

## **DIRECTORS' REPORT**

**For the period ended December 31, 2021**

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, 2021.

<b><u>Financial Highlights</u></b>	<b><u>Rs. in '000</u></b>
Investment in Ijarah assets	5,695,564
Total Revenue with Provincial Sales Tax	2,441,904
Net profit for the period	247,488
Net profit margin	11.21%
Return on equity	5.11%
Current Ratio	1.22:1
Earning per certificate	Rs. 1.12
Break-up value per certificate	Rs. 21.83

## **OVERVIEW**

Gross Sales for the half year ended December 2021 appreciated by 27% from the corresponding half year period to close at Rs. 2,442 million, primarily amplified by post vaccine recovery in demand. Despite various headwinds impacting overall cost of doing business including higher inflation, stringent IMF's funding program conditionalities, current account deficit and foreign payments building pressure on the Pak rupees parity, rising overall debts and increase in tariffs and taxes, increase in international crude oil and gas prices and further spike in the international sea freight rates, Modaraba managed to maintain its growth trend.

Sales in the Power Generation segment geared up by 40% during the period compared to corresponding period last year due to higher deployment of units and maintaining our rental contracts for Megawatt Diesel segment; Gas genset segment also showed improvement in deployment and resulting in higher revenues, however the segment will continue to remain a challenge due to availability of gas to captive power units.

Sales from construction machines, cranes and material handling equipment segment improved significantly by 41%. Infrastructure construction and CPEC projects are now are now back on track with both Government commitment and financial closures and available funding. This sector presents excellent opportunities for the future in the wake of new DAM projects of Daimer Basha, Dasu and Mohmand. We are in negotiation with all major contractors, including both FWO and Chinese contractors to identify their needs and accordingly develop our Machine Rental Fleet.

Sales from our Outbound Logistics segment maintained its budgets level and showed slight improvement during the half year period compared to corresponding half year period last year. Our customer base for this segment mainly comprises of blue-chip companies in the FMCG sector, including Nestle, Engro, Dalda, Schlumberger, Pakistan Tobacco Company, etc. However, the business is full of challenges due to competitive pricing from unorganized sector, non-implementation of regulatory regime on Motorways and highways for Axle Load Compliance resulting in the menace of Overloading and non-availability of skilled and reliable manpower.

In line with the increase in rental revenue the operating expense for the period also showed an increase of 8% to Rs. 1,519 Million from Rs. 1,403 Million for the period. As compared to corresponding period last year Salaries and Wages increased by 32% due to overall increase in deployment of ijarah assets and increase in minimum wage rate by the Government. Fleet vehicles running cost raised by 10% due to overall higher transportation cost. Depreciation for the period dropped by 17% compared to corresponding period last year.

Administrative and distribution expenses increased by 7% to Rs. 141 Million (2020: Rs. 131 Million) primarily due to increase in legal and professional expenses and vehicle running cost. Modaraba is currently engaged in various legal and taxation matters with FBR as detailed in note 23 to the financial statements. Markup costs went down by 25% in the current period, mainly on account of low principal outstanding during the period as compared to last year.

Provision against potential Ijarah losses and operation and maintenance income was recorded at Rs. 110 Million being in compliance with the requirements of international financial reporting standard IFRS – 9.

Pursuant to the Finance Act, 2021, tax exemption of the Modaraba was withdrawn effective from July 1, 2021. As the relevant tax law withdrawing tax exemption was enacted before June 30, 2021, International Accounting Standard 12, "Income taxes" requires recognition of deferred tax as a result of change in tax law in the profit and loss except where it relates to items previously recognized outside the profit and loss. In accordance with the requirements of IAS 12 the deferred tax asset / liability on relevant accounts was not recognized by the Modaraba in its financial statements as at June 30, 2021. The Modaraba has now recognized the amount of deferred tax liability of Rs. 781 Million by restating the prior period balances. The change has been accounted for in accordance with the requirements of IAS 8 "Accounting policies, changes in accounting estimates and errors" in the financial statements, as further detailed in Note 5.1 to the financial statements.

Further, as the income of the Modaraba has become chargeable to tax with effect from July 1, 2021, provision for taxation have been booked for Rs. 166 Million including provision for current tax of Rs. 200 Million and reversal of deferred tax liability of Rs. 34 Million.

## **Restructuring of the Modaraba**

Pursuant to Finance Act, 2021, tax exemption on Modarabas has been withdrawn, effective from July 1, 2021. Consequent to this withdrawal, the Board of Directors of the Modaraba Management Company in their meeting held on September 7, 2021 has discussed and approved a plan to restructure the current legal structure of the Modaraba and transfer the entire existing business of the Modaraba, on a going concern basis, along with all its assets and liabilities, including all contingent liabilities, to two separate legal entities. A draft scheme of restructuring has already been finalized which will be submitted for approval to Registrar Modarabas, the SECP, the Sindh High Court, the Certificate Holders and the other relevant authorities as per the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Companies Act, 2017 and the other laws for the time being in force during the Year ending June 30, 2022.

Following have been proposed:

### **Allied Transport & Logistics (Private) Limited (a related party)**

The existing logistics business of the Modaraba will be transferred to a newly formed entity - Allied Transport & Logistics (Private) Limited (a related party), along with all its existing assets, staff and liabilities.

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

Whereas other or remaining business segments of the Modaraba along with its assets, staff and liabilities, including all the contingent liabilities, will be transferred to the Allied Engineering Management Company (Private) Limited (the existing Management Company of the Modaraba). The license of the Modaraba Management Company is proposed to be surrendered to the Registrar Modarabas and the SECP after the completion of the aforementioned restructuring and later Modaraba Management Company will be converted into an ordinary Private Limited Company.

The said transfers are expected to be at the carrying values of the assets and liabilities of the Modaraba as per the latest audited financial statements available at the time of the transfer.

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

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

Further, since more than 90 percent of the certificates are held by the associates and the group companies by virtue of which this transaction will be considered as a transaction under common control and will be accounted for as predecessor accounting in accordance with the requirements of “Accounting for Common Control Transactions” standard (which specifies the accounting for common control transactions) issued by the Securities and Exchange Commission of Pakistan (SECP). The management believes that in cases where there is insignificant non-controlling interest, the receiving entity will be carrying out predecessor accounting whereby assets and liabilities appearing in the books of Modaraba will be transferred at the same values on the date of transfer. Therefore, there is no potential impact that requires adjustment to the carrying values and classification of assets and liabilities currently being carried in the books of the Modaraba as at the reporting date as a result of Modaraba no longer being a going concern.

### **Future Prospects**

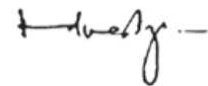
The Management will remain cautious and prudent for its investment strategy on all segments of the business, keeping in mind the opportunities of CPEC projects.

The Management is positive of the rental industry potential, CPEC development and tremendous opportunities it has to date generated for the Modaraba. We always strive to keep special emphasis on customer satisfaction, also ensuring in the process that we always follow the Islamic Shariah principles in all our business transactions.

### **Acknowledgement**

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

On Behalf of the Board



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Murtaza Ahmed Ali  
Chief Executive

March 1, 2022



**INDEPENDENT AUDITOR'S REVIEW REPORT**

**TO THE CERTIFICATE HOLDERS OF ALLIED RENTAL MODARABA**

**Report on Review of Condensed Interim Financial Statements**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of Allied Rental Modaraba (the 'Modaraba') as at December 31, 2021 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management of the Modaraba Management Company [Allied Engineering Management Company (Private) Limited] is responsible for the preparation and presentation of these condensed interim financial statements in accordance with approved accounting 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. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2021.

**Scope of Review**

We conducted our review in accordance with the 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 are not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

**Emphasis of matter**

- a) We draw attention to note 1.2 to the enclosed condensed interim financial statements which describes the fact that a plan to restructure the current legal structure of the Modaraba has been approved by the Board of Directors of the Management Company whereby the existing business of the Modaraba along with all assets and liabilities (including contingent liabilities) will be transferred on a going concern basis to two separate legal entities. There is no impact on the carrying values of assets and liabilities appearing in the books of the Modaraba as the management intends to carry out transfer of assets and liabilities at the carrying values as at the date of transfer subject to the approvals of the Securities & Exchange Commission of Pakistan, Certificate holders, Registrar Modarabas, the High Court of Sindh and other relevant authorities.
- b) We draw attention to note 1.3 to the enclosed condensed interim financial statements which describes a matter relating to distribution made by the Modaraba in respect of the financial year ended June 30, 2021 in excess of the available profits.

Our opinion is not modified in respect of these matters.

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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



A.F.FERGUSON &amp; Co.

**Other matter**

The financial statements of the Modaraba for the six-months period ended December 31, 2020 and for the year ended June 30, 2021 were reviewed and audited by another firm of chartered accountants who had expressed an unmodified conclusion and a modified opinion vide their review report and audit report issued on February 26, 2021 and October 6, 2021 respectively. The audit opinion was modified for not recording the deferred tax liability in the financial statements of the Modaraba for the year ended June 30, 2021. The Modaraba has now recognised the deferred tax by restating the prior period balances as more fully explained in note 5 to the enclosed condensed interim financial statements.

The engagement partner on the audit resulting in this independent auditor's review report is **Noman Abbas Sheikh**.

