverable	9.1 608,795,906	498,890,737
	Federal Excise Duty (FED) receivable	20.1.2 50,000,000	50,000,000
	Punjab sales tax advance	183,225	51,840,681
	Advances (unsecured) :		
	- to suppliers	17,213,977	13,625,434
	- to employees against salary	3,738,522	2,965,335
	- to employees for expenses	23,250,031	17,430,217
	Prepayments	1,815,059	27,040,035
	Security deposits	9.2 26,020,354	23,978,883
	Accrued income on profit or loss sharing bank accounts	300,119	308,384
	Insurance claim receivable	869,792	345,877
	Others	9.3 42,579,200	45,866,411
		<u>774,766,195</u>	<u>732,291,991</u>

9.1 This represent income tax collected at source at the import stage by the collector of customs amounting to Rs 121.334 million (30 June 2019: Rs 120.08 million) and tax deductions of Rs. 487.46 million (30 June 2019: Rs 378.81) from various payments made to Modaraba.

As explained in note 27, 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 and 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 30 June 2020.

9.2 This includes Rs. 12.4 million (June 2019: 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.

9.3 This includes balance of Rs 37.804 million (30 June 2019: Rs 40 million) representing receivable from fuel suppliers against fuel inventory held on behalf of the modaraba.



10. FIXED ASSETS IN OWN USE - tangible	Note	31 December 2019	30 June 2019
		(Unaudited)	(Audited)
		(Rupees)	
Fixed assets in own use - tangible (at cost less accumulated depreciation)	10.1	132,639,210	127,205,916
Capital work in progress	10.2	12,946,103	12,621,955
Right of use assets	10.3	64,191,758	-
		<u>209,779,071</u>	<u>139,827,871</u>

10.1 Fixed assets in own use - tangible	31 December 2019 (Unaudited)			
	Furniture and fixtures	Other Equipment	Vehicles	Total
	(Rupees)			
At 01 July 2019				
Cost	17,510,107	16,756,967	167,088,550	201,355,624
Accumulated depreciation	(4,516,641)	(10,940,317)	(58,692,750)	(74,149,708)
Net book value as at 01 July 2019	<u>12,993,466</u>	<u>5,816,650</u>	<u>108,395,800</u>	<u>127,205,916</u>
Additions during the period	-	105,295	18,191,050	18,296,345
Disposals during the period				
Cost	-	-	(155,500)	(155,500)
Accumulated depreciation	-	-	48,495	48,495
	-	-	(107,005)	(107,005)
Depreciation charge for the period	(869,070)	(625,954)	(11,261,022)	(12,756,046)
Closing net book value as at 31 December 2019	<u>12,124,396</u>	<u>5,295,991</u>	<u>115,218,823</u>	<u>132,639,210</u>
At 31 December 2019				
Cost	17,510,107	16,862,262	185,124,100	219,496,469
Accumulated depreciation	(5,385,711)	(11,566,271)	(69,905,277)	(86,857,259)
Net book value as at 31 December 2019	<u>12,124,396</u>	<u>5,295,991</u>	<u>115,218,823</u>	<u>132,639,210</u>
Life (years)	<u>8</u>	<u>3 to 8</u>	<u>4 to 8</u>	
	30 June 2019 (Audited)			
	Furniture and fixtures	Other Equipment	Vehicles	Total
	(Rupees)			
At 01 July 2018				
Cost	13,416,006	15,529,861	138,580,586	167,556,433
Accumulated depreciation	(2,873,713)	(9,360,473)	(39,403,493)	(51,637,679)
Net book value as at 01 July 2018	<u>10,542,293</u>	<u>6,169,388</u>	<u>99,177,073</u>	<u>115,918,754</u>
Additions during the year	4,064,102	1,227,100	44,637,663	49,928,865
Disposals during the year				
Cost	-	-	(16,129,675)	(16,129,675)
Accumulated depreciation	-	-	5,434,559	5,434,559
	-	-	(10,695,116)	(10,695,116)
Depreciation charge for the year	(1,642,927)	(1,603,663)	(24,699,997)	(27,946,587)
Closing net book value as at 30 June 2019	<u>12,993,466</u>	<u>5,792,825</u>	<u>108,419,623</u>	<u>127,205,916</u>
At 30 June 2019				
Cost	17,510,108	16,756,861	167,088,554	201,355,623
Accumulated depreciation	(4,516,640)	(10,964,136)	(58,068,931)	(74,149,707)
Net book value as at 30 June 2019	<u>12,993,468</u>	<u>5,792,825</u>	<u>108,419,623</u>	<u>127,205,916</u>
Life (years)	<u>8</u>	<u>3 to 8</u>	<u>4 to 8</u>	

