

Allied Rental Modaraba  
Condensed Interim Statement of Financial Position  
As at 31 December 2018

	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	6	160,340,906	91,230,840
Ijarah rentals receivable	7	1,392,238,323	1,334,114,468
Operation and maintenance income receivable	8	33,082,434	29,363,774
Advances, deposits, prepayments and other receivables	9	633,457,095	540,717,302
Spare parts		109,398,082	104,835,161
		<b>2,328,516,840</b>	<b>2,100,261,545</b>
<b>Non-current assets</b>			
Long term security deposits		50,000	50,000
Diminishing musharaka financing - secured		-	967,729
Fixed assets in own use - tangible	10	129,046,989	131,283,995
Intangible asset for own use	11	5,170,785	6,126,565
Ijarah assets	12	6,611,462,796	6,732,935,766
Capital work-in-progress - ijarah asset	13	24,002,783	64,856,641
		<b>6,769,733,353</b>	<b>6,936,220,696</b>
<b>Total assets</b>		<b>9,098,250,193</b>	<b>9,036,482,241</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors, accrued and other liabilities	14	777,603,117	625,286,025
Payable to the Modaraba Management Company	15	17,156,498	12,265,972
Current maturity of diminishing musharaka financing payable - secured	16	1,087,353,721	1,008,787,702
Current portion of security deposits		55,260,000	56,963,000
Unclaimed dividend		1,157,855	1,092,249
		<b>1,938,531,191</b>	<b>1,704,394,948</b>
<b>Non-current liabilities</b>			
Diminishing musharaka financing payable - secured	16	1,781,050,316	2,035,200,403
Deferred liability for staff gratuity		77,592,357	69,496,154
Other long-term employee benefit		18,297,635	18,729,167
Security deposits		56,138,732	58,125,000
		<b>1,933,079,040</b>	<b>2,181,550,724</b>
<b>Total liabilities</b>		<b>3,871,610,231</b>	<b>3,885,945,672</b>
<b>NET ASSETS</b>		<b>5,226,639,962</b>	<b>5,150,536,569</b>
<b>FINANCED BY: CAPITAL AND RESERVES</b>			
Authorized certificate capital			
225,000,000 (30 June 2018: 225,000,000) Modaraba certificates of Rs.10 each	17	2,250,000,000	2,250,000,000
Issued, subscribed and paid-up certificate capital			
220,000,000 (30 June 2018: 200,000,000) Modaraba certificates of Rs.10 each	17	2,200,000,000	2,000,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve		1,599,361,656	1,660,688,804
Unappropriated profit		171,565,806	234,135,265
		<b>5,226,639,962</b>	<b>5,150,536,569</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	18		

The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.

*For*

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

  
**Muhammad Saad**  
Chief Financial Officer

  
**Murtaza Ahmed Ali**  
Chief Executive

  
**Abdul Rahim Suriya**  
Director

  
**Syed Feisal Ali**  
Director

# Allied Rental Modaraba

## Condensed Interim Statement of Profit and Loss Account (Unaudited)

For the six months period ended 31 December 2018


	Note	Six months period ended		Three months period ended	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		(Rupees)			
Ijarah rentals - net	19	1,858,100,307	1,721,610,731	916,441,102	932,676,237
Operation and maintenance income - net	20	69,123,764	60,980,239	39,608,312	29,766,769
		<b>1,927,224,071</b>	1,782,590,970	<b>956,049,414</b>	962,443,006
Operation, maintenance and Ijarah related expenses	21	(1,438,470,602)	(1,303,503,144)	(725,146,696)	(699,840,298)
<b>Gross profit</b>		<b>488,753,469</b>	479,087,826	<b>230,902,718</b>	262,602,708
Administrative expenses	22	(120,191,779)	(91,862,356)	(63,634,180)	(47,776,592)
Provision against potential Ijarah losses and operation and maintenance income	7 & 8	(45,902,016)	(30,561,279)	(35,902,016)	(30,561,279)
Finance cost	23	(134,431,474)	(116,381,287)	(74,162,483)	(60,266,069)
Other income	24	94,117,504	8,324,052	83,295,857	2,462,740
		<b>(206,407,765)</b>	(230,480,870)	<b>(90,402,822)</b>	(136,141,200)
		<b>282,345,704</b>	248,606,956	<b>140,499,896</b>	126,461,508
Modaraba Management Company's remuneration	15	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
<b>Profit for the period before taxation</b>		<b>277,345,704</b>	243,606,956	<b>135,499,896</b>	121,461,508
Taxation	25	-	-	-	-
<b>Profit for the period</b>		<b>277,345,704</b>	243,606,956	<b>135,499,896</b>	121,461,508
			(Restated)		(Restated)
<b>Earnings per certificate - basic and diluted</b>	26	<b>1.26</b>	1.11	<b>0.62</b>	0.55

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Chief Executive

  
Abdul Rahim Suriya  
Director

  
Syed Feisal Ali  
Director

## Allied Rental Modaraba


### Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2018

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<b>----- (Rupees) -----</b>			
Profit for the period after taxation	<b>277,345,704</b>	243,606,956	<b>135,499,896</b>	121,461,508
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<b><u>277,345,704</u></b>	<b><u>243,606,956</u></b>	<b><u>135,499,896</u></b>	<b><u>121,461,508</u></b>

The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.

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Chief Financial Officer

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**Allied Rental Modaraba**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
For the six months period ended 31 December 2018