Chartered Accountants  
Karachi  
Dated:  
UDIN:

Affco

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**ALLIED RENTAL MODARABA  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021**

	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited) -- (Restated) -- ----- (Rupees) -----
<b>ASSETS</b>			
<b>Non-current assets</b>			
Ijarah assets	6	5,695,563,661	5,897,659,183
Fixed assets - in own use	7	188,333,998	190,716,697
Intangible asset	8	798,680	1,026,875
Long term security deposits		50,000	50,000
		5,884,746,339	6,089,452,755
<b>Current Assets</b>			
Spare parts	9	204,731,849	163,139,692
Ijarah rentals receivable	10	1,149,732,737	1,168,468,030
Operation and maintenance income receivable	11	29,429,322	26,856,560
Advances, deposits, prepayments and other receivable	12	538,051,138	753,915,844
Cash and bank balances	13	103,470,392	117,119,860
		2,025,415,438	2,229,499,986
<b>Total assets</b>		<b>7,910,161,777</b>	<b>8,318,952,741</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized certificate capital 250,000,000 (June 30, 2021: 250,000,000) modaraba certificates of Rs.10 each	14.1	2,500,000,000	2,500,000,000
Issued, subscribed and paid-up certificate capital 220,000,000 (June 30, 2021: 220,000,000) modaraba certificates of Rs.10 each	14.2	2,200,000,000	2,200,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve		1,921,582,705	1,872,085,044
Accumulated losses		(575,602,433)	(442,914,125)
		4,801,692,772	4,884,883,419
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred liability for staff gratuity	15	120,227,226	109,060,825
Other long-term employee benefit		19,224,156	24,052,311
Liability against right-of-use assets	16	33,796,447	38,091,892
Diminishing musharaka financing payable - secured	17	480,530,233	720,780,585
Long term borrowings and deferred grants	18	20,033,193	85,596,156
Deferred tax liability	19	746,663,769	780,799,498
Other long term liabilities	20	22,363,058	9,406,035
		1,442,838,082	1,767,787,302
<b>Current liabilities</b>			
Current maturity of liability against right-of-use assets	16	15,555,143	14,166,667
Current maturity of diminishing musharaka financing payable - secured	17	536,110,390	636,194,123
Current portion of long term borrowings and deferred grants	18	163,426,264	179,562,908
Current portion of other long term liabilities	20	32,909,129	48,769,028
Payable to the modaraba management company	21	5,074,653	10,788,100
Creditors, accrued and other liabilities	22	780,952,229	707,611,979
Contract liabilities (advance from customers)		130,272,443	68,054,519
Unclaimed dividend		1,330,672	1,134,696
		1,665,630,923	1,666,282,020
<b>Total liabilities</b>		<b>3,108,469,005</b>	<b>3,434,069,322</b>
<b>Total equity and Liabilities</b>		<b>7,910,161,777</b>	<b>8,318,952,741</b>

**CONTINGENCIES AND COMMITMENTS**

23

The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.

*AJCO*

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

*Muhammad Saad*

**Muhammad Saad**  
Chief Financial Officer

*Murtaza Ahmed Ali*

**Murtaza Ahmed Ali**  
Chief Executive Officer

*Abdul Rahim Suriya*

**Abdul Rahim Suriya**  
Director

*Syed Feisal Ali*

**Syed Feisal Ali**  
Director

**ALLIED RENTAL MODARABA  
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Note	Six months period ended		Three months period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
----- (Rupees) -----					
Ijarah rentals - net	24	2,135,050,023	1,694,483,446	1,184,801,048	907,261,758
Operation and maintenance income - net	25	73,308,002	69,353,599	36,685,965	35,029,812
		<u>2,208,358,025</u>	<u>1,763,837,045</u>	<u>1,221,487,013</u>	<u>942,291,570</u>
Operation, maintenance and Ijarah related expenses	26	(1,518,568,239)	(1,402,757,102)	(804,360,093)	(761,531,246)
<b>Gross profit</b>		<u>689,789,786</u>	<u>361,079,943</u>	<u>417,126,920</u>	<u>180,760,324</u>
Administrative and distribution expenses	27	(141,443,977)	(130,967,119)	(83,305,471)	(72,077,345)
Provision of impairment on Ijarah rentals receivable and operation and maintenance income receivable - net	10.2, 11.1 & 12.6	(109,739,825)	(11,817,532)	(109,739,825)	(11,817,532)
Finance cost	28	(65,603,027)	(87,204,301)	(31,461,312)	(38,026,850)
Other income	29	53,604,553	31,966,087	36,580,213	27,706,915
		<u>(263,182,276)</u>	<u>(198,022,865)</u>	<u>(187,926,395)</u>	<u>(94,214,812)</u>
		<u>426,607,510</u>	<u>163,057,078</u>	<u>229,200,525</u>	<u>86,545,512</u>
Modaraba Management Company's remuneration		(5,650,000)	(2,000,000)	(5,650,000)	(2,000,000)
Provincial worker's welfare fund		(7,517,145)	(2,551,254)	(3,646,420)	(2,551,254)
<b>Profit for the period before taxation</b>		<u>413,440,365</u>	<u>158,505,824</u>	<u>219,904,105</u>	<u>81,994,258</u>
Taxation	30	(165,952,061)	-	(77,581,451)	-
<b>Profit for the period</b>		<u>247,488,304</u>	<u>158,505,824</u>	<u>142,322,654</u>	<u>81,994,258</u>
<b>Earnings per certificate - basic and diluted</b>	31	<u>1.12</u>	<u>0.72</u>	<u>0.65</u>	<u>0.37</u>

The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.

*AJCO*

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



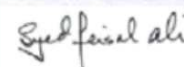
**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director

**ALLIED RENTAL MODARABA**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

	Six months period ended		Three months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- (Rupees) -----			
Profit for the period after taxation	247,488,304	158,505,824	142,322,654	81,994,258
Other comprehensive loss for the period				
<b>Items that will not be reclassified to the condensed statement of profit or loss</b>	-	-	-	-
Loss on remeasurement of the defined benefit plan obligation - net of deferred tax	(678,951)	(1,592,411)	(678,951)	(1,592,411)
<b>Total comprehensive income for the period</b>	<u>246,809,353</u>	<u>156,913,413</u>	<u>141,643,703</u>	<u>80,401,847</u>

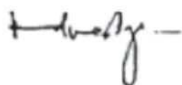
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**For Allied Engineering Management Company (Private) Limited**  
**(Modaraba Management Company)**



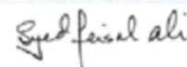
**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer



**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 DECEMBER 31, 2021**

	Issued, subscribed and paid up certificate capital	Premium on issue of certificates	Statutory reserve	Unappropriated profit / (accumulated losses)	Total
	(Rupees)				
Balance as on July 1, 2020	2,200,000,000	1,255,712,500	1,685,840,464	210,165,455	5,351,718,419
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	158,505,824	158,505,824
Other comprehensive loss for the period	-	-	-	(1,592,411)	(1,592,411)
	-	-	-	156,913,413	156,913,413
Transfer to statutory reserve (at 25% of the profit for the period)	-	-	39,228,353	(39,228,353)	-
<b>Transaction with owners - recorded directly in equity</b>					
Profit distribution for the year ended June 30, 2020 @ Rs. 0.75 per certificate declared subsequent to the year end	-	-	-	(165,000,000)	(165,000,000)
<b>Balance as at December 31, 2020</b>	<u>2,200,000,000</u>	<u>1,255,712,500</u>	<u>1,725,068,817</u>	<u>162,850,515</u>	<u>5,343,631,832</u>
Balance as on July 1, 2021	2,200,000,000	1,255,712,500	1,872,085,044	337,885,373	5,665,682,917
Impact of restatement (refer note 5.1.1)	-	-	-	(780,799,498)	(780,799,498)
<b>Balance as on July 1, 2021 - Restated</b>	<u>2,200,000,000</u>	<u>1,255,712,500</u>	<u>1,872,085,044</u>	<u>(442,914,125)</u>	<u>4,884,883,419</u>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	247,488,304	247,488,304
Other comprehensive loss for the period	-	-	-	(678,951)	(678,951)
	-	-	-	246,809,353	246,809,353
Transfer to statutory reserve (at 20% of the profit for the period)	-	-	49,497,661	(49,497,661)	-
<b>Transaction with owners - recorded directly in equity</b>					
Profit distribution for the year ended June 30, 2021 @ Rs. 1.50 per certificate declared subsequent to the year end	-	-	-	(330,000,000)	(330,000,000)
<b>Balance as at December 31, 2021</b>	<u>2,200,000,000</u>	<u>1,255,712,500</u>	<u>1,921,582,705</u>	<u>(575,602,433)</u>	<u>4,801,692,772</u>

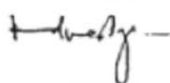
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*AJCO*

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



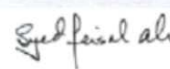
**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director