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

10.3 This relates to right-of-use assets amounting to Rs. 64.192 million (30 June 2019: NIL) recognized due to the adoption of IFRS 16 more fully explained in note 3.4. This represent yards on rent for logistic vehicles and generators.

fm

11. INTANGIBLE ASSET FOR OWN USE	Note	31 December 2019 (Unaudited)	30 June 2019 (Audited)
(Rupees)			
Intangible asset for own use (at cost less amortization) - software	11.1	3,145,129	2,389,449
Capital work-in-progress (advance to the supplier for the software)		-	1,825,556
		<u>3,145,129</u>	<u>4,215,005</u>

11.1 Intangible asset for own use (at cost less amortisation) - software at 1 July

Cost - computer software	11.2	9,471,794	7,646,238
Accumulated amortization		<u>(5,256,789)</u>	<u>(3,345,229)</u>
Net book value as at 1 July		4,215,005	4,301,009
Amortization during the period / year	24	<u>(1,069,876)</u>	<u>(1,911,560)</u>
Carrying value as at the period-end / year-end		<u>3,145,129</u>	<u>2,389,449</u>
Life over which cost of the asset is amortized		<u>4 years</u>	<u>4 years</u>

11.2 This includes addition of Rs. 1.825 million during the period, representing transfer from capital work in progress.

12. IJARAH ASSETS

Ijarah assets (at cost less accumulated depreciation)	12.1	<u>6,182,652,842</u>	<u>6,434,721,942</u>
---	------	----------------------	----------------------

12.1 Ijarah assets - at cost less accumulated depreciation

	31 December 2019 (Unaudited)			
	Generators and related	Logistics Vehicles	Machines	Total
(Rupees)				
At 01 July 2019				
Cost	7,614,383,636	2,099,273,123	1,256,188,343	10,969,845,102
Accumulated depreciation	<u>(3,607,612,314)</u>	<u>(668,489,380)</u>	<u>(259,021,467)</u>	<u>(4,535,123,161)</u>
Net book value as at 1 July 2019	4,006,771,322	1,430,783,743	997,166,876	6,434,721,941
Additions during the period	69,954,593	-	4,397,904	74,352,497
Disposals during the period				
Cost	<u>(241,081,923)</u>	<u>(29,706,848)</u>	-	<u>(270,788,771)</u>
Accumulated depreciation	<u>192,780,454</u>	<u>12,139,898</u>	-	<u>204,920,352</u>
	<u>(48,301,469)</u>	<u>(17,566,950)</u>	-	<u>(65,868,419)</u>
Depreciation charge for the period	<u>(158,340,546)</u>	<u>(57,210,234)</u>	<u>(45,002,397)</u>	<u>(260,553,177)</u>
Closing net book value as at 31 December 2019	<u>3,870,083,900</u>	<u>1,356,006,560</u>	<u>956,562,383</u>	<u>6,182,652,842</u>
At 31 December 2019				
Cost	7,443,256,306	2,069,566,275	1,260,586,247	10,773,408,828
Accumulated depreciation	<u>(3,573,172,406)</u>	<u>(713,559,716)</u>	<u>(304,023,864)</u>	<u>(4,590,755,936)</u>
Net book value as at 31 December 2019	<u>3,870,083,900</u>	<u>1,356,006,560</u>	<u>956,562,383</u>	<u>6,182,652,842</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