	<b>Six months period ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>(Rupees)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	277,345,704	243,606,956
<i>Adjustments for</i>		
Depreciation	391,864,704	455,416,410
Amortization	955,780	955,779
Provision against potential Ijarah losses and operation and maintenance income	45,902,016	30,561,279
Provision for deferred liabilities - gratuity	8,096,203	6,103,097
Financial charges including bank charges	131,586,776	112,853,880
(Profit) / loss on disposal of Ijarah and fixed assets	(77,752,252)	1,439,482
	<b>500,653,227</b>	<b>607,329,927</b>
	<b>777,998,931</b>	<b>850,936,883</b>
<i>(Increase) / decrease in assets</i>		
Ijarah rentals receivable	(104,025,871)	(274,081,150)
Operation and maintenance income receivable	(3,718,660)	(12,958,329)
Advances, deposits, prepayments and other receivable	(92,739,793)	(82,209,614)
Spare parts	3,195,335	(52,976,266)
Long-term security deposit	-	-
Diminishing musharaka financing	967,729	3,007,574
	<b>(196,321,260)</b>	<b>(419,217,785)</b>
<i>Increase in operating liabilities</i>		
Creditors, accrued and other liabilities	152,206,373	120,106,260
Payable to the Modaraba Management Company	4,890,526	2,416,823
Security deposits	(3,689,268)	1,450,000
	<b>153,407,631</b>	<b>123,973,083</b>
	<b>735,085,302</b>	<b>555,692,181</b>
Gratuity paid	-	(145,575)
Compensated absences paid	(431,532)	(175,207)
Financial charges paid	(131,472,295)	(132,757,512)
	<b>(131,903,827)</b>	<b>(133,078,294)</b>
<b>Net cash flows from operating activities</b>	<b>603,181,476</b>	<b>422,613,887</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(282,227,618)	(669,682,454)
Proceeds from disposal of Ijarah assets	117,750,000	900,003
Proceeds from disposal of fixed assets in own use	7,166,981	1,762,341
<b>Net cash flows from investing activities</b>	<b>(157,310,637)</b>	<b>(667,020,110)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution to the certificate holders	(199,934,394)	(262,830,410)
Advance against subscription of right certificates	-	96,069,975
Diminishing musharaka financing availed	350,472,155	710,799,933
Expenses against issuance of bonus certificates	(1,242,311)	(486,052)
Bai Muajjal financing availed	-	199,835,414
Repayment of diminishing musharaka financing	(526,056,223)	(461,977,484)
Repayment of Bai Muajjal facility	-	(99,694,340)
<b>Net cash flows from financing activities</b>	<b>(376,760,773)</b>	<b>181,717,036</b>
<b>Net increase in cash and cash equivalents</b>	<b>69,110,066</b>	<b>(62,689,187)</b>
Cash and cash equivalents at the beginning of the period	<b>91,230,840</b>	<b>307,439,392</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>160,340,906</b>	<b>244,750,205</b>

The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.

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(Modaraba Management Company)

  
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Chief Financial Officer

  
**Murtaza Ahmed Ali**  
Chief Executive

  
**Abdul Rahim Suriya**  
Director

  
**Syed Feisal Ali**  
Director

**Allied Rental Modaraba**  
**Condensed Interim Statement of Changes in Equity (Unaudited)**  
For the six months period ended 31 December 2018

	Note	Issued, subscribed and paid up certificate capital	Advance against subscription of right certificates (Note 29)	Premium on issue of certificates	Statutory Reserve	Unappropriated profit	Total
(Rupees)							
Balance as on 1 July 2017		1,755,000,000	-	1,133,212,500	1,463,126,925	307,251,794	4,658,591,219
Total comprehensive income for the six months period ended 31 December 2017		-	-	-	-	243,606,956	243,606,956
Transfer to statutory reserve (at 25% of the profit for the period)		-	-	-	60,901,739	(60,901,739)	-
<b>Transaction with owners - recorded directly in equity</b>							
Advance against subscription of right certificates		-	96,069,975	-	-	-	96,069,975
Expenses against issuance of right certificates		-	-	-	-	(486,052)	(486,052)
Profit distribution for the year ended 30 June 2017 @ Rs. 1.50 per certificate declared subsequent to the year end		-	-	-	-	(263,250,000)	(263,250,000)
Balance as on 31 December 2017		1,755,000,000	96,069,975	1,133,212,500	1,524,028,664	226,220,959	4,734,532,098
Balance as on 1 July 2018		2,000,000,000	-	1,255,712,500	1,660,688,804	234,135,265	5,150,536,569
Total comprehensive income for the six months period ended 31 December 2018		-	-	-	-	277,345,704	277,345,704
Transfer to statutory reserve (at 50% of the profit for the period)		-	-	-	138,672,852	(138,672,852)	-
<b>Transaction with owners - recorded directly in equity</b>							
Profit distribution for the year ended 30 June 2018 @ Rs. 1.00 per certificate declared subsequent to the year end		-	-	-	-	(200,000,000)	(200,000,000)
10% bonus issue for the year ended 30 June 2018 (i.e. 1 certificate for every 10 certificates held) declared subsequent to the year end	17				(200,000,000)	-	(200,000,000)
Expenses against issuance of bonus certificates		-	-	-	-	(1,242,311)	(1,242,311)
Balance as at 31 December 2018		2,000,000,000	-	1,255,712,500	1,599,361,656	171,565,806	5,026,639,962


The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.

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Director



# Allied Rental Modaraba

## Notes to the Condensed Interim Financial Information

*For the six months period ended 31 December 2018*

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The condensed interim financial statements of the Modaraba for the six months period ended on 31 December 2018 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

- 2.2** These condensed interim financial information do not include all the information required for a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended 30 June 2018.

- 2.3** These condensed interim financial statements comprise of the condensed interim statement of financial position as at 31 December 2018 and condensed interim statement of profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity for the six months period ended 31 December 2018.

- 2.4** The comparative statement of financial position presented in these condensed interim financial statements as at 30 June 2018 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2018, whereas the comparative condensed interim statement of profit and loss account, condensed interim statement of comprehensive

income, condensed interim statement of cash flow and condensed interim statement of changes in equity for the six months period ended 31 December 2017 have been extracted from the unaudited condensed interim financial information for the period then ended.

## **2.5 Functional and presentation currency**

These condensed interim financial information are presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest Rupee, unless otherwise stated.

## **3. ACCOUNTING POLICIES**

**3.1** The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Modaraba as at and for the year ended 30 June 2018 except for the adoption of a new standard effective as of 01 July 2018 as referred to in note 3.4 to these condensed interim financial information.

## **3.2 New standards, interpretations and amendments adopted by the Modaraba**

The Modaraba has initially adopted IFRS 15 'Revenue from Contracts with Customers' from 1 July 2018 details of which are mentioned in note 3.4 below. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Modaraba's condensed interim financial information.

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

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

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning / ending those which are on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Modaraba's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods ending on or after 30 June 2019 and being on or after 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The classification and measurement under IFRS 9 is not expected to have any impact on Modaraba's Accounting Policy and no major change is expected to result in the accounting treatment for the financial instruments that have been accounted for in these condensed interim financial information except for the calculation of impairment provision on Ijarah rentals receivable and operation and maintenance income receivables where the requirement of the Prudential Regulations for Modaraba's as issued by SECP prevails.
- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting impact of the standard on Modaraba's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Modaraba's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net

interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Modaraba's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Modaraba's financial statements.

### **3.4 Change in an accounting policy**

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Modaraba has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the informations presented for 2017 have not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The revenue recognition of the Modaraba is based on the following policies:

- For Ijarah arrangements, Ijarah rentals are recognised as income on accrual basis, as and when rentals become due.
- Revenue from operation and maintenance service be recognised over time as those services are provided.
- Profit on Diminishing Musharaka arrangements is recognised under the effective mark-up rate method based on the amount outstanding.
- Profit on bank deposits is recognised on accrual basis using the effective profit rate method.
- Other income is recognised on an accrual basis.