**ALLIED RENTAL MODARABA  
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

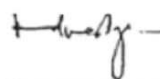
	Six months period ended	
	December 31, 2021	December 31, 2020
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	413,440,365	158,505,824
<b>Adjustments for:</b>		
Depreciation for ijarah assets and fixed assets in own use	233,128,128	275,753,327
Amortisation	228,195	706,084
Provincial worker's welfare fund	7,517,145	2,551,254
Provision for impairment on ijarah rentals receivable and operation and maintenance income receivable	109,739,825	11,817,532
Provision for deferred liabilities - gratuity	10,897,324	4,295,408
Finance cost	65,603,027	87,204,301
Amortisation of deferred government grant	(6,606,463)	-
Profit on deposit accounts with bank	(2,378,455)	-
(Reversal) / provision for long term employee benefits	(4,828,156)	123,713
Loss / (gain) on disposal of Ijarah and fixed assets	17,233,065	(1,492,662)
	<u>430,533,635</u>	<u>380,958,957</u>
	843,974,000	539,464,781
<b>(Increase) / decrease in assets</b>		
Spare parts	(41,796,824)	(18,740,464)
Ijarah rentals receivable	(80,402,213)	88,930,702
Operation and maintenance income receivable	(7,855,347)	10,011,488
Advances, deposits, prepayments and other receivable	109,699,718	193,683,474
	(20,354,666)	273,885,200
<b>Increase / (decrease) in operating liabilities</b>		
Payable to the Modaraba Management Company	(5,713,447)	(8,075,512)
Creditors, accrued and other liabilities	75,491,718	(37,559,610)
Contract liabilities (advance from customers)	62,217,924	-
Security deposits	(2,902,876)	(10,906,265)
	<u>129,093,319</u>	<u>(56,541,387)</u>
	952,712,653	756,808,594
Gratuity paid	(687,192)	-
Compensated absences paid	-	(495,078)
Profit on deposit accounts received	2,148,022	-
Income tax paid	(93,057,411)	-
Worker's Welfare Fund paid	(9,668,613)	(3,875,768)
Financial charges paid	(67,215,165)	(96,233,907)
	<u>(168,480,359)</u>	<u>(100,604,753)</u>
	784,232,294	656,203,841
<b>Net cash inflows from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure of Ijarah assets and fixed assets in own use	(131,280,489)	(345,045,779)
Proceeds from disposal of Ijarah assets and fixed assets in own use	85,397,517	57,163,655
<b>Net cash outflows from investing activities</b>	(45,882,972)	(287,882,124)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution to the certificate holders	(329,804,024)	(164,825,098)
Diminishing musharaka financing availed	-	65,330,000
Long term borrowing availed	-	161,520,733
Repayment of lease liability against right-of-use assets	(6,767,537)	(6,459,753)
Repayment of long term borrowings and deferred grant	(75,093,144)	-
Repayment of diminishing musharaka financing	(340,334,085)	(363,351,945)
<b>Net cash outflows from financing activities</b>	(751,998,790)	(307,786,063)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(13,649,468)	60,535,654
Cash and cash equivalents at the beginning of the period	117,119,860	92,916,094
<b>Cash and cash equivalents at the end of the period</b>	<u>103,470,392</u>	<u>153,451,748</u>


The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.


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

  
**Muhammad Saad**  
Chief Financial Officer

  
**Murtaza Ahmed Ali**  
Chief Executive Officer

  
**Abdul Rahim Suriya**  
Director

  
**Syed Feisal Ali**  
Director

**ALLIED RENTAL MODARABA**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

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

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

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

- 1.2** Pursuant to the Finance Act, 2021, the tax exemption on Modarabas has been withdrawn, effective from July 1, 2021. Consequent to this withdrawal, the Board of Directors of the Modaraba Management Company in their meeting held on September 7, 2021 have discussed and approved a plan to restructure the current legal structure of the Modaraba and transfer the entire existing business of the Modaraba, on a going concern basis, along with all its assets and liabilities, including all contingent liabilities, to two separate legal entities. A draft scheme of restructuring has already been finalised which will be submitted for the approval to the Registrar Modarabas, the SECP, the Sindh High Court, the Certificate Holders and the other relevant authorities as per the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Companies Act, 2017 and the other laws for the time being in force during the year ending June 30, 2022.

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

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

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

- 1.3** The Modaraba had reported a profit of Rs 532.127 million for the year ended June 30, 2021 and distributed 90 percent of its accounting profit amounting to Rs 330 million (Rs 1.50 per certificate). In accordance with the requirements of IAS 10 this distribution has been accounted for during the current period. As a result of the restatement of the prior period figures / balances (as more fully explained in note 5 to these condensed interim financial statements), the profit after taxation for the year ended June 30, 2021 amounting to Rs 532.127 million has now resulted into a loss of Rs. 248.672 million.

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As per the requirements of clause 18(3) of the Modaraba Companies Ordinance and Modaraba Rules, 1981, "no distribution shall be made otherwise than out of profits of the year or any other undistributed profits or realised capital gains".

The aforementioned distribution by the Modaraba after incorporating the effect of deferred tax has resulted in excess distribution whereby the unappropriated profits have now resulted into accumulated losses.

- 1.4 The VIS Credit Rating Company Limited has assigned long term rating of A+ (2020: A+) and short term rating of A-1 (2020: A-1) to the Modaraba on November 6, 2021 (2020: December 26, 2019).

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of:

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

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs), the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IAS 34, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

- 2.2 The disclosures made in these condensed interim financial statements are based on the requirements of the International Accounting Standard (IAS) 34: 'Interim Financial Reporting'. These condensed interim financial statements does not include all the disclosures and statements required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2021.
- 2.3 The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual published audited financial statements of the Modaraba for the year ended June 30, 2021, whereas the comparative statement of profit or loss, statement of profit or loss and comprehensive income, statement of changes in equity and cash flow statement have been extracted from the unaudited condensed interim financial statements for the period ended December 31, 2020. These comparative have been adjusted for restatement of certain balances as disclosed in note 5 to the condensed interim financial statements.
- 2.4 These condensed interim financial statements are unaudited. However, a review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance.
- 2.5 These condensed interim financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency and all the figures presented in these condensed interim financial statements presented have been rounded off to the nearest Rupee, unless otherwise stated.

### 2.6 Basis of measurement

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

## 3 SIGNIFICANT POLICIES, ESTIMATES, ASSUMPTIONS AND CHANGES THEREIN

- 3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those that were applied in the preparation of the annual published audited financial statements of the Modaraba for the year ended June 30, 2021.
- 3.2 The preparation of these condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

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**3.3** The significant judgments, estimates and assumptions made in applying the Modaraba's accounting policies and the factors used in making those estimates and associated assumptions were the same as those that were applied to the annual published audited financial statements for the year ended June 30, 2021 except for the change in accounting estimate as disclosed in notes 10.2.1 and note 11.1.1 to these condensed interim financial statements. Certain restatements have also been made in these condensed interim financial statements which have been disclosed in note 5.

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

There are certain amendments to the published approved accounting standards that are mandatory for the Modaraba's accounting period beginning on July 1, 2021. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these condensed interim financial statements.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these condensed interim financial statements.

**4 FINANCIAL RISK MANAGEMENT POLICIES**

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual published audited financial statements of the Modaraba for the year ended June 30, 2021.

**5 RESTATEMENT OF PRIOR YEAR BALANCES**

**5.1 Deferred tax liability**

Pursuant to the Finance Act, 2021, tax exemption of the Modaraba has been withdrawn effective from July 1, 2021. Consequently, the income of the Modaraba has become chargeable to tax with effect from July 1, 2021. International Accounting Standard 12, "Income taxes" requires recognition of deferred tax as a result of change in tax law in the profit and loss except where it relates to items previously recognised outside the profit and loss. The relevant tax law as a result of which tax exemption has been withdrawn was enacted before June 30, 2021. In accordance with the requirements of IAS 12 "Income taxes", the deferred tax asset / liability on ijarah assets, fixed assets in own use, ijarah rentals receivable, operation and maintenance income receivable, deferred liability for staff gratuity, liability against right-of-use assets and payable to Worker's Welfare Fund was not recognised by the Modaraba in its financial statements as at June 30, 2021. The Modaraba has now recognised the amount of deferred tax liability by restating the prior period balances. The change has been accounted for in accordance with the requirements of IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" and the effects are given below:

**5.1.1 The effects of above stated errors are as follows:**

	June 30, 2021		
	As previously reported	Restatement	As restated
<b>Effect on the condensed interim statement of financial position</b>	----- (Rupees) -----		
Decrease in unappropriated profit	337,885,373	(780,799,498)	(442,914,125)
Increase in deferred tax liability	-	780,799,498	780,799,498

There is no impact on the condensed interim statement of profit or loss, the condensed interim statement of comprehensive income and the condensed interim cash flow statement for the six months period ended December 31, 2020 as the relevant tax law under which the exemption was withdrawn had been enacted subsequent to December 31, 2020.

	Note	December 31,	June 30,
		2021	2021
		(Unaudited)	(Audited)
		----- (Rupees) -----	
<b>6 IJARAH ASSETS</b>			
Ijarah assets	6.1	5,645,683,235	5,891,181,931
Capital work-in-progress	6.2	49,880,426	6,477,252
		<u>5,695,563,661</u>	<u>5,897,659,183</u>

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## 6.1 Ijarah assets

	December 31, 2021 (Unaudited)			
	Generators and related equipments	Logistics Vehicles	Machines	Total
	----- (Rupees) -----			
<b>At July 1, 2021</b>				
Cost	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated depreciation	(3,509,191,221)	(725,961,096)	(462,840,485)	(4,697,992,802)
Accumulated impairment losses	(19,432)	-	(567,000)	(586,432)
Net book value as at July 1, 2021	<u>3,515,520,231</u>	<u>1,361,471,560</u>	<u>1,014,190,140</u>	<u>5,891,181,931</u>
Additions during the period	57,375,409	-	-	57,375,409
Disposals during the period				
Cost	(100,269,965)	-	(52,296,295)	(152,566,260)
Accumulated depreciation	34,517,090	-	26,003,696	60,520,786
	(65,752,875)	-	(26,292,599)	(92,045,474)
Impairment during the period	-	-	-	-
Depreciation charge for the period	(123,281,310)	(37,470,442)	(50,076,879)	(210,828,631)
Closing net book value as at December 31, 2021	<u>3,383,861,455</u>	<u>1,324,001,118</u>	<u>937,820,662</u>	<u>5,645,683,235</u>
<b>At December 31, 2021</b>				
Cost	6,981,836,328	2,087,432,656	1,425,301,330	10,494,570,314
Accumulated depreciation	(3,597,955,441)	(763,431,538)	(486,913,668)	(4,848,300,647)
Accumulated impairment losses	(19,432)	-	(567,000)	(586,432)
Net book value as at December 31, 2021	<u>3,383,861,455</u>	<u>1,324,001,118</u>	<u>937,820,662</u>	<u>5,645,683,235</u>
Life (years)	<u>2 to 7</u>	<u>8</u>	<u>8 to 10</u>	