km

	30 June 2019 (Audited)			
	Generators and related	Logistics Vehicles	Machines	Total
	(Rupees)			
At 01 July 2018				
Cost	7,628,065,059	1,889,747,859	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,364,481,229)	(463,308,573)	(166,649,104)	(3,994,418,906)
Net book value as at 1 July 2018	4,263,603,830	1,426,439,286	1,042,892,649	6,732,935,765
Additions during the year	228,905,165	211,096,472	46,646,590	486,648,227
Disposals during the year				
Cost	(242,596,588)	(1,571,208)	-	(244,167,796)
Accumulated depreciation	178,294,342	92,066	-	178,386,428
	(64,322,246)	(1,479,122)	-	(65,801,368)
Depreciation charge for the year	(421,415,427)	(205,272,893)	(92,372,363)	(719,060,683)
Closing net book value as at 30 June 2019	4,006,771,322	1,430,783,743	997,166,875	6,434,721,941
At 30 June 2019				
Cost	7,614,383,636	2,099,273,123	1,255,186,343	10,969,845,102
Accumulated depreciation	(3,607,612,314)	(668,489,380)	(259,021,467)	(4,535,123,161)
Net book value as at 30 June 2019	4,006,771,322	1,430,783,743	997,166,875	6,434,721,941
Life (Years)	3 to 24	6	8 to 10	

12.2 During the period, the Modaraba acquired certain equipments and parts amounting to Rs. 227.489 million (year ended 30 June 2019: Rs. 75.76 million) from Allied Engineering and Services (Private) Limited (AESL), an associated company.

12.3 Additions to ijarah assets during the period include assets amounting to Rs. 139.580 million (year ended 30 June 2019: Rs. 453.456 million) acquired under Diminishing Musharaka financing. The Modaraba holds title to these assets.

13. CAPITAL WORK-IN-PROGRESS - ijarah assets	Note	31 December	30 June
		2019	2019
		(Unaudited)	(Audited)
		(Rupees)	
Advance for purchase of equipments and trucks		236,008,948	67,562,112
		<u>236,008,948</u>	<u>67,562,112</u>
14. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors for goods	14.1	785,595,385	512,888,122
Advances from customers		97,665,298	62,482,327
Employee car scheme - deductions	14.2	31,787,796	26,684,624
Accrued expenses			
- Creditors for expenses		93,219,724	71,241,417
- Accrued commission		876,258	2,237,825
- Accrued staff bonus		70,500,502	53,506,052
- Auditor's remuneration		315,000	642,897
- Accrued financial charges	14.3	39,903,098	37,640,046
- Miscellaneous		641,944	4,200,860
		<u>205,456,526</u>	<u>169,469,097</u>
Income tax deductions at source from			
- employees		931,286	670,007
- suppliers		2,548,159	526,860
Sales tax payable		57,034,077	48,901,751
		<u>1,181,018,527</u>	<u>821,622,789</u>

14.1 This includes Rs. 889.505 million (30 June 2019: Rs. 388.371 million) payable to Allied Engineering and Services (Private) Limited (an associated company) for various purchases and services availed by the Modaraba.

14.2 This represents amount received from the employees under the Modaraba's employee car scheme policy.

14.3 This represents accrual of financial charges of Rs. 37.737 million (30 June 2019: Rs. 37,640 million) and Rs 2.166 million (30 June 2019: Nil) respectively in respect of Diminishing Musharaka activities and Running Musharaka financing availed by the Modaraba.

15. RUNNING MUSHARAKA - SECURED	Note	31 December 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
Running musharaka - secured	15.1	<u>98,532,248</u>	-

15.1 This represents utilized portion of running musharaka financing facility amounting to Rs.100 million obtained by modaraba to meet its working capital requirements. This facility is secured against hypothecation of Ijarah assets having realizable value of Rs 198.5 million. The facility carries share of profit payable at the rate of 14.91% per annum and will mature on 31 March 2020.

16 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 at 3.25% of the profit for the six months period ended 31 December 2019 amounting to Rs. 5 million (31 December 2018: 1.803% of the profit amounting to Rs. 5 million). Remuneration based on the annual results shall be paid after the year ending 30 June 2020.

