



Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

**Teamwork
at its Best**
Annual Report 2019





Introduction

At Allied Rental Modaraba we recognize the important relationship between corporate culture, employee commitment, and commercial success.

It takes thousands of individuals; hundreds of business partners and a whole chain of professionals from various walks and fields to flawlessly run a company, to build it up, to support its roots and to see it grow.

We have always endeavoured to be the partner of choice for our valued stakeholders. We strive to make this bond everlasting.



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Support and Guidance

Through discussion and dialogue, and through the brilliance and insight of our board of directors and advisors, who bring to the table their years of experience as industry stalwarts, the Company has grown from strength to strength by overcoming challenges and breaking new grounds.





Acknowledging teamwork

As Allied Rental Modaraba embarks on a journey of upgrade and innovation; we pause to acknowledge our people and the teamwork that got us to this point whereby we look beyond to new opportunities and ventures with the knowledge that we are backed by tremendous support.





Reliable Team

Teamwork is about trust and reliability. It is about understanding needs and being ready to get the task done.

To have a reliable team who has your back in every situation; One that you turn to knowing that they know their job and are always by your side.





Vision

To be the market leader through innovative and reliable equipment rental solutions of Caterpillar range of products.





Mission

To provide best value to our customers through innovative and reliable power generation, earth moving and material handling equipment rental solutions.

To maintain the market leadership in power generation equipment rental through continuous growth of rental fleet.

To continuously strive for Modaraba Certificate holders value by aggressively pursuing growth and profit opportunities that leverage our engineering and financial services expertise.

To pursue profitable growth opportunities in Caterpillar earth moving, material handling and other equipment rental solutions, diversifying our portfolio to other areas of equipment rental solutions.

To provide its countrywide workforce with an environment that stimulates innovation, teamwork, continuous learning and improvement.





Core Values

No document Allied Rental Modaraba has published is more important than our Code of Conduct. From time to time we may revise its words to reflect our constantly evolving enterprise, but the code's basic principle OUR INTEGRITY has never changed.

Modaraba's reputation for integrity is our most valuable asset. Integrity encompasses all that defines and sustains us as a Modaraba - the values we believe in, the high ethical standards we live by, our honesty and behavior in dealing with others, and our commitment to deliver on the promises we make to customers, certificate holders and each other.

Business Ethics

As Modaraba employees, we believe in the importance of working and living according to strong ethical values, as a company and as individuals, we hold ourselves to the highest standard of integrity and ethical behavior. We must always tell the truth.

Human Relationship

Modaraba's continued success requires that we continually seek ways to do our jobs and make our products and services better. Using our individual skills and talents, we must each take personal responsibility for meeting our shared goals and keeping our commitments. We must always consider an "enterprise point of view" that promotes the best results for our Modaraba as a whole.

Business Practices

We know that we can achieve long term business success only when everyone involved behaves honestly and responsibly. We guide our business practices by this principle and expect everyone who does business with us to do the same.

Social Responsibility

Wherever we conduct business or invest our resources, we know that our commitment to financial success must also take into account social, economic, political and environmental priorities. We believe that our success should also contribute to the quality of life and the prosperity of communities where we work and live.

Living by the Code

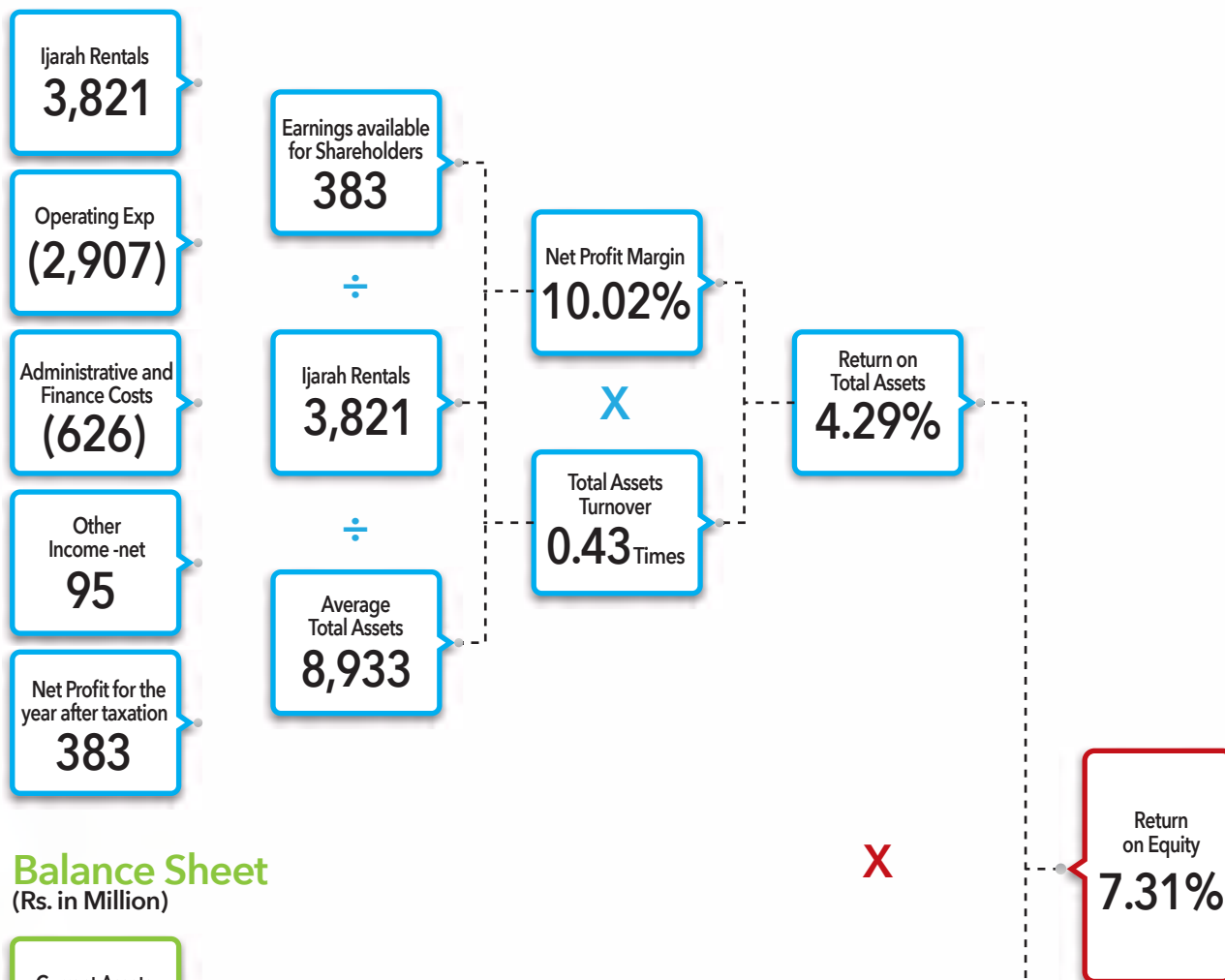
With the commitment of all Modaraba employees to guide their professional and personal behavior according to our Code of Conduct, its principles become only words. Each of us must accept personal responsibility to read the Code, understand what it means, and apply it consistently.



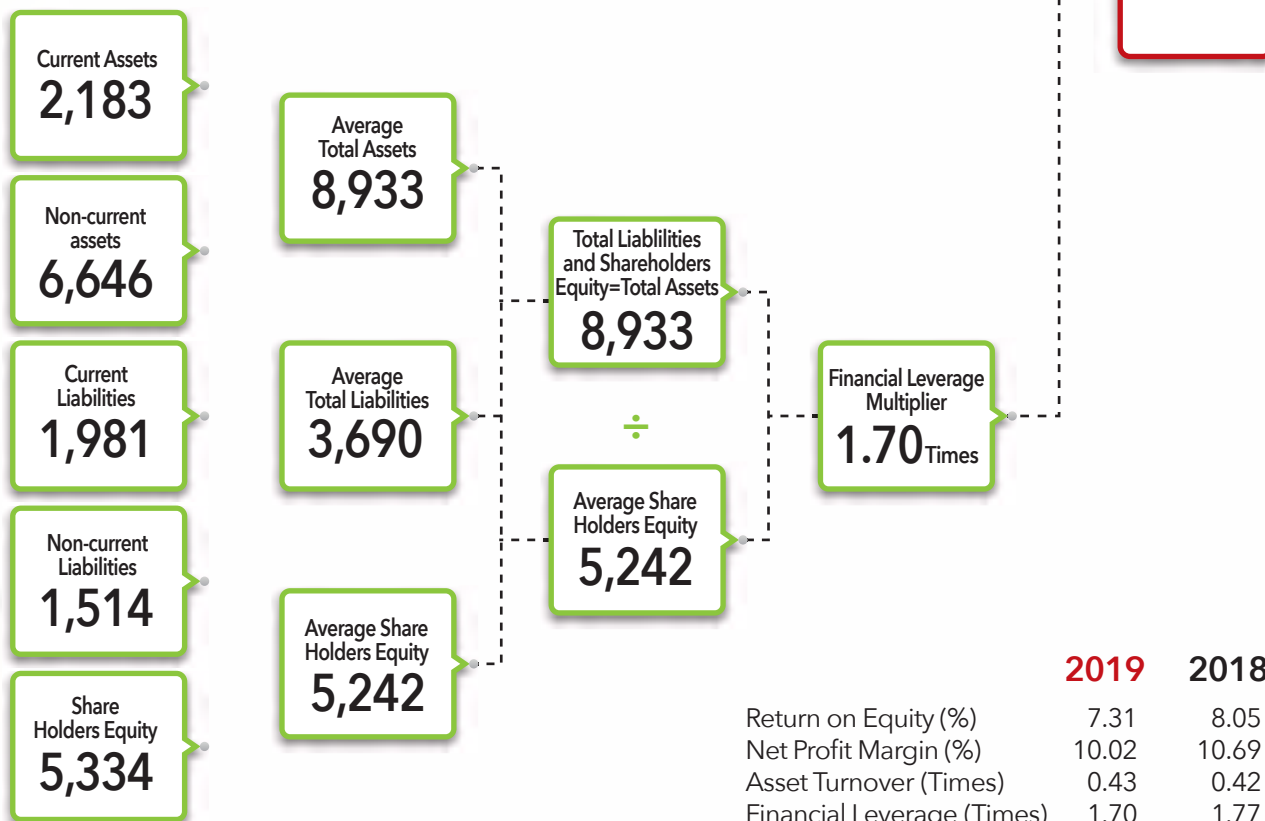
DuPont Analysis

By Abid Altaf

Profit and Loss Account (Rs. in Million)



Balance Sheet (Rs. in Million)



	2019	2018
Return on Equity (%)	7.31	8.05
Net Profit Margin (%)	10.02	10.69
Asset Turnover (Times)	0.43	0.42
Financial Leverage (Times)	1.70	1.77

Human Resource Evolution from Transactional Management to Business Leadership and Strategy



Muhammad Azeem Siddiqui

Head Human Resources

Human Resource (HR) can have the best competency model in the world, but if leadership is not bought into the strategic role of HR and organization's infrastructure does not support a more strategic and answerable environment, then HR will have a difficult journey to business leadership.

So, the first step to a successful transition is a much-needed pause for planning. Planning is key to execution by taking a proactive, well thought-out approach, HR increase its chances for successful execution. Plan for resistance, plan to change the plan, plan the communication and plan for a very interesting journey.

Here are five "what's" HR needs to do to become the strategic business leaders they and their organizations deserve.

1. BUILD LINE MANAGER SUPPORT:

As HR strives to become more proficient, processes become automated, and self-service HR becomes a viable option. This self-service environment can be met with a lot of resistance by line managers; depending on how much hand-holding HR did with employees and managers in the past. But the bottom line is, managers have to manage their own talent.

Of course, this will be met with: "this is HR's job, what are they doing now?"

Managers need to understand that they can have a performance conversation without HR being present. They can be empowered to make certain employee relations decisions that are routine.

It's a matter of setting clear expectations for what HR's role is and what managers are responsible for.

2. ASSESS YOUR CULTURE'S READINESS FOR CHANGE:

Many cultures absorb and bend easily with change. Other cultures can be very rigid and entitled. When HR moves out of the processing business into strategic leadership, many things change.

As I mentioned earlier, asking employees to make personal changes for themselves requires a change in behavior and mindset. The same goes for managers; they must change their behaviors to operate in more streamlined, technology-enabled environment.

We all know the stages of change and how resistance is expected. But today I believe organizations suffer from change fatigue. Most of the company starts taking too much initiatives and start executing it simultaneously. Employees definitely get burned out by so much change and often forget why changes are all happening.

3. GATHER EXECUTIVE SUPPORT:

While many CEOs understand the need for HR's role to be just as important as any other business function, others are stuck in a different mindset - one that keeps HR in the shadows, processing paperwork and planning employee engagement activities.

I believe HR's hardest task is to influence the leadership team so they see HR has to shift its focus from transactional processing to providing business insight.



It also forces HR and the organization to look at the investment required to make HR play a strategic role. Many people think that a strategic model means NO Increase in costs or even a decrease in HR related expense. That assumption is definitely NOT true. When you increase your HR skillset and become more data-driven via technology, you make an investment. The key to the business case and to gaining executive support is to demonstrate the ROI of an investment in HR.

4. TRANSACTIONAL TASKS MUST BE EFFICIENT AND EFFECTIVE:

The trains must keep running, period the transactional tasks will never go away completely for HR. Even if we outsource them, someone has to manage the vendors and key performance indicators.

The key here is efficient HR should make sure processes like employee address changes, government program paperwork, and even requisition approvals are as streamlined as possible.

Whether you outsource, centralize, offshore or create centers of excellence, the transactional work must be managed and managed well, if paychecks are not right then HR's credibility takes a hit, and the transition to business leadership will be delayed.

A good best-practice is to assess the organization's readiness for change. There are many assessments

available that show HR Professional whether change fatigues are plaguing the company.

Following good change management principles including with an EXCELLENT communication plan will allow HR to make their transition to strategic leadership a successful one.

5. ANTICIPATE AND MANAGE ROADBLOCKS:

As with any change roadblock WILL appear. The magic is in how those roadblocks are anticipated and managed when they surface.

In my experience when taking this journey, the typical roadblocks to successful HR business leadership are:

- Leadership does not see the need for change
- HR skillsets need to be upgraded
- HR gets in its own way
- Resources (Budget) have not been made available
- HR is poorly perceived

By planning for change, HR can mitigate many of the roadblocks listed. For example, assessing the HR department's competencies prior to the change is a great idea. By understanding where individuals are and where the department plans to be is a natural place to start. If gaps are identified, training, mentoring, job rotation and education can be used to close the gaps prior to moving forward.

Human Resource at Allied Rental Modaraba



OUR HR BUSINESS PARTNER'S:

We have done collaboration with different stake holders to ignite spark among youth for Better Business and Better Pakistan.



ALLIED RENTAL MODARABA in line with its commitment to develop its Human potential knows that its future depends on finding and discovering talented and determined professionals internally and externally.

To stay in the lead, we target optimum performance and excellence. Our Objective is to use our talent in the best possible manner by positioning them where they own responsibilities along with delivering values.

HIGHLIGHTS:

46% are ENGINEERS AND TECHNICAL DIPLOMA HOLDERS

15% are BUSINESS GRADUATES

75% RETENTION RATE of Employees

Collaboration between ARM, FOAP and NHMP for Drivers Training Institute (Around 100 Drivers are trained every Month).

ARM Partnership with UNDP and TUSDEC for Youth Skills Development and Employment. (More than 100 candidates attended training Program and HIRED).

FUTURE

Around 400 students will be tested for emerging talent program this year.

INDUCTION AND RETENTION OF TALENT:

We strive to retain and develop our employees and

ensure that we maintain a pipeline of an engaged talented workforce; which is diverse and rewarded on merit. To move forward on this objective, we have introduced Engineering and Management Trainee programs where potential talent from the top universities of Pakistan were taken through a comprehensive Assessment drive (consisting of aptitude and personality assessment, group discussions, case studies and structured panel interviews).

Retaining Quality talent is the major performance benchmark for HR because we believe that the eminence of our business plans has a direct link to the quality of human resource that we hire.

CAMPUS DRIVES & INTERNSHIP PROGRAM:

Allied Rental Modaraba has started an extensive Campus Drivers & internship program, where it engages with businesses and engineering students by offering them meaningful training and a learning environment. Emphasis is laid on developing the candidate's professional understanding of the corporate world and

helps them in identifying and aligning their careers in the long run. We are proud to facilitate Trainee/ interns from all the leading universities in Pakistan.



SUCCESSION PLANNING:

Allied Rental Modaraba believes in the progress and career development of its employees. With this focus, ARM is planning to formulate a well-define strategy to identify within the existing talent pool the resources which are high potential and route through a process whereby their intelligence and behavioral patterns can be assess through comprehensive assessment centre exercises. The outcome of the assessments will be incorporated into the 9 box matrix approach to earmark the best talent available internally and to train them for important strategic positions in the future. New hires will also be routed through this process in order to ensure that human resource intake is appropriate and can fit into future leadership roles.



PERFORMANCE MANAGEMENT:

Our objective is to collectively align the performance of our teams and individuals towards the organizational goals. This year we will witness further improvement in our performance management process by introducing effective and result-oriented measures and practices. We designed our systems to deliver transparency and fairness at all levels. Our managers will be introduced to new tools and processes to have fair appraisals which diminish the chances of organizational bias and prejudice. At ARM we believe that for sustainable and consistent growth we need to reward our Employees not only for their performance but also for their behaviors that are aligned with the Organization's core values and the performance management system.

SALARY SURVEY:

Allied Rental Modaraba participate in multiple salary surveys to align itself with the market and stand out as a competitive employer.

Salary Survey benchmarks not only support us to identify gaps to align our remuneration packages with the market but also provide a guideline to bring about internal equity within the organization.

INDUSTRIAL RELATIONS:

We recognize the importance of good industrial relations management and appreciate the hard work of our labor as they are the key force behind the execution of our day-to-day operations. There are dedicated IR managers in the organization, whose principal responsibility is to ensure industrial peace by ensuring fair labor practices, effective and efficient grievance handling and safeguarding labor related compliance with the statutes. The conflict Resolution team and HR department in the Head Office plays a very critical part in harmonizing labor and employee relations. They conciliate and arbitrate all the issues and ensure a win-win situation.



CSR & ENGAGEMENT ACTIVITES:

We believe in facilitating people to keep them fit and healthy. ARM has arranged several CSR & engagement activities for our employees so they remain engage and help each other for mutual benefit.

Modaraba Information

Board of Directors

Syed Feisal Ali
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Mr. Khwaja Ahad Rahman
Non - Executive Director

Mr. Raees A. Khan
Non - Executive Director

Mr. Ali Akbar
Non - Executive Director

Mr. Hassan Shehzad Abidi
Non - Executive Director

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

Audit Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Ali Akbar
Member

Chief Financial Officer

Mr. Muhammad Saad

Company Secretary

Mr. Muzzammil Tariq

Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

Human Resource and Remuneration Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
Member

Strategic Management

Syed Zulqarnain Jafri
Business Unit Head - Power

Mr. Ali Ahsan
Business Unit Head - Logistics & MHE

Mr. Rashid Jehangiri
Business Unit Head - Machines and Cranes

Mr. Ali Ammar
Business Administrator

Mr. Muhammad Azeem Siddiqui
Head of Human Resource and Administration

Mr. Muhammad Farooq
Head of Information Technology

Islamic Banks, Islamic Window of Commercial Banks & Lending Institutions

Askari Bank Limited

Habib Bank Limited

Bank Alfalah Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Soneri Bank Limited

Habib Metropolitan Bank

MCB Islamic Bank Limited

United Bank Limited

Orix Modaraba

First Habib Modaraba

Meezan Bank Limited

Al Baraka Bank Limited

Dubai Islamic Bank

Bank Al Habib Limited

Allied Bank Limited

Auditors

KPMG Taseer Hadi & Co. Chartered
Accountants

Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head office

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

Website: www.arm.com.pk

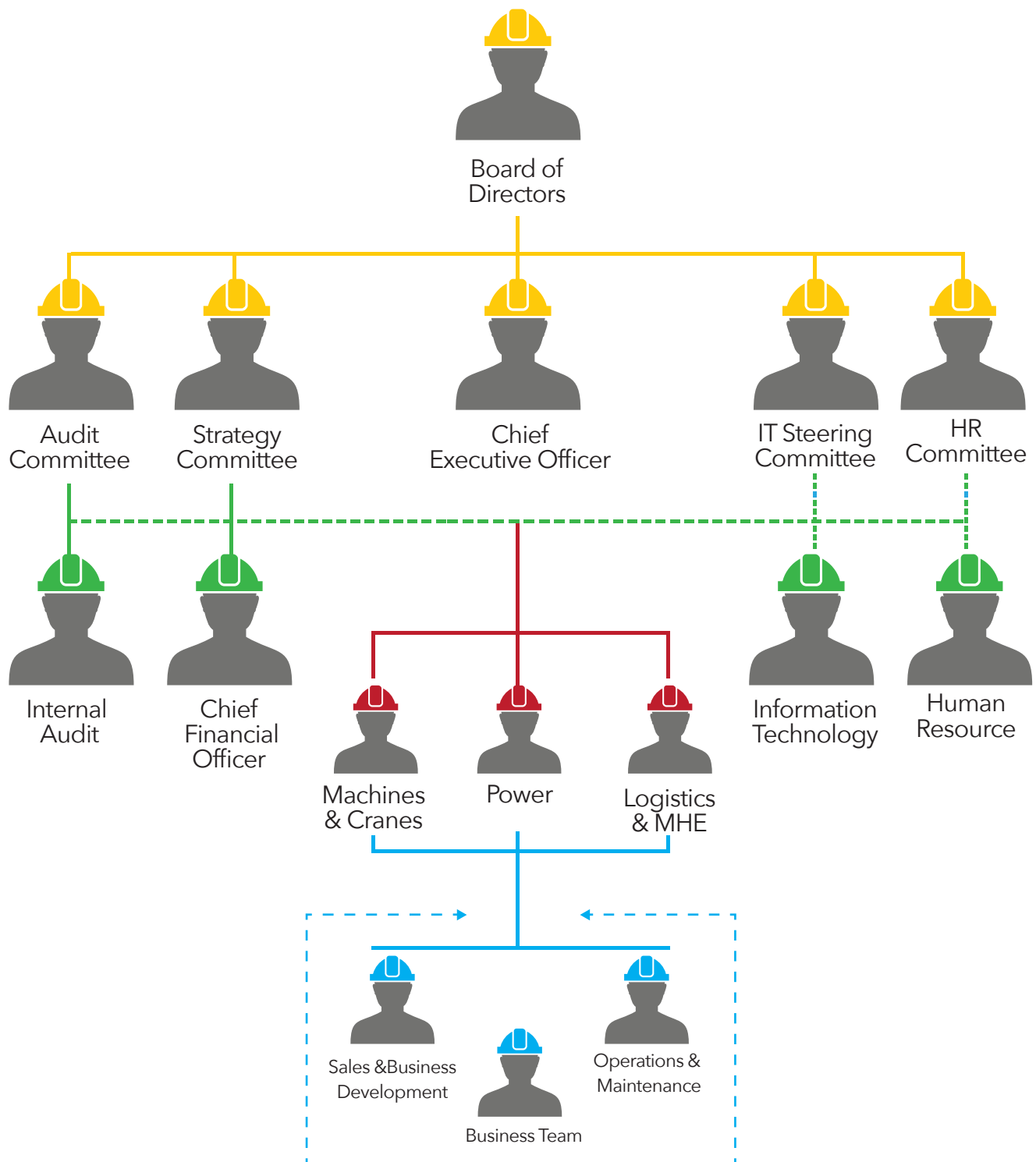
Registrar & Certificate Transfer Office

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

Tel: 021-35662023-24

Fax: 021-35221192

Organogram



Product Profile



Crane Services

Our cranes fleet comprises of diverse equipment to match unique and customized requirement of superior crane services by our customers. Our skilled workforce and brand new cranes of world renowned crane manufacturer "SANY" make us unique and trusted supplier for quality crane rental solutions and a preferred choice for deployment at most critical sites requiring rigorous compliance, safety and quality standards. Our truck cranes fleet consist of equipment ranges from 20 - 160 tons. Our specially designed dual purpose 10 & 12 tons self loading trucks not only lift load, but also transport the load to desired location providing one window solution for both lifting and transportation jobs.

Logistics Business

Inbound and outbound logistics is a vital part of any company's supply chain process. Once a good is produced, it must be transported to its final destination in cost efficient manner. Considering equipment quality issues and huge market potential in local logistics business, ARM has entered into this business segment by introduction of new and quality equipment from world famous brands. The combination of excellent equipment and skilled operators gives us the ability to offer a high level of service. All of our equipment is carefully maintained to manufacturer standards and is third-party inspected on a regular basis to ensure safe and smooth operation.



Inbound Logistics / Material Handling Solutions

The essence of our MHE services solution is "Total Outsourcing Concept" where all aspects of equipment ownership, operation, maintenance and management are handled through one window, keeping in view customer's unique and customized requirement thus relieving the customer to concentrate on his core business activity. The result is the maximum efficiency and peace of mind for our customers for all of their inbound logistics. Our MHE fleet comprises of forklifts, reach trucks, power pallets, telehandlers, skid steer loaders and other material handling equipment with flexibility of diesel, LPG or battery as fuel depending on our customers' unique requirements.



Trucking Logistics Solution

We offer a wide array of freight services and logistics solutions depending on the specific requirement of our valued customers. ARM offers both Rigid Trucks and Prime Movers with Semi Trailers for Long or Short hauling. Customized design and Vehicle selection is Hallmark of our Logistics business. Our dedicated workforce continuously strives for on-time delivery in the most cost efficient manner. Our professional teams can evaluate logistics requirements and recommend the optimal strategy for business and time frames. All of our trucks have state of the art satellite equipment which allows complete tracking of freight from the time it is loaded until it reaches the final destination. Strict compliance to road laws, regulations and firm adherence to safety standards give us an unrivaled reputation in the market.



Concrete Pumps

Be it construction of major infrastructure projects like - roads, bridges, railways - or commercial and residential buildings including skyscrapers, hotels, offices, warehouse, shopping complex etc., for round the clock high volume pumping of massive concrete pours, we have got you covered through our world renowned and globally recognized SANY Concrete Pump. High maneuverability, suitability for confined areas, cost/performance value & long reach on high-rise are some of the benefits that make our pumps the most desirable concrete pumping solution in the industry.

Lighting Towers

Our lighting towers are a quick fix solution pertaining temporary lighting problems at various sites and situations. The utility of this equipment spans to process industries, event management, construction sites, oil and gas fields, outdoor games, exhibitions, shopping malls, etc. Ease of setup and mobility is a key feature of our plug and play mobile units. The use of Caterpillar engine in these lighting towers ensures reliability, performance and enhanced safety in an environment friendly manner. Solar lighting towers are a new addition to our lighting solutions primarily powered by free renewable energy from the sun thus providing a cost effective operation in an environment friendly manner.



Power Generation Equipment

The lifeblood of any business is reliable electric power. Allied Rental offers a wide range of Caterpillar power generation equipment to meet the most specific power requirements for various types of applications. Our rental fleet comprising Gas, Diesel and HFO fired Generators ranging from 100 - 2450 kVA, offers the widest power range in the industry. Our Generators can be rented on daily, weekly, monthly or yearly basis with flexible pricing options depending on specific requirement of our customers. ARM also offers long term BOT (Build, Operate and Transfer) solutions where equipment is supplied and operated by ARM for a certain period of time and ownership is transferred to the customer at the end of the contract tenure.



Load Banks

Whether you are commissioning newly installed generators, Performing maintenance testing on equipment, testing your mission critical UPS or you're in need of portable load for testing of your emergency power systems, we provide Load Banks of up to 1050 kW to meet all your load testing requirements.

Power House Operation and Maintenance

Besides Power Generation Rental Services, the company also provides unmatched and exclusive CATERPILLAR powerhouse Operation and Maintenance (O&M) services to a large number of clients that include all major national and multinational corporations / organizations in diverse fields as Textile, Spinning, Pharmaceuticals, Oil & Gas, Petrochemical, Process & Chemical plants, Hotels, Institutes, Hospitals, etc. With its professionally trained technical staff having rich experience in CATERPILLAR Generators and effective back up support system of Allied Engineering and Services (Private) Limited, ARM offers total powerhouse management including complete Operation and maintenance for the customer owned equipment.



Construction Machines

Caterpillar machines are leaders in earth moving applications. CAT equipment is available for the broadest range of industries and applications. Our diversified construction machines fleet comprises of world renowned CAT & SEM Motor Graders, Soil Compactors, Wheel Loaders and Dozers. Added recently in our fleet, CATERPILLAR Hydraulic Excavators, give us the diversity and flexibility to handle versatility, and the industry's best fuel efficiency. Robustness, fitness and reliability are the hallmarks of our machines rental services. These are ensured by strict compliance of manufacturer's recommendations regarding operation and maintenance of machines by our technical experts.



Induction of 15 Tons Forklift in Rental Fleet

Allied Rental Modarab feels great pride in announcing the induction of 15 tons CAT Forklift Truck in our Material Handling Equipment (MHE) Rental fleet. Our total MHE fleet size has now crossed over 200 equipment with combined lifting capacity of 600+ tons.