The above is generally consistent with the timing and amounts of revenue the Modaraba recognised in accordance with the previous standard, IAS 18, except for Ijarah transactions in accordance with the requirements of IFAS 2. In addition no distinct services are provided by the Modaraba. Therefore, the adoption of IFRS 15 did not had a material impact on the timing and amounts of revenue recognition of the Modaraba.



Accordingly there were no adjustments to retained earning on application of IFRS 15 at 01 July 2018.

#### 4. ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the accounting policies and the key sources of estimation and uncertainty those are the same as those that applied to the financial statements as at and for the year ended 30 June 2018 except for the change of estimation in the useful lives of certain vehicles (in the employees use) from 8 years to 4 years resulting in an increase of Rs. 8.67 million in depreciation charge for the period (and a resultant decrease in the profit for the period by the same amount).

#### 5. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and polices are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2018.

6.	CASH AND BANK BALANCES	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
			(Rupees)	
	Balances with banks in:			
	- current accounts		51,114,747	19,398,295
	- deposit accounts	6.1	<u>108,627,404</u>	<u>71,135,765</u>
			<u>159,742,151</u>	<u>90,534,060</u>
	Cash in hand		<u>598,755</u>	<u>696,780</u>
			<u>160,340,906</u>	<u>91,230,840</u>
6.1	These balances carry profit at rates ranging from 4.15% to 6.2% per annum (30 June 2018: 3.89% to 4.34% per annum).			
7.	IJARAH RENTALS RECEIVABLE	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
			(Rupees)	
	Considered good		757,611,104	744,730,047
	Considered doubtful	7.1	<u>793,145,308</u>	<u>715,022,507</u>
			<u>1,550,756,412</u>	<u>1,459,752,554</u>
	Provision against potential Ijarah losses	7.1 & 7.2	<u>(158,518,089)</u>	<u>(125,638,086)</u>
			<u>1,392,238,323</u>	<u>1,334,114,468</u>
7.1	In accordance with the prudential regulations for the Modaraba issued by the Securities and Exchange Commission of Pakistan, the Modaraba has availed the benefit of cash deposit collaterals held by the Modaraba in respect of its non-performing portfolio. Such collaterals held as at 31 December 2018 amounted to Rs. 45.6 million (30 June 2018: Rs. 46.088 million). Due to the consideration of this benefit available with the Modaraba, profit for the six month period ended 31 December 2018 and the balance of provision against the potential Ijarah losses as of the period end is respectively higher and lower by Rs. 17.677 million.			
7.2	Provision against potential Ijarah losses	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
			(Rupees)	
	Opening balance		125,638,086	77,611,579
	Charge for the period / year		42,046,912	93,509,885
	Written off during the period / year		<u>(9,166,909)</u>	<u>(45,483,378)</u>
	Closing balance		<u>158,518,089</u>	<u>125,638,086</u>

## 8. OPERATION AND MAINTENANCE INCOME RECEIVABLE

Considered good		21,599,488	17,050,011
Considered doubtful (classified portfolio)		18,762,589	15,738,302
		<u>40,362,077</u>	<u>32,788,313</u>

Provision against operation and maintenance income receivable	8.1	(7,279,643)	(3,424,539)
		<u>33,082,434</u>	<u>29,363,774</u>

## 8.1 Provision against operation & maintenance income receivable

Note

31 December 2018 (Unaudited)	30 June 2018 (Audited)
(Rupees)	

Opening balance	3,424,539	6,811,169
Charge during the period / year	3,855,104	-
Reversal during the period / year	-	(3,188,630)
Written off during the period / year	-	(198,000)
Closing balance	<u>7,279,643</u>	<u>3,424,539</u>

## 9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Income tax recoverable	9.1	415,191,825	278,698,086
Federal Excise Duty (FED) receivable	18.1.2	50,000,000	50,000,000
Punjab sales tax advance		73,495,195	96,610,414
Advances (unsecured) :			
- to contractors		1,682,772	1,682,772
- to suppliers		57,890,616	70,453,696
- to employees against salary		5,265,969	5,548,685
- to employees for expenses		3,524,949	13,658,111
Security deposits	9.2	22,686,608	23,134,108
Diminishing Musharaka - prepayment of borrowing		251,792	266,153
Accrued income on profit or loss sharing bank accounts		309,751	313,513
Insurance claim receivable		526,516	347,122
Others		2,631,102	4,642
		<u>633,457,095</u>	<u>540,717,302</u>

9.1 This represent income tax collected at source at the import stage by the collector of customs amounting to Rs 115.4 million (30 June 2018: Rs 114.05 million) and tax deductions of Rs. 299.79 million (30 June 2018: 164.65) from various payments made to Modaraba.

As explained in note 25, income of the Modaraba is exempt from tax under clause 100 of the Second Schedule of Income Tax Ordinance, 2001. However, withholding of taxes under sections 153 (1)(b), 148 and other sections of the Income Tax Ordinance, 2001 have been made by the withholding agents. Exemption certificates for non-deduction of tax at source is currently not available with the Modaraba and was not renewed by Commissioner Inland Revenue Large Tax Payer Unit (LTU-II) and an appeal to the Chief Commissioner LTU-II was also not accepted.

The Modaraba is of the view that since its total income is exempt from income tax by virtue of compliance of clause 100 of the Second Schedule, exemption certificate under sections 153 (1)(b), 148 be at least granted by Federal Board of Revenue as the Modaraba has always complied with the requirement of the clause 100 of the Second Schedule.

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

9.2 This includes Rs. 12.4 million (30 June 2018: Rs. 12.4 million) held by Banks as security for the guarantees of the same amount given by them on behalf of the Modaraba to its suppliers / customers.

## 10. FIXED ASSETS IN OWN USE - tangible

Note

31 December 2018 (Unaudited)	30 June 2018 (Audited)
(Rupees)	

Fixed assets in own use - tangible (at cost less accumulated depreciation)	10.1	124,747,528	115,918,755
Capital work in progress	10.2	4,299,461	15,365,240
		<u>129,046,989</u>	<u>131,283,995</u>