17 DIMINISHING MUSHARAKA FINANCING PAYABLE - secured	Note	31 December 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
Musharaka finance	17.1 & 17.3	2,084,775,579	2,414,602,187
Due within one year		<u>(898,342,735)</u>	<u>(1,038,625,290)</u>
		<u>1,186,432,844</u>	<u>1,375,976,897</u>

17.1 Financing from Islamic banking and financial institutions
Financing from Modarabas

		2,028,047,133	2,331,480,854
		<u>56,728,446</u>	<u>83,141,333</u>
	17.2	<u>2,084,775,579</u>	<u>2,414,602,187</u>

17.2 The total facility from Musharaka finance available from financial institutions amounts to Rs. 2,299.947 million (30 June 2019: Rs. 2,933.197 million) and Modarabas amounts to Rs. 56.728 million (30 June 2019: Rs. 83.141 million) respectively. These facilities have maturities from Jan 2020 to October 2024 (30 June 2019: July 2019 to February 2024) and are secured against the hypothecation of Ijarah assets amounting to Rs. 5,915.608 million (30 June 2019: Rs 6,259.527 million). Share of profit payable on these facilities ranges between 11.24% to 15.95% per annum (2019: 6.91% to 13.25%) per annum.

17.3 This includes advance for diminishing musharaka amounting to Rs. 160.300 million (30 June 2019: Rs. 42.860 million) 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 14.45% per annum (30 June 2019: 13.87% per annum).

18 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

18.1 Authorised certificate capital

31 December 2019 (Unaudited)	30 June 2019 (Audited)		31 December 2019 (Unaudited)	30 June 2019 (Audited)
(Number of certificates)			(Rupees)	
<u>250,000,000</u>	<u>225,000,000</u>	Modaraba Certificates of Rs. 10 each	<u>2,500,000,000</u>	<u>2,250,000,000</u>

18.2 Issued, subscribed and paid-up certificate capital

<u>220,000,000</u>	<u>172,625,000</u>	Modaraba Certificates of Rs. 10 each fully paid in cash	<u>2,200,000,000</u>	<u>1,726,250,000</u>
-	<u>47,375,000</u>	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	-	<u>473,750,000</u>
<u>220,000,000</u>	<u>220,000,000</u>		<u>2,200,000,000</u>	<u>2,200,000,000</u>

hmy

19 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 2018: Rs. 138.673 million) which represents 25% (31 December 2018: 25%) of the profit after tax.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

Contingencies outstanding as at 31 December 2019 are as follows:

20.1.1 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 demanded the said tax dues along with default surcharge. Modaraba 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, subsequently the court disposed of the petition with direction to approach Commissioner Appeals - SRB for the decision.

During the year the Commissioner Appeal issued an Order-in-Appeal No. 89/2019 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.

The Management based on the consultation with its advisor believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these condensed interim financial information.



20.1.2 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.

20.1.3 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 mehpower 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. 84.690 million as of 31 December 2019. The management, based on a legal advise, believes that the decision will be in its favour.

20.1.4 The Commissioner has demanded, through assessment order no. 11/30 of 2019 dated 26 April 2019 and order no. 01 of 2018 dated 27 June 2018, sales tax amounting to Rs. 21.47 million and Rs. 26.228 million in respect of disposal of ijarah asset during the year ended 2015 and 2014 against sales value of Rs. 126.28 million and Rs. 156.64 million respectively. Modaraba has filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amounts. 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.

20.1.5 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.

20.1.6 Workers' Welfare Fund

The Sindh Revenue Board (SRB) had written to the Modaraba in February 2016 to register and pay Sindh Workers Welfare Fund (SWWF). The Modaraba is of the view that Sindh WWF Act is limited to the province of Sindh and the definition of total income as provided for in the SWWF encompasses the total income of an assessee for whole of the country i.e. for all provinces, thus in lieu of the definition of the total income under SWWF, 2% contribution is to be paid is not limited to the province of Sindh. The Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces. Thus for this reason the definition of total income as provided in SWWF is not correct and charging of WWF is ultra vires of the legislative power conferred upon the province of Sindh. As a result, the Modaraba is of the view that unless there is a mechanism of apportionment of the total income relevant to the province of Sindh, SRB has no legal authority to demand and/or collect SWWF from the Modaraba.