Annual Get Together 2017-18







Allied Rental Modarba wins the 2nd Shell FOAP Cricket Tournament



APL 2018-19



Falcons are
the Winners



Key Financial Data

		2019	2018	2017	2016	2015	2014
Total Assets	Rs. Million	8,829	9,036	8,361	7,211	5,934	5,357
Current Assets	Rs. Million	2,183	2,100	1,667	1,039	671	477
Current Liabilities	Rs. Million	1,981	1,704	1,533	1,631	1,390	1,256
Paid-up capital	Rs. Million	2,200	2,000	1,755	1,755	1,463	1,219
Reserves	Rs. Million	3,134	3,151	2,904	2,627	2,241	1,900
Stock holder's equity	Rs. Million	5,334	5,151	4,659	4,382	3,704	3,119
Gross Profit	Rs. Million	915	938	839	598	712	873
Net Profit	Rs. Million	383	395	458	294	404	651
Profit after Tax Ratio	%	10.02	10.69	15	11	15	26
Return on Asset	%	4.29	4.54	6	4	7	13
Return on Equity	%	7.30	8.06	10	7	12	24
Return on Capital employed	%	6	5	7	5	9	16
Expense Ratio	%	85	83	81	84	78	70
Debt / Equity Ratio	%	34 : 66	25 : 75	21 : 79	35 : 65	40 : 60	28 : 72
Current Ratio	times	1.10 : 1	1.23 : 1	1.09 : 1	0.64: 1	0.48: 1	0.38: 1
Price Earning Ratio	times	7.47	9.05	9.54	13.07	14.15	10.27
Earning per certificate - basic and diluted	Rs.	1.74	1.89	2.61	1.76	2.89	5.52
Dividend yield Ratio	%	8	6	6	4	5	5
Dividend Pay out ratio	%	57	53	57	57	69	54
Cash dividend	%	10	10	15	10	20	30
Stock dividend	%	0	10	0	0	0	0
Cash dividend per certificate	Rs.	1.00	1.00	1.50	1.00	2.00	3.00
Book Value per certificate	Rs.	24.24	25.75	26.54	24.97	25.33	25.59
Market Value per certificate	Rs.	13.00	17.11	24.90	23.00	40.90	56.70

Summary of Cash Flows

	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Profit for the year	382,854	395,124	457,859	294,349	403,529	651,455
Adjustments For Non-Cash And Other Items	795,578	1,069,877	891,677	736,102	770,004	605,484
Decrease / (increase) in operating assets	(225,330)	(734,100)	(426,768)	(398,121)	(138,503)	(82,320)
Increase / (decrease) in operating liabilities	216,145	56,532	(91,463)	292,921	(7,185)	(415,136)
Cash generated from operations	(9,185)	(677,568)	(518,231)	(105,200)	(145,688)	(497,456)
Cash Flows From Operating Activities	1,169,247	787,432	831,305	925,251	1,027,846	759,483
Cash Flows From Investing Activities	(379,205)	(1,212,319)	(1,327,805)	(1,625,419)	(1,154,505)	(1,592,817)
Cash Flows From Financing Activities	(830,628)	208,678	746,586	683,015	153,139	676,312
Net Cash increase/ (decrease) during the period	(40,586)	(216,208)	250,086	(17,154)	26,480	(157,022)
Cash and cash equivalents at beginning of the period	91,231	307,439	57,353	74,507	48,027	205,049
Cash and cash equivalents at end of the period	50,645	91,231	307,439	57,353	74,507	48,027

Value Added Statement

VALUE ADDED

Revenue from Operation
Less: Operating Expense
Other Income

2019		2018	
(Rupees in '000)	(%)	(Rupees in '000)	(%)
3,821,667	97%	3,696,145	100%
(1,446,463)	-	(1,182,425)	-
104,897	3%	13,710	0%
2,480,101	100%	2,527,430	100%

VALUE ALLOCATED

To Employees
As Remuneration

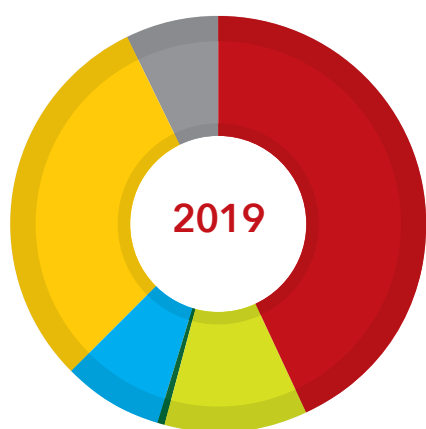
To Providers of Finance
As Ijarah Rentals
As Profit on Diminishing Musharakah

To Modarib
As Modaraba Management Fee

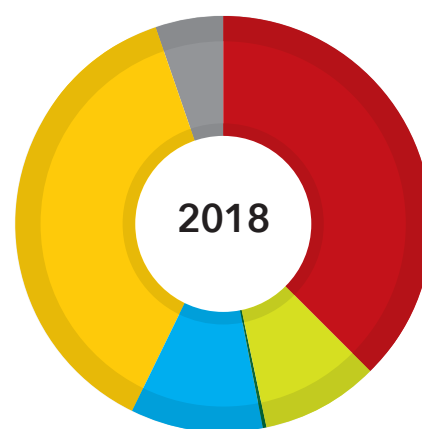
To Certificate Holders
As Profit on Modaraba Certificates

Retained in the Business
As Depreciation
As Reserve and Retained Earnings

1,060,711	43%	944,027	37%
0	0%	9,935	0.4%
277,619	11.2%	223,747	9%
10,000	0.40%	10,000	0.40%
200,000	8%	263,250	10%
748,918	30%	944,598	37%
182,853	7.4%	131,873	5.2%
2,480,101	100%	2,527,430	100%



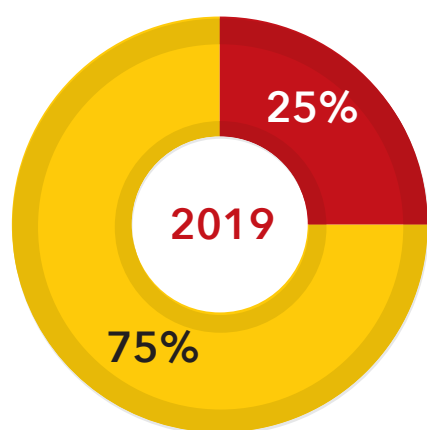
Value Allocated



■ Employees	43%
■ Providers of Finance - Ijarah Rentals	0%
■ Providers of Finance - Profit on DM	11.2%
■ Modaraba Management Fee	0.40%
■ Certificate Holders	8%
■ Retained as Depreciation	30%
■ Retained as Reserve and Retained Earnings	7.4%

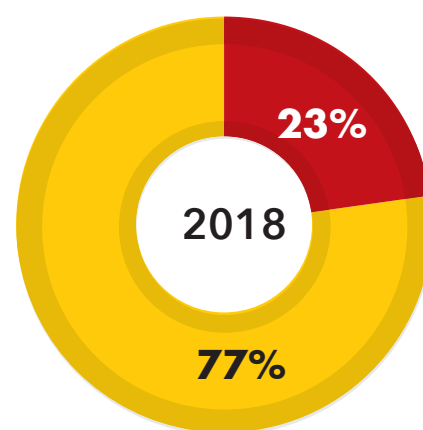
■ Employees	37%
■ Providers of Finance - Ijarah Rentals	0.4%
■ Providers of Finance - Profit on DM	9%
■ Modaraba Management Fee	0.40%
■ Certificate Holders	10%
■ Retained as Depreciation	37%
■ Retained as Reserve and Retained Earnings	5.2%

Balance Sheet Composition

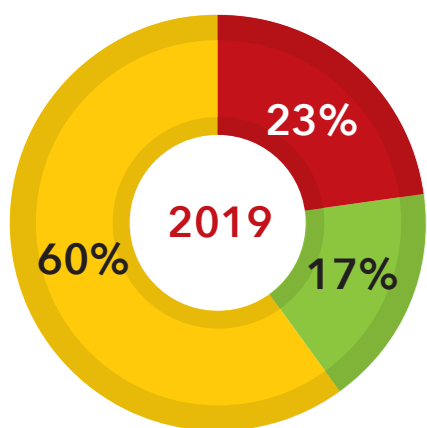


Assets

- Total Current Assets
- Total Non - Current Assets

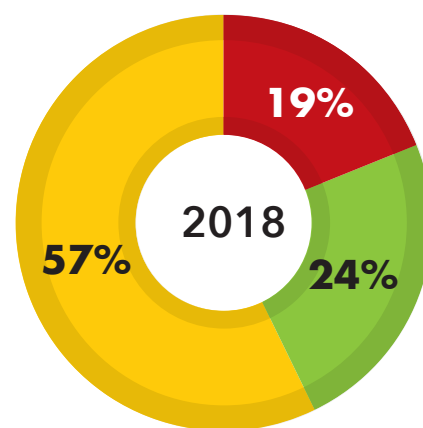


- Total Current Assets
- Total Non - Current Assets



Equity & Liabilities

- Total Current Liabilities
- Total Long Term Liabilities
- Certificate Holders' Equity



- Total Current Liabilities
- Total Long Term Liabilities
- Certificate Holders' Equity

Vertical Analysis

BALANCE SHEET

ASSETS

Current assets

Cash and bank balances	1%
Ijarah rentals receivable	14%
Operation and maintenance income receivable	0%
Advances, deposits, prepayments and other receivable	8%
Spare parts	2%
	25%

Non-current assets

Long-term security deposits	0%
Diminishing Musharakah financing - secured	0%
Fixed assets in own use - tangible	2%
Intangible assets in own use	0%
Ijarah assets	73%
Capital work-in-progress	1%
	75%

LIABILITIES

Current liabilities

Creditors, accrued and other liabilities	9%
Bai Muajjal - unsecured	0%
Payable to the Modaraba Management Company	0%
Current portion of Diminishing Musharakah financing payable	12%
Current portion of security deposits	1%
	22%

Non-current liabilities

Diminishing Musharakah financing payable	16%
Deferred liabilities	1%
Other long-term employee benefits	0%
Security deposits	0%
	17%

FINANCED BY : CAPITAL AND RESERVES

Issued, subscribed and paid-up certificate capital	25%
Premium on issue of right certificates	14%
Statutory (mandatory) reserve	18%
Unappropriated profit	3%
	60%

PROFIT AND LOSS ACCOUNT

Ijarah rentals	94%
Operation and maintenance income	3%
Other income	3%

Gross Revenue

Operating expenses	74%
Administrative and distribution expenses	6%
Provision against potential Ijarah losses and operation and maintenance income	3%
Finance costs	7%
Workers' welfare fund	0%
Total Expenses	90%

Modaraba Management Company's remuneration	0%
Sindh Sales Tax on Management Company's remuneration	0%

Profit Margin

	2019	2018	2017	2016	2015	2014
ASSETS						
Current assets						
Cash and bank balances	1%	1%	4%	1%	1%	1%
Ijarah rentals receivable	14%	15%	12%	10%	8%	6%
Operation and maintenance income receivable	0%	0%	0%	0%	0%	0%
Advances, deposits, prepayments and other receivable	8%	6%	3%	2%	1%	1%
Spare parts	2%	1%	1%	1%	1%	1%
	25%	23%	20%	14%	11%	9%
Non-current assets						
Long-term security deposits	0%	0%	0%	0%	1%	1%
Diminishing Musharakah financing - secured	0%	0%	0%	0%		
Fixed assets in own use - tangible	2%	1%	1%	1%	1%	1%
Intangible assets in own use	0%	0%	0%	0%		
Ijarah assets	73%	75%	72%	79%	86%	87%
Capital work-in-progress	1%	1%	6%	5%	1%	2%
	75%	77%	80%	86%	89%	91%
	100%	100%	100%	100%	100%	100%
LIABILITIES						
Current liabilities						
Creditors, accrued and other liabilities	9%	7%	7%	10%	7%	8%
Bai Muajjal - unsecured	0%	0%	1%	1%	0%	0%
Payable to the Modaraba Management Company	0%	0%	0%	0%	0%	0%
Current portion of Diminishing Musharakah financing payable	12%	11%	10%	11%	16%	15%
Current portion of security deposits	1%	1%	0%	0%	0%	0%
	22%	19%	18%	23%	23%	23%
Non-current liabilities						
Diminishing Musharakah financing payable	16%	23%	24%	15%	13%	17%
Deferred liabilities	1%	1%	1%	1%	1%	0%
Other long-term employee benefits	0%	0%	0%	0%	0%	0%
Security deposits	0%	1%	1%	1%	0%	0%
	17%	24%	26%	17%	14%	18%
FINANCED BY : CAPITAL AND RESERVES						
Issued, subscribed and paid-up certificate capital	25%	22%	21%	24%	25%	23%
Premium on issue of right certificates	14%	14%	14%	16%	13%	8%
Statutory (mandatory) reserve	18%	18%	17%	18%	20%	20%
Unappropriated profit	3%	3%	4%	3%	5%	7%
	60%	57%	56%	61%	62%	58%
	100%	100%	100%	100%	100%	100%
PROFIT AND LOSS ACCOUNT						
Ijarah rentals	94%	96%	95%	96%	95%	94%
Operation and maintenance income	3%	3%	4%	4%	3%	4%
Other income	3%	0%	1%	0%	1%	3%
Gross Revenue	100%	100%	100%	100%	100%	100%
Operating expenses	74%	74%	72%	77%	73%	64%
Administrative and distribution expenses	6%	6%	6%	5%	4%	3%
Provision against potential Ijarah losses and operation and maintenance income	3%	3%	2%	1%	0%	1%
Finance costs	7%	7%	5%	5%	8%	6%
Workers' welfare fund	0%	0%	0%	0%	0%	1%
Total Expenses	90%	89%	85%	89%	85%	75%
Modaraba Management Company's remuneration	0%	0%	0%	0%	0%	0%
Sindh Sales Tax on Management Company's remuneration	0%	0%	0%	0%	0%	0%
Profit Margin	10%	11%	15%	11%	15%	25%

Horizontal Analysis

BALANCE SHEET

ASSETS

Current assets

	2019	2018	2017	2016	2015	2014
Cash and bank balances	-44%	-70%	436%	-23%	55%	-77%
Ijarah rentals receivable	-7%	35%	36%	50%	58%	5%
Operation and maintenance income receivable	-5%	-1%	1%	24%	9%	39%
Advances, deposits, prepayments and other receivable	35%	101%	66%	227%	-8%	2%
Spare parts	30%	44%	10%	60%	-13%	110%
	4%	26%	60%	55%	41%	-19%

Non-current assets

Long-term security deposits	0%	0%	-100%	-21%	-54%	34%
Diminishing Musharakah financing - secured	-100%	-86%	100%			
Fixed assets in own use - tangible	7%	25%	17%	18%	17%	24%
Intangible assets in own use	-31%	-18%	62%	100%		
Ijarah assets	-4%	11%	6%	12%	10%	26%
Capital work-in-progress	4%	-87%	58%	517%	-47%	43%
	-4%	4%	8%	17%	8%	27%

	-2%	8%	16%	22%	11%	21%
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LIABILITIES

Current liabilities

Creditors, accrued and other liabilities	31%	6%	-16%	60%	5%	-49%
Bai Muajjal -secured	0%	-100%	0%	100%	0%	0%
Payable to the Modaraba Management Company	98%	-12%	15%	251%	-51%	-4%
Current portion of Diminishing Musharakah financing payable	3%	27%	1%	-15%	15%	63%
Current portion of security deposits	68%	65%	43%	26%	-21%	7%
	16%	11%	-6%	17%	11%	-7%

Non-current liabilities

Diminishing Musharakah financing payable	-32%	0%	84%	43%	-16%	37%
Liabilities against assets subject to finance lease	0%	0%	0%	0%	0%	0%
Deferred liabilities	21%	33%	33%	28%	23%	24%
Other long-term employee benefits	43%	17%	120%	-13%	15%	-10%
Security deposits	-53%	0%	43%	62%	-4%	-7%
	-31%	1%	81%	43%	-14%	34%

FINANCED BY : CAPITAL AND RESERVES

Issued, subscribed and paid-up certificate capital	10%	14%	0%	20%	20%	25%
Premium on issue of right certificates	0%	11%	0%	52%	69%	95%
Statutory (mandatory) reserve	-3%	14%	14%	9%	9%	35%
Unappropriated profit	13%	-24%	45%	-33%	-17%	8%
	4%	11%	6%	18%	19%	32%

	-2%	8%	16%	22%	11%	21%
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PROFIT AND LOSS ACCOUNT

Ijarah rentals	3%	19%	16%	-1%	6%	22%
Operation and maintenance income	4%	6%	13%	6%	4%	-26%
Other income	665%	-64%	203%	-67%	-49%	126%

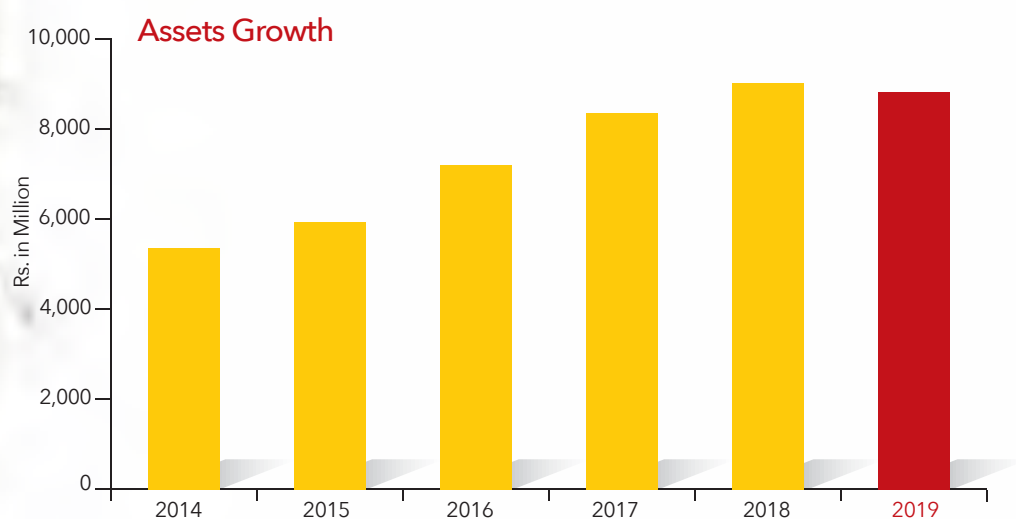
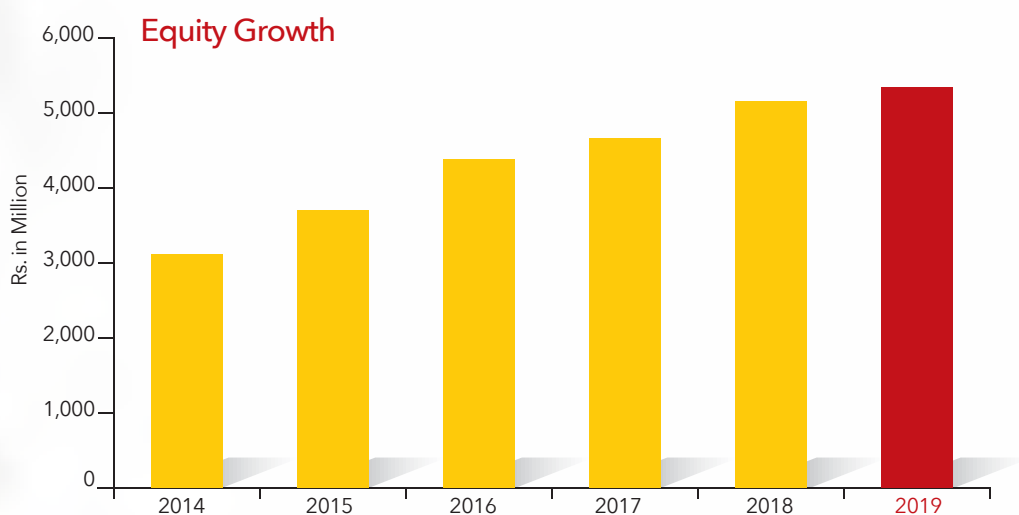
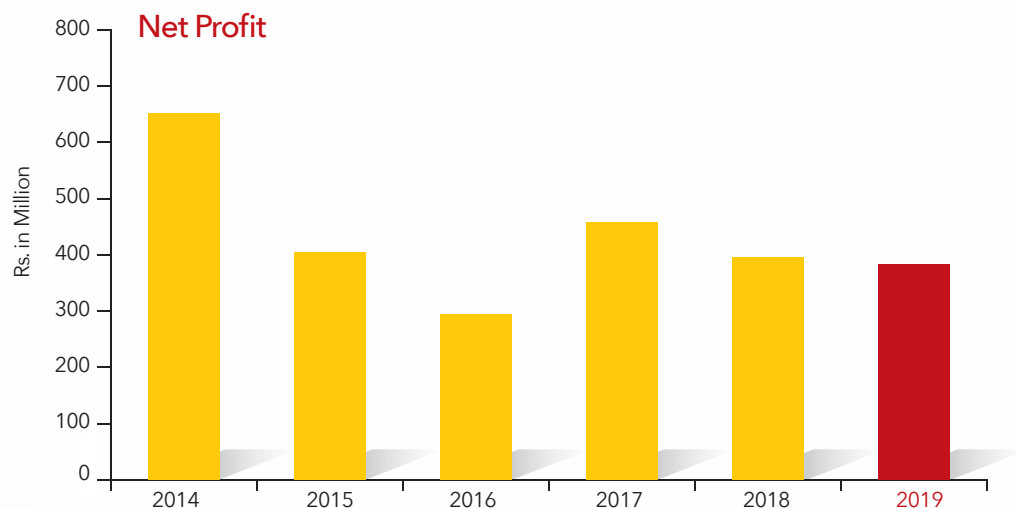
Gross Revenue

	6%	18%	17%	-1%	5%	20%
Operating expenses	5%	21%	9%	5%	19%	25%
Administrative and distribution expenses	14%	17%	26%	29%	20%	21%
Provision against potential Ijarah losses and operation and maintenance income	10%	49%	226%	117%	-51%	-2%
Finance costs	17%	46%	20%	-33%	26%	75%
Workers' welfare fund	0%	0%	-100%	-27%	-38%	3%
Total Expenses	7%	23%	12%	3%	19%	28%

Modaraba Management Company's remuneration	0%	0%	13%	-12%	55%	3%
Sindh Sales Tax on Management Company's remuneration	0%	0%	-100%	-19%	45%	-3%
Profit Margin	-3%	-14%	56%	-27%	-38%	3%



Financial Summary at a Glance





Annual Review Meeting 2018



Notice of Annual Review Meeting

Notice is hereby given that the 13th Annual Review Meeting of the Certificate Holders will be held on Monday, October 28, 2019 at 02:30 PM at the registered office 21/3, sector 22, Korangi Industrial Area, Karachi, to review the performance of the Modaraba for the year ended June 30, 2019.

The Certificate Holders whose names appear on the Register of Certificate Holders of Allied Rental Modaraba as on October 21, 2019 will be eligible to attend the Annual Review Meeting.

By order of the Board

Muzzammil Tariq
Company Secretary
August 29, 2019
Karachi.

Note:

1. The Certificate Transfer Book will remain closed from October 22, 2019 to October 28, 2019 (both days inclusive) for the purpose attending Annual Review Meeting. All transfer received in order up to close of business on October 21, 2019 at our Registrar's office M/s JWAFS Registrar Services (Private) Limited, 407-408, Al-Ameera Centre, Shahrah-e-Iraq, Saddar, Karachi, will be considered in time.
2. CDC Certificate Holders desiring to attend the meeting are requested to bring their original CNIC, Account and participant's ID number for identification purpose.



Shari'ah Review Report

For the year ended June 30, 2019

الحمد لله رب العالمين، والصلاة والسلام على رسوله الكريم، وعلى آله واصحابه اجمعين، وبعد

I have conducted the Shari'ah review of Allied Rental Modaraba managed by Allied engineering Management Company (Private) Limited for the year ended 30 June, 2019 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion:

1. the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed in accordance with the formats approved by the Religious Board and all the related conditions have been met;
3. to the best of my knowledge and according to the explanations given to me, the business transactions undertaken by ARM and all other matters incidental thereto are in conformity with the Shariah requirement as well as the requirement of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulation for Modarabas.;

Conclusion:

Based on the above mentioned facts I am of the view that the business operations of ARM are Shari'ah compliant up to the best of my knowledge.

I hope the management would continue its endeavors to comply with rulings of Shari'ah in its business operation and future transactions.

وَصَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



Irshad Ahmad Aijaz
Dated: 26 August, 2019



Chairmans' Review Report

For the year ended June 30, 2019

I am pleased to present the Annual Report for the year 2019.

2018-19 turned out to be a difficult and challenging year for the business from macro economic factors, overall slowing down of the economy, devaluation of the currency making new imports significantly expensive and slashing down of GDP growth forecast to 2.5%. Despite these challenges, Modaraba was able to retain its Rental Sales at Rs 4 Billion for the year, in fact slightly 3.6% higher than 2018. The investment in Rental Fleet were recorded at Rs 537 Million during the year, significantly lower than its prior year averages of around Rs 1.5 Billion per annum in last 3-4 years. Modaraba was cautious in its new investment plans, keeping in view the factors mentioned above and significant increase in the discount rates to double digit percentage. Our Asset base now stands at net book value of Rs 6.4 Billion, making us the largest company with diversified asset base of around 1,500 rental units from Generators to Cranes, Construction Equipment, Forklifts and trucks to our varied customer base. This reflects Modarabas strong product portfolio and for long term and sustainable growth of the Modaraba.

Profit for the year is almost similar to prior year at Rs 383 Million as compared to Rs 395 for 2018. Despite that our borrowings went down from previous Rs 3,044 Million to now Rs 2,415 Million (-21%), financial Charges for the year went up from Rs 225 Million in 2018 to Rs 278 Million in 2019 (+24%). Provision for potential Ijarah Receivables was made of Rs 103 Million as per Prudential Regulations applicable to the Modarabas. The EPS was recorded at Rs 1.74 during the year and the Management is pleased to distribute Cash dividend of 10%.

Despite that fact that the Modaraba is exempt from income tax, subject to declaration of Cash dividend upto 90% of accounting profits, after transfer to (mandatory) statutory reserve as required under the Modaraba law, which ARM has always complied since 2007, we are facing Exemption Certificate rejection from Income tax office for withholding taxes on technical grounds. This is very unfortunate situation for the business of the Modaraba, despite it being fully compliant with all applicable laws of the country in terms of all its tax and fiscal compliance obligations. Overall Rs 549 Million of Tax Refunds have accumulated till 2019 accounts, putting severe strain on Modaraba's finances. Management has filed constitutional petition in Sindh High Court against these orders of Income Tax officials.

The Board is ably assisted by its Audit, HR and IT Committees. The Audit Committee reviews the financial statements and ensures that the accounts fairly represent the financial position of the Modaraba, ensuring effectiveness of internal controls to present a true and fair view of its financial performance and identify risks and opportunities of the rental business to its Certificate holders, especially due to peculiar nature of Pakistan's macro economic factors.

The HR Committee overviews HR policy framework and recommends selection and compensation mechanism of Modaraba staff. Board is aware that the major challenge facing the business and the management is the availability of skilled manpower to ensure proper operation and maintenance of its rental fleet. In this connection, Board has directed the Modaraba management to strive for the development of skill base of its technical team through continuous training, in both technical expertise and as well as HSE compliance.

The IT Committee advises the Board on technology initiatives and to align the IT strategic plan with the overall business plan of the Modaraba. This is specifically important as the Modaraba's business is highly operational intensive from both manpower and maintenance management perspectives.

During the year, Mr. Asif Rahman left the Board and myself replaced him as Chairman of the Modaraba Management Company Board. Mr. Asif made invaluable contribution from Modaraba's formation to the date of his retirement, directing the Management for diversification of the Product Portfolio, commitment to our customer base and continuous and sustainable growth of the business. His son, Mr. Ahad Rahman replaced him on the board during the year to fill the casual vacancy, duly approved by Registrar Modarabas - SECP. The Board continued to assist the Management in setting strategic directions of the business, keeping in view the macro economic factors in mind for new investment opportunities for growth of the business, and not to miss the opportunities that the market presents.

As a Modaraba, Board is aware of Shariah Compliance Framework and advises Management to ensures that all transactions are in complete compliance to Shariah rules and principles, as advised by the Shariah advisor.

The Board is committed to the business and shall always endeavor for the continued success and growth the business in years to come.



Syed Feisal Ali
CHAIRMAN

August 29, 2019

Directors' Report

For the year ended June 30, 2019

The Board of Directors of Allied Engineering Management Company (Private) Limited, the management company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with Audited Financial Statements of the Modaraba for the year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

Rs in '000

Gross Sales Revenue	4,162,447
Net Sales Revenue	3,821,667
Profit for the year	382,854
Un-appropriated profit brought forward	34,135
Available for Appropriation	417,137
Transfer to Statutory Reserve @ 40% of profit for the year	153,698
Proposed cash dividend @ 10% (Re. 1 per certificate)	220,000
Un-appropriated profit carried forward	43,439
Net profit margin	10.02%
Return on equity	7.30%
Earning per certificate	Rs. 1.74
Break-up value per Certificate	Rs. 24.24
Price Quoted on Pakistan Stock Exchange on June 30, 2019	Rs. 13.00

BUSINESS REVIEW

The Management is pleased to report that the Gross Sales Revenue, inclusive of Provincial Services Sales Tax is recorded at Rs 4,162 Million as against Rs 4,019 Million of last year, increase of 3.6%. This remained lower compared to our double digit % increases in prior years. This is mainly due to the fact that economy remained under pressure during the year on all fronts, resulting in stagnation of both new contracts as well as price increments. However, despite these negative pressures, diversification of our Rental portfolio ensured that we maintain our Sales to the level of previous year with minor 3.6% increase. We now offer our customers a wide variety of Rental solutions from Rental Power Management to Inbound Warehousing solutions to Outbound Logistics. Accordingly, Net Profit also remained stagnated at Rs 383 Million as compared to Rs 395 Million of previous year, slightly lower by Rs 12 Million.



Due to overall stagnation of the economy, slow down of investments on infrastructure projects and slower growth rate in all sectors of economy, our investment

also remained subdued during the year and is recorded at Rs 537 Million as compared to Rs 1,326 Million in 2018 and Rs 4,583 Million cumulative for three years from 2018 - 2016 (average of Rs 1,527 Million per annum).

Overall the Power Rental business achieved its revenue targets despite lower demand from the textiles segment for both our Diesel and Gas units, mainly due to better grid availability to the textile sector. Gross Sales for the segment is recorded at Rs 1,694 Million, comprising of all segments of Diesel, Gas and HFO units. Cement and Housing societies sector generated sales for our large engines segment, both Gas and Diesel. LNG availability and its rational tariff structure for the North customers has ensured better utilization of our Gas Engines. All our long term contracts continued with satisfactory payments made by our customers except for our major HFO customer due to factory closure and resultant no utilization of the HFO Units.

Better and reliable grid availability is a major challenge for both our Diesel and Gas Engines segment, with overall time utilization intact, but running hour utilization continue to get lower resulting in lower variable revenues. We are analyzing rental opportunities for better and efficient gas engines which is dependent on better results and growth in the Textiles segment. Large Diesel engine segment will remain under pressure due to better grid availability, but thankfully we have some long term contracts which will continue to generate Sales for the segment. We are continuously working to further enlarge our customer base and see prospects of deployment of these units on long term contracts.

Rental sales of both our Inbound and Outbound Logistics segment continued with its robust performance during the year with Sales for the year recorded at Rs 1.7 Billion, contributing almost half of our

total Sales portfolio. Inbound Logistics segment is continuously growing at steady pace, both in terms of new customers and new fuel efficient units with existing customers for deployment of Forklifts, tractor trollies, Reach stackers and other attachments at Plant Sites to handle logistics within plant premises. Without compromising on the quality of Forklift units required for rental deployment, we have diversified our sourcing from Japanese to Chinese source, with almost 1/3 lower Capital cost outlay. This should further increase our market reach with better price realization and higher margins. Most of our Inbound segment contracts are long term in nature with blue chip companies, handling plant and warehouse logistics on 24/365-day basis.



Our Outbound Logistics segment crossed Rs 1 Billion mark and is the major contributor for the growth of Modaraba's Sales. Our customer base for this segment mainly comprises of blue chip companies in the FMCG sector; Nestle, Engro, Pepsi Riaz Bottlers and Oil and Gas company Schlumberger. With our strong set up and commitment to HSE guidelines, industry sees us as reliable vendor for their outbound logistics. However, the business is full of challenges in terms of non-availability of skilled and reliable manpower. We are further penetrating in the market with other customers and if the Axle Load Regime is implemented, we see further strong growth prospects, both in terms of development of this segment in the country vis-à-vis its potential with specific reference to CPEC.