## 10.1 Fixed Assets In Own Use - Tangible

31 December 2018 (Unaudited)			
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
At 01 July 2018			
Cost	28,975,867	138,580,566	167,556,433
Accumulated depreciation	(12,234,186)	(39,403,493)	(51,637,679)
Net book value as at 01 July 2018	16,741,681	99,177,073	115,918,754
Additions during the period	4,319,414	26,488,601	30,808,015
Disposals during the period			
Cost	-	(10,822,500)	(10,822,500)
Accumulated depreciation	-	3,654,488	3,654,488
	-	(7,168,012)	(7,168,012)
Depreciation charge for the period	(1,611,280)	(13,199,949)	(14,811,229)
Closing net book value as at 31 December 2018	19,449,815	105,297,713	124,747,528
At 31 December 2018			
Cost	33,295,281	154,246,667	187,541,948
Accumulated depreciation	(13,845,466)	(48,948,954)	(62,794,420)
Net book value as at 31 December 2018	19,449,815	105,297,713	124,747,528
Life (years)	3 to 8	4 to 8	
30 June 2018 (Audited)			
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
At 01 July 2017			
Cost	22,237,552	101,006,401	123,243,953
Accumulated depreciation	(9,513,297)	(30,574,146)	(40,087,443)
Net book value as at 01 July 2017	12,724,255	70,432,255	83,156,510
Additions during the year	6,738,315	48,812,243	55,550,558
Disposals during the year			
Cost	-	(11,238,078)	(11,238,078)
Accumulated depreciation	-	3,501,564	3,501,564
	-	(7,736,514)	(7,736,514)
Depreciation charge for the year	(2,720,889)	(12,330,911)	(15,051,800)
Closing net book value as at 30 June 2018	16,741,681	99,177,073	115,918,754
At 30 June 2018			
Cost	28,975,867	138,580,566	167,556,433
Accumulated depreciation	(12,234,186)	(39,403,493)	(51,637,679)
Net book value as at 30 June 2018	16,741,681	99,177,073	115,918,754
Life (years)	3 to 8	8	

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

11.	INTANGIBLE ASSET FOR OWN USE	Note	31 December 2018 (Unaudited) (Rupees)	30 June 2018 (Audited)
	Intangible asset for own use (at cost less amortization) - software	11.1	3,345,229	4,301,009
	Capital work-in-progress (advance to the supplier for the software)		1,825,556	1,825,556
			<u>5,170,785</u>	<u>6,126,565</u>
11.1	Intangible asset for own use (at cost less amortisation) - software at 1 July			
	Cost - computer software		7,646,238	7,646,238
	Accumulated amortization		(3,345,229)	-
	Net book value as at 1 July		<u>4,301,009</u>	<u>7,646,238</u>
	Amortization during the period / year	22	(955,780)	(3,345,229)
	Carrying value as at the period-end / year-end		<u>3,345,229</u>	<u>4,301,009</u>
	Life over which cost of the asset is amortized		<u>4 years</u>	<u>4 years</u>

## 12. IJARAH ASSETS

	Ijarah assets (at cost less accumulated depreciation)	12.1	<u>6,611,462,796</u>	<u>6,732,935,766</u>
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### 12.1 Ijarah assets - at cost less accumulated depreciation

31 December 2018 (Unaudited)			
	Generators, material handling / transportation vehicles and related equipments	Machines	Total
----- (Rupees) -----			
At 01 July 2018			
Cost	9,517,812,918	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,827,769,801)	(166,649,104)	(3,994,418,905)
Net book value as at 1 July 2018	<u>5,690,043,117</u>	<u>1,042,892,649</u>	<u>6,732,935,766</u>
Additions during the period	253,783,723	41,798,500	295,582,223
Disposals during the period			
Cost	(101,141,865)	-	(101,141,865)
Accumulated depreciation	61,140,147	-	61,140,147
	(40,001,718)	-	(40,001,718)
Depreciation charge for the period	(333,174,206)	(43,879,269)	(377,053,475)
Closing net book value as at 31 December 2018	<u>5,570,650,916</u>	<u>1,040,811,880</u>	<u>6,611,462,796</u>
At 31 December 2018			
Cost	9,670,454,776	1,251,340,253	10,921,795,029
Accumulated depreciation	(4,099,803,860)	(210,528,373)	(4,310,332,233)
Net book value as at 31 December 2018	<u>5,570,650,916</u>	<u>1,040,811,880</u>	<u>6,611,462,796</u>
Life (Years)	<u>1 to 24</u>	<u>8 to 10</u>	

30 June 2018 (Audited)			
	Generators, material handling / transportation vehicles and related equipments	Machines	Total
	----- (Rupees) -----		
At 01 July 2017			
Cost	8,571,584,642	817,980,227	9,389,564,869
Accumulated depreciation	(3,236,248,485)	(93,651,657)	(3,329,900,142)
Net book value as at 1 July 2017	5,335,336,157	724,328,570	6,059,664,727
Additions during the year	1,335,204,974	391,561,526	1,726,766,500
Disposals during the year			
Cost	(388,976,698)	-	(388,976,698)
Accumulated depreciation	265,027,293	-	265,027,293
	(123,949,405)	-	(123,949,405)
Depreciation charge for the year	(856,548,609)	(72,997,447)	(929,546,056)
Closing net book value as at 30 June 2018	5,690,043,117	1,042,892,649	6,732,935,766
At 30 June 2018			
Cost	9,517,812,918	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,827,769,801)	(166,649,104)	(3,994,418,905)
Net book value as at 30 June 2018	5,690,043,117	1,042,892,649	6,732,935,766
Life (Years)	1 to 24	8 to 10	

12.2

During the period, the Modaraba acquired certain equipments and parts amounting to Rs. 50.217 million (year ended 30 June 2018: Rs. 157.069 million) from Allied Engineering and Services (Private) Limited (AESL), an associated company.

12.3

Additions to Ijarah assets during the period include assets amounting to Rs. 224.472 million (year ended 30 June 2018: Rs. 1,280.735 million) acquired under Diminishing Musharaka financing. The Modaraba holds title to these assets.

	Note	31 December 2018 (Unaudited) (Rupees)	30 June 2018 (Audited)	
13.	CAPITAL WORK-IN-PROGRESS - ijarah assets			
	Generators under installation	-	7,758,256	
	Advance for purchase of equipments and trucks	24,002,783	57,098,385	
		24,002,783	64,856,641	
14.	CREDITORS, ACCRUED AND OTHER LIABILITIES			
	Creditors for goods	14.1	418,073,728	351,257,500
	Advances from customers		93,025,722	49,050,857
	Security deposit		-	200,000
	Employee car scheme - deductions	14.2	17,426,384	24,092,759
	Accrued expenses			
	- Creditors for expenses		88,526,937	102,878,209
	- Accrued commission		5,585,786	2,266,436
	- Accrued staff bonus		63,720,798	27,516,803
	- Auditor's remuneration		300,000	624,157
	- Accrued financial charges	14.3	37,796,627	37,685,908
	- Miscellaneous		176,186	40,564
			196,106,334	171,012,077
	Income tax deductions at source from			
	- employees		339,822	612,118
	- suppliers		2,143,557	2,523,088
	Sales tax		50,487,570	26,537,626
			777,603,117	625,286,025

**14.1** This includes Rs. 339.331 million (30 June 2018: Rs. 287.878 million) payable to Allied Engineering and Services (Private) Limited (an associated company) for various purchases and services availed by the Modaraba.