	June 30, 2021 (Audited)			
	Generators and related equipments	Logistics Vehicles	Machines	Total
	----- (Rupees) -----			
<b>At July 1, 2020</b>				
Cost	7,128,336,301	2,183,943,055	1,292,842,081	10,605,121,437
Accumulated depreciation	(3,371,402,855)	(768,054,972)	(345,324,791)	(4,484,782,618)
Net book value as at July 1, 2020	<u>3,756,933,446</u>	<u>1,415,888,083</u>	<u>947,517,290</u>	<u>6,120,338,819</u>
Additions during the year	295,671,683	158,195,968	118,574,924	572,442,575
Disposals during the year				
Cost	(399,277,100)	(150,616,920)	(37,908,827)	(587,802,847)
Accumulated depreciation	169,058,065	27,924,258	6,910,514	203,892,837
	(230,219,035)	(122,692,662)	(30,998,313)	(383,910,010)
Transfer during the year				
Cost	-	(104,089,447)	104,089,447	-
Accumulated depreciation	-	38,517,564	(38,517,564)	-
	-	(65,571,883)	65,571,883	-
Impairment during the year	(19,432)	-	(567,000)	(586,432)
Depreciation charge for the year	(306,846,431)	(24,347,946)	(85,908,644)	(417,103,021)
Closing net book value as at June 30, 2021	<u>3,515,520,231</u>	<u>1,361,471,560</u>	<u>1,014,190,140</u>	<u>5,891,181,931</u>
<b>At June 30, 2021</b>				
Cost	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated depreciation	(3,509,191,221)	(725,961,096)	(462,840,485)	(4,697,992,802)
Accumulated impairment losses	(19,432)	-	(567,000)	(586,432)
Net book value as at June 30, 2021	<u>3,515,520,231</u>	<u>1,361,471,560</u>	<u>1,014,190,140</u>	<u>5,891,181,931</u>
Life (years)	<u>2 to 7</u>	<u>8</u>	<u>8 to 10</u>	

6.2 This represents advances for the purchase of equipments, trucks and overhauling of generators.

6.3 During the period, the Modaraba acquired certain equipments and parts amounting to Rs. 43.067 million (June 30, 2021: Rs. 11.270 million) and Nil (June 30, 2021: Rs. 90.960 million) from Allied Engineering and Services (Private) Limited (AESL) and Apex Machinery (Private) Limited, associated companies.

7	FIXED ASSETS - IN OWN USE	Note	December 31,	June 30,
			2021	2021
			(Unaudited)	(Audited)
			----- (Rupees) -----	
	Operating fixed assets	7.1	<u>188,333,998</u>	<u>190,716,697</u>

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## 7.1 Operating fixed assets

	December 31, 2021 (Unaudited)				
	Furniture and fixtures	Other equipments	Vehicles	Right-of-use asset	Total
	----- (Rupees) -----				
<b>At July 1, 2021</b>					
Cost	18,461,160	19,141,788	204,591,209	87,656,908	329,851,065
Accumulated depreciation	(16,030,578)	(16,594,391)	(73,114,609)	(33,394,790)	(139,134,368)
Net book value as at July 1, 2021	2,430,582	2,547,397	131,476,600	54,262,118	190,716,697
Additions during the period	-	1,821,038	24,820,300	3,860,568	30,501,906
Disposals during the period					
Cost	-	-	(24,931,498)	-	(24,931,498)
Accumulated depreciation	-	-	14,346,390	-	14,346,390
	-	-	(10,585,108)	-	(10,585,108)
Depreciation charge for the period	(936,895)	(657,086)	(11,675,973)	(9,029,543)	(22,299,497)
Closing net book value as at December 31, 2021	1,493,687	3,711,349	134,035,819	49,093,143	188,333,998
<b>At December 31, 2021</b>					
Cost	18,461,160	20,962,826	204,480,011	91,517,476	335,421,473
Accumulated depreciation	(16,967,473)	(17,251,477)	(70,444,192)	(42,424,333)	(147,087,475)
Net book value as at December 31, 2021	1,493,687	3,711,349	134,035,819	49,093,143	188,333,998
Life (years)	3	3	4 to 8		

	June 30, 2021 (Audited)				
	Furniture and fixtures	Other equipment	Vehicles	Right-of-use asset	Total
	----- (Rupees) -----				
<b>At July 1, 2020</b>					
Cost	19,410,108	16,862,262	205,016,098	78,253,379	319,541,847
Accumulated depreciation	(6,269,508)	(12,085,286)	(80,661,573)	(15,280,386)	(114,296,753)
Net book value as at July 1, 2020	13,140,600	4,776,976	124,354,525	62,972,993	205,245,094
Additions during the year	-	2,473,552	56,559,288	-	59,032,840
Disposals during the year					
Cost	(948,948)	(194,026)	(56,984,177)	-	(58,127,151)
Accumulated depreciation	-	179,044	31,734,426	-	31,913,470
	(948,948)	(14,982)	(25,249,751)	-	(26,213,681)
Impact of reassessment / modification during the year	-	-	-	(3,350,319)	(3,350,319)
Gain on modification	-	-	-	12,753,848	12,753,848
Depreciation charge for the year	(9,761,070)	(4,688,149)	(24,187,462)	(18,114,404)	(56,751,085)
Closing net book value as at June 30, 2021	2,430,582	2,547,397	131,476,600	54,262,118	190,716,697
<b>At June 30, 2021</b>					
Cost	18,461,160	19,141,788	204,591,209	87,656,908	329,851,065
Accumulated depreciation	(16,030,578)	(16,594,391)	(73,114,609)	(33,394,790)	(139,134,368)
Net book value as at June 30, 2021	2,430,582	2,547,397	131,476,600	54,262,118	190,716,697
Life (years)	3	3	4 to 8		

	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
		----- (Rupees) -----	
<b>8 INTANGIBLE ASSET</b>			
Computer Software	8.1	798,680	1,026,875
<b>8.1 Computer Software</b>			
Cost - computer software		9,471,794	9,471,794
Accumulated amortization		(8,673,114)	(8,444,919)
Net book value as at December 31, 2021		798,680	1,026,875
Life over which cost of the asset is amortized		4 years	4 years

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	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
<b>9 SPARE PARTS</b>		------(Rupees)-----	
Spare parts	9.1	<u>204,731,849</u>	<u>163,139,692</u>

9.1 The balance of spare parts is net of provision of Rs 37.400 million (June 30, 2021: Rs 37.603 million).

	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
<b>10 IJARAH RENTALS RECEIVABLE</b>		------(Rupees)-----	
Balance as at the period / year end		1,447,698,221	1,367,296,008
Provision against ijarah rentals receivable	10.1 & 10.2	<u>(297,965,484)</u>	<u>(198,827,978)</u>
		<u>1,149,732,737</u>	<u>1,168,468,030</u>

10.1 Ijarah rentals receivable include exposure which are secured by way of cash deposits of Rs. 26.875 million (June 30, 2021: Rs. 25.758 million).

	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
<b>10.2 Provision against ijarah rentals receivable</b>		------(Rupees)-----	
Opening balance		198,827,978	236,592,264
Effect of change in accounting estimate / accounting policy	10.2.1	51,815,848	49,916,037
Charge / (reversal) for the period / year		52,999,032	(10,077,491)
Written off during the period / year		<u>(5,677,374)</u>	<u>(77,602,832)</u>
Closing balance		<u>297,965,484</u>	<u>198,827,978</u>

#### 10.2.1 Change in accounting estimates - Ijarah rentals receivable

During the current period, the Modaraba has revisited its model for computation of Expected Credit Loss and has made certain changes in the assumptions used in the model based on the pattern of recovery of balances post COVID-19. The change primarily consists of revising the default definition of ijarah rentals receivables. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the revision in the default definition not been made, the provision for ijarah rentals receivable would have been lower by Rs. 51.816 million and the profit for the period would have been higher by Rs. 51.816 million.

	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
<b>11 OPERATION AND MAINTENANCE INCOME RECEIVABLE</b>		------(Rupees)-----	
Balance as at the period / year end		39,992,212	32,136,865
Provision against operation and maintenance income receivable	11.1	<u>(10,562,890)</u>	<u>(5,280,305)</u>
		<u>29,429,322</u>	<u>26,856,560</u>

#### 11.1 Provision against operation and maintenance income receivable

Opening balance		5,280,305	5,332,407
Effect of change in accounting estimate / accounting policy	11.1.1	2,449,008	2,930,375
Charge / (reversal) during the period / year		2,833,577	(1,200,236)
Written off during the year		-	(1,782,241)
Closing balance		<u>10,562,890</u>	<u>5,280,305</u>

#### 11.1.1 Change in accounting estimate - operations and maintenance income receivable

During the current period, the Modaraba has revisited its model for computation of Expected Credit Loss and has made certain changes in the assumptions used in the model based on the pattern of recovery of balances post COVID-19. The change primarily consists of revising the default definition of operations and maintenance income receivable. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the revision in the default definition not been made, the provision for operations and maintenance income receivable would have been lower by Rs. 2.449 million and the profit for the period would have been higher by Rs. 2.449 million.

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	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
----- (Rupees) -----			
<b>12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE</b>			
Income tax recoverable	12.1	341,419,283	448,172,344
Federal Excise Duty (FED) receivable	23.1.2	50,000,000	50,000,000
Punjab service sales tax refundable		34,646,079	84,006,540
Sindh service sales tax refundable		-	21,724,717
Federal sales tax refundable	23.1.3	9,896,473	9,896,473
Sales tax on imports refundable	12.2	4,182,666	4,182,666
Advances (unsecured):			
- to suppliers for purchase of fixed assets - in own use		16,363,753	14,330,731
- to suppliers for expenses		54,542,970	95,046,448
- to employees against salary (interest free & secured against retirement benefit)		2,757,934	722,934
- to employees for expenses	12.3	3,163,444	4,178,977
Prepaid expenses		472,082	472,082
Security deposits	12.4	18,769,154	19,736,559
Accrued income on profit or loss sharing bank accounts		331,929	101,496
Insurance claim receivable		385,496	689,301
Others	12.5	1,790,610	1,682,951
		<u>538,721,873</u>	<u>754,944,219</u>
Less: Provision against deposits and other receivables	12.6	<u>(670,735)</u>	<u>(1,028,375)</u>
		<u>538,051,138</u>	<u>753,915,844</u>

**12.1** This includes taxes collected at source at import stage by the collector of customs of Rs 1.069 million (June 30, 2021: Rs. 2.333 million) and withholding of taxes of Rs. 94.323 million (June 30, 2021: Rs. 108.425 million) from various payments made to Modaraba. An amount of Rs. 166.034 million (June 30, 2021: Nil), representing income tax payable as at December 31, 2021, is netted off from the gross balance of tax recoverable.