CAT Machines and SANY Cranes rental segment remained stagnated due to shelving of running and potential contracts in pipeline, overall slowdown of the economy and slowing down of investment for CPEC projects. This includes machineries for road construction, coal and LNG based power projects and hydel power projects. This includes all sorts of equipment, including Excavators, Motor Graders, Compactors, concreting equipment and other earth moving equipment. Overall our time utilization declined from previous 69% to 60% recorded during the years. Revenue of this segment registered at Rs 518 Million as compared to Rs 527 Million of the previous year.

The major challenge of this business is the payment cycle of the contractor. Payment by contractor is dependent on the receipt of his bills from the Government. Especially when the change of government takes place, all payments are sort of stopped, resulting in piling up of the Receivables. Though now our major concentration of these units deployment is with FWO and other ARMY

contractors, however, timely payment of receivables remained a challenge during the year.

We shall remain cautious on all our new investments for every segment due to strong headwinds, hampering stabilization and growth. We shall have to wait and see how the new government sees CPEC projects vis-à-vis external debt and repayment economics.

Operating Expenses went up by 5% during the year to Rs 2,907 Million as compared to Rs 2,758 Million of the previous year. Accordingly, the Gross Margin percentage went down from 25 % of the previous year to 24% in the current year, to close at Rs 915 Million. The main factor contributing is the higher price of Diesel Fuel, which went up to Rs 127 per Ltr as at June 30, 2019 as compared to Rs 113 per Ltr at July 1, 2018. Also inflation moved to double digits and 33% depreciation of the rupee vis-à-vis US \$. Salaries and Wages went up by Rs 100 Million from Rs 821 Million in previous year to Rs 921 Million in the current year. This was mainly on account of increase in minimum wage levels across the country, presumptive taxation impact on manpower sales, increase in SESSI/PESSI/EOBI and other rates and increase in wage levels due to higher demand levels for skilled manpower.

Pakistan is extremely short in skilled manpower base, with overall quality being very low. This is seen as a major challenge for the development of Cranes and Machine segment, where the wage levels are high, whereas the overall skill base is very low. For our project at Schlumberger, our major challenge during the year remained at finding the required drivers, meeting Schlumberger standards of compliance.

Repairs and Maintenance Expense went up by Rs 80 Million to Rs 425 Million in the current year as compared to Rs 345 Million for the previous year. This was mainly due to increase in price of parts and lubricants due to devaluation of the currency. Fleet Vehicle running expenses went up to Rs 719 Million for multiple factors, including increase in Km travelling and resultant Sales, increase in Diesel price, increase in tyres prices due to devaluation of currency with higher import duties and increase in price of lubricants. The main component of the Fleet Vehicle running cost is the element of Diesel Fuel, which constitutes almost 65% of the total such costs.

Depreciation was recorded at Rs 719 Million as compared to Rs 930 Million in the last year. This was mainly due to our assets reaching their Residual Values, lower investment during the year and maturity of some of our long term BOT contracts. Ijarah Rentals payments were completed last year and as such no expense is recorded during the year.



Takaful / Insurance charge remained almost similar to Rs 41 million during the year.

Administrative and Selling Expenses went up to Rs 235 Million as compared to Rs 206 Million of the preceding year. Salaries and wages went up by Rs 16 Million due to yearly increments. As Modaraba is continuously growing and diversifies its business portfolio to Logistics, Crane, Construction Equipment and other business segments, we need to have better focus on the administrative controls, therefore hiring of professionals was required to ensure effective internal control and recordings. Legal and Professional charges stood at Rs 10 Million in the current year, comprising of payment for various regulatory and fiscal fees and levies and litigation costs for various issues.



The business segments are now organized on product lines as we target each business segment with specialized and dedicated sales force. The Modaraba has also implemented the new IT system "Microsoft AX and Sycor Rental" to cater for multiple business units and segments requirements. This required allocation of resources to our IT department during the year.

Despite overall reduction of our borrowings, Finance costs for the period went up to Rs 288 Million as compared to the last year charge of Rs 247 Million. This was mainly due to increase in the average mark up rates by 575 basis points. Exchange Loss of Rs 7 Million was recorded during the year due to devaluation of rupee vs US\$.

Profits on Savings account and proceeds from disposal of scrap generated other income of Rs 5 Million and Rs 19 Million respectively. Profits from the disposal of old units generated gains of Rs 80 Million as compared to loss of Rs 18 Million in 2018. This was mainly due to the factor that units disposed during the year were acquired under Ijarah Contracts, whose payments were recorded under Ijarah Rentals and units were capitalized at 10% of their Purchase price in the books.

Provision as per Prudential Regulations applicable to the Modarabas was made during the year of Rs 103 Million as compared to Rs 94 Million of previous year. This is mainly due to higher levels of Receivables at the end the June 30. Machine rentals takes higher recovery periods and are always subject to release of funds to their contractors from either Provincial or Federal Governments or other such contracting bodies. Management has analysed its provisioning requirements under IFRS 9 as well as Prudential regulations applicable to the Modarabas.

Modaraba is contesting the claim raised by the Assistant Commissioner of Inland Revenue for Federal Excise Duty (FED) aggregating to Rs 838.6 million (calculated @ 16% of gross receipts of the Modaraba for the tax years 2014 & 2015) 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. An under protest payment of Rs 50 million was also made by the Modaraba to the FBR 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 June 2, 2016 in which the SHC declared the levy of FED on ARM as 'ultra vires' with effect from July 1, 2011 and also quashed any duty recovered by the FBR.

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.

Modaraba is continuously facing hardship and delays in the getting Tax Exemption Certificates from tax authorities for deduction of tax on both Sales and Import stage, despite the fact that Modaraba is exempt from income tax by virtue of Clause 100 of Second Schedule of the Income Tax Ordinance, 2001. This resulted in unnecessary deduction of Income Tax by our customers and payment of Income Tax on import of new equipment, creating unnecessary cash flow pressures on funds management. During the year, our cumulative Income tax receivable as mentioned in the accounts went up from Rs 279 Million of previous year to Rs 499 Million as at close of June 30, 2019. Combined with payment of Rs 50 Million of under protest FED payment, the accumulated amount receivable from the tax authorities went up to Rs 549 Million. This has created a severe impact on our Cash Flows and Liquidity, hampering growth and investment.

Due to diversification, the share of Rental Power in the total business now stands at 40% to the overall Sales Revenue of the Modaraba. To keep pace with new technologies offering fuel efficiencies and compliance to better environmental standards. The Modaraba continues to follow its replacement cycle of power rental fleet. This fuel efficiency gives competitive edge to the Modaraba and generates premium on its price offering to its customers.

As predicted last year, this year saw major challenges on the deployment of construction machines and equipment. The challenge of the market is to compete with low pricing / low quality investor cum operator unorganized sector and create window of opportunity in this growth market with new, reliable and fuel efficient units. The organizational structure is in place to specifically target this segment. The fleet comprises Cranes, Excavators, Motor Graders, Compactors, wheel loaders, lighting towers and other construction Equipment.

On the inbound logistics segment, the Modaraba is continuously offering complete 360° solution to its customers, especially in the bottling and packaging industry with efficient and cost effective solutions through its CAT Forklifts. As mentioned above, we have diversified our sourcing to Chinese sources for better capital costs.

The Management feels that logistics is the future potential area of investment and growth for the Modaraba. The lack of investment in the sector, roadside engineering practices and overall lack of infrastructure have created many inefficiencies resulting into higher transportation costs. Non implementation of measures mentioned in the Trucking Industry report and NHTS 2000 is another impeding factor for the sustainable growth of the trucking industry. Modaraba has entered into rental agreements for the transportation contracts with leading FMCG brands, which portrays the confidence of our customers on our ability to deliver on our commitments. To qualify as compliant with HSE standards, the Modaraba continuously certifies its Logistics business for Compliance of Responsible Sourcing Audit under the guidelines of SMETA by Bureau Veritas Pakistan. We see huge potential for growth in the sector with some leading FMCG brands, where we have developed our relationship by offering rental solutions to them, both in the Power Rental and Logistics Rental businesses. Another significant window of opportunity is the movement of goods from/to China under the CPEC corridor and the business unit is fully aware of the significant opportunities on this front. With initial hiccups and teething problems of the business now behind us, we see profitable growth prospects on this segment as our knowledge base of this segment improves.

DIVIDEND

The Board is pleased to announce a cash dividend of 10% i.e. Re. 1/- per certificate of Rs. 10/- each.

CREDIT RATING

The Management of the Modaraba is pleased to inform that JCR-VIS Credit Rating Company Limited has maintained the entity ratings of Allied Rental Modaraba (ARM) at "A +" (Single A Plus) for long term & "A-1" (Single A-One) for short term. This again depicts the confidence of the rating agency on the performance of the Modaraba and its capacity to meet its financial obligations.

INFORMATION TECHNOLOGY

Considering the continuous growth of the Modaraba in multi-dimensional Rental business portfolio with Asset base reaching PKR 13+ billion, the management decided in 2016 to invest in its IT systems and selected the ERP solution of Microsoft Dynamics AX with an integrated add on German based AX module SYCOR for its rental business needs.

Implementation process started with the purchasing of Licenses for software, training of team members and test runs were completed during the previous periods including implementation of financial, rental and sales module. During the year, Management and ERP team remained focused on the project and several milestones were achieved including implementation of:



Microsoft Dynamics CRM

Routing our entire Sales cycle through CRM which enables us to forge a much stronger connection and a deeper relationship with our clients.

Automation of Trip Management System

Entire Fleet Management is done via TMS System which has been developed as a module in AX, this system is fully integrated with our core financial system which helps us in controlling and monitoring our trips more efficiently and provides valuable insight of our logistics business.

Operation & Maintenance System

Through O&M Software we provide the customer with an in-depth Analysis of our Generators and Machines, enabling the customer to understand and monitor the equipment with ease

Microsoft Power BI

In addition, the IT department is developing Dashboards using Microsoft Power BI which is an advance business intelligence tool. With the help of Power BI, we will be able to observe where we are significantly behind segment trends, focus on problems and create solution

Through ERP implementation, Modaraba have been benefited in the following ways:

- Unlike point solutions (historically used by small to midsize businesses) that rely on multiple (sometimes duplicating) databases which strain IT resources, ERP solutions standardize the use of one application to run its entire business. This not only increases efficiencies, but also decreases the overall total cost of ownership (TCO), thereby reducing operational costs and improving the Modaraba's profitability.
- Tighter controls for financial as well as Caterpillar Five Star Rental compliance declaration and other statutory forms of compliance reporting.
- The single data source for product and services information - such as information related to suppliers, vendors, customer orders and the products themselves - drive rapid product development and launch cycles which increases a company's overall market share.
- Increased access to valuable corporate data delivers a clear, global view of the business that

drives continuous improvement strategies and establishes common performance metrics and measures to gauge the health of the business.

- Effectively managing projects holistically fosters decision making at all critical levels starting from development to all its operational phases.
- Support for streamlined sourcing and procurement processes drive alignment to customer demands, and also deliver a centralized buying model to reduce unauthorized and unnecessary expenses.
- Providing sales and operations planning with access to critical information fosters "closed loop" processes that ensure the business does not overpromise and/or under deliver to its customers.

Automating business processes such as invoicing and sales and purchase orders within one system improves forecasting accuracy and reduces inefficiencies. Using a single base of information for billing and other customer interactions improves service levels and increases customer retention.

During the year, a charge of Rs 1.9 Million made in the Accounts for the overall amortization of the total investments made till June 30, 2019 on the IT Project.

FUTURE OUTLOOK

The strength of Caterpillar brand name and our strategy of continuous investment in prior years on new technologies, new products, new markets and new segments perfectly position us as the lowest Capital Cost Rental set up in the country for all business segments. This gives us a huge competitive edge in terms of meeting the price challenges of the market and offering effective prices to our customers in this challenging business environment. 2019-20 will remain challenging due to sluggish economic growth and lower funds available for infrastructure development projects. We will have to cautiously review the situation regularly and wait and see the direction of the economy set by the Government before finalizing our Investment Plans. On the other hand, due to higher discount rates, our threshold of minimum return on investment will also go up, thereby resulting in comparatively lower qualification of new investment approvals. The Modaraba and its team of people from Managers to technicians to Drivers/Operators are all geared to their optimum potential of a COMPLETE RENTAL SOLUTION PROVIDER for all sorts of EQUIPMENTS TO ITS CUSTOMERS from POWER TO LOGISTICS. By applying prudent policies and disciplines in our business operations, we are confident that the targets sets for the year will be achieved. The Management is continuously expanding its rental fleet but will again remain cautious in 2019 - 20 and beyond due to external debt challenges and its effect on infrastructure investment projects. Modaraba is also continuously tapping new rental agreements for the transportation business with leading FMCG and Oil Field Services companies to deploy its Rental assets to more profitable sectors of the business.



Despite the challenges facing the country, we feel that our country is blessed with resources, all the way from Karakoram Mountains to the hilly areas of Baluchistan. We are a country rich in natural resources, have vast agricultural resource able to grow Cotton, Rice, Wheat, Maize, Potato, Fruits and Vegetables. CPEC is the game changer for the economy of the country and accordingly offers significant business opportunities to us also and we are well positioned to take that advantage. With over 200 Million population, we see our country as big market for all sorts of investment, whether industrial investment for rising Power Generation demand or investment in the logistics sector by partnering with leading FMCG brands or movement of cargo on CPEC front.

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

We acknowledge our commitment to the country and our customers and shall continue to work with them in all sectors of the economy to meet their Rental products demands. Wherever we see window of opportunity, we must not let these opportunities lapse and continue to make new investments in all sorts of Rental products by offering Islamic Ijarah Rental products and work with our customers for their rental needs.

OUR COMMITMENT TO REGULATOR AND CERTIFICATE HOLDERS

As a responsible corporate entity, we shall continue to conduct our business in a transparent way, working closely with the regulator to ensure compliance in all discipline of our business including complete Shari'ah compliance.

We feel that we must fulfill our promise to our Certificate holders by

- a) complying with Islamic Shari'ah principles in all our business areas;

- b) generate fair returns on their investment through cash dividends and offering of Bonus Certificates; and
- c) develop long term growth and sustainability plans of the Modaraba, keeping in view different segments of its Rental Asset portfolio to ensure optimum mix of its asset base. Rental business is both Capital and Labor intensive as we not only maintain the equipment but continuously operate and maintain them at customer sites. This not only requires continuous review of our asset portfolio on an ongoing basis to ensure optimum utilization of Capital but continuous improvement and review of operational controls to not only maintain asset health and provide quality service to our customers.

GOVERNANCE FRAMEWORK

Our governance framework is designed to ensure that the Modaraba lives up to its core values and principles, institutionalizing excellence in everything we do. Driven by the highest governance standards of integrity, transparency and zeal to protect stakeholders' value, Modaraba has aligned its governance framework to the industry's best practices. The board of directors and senior management place significant emphasis on internal controls, which trickles down to each and every employee of the Modaraba.

The Board of Directors is committed to open, ethical, knowledgeable and comprehensive management and to developing and implementing good Corporate Governance as a means of achieving maximum success and effectiveness. In short, good Corporate Governance is a tool for enhancing the value of the Modaraba and its sustainable growth. The work of developing good Corporate Governance is ongoing, and aims to incorporate standards universally practiced.

Control Activities

The Modaraba has determined a number of control activities that accord with the nature of its business operations and assigned responsibilities in such a way that mutual supervision is in effect.

REVIEW

The Board meets at-least once each quarter to consider Modarabas financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. Post completion reviews are performed on all material investment expenditures.

AUDIT

The Head of Internal Audit functionally reports to the Board of Audit Committee. The Internal Audit function carries out reviews of the financial, operational and compliance controls and report's findings to the Board of Audit Committee, Chief Executive and the concerned department heads. The Office of Internal Audit provides assurance to the Audit Committee concerning the adequacy of disclosure, transparency of data, internal controls, and appropriate risk management practices. The emphasis is on preventive, creative investigation and auditing that conforms to

international standards and good Corporate Governance. The Board of Audit Committee receives reports on the system of internal controls from internal and external auditors and reviews the process for monitoring the effectiveness of controls. The audit department also remains in close contact with Shari'ah Advisor and seeks guidance on compliance to Shari'ah principles in all areas of its business activities.

WHISTLE BLOWER MECHANISM

The Board has developed the Whistle Blower Mechanism in line with the requirements of the Code of Corporate Governance. There may sometimes be circumstances in which people feel uncomfortable raising issues directly with their managers. Hence we plan to provide a confidential "whistle blowing" mechanism throughout the Modaraba which the employees will be able to use. The policy encourages open discussion of these issues and no one will be disadvantaged as a result of informing in good faith any concerns about compliance with the Modaraba's Code of Conduct. Under the policy, all disclosures are kept confidential and the identity of the individual making the allegation may be kept confidential so long as it does not hinder or aggravate any investigation. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required. If an employee needs to make a disclosure he/she should first raise the issue to his/her Department Head (unless he/she is the potential transgressor), in which case he/she can write to the Audit committee in the following format for the purpose of recording and monitoring.

- The background and history of the concern (with relevant dates)
- The reason why they are particularly concerned about the situation.



ALTERNATIVE COMPLAINT METHODS:

INDEPENDENT HOTLINE:

An independent compliance hotline, operated by an external agency gives employees the opportunity to report potential improprieties in financial reporting or other matters. The hotline is available to all and callers can remain anonymous if they wish.

CORPORATE SOCIAL RESPONSIBILITY:

The Modaraba views corporate social responsibility as a business approach that contributes towards sustainable development through uplifting economic, social and environmental benefits for the community. Being a good corporate citizen is part of the Modaraba's core values.

The Management and those charged with governance are well aware of their responsibility of being a corporate citizen and are very much committed in this regard. The Modaraba is committed to ensure that good practices are maintained in Health, Safety and Environment within its own operations. In addition, supporting causes that focus on social upliftment remain a focus area for the Company through which it supports various communities in Pakistan.

Our areas of interests in this connection include but are not limited to environment protection education, health and social development of the society. Key initiatives supported by the Company included:

SCHOLARSHIPS

We offer merit scholarships to our employees for professional qualifications to appreciate their talent in the form of monetary contributions that vary with the level of education.

SPORTS ACTIVITIES

"Health is the thing that makes you feel that now is the best time of the year" - we at Allied believe that mental exertion must be balanced by physical activity; resultant promotion of sports has always played a vital role in our CSR initiatives. To promote sports activities, we have an in-house sports complex and gymnasium where employees are encouraged to participate in sports and healthy activities on routine basis.

EMPLOYEE HEALTH CAMP

Allied Rental Modaraba organized a health camp in alliance with a well known Laboratory where free of cost medical tests and advices from physician were offered to the employees at its regional offices in Karachi and Lahore. The campaign helped to spread awareness to live healthy life.

OPPORTUNITY FOR YOUNG TALENT

As a responsible corporate citizen, Modaraba continued to provide management-traineeships and internship experience to students from various academic institutions. This year, the number of interns increased from the previous years which in addition to willingness of the Modaraba to provide opportunity to young talent to help them learn in a professional environment.

DIRECTORS

THE STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors consists of qualified individuals possessing knowledge, experience, and skill in various professions, with the leadership and vision to act in the best interests of the Modaraba and its certificate holders. The Board of Directors has a major role to play in deciding corporate policy, and with senior executives making plans for the short term and long-term operations of the Modaraba.

The Board of Directors presently comprises 07 individuals, composition of which is as follows:

- Five non-executive directors representing Allied Group of companies, the majority stakeholder;
- One executive director being the CEO of the Management Company, managing the affairs of the Modaraba; and
- One Independent Director, Mr. Abdul Rahim Suriya as per the requirements of the Code of Corporate Governance.

During the year, Chairman Mr. Asif Rahman resigned from the Board and Mr. Ahad Rahman replaced him and filled the casual vacancy for the remainder of the term. Mr. Ahad Rahman's approval as Director on the board was duly approved by Registrar Modarabas - SECP. The Board wishes to place its sincere gratitude to the outgoing Chairman for his guidance and support in the initial set up and its subsequent decade long sustainable growth of the Modaraba. Mr. Syed Feisal Ali was selected as the new Chairman of the Board. Mr. Ahad Rahman was given induction briefing on the business of the Modaraba, its history and current business strategy and operational business KPIs for each segment of the business.

Non executive directors are qualified individuals and possess required expertise, knowledge and the skill required by the business and specified by SECP to effectively provide guidance to the senior management and control the affairs of the Modaraba. The Chairman of the Board is other than the CEO. Meetings of the Board of Directors are held regularly to review the performance and results of business operations and their management and to make decisions concerning the Modaraba's business activities. All the Directors have completed their mandatory certification process as required under Code of Corporate Governance - CCG. Meetings also take place to consider business trends and operational plans of the Modaraba. Various planning scenarios are deliberated on, as well as the Modaraba's annual business plan.

Mr. Abdul Rahim Suriya, as an independent director appointed on the Board is a seasoned professional and gives an independent view to the business and control processes based on his expertise and knowledge, especially with reference to Governance policies and sustainability standards.

Four Board meetings took place during the year. The remuneration to attend the Board meetings was paid by the Modaraba management Company. Attendance of each of the director was as follows.

Name Of Director	No. Of Meetings Attended
Mr. Khwaja Asif Rahman	2
Mr. Murtaza Ahmed Ali	4
Syed Feisal Ali	4
Mr. Ali Akbar	4
Mr. Raees A. Khan	3
Mr. Abdul Rahim Suriya	4
Mr. Hassan Shahzad Abidi	4
Mr. Khwaja Ahad Rahman	1

Leaves of absence was granted to the directors who could not attend the above meetings.

DEVELOPMENT OF DIRECTORS

It is the management policy to encourage directors, executives, and personnel concerned with corporate governance to take part in seminars and courses that could aim them in the performance of their duties and enhance their effectiveness. As of today, all the Directors are qualified individual under the CCG directive.

Newly appointed directors are given induction training that introduces them to their role, duties, and responsibilities, as well as knowledge of the Modaraba, their legal obligations, and the regulations that apply to them as directors of a listed entity. They also go through a rigorous approval mechanism set at SECP with interviews conducted by Registrar Modarabas, especially with reference to their knowledge on Islamic Finance and Shariah compliance standards.

COMPLIANCE WITH CORPORATE GOVERNANCE

The Board of Directors reviews all significant matters of the Modaraba. These include Modaraba's strategic direction, annual business plans and targets, related party transactions and decisions on long term investments and borrowings. The Board is committed to maintain high standards of Corporate Governance.

THE BOARD OF DIRECTORS IS PLEASED TO REPORT THAT:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control, which is in place, is being continuously reviewed by internal audit and other such procedures. The process of review will continue and any weakness in controls will be removed.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- Summary of key operating and financial data for the last six years is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2019 except for those disclosed in the financial statements.
- The trading in certificates carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children is reported as annexure to this report.
- The value of investments in Employee's Provident Funds based on the audited financial statements of the fund as at December 31, 2018 is Rs. 77,462,598

(2017: Rs. 68,434,412).

- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Board has formed a Human Resource Committee in compliance with the requirements of the Code of Corporate Governance. The Committee makes recommendations to the Board for maintaining.
 - (i) a sound organizational plan of the Company,
 - (ii) an effective employee development program and;
 - (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve set objectives.

Following Directors are the Members of the Human Resource Committee:

Mr. Abdul Rahim Suriya - Chairman

Syed Feisal Ali

Mr. Murtaza Ahmed Ali

The Human Resource Committee met once during the year with a participation of 100% of its members.

- The Board has formed an Audit Committee in compliance with the requirements of the Code of Corporate Governance. The Committee comprises of three members. The head of the Audit Committee is an Independent Director. The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors.
- The Board Audit Committee met four times during the year. Attendance of each of the member was as follows:

Name Of Director	No. Of Meetings Attended
Mr. Abdul Rahim Suriya	4
Syed Feisal Ali	4
Mr. Ali Akbar	4

AUDITORS

On the recommendation of the Audit Committee, the Board has approved the re-appointment of the Messrs. KPMG & Co. Chartered Accountants as auditors for the year ending June 30, 2020 at a remuneration to be mutually agreed, subject to the approval of Registrar of Modaraba Companies & Modarabas.

SHARI'AH AUDIT REPORT

The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Irshad Ahmed Aijaz as and when required to ensure full compliance to Sharia'h Audit mechanism developed in consultation with Registrar

Modarabas. The internal audit department has also been trained to handle the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shari'ah' Audit Report issued for the affairs of the Modaraba for the year ended June 30, 2019 is attached in the Annual Financial Statements.

ACKNOWLEDGEMENT

Our people are the key driver behind the sustained growth of the Modaraba. The Directors acknowledge the contribution and efforts of each and every employee of

the Modaraba, who by meeting customer expectation by providing quality service ensured continued business for the Modaraba.

We would also like to express our sincere gratitude to the Registrar Modarabas, Religious Board, financial institutions and our business partners for their continued support and guidance; and our customers for their continued patronage and business. We are also grateful to our certificate holders for their support and confidence in our management.



Murtaza Ahmed Ali
Chief Executive

Date: August 29, 2019



Ali Akbar
Director



Certificate Holding Pattern

As at June 30, 2019

Categories of Certificate Holders	Number	Certificates Held	Percentage
Associated Companies			
Allied Engineering & Services Limited	1	151,931,073	69%
Allied Engineering Management Company (Private) Limited	1	43,999,997	20%
Allied Engineering & Services Limited - Employees Provident Fund	1	3,734,868	2%
		199,665,938	91%
Directors, CEO & Their Spouses & Minor Children			
Mr. Murtaza Ahmed Ali	1	510,629	0.2%
Syed Feisal Ali	1	2,256,650	1%
Ali Akbar	1	82,544	0.0%
Raees A. Khan	1	586,666	0.3%
Hassan Shahzad Abidi	1	7,324	0.0%
Abdul Rahim Suriya	1	46,256	0.0%
Khwaja Ahad Rahman	1	5,973,845	2.7%
		9,463,914	4%
Executives	2	115,844	0.1%
Employee Provident Fund	2	23,502	0.0%
Modaraba	1	16,500	0.0%
Mutual Fund & Others	3	709,050	0.3%
General Public	423	10,005,252	5%
	441	220,000,000	100%

Information on Trading in Certificates

Name	Designation	Purchase	Bonus	Sale
Number of Certificates				
Mr. Murtaza Ahmed Ali	Chief Executive Officer	-	46,420	-
Syed Feisal Ali	Chairman	-	205,150	-
Mr. Ali Akbar	Non-Executive Director	-	7,504	-
Mr. Raees A. Khan	Non-Executive Director	-	53,333	-
Mr. Hassan Shahzad Abidi	Non-Executive Director	-	665	-
Mr. A. R. Suriya	Independent Director	-	4,205	-
Mr. Khwaja Ahad Rahman	Non-Executive Director	1,000,000	543,076	-
Mr. Muhammad Saad	Chief Financial Officer	-	-	-
Mr. Muzzammil Tariq	Company Secretary	-	-	-

Combined Pattern of CDC & Physical Shareholdings

As at June 30, 2019

Categories of Share Holders	Number of Share Holders	Shares Held	Percentage
Individuals	430	19,584,796	8.90%
Investment Companies			
Insurance Companies			
Joint Stock Companies	1	16,884	0.01%
Financial Institutions			
Modaraba Companies	1	16,500	0.01%
Foreign Companies	1	566,810	0.26%
Co-operative Societies			
Associates	4	199,665,938	90.76%
Others	4	149,072	0.07%
Totals	441	220,000,000	100.00%

Number Of Share Holders	Share Holding			Total Shares Held
96	1	-	100	1,593
34	101	-	500	10,374
50	501	-	1000	35,980
130	1001	-	5000	310,358
41	5001	-	10000	277,302
18	10001	-	15000	223,535
9	15001	-	20000	155,982
11	20001	-	25000	244,227
9	25001	-	30000	247,113
5	30001	-	35000	155,815
1	35001	-	40000	36,327
4	40001	-	45000	169,379
3	45001	-	50000	137,403
3	60001	-	65000	187,665
2	70001	-	75000	146,560
2	75001	-	80000	153,774
1	80001	-	85000	82,544
1	90001	-	95000	91,759
1	100001	-	105000	100,294
2	125001	-	130000	252,151
1	160001	-	165000	160,596
1	185001	-	190000	189,200
1	215001	-	220000	219,998
1	265001	-	270000	266,030
1	290001	-	295000	291,758
1	315001	-	320000	317,900
1	510001	-	515000	510,629
1	565001	-	570000	566,810
1	585001	-	590000	586,666
2	1095001	-	1100000	2,200,000
1	2255001	-	2260000	2,256,650
1	3730001	-	3735000	3,734,868
2	4870001	-	4875000	9,747,690
1	43995001	-	44000000	43,999,997
1	66620001	-	66625000	66,622,274
1	85305001	-	85310000	85,308,799
441				220,000,000

Credit Rating



"A-One"
Short-Term



"A+"
Long-Term

JCR-VIS Ratings of Allied Rental Modaraba

December 31, 2018
Karachi

Award & Recognition





Human Resources & Remuneration Committee: Terms of Reference

I. PURPOSE

The purpose of the Human Resources Committee is to assist the Board in fulfilling its obligations relating to Human Resources Policies and related matters and to establish a plan of continuity and development of Human Resources for Allied Rental Modaraba.

II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of the following THREE members
 - Abdul Rahim Suriya - Chairman
 - Syed Feisal Ali - Member
 - Murtaza Ahmed Ali - Member
- B. The Committee shall meet at least once each financial year.
- C. The quorum of the committee is THREE members
- D. From time to time, as deemed required by the Committee, the Committee shall obtain independent advice regarding Human Resource and Compensation issues.
- E. The Head of Human Resources/ Company Secretary shall serve as the Secretary of the Committee.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties delegated by the Board of Directors of the Modaraba. The HR & R Committee will review the following and recommend to the Board for their approval:

- A. Recommending to the board the selection, evaluation and succession planning across the company.
- B. Recommend to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors) and members of senior management.
- C. The objectives, strategies and overall business plans of Human Resources and ensure that they are within the framework of existing laws and regulations.
- D. The Modaraba's compensation and benefits philosophy, strategy and guidelines and review their compliance with laws and any applicable guidelines established by the Labor Laws of Pakistan, competitiveness with the market and frequency of review accounts for annual country inflation rate and changes in trends in the country.
- E. Undertake annually a formal process of evaluation of performance of the Board as a whole and its

committees either directly or by engaging an external independent consultant

- F. The Modaraba's strategy, plan and proposal related to annual increments, salary adjustments and performance and profit bonuses of the Modaraba's executives.
- G. The Modaraba's strategy related to Human Capital Management and Planning, including:
 - i. Recruitment and Selection strategy is aligned to Business objectives and philosophy.
 - ii. Training and Developmental needs of Human Resources are identified, adequately met and aligned to business objectives; and
 - iii. Performance Evaluation and Management System is objective, transparent and unbiased.
- H. Review and Recommend the Human Resources Policies and Procedures of the Modaraba to the Board and ensure that they are updated from time to time to keep abreast with market practices.
- I. recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
- J. consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer; and
- K. where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company.
- L. Review and recommend Core Values to be adopted by the Modaraba.
- M. Review and recommend changes to the Committee's terms of reference, as and when required.