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

**14.3** This represents accrual of financial charges of Rs. 37.332 million (30 June 2018: Rs. 37.826 million) respectively in respect of Diminishing Musharaka activities availed by the Modaraba.

#### **15. PAYABLE TO THE MANAGEMENT COMPANY**

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. During the period, the Modaraba recorded liability for remuneration at 1.803% of the profit for the six months period ended 31 December 2018 amounting to Rs. 5 million (31 December 2017: 2.053% of the profit amounting to Rs. 5 million). Remuneration based on the annual results shall be paid after the year ending 30 June 2019.

<b>16. DIMINISHING MUSHARAKA FINANCING</b>		<b>31 December</b>	<b>30 June</b>
<b>PAYABLE - secured</b>	<i>Note</i>	<b>2018</b>	<b>2018</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>(Rupees)</b>	
Musharaka finance	16.1 & 16.3	<b>2,868,404,037</b>	3,043,988,105
Due within one year		<b>(1,087,353,721)</b>	(1,008,787,702)
		<b><u>1,781,050,316</u></b>	<b><u>2,035,200,403</u></b>
<b>16.1</b> Financing from Islamic banking and financial institutions		<b>2,811,675,591</b>	2,860,237,958
Financing from Modarabas		<b>56,728,446</b>	183,750,147
	16.2	<b><u>2,868,404,037</u></b>	<b><u>3,043,988,105</u></b>

**16.2** The total facility under Musharaka finance available / unavailed from Islamic Bank and financial institutions amounts to Rs. 1,464.599 million (30 June 2018: Rs. 1,505.005 million). These facilities have maturities from January 2019 to November 2023 (30 June 2018: July 2018 to June 2023) and are secured against the hypothecation of Ijarah assets amounting to Rs. 6,428.033 million (30 June 2018 Rs. 5,715.155 million). Share of profit payable on these facilities is 6.91% to 11.69% per annum (2018: 7.05% to 7.84%) per annum.

**16.3** This includes advance for diminishing musharaka amounting to Rs. 42.830 million (30 June 2018: Rs. 191.866 million) which will be converted subsequent to the period end into diminishing musharaka facility when the assets will be available for its intended use. Share of profit payable on this balance is 10.5% per annum (30 June 2018: 7.05% per annum).

#### **17. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL**

##### **17.1 Authorised certificate capital**

<b>31 December</b>	<b>30 June</b>		<b>31 December</b>	<b>30 June</b>
<b>2018</b>	<b>2018</b>		<b>2018</b>	<b>2018</b>
<b>(Unaudited)</b>	<b>(Audited)</b>		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>(Number of certificates)</b>			<b>(Rupees)</b>	
<b><u>225,000,000</u></b>	<u>225,000,000</u>	Modaraba Certificates of Rs. 10 each	<b><u>2,250,000,000</u></b>	<u>2,250,000,000</u>

##### **17.2 Issued, subscribed and paid-up certificate capital**

<b>172,625,000</b>	172,625,000	Modaraba Certificates of Rs. 10 each fully paid in cash	<b>1,726,250,000</b>	1,726,250,000
<b>47,375,000</b>	27,375,000	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	<b>473,750,000</b>	273,750,000
<b><u>220,000,000</u></b>	<u>200,000,000</u>		<b><u>2,200,000,000</u></b>	<u>2,000,000,000</u>

**17.3** The Board of Directors of the Management Company approved the issue of bonus certificate in the proportion of 1 certificate for every 10 certificates held amounting to Rs. 200 million, in its meeting held on 29 August 2018. Under the Prudential Regulations for Modaraba, bonus issue may be made out of statutory reserves.



## **18. CONTINGENCIES AND COMMITMENTS**

### **18.1 Contingencies**

Contingencies outstanding as at 31 December 2018 are as follows:

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

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

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

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

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

During the year ended 30 June 2018, tribunal disposed of the appeal in favour of the Modaraba. However, the Commissioner has demanded the said tax dues along with penalty (resulting in the total amount Rs. 13.118 million). Modaraba has filed an appeal with the Commissioner appeals along with applications for stay of demand which remains undisposed, therefore, Modaraba filed a petition dated 15 May 2018 in the Honourable High Court of Sindh for the stay of demand and the Court granted a stay order till the next date of hearing. The Management believes that the outcome of the petition will be in favour of the Modaraba and hence no provision has been made in these financial statements.

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

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

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

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

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

In light of the judgment of the SHC and based on consultations with its advisors, the management believes that the outcome of the appeals with the ATIR and Supreme Court of Pakistan will be in favour of the Modaraba. Accordingly, no provision in respect of FED has been made in these financial statements. Further, the under protest payment of Rs. 50 million made to the FBR has been shown as a refundable balance in note 9 to these condensed interim financial information.

**18.1.3** On 05 June 2017, the Sindh Revenue Board issued a notification under which an amendment was made in Rule 42E (5) Sindh Sales Tax on Service Act, 2011. The amount of reimbursement of salaries and allowances of the labour and manpower are included in the value of services. Hence such reimbursements is now exposed to Sindh sales tax at 13% under tariff heading 9829.0000 of the Second Schedule of Sindh Sales Tax on Service Act, 2011. Earlier such reimbursements were not exposed to Sindh sales tax. The Honourable Court of Sindh has granted interim stay on aforesaid change on 21 August 2017. The amount involved in respect of this amendment is estimated to be of Rs. 35.428 million as of 31 December 2018. The management, based on a legal advise, believes that the decision will be in its favour.

**18.1.4** Please refer note 9.2 also regarding certain guarantees given on behalf of the Modaraba.

**18.1.5** During the year ended 30 June 2018, Commissioner demanded, through assessment order no. 01 of 2018 dated 27 June 2018, sales tax amounting to Rs. 26.228 million in respect of disposal of ijarah asset against sales value of Rs. 156.64 million. Modaraba has filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amount. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these Condensed financial statements.

**18.1.6** During the year ended 30 June 2018, Deputy Commissioner Inland Revenue (CIR) issued an order D.C. no. 21/03 dated 9 June 2018 in respect of tax audit for the tax year 2012. Order demanded tax amounting to Rs. 8.152 million against the profit on ijarah financing, gain on assets of ijarah assets and management fees which were adjusted against the income tax recoverable for the said tax year. Modaraba has filed an appeal with Commissioner Inland Revenue (Appeal) against the order. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these financial statements.

#### **18.1.7 Workers' Welfare Fund**

The Supreme Court of Pakistan has upheld the view of the Honourable Lahore High Court, declaring the insertion of amendments introduced in the Finance Act 2008 pertaining to Workers Welfare Fund (WWF) as unlawful and thereby striking down the amendments introduced through the Finance Act. The Federal Board of Revenue has filed a review petition against the above judgment. The petition is currently pending with the Supreme Court of Pakistan.