**12.2** The Modaraba filed Constitutional Petition in the High Court of Sindh, against levy of additional sales tax (AST) @ 3% at the time of import of equipments. The Sindh High Court stayed the said levy vide its order dated January 1, 2013. After the grant of the stay order the direction of the Sindh High Court, the amount of 3% additional sales tax has been deposited with the Nazir of the court for release of various consignments received thereafter. Later on the Ministry of Finance, Economic Affairs, Statistics and Revenue (Revenue Division) vide SRO No. 367(1)/2013 dated May 8, 2013 also exempted Service Industry from levy of additional sales tax hence admitted the legal advisor's contentions. The Management believes that the petition will be decided in the Modaraba's favour. Once decided, the amount deposited with the Nazir will be released. Accordingly, no provision has been recognised in these condensed interim financial statements.

**12.3** These represent advances given to employees for expenses. The maximum amount receivable at the end of any month during the period was Rs. 4.158 million (June 30, 2021: Rs. 4.740 million).

**12.4** These include a cash margin and security deposits of Rs. 17.381 million (June 30, 2021: Rs. 14.892 million) held by the Banks as security for the guarantees of the same amount given by them on behalf of the Modaraba to its suppliers / customers.

**12.5** These include a balance of Rs. 1.383 million (June 30, 2021: Nil) receivable from the Allied e-commerce for insurance expense paid on behalf of the Allied e-commerce.

	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
----- (Rupees) -----			
<b>12.6 Provision against deposits and other receivables</b>			
Opening balance		1,028,375	-
Effect of change in accounting policy		-	1,957,802
Reversal during the period / year		<u>(357,640)</u>	<u>(929,427)</u>
Closing balance		<u>670,735</u>	<u>1,028,375</u>

### 13 CASH AND BANK BALANCES

Balances with banks in:			
- current accounts		65,307,354	83,734,885
- deposit accounts	13.1	<u>37,966,465</u>	<u>32,944,647</u>
		103,273,819	116,679,532
Cash in hand		<u>196,573</u>	<u>440,328</u>
		<u>103,470,392</u>	<u>117,119,860</u>

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13.1 These balances carry profit at rates ranging from 3.00% to 7.25% per annum (June 30, 2021: 2.75% to 6.68% per annum).

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

##### 14.1 Authorised certificate capital

December 31, 2021 (Unaudited) (Number of certificates)	June 30, 2021 (Audited)		December 31, 2021 (Unaudited) ------(Rupees)-----	June 30, 2021 (Audited)
<u>250,000,000</u>	<u>250,000,000</u>	Modaraba certificates of Rs. 10 each	<u>2,500,000,000</u>	<u>2,500,000,000</u>

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

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

	Note	December 31, 2021 (Unaudited) ------(Rupees)-----	June 30, 2021 (Audited)
<b>15 DEFERRED LIABILITY FOR STAFF GRATUITY</b>			
Deferred liability for staff gratuity	15.1	<u>120,227,226</u>	<u>109,060,825</u>

During the period, the management has carried out a revised actuarial valuation of these obligations under the staff defined benefit plan as of December 31, 2021. The actuarial valuation carried out using the Projected Unit Credit Method by an independent actuary has determined the liability as follows:

	Note	December 31, 2021 (Unaudited) ------(Rupees)-----	June 30, 2021 (Audited)
<b>15.1 Amount recognised in statement of financial position</b>			
Present value of defined benefit obligation	15.3	<u>120,227,226</u>	<u>109,060,825</u>
<b>15.2 Movement in amount payable to the defined benefit plan</b>			
Opening balance		109,060,825	95,966,148
Charge for the period / year		10,897,324	14,736,018
Benefits paid during the period / year		(687,192)	-
Remeasurement loss / (gain) on obligation recognised in other comprehensive income of the period / year		956,269	(1,641,341)
Closing balance		<u>120,227,226</u>	<u>109,060,825</u>
<b>15.3 Movement in the present value of defined benefit obligation is as follows:</b>			
Present value of defined benefit obligation - opening		109,060,825	95,966,148
Current service cost		5,125,917	4,719,586
Mark-up cost		5,771,407	10,016,432
Benefit paid during the period / year		(687,192)	-
Remeasurement loss / (gain) on obligation recognised in other comprehensive income of the period / year		956,269	(1,641,341)
Present value of defined benefit obligation - closing		<u>120,227,226</u>	<u>109,060,825</u>

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

	December 31, 2021 %	June 30, 2021 %
Valuation discount rate	12.25%	10.25%
Salary increase rate	12.25%	10.25%
Rate of employee turnover	Moderate	Moderate

There is no material impact due to the above change.

## 16 LIABILITY AGAINST RIGHT-OF-USE ASSETS

These represent the present value of the future annual rent of different properties obtained on rent by the Modaraba. These are payable as follows:

	December 31, 2021 (Unaudited)		June 30, 2021 (Audited)	
	Minimum Lease Payments	Present Value of minimum lease payments	Minimum Lease Payments	Present Value of minimum lease payments
	----- (Rupees) -----		----- (Rupees) -----	
Not later than one year	18,600,005	14,178,672	13,949,057	14,753,224
Later than one year but not later than five years	38,614,536	35,172,918	47,121,368	37,505,335
Later than five years	-	-	-	-
	<u>57,214,541</u>	<u>49,351,590</u>	<u>61,070,425</u>	<u>52,258,559</u>
Financial charges allocated to future periods	(7,862,951)	-	(8,811,866)	-
	<u>49,351,590</u>	<u>49,351,590</u>	<u>52,258,559</u>	<u>52,258,559</u>
Less: current maturity	(15,555,143)	(15,555,143)	(14,166,667)	(14,166,667)
	<u><u>33,796,447</u></u>	<u><u>33,796,447</u></u>	<u><u>38,091,892</u></u>	<u><u>38,091,892</u></u>

The remaining lease term varies between 12 to 36 months (June 30, 2021: 4 to 48 Months) and present values have been discounted ranging from 8.25% to 10.01% per annum (June 30, 2021: 8.25% to 9.59%).

	Note	December 31, 2021 (Unaudited) ----- (Rupees) -----	June 30, 2021 (Audited)
<b>17 DIMINISHING MUSHARAKA FINANCING PAYABLE - SECURED</b>			
Musharaka finance	17.1 & 17.2	1,016,640,623	1,356,974,708
Due within one year		<u>(536,110,390)</u>	<u>(636,194,123)</u>
		<u>480,530,233</u>	<u>720,780,585</u>
<b>17.1</b> Financing from Islamic window operations of banks		1,016,640,623	1,351,518,458
Financing from Modarabas		-	5,456,250
	17.2	<u>1,016,640,623</u>	<u>1,356,974,708</u>
<b>17.2</b> The total facility from Musharaka finance available from financial institutions amounts to Rs. 1,016.641 million (June 30, 2021: Rs.1,351.518 million) and Modarabas amounts to Nil (June 30, 2021: Rs. 5.456 million), respectively. These facilities have maturities from January 22, 2022 to May 31, 2026 (June 30, 2021: July 31, 2021 to May 31, 2026) and are secured against the hypothecation of Ijarah assets amounting to Rs. 4,098.713 million (June 30, 2021: Rs 5,542.493 million). Share of profit payable on these facilities ranges between 7.88% to 13.02% per annum (June 30, 2021: 7.22% to 14.50%) per annum.			
<b>17.3</b> During the period, the Modaraba utilized running musharaka financing facility of amounts ranging from Rs. 6.497 million to Rs. 100 million (June 30, 2021: Rs. 0.043 million to Rs. 70.078 million) to meet its working capital requirements which carried share of profit at rates ranging from 7.51% to 9.52% per annum (June 30, 2021: 8.56% to 8.78% per annum). Total facility available to the Modaraba amounts to Rs. 100 million (June 30, 2021: Rs. 100 million). The facility is secured against hypothecation of Ijarah assets. This facility is not fully utilized as at period end.			

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## 18 LONG TERM BORROWINGS AND DEFERRED GRANTS

Due to the effects of Covid -19 pandemic, the State Bank of Pakistan (SBP) took various steps to support the economy, the SBP introduced a refinance scheme for the payment of salaries and wages at subsidized rate of borrowings. The Modaraba has obtained the said facilities of Rs. 165.473 million from Habib Bank Limited at subsidized rate of 3% per annum and of Rs. 160 million from Bank Alfalah Limited at 3% subsidized mark-up rate. The principal amount of Habib Bank Limited is payable in eight quarterly instalments of Rs. 6.402 million and Rs. 14.282 million commencing from January 1, 2021 which is secured against Hypothecation charge over machines and spares. The principal amount of Bank Alfalah Limited is payable in eight quarterly instalments of Rs. 8.789 million, Rs. 4.714 million and Rs. 6.496 million starting from March 3, 2021 which are secured against hypothecation charge over machines. The facility is available to all the eligible borrowers meeting the threshold requirement.

In accordance with the terms of the grant, the Modaraba can not lay-off the employees at least for three months from the period of the grant.