IV. ACCOUNTABILITY

The Committee shall report its discussions to the Board by oral or written report at the Board meeting.

IT Steering Committee: Terms of Reference

I. Mandate

- To provide strategic advice, guidance and direction to the Board of Directors on technology initiatives.
- To develop Board briefings and input on the development of:
 - policy positions which address technology, communications and information management related initiatives;
 - proposed federal and/or provincial legislation that may have broad technology implications, and
 - changes to existing legislation which may have an impact on the Modaraba's ability to perform its duties.
- To explore and make recommendations regarding technology tools and resources that would benefit an employees routing practices.
- To undertake appropriate surveys, dialogues and outreach programs to ensure the committee understands and is representing the Modaraba's concerns

II. Duties and Responsibilities

- To ensure management have the opportunity to provide and demonstrate leadership involving technology initiatives that impact their practices.
- To provide advice and guidance on proposed technology initiatives in which employees has been asked to participate and that affect management and the way in which they provide services.
- To develop and recommend policies, guidelines and standards appropriate to technology initiatives which impact on our employee's ability to practice
- To consult and seek input from the management, other stakeholders and interested parties on matters before the Committee, if required
- To develop a relationship, which provides an opportunity for the IT Steering Committee (ITSC) to influence employees participation and provide leadership on Information Management and Technology initiatives that impact on the Modaraba.
- To recommend priorities for new technology initiatives that benefit the Modaraba.
- To ensure that IT initiatives embody the overall mission and objectives of Modaraba.
- To evaluate the sustainability and governance implications of the technology initiatives we participate in.
- To ensure that the IT Strategic Plan is aligned with the Modaraba Business Plan.
- To submit an annual report on the committee's activities, as part of the Reports to Board of Directors.

- To submit a monthly ITSC update to the Board of Directors on issues, priorities, policy implications, recommendations, activities and actions.

III. Sub-Committees/Working Groups

Subcommittees and working groups will be established as the need arises and at the direction of the committee chair. They will be tasked with definitive objectives related to a specific strategic issue.

Subcommittees and working groups will enable the ITSC to seek out the appropriate subject matter expertise from within the Modaraba to assist in the research, analysis and development of policy, guidelines and recommendations to be brought to the ITSC and subsequently to the Board.

A subcommittee or working group will be chaired by a sitting member of the ITSC.

IV. Committee Membership

The IT Steering Committee is comprised of six members including at least one Director. All Committee members will be appointed by the Board of Directors.

The ITSC will strive to be representative of the Modaraba as a whole. Geographic and gender representation will be taken into consideration, as well as varying degrees of computer competencies.

Committee members may be recommended by sitting committee members, the Board of Directors or recruited from lists maintained in the Modaraba data base of members with an expressed interest in information management and technology.

In the event the committee is unable to fill one of the six seats, the committee may invite a member whose term has expired to sit for a one year extension.

V. Quorum and Voting

A minimum of one half of the voting committee members will comprise a quorum. A motion is passed by a majority vote of the members in attendance. The committee chair is a voting member and will vote on matters requiring a decision. The chair will cast the deciding vote in the event of a tie.

VI. Committee Meeting Schedule & Support

Members may be called upon to participate in telephone and/or online conferences if a matter of urgency occurs between regularly scheduled meetings. Support for rural members will be provided through the use of appropriate technologies. The Committee shall meet atleast once every quarter of the financial year

VII. Accountability

The ITSC is advisory to and accountable to the Board of Directors. Any formal policy or position will require Board approval. Minutes of committee meetings shall be maintained and made available to the Board upon request.

Audit Committee: Terms of Reference

Purpose:

The committee is responsible for assisting the Board of Directors in discharging its responsibilities primarily in terms of:

- evaluating and reporting financial and non-financial information to shareholders;
- reviewing the system of internal controls and risk management; and
- reviewing the business plan and determining that it reconciles with the Modaraba's vision, mission, corporate strategy & objectives. Additionally, the committee has the authority to obtain any information it requires from the management and to meet directly with external auditors.

Meetings and Attendance:

The Audit Committee comprises of three members, all of whom have sufficient financial management expertise. The Head of Internal Audit is the Secretary of the Committee. The Committee held four meetings during the year and held separate meetings with the Chief Financial Officer, Head of Internal Audit and members of Internal Audit Function and External Auditors represented by the Engagement Partner as required by the Code of Corporate Governance. The Audit Committee recommends to the Board, the appointment of external auditors, their removal, audit fees and the provision by the external auditors of any service to the Modaraba in addition to audit of its financial statements. The Board gives due consideration to the recommendations of the Audit Committee in all these matters.

Responsibilities:

The Board of Directors has determined the terms of reference of the Audit Committee and provides adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. Among other responsibilities, the terms of reference of the Audit Committee includes the following:

- determination of appropriate measures to safeguard the Modaraba's assets;
- review of quarterly, half-yearly and annual financial statements of the Modaraba, prior to their approval by the Board of Directors.
- review of preliminary announcements of results prior to publication;
- facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;
- review of management letter issued by external auditors and management's response thereto;
- ensuring coordination between the internal and external auditors of the Modaraba;
- review arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures.
- review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Modaraba;
- consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- review of the Modaraba's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body; and
- determination of compliance with relevant statutory requirements.
- monitoring compliance with these regulations and identification of significant violations thereof;
- recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- consideration of any other issue or matter as may be assigned by the board of directors.

Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Listed Companies (Code of Corporate Governance) Regulations, 2017, for establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Allied Engineering Management Company (Private) Limited (the Modaraba Management Company) is not listed. However, Allied Rental Modaraba is listed at Pakistan Stock Exchange. The Board of Directors of the Modaraba Management Company is responsible for managing the affairs of the Modaraba.

Allied Rental Modaraba has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:
 - a. Male: 7
 - b. Female: 0
2. The composition of Board is as follows:

Category	Names
Independent Director	Mr. Abdul Rahim Suriya
Executive Director	Mr. Murtaza Ahmed Ali
Non-Executive Directors	Mr. Khwaja Ahad Rahman
	Syed Feisal Ali
	Mr. Raees A. Khan
	Mr. Ali Akbar
	Mr. Hassan Shahzad Abidi

3. The directors have confirmed that none of them is serving as director in more than five listed companies, including this Management Company.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All the directors have duly completed the Directors' Training Course and meet the training requirement under the CCG Directives.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, no new appointment of the Head of Internal Audit was made during the year.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) Audit Committee
Name of members
 1. Abdul Rahim Suriya (Chairman)
[Independent Non-executive Director]
 2. Syed Feisal Ali
[Non-executive Director]
 3. Ali Akbar
[Non-executive Director]
 - b) HR and Remuneration Committee (Name of members and Chairman)
Name of members
 1. Abdul Rahim Suriya (Chairman)
[Independent Non-executive Director]
 2. Syed Feisal Ali
[Non-executive Director]
 3. Murtaza Ahmed Ali
[Executive Director]
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:
 - a. Audit Committee met every quarter of the financial year
 - b. HR and Remuneration Committee met annually.
15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Company is following the requirements and regulations laid down in section 208 of the Companies Act, 2017 except for the definition of "Related Party", compliance of which is dependent on the clarification from Securities and Exchange Commission of Pakistan. The Company has presented the details of all related party transactions as disclosed in the financial statements before the Audit Committee and upon their recommendation to the Board for review and approval.
19. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board

Syed Feisal ali

Syed Feisal Ali
Chairman

August 29, 2019





KPMG Taseer Hadi & Co.
Chartered Accountants

To the Certificate Holders of Allied Rental Modaraba Review Report on Statement of Compliance contained in Listed Companies(Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Allied Engineering Management Company (Private) Limited, the Modaraba Management Company of Allied Rental Modaraba ("the Modaraba") for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba Management Company's corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended 30 June 2019.

Date: 26 September, 2019
Karachi


Chartered Accountants



KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Certificate Holders

We have audited the annexed statement of financial position of Allied Rental Modaraba as at 30 June 2019 and the related profit and loss account and other comprehensive income, statement of cash flow and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's [Allied Engineering Management Company (Private) Limited] responsibility which is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of Allied Rental Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the statement of financial position, profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied except for the change as stated in note 3.1 to the Financial Statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, statement of cash flow and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2019 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 26 September, 2019
Karachi


Chartered Accountants
Amyr Pirani
Engagement Partner

Statement of Financial Position

As at June 30, 2019

	Note	2019	2018
		(Rupees)	
ASSETS			
Current Assets			
Cash and bank balances	4	50,644,643	91,230,840
Ijarah rentals receivable	5	1,235,580,096	1,334,114,468
Operation and maintenance income receivable	6	27,781,979	29,363,774
Advances, deposits, prepayments and other receivables	7	732,291,991	540,717,302
Spare parts		136,361,764	104,835,161
		2,182,660,473	2,100,261,545
Non-current assets			
Long term security deposit	8	50,000	50,000
Diminishing musharaka financing - secured		-	967,729
Fixed assets in own use - tangible	9	139,827,871	131,283,995
Intangible asset for own use	10	4,215,005	6,126,565
Ijarah assets	11	6,434,721,941	6,732,935,766
Capital work-in-progress - Ijarah assets	12	67,562,112	64,856,641
		6,646,376,930	6,936,220,696
Total assets		8,829,037,403	9,036,482,241
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	13	821,622,788	625,286,025
Payable to the Modaraba Management Company	14	24,228,441	12,265,972
Current maturity of diminishing musharaka financing payable - secured	15	1,038,625,290	1,008,787,702
Current portion of security deposits	18	95,810,000	56,963,000
Unclaimed dividend		1,095,066	1,092,249
		1,981,381,585	1,704,394,948
Non-current liabilities			
Diminishing musharaka financing payable - secured	15	1,375,976,897	2,035,200,403
Deferred liability for staff gratuity	16	84,196,492	69,496,154
Other long-term employee benefit	17	26,820,323	18,729,167
Security deposits	18	27,123,732	58,125,000
		1,514,117,444	2,181,550,724
Total liabilities		3,495,499,029	3,885,945,672
NET ASSETS		5,333,538,374	5,150,536,569
FINANCED BY: CAPITAL AND RESERVES			
Authorized certificate capital			
225,000,000 (2018: 225,000,000) modaraba certificates of Rs.10 each	19	2,250,000,000	2,250,000,000
Issued, subscribed and paid-up certificate capital			
220,000,000 (2018: 200,000,000) modaraba certificates of Rs.10 each	19	2,200,000,000	2,000,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve	20	1,614,386,450	1,660,688,804
Unappropriated profit		263,439,424	234,135,265
		5,333,538,374	5,150,536,569
CONTINGENCIES AND COMMITMENTS		21	

CONTINGENCIES AND COMMITMENTS

21

The annexed notes from 1 to 43 form an integral part of these financial statements.

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



Murtaza Ahmed Ali
Chief Executive



Syed Feisal Ali
Chairman



Abdul Rahim Suriya
Director



Muhammad Saad
Chief Financial Officer

Statement of Profit and Loss Account

For the year ended 30 June 2019

	Note	2019	2018
		(Rupees)	
Ijarah rentals - net	22	3,694,302,280	3,574,139,137
Operation and maintenance income - net	23	127,364,783	122,005,785
		3,821,667,063	3,696,144,922
Operating expenses	24	(2,907,073,905)	(2,758,366,637)
Gross profit		914,593,158	937,778,285
Administrative and distribution expenses	25	(234,951,602)	(206,113,870)
Provision against potential Ijarah losses and operation and maintenance income	5.3 & 6.2	(103,312,497)	(93,509,885)
Finance cost	26	(288,372,592)	(246,740,581)
Other income - net	27	104,897,396	13,709,809
		(521,739,295)	(532,654,527)
		392,853,863	405,123,758
Modaraba Management Company's remuneration	14.1	(10,000,000)	(10,000,000)
Profit for the year before taxation		382,853,863	395,123,758
Taxation	29	-	-
Profit for the year		382,853,863	395,123,758
		(Rupees)	
		(Restated)	
Earnings per certificate - basic and diluted	30	1.74	1.89

The annexed notes from 1 to 43 form an integral part of these financial statements.

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



Murtaza Ahmed Ali
Chief Executive



Syed Feisal Ali
Chairman



Abdul Rahim Suriya
Director



Muhammad Saad
Chief Financial Officer

Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019	2018
		(Rupees)	
Profit for the year		382,853,863	395,123,758
Other comprehensive income for the year		-	-
Items that will not be reclassified to profit or loss			
Gain / (loss) on remeasurement of defined benefit plan obligation	16.6	1,390,253	(5,367,570)
Total comprehensive income for the year		384,244,116	389,756,188

The annexed notes from 1 to 43 form an integral part of these financial statements.

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



Murtaza Ahmed Ali
Chief Executive



Syed Feisal Ali
Chairman



Abdul Rahim Suriya
Director



Muhammad Saad
Chief Financial Officer

Cash Flow Statement

For the year ended 30 June 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year before taxation

Adjustments for

Depreciation

Amortization

Provision against potential Ijarah losses and operation and maintenance income

Reversal of provision against potential Ijarah losses and operation and maintenance income

Provision for deferred liabilities - gratuity

Provision for long term employee benefits

Financial charges including bank charges

(Profit) / loss on disposal of Ijarah assets

(Profit) / loss on disposal of fixed assets in own use

(Increase) / decrease in assets

Ijarah rentals receivable

Operation and maintenance income receivable

Advances, deposits, prepayments and other receivable

Spare parts

Long-term security deposit

Diminishing musharaka financing

Increase / decrease in operating liabilities

Creditors, accrued and other liabilities

Payable to the Modaraba Management Company

Security deposits

Cash flows from operations

Gratuity paid

Compensated absences paid

Financial charges paid

Net cash flows from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure

Proceeds from disposal of Ijarah assets

Proceeds from disposal of fixed assets in own use

Net cash flows from Investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Profit distribution to the certificate holders

Proceeds from issue of certificates

Diminishing musharaka financing availed

Expenses against issuance of bonus / right certificates

Bai Muajjal financing availed

Repayment of diminishing musharaka financing

Repayment of Bai Muajjal facility

Net cash flows from financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

Note	2019	2018
	(Rupees)	
	382,853,863	395,123,758
9.4	747,007,270	944,597,856
25	1,911,560	1,911,559
5.3 & 6.2	103,312,497	93,509,885
5.3	-	(3,188,630)
16.5	16,192,406	12,206,189
	8,554,618	2,962,976
	283,347,330	240,073,457
27	(80,309,171)	16,580,758
27	(517,463)	1,269,368
	1,079,499,047	1,309,923,418
	1,462,352,910	1,705,047,176
	(4,778,125)	(439,719,816)
	1,581,795	3,501,536
	(191,574,689)	(271,735,420)
	(31,526,603)	(31,948,365)
	-	-
	967,729	5,802,001
	(225,329,893)	(734,100,064)
	196,336,764	35,518,169
	11,962,469	(1,716,599)
	7,845,732	22,730,000
	216,144,965	56,531,570
31	1,453,167,982	1,027,478,682
	(101,816)	(145,573)
	(431,533)	(175,207)
	(283,388,062)	(239,726,023)
	(283,921,411)	(240,046,803)
	1,169,246,571	787,431,879
	(536,527,656)	(1,326,154,651)
11.4	146,110,539	107,368,647
9.3	11,212,579	6,467,145
	(379,204,538)	(1,212,318,859)
	(200,000,000)	(263,250,000)
	-	367,500,000
	444,237,986	1,240,299,044
	(1,242,311)	(2,060,838)
	-	199,835,414
	(1,073,623,904)	(1,034,115,438)
	-	(299,529,754)
	(830,628,229)	208,678,428
	(40,586,197)	(216,208,552)
	91,230,840	307,439,392
4	50,644,643	91,230,840

The annexed notes from 1 to 43 form an integral part of these financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Syed Feisal Ali
Chairman

Abdul Rahim Suriya
Director

Muhammad Saad
Chief Financial Officer

Statement of Changes in Equity

For the year ended 30 June 2019

	Issued, subscribed and paid-up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve	Un-appropriated profit	Total
Balance as on 30 June 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 year ended 30 June 2018	-	-	-	389,756,188	389,756,188
Transfer to statutory reserve (at 50% of the profit for the year)	-	-	197,561,879	(197,561,879)	-
Transaction with owners - recorded directly in equity 13.96% right issue at a premium of Rs.15 per certificate during the year	245,000,000	122,500,000	-	-	367,500,000
Expenses against issuance of right certificates	-	-	-	(2,060,838)	(2,060,838)
Profit distribution for the year ended 30 June 2017 @ Rs. 1.5 per certificate declared subsequent to the year then ended	-	-	-	(263,250,000)	(263,250,000)
Balance as at 30 June 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 year ended 30 June 2019	-	-	-	384,244,116	384,244,116
Transfer to statutory reserve (at 40% of the profit for the year)	-	-	153,697,646	(153,697,646)	-
Transaction with owners - recorded directly in equity					
10% bonus issue for the year ended June 30, 2018 (i.e. 1 certificate for every 10 certificates held)	200,000,000	-	(200,000,000)	-	-
Expenses against issuance of bonus certificates	-	-	-	(1,242,311)	(1,242,311)
Profit distribution for the year ended 30 June 2018 @ Rs. 1.00 per certificate declared subsequent to the year then ended	-	-	-	(200,000,000)	(200,000,000)
Balance as at 30 June 2019	2,200,000,000	1,255,712,500	1,614,386,450	263,439,424	5,333,538,374

The annexed notes from 1 to 43 form an integral part of these financial statements.

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



Murtaza Ahmed Ali
Chief Executive



Syed Feisal Ali
Chairman



Abdul Rahim Suriya
Director



Muhammad Saad
Chief Financial Officer

Notes to the Financial Statements

For the year ended 30 June 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Securities and Exchange Commission of Pakistan (the 'SECP'), vide its certificate No. SC/M/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 / ljarah and operation and maintenance of Caterpillar and other equipments (i.e. generators, forklifts, compactors, etc.). The registered office of the Modaraba is located at 21/3, Sector 22, Korangi Industrial Area, Karachi. The Modaraba is listed on the Pakistan Stock Exchange Limited.

- 1.2 Effective from 10 January 2007, the Modaraba took over the rental business transactions and the related equipments of Allied Rental Services (Private) Limited (ARSL - an associated undertaking). The assets and liabilities acquired by the Modaraba comprise of certain fixed assets and the related lease liabilities. These were taken over under a prospectus floated by the Modaraba and approved by the SECP.
- 1.3 The JCR-VIS Credit Rating Company Limited has assigned long term A+ rating and short term A-1 rating to the Modaraba.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) differ from IFRS, the provision of and directives issues under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Change in accounting standards, interpretations and amendments to published approved accounting standards

- a) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2018. However, these do not have any significant impact on the Modaraba's financial reporting and therefore have not been detailed in these financial statements.

- b) 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 on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 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 Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 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. The Modaraba is in the process of assessing the full impact of this standard.
- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on the recognition and derecognition of financial instruments from IAS 39. The Additional Joint Director of Securities and Exchange Commission of Pakistan vide his email notification dated 22 August 2019 deferred the effective date for implementation of IFRS 9 for the closing accounts of 30 June 2019 for Modarabas. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these financial statements. The Modaraba is in the process of assessing the full impact of this standard.

- 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 1 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 Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 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 Company'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 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The

standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- 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 Company's financial statements.

2.4 **Applicability of International Accounting Standard (IAS) 17 'Leases' and Islamic Financial Accounting Standard (IFAS) 2 'Ijarah'**

SECP vide its circular no. 10 of 2004 dated 13 February 2004, had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease entered into by the Modaraba upto 30 June 2008). From 1 July 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained hereunder. Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan ('the SECP') vide SRO 431(1)/ 2007 dated 22 May 2007. During the year ended 30 June 2009, SECP vide its letter no. SC/M/RW/SC/2009 dated 9 March 2009, directed that the management companies of Modarabas may apply the accounting treatment of IFAS 2, only to the leasing (Ijarah) transactions entered on or after 1 July 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Mustajir (lessor) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.
- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before 1 July 2008 as finance leases consistent with prior years and has treated leasing transactions executed on or after 1 July 2008 in accordance with the requirements of IFAS 2.

2.5 Functional and presentation currency

These financial information is 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.

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about the judgments made by the management in the application of the accounting policies, that have the most significant effect on the amount recognized in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of asset and liabilities in the next year are described as follows:

- **Estimates of residual values, useful lives and depreciation methods of fixed assets in own use, intangible assets and Ijarah assets (notes 3.10, 3.11, 3.13)**

The Modaraba's management determines the useful lives and related depreciation charge and the residual values of its fixed assets in own use, intangible assets and assets held under Ijarah arrangements on a regular basis.

These are reviewed at the end of each reporting period and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets and the residual values, the same is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

- **Provision against non-performing Ijarah rentals receivable, operation and maintenance income receivable and other receivables (note 3.2.1.4)**

The Modaraba reviews its Ijarah rentals receivable, operation and maintenance income receivable and other receivables on each reporting date to assess the amount of non-performing portfolio / balances and provision required there against on a regular basis. Provisions against non-performing facilities of Ijarah contracts and operation and maintenance contracts are recognised on the basis of Prudential Regulation of Modarabas issued by the SECP or based on judgement of management, whichever is higher. Provision against other receivable is recognised based on management judgement regarding the recoverability of balance. Balances considered bad and irrecoverable are written off when identified.

- **Staff retirement benefits (notes 3.18 and 16)**

The Modaraba has post retirement benefit obligations, which are determined through actuarial valuations carried out by an independent actuary using various assumptions as disclosed in note 18 to these financial statements. Changes in these assumptions in future years may affect the liability under these schemes in those years.

- **Provision for taxation (notes 3.14 and 29)**

No provision has been made in these financial statements for income taxes (both current and deferred) as the Modaraba expects to distribute at least 90% of its profits (after appropriation to mandatory reserves as required under the Modaraba Ordinance) to the certificate holders in current and future years.

For the above purposes, and also in respect of making an estimate for income tax currently payable by the Modaraba (if so required), the management considers the current income tax laws and the decisions of the appellate authorities on certain issues.

- Spare parts (note 3.9)

The Modaraba reviews the net realisable value of spare parts to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of spare parts with a corresponding effect on the profit and loss account of those future years.

2.7 Significant transactions and events affecting the Modaraba's financial position and performance

- a) Bonus issue was approved by the Board of Directors of the Modaraba in its meeting held on 29 August 2018 in the proportion of each ordinary bonus share for every 10 ordinary shares held as of 22 November 2018. Total number of bonus shares offered were 20,000,000 at the rate of Rs.10 per share. The issue was made out of statutory reserve of the Modaraba.
- b) Arranged a Diminishing Musharaka finance facility from MCB Bank Limited, Bank Alfalah Limited, Askari Bank Limited and Meezan Bank Limited with a sanctioned limit of Rs. 300 million, 599 million, 158 million and 322 million respectively. Further, the Modaraba has made repayment amounting to Rs. 1,074.07 million to banks and modarabas (refer note 15).
- c) During the year, Modaraba has made capital expenditure amounting to Rs. 211.096 million, Rs. 46.65 million and Rs. 228.91 million for logistic vehicles, machines and generators respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as mentioned in note 3.1 below.

3.1 Changes in significant accounting policies

The Modaraba has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 July 2018 which are effective from annual periods beginning on or after 1 July 2018 and for reporting period / year ending on or after 30 June 2019.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policy is set out below:

3.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue 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. Under this transition method, comparative information for prior periods has not been restated and continues to be reported in accordance with the previous standard under IAS 18 and related interpretations.

Apart from providing disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Modaraba. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

3.2 Financial instruments

3.2.1 Financial assets

3.2.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial instruments: Recognition and

Measurement', at the time of acquisition of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Modaraba are classified in the following categories:

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Held-to-maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Modaraba having positive intent and ability to hold to maturity.

c) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category.

d) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity and (c) financial assets 'at fair value through profit or loss'.

3.2.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the management commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the transaction costs associated with these financial assets are taken directly to the profit and loss account.

3.2.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) Financial asset 'at fair value through profit or loss' and 'available for sale'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

"Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income.

b) Financial assets classified as 'loans and receivables' and 'held to maturity'

Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost.

3.2.1.4 Impairment (including provision for potential Ijarah losses, operation and maintenance income and write offs)

The carrying amount of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such an indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

Provision for non-performing ijarah contracts, operation and maintenance contracts, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances are written off when there is no realistic prospect of recovery.

3.2.1.5 Collateral

Cash collateral provided by the Modaraba is classified as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Modaraba classifies that asset in its balance sheet separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

3.2.2 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

3.2.3 Derecognition

Financial assets are derecognised at the time when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss arising on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. These include cash and balances with banks in current and savings accounts, cash in hand and other short-term highly liquid investments with original maturities of three months or less (if any).

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.6 Ijarah rentals and operation and maintenance income receivable

These are stated at amount receivable net of provision. The provision is recognised in accordance with the Prudential Regulations for Modarabas issued by the SECP.

3.7 Receivable from terminated / matured contracts

These are stated net of impairment loss. Impairment loss is recognised for doubtful receivables on the basis of Prudential Regulations for Modarabas issued by the SECP or based on the judgment of management, whichever is higher. Bad debts are written off when identified.

3.8 Advances, deposits and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

3.9 Spare parts

Spare parts are valued at lower of cost determined on weighted average basis and net realisable value. Cost comprises invoice value and other cost incurred in bringing the inventories to their present location and condition.

Net realisable value comprises of the estimated selling price in the ordinary course of business less costs which are necessarily incurred in order to make the sale.

3.10 Ijarah assets

3.10.1 Owned assets

Assets leased out under Ijarah arrangements on or after 1 July, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation is charged to income applying the straight line method whereby the cost of an asset less residual value is written off over the standard hours of usage, which is considered to be the estimated useful life of the asset. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account, in the period in which they arise.

3.10.1.1 Change in accounting estimate

During the year the Modaraba has reviewed the residual values and useful lives of its fixed asset in own use and Ijarah assets as required by International Accounting Standard 16 "Property, Plant and Equipment". This review has resulted in downward revision of the residual value of certain generators and machines and at the same also increased the useful lives of machines only. This revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors. Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the profit and loss account from the current year. Had there been no change in the accounting estimate, the carrying amount of these assets, profit for the year and equity as at 30 June 2019 would have been lower by Rs. 0.276 million.

3.11 Fixed assets in own use - tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on all fixed assets is charged to income applying the straight-line method over the useful life of the asset as disclosed in note 10 to the financial statements and after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account, in the period in which they arise.

3.12 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of fixed assets / Ijarah assets as and when the assets are available for intended use.

3.13 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognized as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. Amortization is charged to income using the straight line method in accordance with the rates specified in note 10 to these

financial statements. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each reporting date. Amortization is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gain or loss on disposal of intangible assets, if any, is taken to the profit and loss account in the period in which these arise.

3.14 Taxation

The income of non-trading modarabas is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 are distributed amongst the certificate holders. The Modaraba intends to continue availing the tax exemption by distributing its profit on the above mentioned basis.

3.15 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

3.16 Compensated absences

The Modaraba also makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated upto the balance sheet date in accordance with the service rules (and accumulated upto a specified limit).

3.17 Provisions

Provisions are recognised when the Modaraba has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

3.18 Staff retirement benefits

3.18.1 Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Modaraba's obligation under the scheme is determined through actuarial valuations carried out under "Projected Unit Credit Method". Gratuity is based on last drawn basic salary. Actuarial valuations are conducted annually and the latest valuation was conducted at the balance sheet date. Service costs are recognised in profit and loss in the period in which they occur. Net interest on net defined benefit liability is also recognised in profit and loss. Effect of remeasurement comprising actuarial gain / loss is recognised in other comprehensive income. Amount recognised in the balance sheet represents the present value of defined benefit obligation.

3.18.2 Staff Provident fund - defined contribution plan

The Modaraba Management Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the Fund by the Modaraba and the employees in accordance with the rules of the Fund. The Modaraba has no further payment obligation once the contributions have been paid. The contributions made by the Modaraba are recognised as an employee benefit expense when they are due.

3.19 Diminishing musharakah financing payable

Diminishing musharakah financing is recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, this is stated at original cost less principal repayments.

3.20 Revenue recognition

3.20.1 Ijarah rentals (under IFAS 2)

Ijarah rentals are recognised as income on an accrual basis, as and when rentals become due.

3.20.2 Operation and maintenance services

Revenue from operation and maintenance services is recognised when the related services have been rendered.

3.20.3 Income on savings accounts with banks

Return on savings accounts is recognised on accrual basis at the implicit rate of interest.

3.20.4 Revenue recognition on Diminishing Musharaka

Profit on Diminishing Musharaka arrangements is recognized under the effective profit rate method based on the outstanding amount.

3.21 Impairment on non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.22 Foreign currency transactions

Transactions in foreign currencies are converted into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rate of exchange prevailing at the reporting date. All exchange differences arising on translations are included in the profit and loss account currently.

3.23 Segment reporting

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 has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

A business segment is a distinguishable component of the Modaraba that is engaged in providing related products or services and which is subject to risks and rewards that are different from those of other segments. The Modaraba's primary format for segment reporting is based on 'business segments' as the Modaraba conducts its operations only in Pakistan.

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's performance is evaluated with respect to the two operating segments.

3.24 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year.

3.25 Proposed profit distribution to certificate holders and appropriations to statutory reserves

Profit distribution to certificate holders is recognised as a liability in the period in which such distribution is announced.

Appropriations to statutory reserves declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognised in the year in which these are declared / approved.

4. CASH AND BANK BALANCES

	Note	2019	2018
		(Rupees)	
Balances with banks in:			
- current accounts		14,825,228	19,398,295
- deposit accounts	4.1	35,204,677	71,135,765
		50,029,905	90,534,060
Cash in hand		614,738	696,780
		50,644,643	91,230,840

- 4.1 These balances carry profit at rates ranging from 4.15% to 8.77% per annum (2018: 3.89% to 4.11% per annum).

5. IJARAH RENTALS RECEIVABLE

	Note	2019	2018
		(Rupees)	
Considered good		704,175,184	744,730,047
Considered doubtful (classified portfolio)	5.1	718,707,236	715,022,507
		1,422,882,420	1,459,752,554
Provision against potential Ijarah losses	5.1 & 5.3	(187,302,324)	(125,638,086)
		1,235,580,096	1,334,114,468

- 5.1 Ijarah rentals receivables - considered doubtful (classified portfolio)

	2019		2018	
	Balance outstanding	Provision held	Balance outstanding	Provision held
	(Rupees)			
OAEM (Other Assets Especially Mentioned)	428,939,244	-	394,396,721	-
Substandard	67,075,037	21,399,861	213,818,476	42,763,695
Doubtful	123,129,460	66,338,968	47,865,838	23,932,919
Loss	99,563,495	99,563,495	58,941,472	58,941,472
	718,707,236	187,302,324	715,022,507	125,638,086

Ijarah rental includes exposure which are secured by way of cash deposits of Rs. 94.348 million (2018: Rs. 100.588 million).