Furthermore, the Sindh Revenue Board (SRB) had written to Modaraba in February 2016 to register and pay Sindh Workers Welfare Fund (SWWF). The Modaraba is of the view that Sindh WWF Act is limited to the province of Sindh and the definition of total income as provided for in the SWWF encompasses the total income of an assessee for whole of the country i.e. for all provinces, thus in lieu of the definition of the total income under SWWF, 2% contribution to be paid is not limited to the province of Sindh. The Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces. Thus for this reason the definition of total income as provided in SWWF is not correct and charging of WWF is ultra vires of the legislative power conferred upon the province of Sindh. As a result, the Modaraba is of the view that unless there is a mechanism of the apportionment of the total income relevant to the province of Sindh, SRB has no legal authority to demand and/or collect SWWF from the Modaraba. Therefore, based on above grounds the Modaraba, has filed a petition CPD: 935/2017 dated 15 February 2017 in the Sindh High Court who has granted a restraining order in favour of the Modaraba. Besides the Modaraba has also obtained a legal opinion which mentions that keeping in view a judgement of the Honourable Supreme Court of Pakistan, which has held that subjects of labour at trans-provincial level falls within the domain of Federal Legislative and not the provincial legislative, the trans-province entities are to be governed under the Federal Workers' Welfare Fund Ordinance rather than under the Sindh Workers' Welfare Fund Act, 2014. The Management of the Modaraba is hopeful of a favourable outcome of its appeal.

The legal advisor has also opined that in view of the matters discussed above, Modaraba is a federal subject but escapes the charging provision because it is not an industrial establishment as defined in the WWF Ordinance.

## **18.2 Commitments**

### **18.2.1 Contractual rentals receivable on Ijarah contracts**

	31 December 2018 (Unaudited)			30 June 2018 (Audited)		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	----- (Rupees) -----			----- (Rupees) -----		
Rentals receivable in future	<u>117,880,006</u>	<u>147,226,500</u>	<u>265,106,506</u>	<u>156,865,437</u>	<u>199,472,000</u>	<u>356,337,437</u>

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

### **18.2.2 Other Commitments**

	31 December 2018 (Unaudited) (Rupees)	30 June 2018 (Audited)
Capital commitment	<u>1,059,000</u>	<u>-</u>

		Six months period ended		Three months period ended	
		31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		(Unaudited)			
		(Rupees)			
<b>19.</b>	<b>IJARAH RENTALS - net</b>				
	Ijarah rentals	2,032,211,215	1,874,054,623	1,012,142,486	1,007,135,889
	Sales tax	(174,110,908)	(152,443,892)	(95,701,384)	(74,459,652)
		<u>1,858,100,307</u>	<u>1,721,610,731</u>	<u>916,441,102</u>	<u>932,676,237</u>
<b>20.</b>	<b>OPERATION AND MAINTENANCE INCOME - net</b>				
	Operation and maintenance income	75,813,124	65,488,548	43,062,858	31,888,028
	Sales tax	(6,689,360)	(4,508,309)	(3,454,546)	(2,121,259)
		<u>69,123,764</u>	<u>60,980,239</u>	<u>39,608,312</u>	<u>29,766,769</u>
<b>21.</b>	<b>OPERATION, MAINTENANCE AND IJARAH RELATED EXPENSES</b>				
	Salaries, wages and other staff benefits	462,240,097	394,438,233	221,103,104	192,982,580
	Depreciation expense	377,053,475	448,487,212	181,145,513	265,951,943
	Repairs and maintenance expenses	215,843,629	169,599,943	107,820,095	81,432,173
	Ijarah rentals	-	9,934,771	-	-
	Fleet vehicles running expenses	321,689,899	232,770,482	181,537,775	132,415,252
	Vehicles running expenses	17,098,639	10,558,750	8,024,055	5,806,640
	Insurance expense - equipments	20,732,335	20,155,603	10,275,429	11,281,114
	Travelling and conveyance expenses	8,931,478	4,765,890	5,578,605	2,248,452
	Rent expense	14,881,050	12,792,260	9,662,120	7,589,644
		<u>1,438,470,602</u>	<u>1,303,503,144</u>	<u>725,146,696</u>	<u>699,707,798</u>
<b>22.</b>	<b>ADMINISTRATIVE EXPENSES</b>				
	Salaries, wages and other staff benefits	72,476,442	55,940,217	35,368,915	29,593,838
	Vehicle running costs	6,449,783	4,824,895	3,416,879	2,278,715
	Travelling and conveyance	2,470,992	3,491,702	1,356,810	2,132,192
	Depreciation expense	14,811,229	6,929,199	10,027,211	3,238,860
	Amortization expense	955,780	955,779	955,780	955,779
	Legal and professional charges	5,869,157	3,658,437	2,531,389	915,785
	Auditors' remuneration	545,393	600,000	545,393	600,000
	Telephone, postage and fax charges	3,620,936	2,787,954	1,940,676	1,354,421
	Advertisement and sales promotion	786,544	1,342,673	522,592	930,394
	Printing and stationery	2,996,379	3,311,055	1,672,905	2,168,406
	Insurance cost - vehicles	1,362,420	1,150,183	717,050	656,406
	Training, meetings and tender participation	954,655	838,426	626,590	334,257
	Donation	150,000	167,920	-	167,920
	Software development	1,092,774	479,512	1,087,524	-
	Entertainment	2,324,403	2,205,231	1,465,418	1,136,346
	Utilities	1,651,620	1,416,402	740,522	549,234
	Security	1,554,142	1,724,388	594,316	868,434
	Miscellaneous	119,130	38,383	64,210	38,383
		<u>120,191,779</u>	<u>91,862,356</u>	<u>63,634,180</u>	<u>47,919,370</u>

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>23. FINANCE COST</b>	<b>(Unaudited)</b>			
	<b>(Rupees)</b>			
Financial cost on Diminishing Musharaka financing arrangement	127,864,994	110,178,764	68,546,734	55,001,243
Financial cost on Bai Muajjal financing arrangement	-	2,095,330	-	2,095,330
Bank charges and commission	1,809,040	2,604,152	1,037,792	1,203,701
Exchange loss	4,757,440	1,503,041	4,577,957	1,965,795
	<b>134,431,474</b>	<b>116,381,287</b>	<b>74,162,483</b>	<b>60,266,069</b>

<b>24. OTHER INCOME - net</b>				
Profit on deposit accounts with bank	2,844,698	3,527,407	1,879,762	1,906,241
Income from Diminishing Musharka arrangements	28,010	393,464	3,081	183,326
Proceeds for disposal of scrap	9,944,457	5,842,663	4,512,725	1,785,245
Gain / (loss) on disposal of fixed assets and Ijarah	77,752,252	(1,439,482)	76,900,290	(1,439,482)
Other Income	3,548,087	-	-	-
	<b>94,117,504</b>	<b>8,324,052</b>	<b>83,295,858</b>	<b>2,435,330</b>

## 25. TAXATION

**25.1** As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after meeting appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves for the year ending 30 June 2019. Accordingly, no provision in respect of current and deferred tax has been made in these condensed interim financial information.