	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
	------(Rupees)-----	
Details are as follows:		
SBP Salary refinance scheme	177,400,663	252,493,806
Deferred income - government grant	6,058,794	12,665,258
Total funds received	<u>183,459,457</u>	<u>265,159,064</u>
Current portion of SBP Salary refinance scheme	<u>(157,590,784)</u>	<u>(168,832,513)</u>
Current portion of deferred income - government grant	<u>(5,835,480)</u>	<u>(10,730,395)</u>
	<u>(163,426,264)</u>	<u>(179,562,908)</u>
	<u>20,033,193</u>	<u>85,596,156</u>

The break-up of the long term portion is as follows:

Long term portion of the SBP salary refinance scheme	19,809,879	83,661,293
Long term portion of deferred income	223,314	1,934,863
	<u>20,033,193</u>	<u>85,596,156</u>

	Note	December 31, 2021 (Un-audited)	June 30, 2021 (Audited) (Restated)
		------(Rupees)-----	
19 DEFERRED TAX LIABILITY			
Deferred tax liability	19.1	<u>746,663,769</u>	<u>780,799,498</u>

## 19.1 Movement in temporary differences during the period:

	As at July 1, 2021 Restated	Recognised in P&L	Recognised in OCI	As at December 31, 2021
	----- Rupees -----			
<b>Taxable temporary differences on</b>				
- Ijarah assets	817,929,561	(10,036,099)	-	807,893,462
- Fixed assets - in own use	12,672,972	(1,334,821)	-	11,338,151
- Ijarah rentals receivable	-	(20,336,981)	-	(20,336,981)
- Operation and maintenance income receivable	-	(656,518)	-	(656,518)
	<u>830,602,533</u>	<u>(32,364,419)</u>	<u>-</u>	<u>798,238,114</u>
<b>Deductible temporary differences on</b>				
- Deferred liability for staff gratuity	(31,627,639)	(2,960,939)	(277,318)	(34,865,896)
- Liability against right-of-use assets	(15,154,982)	843,021	-	(14,311,961)
- Payable to Worker's Welfare Fund	(3,020,414)	623,926	-	(2,396,488)
	<u>(49,803,035)</u>	<u>(1,493,992)</u>	<u>(277,318)</u>	<u>(51,574,345)</u>
	<u>780,799,498</u>	<u>(33,858,411)</u>	<u>(277,318)</u>	<u>746,663,769</u>

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	Note	December 31, 2021 (Unaudited) ------(Rupees)-----	June 30, 2021 (Audited)
<b>20 OTHER LONG TERM LIABILITIES</b>			
Security deposits	20.1	26,875,000	25,758,732
Employee car scheme - deductions	20.2	28,397,187	32,416,331
		<u>55,272,187</u>	<u>58,175,063</u>
Current portion of security deposits		26,875,000	25,758,732
Current portion of employee car scheme - deductions		6,034,129	23,010,296
		<u>32,909,129</u>	<u>48,769,028</u>
Non-current portion of security deposits		-	-
Non-current portion of employee car scheme - deductions		22,363,058	9,406,035
		<u>22,363,058</u>	<u>9,406,035</u>

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

20.2 This represents amount received from employees against the Modaraba's employee car scheme policy.

	Note	December 31, 2021 (Unaudited) (Rupees)	June 30, 2021 (Audited)
<b>21 PAYABLE TO THE MODARABA MANAGEMENT COMPANY</b>			
Remuneration payable to Management Company - net		4,424,653	9,488,100
Sindh Sales Tax payable on remuneration of Management Company		650,000	1,300,000
		<u>5,074,653</u>	<u>10,788,100</u>

<b>22 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors	22.1	637,344,334	500,443,313
Accrued expenses	22.2	131,383,602	192,660,035
Payable to Worker's Welfare Fund		8,263,753	10,415,221
Tax deduction at source from			
- employees		932,871	1,265,110
- suppliers		2,005,104	1,114,518
Sindh sales tax payable		1,022,565	1,713,782
		<u>780,952,229</u>	<u>707,611,979</u>

22.1 This includes Rs. 431.016 million (June 30, 2021: Rs. 425.485 million) and Rs. 9.168 million (June 30, 2021: Rs. 21.550 million) payable to Allied Engineering and Services (Private) Limited and Apex Machinery (Private) Limited (associated companies) for various purchases and services availed by the Modaraba.

22.2 This includes an accrual of financial charges of Rs. 12.307 million (June 30, 2021: Rs. 14.270 million), Rs. 0.640 million (June 30, 2021: Rs. 0.282 million) and Rs. 2.486 million (June 30, 2021: Rs. 3.550 million) in respect of Diminishing Musharaka, Running Musharaka and the SBP refinancing facilities availed by the Modaraba, respectively.

## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

Contingencies outstanding as at December 31, 2021 are as follows:

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

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

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

The Commissioner (Appeals) - (SRB) vide an order in appeal number 16/2014 dated February 25, 2014 reduced the demand of Sindh Sales Tax from Rs. 25.633 million to Rs. 12.238 million stating that the differential amount of Rs. 13.395 million pertains to the services rendered outside the province of Sindh. The Modaraba had filed a Constitutional Petition CP No. D-1190 in the Honourable High Court of Sindh against the order of the Commissioner (Appeals) - Sindh Revenue Board (SRB) by virtue of which the Honourable High Court of Sindh vide its order dated March 11, 2014 had suspended the operation of the impugned order of the Commissioner (Appeals) - SRB. Subsequently, the Sindh Revenue Board Tribunal was constituted and became functional in June 2015. The Modaraba, on the direction of the Honourable High Court of Sindh, filed an appeal to the tribunal.

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

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

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

During the year ended June 30, 2020, an Order-in-Original No. 34 of 2020 dated February 27, 2020 was passed on an ex-parte basis whilst finalizing the matter remanded back by the ATIR in its Order dated November 13, 2019. In the said order, the Officer changed the earlier stance and now concluded that 'Operating and Maintenance' services provided by the Company are taxable under "Others, including the services provided or rendered by non-banking, finance companies, modaraba and musharaka companies and other financial institutions" of the Second Schedule to the Sindh Sales Tax on Services Act, 2011.

The Modaraba has filed an appeal before Commissioner (Appeals) and the decision in this respect is pending to date . As per the opinion of the tax advisor the management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision amounting to Rs. 12.238 million has been made in these condensed interim financial statements.

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

On March 11, 2016, assessment orders relating to tax years 2014 and 2015 were received from the Assistant Commissioner of Inland Revenue demanding a Federal Excise Duty (FED) aggregating to Rs 838.662 million (calculated @16% of gross receipts of the Modaraba for the above mentioned tax years) 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 March 16, 2016. The Modaraba had paid an amount of Rs 50 million to the Federal Board of Revenue under protest in respect of the above.

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

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

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

In light of the judgment of the SHC and based on consultations with its tax advisors, the management believes that the outcome of the appeals with the ATIR and SHC will be in favour of the Modaraba. Accordingly, no provision in respect of FED has been made in these condensed interim financial statements. Further, the under protest payment of Rs 50 million made to the FBR has been shown as a refundable balance in note 12 to these condensed interim financial statements.

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

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

- 23.1.3** The Commissioner had demanded, through an assessment order no. 11/30 of 2019 dated April 26, 2019 and an order no. 01 of 2018 dated June 27, 2018, sales tax amounting to Rs. 21.47 million and Rs. 26.228 million in respect of disposal of ijarah asset during the year ended 2015 and 2014 respectively against disposal value of Rs. 126.28 million and Rs. 154.64 million respectively. The Modaraba had filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amounts. Against the order no. 01 of 2018, the hearing of the appeal was made on September 23, 2021. The appellate ordered under section 45B to pay the liable amount along with the default surcharge and penalty @ 5%. Against the order no. 11/30, hearing of the appeal was made on October 8, 2021. The authority ordered under section 45B of sales tax act, 1990 to pay the liable amount along with default surcharge @ 5%. The order of DCIR was received dated December 14, 2021 to pay the total ordered amount on or before December 21, 2021.

During the year ended June 30, 2021, the Modaraba further received notices for the tax years 2016 and 2017 demanding sales tax amounting to Rs. 48.77 million in respect of disposal of ijarah assets during the year ended 2016 and 2017 against aggregate disposal value of Rs. 286.88 million.

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

The appeal on aforementioned matter was finalized vide Order No. OIR/Enforcement-1/S/2020/48/03 dated February 2, 2021 demanding sales tax of Rs. 48.769 million along with a penalty under section 33(5) of Rs 2.438 million. The Modaraba has submitted payment under protest of Rs.5.181 million (adjusted from income tax refundable) and filed an appeal against the above order before the ATIR.

The management, in consultation with its tax advisor, believes that the outcome of the appeal will be in their favour and, accordingly, no provision has been made in these condensed interim financial statements.

- 23.1.4** Deputy Commissioner Inland Revenue (CIR) issued an order D.C. no. 21/03 dated June 9, 2018 in respect of tax audit for the tax year 2012. The CIR demanded a tax amounting to Rs. 8.152 million against the profit on ijarah financing, gain on disposed of ijarah assets and the management fee. The Modaraba has filed an appeal with Commissioner Inland Revenue (Appeal) against the order. The Management, in consultation with the tax advisor, believes that the outcome of the appeal will be in favour of the Modaraba and, accordingly, no provision has been made in these condensed interim financial statements.
- 23.1.5** The Additional Commissioner Inland Revenue (ACIR) issued an order DC No. 02/29 dated October 7, 2020. The order states that on the scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2015 showed that the Modaraba has not deducted / partially deducted taxes from the payments against expenses made during the year. In the order, short deductions of tax were calculated by the department on the entire amount of the expenditures claimed in the return (Rs. 1.346 billion). The department demanded Rs. 232.830 million from the Modaraba along with the default surcharge u/s 205 of Rs. 41.910 million.

The Modaraba has filed an appeal against the order in the Sindh High Court and obtained a stay order on this matter. The appeal was heard on February 12, 2021 and later on May 4, 2021. However, order is still awaited. The management, based on its lawyer/tax advisor's view, is of the view that the appeal filed by the Modaraba will be adjudicated in favour of the Modaraba and, accordingly, no provision has been made in these condensed interim financial statements.