- 5.2 In accordance with the prudential regulations for the Modaraba issued by the Securities and Exchange Commission of Pakistan, the Modaraba has taken the benefit of cash deposit collaterals held by the Modaraba in respect of its considered doubtful portfolio. Such collaterals held in case of the considered doubtful portfolio as at 30 June 2019 amounted to Rs. 94.348 million (2018: 100.588). Had the benefit under the said regulations not been taken by the Modaraba, specific provision against considered doubtful receivables as of the year end would have been higher by Rs. 63.923 million (2018: Rs. 19.632 million), while the Modaraba's equity would have been lower by the above amount.

5.3 Provision against potential Ijarah losses

	2019	2018
	(Rupees)	
Opening balance	125,638,086	77,611,579
Charged during the year	99,158,073	93,509,885
Written off during the year	(37,493,835)	(45,483,378)
Closing balance	187,302,324	125,638,086

5.4 The related party from whom the debts is due are as under:

	2019	2018
	(Rupees)	
Allied Commercial Enterprises Limited (subsequently cleared)	164,939	20,009,023

Above entity is a related party / associated undertaking due to common directorship.

5.4.1 Above balance is mark-up free and unsecured. Aging of above balances at the balance sheet date is as follows:

	Note	2019	2018
		(Rupees)	
Not past due		63,173	10,211,171
Past due 1-180 days		101,766	9,797,852
		164,939	20,009,023

6. OPERATION AND MAINTENANCE INCOME RECEIVABLE

Considered good		14,692,856	17,050,011
Considered doubtful (classified portfolio)	6.1	20,668,086	15,738,302
		35,360,942	32,788,313
Provision against operation and maintenance income receivable - Considered doubtful portfolio	6.1 & 6.2	(7,578,963)	(3,424,539)
		27,781,979	29,363,774

6.1 Operation and maintenance income receivable - (classified portfolio)

	2019		2018	
	Balance outstanding	Provision held	Balance outstanding	Provision held
	(Rupees)			
OAEM (Other Assets Especially Mentioned)	6,197,900	-	1,902,556	-
Substandard	4,367,514	1,181,766	11,644,448	2,328,890
Doubtful	7,703,710	3,998,235	2,191,298	1,095,649
Loss	2,398,962	2,398,962	-	-
	20,668,086	7,578,963	15,738,302	3,424,539

6.2 Provision against operation & maintenance income receivable

	Note	2019	2018
		(Rupees)	
Opening balance		3,424,539	6,811,169
Charged during the year		4,154,424	-
Reversal during the year		-	(3,188,630)
Written off during the year		-	(198,000)
Closing balance		7,578,963	3,424,539

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Income tax recoverable	7.1	498,890,737	278,698,086
Federal Excise Duty (FED) receivable	21.1.2	50,000,000	50,000,000
Punjab Sales tax refundable		51,840,681	96,610,414
Advances (unsecured) :			
- to contractors		1,532,772	1,682,772
- to suppliers for expenses		27,491,306	25,360,074
- to employees against salary (interest free)		2,965,335	5,548,685
- to employees for expenses	7.2	3,564,345	13,658,111
Prepayments		27,040,035	26,720,942
Security deposits	7.3	22,446,108	23,134,108
Accrued income on profit or loss sharing bank accounts		308,384	313,513
Accrued income on Diminishing Musharaka financing		-	2,420
Insurance claim receivable		345,877	347,122
Others	7.4	45,866,411	18,641,055
		732,291,991	540,717,302

- 7.1 This includes tax collected at source at import stage by the collector of customs of Rs. 120.08 million and tax deducted of Rs. 378.81 million from various payments made to Modaraba.

As explained in note 32, the 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.

- 7.2 This represents advance given to employees for expenses. The maximum amount receivable at the end of any month during the year was Rs. 4.962 million (2018: Rs. 13.658 million).
- 7.3 This also includes Rs. 12.4 million (2018: Rs. 12.4 million) held by Banks as security for the guarantee of the same amount given by them on behalf of the Modaraba to its suppliers / customers.
- 7.4 This includes balance of Rs. 40 million (2018: Rs. 18.64 million) representing fuel inventory held by fuel suppliers on behalf of the Modaraba.

8. LONG-TERM SECURITY DEPOSITS

	Note	2019	2018
		(Rupees)	
Deposit with Central Depository Company of Pakistan Limited		50,000	50,000

9. FIXED ASSETS IN OWN USE - tangible

Fixed assets in own use - tangible (at cost less accumulated depreciation)	9.1	127,205,916	115,918,755
Capital work-in-progress	9.2	12,621,955	15,365,240
		139,827,871	131,283,995

9.1 Fixed Assets In Own Use - Tangible

	2019			
	Furniture and fixtures	Other Equipment	Vehicles	Total
	(Rupees)			
At 1 July 2018				
Cost	13,446,006	15,529,861	138,580,566	167,556,433
Accumulated depreciation	(2,873,713)	(9,360,473)	(39,403,493)	(51,637,679)
Net book value	10,572,293	6,169,388	99,177,073	115,918,754
Additions	4,064,102	1,227,100	44,637,663	49,928,865
Disposals				
Cost	-	-	(16,129,675)	(16,129,675)
Accumulated depreciation	-	-	5,434,559	5,434,559
	-	-	(10,695,116)	(10,695,116)
Depreciation charge for the year	(1,642,927)	(1,603,663)	(24,699,997)	(27,946,587)
Closing net book value	12,993,468	5,792,825	108,419,623	127,205,916
At 30 June 2019				
Cost	17,510,108	16,756,961	167,088,554	201,355,623
Accumulated depreciation	(4,516,640)	(10,964,136)	(58,668,931)	(74,149,707)
Net book value	12,993,468	5,792,825	108,419,623	127,205,916
Life (years)	8	3 to 8	4 to 8	

	2018			
	Furniture and fixtures	Other Equipment	Vehicles	Total
	(Rupees)			
At 1 July 2017				
Cost	8,681,450	13,556,102	101,006,401	123,243,953
Accumulated depreciation	(1,846,089)	(7,667,208)	(30,574,146)	(40,087,443)
Net book value	6,835,361	5,888,894	70,432,255	83,156,510
Additions	4,764,556	1,973,759	48,812,243	55,550,558
Disposals				
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	(1,027,624)	(1,693,265)	(12,330,911)	(15,051,800)
Closing net book value	10,572,293	6,169,388	99,177,073	115,918,754
At 30 June 2018				
Cost	13,446,006	15,529,861	138,580,566	167,556,433
Accumulated depreciation	(2,873,713)	(9,360,473)	(39,403,493)	(51,637,679)
Net book value	10,572,293	6,169,388	99,177,073	115,918,754
Life (years)	8	3 to 8	4 to 8	

9.2 Capital work in progress represents the advance paid for the purchase of vehicles for own use.

9.3 Details of disposal of fixed assets in own use are as follows:

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
	(Rupees)						
Motor vehicles							
	3,080,000	333,667	2,746,333	2,700,000	(46,333)	Modaraba's Policy	Shariq Rameez (employee)
	2,265,000	527,170	1,737,830	1,737,830	-	Modaraba's Policy	Jawad Chughtai (employee)
	1,952,500	912,620	1,039,880	1,039,880	-	Modaraba's Policy	Naveed Shaheen (employee)
	1,678,000	758,432	919,568	919,568	-	Modaraba's Policy	Yousuf Shoaib (employee)
	1,662,000	638,251	1,023,749	1,023,749	-	Negotiation	Usman Khalid (employee)
	1,069,000	106,900	962,100	966,069	3,969	Modaraba's Policy	Umair Chaudary (employee)
	1,039,000	656,123	382,877	521,598	138,721	Modaraba's Policy	Muhammad Farooq (employee)
	825,000	140,000	685,000	685,000	-	Modaraba's Policy	Zeshan Haider Raza (employee)
	683,000	301,478	381,522	381,522	-	Modaraba's Policy	Muhammad Imran (employee)
	683,000	269,637	413,363	413,363	-	Modaraba's Policy	Arsalan Iqbal (employee)
	575,000	392,916	182,084	400,000	217,916	Modaraba's Policy	Muhammad Asad Khan (employee)
	575,000	383,333	191,667	410,000	218,333	Modaraba's Policy	Jameel Hassan (employee)
Motor Bike							
	43,175	14,032	29,143	14,000	(15,143)	Modaraba's Policy	Sameer Khan Khatak (employee)
2019	16,129,675	5,434,559	10,695,116	11,212,579	517,463		
2018	11,238,078	3,501,564	7,736,514	6,467,145	(1,269,369)		

9.4 The depreciation charge for the year has been allocated as under:

	Note	2019	2018
		(Rupees)	
Operating expenses (representing depreciation on ijarah assets - note 11.1)	24	719,060,682	929,546,056
Administrative and distribution expenses (representing depreciation on fixed assets in own use - note 9.1)	25	27,946,588	15,051,800
		747,007,270	944,597,856
10. INTANGIBLE ASSET FOR OWN USE			
Intangible asset for own use (at cost less amortization)	10.1	2,389,449	4,301,009
Advance to the supplier for the software		1,825,556	1,825,556
		4,215,005	6,126,565
10.1 Details of the intangible asset in use are as follows :			
Cost - computer software		7,646,238	7,646,238
Amortization as at the year-end	25	(5,256,789)	(3,345,229)
Carrying value as at the year-end		2,389,449	4,301,009
Life over which cost of the asset is amortized		4 years	4 years
11. IJARAH ASSETS			
Ijarah assets (at cost less accumulated depreciation)	11.1	6,434,721,941	6,732,935,766
11.1 Ijarah assets - at cost less accumulated depreciation			

2019				
	Generators and related equipment	Logistics Vehicles	Machines	Total
(Rupees)				
At 1 July 2018				
Cost	7,628,065,059	1,889,747,859	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,364,461,229)	(463,308,573)	(166,649,104)	(3,994,418,906)
Net book value	4,263,603,830	1,426,439,286	1,042,892,649	6,732,935,765
Additions	228,905,165	211,096,472	46,646,590	486,648,227
Disposals				
Cost	(242,586,588)	(1,571,208)	-	(244,157,796)
Accumulated depreciation	178,264,342	92,086	-	178,356,428
	(64,322,246)	(1,479,122)	-	(65,801,368)
Depreciation charge for the year	(421,415,427)	(205,272,893)	(92,372,363)	(719,060,683)
Closing net book value	4,006,771,322	1,430,783,743	997,166,876	6,434,721,941
At 30 June 2019				
Cost	7,614,383,636	2,099,273,123	1,256,188,343	10,969,845,102
Accumulated depreciation	(3,607,612,314)	(668,489,380)	(259,021,467)	(4,535,123,161)
Net book value	4,006,771,322	1,430,783,743	997,166,876	6,434,721,941
Life (Years)	3 to 24	8	8 to 10	
2018				
	Generators and related equipment	Logistics Vehicles	Machines	Total
(Rupees)				
At 1 July 2017				
Cost	7,099,802,290	1,471,782,353	817,980,227	9,389,564,870
Accumulated depreciation	(2,952,797,906)	(283,450,579)	(93,651,657)	(3,329,900,142)
Net book value	4,147,004,384	1,188,331,774	724,328,570	6,059,664,728
Additions	913,594,255	421,610,719	391,561,526	1,726,766,500
Disposals				
Cost	(385,331,486)	(3,645,212)	-	(388,976,698)
Accumulated depreciation	264,119,352	907,941	-	265,027,293
	(121,212,134)	(2,737,271)	-	(123,949,405)
Depreciation charge for the period	(675,782,674)	(180,765,935)	(72,997,447)	(929,546,056)
Closing net book value	4,263,603,830	1,426,439,287	1,042,892,649	6,732,935,766
At 30 June 2018				
Cost	7,628,065,058	1,889,747,860	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,364,461,229)	(463,308,573)	(166,649,104)	(3,994,418,905)
Net book value	4,263,603,830	1,426,439,287	1,042,892,649	6,732,935,766
Life (Years)	3 to 24	8	8 to 10	

- 11.2** During the year, the Modaraba acquired certain equipments and parts amounting to Rs. 76.76 (2018: Rs. 157.069 million) from Allied Engineering and Services (Private) Limited (AESL), an associated company.
- 11.3** Additions to Ijarah assets during the year include assets amounting to Rs. 453.456 million (2018: Rs. 1,280.735 million) acquired under Diminishing Musharaka. The Modaraba holds title to these assets.
- 11.4** Details of disposal of Ijarah assets are as follows:

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
Gensets							
	52,744,644	42,744,644	10,000,000	8,547,009	(1,452,991)	Negotiation	Taqees (Pvt.) Ltd.
	48,211,356	19,657,676	28,553,680	108,000,000	79,446,320	Negotiation	Unilever Pakistan Limited
	40,522,974	40,522,974	-	367,521	367,521	Negotiation	Fairdeal Textile
	38,677,332	33,677,332	5,000,000	5,000,000	-	Negotiation	Haji Sh Noor-Ud-Din & Sons
	24,600,000	20,265,000	4,335,000	3,705,126	(629,874)	Negotiation	Packages Construction (Private) Limited,
	10,720,119	6,220,119	4,500,000	1,950,000	(2,550,000)	Negotiation	Brite Engineering Services & Traders.
	7,146,000	4,800,948	2,345,052	1,709,402	(635,650)	Negotiation	Pinnacle Fiber
	5,588,004	2,774,791	2,813,213	3,418,805	605,592	Negotiation	Iqbal Engineering Works
	4,777,243	2,109,205	2,668,038	3,850,000	1,181,962	Negotiation	Sports Star International (Public News)
	4,424,388	1,992,261	2,432,127	1,876,068	(556,059)	Negotiation	Mechanics Engineering Limited
	3,499,391	3,499,391	-	213,675	213,675	Negotiation	Naz Textile Mills
	929,262	-	929,262	1,774,786	845,524	Negotiation	Ramzania Engineering & Services
	745,875	-	745,875	1,452,991	707,116	Negotiation	Muhammad Aslam
Trucks							
	1,571,208	92,086	1,479,122	4,245,156	2,766,034	Insurance claim	Adamjee Insurance
2019	<u>244,157,796</u>	<u>178,356,427</u>	<u>65,801,369</u>	<u>146,110,539</u>	<u>80,309,170</u>		
2018	<u>388,976,698</u>	<u>265,027,293</u>	<u>123,949,405</u>	<u>107,368,647</u>	<u>(16,580,758)</u>		

12. CAPITAL WORK-IN-PROGRESS - Ijarah assets

Note

	2019	2018
	(Rupees)	
Advance for the purchase of equipments and Trucks	67,562,112	57,098,385
Generators under installation	-	7,758,256
	<u>67,562,112</u>	<u>64,856,641</u>

13. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for goods	13.1	512,888,122	351,257,500
Creditors for expenses		71,241,417	102,878,209
Advances from customers (Contract liability)		62,482,327	49,050,857
Security deposit		-	200,000
Employee car scheme - deductions	13.2	26,684,624	24,092,759
Accrued expenses			
- Accrued commission		2,237,825	2,266,436
- Accrued staff bonus		53,506,052	27,516,803
- Auditor's remuneration		642,897	624,157
- Accrued financial charges	13.3	37,640,046	37,685,908
- Miscellaneous		4,200,860	40,564
		<u>98,227,680</u>	<u>68,133,868</u>
Tax deduction at source from			
- employees		670,007	612,118
- suppliers		526,860	2,523,088
Sindh sales tax		46,584,386	25,663,388
Balochistan sales tax		2,317,365	874,238
		<u>821,622,788</u>	<u>625,286,025</u>

- 13.1** This includes Rs. 388.371 million (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.
- 13.2** This represents amount received from employees against the Modaraba's employee car scheme policy.
- 13.3** This represents accrual of financial charges of Rs. 37.640 million (2018: Rs. 37.826 million) in respect of Diminishing Musharaka financing availed by the Modaraba as of the year-end.

14. PAYABLE TO THE MANAGEMENT COMPANY

	2019	2018
	(Rupees)	
Remuneration payable to Management Company - net	21,628,441	10,965,972
Sindh Sales Tax payable on remuneration of Management Company	2,600,000	1,300,000
	24,228,441	12,265,972

- 14.1** 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. The remuneration for the year ended June 2019 has been recognised at 2.612% (2018: 2.531%) of profit for the year.

15. DIMINISHING MUSHARAKA FINANCING PAYABLE - secured

	Note	2019	2018
		(Rupees)	
Musharaka finance	15.1 & 15.3	2,414,602,187	3,043,988,105
Due within one year		(1,038,625,290)	(1,008,787,702)
		1,375,976,897	2,035,200,403
15.1 Financing from banking and financial institutions		2,331,460,854	2,860,237,958
Financing from modarabas		83,141,333	183,750,147
		2,414,602,187	3,043,988,105

- 15.2** The total facility from Musharaka finance available from financial institutions and Modarabas amounts to Rs. 2,933.197 million and Rs. 83.141 million respectively. These facilities have maturities from July 2019 to February 2024 (2018: July 2018 to June 2023) and are secured against the hypothecation of Ijarah assets amounting to Rs. 6,259.527 million (2018 Rs. 5,715.155 million). Share of profit payable on these facilities is 6.91% to 13.25% per annum (2018: 7.05% to 7.84% per annum).
- 15.3** This includes advance for diminishing musharaka amounting to Rs. 42.860 million (2018: Rs. 191.866 million) which will be converted subsequent to the year end into diminishing musharaka facility when the assets will be available for its intended use. Share of profit payable on this balance is at rate of 13.87% per annum (2018: 7.05% per annum).

16. DEFERRED LIABILITY

	Note	2019	2018
		(Rupees)	
Deferred liability for staff gratuity	16.2	84,196,492	69,496,154

16.1 Defined benefit plan - gratuity

16.1.1 Salient Features

The Modaraba operates an unfunded scheme to provide gratuity to the permanent employees on retirement. The latest actuarial valuation of this scheme was carried out as at 30 June 2019 using the Projected Unit Credit Method by an independent actuary. Principal actuarial assumptions used in the actuarial valuation of the scheme carried out as at 30 June 2019 are given in note 16.1.2. Gratuity is payable to the employees in case of death, retirement or resignation, excluding dismissal due to disciplinary issues. Normal retirement age is 60 years. As at 30 June 2019, 471 employees (2018: 391 employees) were covered under the scheme.

Under the service rules, eligible employees are entitled to gratuity after ten years of service and the amount depending on the number of years of service completed by them and at different entitlement rates (at basic salaries).

16.1.2 The Gratuity scheme exposes the Modaraba to the following risks:

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Final salary risks

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

Valuation results

Actuarial valuation is carried out once every year. The latest valuation was carried out as at 30 June 2019. The information provided in notes 16.2 to 16.10 has been obtained from the latest actuarial valuation report. The following significant assumptions have been used for valuation of this scheme:

	2019	2018
	(%)	
Valuation discount rate	14.5	10
Salary increase rate	14.5	10
Rate of employee turnover	moderate	moderate

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

16.2	Amount recognised in the balance sheet	Note	2019	2018
			(Rupees)	
	Present value of defined benefit obligation	16.4	84,196,492	69,496,155
16.3	Movement in amount payable to the defined benefit plan			
	Opening balance		69,496,155	52,067,969
	Charge for the year	16.5	16,192,406	12,206,189
	Benefits paid during the year		(101,816)	(145,573)
	Remeasurement (gain) / loss on obligation recognised in other comprehensive income	16.6	(1,390,253)	5,367,570
	Closing balance		84,196,492	69,496,155
16.4	Movement in the present value of defined benefit obligation is as follows:			
			2019	2018
			(Rupees)	
	Present value of defined benefit obligation - opening		69,496,155	52,067,969
	Current service cost		8,906,077	7,133,766
	Mark-up cost		7,286,329	5,072,423
	Benefit paid during the year		(101,816)	(145,573)
	Remeasurement (gain) / loss on obligation recognised in other comprehensive income		(1,390,253)	5,367,570
	Present value of defined benefit obligation - closing		84,196,492	69,496,155
16.4.1	Analysis of present value of defined benefit obligation			
	Split by type of members:			
	Active employees		84,196,492	69,496,155
	Split by vested / non-vested			
	(i) Vested benefits		56,161,207	45,324,289
	(ii) Non-vested benefits		28,035,285	24,171,866
			84,196,492	69,496,155
	Split by benefits earned to date			
	(i) Accumulated benefit obligation		20,541,554	23,339,259
	(ii) Amounts attributable to future salary increase		63,654,938	46,156,896
			84,196,492	69,496,155
	Cadre by type of members			
	Management staff		84,196,492	69,496,155

16.5 Amount charged to the profit and loss account

The following amounts have been charged to the profit and loss account in the current year in respect of this scheme:

	2019	2018
	(Rupees)	
Current service cost	8,906,077	7,133,766
Interest expense	7,286,329	5,072,423
	<u>16,192,406</u>	<u>12,206,189</u>

16.6 Remeasurements recognised in other comprehensive income during the year

Remeasurement gain / (loss) on obligation recognised in other comprehensive income	<u>1,390,253</u>	<u>(5,367,570)</u>
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16.7 Historic Information

	2019	2018	2017	2016	2015
	(Rupees)				
Present value of defined benefit obligation	<u>84,196,492</u>	<u>69,496,155</u>	<u>52,067,969</u>	<u>39,081,569</u>	<u>30,456,248</u>
Remeasurement (loss)/ gain on obligation	<u>1,390,253</u>	<u>(5,367,570)</u>	<u>(5,940,613)</u>	<u>(731,105)</u>	<u>1,321,654</u>

16.8 The defined benefit obligations are based in Pakistan

The sensitivities of the defined benefit obligation to changes in the weighted principal assumptions are as under:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees)		
Discount rate	1%	74,699,215	95,436,562
Salary increase rate	1%	95,330,725	74,662,310

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

16.9 The weighted average duration of the defined benefit obligation is 12.24 years.

16.10 Based on actuarial advice charge for the year ending 30 June 2020 amounts to Rs. 23.541 million.

17. OTHER LONG-TERM EMPLOYEE BENEFITS

	2019	2018
	(Rupees)	
	<u>26,820,323</u>	<u>18,729,167</u>

This represents accrual for staff compensated absences and includes liability in respect of key management personnel amounting to Rs. 7.849 million (2018: Rs. 5.731 million).

18. SECURITY DEPOSITS

	Note	2019	2018
		(Rupees)	
Security deposits payable in respect of assets given under Ijarah arrangements (IFAS - 2)		122,933,732	115,088,000
Repayable / adjustable within one year		(95,810,000)	(56,963,000)
	18.1	<u>27,123,732</u>	<u>58,125,000</u>

18.1 The above balance has not been discounted because the impact has been considered to be immaterial.

19. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

Authorised certificate capital

2019	2018	Note	2019	2018
(Number of certificates)			(Rupees)	
225,000,000	225,000,000	Modaraba Certificates of Rs. 10 each	2,250,000,000	2,250,000,000

Issued, subscribed and paid-up certificate capital

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

19.1 Increase of Rs 200 million is due to the issue of 10% bonus certificates for the year ended 30 June 2018 at 1 certificate for every 10 certificates.

19.2 Following certificates are held by associated companies of the Modaraba:

	2019		2018	
	Number of certificates	(Rupees)	Number of certificates	(Rupees)
Allied Engineering and Services (Private) Limited	151,931,073	1,519,310,730	140,119,158	1,401,191,580
Allied Engineering Management	43,999,997	439,999,970	39,999,998	399,999,980
	195,931,070	1,959,310,700	180,119,156	1,801,191,560

20. STATUTORY (MANDATORY) RESERVE

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

During the current year the Modaraba has transferred an amount of Rs. 153.697 million (2018: Rs. 197.562 million) which represents 40% (2018: 50%) of the profit after tax.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

Contingencies outstanding as at 30 June 2019 are as follows:

21.1.1 Sindh Sales Tax on operations and maintenance services of the Modaraba

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

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

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

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

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

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

The Modaraba and the assistant commissioner have filed appeals against the said order in ATIR which is yet to be heard. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these financial statements.

21.1.2 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 with default surcharge and penalty. In response the Modaraba has filed appeals with the Honorable Appellate Tribunal Inland Revenue (ATIR) which is pending hearing.

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

In light of the judgment of the SHC and based on consultations with its tax advisors, the management believes that the outcome of the appeals with the ATIR and Supreme Court of Pakistan will be in favour of the Modaraba. Accordingly, no provision in respect of FED has been made in these financial statements. Further, the under protest payment of Rs 50 million made to the FBR has been shown as a refundable balance in note 7 to these financial statements.

21.1.3 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. 74.185 million as of 30 June 2019. The management, based on a legal advise, believes that the decision will be in its favour.

21.1.4 The Commissioner has demanded, through assessment order no. 11/30 of 2019 dated 26 April 2019 and order no. 01 of 2018 dated 27 June 2018, sales tax amounting to Rs. 21.47 million and Rs. 26.228 million in respect of disposal of ijarah asset during the year ended 2015 and 2014 against sales value of Rs. 126.28 million and Rs. 156.64 million respectively. Modaraba has filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amounts. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these financial statements.

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

21.2 Commitments

21.2.1 Contractual rentals receivable on Ijarah contracts

	2019			2018		
	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)					
Rentals receivable in future	74,884,000	245,004,500	319,888,500	156,865,437	199,472,000	356,337,437

This represents the rentals receivable by the Modaraba in future periods in respect of Ijarah assets given under long-term arrangements.

- 21.2.2** Commitments under letter of credit for purchase of Ijarah assets as at 30 June 2019 amounted to Rs. Nil (2018: Rs. Nil).

- 21.2.3** Commitments for the purchase of ijarah assets as at 30 June 2019 amounted to Rs. 35.895 million (2018: Rs. Nil).

22. IJARAH RENTALS - net

	Note	2019	2018
		(Rupees)	
Ijarah rentals		4,020,982,099	3,885,698,155
Sales tax		(326,679,819)	(311,559,018)
		3,694,302,280	3,574,139,137

23. OPERATION AND MAINTENANCE INCOME - net

Operation and maintenance income	141,464,797	132,915,477
Sales tax	(14,100,014)	(10,909,692)
	127,364,783	122,005,785

24. OPERATING EXPENSES

Salaries, wages and other staff benefits	24.1	921,970,936	821,037,515
Depreciation expense	9.4	719,060,682	929,546,056
Repairs and maintenance expenses		424,607,414	345,432,581
Fleet vehicles running expenses		719,351,772	546,331,425
Vehicles running expenses		33,679,037	25,213,620
Insurance expense - equipments		40,638,958	39,453,339
Travelling and conveyance expenses		15,117,607	10,797,463
Rent expense		32,647,499	30,619,867
Ijarah rentals		-	9,934,771
		2,907,073,905	2,758,366,637

- 24.1** This includes contribution of Rs. 7.536 million (2018: Rs. 4.802 million) to the staff provident fund (maintained by the associated company) and charge in respect of unfunded gratuity scheme amounting to Rs. 4.648 million (2018: Rs. 5.879 million).

25. ADMINISTRATIVE AND DISTRIBUTION EXPENSES

Note	2019	2018
	(Rupees)	
25.1	138,739,576	122,988,718
	13,834,208	10,798,440
	5,887,602	5,855,507
9.4	27,946,588	15,051,800
10.1	1,911,560	1,911,559
	9,826,228	16,159,239
25.2	1,276,550	1,160,500
	7,412,915	6,445,864
	940,203	1,732,120
	5,831,931	5,319,976
	2,741,035	2,327,146
	1,784,647	2,191,638
25.3	700,000	642,920
	1,464,729	1,610,503
	5,759,703	5,618,671
	4,020,760	2,594,330
	4,160,940	3,605,869
	712,427	99,070
	234,951,602	206,113,870

25.1 This includes contribution of Rs. 6.802 million (2018: Rs.7.612 million) to the staff provident fund (maintained by the associated company) and charge in respect of unfunded gratuity scheme amounting to Rs. 11.544 million (2018: Rs. 2.778 million).

25.2 Auditors' remuneration

	2019	2018
	(Rupees)	
Audit fee	665,500	605,000
Fee for review of half yearly financial statements	314,600	286,000
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance	96,800	88,000
Other statutory certifications	102,850	93,500
Out of pocket expenses	96,800	88,000
	1,276,550	1,160,500

25.3 Donations were paid to the following organisations:

Haswa (Healthcare And Social Welfare Association)	200,000	50,000
Burhani Medical Welfare Association	150,000	100,000
Koohi Goth Hospital	100,000	217,920
Islamic Educational & Welfare Society	50,000	50,000
Markaz-e-Umeed For Special Children	50,000	40,000
Fatimid Foundation		
(Blood Bank, Haematological Services & Kidney Center)	50,000	85,000
Al-Madad Welfare Society	50,000	35,000
Kashif Iqbal Thalassaemia Care Center	50,000	-
Help Foundation	-	40,000
Nigahban Foundation	-	25,000
	700,000	642,920

25.3.1 None of the directors of the Modaraba Management Company had any interest in the donee fund.

26. FINANCE COST

	2019	2018
	(Rupees)	
Financial cost on Diminishing Musharaka financing arrangement	277,619,092	216,030,389
Financial cost on Bai Muajjal financing arrangement	-	7,716,673
Bank charges and commission	3,543,769	4,712,331
Exchange loss	7,209,731	18,281,188
	288,372,592	246,740,581

27. OTHER INCOME - net

	Note	2019	2018
		(Rupees)	
Income from financial assets			
Profit on deposit accounts with bank		5,025,262	6,667,124
Reversal of provision against operation and maintenance receivables	6.2	-	3,188,630
Income from Diminishing Musharka arrangements		28,010	582,845
Profit on Short Term Investment		25,372	-
Income from non financial assets			
Proceeds from disposal of scrap		18,992,118	16,993,589
Gain / (loss) on disposal of fixed assets and Ijarah - net	9.3 & 11.4	80,826,634	(17,850,126)
Reversal of Sindh sales tax on Management fee write off		-	4,127,747
		<u>104,897,396</u>	<u>13,709,809</u>

28. WORKERS' WELFARE FUND

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

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

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

29. TAXATION

29.1 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 not less than ninety percent of their profits for the year as reduced by the amount transferred to statutory (mandatory) reserves are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 42, no provision for taxation has been made in these financial statements.

29.2 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.

30. EARNINGS PER CERTIFICATE - basic and diluted

	2019	2018
	(Rupees)	
Basic earnings per certificate is worked out as under:		
Profit for the year	<u>382,853,863</u>	<u>395,123,758</u>
	(Number of Certificates)	
	(Restated)	
Weighted average number of ordinary certificates outstanding during the year	<u>220,000,000</u>	<u>209,052,258</u>
	(Rupees)	
Earnings per certificate - basic and diluted	<u>1.74</u>	<u>1.89</u>

30.1 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.