Therefore, based on above grounds the Modaraba, has filed a petition CPD: 935/2017 dated 15 February 2017 in the Sindh High Court. The Management of the Modaraba is hopeful of a favourable outcome of its appeal. Nonetheless, the amount involved is not considered to be material.

Besides based on the legal view, the management is of the view that the Federal Workers Welfare Fund is not applicable to the Modaraba.

20.2 Commitments

20.2.1 Contractual rentals receivable on ljarah contracts

	31 December 2019 (Unaudited)			30 June 2019 (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	143,934,500	101,070,000	59,670,000	74,884,000	245,004,500	319,888,500

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

	Note	Six months period ended		Three months period ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
21		(Unaudited)			
		(Rupees)			
21	IJARAH RENTALS - net				
	ljarah rentals	1,916,837,617	2,032,211,215	937,106,473	1,012,142,486
	Sales tax	(177,302,377)	(174,110,906)	(94,811,327)	(95,701,384)
		1,739,535,240	1,858,100,307	842,295,146	916,441,102
22	OPERATION AND MAINTENANCE INCOME - net				
	Operation and maintenance income	74,079,626	75,813,124	40,004,325	43,062,858
	Sales tax	(7,612,327)	(6,689,350)	(4,520,075)	(3,454,546)
		66,467,299	69,123,764	35,484,250	39,608,312
23	OPERATION, MAINTENANCE AND IJARAH RELATED EXPENSES				
	Salaries, wages and other staff benefits	459,349,785	462,240,097	230,700,622	221,103,104
	Depreciation expense 12.1	266,865,904	377,063,475	110,445,858	181,145,513
	Repairs and maintenance expenses	179,432,159	215,843,629	67,303,384	107,620,095
	Fleet vehicles running expenses	394,506,319	321,689,899	207,996,970	181,537,775
	Vehicles running expenses	23,225,409	17,088,639	13,323,316	8,024,055
	Insurance expense - equipments	20,410,978	20,732,335	10,214,490	10,275,429
	Travelling, conveyance and other expenses	10,911,648	23,812,528	8,158,409	5,578,605
		1,354,702,202	1,438,470,602	648,145,049	725,146,696
24	ADMINISTRATIVE EXPENSES				
	Salaries, wages and other staff benefits	67,213,602	72,476,442	35,609,482	35,368,915
	Vehicle running costs	9,574,210	8,449,783	4,955,742	3,416,879
	Travelling and conveyance	2,079,101	2,470,992	1,091,556	1,356,810
	Depreciation expense 10.1	12,756,047	14,811,229	6,297,597	10,027,211
	Amortization expense 11.1	1,069,876	956,780	591,987	955,790
	Legal and professional charges	5,271,482	5,869,157	2,999,086	2,531,389
	Auditors' remuneration	577,683	545,393	577,683	545,393
	Telephone, postage and fax charges	3,770,797	3,620,936	2,037,432	1,940,676
	Advertisement and sales promotion	203,007	786,544	153,641	522,592
	Printing and stationery	3,395,950	2,996,379	2,609,169	1,672,905
	Insurance cost - vehicles	1,542,567	1,362,420	778,321	717,050
	Training, meetings and tender participation	631,795	954,655	299,475	626,590
	Donation	76,000	150,000	78,000	-
	Software development	108,506	1,092,774	-	1,087,624
	Entertainment	3,192,549	2,324,403	1,794,473	1,465,418
	Utilities	4,746,612	1,651,620	2,608,406	740,522
	Security	2,735,779	1,554,142	1,075,888	594,316
	Miscellaneous	1,441,968	119,130	1,136,473	64,210
		120,389,531	120,191,779	65,294,400	63,634,180