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

- The ACIR has rejected the tax exemption under clause 100 Part I of Second schedule to the Ordinance and imposed tax @ 30% on the income of Rs. 1.342 billion. The rejection is alleged on the premise that the amount transferred to statutory reserve is not as prescribed under the prudential regulations for Modarabas.
- The Modaraba's tax deductions under section 148(1) of the Ordinance amounting to Rs. 40.93 million is treated as a tax under the final tax regime under section 148(7) of the Ordinance (and not as tax recoverable). This was based on the inference that income for this year is not exempt as the conditions were not met and as such tax collected under section 148 is alleged to be final tax.
- Credit of taxes claimed for taxes paid / deducted aggregating to Rs. 142.66 million has been disallowed pending the provision of evidence.
- After taking into account the above, taxable income of Rs. 1.342 billion has been assessed and income tax of Rs. 350.25 million has been demanded.

Appeals have been filed by the Modaraba before the tax authorities and an application has been filed with the Sindh High Court in this regard for a stay order. The CIR(A) vide its appellate order dated May 25, 2021 issued under section 29 of the Ordinance has adjudicated on the Modaraba's appeal. The Modaraba has now filed an appeal on the adjudication before ATIR which is pending hearing. A stay has been granted by ATIR till August 21, 2021.

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

	Note	Six months period ended		Three months period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
----- (Unaudited) ----- ----- (Rupees) -----					
<b>24</b>	<b>IJARAH RENTALS - net</b>				
	Ijarah rentals	2,360,387,811	1,862,528,993	1,314,402,873	998,857,172
	Sales tax	(225,337,788)	(168,045,547)	(129,601,825)	(91,595,414)
		<u>2,135,050,023</u>	<u>1,694,483,446</u>	<u>1,184,801,048</u>	<u>907,261,758</u>
<b>25</b>	<b>OPERATION AND MAINTENANCE INCOME - net</b>				
	Operation and maintenance income	81,516,296	77,603,537	40,809,033	39,332,514
	Sales tax	(8,208,294)	(8,249,938)	(4,123,068)	(4,302,702)
		<u>73,308,002</u>	<u>69,353,599</u>	<u>36,685,965</u>	<u>35,029,812</u>
<b>26</b>	<b>OPERATION, MAINTENANCE AND IJARAH RELATED EXPENSES</b>				
	Salaries, wages and other staff benefits	533,153,129	402,901,014	267,841,957	190,148,845
	Depreciation expense	6.1 210,828,631	254,812,427	103,187,761	136,857,458
	Repairs and maintenance expenses	245,256,069	159,052,388	144,014,271	94,763,130
	Fleet vehicles running expenses	430,640,842	493,594,125	231,503,882	286,974,336
	Vehicles running expenses	28,579,921	21,382,793	16,372,583	11,354,179
	Insurance expense - equipments	23,273,958	18,684,320	11,622,350	9,512,952
	Transportation cost	35,665,150	38,295,385	23,965,750	23,515,172
	Travelling, conveyance and other expenses	4,519,088	5,499,895	2,190,505	2,679,459
	Rent expense	6,651,451	8,534,755	3,661,034	5,725,715
		<u>1,518,568,239</u>	<u>1,402,757,102</u>	<u>804,360,093</u>	<u>761,531,246</u>

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	Note	Six months period ended		Three months period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		----- (Unaudited) -----		----- (Rupees) -----	
<b>27</b>	<b>ADMINISTRATIVE AND DISTRIBUTION EXPENSES</b>				
	Salaries, wages and other staff benefits	75,458,569	74,254,519	41,641,878	42,657,866
	Vehicle running costs	9,235,823	7,415,296	4,702,084	3,918,509
	Travelling and conveyance	1,186,790	660,520	769,655	439,582
	Depreciation expense	7.1 22,299,497	20,940,900	15,498,944	10,741,383
	Amortisation expense	8.1 228,195	706,084	228,195	228,194
	Legal and professional charges	9,637,562	4,397,933	6,804,244	1,106,218
	Auditors' remuneration	877,500	828,276	877,500	828,276
	Telephone, postage and fax charges	4,085,108	4,076,071	2,298,914	2,277,253
	Advertisement and sales promotion	105,500	153,780	4,840	136,480
	Printing and stationery	4,689,498	3,482,451	3,637,842	2,640,045
	Insurance cost - vehicles	401,459	1,527,311	207,566	804,062
	Training, meetings and tender participation	1,408,784	762,572	890,921	539,306
	Donations	27.1 300,000	225,000	250,000	50,000
	Software development	326,608	229,470	326,608	116,171
	Entertainment	2,808,085	2,595,677	1,544,805	1,462,461
	Utilities	4,914,537	5,275,991	1,372,402	2,427,264
	Security	3,234,804	3,095,301	2,102,309	1,581,418
	Miscellaneous	245,658	339,967	146,764	122,857
		<u>141,443,977</u>	<u>130,967,119</u>	<u>83,305,471</u>	<u>72,077,345</u>

		Six months period ended	
		December 31, 2021	December 31, 2020
		----- (Unaudited) -----	
		----- (Rupees) -----	
<b>27.1</b>	<b>Donations</b>		

Donations were paid to the following organisations:

Aab the Need of Life	50,000	25,000
Anjuman e Hasani	50,000	50,000
NBFI & MAP Donation	150,000	-
Fatima Kidney Care	50,000	-
Aashyana Welfare Society	-	50,000
Akhuwat Microfinance - Sindh flood	-	100,000
	<u>300,000</u>	<u>225,000</u>

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

	Six months period ended		Three months period ended		
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	
		----- (Unaudited) -----		----- (Rupees) -----	
<b>28</b>	<b>FINANCE COST</b>				
	Financial cost on diminishing Musharaka financing arrangement	51,515,195	70,262,299	24,570,968	28,619,261
	Financial cost on running musharaka financing arrangement	697,385	251,474	640,379	249,615
	Finance cost on long term borrowing	9,941,671	11,206,989	4,523,096	6,786,281
	Finance cost on liability against right-of-use assets	2,411,940	3,106,806	1,257,805	799,604
	Bank charges and commission	1,121,975	2,285,046	554,203	1,480,402
	Exchange (gain) / loss	(85,139)	91,687	(85,139)	91,687
		<u>65,603,027</u>	<u>87,204,301</u>	<u>31,461,312</u>	<u>38,026,850</u>

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	Six months period ended		Three months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>29 OTHER INCOME - NET</b>	(Unaudited)		(Rupees)	
Profit on deposit accounts with bank	2,378,455	2,754,274	1,689,103	2,238,588
Income from disposal of scrap	17,024,544	12,588,186	8,587,654	3,412,100
(Loss) / gain on disposal of fixed assets and ljarah assets	(17,233,065)	1,492,661	(21,658,700)	4,848,861
Reversal of provision of long-term employee benefit	4,828,156	-	4,828,156	-
Amortisation of deferred government grant	6,606,463	7,468,092	3,134,000	9,544,492
Gain on reassessment of lease liability	-	7,662,874	-	7,662,874
Bed debt recovered	40,000,000	-	40,000,000	-
	<u>53,604,553</u>	<u>31,966,087</u>	<u>36,580,213</u>	<u>27,706,915</u>

	Six months period ended	
	December 31, 2021	December 31, 2020
<b>30 TAXATION</b>	(Unaudited)	
	(Rupees)	
- Current	199,810,472	-
- Deferred	(33,858,411)	-
	<u>165,952,061</u>	<u>-</u>

30.1 During the year ended June 30, 2021, the income of non-trading modaraba was made taxable through the Tax Laws (Second Amendment) Ordinance, 2021. Based on the advice of the tax advisor, the management was of the view that the taxability on income will be effective from July 1, 2021. Accordingly, the management has recognised a provision for taxation amounting to Rs. 165.923 million for the six months period ended December 31, 2021.

	Six months period ended	
	December 31, 2021	December 31, 2020
<b>30.2 Relationship between tax expense and accounting profit</b>	(Unaudited)	
	(Rupees)	
Accounting profit before tax	413,440,365	-
Tax rate	29%	-
Tax on accounting profit	119,897,706	-
<b>Tax effect of:</b>		
Permanent differences	11,212,871	-
Excess of MTR over NTR	34,841,484	-
	<u>165,952,061</u>	<u>-</u>

	For the six month period ended		Three months period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>31 EARNINGS PER CERTIFICATE</b>	(Unaudited)		(Rupees)	
	(Rupees)		(Number of certificates)	
Profit for the period after taxation	<u>247,488,304</u>	<u>158,505,824</u>	<u>142,322,654</u>	<u>81,994,258</u>
Weighted average number of ordinary certificates outstanding during the period	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>
	(Rupees)		(Rupees)	
Earnings per certificate - basic and diluted	<u>1.12</u>	<u>0.72</u>	<u>0.65</u>	<u>0.37</u>