31. CASH GENERATED FROM OPERATIONS

	Note	2019	2018
		(Rupees)	
Profit before taxation		382,853,863	395,123,758
Adjustment for non cash charges and other items:			
- Depreciation	9.4	747,007,270	944,597,856
- Amortization	25	1,911,560	1,911,559
- Provision against potential Ijarah losses and operation and maintenance income	5.3 & 6.2	103,312,497	93,509,885
- Reversal of provision against potential Ijarah losses and operation and maintenance income	6.2	-	(3,188,630)
- Provision for deferred liabilities - gratuity	16	16,192,406	12,206,189
- Provision for long term employee benefits		8,554,618	2,962,976
- Financial charges including bank charges		283,347,330	240,073,457
- (profit) / Loss on disposal of Ijarah assets	27	(80,309,171)	16,580,758
- (profit) / Loss on disposal of fixed assets in own use	27	(517,463)	1,269,368
		1,079,499,047	1,309,923,418
31.1 Working capital changes			
(Increase) /decrease in current assets			
- Ijarah rentals receivable		(4,778,125)	(439,719,816)
- Operation and maintenance income receivable		1,581,795	3,501,536
- Advances, deposits, prepayments and other receivable		(191,574,689)	(271,735,420)
- Spare parts		(31,526,603)	(31,948,365)
- Long-term security deposit		-	-
- Diminishing musharaka financing		967,729	5,802,001
		(225,329,893)	(734,100,064)
Increase / (decrease) in current liabilities			
- Creditors, accrued and other liabilities		196,336,764	35,518,169
- Payable to the Modaraba Management Company		11,962,469	(1,716,599)
- Security deposits		7,845,732	22,730,000
		216,144,965	56,531,570
		1,453,167,982	1,027,478,682

32. REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2019			2018		
	Executives (Key management personnel)	Other employees	Total	Executives (Key management personnel)	Other employees	Total
	(Rupees)					
Basic salary	48,489,284	104,839,188	153,328,472	43,560,549	82,396,118	125,956,667
Bonus	11,141,432	23,753,335	34,894,767	4,369,465	9,147,337	13,516,802
House rent allowance	21,820,169	47,177,581	68,997,750	19,602,247	37,078,253	56,680,500
Utility allowance	4,848,916	10,483,844	15,332,760	4,356,055	8,239,612	12,595,667
Conveyance allowance	126,427	8,098,704	8,225,131	5,455	6,343,265	6,348,720
Provident fund	4,821,817	9,516,725	14,338,542	4,306,407	7,658,197	11,964,604
Gratuity	6,842,545	5,720,616	12,563,161	3,930,600	8,275,590	12,206,190
Contribution to Employees' Old Age Benefit	298,740	3,935,100	4,233,840	1,155,299	2,432,397	3,587,696
Medical benefits	6,273,733	14,216,636	20,490,369	5,012,162	10,552,741	15,564,903
	104,663,063	227,741,729	332,404,792	86,298,239	172,123,510	258,421,749

32.1 Certain executives and officers are also provided free use of vehicles maintained by the Modaraba and fuel allowance. Above expenses do not include the remuneration of the Chief Executive Officer.

33. FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS	2019				
	Loans and receivables	Held for trading	Available for sale	Amortised Cost	Total
	(Rupees)				
Bank balances	50,029,905	-	-	-	50,029,905
Ijarah rentals receivable	1,235,580,096	-	-	-	1,235,580,096
Operation and maintenance income receivable	27,781,979	-	-	-	27,781,979
Advances, deposits and other receivables	97,990,858	-	-	-	97,990,858
Long-term security deposits	50,000	-	-	-	50,000
	1,411,432,838	-	-	-	1,411,432,838

	2019		
	Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
	(Rupees)		
LIABILITIES			
Creditors, accrued and other liabilities	-	709,041,843	709,041,843
Payable to the Modaraba Management Company	-	21,628,441	21,628,441
Diminishing musharakah financing payable - secured	-	2,414,602,187	2,414,602,187
Security deposits	-	122,933,732	122,933,732
Unclaimed dividend	-	1,095,066	1,095,066
	-	3,269,301,269	3,269,301,269

ASSETS	2018				
	Loans and receivables	Held for trading	Available for sale	Amortised Cost	Total
	(Rupees)				
Bank balances	90,534,060	-	-	-	90,534,060
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	69,481,064	-	-	-	69,481,064
Long-term security deposits	50,000	-	-	-	50,000
Diminishing Musharka Financing	-	-	-	967,729	967,729
	1,523,543,366	-	-	967,729	1,524,511,095

LIABILITIES	2018		
	Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
	(Rupees)		
Creditors, accrued and other liabilities	-	546,562,336	546,562,336
Payable to the Modaraba Management Company	-	10,965,972	10,965,972
Diminishing musharakah financing payable - secured	-	3,043,988,105	3,043,988,105
Security deposits	-	115,088,000	115,088,000
Unclaimed dividend	-	1,092,249	1,092,249
	-	3,717,696,662	3,717,696,662

34. FINANCIAL RISK MANAGEMENT

Risk management framework

The Modaraba's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, the Modaraba's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Modaraba as well as the level of the risk that the Modaraba is willing to accept. The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The activities of the Modaraba expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

34.1 Market Risk

Market risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of the changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk comprise of three types of risks : currency risk, interest rate risk and price risk.

Management of market risks

The Management Company manages market risk by monitoring its financial instruments as per the internal risk management policies and investment guidelines approved by the Board of Directors of the Management Company.

The Modaraba is exposed to currency risk and interest rate risk only.

34.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign currency exchange rates. The Modaraba primarily has foreign currency exposure in US Dollars (USD) and EURO. At 30 June 2019 the Modaraba's exposure to foreign currency risk in respect of its obligation was USD 645 and EURO 94,000 (2018: USD 94,465 and GBP 15,820). Net exposure is payable by the Modaraba in Rupees at the rate on which these are settled by the Modaraba.

The following significant exchange rates were applied during the year:

	Average rates		Balance sheet date rate	
	2019	2018	2019	2018
Rupees / US Dollar	142.26	109.97	163.03	121.50
Rupees / Great Britain Pound	183.17	148.26	206.42	159.93

Sensitivity risk

A five percent strengthening / (weakening) of the Rupee against USD and GBP as at 30 June 2019 would have increased / (decreased) equity and profit by Rs. 0.9333 million (2018: Rs. 0.7004 million) mainly as a result of foreign exchange gains / losses on translation of USD and GBP denominated bills payable. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis as for 2018.

34.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of the Modaraba's interest bearing financial instruments and the periods in which these will mature are as follows (based on the earlier of repricing and contractual maturity):

	2019							
	Effective yield / profit rate	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees)							
On-balance sheet financial instruments								
Financial assets								
Bank balances	4.15% to 8.77%	35,204,677	-	-	-	-	-	-
ljarah rentals receivable		-	-	-	-	-	-	-
Operation and maintenance income receivable		-	-	-	-	-	-	-
Advances, deposits and other receivables		-	-	-	-	-	-	-
Long-term security deposits		-	-	-	-	-	-	-
Sub total		35,204,677	-	-	-	-	-	-
Financial liabilities								
Creditors, accrued, and other liabilities		-	-	-	-	-	-	-
Payable to the Modaraba Management Company		-	-	-	-	-	-	-
Diminishing musharakah financing payable - secured	6.91%-13.25%	56,895,166	240,723,197	257,691,379	483,315,548	1,137,985,366	237,991,531	-
Other long-term employee benefit		-	-	-	-	-	-	-
Security deposits		-	-	-	-	-	-	-
Unclaimed dividend		-	-	-	-	-	-	-
Sub total		56,895,166	240,723,197	257,691,379	483,315,548	1,137,985,366	237,991,531	-
On-balance sheet gap		(21,690,489)	(240,723,197)	(257,691,379)	(483,315,548)	(1,137,985,366)	(237,991,531)	-
Off-balance sheet financial instruments								
Financial assets								
Rentals receivable in future		-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-
Total interest rate sensitivity gap		(21,690,489)	(240,723,197)	(257,691,379)	(483,315,548)	(1,137,985,366)	(237,991,531)	-
Cumulative interest rate sensitivity gap		(21,690,489)	(262,413,686)	(520,105,065)	(1,003,420,613)	(2,141,405,979)	(2,379,397,510)	(2,379,397,510)

2018									
Effective yield / profit rate	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Not exposed to yield / profit	Total
(Rupees)									
On-balance sheet financial instruments									
Financial assets									
Cash and bank balances	71,135,765	-	-	-	-	-	-	20,095,075	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
Long-term security deposits	-	-	-	-	-	-	-	50,000	50,000
Diminishing musharakah financing	237,443	483,826	246,459	-	-	-	-	-	967,728
Sub total	71,373,208	483,826	246,459	-	-	-	-	1,407,422,702	1,479,526,195
Financial liabilities									
Creditors, accrued, and other liabilities									
Bai Muajjal - secured	-	-	-	-	-	-	-	546,562,336	546,562,336
Payable to the Modaraba Management Company	-	-	-	-	-	-	-	-	-
Diminishing musharakah financing payable - secured	-	-	-	-	-	-	-	10,965,972	10,965,972
Other long-term employee benefit	66,542,963	209,428,321	231,273,660	501,542,763	1,755,427,701	87,890,650	191,882,047	-	3,043,988,105
Security deposits	-	-	-	-	-	-	-	18,729,167	18,729,167
Unclaimed dividend	-	-	-	-	-	-	-	115,088,000	115,088,000
Sub total	66,542,963	209,428,321	231,273,660	501,542,763	1,755,427,701	87,890,650	191,882,047	1,092,249	3,736,425,829
On-balance sheet gap	4,830,245	(208,944,495)	(231,027,201)	(501,542,763)	(1,755,427,701)	(87,890,650)	(191,882,047)	714,984,978	(2,256,899,634)
Off-balance sheet financial instruments									
Financial assets									
Rentals receivable in future	-	-	-	-	-	-	-	356,337,437	356,337,437
Off-balance sheet gap	-	-	-	-	-	-	-	356,337,437	356,337,437
Total interest rate sensitivity gap	4,830,245	(208,944,495)	(231,027,201)	(501,542,763)	(1,755,427,701)	(87,890,650)	(191,882,047)	1,071,322,415	(1,900,562,197)
Cumulative interest rate sensitivity gap	4,830,245	(204,114,250)	(435,141,451)	(936,684,214)	(2,692,111,915)	(2,780,002,565)	(2,971,884,612)	(1,900,562,197)	

The Modaraba's interest rate exposure arises on saving accounts with banks, and Diminishing Musharakah Financing payable. At the balance sheet date the interest rate profile of the Modaraba's interest-bearing financial instrument was as follows:

	Note	Carrying amount	
		2019	2018
		(Rupees)	
Fixed rate instruments			
Financial assets			
Diminishing Musharaka		-	967,729
Variable rate instruments			
Financial assets			
Saving accounts with banks	4	35,204,677	71,135,765
Financial liabilities			
Diminishing Musharakah financing payable - secured	15	(2,414,602,187)	(3,043,988,105)
		(2,379,397,510)	(2,972,852,340)

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not have any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity for variable interest rate instruments

In case of 100 basis points increase / decrease in KIBOR on the last repricing date of variable rate instruments, (other than savings accounts) with all other variables held constant, the profit and loss and equity of the Modaraba would be higher / lower by Rs. 2.434 million (2018: Rs. 2.266 million). The sensitivity of savings account has not been presented as the impact would not be material.

34.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The modaraba is not exposed to price risk.

34.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Modaraba, resulting in a financial loss to the Modaraba. At the year end it arises principally from Ijarah rental receivable, operational and maintenance income receivable, bank balances, deposits and other receivables.

Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with its internal risk management policies and the requirements of the Prudential Regulations for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of leasing / Ijarah activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. Cash is held only with reputable banks with high quality credit worthiness.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date is as follows:

	Note	Carrying amount	
		2019	2018
		(Rupees)	
Bank balances	4	50,029,905	90,534,060
Ijarah rentals receivable		1,235,580,096	1,334,114,468
Operation and maintenance income receivable		27,781,979	29,363,774
Long-term security deposits		50,000	50,000
Advances, deposits and other receivables		97,990,858	69,481,064
Diminishing musharaka financing - secured		-	967,729
Total carrying value (and maximum exposure to credit risk)		1,411,432,838	1,524,511,095

34.2.1 Credit risk ratings and collaterals held

34.2.1.1 Credit risk rating of the banks and their respective balances are given below:

Rating	Note	Carrying amount	
		2019	2018
		(Rupees)	
A1+		32,284,305	49,150,324
A+		17,745,600	41,383,736
		<u>50,029,905</u>	<u>90,534,060</u>

34.2.1.2 Collaterals

The Modaraba does not hold any collateral from the counter parties against balances with banks and these are unsecured. The assets leased out by the Modaraba under ijarah arrangements are secured as the title to the asset is held by the Modaraba. An amount of Rs. 122.934 million (2018: Rs. 115.088 million) is also kept as security deposits against these arrangements.

34.2.2 Impairment losses and past due balances

The age analysis of the rental receivable (ijarah rentals and operation and maintenance income receivable) on the date of reporting is as follows:

	2019		2018	
	Gross	Impairment loss recognised	Gross	Impairment loss recognised
	(Rupees)			
Not past due	15,903,769	-	643,448,262	-
Past due 1-90 days	88,995,986	-	435,910,826	-
Past due 91 days to 180 days	577,851,334	-	149,362,812	-
Past due 181 days to one year	404,716,205	22,581,627	120,889,865	45,092,585
Past due one year to two years	118,206,517	70,337,203	67,204,859	25,028,568
More than two years	252,569,552	101,962,457	75,724,243	58,941,472
Total	<u>1,458,243,363</u>	<u>194,881,287</u>	<u>1,492,540,867</u>	<u>129,062,625</u>

Impairment is recognised by the Modaraba on the basis of the provisioning requirements of the Prudential Regulations for Modarabas issued by the SECP which includes subjective evaluation of its ijarah rentals and operation and maintenance income receivable portfolio carried out by the Modaraba on an on going basis (and consideration of forced sales value of properties, wherever considered necessary and available, in accordance with the Prudential Regulations). Based on the past experience, consideration of financial position, past track records and recoveries, the Modaraba believes that additional provision against past due balances is not required.

34.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

Details of the Modaraba's concentration of credit risk of financial instruments by industrial distributions are as follows:

	2019		2018	
	(Rupees)	%	(Rupees)	%
Food And Beverages	108,065,909	7.66%	214,171,598	14.05%
Energy, Oil And Gas	260,333,301	18.44%	190,997,777	12.53%
Construction	244,209,677	17.30%	189,587,679	12.44%
Textile And Cotton	214,882,649	15.22%	151,765,380	9.96%
Fast Moving Consumer Goods (Fmcg)	122,778,456	8.70%	121,907,101	8.00%
Chemicals And Pharmaceuticals	57,493,787	4.07%	100,260,133	6.58%
Bank	2,198,223	0.16%	95,865,443	6.29%
Engineering	87,062,940	6.17%	82,597,306	5.42%
Packaging	49,316,315	3.49%	59,703,598	3.92%
Logistics	48,094,201	3.41%	49,293,765	3.23%
Paper And Board	35,796,419	2.54%	48,239,912	3.16%
Cement	8,031,312	0.57%	41,502,508	2.72%
Media	17,098,639	1.21%	23,435,902	1.54%
Healthcare	45,224,338	3.20%	23,001,337	1.51%
Warehousing	657,521	0.05%	22,930,591	1.50%
Manufacturing	12,841,714	0.91%	22,504,088	1.48%
Electrical	5,381,115	0.38%	13,717,749	0.90%
Edible Oil	3,645,818	0.26%	13,617,136	0.89%
Sugar	7,871,336	0.56%	7,108,054	0.47%
Mining	1,165,515	0.08%	6,732,064	0.44%
Information Technology And Communication	7,988,607	0.57%	4,646,100	0.30%
Education	6,550,054	0.46%	4,289,933	0.28%
Sports	1,094,447	0.08%	3,160,570	0.21%
Automobiles	8,935,860	0.63%	2,840,682	0.19%
Glass And Ceramics	3,087,764	0.22%	2,755,369	0.18%
Dairy & Poultry	223,592	0.02%	2,733,299	0.18%
Rice	2,682,463	0.19%	2,460,242	0.16%
Hotel	3,781,819	0.27%	2,392,715	0.16%
Event Management	1,389,391	0.10%	2,347,212	0.15%
Plastic Industries	1,719,775	0.12%	1,458,917	0.10%
Printing	937,159	0.07%	1,131,471	0.07%
Poultry	-	0.00%	587,807	0.04%
Non Governmental Organization	-	0.00%	151,150	0.01%
Insurance	102,970	0.01%	-	0.00%
Other	40,789,752	2.89%	14,616,507	0.96%
	1,411,432,838	100%	1,524,511,095	100%

34.3 Liquidity Risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations arising from its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner disadvantageous to the Modaraba. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected.

Management of liquidity risk

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. In an urgent situation, the Modaraba may also opt for borrowing funds from its related parties and even from other banks.

Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Modaraba

2019					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
(Rupees)					
Non-derivative financial assets					
Cash and bank balances	50,644,643	50,644,643	50,644,643	-	-
Ijarah rentals receivable	1,235,580,096	1,235,580,096	1,235,580,096	-	-
Operation and maintenance income receivable	27,781,979	27,781,979	27,781,979	-	-
Advances, deposits and other receivables	732,291,991	732,291,991	732,291,991	-	-
Long term security deposits	50,000	50,000	50,000	-	-
Diminishing musharaka financing - secured	-	-	-	-	-
	2,046,348,709	2,046,348,709	2,046,348,709	-	-
Non-derivative financial liabilities					
Creditors, accrued and other liabilities	821,622,788	821,622,788	821,622,788	-	-
Payable to the Modaraba Management Company	24,228,441	24,228,441	24,228,441	-	-
Diminishing musharakah financing payable - secured	2,414,602,187	2,414,602,187	555,309,742	483,315,548	1,375,976,897
Security deposits	122,933,732	122,933,732	-	95,810,000	27,123,732
Unclaimed dividend	1,095,066	1,095,066	1,095,066	-	-
	3,384,482,214	3,384,482,214	1,402,256,037	579,125,548	1,403,100,629
On-balance sheet gap	(1,338,133,505)	(1,338,133,505)	644,092,672	(579,125,548)	(1,403,100,629)

2018					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
(Rupees)					
Non-derivative financial assets					
Cash and bank balances	91,230,840	91,230,840	91,230,840	-	-
Ijarah rentals receivable	1,334,114,468	1,334,114,468	1,334,114,468	-	-
Operation and maintenance income receivable	29,363,774	29,363,774	29,363,774	-	-
Advances, deposits and other receivables	23,799,385	23,799,385	23,799,385	-	-
Long term security deposits	50,000	50,000	50,000	-	-
Diminishing musharaka financing - secured	967,729	998,156	998,156	-	-
	1,479,526,196	1,479,556,623	1,479,556,623	-	-
Non-derivative financial liabilities					
Creditors, accrued and other liabilities	546,562,336	546,562,336	519,045,533	27,516,803	-
Bai Muajjal - secured	-	-	-	-	-
Payable to the Modaraba Management Company	10,965,972	10,965,972	10,965,972	-	-
Diminishing musharakah financing payable - secured	3,043,988,105	3,592,218,662	699,536,976	674,039,025	2,218,642,661
Security deposits	115,088,000	115,088,000	-	56,963,000	58,125,000
Unclaimed dividend	1,092,249	1,092,249	1,092,249	-	-
	3,717,696,662	4,265,927,219	1,230,640,730	758,518,828	2,276,767,661
On-balance sheet gap	(2,238,170,466)	(2,786,370,596)	248,915,893	(758,518,828)	(2,276,767,661)

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as current accounts and saving accounts are shown as having a maturity upto six months. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within six months is remote, as these flows normally occur over a longer period of time.

35. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2019				
	Issued, subscribed and paid up certificate capital	Premium on issue of certificates	Unappropriated profit	Diminishing musharakah financing availed	Total
	(Rupees)				
Balance as at 1 July 2018	2,000,000,000	1,255,712,500	234,135,265	3,081,674,013	6,571,521,778
Changes from financing cash flows					
Repayment of Diminishing musharakah	-	-	-	(1,073,623,904)	(1,073,623,904)
Proceeds from Diminishing musharakah	-	-	-	444,237,986	444,237,986
Proceeds from issue of certificates	200,000,000	-	-	-	200,000,000
Profit distribution to the certificate holders	-	-	(200,000,000)	-	(200,000,000)
Expenses against issuance of bonus / right certificates	-	-	(1,242,311)	-	(1,242,311)
Total changes from financing activities	200,000,000	-	(201,242,311)	(629,385,918)	(630,628,229)
Other changes					
Finance Cost	-	-	-	288,374,333	288,374,333
Finance Cost paid	-	-	-	(288,420,195)	(288,420,195)
Total comprehensive income for the year	-	-	384,244,116	-	384,244,116
Transfer to statutory reserve	-	-	(153,697,646)	-	(153,697,646)
Total equity related other changes	-	-	230,546,470	(45,862)	230,500,608
Balance as at 30 June 2019	2,200,000,000	1,255,712,500	263,439,424	2,452,242,233	6,171,394,157

36. OPERATIONAL RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

37. CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and benefits of other stake holders to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit paid to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

38. RELATED PARTIES TRANSACTIONS

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

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

38.1 Details of transactions and balances with related parties during the year / as at the year-end, other than those which has been disclosed else where in these financial statements, are as follows:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	Note	2019	2018
				(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Modaraba Management Company's remuneration	14.1	10,000,000	10,000,000
		Payment made to the Modaraba Management Company (including Management Fee) during the year		41,363,910	41,586,918
		Amount received from the Modaraba Management Company during the year		-	14,000
		Amount received against subscription of right certificates		-	73,499,970
		Dividend paid during the year		39,999,998	52,650,000
		Issue of bonus certificates 3,999,999 (2018: Nil.)		39,999,990	-
		Outstanding certificates 43,999,997 (2018: 39,999,998)		439,999,970	399,999,980
		Payable to the Modaraba Management Company (including sales tax on Management Company remuneration)		24,228,441	12,265,972
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	11.2	76,764,460	157,069,219
		Purchase of parts and services		388,370,670	298,027,219
		Income from ijarah assets		11,848,441	15,657,502
		Issue of Right certificates Nil. (2018 : 17,164,581) (including premium of Rs. 5 per certificate) during the year		-	257,468,715
		Reimbursement of expenses		11,318,571	10,323,220
		Dividend paid		138,119,158	127,719,618
		Issue of bonus certificates 13,811,915 (2018: Nil.)		138,119,150	-
		Outstanding certificates 151,931,073 (2018 : 140,119,158)		1,519,310,730	1,401,191,580
		Payable against purchase of parts and services		457,313,790	287,878,649
Apex Machinery (Private) Limited	Associated Company	Purchase of parts		98,410,148	67,844,851
		Payable against purchase of parts		14,525,269	10,315,427
Allied Commercial Enterprises (Private) Limited	Associated Company	Income from ijarah assets		60,205,915	20,009,023
		Ijarah rental receivable		164,939	20,009,023
		Advance received		5,794,469	-
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Contribution to the staff provident fund during the year		14,338,542	11,964,604
		Issue of Right certificates Nil. (2018 : 415,928 including premium of Rs. 5 per certificate)		-	6,238,923
		Dividend paid		3,395,335	4,469,111
		Issue of bonus certificates 339,533 (2018: Nil.)		3,395,330	-
		Outstanding certificates 3,734,868 (2018 : 3,395,335)		37,348,680	33,953,350
Key Management Personnel	Key Management Personnel	Remuneration of key management personnel during the year		104,663,063	86,298,239
		Issue of Right certificates Nil. (2018: 18,861 including premium of Rs. 5 per certificate)		-	282,915
		Dividend paid during the year		105,314	202,665
		Contribution to the staff provident fund during the year		4,821,817	4,306,407
		Charge for staff gratuity scheme during the year		6,842,545	3,930,600
		(Gain) / loss on sale of vehicles under employee car scheme		(138,721)	640,067
		Sale proceeds: 1,441,166 (2018: 1,027,029)			
		Issue of bonus certificates 10,530 (2018: Nil.)		105,300	-
		Outstanding certificates 115,844 (2018: 146,164)		1,158,440	1,461,640
Directors	Directors of Management Company	Dividend paid		8,603,561	4,175,906
		Issue of bonus certificates 860,353 (2018: Nil.)		8,603,530	-
		Outstanding certificates 9,463,914 (2018: 12,034,330)		94,639,140	120,343,300

- 38.2** The status and details of outstanding balances with associated undertakings / related parties as at 30 June 2019 are included in the respective notes to the financial statements.

39. 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'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 year.

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

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

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

	Operating and Finance Ijarah Rentals		Operation and Maintenance Income		Total	
	2019	2018	2019	2018	2019	2018
	(Rupees)					
Segment revenues / profits						
Revenue	3,694,302,280	3,574,139,137	127,364,783	122,005,785	3,821,667,063	3,696,144,922
Costs	(3,071,582,338)	(3,208,271,743)	(70,443,168)	(96,459,230)	(3,533,710,595)	(3,304,730,973)
Reportable segment profit	622,719,942	365,867,394	56,921,615	25,546,555	287,956,468	391,413,949
Segment assets and liabilities						
Reportable segment assets						
Rentals receivable	1,235,580,096	1,334,114,468	27,781,979	29,363,774	1,263,362,075	1,363,478,242
Advances, deposits, prepayments and other receivables	575,868,187	207,901,404	-	-	575,868,187	207,901,404
Spare parts	136,361,764	104,835,161	-	-	136,361,764	104,835,161
Ijarah assets	6,434,721,941	6,732,935,766	-	-	6,434,721,941	6,732,935,766
Capital work-in-progress	67,562,112	64,856,641	-	-	67,562,112	64,856,641
	8,450,094,100	8,444,643,440	27,781,979	29,363,774	8,477,876,079	8,474,007,214
Reportable segment liabilities						
Creditors, accrued and other liabilities	662,439,106	440,517,353	-	-	662,439,106	440,517,353
Bai Muajjal - secured	-	-	-	-	-	-
Diminishing Musharaka	2,414,602,187	3,043,988,105	-	-	2,414,602,187	3,043,988,105
Security deposits	122,933,732	115,088,000	-	-	122,933,732	115,088,000
	3,199,975,025	3,599,593,458	-	-	3,199,975,025	3,599,593,458

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

	Note	2019	2018
		(Rupees)	
Revenues			
Total revenue for reportable segments	22	3,821,667,063	3,696,144,922
Other income	27	104,897,396	13,709,809
		<u>3,926,564,459</u>	<u>3,709,854,731</u>
Profit			
Total profit for reportable segments		287,956,468	391,413,949
Other income		104,897,396	13,709,809
Modaraba Management Company's Remuneration		(10,000,000)	(10,000,000)
		<u>382,853,864</u>	<u>395,123,758</u>
Assets			
Total assets for reportable segments		8,477,876,079	8,474,007,214
Cash and bank balances		50,644,643	91,230,840
Advances and other receivables		156,423,804	332,815,898
Security deposits		50,000	50,000
Diminishing musharaka financing - secured		-	967,729
Fixed assets in own use - tangible		139,827,871	131,283,995
Intangible asset for own use		4,215,005	6,126,565
		<u>8,829,037,402</u>	<u>9,036,482,241</u>
Liabilities			
Total liabilities for reportable segments		3,199,975,025	3,599,593,458
Creditors, accrued and other liabilities		159,183,682	184,768,672
Payable to the Modaraba Management Company		24,228,441	12,265,972
Deferred liability for staff gratuity		84,196,492	69,496,154
Other long-term employee benefit		26,820,323	18,729,167
Unclaimed dividend		1,095,066	1,092,249
		<u>3,495,499,029</u>	<u>3,885,945,672</u>

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

40. 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).

As at 30 June 2019 and 30 June 2018, there were no financial instruments which were measured at fair values in the financial statements.

40.1 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 30 June 2019								
Note	Carrying Value				Fair Value			
	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 2	Total
(Rupees)								
Financial assets not measured at fair value	40.2							
Cash and bank balances	50,644,643	-	-	50,644,643	-	-	-	-
Ijarah rentals receivable	1,235,580,096	-	-	1,235,580,096	-	-	-	-
Operation and maintenance income receivable	27,781,979	-	-	27,781,979	-	-	-	-
Advances, deposits and other receivables	97,990,858	-	-	97,990,858	-	-	-	-
Long term security deposit	50,000	-	-	50,000	-	-	-	-
	<u>1,412,047,576</u>	<u>-</u>	<u>-</u>	<u>1,412,047,576</u>				
Financial liabilities not measured at fair value	40.2							
Creditors, accrued and other liabilities	-	-	709,041,843	709,041,843	-	-	-	-
Payable to the Modaraba Management Company	-	-	21,628,441	21,628,441	-	-	-	-
Diminishing musharaka	-	-	2,414,602,187	2,414,602,187	-	-	-	-
Security deposits	-	-	122,933,732	122,933,732	-	-	-	-
Unclaimed dividend	-	-	1,095,066	1,095,066	-	-	-	-
	<u>-</u>	<u>-</u>	<u>3,269,301,269</u>	<u>3,269,301,269</u>				

As at 30 June 2018								
Note	Carrying Value				Fair Value			
	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 2	Total
(Rupees)								
Financial assets not measured at fair value	40.2							
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	69,481,064	-	-	69,481,064	-	-	-	-
Diminishing musharaka	967,729	-	-	967,729	-	-	-	-
Long term security deposit	50,000	-	-	50,000	-	-	-	-
	<u>1,525,207,875</u>	<u>-</u>	<u>-</u>	<u>1,525,207,875</u>				
Financial liabilities not measured at fair value	40.2							
Creditors, accrued and other liabilities	-	-	546,562,336	546,562,336	-	-	-	-
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>3,717,696,662</u>	<u>3,717,696,662</u>				

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

41. NUMBER OF EMPLOYEES

The total number of employees as at year end were 471 (2018: 416) and average number of employees were 443 (2018: 383).

42. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

42.1 The Board of Directors of the Management Company has approved dividend at the rate of Re. 1 per certificate (2018: Re.1.0 per certificate) for the year ended 30 June 2019, resulting in a total distribution of profit amounting to Rs. 220 million (2018: Rs. 200 million), in its meeting held on 29 August 2019 which is more than 90% of the net profit for the year ended 30 June, 2019, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending 30 June 2020.

42.2 The Board of Directors of the Management Company has also recommended a right issue at 0% (NIL certificates) at a price of Rs. Nil per certificate subject to necessary approvals. These financial statements do not include the effect of proposed Right issue which is effected

43. GENERAL

43.1 Date of authorisation

These financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on 29 August 2019.