**25.2** The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2018 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

26.	EARNINGS PER CERTIFICATE		For the six month period ended	Three months period ended		
			31 December 2018	31 December 2017 (Restated)	31 December 2018	31 December 2017 (Restated)
			(Unaudited)			
		Note	(Rupees)			
	Profit for the period		277,345,704	243,606,956	135,499,896	121,461,508
			(Number of certificates)			
	Weighted average number of ordinary certificates outstanding during the period	26.2	220,000,000	220,000,000	220,000,000	220,000,000
			(Rupees)			
	Earnings per certificate - basic and diluted		1.26	1.11	0.62	0.55

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

**26.2** This includes the impact of issue of bonus certificate approved by the Board of Directors of the Management Company in the proportion of 1 certificate for every 10 certificates held amounting to Rs. 200 million, in its meeting held on 29 August 2018.

## 27. RELATED PARTY TRANSACTIONS

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

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

Name of the related party	Relationship and percentage shareholding	Transactions during the period and period-end balances	Six months period ended	
			31 December 2018	31 December 2017
			----- (Unaudited) -----	----- (Unaudited) -----
		Note	----- (Rupees) -----	----- (Rupees) -----
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Modaraba Management Company's remuneration	<u>5,000,000</u>	<u>5,000,000</u>
		Payment made to the Modaraba Management Company (including management fee) during the year	<u>-</u>	<u>2,583,177</u>
		Amount received from the Modaraba Management Company during the period	<u>-</u>	<u>14,000</u>
		Amount received against subscription of right certificates	<u>-</u>	<u>73,499,970</u>
		Dividend paid during the period	<u>39,999,998</u>	<u>52,650,000</u>
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	<u>50,217,160</u>	<u>60,996,802</u>
		Purchase of parts and services	<u>145,965,038</u>	<u>136,844,860</u>
		Income from ijarah assets	<u>3,836,403</u>	<u>8,872,672</u>
		Reimbursement of expenses	<u>3,288,972</u>	<u>2,403,742</u>
		Dividend paid during the period	<u>138,119,158</u>	<u>127,719,618</u>
Apex Machinery (Private) Limited	Associated Company	Purchase of parts	<u>56,712,254</u>	<u>-</u>
Allied Commercial Enterprises (Private) Limited	Associated Company	Income from ijarah assets	<u>51,089,187</u>	<u>-</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Contribution to the Staff Provident Fund during the period	<u>6,568,568</u>	<u>5,417,127</u>
		Dividend paid during the period	<u>3,395,335</u>	<u>4,469,111</u>
Key Management Personnel	Key Management Personnel	Remuneration of key management personnel during the period	<u>21,420,000</u>	<u>50,989,174</u>
		Dividend paid during the period	<u>105,314</u>	<u>668,220</u>
		Contribution to the staff provident fund during the period	<u>1,381,932</u>	<u>1,890,733</u>
		Charge for staff gratuity scheme during the period	<u>667,097</u>	<u>1,911,541</u>
		Loss on sale of vehicles under employee car scheme (sale proceeds: Rs.7,166,981)	<u>-</u>	<u>455,471</u>
Directors	Directors of Management Company	Dividend paid during the period	<u>3,172,792</u>	<u>4,175,906</u>

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

Name of the related party	Relationship and percentage shareholding	Transactions during the period and period-end balances	Note	Six months period ended	
				(Unaudited) 31 December 2018 ----- (Rupees) -----	(Audited) 30 June 2018
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Issue of bonus certificates 3,999,999 (30 June 2018: Nil) Outstanding certificates 43,999,997 (30 June 2018 : 39,999,998) Payable to the Modaraba Management Company	15	<u>39,999,998</u> <u>439,999,978</u> <u>17,156,498</u>	<u>-</u> <u>399,999,980</u> <u>12,265,972</u>
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Issue of right certificates Nil (30 June 2018: 17,164,581) (including premium of Rs. 5 per certificate) during the period Issue of bonus certificates 13,811,915 (30 June 2018: Nil) Outstanding certificates 151,931,073 (30 June 2018: 140,119,158) Payable against purchase of parts and services		<u>-</u> <u>138,119,158</u> <u>1,539,310,738</u> <u>339,330,660</u>	<u>257,468,715</u> <u>-</u> <u>1,401,191,580</u> <u>287,878,649</u>
Apex Machinery (Private) Limited	Associated Company	Payable against purchase of parts		<u>8,975,443</u>	<u>10,315,427</u>
Allied Commercial Enterprises (Private) Limited	Associated Company	Ijarah rental receivable		<u>35,118,721</u>	<u>20,009,023</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Issue of Right certificates Nil (2018: 415,928) (including premium of Rs. 5 per certificate) during the period Issue of bonus certificates 339,533 (30 June 2018: Nil) Outstanding certificates 3,734,868 (30 June 2018: 3,395,335)		<u>-</u> <u>3,395,335</u> <u>37,348,685</u>	<u>6,238,923</u> <u>-</u> <u>33,953,350</u>
Key Management Personnel	Key Management Personnel	Issue of right certificate Nil (30 June 2018: 18,861) (including premium of Rs. 5 per certificate) during the year Outstanding certificates 115,844 (30 June 2018: 146,164)		<u>-</u> <u>1,158,440</u>	<u>282,915</u> <u>1,461,640</u>
Directors	Directors of Management Company	Issue of bonus certificates 317,279 (30 June 2018: Nil) Outstanding certificates 3,490,071 (30 June 2018: 3,172,792)		<u>3,172,792</u> <u>34,900,712</u>	<u>-</u> <u>31,727,920</u>

**28. 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.

As at 31 December 2018 there were only two certificate holders (30 June 2018: two) who each held more than 10% of the Modaraba's certificates capital. Their holding were 69% and 20% (30 June 2018: 69% and 20%).