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

## 32 RELATED PARTY TRANSACTIONS

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

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

Name of the related party	Relationship and percentage shareholding	Transactions during the period	Six months period ended	
			December 31, 2021	December 31, 2020
			----- (Unaudited) -----	
			----- (Rupees) -----	
Allied Engineering Management Company (Private) Limited (the Modaraba Management Company)	Associated Company	Modaraba Management Company's remuneration	5,650,000	2,000,000
		Payment made to the Modaraba Management Company (including management fee) during the period	11,300,000	11,300,000
		Amount received from the Modaraba Management Company during the period	-	-
		Dividend paid during the period	65,999,996	32,999,998
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	43,067,286	4,329,000
		Purchase of parts and services	187,960,882	171,092,909
		Income from ijarah assets	5,458,206	338,310
		Reimbursement of expenses	7,223,736	7,955,868
		Receivable from AESL against customer deposits	394,864	444,500
		Dividend paid during the period	227,896,610	113,948,305
Apex Machinery (Private) Limited	Associated Company	Purchase of parts and services	8,109,631	8,697,329
		Purchase of assets	-	24,507,513
Allied E-Commerce Solutions (Private) Limited	Associated Company	Expenses charge during the period	20,000	-
Allied Commercial Enterprises (Private) Limited	Associated Company	Income from ijarah assets	20,000	8,137,452
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident fund	Contribution to the staff provident fund during the period	10,211,993	9,322,982
		Dividend paid during the period	5,602,302	2,801,151
Key management personnel (Other than the CEO and the employees of the Management Company)	Key Management Personnel	Remuneration of the key management personnel during the period	19,110,000	22,977,821
		Dividend paid during the period	173,766	86,884
		Contribution to the staff provident fund during the period	1,232,898	1,141,404
		Charge for staff gratuity scheme during the period	2,960,788	1,804,997
Directors	Directors of the management company	Dividend paid during the period	13,315,873	6,657,936

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

Name of the related party	Relationship and percentage shareholding	Period-end balances	As at period ended	
			December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
			----- (Rupees) -----	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Outstanding certificates 43,999,997 (June 30, 2021: 43,999,997) Payable to the Modaraba Management Company	<u>439,999,970</u> <u>5,074,653</u>	<u>439,999,970</u> <u>10,788,100</u>
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Outstanding certificates 151,931,073 (June 30, 2021: 151,931,073) Payable against purchase of parts and services	<u>1,519,310,730</u> <u>431,016,459</u>	<u>1,519,310,730</u> <u>425,484,687</u>
Apex Machinery (Private) Limited	Associated Company	Payable against purchase of parts	<u>9,168,000</u>	<u>21,550,405</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Outstanding certificates 3,734,868 (June 30, 2021: 3,734,868)	<u>37,348,680</u>	<u>37,348,680</u>
Key Management Personnel	Key Management Personnel	Outstanding certificates 115,844 (June 30, 2021: 115,844)	<u>1,158,440</u>	<u>1,158,440</u>
Directors	Directors of Management Company	Outstanding certificates 8,877,248 (June 30, 2021: 8,877,248)	<u>88,772,480</u>	<u>88,772,480</u>

**33 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.

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

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

	For the six months period ended					
	Ijarah		Operation and maintenance		Total	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Unaudited)					
	(Rupees)					
<b>Segment revenues / profits</b>						
Revenue	2,135,050,023	1,694,483,446	73,308,002	69,353,599	2,208,358,025	1,763,837,045
Costs	(1,946,744,268)	(1,589,354,632)	(67,730,006)	(47,942,676)	(2,014,474,274)	(1,637,297,308)
Reportable segment profit	<u>188,305,755</u>	<u>105,128,814</u>	<u>5,577,996</u>	<u>21,410,923</u>	<u>193,883,751</u>	<u>126,539,737</u>

	Ijarah		Operation and maintenance		Total	
	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	(Rupees)					
<b>Segment assets and liabilities</b>						
<b>Reportable segment assets</b>						
Rentals receivable	1,149,732,737	1,168,468,030	29,429,322	26,856,560	1,179,162,059	1,195,324,590
Advances, deposits, prepayments and other receivables	348,765,393	478,161,894	-	-	348,765,393	478,161,894
Spare parts	204,731,849	163,139,692	-	-	204,731,849	163,139,692
Ijarah assets	5,645,683,235	5,891,181,931	-	-	5,645,683,235	5,891,181,931
Capital work-in-progress - Ijarah asset	49,880,426	6,477,252	-	-	49,880,426	6,477,252
	<u>7,398,793,640</u>	<u>7,707,428,799</u>	<u>29,429,322</u>	<u>26,856,560</u>	<u>7,428,222,962</u>	<u>7,734,285,359</u>
<b>Reportable segment liabilities</b>						
Creditors, accrued and other liabilities	647,613,191	511,973,052	-	-	647,613,191	511,973,052
Contract liabilities (advances from customers)	130,272,443	68,054,519	-	-	130,272,443	68,054,519
Diminishing musharaka financing payable - secured	1,016,640,623	1,356,974,708	-	-	1,016,640,623	1,356,974,708
Long term borrowings and deferred grant	183,459,457	265,159,064	-	-	183,459,457	265,159,064
Other long term liabilities	55,272,187	58,175,063	-	-	55,272,187	58,175,063
	<u>2,033,257,901</u>	<u>2,260,336,406</u>	<u>-</u>	<u>-</u>	<u>2,033,257,901</u>	<u>2,260,336,406</u>

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

	Note	December 31, 2021	December 31, 2020
		(Unaudited)	(Unaudited)
		(Rupees)	
<b>Profit</b>			
Total profit for reportable segments	33.1	193,883,751	126,539,737
Other income	29	53,604,553	31,966,087
		<u>247,488,304</u>	<u>158,505,824</u>

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	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited) (Restated)
----- (Rupees) -----			
<b>Assets</b>			
Total assets for reportable segments	33.1	7,428,222,962	7,734,285,359
Unallocated assets			
- Cash and bank balances	13	103,470,392	117,119,860
- Advances, deposits, prepayments and other receivables		189,285,745	275,753,950
- Security deposits		50,000	50,000
- Fixed assets - in own use	7	188,333,998	190,716,697
- Intangible asset	8	798,680	1,026,875
		<u>7,910,161,777</u>	<u>8,318,952,741</u>
<b>Liabilities</b>			
Total liabilities for reportable segments	33.1	2,033,257,901	2,260,336,406
Unallocated liabilities			
- Creditors, accrued and other liabilities		133,339,038	195,638,927
- Liability against right of use assets and finance lease	16	49,351,590	52,258,559
- Payable to the Modaraba Management Company	21	5,074,653	10,788,100
- Deferred liability for staff gratuity	15.1	120,227,226	109,060,825
- Other long-term employee benefit		19,224,156	24,052,311
- Deferred tax liability	19	746,663,769	780,799,498
- Unclaimed dividend		1,330,672	1,134,696
		<u>3,108,469,005</u>	<u>3,434,069,322</u>

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

#### 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

##### 34.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Modaraba to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at December 31, 2021 and June 30, 2021, there were no financial instruments which were measured at fair values in these condensed interim financial statements.

The following table shows the carrying amounts and fair values of all financial assets and financial liabilities, including their levels in the fair value hierarchy.

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As at December 31, 2021 (Unaudited)							
Carrying Value				Fair Value			
Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

Note ----- (Rupees) -----

**Financial assets not measured at fair value**

34.2							
Cash and bank balances	103,470,392	-	-	103,470,392	-	-	-
Ijarah rentals receivable	1,149,732,737	-	-	1,149,732,737	-	-	-
Operation and maintenance income receivable	29,429,322	-	-	29,429,322	-	-	-
Advances, deposits and other receivables	24,035,123	-	-	24,035,123	-	-	-
Long term security deposits	50,000	-	-	50,000	-	-	-
	<u>1,306,717,574</u>	-	-	<u>1,306,717,574</u>	-	-	-

**Financial liabilities not measured at fair value**

34.2							
Creditors, accrued and other liabilities	-	-	768,727,936	768,727,936	-	-	-
Payable to the Modaraba Management Company	-	-	5,074,653	5,074,653	-	-	-
Diminishing musharaka financing payable - secured	-	-	1,016,640,623	1,016,640,623	-	-	-
Long term borrowings and deferred grants	-	-	183,459,457	183,459,457	-	-	-
Liability against right-of-use assets	-	-	49,351,590	49,351,590	-	-	-
Unclaimed dividend	-	-	1,330,672	1,330,672	-	-	-
	-	-	<u>2,024,584,931</u>	<u>2,024,584,931</u>	-	-	-

As at June 30, 2021 (Audited)							
Carrying Value				Fair Value			
Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

Note ----- (Rupees) -----

**Financial assets not measured at fair value**

34.2							
Cash and bank balances	117,119,860	-	-	117,119,860	-	-	-
Ijarah rentals receivable	1,168,468,030	-	-	1,168,468,030	-	-	-
Operation and maintenance income receivable	26,856,560	-	-	26,856,560	-	-	-
Advances, deposits and other receivables	22,936,930	-	-	22,936,930	-	-	-
Long term security deposit	50,000	-	-	50,000	-	-	-
	<u>1,335,431,380</u>	-	-	<u>1,335,431,380</u>	-	-	-

**Financial liabilities not measured at fair value**

34.2							
Creditors, accrued and other liabilities	-	-	693,103,348	693,103,348	-	-	-
Payable to the Modaraba Management Company	-	-	10,788,100	10,788,100	-	-	-
Diminishing musharaka financing payable - secured	-	-	1,356,974,708	1,356,974,708	-	-	-
Long term borrowings and deferred grants	-	-	265,159,064	265,159,064	-	-	-
Liability against right-of-use assets	-	-	52,258,559	52,258,559	-	-	-
Unclaimed dividend	-	-	1,134,696	1,134,696	-	-	-
	-	-	<u>2,379,418,475</u>	<u>2,379,418,475</u>	-	-	-

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

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**35 GENERAL**

**35.1** Figures in these condensed interim financial statements for the quarters ended December 31, 2021 and December 31, 2020 have not been subjected to limited scope review of the auditors.

**35.2 Reclassification of comparatives**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current year except for the following:

FROM	TO	June 30, 2021 (Rupees)
Fixed assets - in own use	Advances, deposits, prepayments and other receivable	14,330,733

**35.3 Date of authorisation**

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on March 1, 2022.

*AJCO*

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

*Saad*

**Muhammad Saad**  
Chief Financial Officer

*Murtaza*

**Murtaza Ahmed Ali**  
Chief Executive Officer

*Abdul Rahim*

**Abdul Rahim Suriya**  
Director

*Syed Feisal ali*

**Syed Feisal Ali**  
Director