Murtaza Ahmed Ali
Chief Executive



Syed Feisal Ali
Chairman

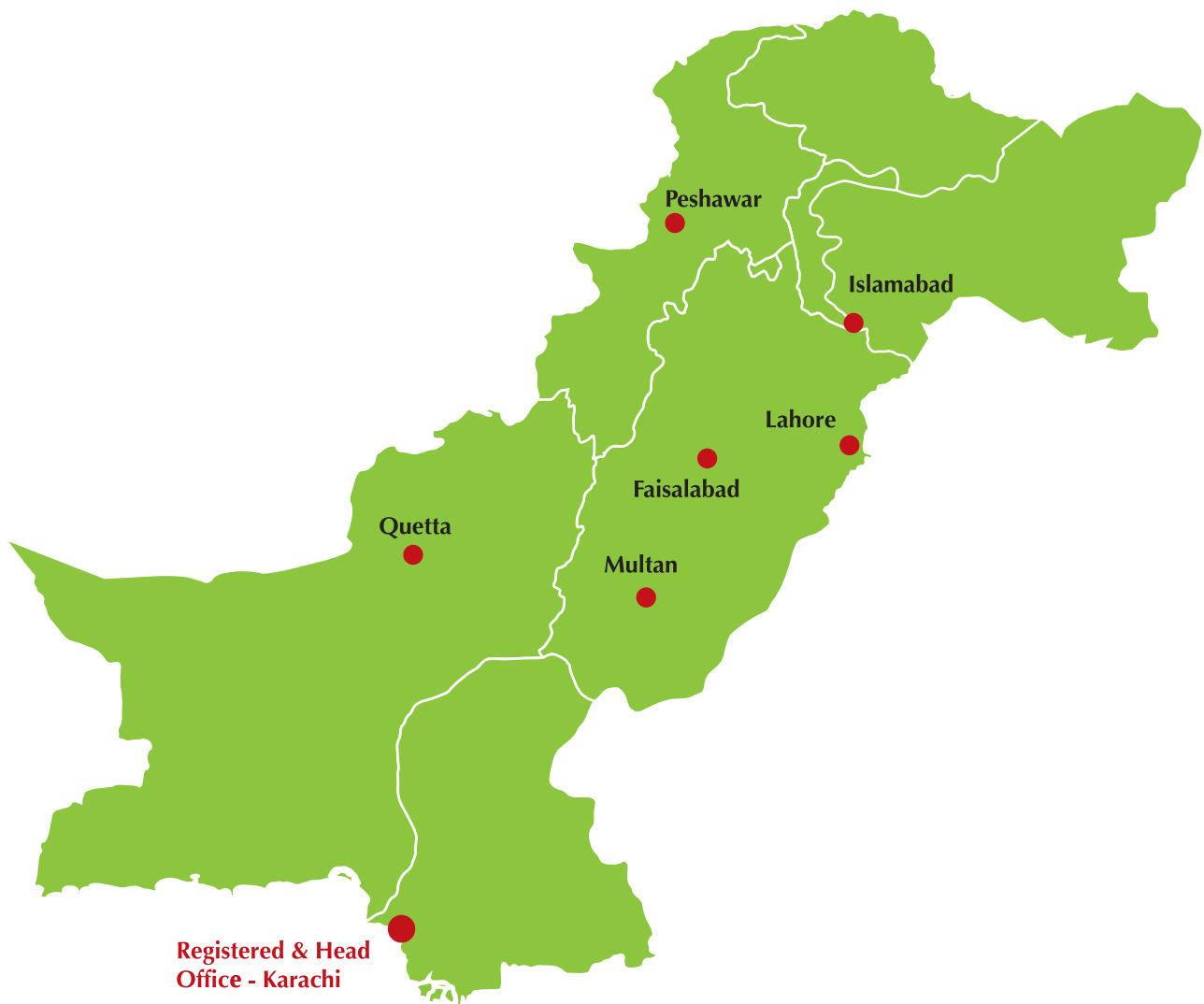


Abdul Rahim Suriya
Director



Muhammad Saad
Chief Financial Officer

Offices Across Pakistan



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سالانہ نظر ثانی اجلاس کی اطلاع

اطلاع دی جاتی ہے کہ حاملانِ سرٹیفکیٹ کاتیروہواں نظر ثانی اجلاس پیر، 28 اکتوبر 2019ء بوقت 2:30 سے پہرہ مقام (رجسٹرڈ پتہ) 21/3 سیکٹر 22 کورنگی انڈسٹریل ایریا، کراچی میں منعقد کیا جا رہا ہے۔ جس کا مقصد اختتام شدہ سال 30 جون 2019ء کے دوران مضاربہ کی کارکردگی پر نظر ثانی ہے۔

حاملانِ سرٹیفکیٹ جن کا نام 21 اکتوبر 2019ء تک الائیڈ رینٹل مضاربہ کے حاملانِ سرٹیفکیٹ کے رجسٹر میں درج ہے۔ اس سالانہ نظر ثانی اجلاس میں شمولیت کے حقدار ہیں۔

بحکم بورڈ

مزل طارق

کمپنی سیکریٹری

29 اگست 2019ء

کراچی

نوٹ:

1۔ سرٹیفکیٹ ٹرانسفر کی کتاب سالانہ نظر ثانی اجلاس میں شمولیت کے مقصد کے تحت 22 اکتوبر 2019ء سے 28 اکتوبر 2019ء تک بند رہے گی (دونوں دن شامل ہیں)۔ ہر طرح سے مکمل ٹرانسفر جو 21 اکتوبر 2019ء کے دن اختتام کار تک ہمارے رجسٹر آفس میسرز JWAFS رجسٹرار سروسز (پرائیویٹ) لمیٹڈ، 407-408، المیر اسینٹر، شارع عراق، صدر، کراچی میں موصول ہوں وہ بروقت تصور ہوں گے۔

2۔ CDC حاملانِ سرٹیفکیٹ جو اجلاس میں شمولیت کے خواہاں ہوں ان سے التماس ہے کہ وہ اپنے اصل CNIC، اکاؤنٹ اور پارٹیشننگ آئی۔ ڈی، شناخت کی غرض سے ساتھ لائیں۔

ہم رجسٹرڈ مضاربہ، مذہبی بورڈ، مالیاتی اداروں اور اپنے کاروباری شرکاء کے مسلسل تعاون اور رہنمائی کیلئے خلوص دل سے ان کے شکر گزار ہیں۔ نیز ہم کاروبار کی مستقل سرپرستی پر اپنے صارفین کے بھی ممنون ہیں۔ ہم اپنے سرٹیفکیٹ ہولڈرز کے تعاون اور ہماری انتظامیہ پر اعتماد کیلئے ان کا بھی شکریہ ادا کرتے ہیں۔

آڈٹ ڈپارٹمنٹ کو بھی مضاربہ کے روزمرہ کے امور کی دیکھ بھال کیلئے تربیت دی گئی ہے۔ مضاربہ کے امور پر جاری کردہ شرعیہ آڈٹ رپورٹ برائے سال ختمہ 30 جون 2019، سالانہ مالیاتی گوشواروں کے ساتھ منسلک ہے۔

اعتراف

ہمارے لوگ مضاربہ کی پائیدار ترقی کے بنیادی عوامل ہیں۔ ڈائریکٹر مضاربہ کے ہر ملازم کے کاموں اور کاوشوں کو سراہتے ہیں جنہوں نے صارفین کو ان کی توقعات سے بڑھ کر اعلیٰ ترین خدمات پیش کیں اور مضاربہ کیلئے مستقل کاروبار کو یقینی بنایا۔

علی اکبر
ڈائریکٹر

منجانب بورڈ

مرقظی احمد علی
چیف ایگزیکٹو

29 اگست، 2019



- سرٹیفکیٹ ہولڈرز کے لئے سٹوکیٹ کی ہولڈنگ کا طرز اس سالانہ رپورٹ میں شامل ہے۔
- بورڈ نے کوڈ آف کارپوریٹ گورننس کی شرائط کے مطابق ایک ہیومن ریسورس کمیٹی تشکیل دی ہے۔ کمیٹی بورڈ کو درج ذیل امور کی انجام دہی کے لئے اپنی سفارشات پیش کرتی ہے۔
- i- کمپنی کے مضبوط انتظامی منصوبہ کی تیاری
- ii- ملازمین کے ارتقائی عمل کا موثر پروگرام اور
- iii- معاوضے اور فوائد کے مضبوط منصوبہ جات، پالیسیاں اور طرز عمل تشکیل دینا جو اعلیٰ صلاحیت کے عملے کے لئے پُرکشش ہوں اور ان کو روکے رکھیں تاکہ وہ کاروبار کا موثر انتظام کریں اور اس کے ساتھ مقررہ اہداف حاصل ہوں۔
- درج ذیل ڈائریکٹرز افراد کی وسائل کمیٹی کے ممبران ہیں:

جناب عبدالرحیم سوریا چیئر مین

سید فیصل علی

جناب مرتضیٰ احمد علی

افراد کی وسائل کمیٹی نے سال میں ایک مرتبہ 100 فیصد ممبرز کے ساتھ ملاقات کی۔

- بورڈ نے کوڈ آف کارپوریٹ گورننس کی ضرورت کے مطابق عمل درآمد کرتے ہوئے آڈٹ کمیٹی تشکیل دی۔ کمیٹی تین ممبرز پر مشتمل ہے۔ آڈٹ کمیٹی کے سربراہ ایک آزاد ڈائریکٹر ہیں۔ کمیٹی وقتاً فوقتاً فنانسل ایسٹیمٹس کا جائزہ لیتی ہے اور فنانسل پالیسیز اور معمولات کی درستی کی جانچ کرتی ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ اندرونی کنٹرول کا مستعد اور مضبوط نظام قائم ہے۔
- نیز آڈٹ کمیٹی بیرونی آڈیٹرز کے تقرر کیلئے بورڈ آف ڈائریکٹرز کو سفارشات پیش کرنے کی بھی ذمہ دار ہے۔
- سال کے دوران میں بورڈ آڈٹ کمیٹی کے 14 اجلاس ہوئے۔ ہر ممبر کی حاضری درج ذیل رہی:

ڈائریکٹروں کے نام	اجلاسوں میں حاضری
جناب عبدالرحیم سوریا	4
سید فیصل علی	4
جناب علی اکبر	4

آڈیٹرز

آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز KPMG & Co. چارٹرڈ اکاؤنٹینٹس کو بطور آڈیٹرز سال 30 جون 2020 تک سال کیلئے دوبارہ تقرر کیا، اور ان کا مشاہرہ مضاربہ کمپنیوں اور مضاربہ کے رجسٹرار کی منظوری کے مطابق باہمی رضامندی سے طے کیا جائیگا۔

شرعیہ آڈٹ رپورٹ

مضاربہ اپنے شرعیہ ایڈوائزر مفتی ارشاد احمد اعجاز سے حسب ضرورت رہنمائی حاصل کرتا رہتا ہے تاکہ رجسٹرار مضاربہ کی مشاورت سے تشکیل کردہ شرعیہ آڈٹ طریقہ کار پر عمل درآمد کو یقینی بنایا جاسکے۔ شرعیہ پالیسیز اور ضوابط پر مکمل عمل درآمد کو یقینی بنانے کیلئے اندرونی

کنٹرول کرتے ہیں۔ بورڈ کا چیئر مین سی ای او کے علاوہ ہوتا ہے۔ کاروباری عمل کے نتائج اور کارکردگی کے جائزے کیلئے بورڈ آف ڈائریکٹرز اور انتظامیہ کے اجلاس باقاعدگی سے منعقد ہوتے ہیں جن میں مضاربہ کی کاروباری سرگرمیوں سے متعلق فیصلے کئے جاتے ہیں۔ تمام ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس؛ سی سی جی کے تحت لازمی سٹوکیٹ کا طریقہ کار مکمل کر لیا ہے۔ کاروباری رجحانات کا جائزہ لینے اور مضاربہ کے آپریشنل منصوبوں کا جائزہ لینے کیلئے بھی اجلاس منعقد ہوتے ہیں ان میں مختلف منصوبہ بندی کے مناظر کی توضیح کی جاتی ہے اور مضاربہ کے سالانہ بزنس پلان کی تفصیلات بتائی جاتی ہیں۔

جناب عبدالرحیم سوریا کو بطور خود مختار ڈائریکٹر مقرر کیا گیا ہے جو ایک منجھے ہوئے پروفیشنل ہیں اور کاروبار کا آزادانہ جائزہ پیش کرتے ہیں اور اپنی مہارت اور معلومات پر مبنی طریقہ کار خصوصی طور پر گورننس پالیسیز اور مستحکم معیارات کے لحاظ سے کنٹرول کرتے ہیں۔

سال کے دوران میں بورڈ کے چار اجلاس منعقد ہوئے۔ بورڈ کے اجلاسوں میں حاضری کے اخراجات مضاربہ منجمنٹ کمیٹی نے ادا کئے۔ ہر ڈائریکٹر کی حاضری حسب ذیل رہی۔

ڈائریکٹروں کے نام	اجلاسوں میں حاضری
جناب خواجہ آصف رحمن	2
جناب مرتضیٰ احمد علی	4
سید فیصل علی	4
جناب علی اکبر	4
جناب رئیس اے خان	3
جناب عبدالرحیم سوریا	4
جناب حسن شہزاد عابدی	4
جناب خواجہ احمد رحمن	1

جو ڈائریکٹرز مندرجہ بالا اجلاسوں میں شرکت نہیں کر سکے ان کی چھٹی کی درخواست منظور کی گئی۔

ڈائریکٹرز کے لئے ارتقائی عمل

انتظامیہ کی پالیسی ہے کہ وہ ڈائریکٹرز، ایگزیکٹوز اور کارپوریٹ گورننس سے متعلق عمل کی سیمینارز اور کورسز میں شرکت کی حوصلہ افزائی کریں جس کے باعث وہ اپنی کارکردگی کو نکھار سکیں۔ موجودہ ڈائریکٹرز CCG کی ہدایات کے مطابق مطلوبہ اہلیت کے حامل ہیں۔ نئے

- آپ کی کمپنی کے ذمے 30 جون 2019 پر ٹیکس، ڈیوٹیز، محصولات اور چارجز کی مد میں کوئی واجبات نہیں ہیں سوائے ان کے جو اس سالانہ رپورٹ میں درج ہیں۔
- ڈائریکٹر، سی ای او، سی ایف او، کمپنی سیکرٹری، ان کے شریک حیات یا نابالغ بچوں کی جانب سے سرٹیفکیٹ کی تجارت کے بارے میں معلومات اس رپورٹ کے annexure میں درج ہیں۔
- فنڈ کے آڈٹ شدہ مالیاتی گوشواروں پر مبنی ایپلنڈ پر اوڈیٹ فنڈ میں سرمایہ کاری کی قدر مطابق 31 دسمبر 2018: 77,462,598 روپے ہے۔

(2017, 412, 68, 434 روپے)

- متعلقہ فرد کی تاریخ اور پس منظر اور (مع متعلقہ تاریخ)
- وجہ کہ اس مسئلہ سے ان کی کیا تعلق ہے۔

ملازمین کا صحت کیمرپ

الائیڈرنٹیل مضاربہ نے ایک معروف لیبارٹری کے اشتراک سے ایک صحت کیمرپ کا انتظام کیا جس میں کراچی اور لاہور کے ذیلی دفاتر کے ملازمین کو فزیشن کے مشوروں اور میڈیکل ٹیسٹ کی مفت سہولت فراہم کی گئی۔ اس مہم سے صحت مند زندگی کی آگاہی دینے میں مدد ملی۔

باصلاحیت نوجوانوں کیلئے مواقع

ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے، مضاربہ مختلف تعلیمی اداروں کے طلبہ کو منجمنٹ ٹرینی شپ اور انٹرن شپ کے مواقع فراہم کرتا ہے۔ اس سال انٹرن شپ کیلئے گزشتہ سال سے زیادہ تعداد میں طلبہ نے شرکت کی۔ اس سے مضاربہ کی نوجوان طلبہ کو پروفیشنل ماحول میں سیکھنے کا موقع دینے کی خواہش کا اظہار ہوتا ہے۔

ڈائریکٹرز

بورڈ آف ڈائریکٹرز کا ڈھانچہ

بورڈ آف ڈائریکٹرز قابل تجربہ کار اور مختلف شعبہ جات کے ماہرین پر مشتمل ہے جو قائدانہ صلاحیت اور مضاربہ اور اسکے سٹریٹجیٹک ہولڈرز کے بہترین مفاد میں کام کا وزن رکھتے ہیں۔ بورڈ آف ڈائریکٹرز کا کارپوریٹ پالیسی کی فیصلہ سازی میں اور سینئر ایگزیکٹوز کے ساتھ مل کر مضاربہ کے قلیل مدتی اور طویل مدتی آپریشنز کیلئے منصوبہ بندی میں اہم کردار ہے۔ اس وقت بورڈ آف ڈائریکٹرز 07 افراد پر مشتمل ہے، جس کی تشکیل درج ذیل کے مطابق ہے:

- پانچ نان ایگزیکٹو ڈائریکٹرز الائیڈر گروپ آف کمپنی کی نمائندگی کر رہے ہیں، جو اسٹیک ہولڈرز کی اکثریت ہے۔
- ایک ایگزیکٹو ڈائریکٹر بطور چیف ایگزیکٹو آفیسر منجمنٹ کمپنی مضاربہ کے انتظامی امور کے معاملات کی دیکھ بھال پر مامور ہے اور
- کارپوریٹ گورننس کے کوڈ کے مطابق ایک آزاد ڈائریکٹر جناب عبدالرحیم سواریا۔

سال کے دوران میں چیئر مین جناب آصف رحمن نے بورڈ سے استعفیٰ دیدیا اور بقیہ مدت کیلئے ان کی جگہ جناب احدر رحمن کو مقرر کر کے اس خالی اسامی کو پر کیا گیا۔ جناب احدر رحمن کی بطور

بورڈ کے ڈائریکٹر منظوری رجسٹرڈ مضاربہ - SECP سے باقاعدہ منظور شدہ ہے۔ بورڈ رخصت ہونے والے چیئر مین کو ابتدائی سیٹ اپ میں اور اس کے بعد کی دہائی میں مضاربہ کی مستحکم ترقی کیلئے ان کی رہنمائی اور تعاون کا بے حد مشکور ہے۔ سید فیصل علی کو بورڈ کا نیا چیئر مین منتخب کیا گیا اور جناب احدر رحمن کو نئے ڈائریکٹر کے طور پر شامل کیا گیا ہے۔ اور ان کو مضاربہ کے Business / کاروبار کی تفصیلات سے آگاہ کیا گیا ہے۔

نان ایگزیکٹو ڈائریکٹرز قابل افراد ہیں اور SECP کی شرائط کے مطابق مطلوبہ مہارت، علم اور صلاحیت رکھتے ہیں جو سینئر منجمنٹ کو موثر رہنمائی فراہم کرتے ہیں اور مضاربہ کے معاملات

شکایت کے متبادل طریقے

آزاد ہاٹ لائن:

ایک بیرونی ایجنسی کے ذریعہ آپریٹ ہونے والی ہاٹ لائن سے ملازمین کو یہ موقع حاصل ہے کہ مالیاتی رپورٹنگ یا دوسرے معاملات میں ممکنہ غیر قانونی عمل کی اطلاع دے سکیں۔ یہ ہاٹ لائن سب کیلئے دستیاب ہے اور کارپورٹس کی شناخت کو خفیہ رکھا جائے گا۔

اجتماعی سماجی ذمہ داری

مضاربہ اجتماعی سماجی ذمہ داری کو کاروبار کا حصہ سمجھتا ہے کیونکہ اس سے کمیونٹی کیلئے معاشی، سماجی اور ماحولیاتی بہتری پیدا کر کے ایک پائیدار ترقی کی راہ ہموار ہوتی ہے۔ ایک اچھا کارپوریٹ شہری ہونا مضاربہ کی بنیادی اقدار میں شامل ہے۔

انتظامیہ اور اس گورننس کے تحت کام کرنے والے اپنی ذمہ داریوں کو اچھی طرح جانتے ہیں اور وہ اس سلسلے میں بہت زیادہ پرعزم ہیں۔ مضاربہ اپنے تمام کاروباری امور کی انجام دہی میں صحت، تحفظ اور ماحولیات کے اچھے اصولوں پر عمل کو یقینی بناتا ہے۔ اس کے علاوہ ہم سماجی بہتری کے مقاصد میں تعاون پیش کرتے ہیں اور آپ کی کمپنی پاکستان میں مختلف کمیونٹیز کو تعاون کی خدمات میں پیش پیش رہتی ہے۔ اس سلسلے میں ہماری دلچسپی کے شعبہ جات میں سوسائٹی میں ماحول کا تحفظ، تعلیم، صحت اور سماجی ترقی کے علاوہ دیگر شعبے بھی شامل ہیں۔ کمپنی ان بنیادی اقدامات کیلئے تعاون پیش کرتی ہے:

اسکارشپس

ہم اپنے ملازمین کی صلاحیتوں کے اعتراف میں ان میں پیشہ ورانہ اہلیت اجاگر کرنے کیلئے میرٹ کی بنیاد پر اسکارشپس پیش کرتے ہیں جو مالی تعاون کی صورت میں ان کی تعلیمی سطح کے مطابق مختلف ہوتا ہے۔



کھیلوں کی سرگرمیاں

"صحت آپ کے اندر یہ احساس پیدا کرتی ہے کہ آپ کیلئے یہ سال کا بہترین وقت ہے۔" الائیڈرنٹیل مضاربہ میں ہم جسمانی سرگرمیوں کو ذہنی صحت کا ذریعہ سمجھتے ہیں جس کیلئے ہم کھیلوں کا فروغ ہماری سی ایس آر سرگرمیوں کا اہم حصہ ہے۔ کھیلوں کی سرگرمیوں کے فروغ کیلئے ہمارا

پائیدار ترقی کا اہم ذریعہ ہے۔ گڈ کارپوریٹ گورننس کی ڈیولپمنٹ کا عمل جاری ہے اور ہم اس کو بین الاقوامی مروجہ طریقہ کار کے معیار کے ہم پلہ بنانے کا عزم رکھتے ہیں۔

کنٹرول کی سرگرمیاں

مضاربہ نے کاروباری آپریشنز کی نوعیت کے لحاظ سے کنٹرول کی کئی طرح کی سرگرمیوں کا تعین کیا ہے اور ہر شعبہ کو ذمہ داری سونپ دی گئی ہے کہ مشترکہ طور پر نگرانی کی جائے۔

جائزہ

بورڈ کا اجلاس ہر سہ ماہی میں کم از کم ایک بار ہوتا ہے جس میں مضاربہ کی مالیاتی کارکردگی، مالیاتی اور آپریشن کے بجٹ اور آئندہ کے اندازے، کاروبار میں اضافہ اور اس کی ترقی کے منصوبوں، سرمایہ کاری کے اخراجات کی تباہیز اور کارکردگی کے دوسرے بنیادی اشارات پر غور کیا جاتا ہے۔ تمام مادی اخراجات پر بعد از تکمیل جائزہ لیا جاتا ہے۔

آڈٹ

اندرونی آڈٹ کا سربراہ عملی طور پر بورڈ آف آڈٹ کمیٹی کو رپورٹس پیش کرتا ہے۔ اندرونی آڈٹ کے کاموں میں مالیاتی، آپریشنل اور عمل درآمد پر کنٹرول اور رپورٹ کے نتائج بورڈ آف آڈٹ کمیٹی، چیف ایگزیکٹو اور متعلقہ شعبوں کے سربراہوں کو بھیجتا ہے۔ اندرونی آڈٹ کا دفتر اظہار کی درستی، معلومات کی شفافیت، اندرونی کنٹرول اور رسک مینجمنٹ کے مناسب مروجہ طریقہ کار کے بارے میں آڈٹ کمیٹی کو یقین دہانی کراتا ہے۔ اس میں محتاط، تحقیقی اور آڈٹ پر زور دیا جاتا ہے جو اچھی کارپوریٹ گورننس کے بین الاقوامی معیارات کے مطابق ہوں۔ بورڈ آف آڈٹ کمیٹی اندرونی اور بیرونی آڈیٹرز سے اندرونی کنٹرول کے بارے میں رپورٹس وصول کرتا ہے اور کنٹرول کے موثر ہونے کی نگرانی کے لئے طریقہ کار کا جائزہ لیتا ہے۔ آڈٹ ڈپارٹمنٹ شریعہ ایڈوائزرس سے بھی قریبی رابطے میں رہتا ہے اور تمام کاروباری سرگرمیوں پر عمل درآمد کے لئے رہنمائی حاصل کرتا ہے۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کی شرائط کے مطابق Whistle Blower کا نظام تشکیل دیا ہے۔ بعض اوقات ایسی صورتحال ہوتی ہے جب لوگ اپنی شکایات براہ راست اپنے منیجر کو پیش کرنے میں جھجھک محسوس کرتے ہیں۔ لہذا ہم نے پورے مضاربہ میں Whistle Blower کا ایک خفیہ نظام فراہم کرنے کا منصوبہ بنایا ہے جو ملازمین استعمال کر سکیں گے۔ اس پالیسی کا مقصد مسائل پر کھلی گفتگو کی حوصلہ افزائی کرنا ہے۔ مضاربہ کے ضابطہ اخلاق پر عمل درآمد کے سلسلے میں نیک نیتی سے اطلاع دینے کے نتیجے کے طور پر کسی کو بھی نقصان کا خدشہ نہیں ہوگا۔ اس پالیسی کے تحت تمام اطلاع دینے والوں کو خفیہ رکھا جائے گا اور ان کی شناخت بھی خفیہ رہے گی سوائے اس کے جب کسی تحقیق میں رکاوٹ یا پیش رفت کے لئے ضروری نہ ہو۔ تاہم تحقیقاتی طریقہ کار میں معلومات کے ذریعہ کو ظاہر کرنے اور مطلع کرنے والے فرد کو گواہی کے لئے بیان دینے کی ضرورت پیش آسکتی ہے۔ اگر کوئی ملازم کسی بات کی اطلاع دینا چاہتا ہے تو اسے سب سے پہلے اپنے شعبہ کے سربراہ کے سامنے مسئلہ پیش کرنا چاہئے (اگر اسی شخص کے بارے میں شکایت نہ ہو) اور ایسی صورت میں آڈٹ کمیٹی کو ریکارڈ رکھنے اور نگرانی کے لئے درج ذیل طریقہ کے مطابق تحریری اطلاع دینی چاہئے۔



ریگولیٹرز اور شٹیکولڈ ہولڈرز کیلئے ہمارا عہد

ایک ذمہ دار کارپوریٹ ادارہ ہونے کے ناطے ہم اپنے کاروبار کو شفاف طریقے سے جاری رکھیں گے اور ریگولیٹرز کے ساتھ قریبی رابطے کے ذریعہ اپنے تمام کاروباروں میں مضابطوں کے ساتھ ساتھ مکمل شریعہ کے طریقہ کار پر عمل درآمد کو یقینی بنائیں گے۔ ہم اپنے سرٹیفکیٹ ہولڈرز کے ساتھ کئے گئے وعدوں کو نبھانے کے لئے:

- اپنے کاروبار کے تمام شعبہ جات میں اسلامی شریعہ کے اصولوں پر کاربند رہیں گے۔
- ان کی سرمایہ کاری پر نقد ڈیویڈنڈ اور بونس شٹیکولڈ پیش کر کے ان کو شفاف آمدنی فراہم کریں گے۔ اور
- اپنے ریٹیل اثاثہ جات کے پورٹ فولیو کے مختلف شعبہ جات کے لئے مضاربہ کے طویل المدت ترقی اور پائیداری کے منصوبے تیار کریں گے تاکہ اثاثہ جات کی زیادہ سے زیادہ بنیاد کو یقینی بنایا جائے۔ ریٹیل کے کاروبار میں سرمایہ اور مزدور دونوں ہی اہم ہیں سو ہم صرف آلات کی دیکھ بھال ہی نہیں کرتے بلکہ صارفین کی سائٹ پر ان کو مسلسل آپریٹ کرنے اور دیکھ بھال کرنے کی خدمات بھی انجام دیتے ہیں۔ اس کی بناء پر ہمیں اپنے اثاثہ جات کا باقاعدہ جائزہ لینے کی ضرورت ہوتی ہے تاکہ ہم اپنے سرمائے کا بھرپور استعمال کر سکیں اور اس کے ساتھ ساتھ آپریشنل کنٹرولز کا بھی باقاعدگی کے ساتھ جائزہ لینے اور اس کو بہتر بنانے پر توجہ رکھتی ہوتی ہے۔ یہ نہ صرف اثاثہ جات کی قدر بچال رکھنے کے لئے بلکہ اپنے صارفین کو معیاری خدمات فراہم کرنے کے لئے بھی ضروری ہے۔

گورننس فریم ورک

ہمارا گورننس فریم ورک اس طرح تشکیل دیا گیا ہے کہ مضاربہ میں بنیادی اقدار اور اصولوں کی پیروی ہو، ہر کام مہارت سے انجام جائے۔ دیانت داری، شفافیت کے اعلیٰ ترین گورننس کے معیار اور اسٹیک ہولڈرز کی قدر کے تحفظ کے جذبہ کے ساتھ مضاربہ نے اپنے گورننس فریم ورک کو صنعت کے بہترین طرز عمل کے مطابق بنادیا ہے۔ بورڈ آف ڈائریکٹرز اور سینئر انتظامیہ اندرونی کنٹرول پر خصوصی توجہ دیتی ہے جس پر عمل کرنا مضاربہ کے ہر ملازم کے لئے لازمی ہے۔

بورڈ آف ڈائریکٹرز ایک کھلے ذہن، اخلاقیات، سمجھداری اور جامعیت پر مبنی انتظامیہ فراہم کرنے اور اس کو کامیاب اور موثر بنانے کے لئے بہترین کارپوریٹ گورننس تشکیل اور اس پر عمل درآمد کا ذمہ دار ہے۔ مختصر یہ کہ گڈ کارپوریٹ گورننس کمپنی کی قدر میں اضافہ اور اس کی