huy

	Six months period ended		Three months period ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Unaudited)			
	(Rupees)			
25 FINANCE COST				
Financial cost on Diminishing Musharaka financing arrangement	153,518,335	127,864,994	77,639,212	68,546,734
Financial cost on Running Musharaka financing arrangement	2,166,201	-	2,166,201	-
Finance cost on liability against right of use assets	5,787,370	-	5,787,370	-
Bank charges and commission	1,401,528	1,809,040	1,227,817	1,037,792
Exchange loss / (gain)	(1,134,903)	4,757,440	(1,134,903)	4,577,957
	<u>161,738,531</u>	<u>134,431,474</u>	<u>85,685,697</u>	<u>74,162,483</u>
26 OTHER INCOME - net				
Profit on deposit accounts with bank	2,602,530	2,844,698	2,206,861	1,879,762
Income from Diminishing Musharaka arrangements	-	28,010	-	3,081
Proceeds for disposal of scrap	14,208,908	9,944,457	6,694,516	4,512,725
Gain on disposal of fixed assets and Ijarah assets	10,032,150	77,752,252	10,792,563	76,900,290
Reversal of provision of long-term employee benefit	9,261,228	3,548,087	9,261,228	-
	<u>36,104,816</u>	<u>94,117,504</u>	<u>28,955,368</u>	<u>83,295,858</u>

27 TAXATION

27.1 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 2020. Accordingly, no provision in respect of current and deferred tax has been made in these condensed interim financial information.

27.2 The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2019 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

	For the six month period ended		Three months period ended	
	31 December 2019	31 December 2018 (Restated)	31 December 2019	31 December 2018 (Restated)
	(Unaudited)			
	(Rupees)			
28 EARNINGS PER CERTIFICATE				
Profit for the period	149,082,580	277,345,704	51,415,107	135,499,896
	(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	0.68	1.26	0.23	0.62

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

my

29 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 are 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 approved rates.

29.1 Transactions 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	Transactions during the period	Six months period ended	
			31 December 2019	31 December 2018
			(Unaudited)	
			(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Modaraba Management Company's remuneration	5,000,000	5,000,000
		Payment made to the Modaraba Management Company (including management fee) during the year	96,407,739	109,474
		Amount received from the Modaraba Management Company during the period	77,100,000	-
		Dividend paid during the period	43,999,997	39,999,998
		Issue of bonus certificates Nil (30 June 2019: 3,999,999)	-	39,999,998
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	27,643,265	50,217,160
		Purchase of parts and services	199,846,272	145,965,038
		Income from ijarah assets	1,655,914	3,836,403
		Reimbursement of expenses	6,357,879	3,288,972
		Dividend paid during the period	151,931,073	138,119,158
Issue of bonus certificates Nil. (30 June 2019: 13,911,915)	-	133,119,150		
Apex Machinery (Private) Limited	Associated Company	Purchase of parts	12,732,170	55,712,254
Allied Commercial Enterprises (Private) Limited	Associated Company	Income from ijarah assets	7,564,436	51,089,187
		Reimbursement of expenses	1,708,889	-
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Contribution to the Staff Provident Fund during the period	7,808,028	6,568,568
		Dividend paid during the period	3,734,868	3,395,335
		Issue of bonus certificates Nil. (30 June 2019: 339,533)	-	3,395,335
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	37,054,800	21,420,000
		Dividend paid during the period	115,844	105,314
		Contribution to the staff provident fund during the period	2,385,432	1,381,932
		Charge for staff gratuity scheme during the period	1,040,437	687,097
		Issue of bonus certificates Nil. (30 June 2019: 10,530)	-	105,300
Directors	Directors of Management Company	Dividend paid during the period	8,877,248	3,172,792
		Issue of bonus certificates Nil. (30 June 2019: 860,353)	-	8,603,530

29.2 Balances 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	Period-end balances	Six months period ended	
			(Unaudited) 31 December 2019	(Audited) 30 June 2019
			(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Outstanding certificates 43,999,997 (30 June 2019: 43,999,997)	<u>439,999,970</u>	<u>439,999,970</u>
		Payable to the Modaraba Management Company	<u>9,902,702</u>	<u>24,228,441</u>
			16	
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Outstanding certificates 151,931,073 (30 June 2019: 151,931,073)	<u>1,519,310,730</u>	<u>1,519,310,730</u>
		Payable against purchase of parts and services	<u>689,505,292</u>	<u>457,313,790</u>
Apex Machinery (Private) Limited	Associated Company	Payable against purchase of parts	<u>17,044,572</u>	<u>14,525,259</u>
Allied Commercial Enterprises (Private) Limited	Associated Company	Ijarah rental receivable	<u>8,813,033</u>	<u>164,939</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Outstanding certificates 3,734,868 (30 June 2019: 3,734,868)	<u>37,348,680</u>	<u>37,348,680</u>
Key Management Personnel	Key Management Personnel	Outstanding certificates 115,844 (30 June 2019: 115,844)	<u>1,158,440</u>	<u>1,158,440</u>
Directors	Directors of Management Company	Outstanding certificates 8,677,248 (30 June 2019: 9,643,914)	<u>98,772,480</u>	<u>94,639,140</u>