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

	For the half year ended					
	Ijarah		Operation and Maintenance		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Unaudited)					
	(Rupees)					
<b>Segment revenues / profits</b>						
Revenue	1,858,100,307	1,721,610,731	69,123,764	60,980,239	1,927,224,071	1,782,590,970
Costs	(1,684,001,666)	(1,495,813,775)	(54,994,205)	(46,494,291)	(1,738,995,871)	(1,542,308,066)
Reportable segment profit	174,098,641	225,796,956	14,129,559	14,485,948	188,228,200	240,282,904
<b>Segment assets and liabilities</b>						
	31 December 2018 (Un-audited)	30 June 2018 (Audited)	31 December 2018 (Un-audited)	30 June 2018 (Audited)	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees)					
<b>Reportable segment assets</b>						
Rentals receivable	1,392,238,323	1,334,114,468	33,082,434	29,363,774	1,425,320,757	1,363,478,242
Advances, deposits, prepayments and other receivables	569,264,244	207,901,404	-	-	569,264,244	207,901,404
Spare parts	109,398,082	104,835,161	-	-	109,398,082	104,835,161
Ijarah assets	6,611,462,796	6,732,935,766	-	-	6,611,462,796	6,732,935,766
Capital work-in-progress - ijarah asset	24,002,783	64,856,641	-	-	24,002,783	64,856,641
	8,706,366,228	8,444,643,440	33,082,434	29,363,774	8,739,448,662	8,474,007,214
<b>Reportable segment liabilities</b>						
Creditors, accrued and other liabilities	598,468,058	440,517,353	915,589	-	599,383,647	440,517,353
Diminishing Musharaka	2,868,404,037	3,043,988,105	-	-	2,868,404,037	3,043,988,105
Security deposits	111,398,732	115,088,000	-	-	111,398,732	115,088,000
	3,578,270,827	3,599,593,458	915,589	-	3,579,186,416	3,599,593,458

**28.2** Reconciliation of reportable segments revenues, profit or loss, assets and liabilities is as follow:

	Note	31 December 2018 (Unaudited) (Rupees)	31 December 2017
<b>Revenues</b>			
Total revenue for reportable segments	28.1	1,927,224,071	1,782,590,970
Other income	24	94,117,504	8,324,052
		2,021,341,575	1,790,915,022
<b>Profit</b>			
Total profit for reportable segments	28.1	188,228,200	240,282,904
Other income	24	94,117,504	8,324,052
Modaraba Management Company's Remuneration		(5,000,000)	(5,000,000)
		277,345,704	243,606,956
<b>Assets</b>			
Total assets for reportable segments	28.1	8,739,448,662	8,474,007,214
Unallocated assets			
- Cash and bank balances	6	160,340,906	91,230,840
- Advances and other receivables		64,192,851	332,815,898
- Security deposits		50,000	50,000
- Diminishing musharaka financing - secured		-	967,729
- Fixed assets in own use - tangible	10	129,046,989	131,283,995
- Intangible asset for own use	11	5,170,785	6,126,565
		9,098,250,193	9,036,482,241
<b>Liabilities</b>			
Total liabilities for reportable segments	28.1	3,579,186,416	3,599,593,458
Unallocated liabilities			
- Creditors, accrued and other liabilities		178,219,470	184,768,672
- Payable to the Modaraba Management Company	15	17,156,498	12,265,972
- Deferred liability for staff gratuity		77,592,357	69,496,154
- Other long-term employee benefit		18,297,635	18,729,167
- Unclaimed dividend		1,157,855	1,092,249
		3,871,610,231	3,885,945,672

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

## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. 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.

International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements 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:

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

**29.1** The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized.

		As at 31 December 2018 (Unaudited)						
		Carrying Value			Fair Value			
		Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3 Total
Note		(Rupees)						
<b>Financial assets not measured at fair value</b>	<b>29.2</b>							
Cash and bank balances		160,340,906	-	-	<b>160,340,906</b>	-	-	-
Ijarah rentals receivable		1,392,238,323	-	-	<b>1,392,238,323</b>	-	-	-
Operation and maintenance income receivable		33,082,434	-	-	<b>33,082,434</b>	-	-	-
Advances, deposits and other receivables		23,522,875	-	-	<b>23,522,875</b>	-	-	-
Diminishing musharaka		-	-	-	-	-	-	-
Long term security deposit		50,000	-	-	<b>50,000</b>	-	-	-
		<u>1,609,234,538</u>	<u>-</u>	<u>-</u>	<u><b>1,609,234,538</b></u>			
<b>Financial liabilities not measured at fair value</b>	<b>29.2</b>							
Creditors, accrued and other liabilities		-	-	614,180,062	<b>614,180,062</b>	-	-	-
Payable to the Modaraba Management Company		-	-	17,156,498	<b>17,156,498</b>	-	-	-
Diminishing musharaka		-	-	2,868,404,037	<b>2,868,404,037</b>	-	-	-
Security deposits		-	-	111,398,732	<b>111,398,732</b>	-	-	-
Unclaimed dividend		-	-	1,157,885	<b>1,157,885</b>	-	-	-
		<u>-</u>	<u>-</u>	<u>3,612,297,214</u>	<u><b>3,612,297,214</b></u>			
		As at 30 June 2018 (Audited)						
		Carrying Value			Fair Value			
		Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3 Total
Note		(Rupees)						
<b>Financial assets not measured at fair value</b>	<b>29.2</b>							
Cash and bank balances		91,230,840	-	-	91,230,840	-	-	-
Ijarah rentals receivable		1,334,114,468	-	-	1,334,114,468	-	-	-
Operation and maintenance income receivable		29,363,774	-	-	29,363,774	-	-	-
Advances, deposits and other receivables		23,799,385	-	-	23,799,385	-	-	-
Diminishing musharaka		967,729	-	-	967,729	-	-	-
Long term security deposit		50,000	-	-	50,000	-	-	-
		<u>1,479,526,196</u>	<u>-</u>	<u>-</u>	<u>1,479,526,196</u>			
<b>Financial liabilities not measured at fair value</b>	<b>29.2</b>							
Creditors, accrued and other liabilities		-	-	522,469,577	522,469,577	-	-	-
Bai Muajjal - secured		-	-	-	-	-	-	-
Payable to the Modaraba Management Company		-	-	10,965,972	10,965,972	-	-	-
Diminishing musharaka		-	-	3,043,988,105	3,043,988,105	-	-	-
Security deposits		-	-	115,088,000	115,088,000	-	-	-
Unclaimed dividend		-	-	1,092,249	1,092,249	-	-	-
		<u>-</u>	<u>-</u>	<u>3,693,603,903</u>	<u>3,693,603,903</u>			

**29.2** 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.

### 30. GENERAL

**30.1** Figures in these condensed interim financial information for the quarter ended 31 December 2018 and 31 December 2017 have not been subjected to limited scope review of the auditors.

#### 30.2 Date of authorisation

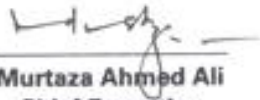
These condensed interim financial information were authorised for issue by the Board of Directors of the Management Company in its meeting held on February 28, 2019.

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



**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director