30 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.

[Handwritten signature]

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

	For the half year ended					
	Ijarah		Operation and Maintenance		Total	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Unaudited)					
	(Rupees)					
Segment revenues / profits						
Revenue	1,739,535,240	1,858,100,307	66,467,299	69,123,764	1,806,002,539	1,927,224,071
Costs	(1,635,853,529)	(1,684,001,666)	(52,171,246)	(54,994,205)	(1,688,024,775)	(1,738,995,871)
Reportable segment profit	103,681,711	174,098,641	14,296,053	14,129,559	117,977,764	188,228,200
Segment assets and liabilities						
	31 December 2019	30 June 2019	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	(Rupees)					
Reportable segment assets						
Rentals receivable	1,229,840,418	1,235,580,096	25,966,271	27,781,979	1,255,806,689	1,263,362,075
Advances, deposits, prepayments and other receivables	669,698,025	575,868,187	-	-	669,698,025	575,868,187
Spare parts	169,938,993	136,381,764	-	-	169,938,993	136,381,764
Ijarah assets	6,182,652,842	6,434,721,942	-	-	6,182,652,842	6,434,721,942
Capital work-in-progress - ijarah asset	236,008,948	67,562,112	-	-	236,008,948	67,562,112
	8,488,139,226	8,450,094,101	25,966,271	27,781,979	8,514,105,497	8,477,876,080
Reportable segment liabilities						
Creditors, accrued and other liabilities	972,736,782	662,438,106	7,462,096	-	980,197,858	662,438,106
Diminishing Musharaka	2,084,775,579	2,414,602,187	-	-	2,084,775,579	2,414,602,187
Running Musharaka	98,532,248	-	-	-	98,532,248	-
Security deposits	92,101,332	122,933,732	-	-	92,101,332	122,933,732
	3,248,144,921	3,199,975,025	7,462,096	-	3,255,607,017	3,199,975,025

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

	Note	31 December 2019	31 December 2018
		(Unaudited)	(Audited)
		(Rupees)	
Profit			
Total profit for reportable segments	30.1	117,977,764	188,228,200
Other income	26	36,104,819	94,117,504
Modaraba Management Company's Remuneration		(5,000,000)	(5,000,000)
		149,082,583	277,345,704
Assets			
Total assets for reportable segments	30.1	8,514,105,497	8,477,876,080
Unallocated assets			
- Cash and bank balances	6	76,524,078	50,644,643
- Advances and other receivables		105,068,170	156,423,804
- Security deposits		50,000	50,000
- Fixed assets in own use - tangible	10	206,779,071	139,827,871
- Intangible asset for own use	11	3,145,129	4,215,005
		8,906,671,945	8,829,037,403
Liabilities			
Total liabilities for reportable segments	30.1	3,255,607,017	3,199,975,025
Unallocated liabilities			
- Creditors, accrued and other liabilities		200,820,869	159,183,682
- Liability against right of use assets and finance lease		65,419,854	-
- Payable to the Modaraba Management Company	16	9,920,703	24,228,441
- Deferred liability for staff gratuity		95,638,521	84,190,492
- Other long-term employee benefit		17,559,096	26,820,323
- Unclaimed dividend		1,085,131	1,095,066
		3,646,050,991	3,495,498,028

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

32 GENERAL

32.1 Figures in these condensed interim financial information for the quarter ended 31 December 2019 and 31 December 2018 have not been subjected to limited scope review of the auditors.

32.2 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 27 February 2020

from

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



Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director