کی وجہ سے 20-2019 میں بھی چیلنج برقرار رہیں گے۔ ہمیں صورتحال کا محتاط طریقے اور باقاعدگی کے ساتھ جائزہ لینا ہوگا اور انتظام کرنا ہوگا اور اپنے سرمایہ کاری کے پلانز کو فائل کرنے سے پہلے حکومت کے معاشی سیٹ اپ کا رخ دیکھنا ہوگا۔ دوسری طرف بلند سکاؤنٹ ریس کے باعث سرمایہ کاری پر کم سے کم آمدنی کی حد مزید بڑھ جائے گی جس کے نتیجے میں مقابلہ اتنا کم اہلیت کی نئی سرمایہ کاری کی منظوری حاصل ہوگی۔ مضاربہ اور فیچرز سے لے کر ٹیکنیشنز اور ڈرائیورز / آپریٹرز تک ٹیم کے افراد اپنے صارفین کو ان کی بھرپور گنجائش کے مطابق پاور سے لے کر لاجسٹکس تک ہر قسم کے سامان کے لئے مکمل رینٹل سلوشن فراہم کرنے کیلئے تیار ہیں۔ اپنے کاروباری آپریشنز میں دانشمندانہ پالیسیز کے استعمال اور اپنے کاروباری طرز عمل کو منظم رکھنے کے باعث ہمیں بھروسہ ہے کہ اس سال کیلئے مقرر کردہ اہداف حاصل ہو جائیں گے۔ انتظامیہ اپنے رینٹل فلیٹ کو مسلسل وسیع کر رہی ہے لیکن بیرونی قرضہ جات اور انفراسٹرکچر انوسٹمنٹ پروجیکٹ پر اس کے اثرات کے چیلنج کی وجہ سے 20-2019 میں اور اس کے آگے استحضار ہونا ہوگا۔ کاروبار کے مزید منافع بخش شعبہ جات میں اپنے رینٹل اثاثہ جات کے تعین کیلئے مضاربہ ٹرانسپورٹیشن کے کاروبار کے لئے صف اول کی FMGC اور آئل فیلڈ سروسز کی کمپنیز کے ساتھ نئے رینٹل معاہدے کرنے کیلئے مسلسل کوشاں ہے۔

ملک کو درپیش کئی طرح کے چیلنجز کے باوجود پھر بھی ہم سمجھتے ہیں کہ قراقرم کے پہاڑی سلسلے سے بلوچستان کے پہاڑی علاقوں تک ہمارا ملک قدرتی نعمتوں سے مالا مال ہے۔ ہمارے ملک میں بھرپور قدرتی وسائل موجود ہیں اور وسیع زریعی وسائل ہونے کی بناء پر ہم کپاس، چاول، گندم، مکئی، آلو، پھل اور سبزیاں اگانے کے قابل ہیں۔ سی پیک ملکی معیشت میں بڑی تبدیلی لانے کا منصوبہ ہے اور اس کے مطابق یہ ہمیں بھی کاروبار کے نمایاں مواقع پیش کرتا ہے اور ہم اس موقع سے فائدہ اٹھانے کی پوزیشن میں ہیں۔ 200 ملین سے زیادہ کی آبادی کے ساتھ ہمارا ملک ہر طرح کی سرمایہ کاری کے لئے ایک بڑی مارکیٹ ہے، چاہے وہ توانائی پیدا کرنے کی بڑھتی ہوئی مانگ میں صنعتی سرمایہ کاری ہو یا مشہور FMCG برانڈز کے ساتھ پارٹنرشپ سے لاجسٹکس کے شعبہ میں سرمایہ کاری کرنا ہو یا سی پیک کے فرنٹ پر کارگو کی نقل و حمل کا معاملہ ہو۔

انتظامیہ رینٹل انڈسٹری کی گنجائش، سی پیک کی ڈیولپمنٹ کے سلسلے میں مضاربہ کیلئے سرمایہ کاری کے بہت سے مواقع موجود ہونے کی امید رکھتی ہے۔ لیکن اس کے ساتھ رینٹل پاور کے شعبہ کیلئے بہت محتاط اور دانشمندانہ طریقے سے انتخاب کرے گی۔ ہم ہمیشہ صارفین کے اطمینان کو اولین ترجیح دیتے ہیں اور اپنے تمام کاروباری لین دین میں اسلامی شریعہ کے اصولوں کی پاسداری کی یقین دہانی کراتے ہیں۔

ہمیں اپنے ملک اور صارفین کے ساتھ اپنے عہد کا اعتراف ہے اور ہم ان کے ساتھ معیشت کے ہر شعبہ میں کام کرتے رہیں گے اور ان کی رینٹل پروڈکٹس کی ضروریات پوری کرنے میں مصروف عمل رہیں گے۔ ہمیں جہاں بھی موقع نظر آئے گا ہم اسے ضائع نہیں ہونے دیں گے اور اسلاک اجارہ رینٹل پروڈکٹس کے ذریعہ ہر طرح کے رینٹل پروڈکٹس میں نئی سرمایہ کاری کرتے رہیں گے اور اپنے صارفین کی رینٹل کی ضروریات پوری کرنے کے لئے دن رات سرگرم عمل ہیں۔

- پوائنٹ سلوشن کے برخلاف (جو ماضی میں چھوٹے سے لے کر درمیانے درجے کے کاروبار میں استعمال ہوتا تھا) اور متعدد (بعض اوقات ڈیپلیکٹ) ڈیٹابیسز پر انحصار کرنا پڑتا ہے جس سے آئی ٹی کے ذرائع پر دباؤ پڑتا ہے، ERP سلوشن پورے کاروبار کو چلانے کیلئے صرف ایک اپلیکیشن کے استعمال کا معیاری حل پیش کرتا ہے۔ اس سے نہ صرف استعداد بڑھتی ہے بلکہ ملکیت کی مجموعی قیمت (TCO) بھی کم پڑتی ہے، جس کا مطلب ہے آپریشن کے اخراجات کم اور مضاربہ کی منفعت میں اضافہ۔
- زیادہ سخت مالیاتی کنٹرول کے ساتھ کیٹر پلر فائبر اسٹار رینٹل کمپلائنس ڈیولپمنٹ اور عمل درآمد کی رپورٹنگ کیلئے دیگر قانونی فارمز۔
- پروڈکٹ اور خدمات کی معلومات مثلاً سپلائرز، کسٹمر کے آرڈرز اور پروڈکٹ کی تفصیلات صرف ایک ڈیٹا کے ذریعے حاصل ہوتی ہیں۔ پروڈکٹ کے ترقیاتی عمل میں تیزی اور ان کے تعارف کو بار بار پیش کرنا، جس سے کمپنی کے مجموعی مارکیٹ شیئر میں اضافہ ہوتا ہے۔
- اہم مجموعی معلومات تک رسائی میں اضافے سے کاروبار کا عالمی سطح پر واضح منظر نامہ سامنے آتا ہے جس سے مسلسل بہتری کی حکمت عملی اور کارکردگی کے عام پیمانے قائم ہوتے ہیں اور کاروبار کی صورتحال کا اندازہ کیا جاسکتا ہے۔
- منصوبوں کی موثر طور پر تنظیم اور ترقیاتی عمل سے لے کر آپریشن کے تمام مراحل تک ہر اہم سطح پر مکمل فیصلہ سازی آسان۔
- ذرائع اور خریداری کے مرتب طریقہ کار سے پروڈکٹ کے صارفین کی طلب سے ہم آہنگ ہونے میں مدد ملتی ہے اور ایک خریداری کا مرکز یا ماڈل ناجائز اور غیر ضروری اخراجات کو کم کرتا ہے۔
- سیلز اور آپریشنز کی منصوبہ بندی کے ساتھ اہم معلومات تک رسائی فراہم کرنے سے "Closed loop" کے طریقہ کار کو فروغ حاصل ہوتا ہے جو اس بات کو یقینی بناتا ہے کہ کاروبار میں نہ تو وصل سے زیادہ کا وعدہ کیا گیا ہے اور نہ ہی صارفین کو اصل سے کم فراہم کیا جا رہا ہے۔

خود کاروباری نظام، جیسے ایک نظام کے تحت انوائس جمع کرنا اور خرید و فروخت کے آرڈر دینا، پیچیدگی اندازوں کے درست ہونے میں بہتری اور ناقص کارکردگی میں کمی آتی ہے۔ اسی طرح بلنگ اور صارفین سے دیگر باہمی رابطوں کی معلومات، صرف ایک عمل سے حاصل ہونے سے خدمات کا معیار بہتر ہوتا ہے اور صارفین کی وابستگی برقرار رہتی ہے۔

اس سال کے دوران میں آئی ٹی پروجیکٹ میں 30 جون 2019 تک کی گئی مجموعی سرمایہ کاری کے لئے اکاؤنٹس میں حاصل کردہ 1.9 ملین روپے کا چارج کیا گیا۔

مستقبل کے امکانات

کیٹر پلر برانڈ کے نام کی قوت اور گزشتہ سالوں میں نئی ٹیکنالوجیز، نئی پروڈکٹس، نئی مارکیٹس اور نئے شعبہ جات میں اپنی مسلسل سرمایہ کاری کی حکمت عملی سے ملک بھر میں ہم تمام کاروباری شعبہ جات کیلئے کم ترین کسٹل cost رینٹل سیٹ اپ کی بہترین پوزیشن پر آ گئے ہیں۔ اس طرح ہمیں مارکیٹ کی قیمتوں کے چیلنجز کا مقابلہ کرنے اور اس چیلنج والے کاروباری ماحول میں اپنے صارفین کو موثر قیمتیں پیش کرنے کے لحاظ سے بڑی مسابقتی سبقت حاصل ہوئی ہے۔ معاشی ترقی کی سست روی اور انفراسٹرکچر ڈیولپمنٹ پروجیکٹس کیلئے کم تر فنڈز کی دستیابی

کاروبار میں ریٹیل سلوشنز کی خدمات پیش کی ہیں اور ان سے اچھے تعلقات قائم کر لئے ہیں۔ سی پیک کوریڈور کے تحت چین کو اسے سامان کی نقل و حمل شروع ہونے سے ایک اور بڑا موقع حاصل ہوا ہے اور ہمارا کاروبار کا شعبہ اس سنہری موقع سے پوری طرح آگاہ ہے۔ اس سلسلے میں کاروبار کی ابتدا میں کئی مشکلات اور کٹھن مرحلوں سے نکل کر اب ہم اس شعبہ کے بارے میں بہتر معلومات حاصل کر کے منافع بخش ترقی کی راہ پر آچکے ہیں۔



حصہ:

بورڈ 10 فیصد نقد حصص کا پرمسرت اعلان کرتا ہے جو کہ ایک روپیہ فی حصہ ہر 10 روپے کے سرٹیفکیٹ پر ہے۔

کریڈٹ ریٹنگ:

مضاربہ کی انتظامیہ بمسرت مطلع کرتی ہے کہ JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے الائیڈ ریٹیل مضاربہ (ARM) کو طویل المدت کے لئے (Single A Plus) "A+" اور قلیل المدت کے لئے (Single A One) "A-1" کی کیٹیگری میں برقرار رکھا۔

یہ دوبارہ اس بات کی عکاسی ہے کہ ریٹنگ ایجنسی کو مضاربہ کی کارکردگی اور اپنی مالیاتی ذمہ داریاں پوری کرنے کی صلاحیت پر اعتماد ہے۔

آئی ٹی انفراسٹرکچر

مضاربہ نے اپنے کثیرالجہتی ریٹیل کاروبار کے پورٹ فولیو میں ترقی کے تسلسل اور اثاثہ جات کی بنیاد 10 ملین روپے سے زیادہ تک پہنچنے کو مد نظر رکھتے ہوئے انتظامیہ نے 2016 میں اپنے آئی ٹی انفراسٹرکچر میں سرمایہ کاری کا فیصلہ کیا اور اپنے ریٹیل کاروبار کی ضروریات کے ERP حل کیلئے مائکروسافٹ AX ڈائنکس مع انگریڈ add on جرمن بیس کمپیوٹر سافٹ ویئر SYCOR کا انتخاب کیا ہے۔ سافٹ ویئر کیلئے لائسنسز کی خریداری اور ٹیم ممبرز کی تربیت سے اس پر عمل درآمد کا مرحلہ شروع ہو گیا ہے اور گزشتہ مدت کے دوران ابتدائی ٹیسٹ کی تکمیل کے ساتھ جنرل لیجر اور فنانشل موڈول پر عمل درآمد شروع ہو گیا ہے۔ سال کے دوران میں انتظامیہ اور ERP ٹیم نے اس منصوبہ پر توجہ مرکوز رکھی اور کئی اہم کامیابیاں حاصل کیں جس میں سیلز مینجمنٹ سسٹم پر عمل درآمد، ریٹیل اثاثہ جات کے آپریشنز اور دیکھ بھال کے سسٹم، اپنے لاجسٹکس ریٹیل فیڈ کیلئے فلیٹ مینجمنٹ سسٹم اور مختلف مالیاتی رپورٹنگ کے ذرائع شامل ہیں۔

ERP پر عمل درآمد سے مضاربہ کو درج ذیل فوائد حاصل ہوں گے:

سینڈ شیڈول کی شق 100 کی رو سے مضاربہ کو ٹیکس سے استثنیٰ حاصل ہے۔ اس کے نتیجے میں صارفین سے غیر ضروری طور پر ٹیکس کی کٹوتی اور نئے آلات کی درآمد پر آئٹیکس کی ادائیگی سے فنڈ مینجمنٹ میں کیش فلو پر غیر ضروری دباؤ پڑ رہا ہے۔ سال کے دوران میں ہمارے اکاؤنٹس کے اندراج کے مطابق 30 جون 2019 کو ہماری مجموعی قابل وصولی آئٹیکس کی رقم گزشتہ سال کے 279 ملین روپے سے بڑھ کر 499 ملین روپے ہو گئی۔ اس کے ساتھ بطور احتجاج 50 ملین روپے کی FED کی ادائیگی کو شامل کریں تو ٹیکس اتھارٹیز کو ادا کی جانے والی کل رقم 549 ملین روپے بنتی ہے۔ اس سے ہمارے کیش فلو اور لیکویڈیٹی پر شدید اثر پڑا ہے اور ترقی اور سرمایہ کاری کے عمل میں رکاوٹ ڈال دی ہے۔

ہمارے کاروبار میں مختلف النوع ہونے کے باعث مضاربہ کی سیلز کی کل آمدنی میں اب ریٹیل پاور کا حصہ 41% ہے۔ کاروبار اب اپنے پورے عروج پر ہے اور ہمیں توقع نہیں ہے کہ آنے والے سالوں میں ہمیں اپنے فلیٹ میں کسی اضافہ کی ضرورت پڑے گی۔ ہماری فلیٹ نئی ٹیکنالوجیز پر مشتمل ہے جس سے ایندھن کی بچت اور بہتر معیاری ماحولیات فراہم ہوتا ہے۔ فیول کی بچت سے مضاربہ کو مسابقتی برتری حاصل ہے اور اس کے باعث اپنے صارفین سے بہتر قیمت وصول ہوتی ہے۔

جیسا کہ گزشتہ سال پیش گوئی کی گئی تھی، اس سال تعمیراتی مشینوں اور سامان کے تعین کیلئے بڑے چیلنج سامنے آئے ہیں۔ اس وقت مارکیٹ میں کم قیمت / کم معیار، انویسٹر اور آپریٹرز کے غیر منظم شعبہ سے مقابلہ کا چیلنج ہے جس کیلئے مارکیٹ میں نئے، قابل بھروسہ اور ایندھن کی بچت والے یونٹس کیلئے مواقع تلاش کرنا ہوں گے۔ خصوصی طور پر اسی شعبہ کیلئے ایک منظم ڈھانچہ قائم کر دیا گیا ہے۔ فلیٹ کریئرز، ایکسکوپیٹرز، موٹر گریڈرز، کمپیوٹرز، لائٹنگ ٹاورز اور دیگر تعمیراتی آلات پر مشتمل ہے۔

داخلی لاجسٹکس کے شعبہ میں مضاربہ اپنے صارفین، خاص طور پر بولنگ اور ٹیکسٹائل کی صنعت کو CAT فورک لفٹس کے ذریعہ مستقل طور پر مستعد اور باکفایت مکمل 360° حل پیش کر رہا ہے۔ انتظامیہ کے خیال میں مضاربہ کیلئے مستقبل میں لاجسٹکس کے شعبہ میں سرمایہ کاری اور ترقی کی بڑی گنجائش موجود ہے۔ اس شعبہ میں سرمایہ کاری نہ ہونے، روڈ سائڈ انجینئرنگ کے معمولات اور مجموعی طور پر انفراسٹرکچر کی غیر موجودگی کے باعث بہت سی رکاوٹیں پیدا ہو گئیں جس کے نتیجے میں نقل و حمل کے اخراجات بہت زیادہ ہو گئے۔ ٹریلنگ کی صنعت کی مستحکم ترقی کیلئے ٹریلنگ کی صنعت کی رپورٹ اور NHSO 2000 رکاوٹ کا بڑا عنصر ہے۔ مضاربہ صف اول کے FMCG برانڈز کے ساتھ نقل و حمل کے کنٹریکٹ کیلئے ریٹیل معاہدے طے کر چکا ہے جس سے ہمارے صارفین کا ہمارے وعدے پورے کرنے کی صلاحیت پر مکمل اعتماد ظاہر ہوتا ہے۔

HSE کے معیارات کا پاسدار ہونے کی اہلیت کے حصول کیلئے مضاربہ SMETA کی رہنما ہدایات کے تحت Responsible Sources Audit پر عمل درآمد کیلئے Bureau Vaeritas Pakistan سے اپنے لاجسٹکس کے کاروبار کی باقاعدگی کے ساتھ تصدیق کروا تا رہتا ہے۔ ہم کو اس شعبہ میں معروف FMCG برانڈز کے ساتھ ترقی کی بڑی گنجائش نظر آرہی ہے، کیونکہ ہم نے ان کو پاور ریٹیل اور لاجسٹکس ریٹیل دونوں کے

اور مجموعی طور پر افرادی قوت بہت کم دستیاب ہے۔ اس سال کے دوران میں ہم اپنے پروجیکٹ Schlumberger کیلئے Schlumberger کے معیار کی صلاحیت کا ڈرائیور تلاش کرتے رہے۔

مرمت اور دیکھ بھال کے اخراجات 80 ملین روپے کے اضافہ کے ساتھ 425 ملین روپے ہوئے جب کہ گزشتہ سال کے اخراجات کی رقم 345 ملین روپے تھی۔ اس کی بڑی وجہ کرنسی کی قدر میں کمی کے سبب پارٹس اور لیبریکٹس کی قیمتوں میں اضافہ ہونا تھی۔ فلیٹ کی گاڑیوں کے چلنے کے اخراجات کئی وجوہات کی بناء پر 719 ملین روپے ہو گئے جن میں کرنسی کی قدر میں کمی کے اثر سے Km سفر اور اس کے نتیجے میں سیلز میں اضافہ، ڈیزل کی قیمت میں اضافہ، ٹائروں کی قیمت میں اضافہ شامل ہے۔ فلیٹ کی گاڑیوں کے چلنے کے اخراجات کا بڑا حصہ ڈیزل فیول کا ہے جو کل اخراجات کا تقریباً 65% ہے۔

فرسودگی کی سطح 719 ملین روپے ریکارڈ کی گئی جب کہ گزشتہ سال یہ 930 ملین روپے تھی۔ جس کی وجہ ہمارے اثاثہ جات کا اپنی مقررہ مدت اختتام کو پہنچنا، سال کے دوران میں کم سرمایہ کاری اور ہمارے بعض طویل المدت BOT معاہدوں کا تکمیل کو پہنچنا تھی۔ اجارہ



رینٹل کی ادائیگی گزشتہ سال مکمل ہو گئی تھی اس بناء پر اس سال کے دوران میں کوئی اخراجات نہیں ہوئے ہیں۔

اس سال کے دوران میں تکافل / انشورنس چارجز 41 ملین روپے ہوئے جو کم و بیش گزشتہ کے برابر ہیں۔

انتظامی امور اور فروخت کے اخراجات 235 ملین روپے ہوئے جب کہ اس کے مقابلے میں گزشتہ سال یہ اخراجات 206 ملین روپے تھے۔ سالانہ انکریمنٹ کی وجہ سے تنخواہوں اور اجرتوں کی مد میں 16 ملین روپے کی حد کو پہنچ گئے۔ لائسنس کے پورٹ فویو میں کاروبار کے تنوع کے باعث کریں، تعمیراتی کاموں کے آلات اور دوسرے کاروباری شعبہ جات کے سلسلے میں مضاربہ میں مستقل اضافہ ہو رہا ہے جس کیلئے انتظامی کنٹرول پر زیادہ توجہ دینے کی ضرورت محسوس کی گئی اور موثر اندرونی کنٹرول اور ریکارڈ سازی کیلئے ماہرین کی خدمات حاصل کی جارہی ہیں۔ موجودہ سال میں قانونی اور پیشہ ورانہ چارجز 10 ملین روپے ہوئے، جو مختلف ریگولیٹری اور مالیاتی فیصوں کی ادائیگی، محصولات اور مختلف مسائل کے سلسلے میں مقدمات کے اخراجات کی مد میں خرچ ہوئے۔

کئی طرح کے کاروباری یونٹس اور شعبہ جات کی ضرورتوں کو پورا کیا جاسکے۔ لہذا اس سال کے دوران میں ہمارے آئی ٹی ڈیپارٹمنٹ کیلئے ذرائع مہیا کرنے کی ضرورت تھی۔

موجودہ مدت میں مجموعی قرضہ جات میں کمی کے باوجود فنانس کی لاگت 288 ملین روپے آئی جو کہ گزشتہ سال 247 ملین روپے تھی۔ اس کی وجہ اوسط مارک اپ ریٹس میں 575 پیس پوائنٹ کا اضافہ ہوا۔ اس سال کے دوران میں امریکی ڈالر کے مقابلے میں روپے کی قدر میں کمی کے سبب 7 ملین روپے کا زرمبادلہ کا نقصان ہوا۔

سیونگ اکاؤنٹ کے منافع اور اسکرپ کی فروخت سے بالترتیب 5 ملین اور 19 ملین روپے حاصل ہوئے۔ پرانے یونٹس کی فروخت سے 80 ملین روپے کا منافع ہوا جبکہ اس کے مقابلے میں 2018 میں 18 ملین روپے کا خسارہ برداشت کرنا پڑا تھا۔ اس کی وجہ سال کے دوران میں فروخت کئے گئے یونٹس اجارہ معاہدے پر خریدے گئے تھے جن کی ادائیگی اجارہ رینٹل کے ذریعہ کی گئی تھی اور ان یونٹس پر کتب کی قیمت خرید کے 10% کا سرمایہ استعمال کیا گیا تھا۔

مضاربہ پر لاگو پروڈنشل ریگولیشنز کی مد میں اس سال 103 ملین روپوں کا Provision کیا گیا۔ جبکہ گزشتہ سال 94 ملین روپوں کا کیا گیا تھا۔ اس کی وجہ 30 جون کو قابل وصولی رقم کی تعداد بہت زیادہ تھی۔ مشین رینٹل میں وصولی کی مدت زیادہ ہوتی ہے اور یہ کنٹریکٹرز کو وفاقی یا صوبائی حکومتوں یا ایسی دیگر کنٹریکٹ سے متعلق اداروں سے فنڈز کی تاخیر سے ریلیز کی بناء پر ہوتا ہے۔ انتظامیہ نے IFRS 9 اور مضاربہ پر لاگو پروڈنشل ریگولیشنز کی شرائط کا تجزیہ کیا ہے۔

اسسٹنٹ کمشنر آف ان لینڈ ریونیو کی جانب سے فیڈرل ایکسائز ڈیپوٹی (FED) کی مد میں مجموعی رقم 838.6 ملین روپے (مضاربہ کی کل رسیدوں پر بحساب 16% برائے ٹیکس کے سال 2014 اور 2015) مع متعلقہ ڈیفالٹ سرچارج اور لاگو جرمانہ کے دعوے کے خلاف مضاربہ مقدمہ لڑ رہا ہے۔ اس سلسلے میں مضاربہ نے کمیشن ان لینڈ ریونیو۔ اپیلز (سرکل اے) میں 16 مارچ 2016 کو اپیل دائر کی تھی۔ نیز احتجاج کے طور پر مضاربہ نے درج بالا مد میں FBR کو 50 ملین روپے کی رقم جمع کرائی تھی۔

انتظامیہ کے خیال میں پاکستان کے آئین میں 18 ویں ترمیم کے مطابق سلیز ٹیکس جمع کرنے کی ذمہ داری صوبوں کو دے دی گئی ہے۔ اس لحاظ سے مضاربہ نے معزز عدالت عالیہ سندھ (SHC) میں آئینی درخواست جمع کرائی تھی جس کے جواب میں SHC نے مضاربہ کو ایک عبوری حکم نامہ جاری کیا تھا۔ HSC نے 2 جون 2016 کو درخواستوں پر فیصلہ سنایا جس میں HSC نے ARM پر FED کو 'قانونی اختیارات سے باہر' (Ultra vires) قرار دیا جو یکم جولائی 2011 سے موثر ہے اور تنبیہ کی FBR کی جانب سے اگر کوئی بھی ڈیپوٹی وصول کی گئی ہو تو وہ واپس کردی جائے۔

اس سلسلے میں حریف پارٹی نے درج بالا عدالتی حکم نامے کے خلاف معزز عدالت عظمیٰ پاکستان میں اپیلیں دائر کیں جن کی سماعت التوا میں ہے۔

مضاربہ کو ابھی تک ٹیکس اتھارٹیز سے سلیز اور درآمد کی سطح پر ٹیکس کی کوئی سے استثنائی حاصل کرنے میں دشواریوں اور تاخیر کا سامنا ہے جب کہ حقیقت یہ ہے کہ کم ٹیکس آرڈیننس 2001 کے

چیلنج ہے جب کہ پورے وقت استعمال برقرار ہو لیکن فی گھنٹہ استعمال میں کمی آئی ہو تو آمدنی میں بھی اتار چڑھاؤ ہوتا ہے۔ ہم بہتر اور مستعد انجنئر کیلئے ریٹیل کے مواقع کا تجزیہ کر رہے ہیں جو بہتر نتائج اور ٹیکنالوجی کے شعبہ میں ترقی پر منحصر ہے۔ قدرتی گیس کی دستیابی کے سبب بڑے ڈیزل انجن کا شعبہ ابھی دباؤ کی حالت میں رہے گا لیکن شکر ہے کہ کچھ طویل مدت کے معاہدے جاری ہیں جو اس شعبہ کیلئے سیلز کا سبب ہوں گے۔ ہم اپنے کسٹمرز کی بنیاد میں اضافہ کیلئے مستقل طور پر سرگرم عمل ہیں اور ان یونٹس پر طویل مدت کے تعین کے امکانات تلاش کر رہے ہیں۔



اس سال کے دوران میں ہمارے داخلی اور خارجی نقل و حمل (لاجسٹکس) کے شعبہ کی زبردست کارکردگی جاری رہی اور فروخت کے سلسلے میں 1.7 بلین روپے کی ریکارڈ آمدنی حاصل ہوئی جو ہماری کل سیلز کے پورٹ فولیو کا تقریباً نصف ہے۔ داخلی نقل و حمل کے شعبہ میں نئے صارفین اور نئے باکفایت یونٹس اور موجودہ صارفین کیلئے فورک لفٹس، ٹریکٹر ٹرایلز اور پلانٹ سائٹ پر پلانٹ کی حدود میں نقل و حمل کو سنبھالنے کیلئے ریج اسٹیکرز کے تعین کے سبب یکساں رفتار سے ترقی کا عمل جاری رہا۔

معیار پر سمجھوتہ کئے بغیر ریٹیل تعین کیلئے مطلوب فورک لفٹ یونٹس کیلئے ہم نے اپنے ذرائع جاپان سے چین کی طرف منتقل کر دیئے جس کیلئے درکار کپٹل کا خرچ تقریباً 1/3 کم ہوا۔ اس سے بہتر قیمت اور زیادہ مارجن کے ساتھ۔ ہماری مارکیٹ میں پہنچ میں مزید اضافہ ہوگا داخلی شعبہ میں ہمارے بلیو چیس کمپنیوں کے ساتھ کئی طویل المدت معاہدے ہیں جو پلانٹ اور ویئر ہاؤس میں نقل و حمل کیلئے 24/365 دن کی بنیاد پر کئے گئے ہیں۔

ہمارے خارجی نقل و حمل کے شعبہ کی آمدنی 1 بلین روپے سے بھی زیادہ رہی جس میں بڑا حصہ مضاربہ کی سیل میں اضافہ کا تھا۔ ہمارے صارفین کی بڑی تعداد کا تعلق FMCG کے شعبہ کی بلیو چیس کمپنیز، نیسلے، اینٹرو، پیپسی ریاض بوتلز اور آئل اینڈ گیس کمپنی شلمبرجر شامل ہیں۔ ہمارے مضبوط سیٹ اپ اور HSE کی رہنمائی کی پابندی کے باعث کاروباری صنعت میں خارجی نقل و حمل کیلئے ہماری کمپنی کو ایک قابل اعتماد وینڈر کی حیثیت حاصل ہے۔ تاہم باصلاحیت اور بھروسہ مند افرادی قوت کی عدم دستیابی کے سبب اس کاروبار میں کئی چیلنج کا سامنا ہے۔ ہم مارکیٹ میں دیگر صارفین کے ساتھ مارکیٹ میں مزید جگہ بنارہے ہیں اور اگر Axil Load Regime کا نفاذ ہو گیا تو ہم کو اپنے ملک میں اس شعبہ کی ڈیولپمنٹ مزید بھرپور ترقی کے امکانات موجود ہیں اور اس کے ساتھ ساتھ سی پیک کے خصوصی حوالے سے مواقع پیدا ہونے کے امکانات واضح ہیں۔

CAT مشینز اور SANY کرینز ریٹیل کے شعبہ میں جمود آگیا ہے جس کی وجہ جاری اور متوقع معاہدوں کا رک جانا، مجموعی طور پر معیشت کی سست روی اور سی پیک کے منصوبوں میں سرمایہ کاری کی رفتار میں کمی ہے۔ ان میں سڑکوں کی تعمیر کو نئے اور ایل این جی پڑنی پاور کے منصوبے اور ہائیڈرو پاور کے منصوبے شامل ہیں۔ اس میں ہر قسم کے آلات بشمول ایکسکیوٹرز، موٹر گریڈرز، کمپیکٹرز اور متعلقہ سامان اور دیگر زمین کی کھدائی وغیرہ کا سامان شامل ہے۔ مجموعی طور پر ہمارے وقت کے استعمال میں گزشتہ سالوں کے 69% کے مقابلے میں اس سال 60% ریکارڈ کیا گیا۔ اس شعبہ کی رجسٹرڈ سیلز 518 ملین روپے کی ہوئی جبکہ گزشتہ سال 527 ملین روپے کی سیل ہوئی۔

اس کاروبار کا ایک اور بڑا چیلنج کنٹریکٹر کے ادائیگی کے توازن کا ہے۔ کنٹریکٹر کی ادائیگی حکومت کی جانب سے بلوں کے وصول ہونے پر ہوتی ہے۔ خاص طور پر جب حکومت بدلتی ہے تو ہر قسم کی ادائیگیاں روک دی جاتی ہیں جس کے نتیجے میں قابل وصول رقومات جمع ہوتی جاتی ہیں۔ اگرچہ اب ہماری بڑی توجہ ان یونٹس کے FWO اور دیگر ARMY کنٹریکٹرز کے ساتھ تعین پر ہے، تاہم پورے سال میں قابل وصول رقومات کی بروقت ادائیگی ایک چیلنج رہی۔

ہمیں استحکام اور ترقی پر اثر انداز ہونے والے مخالف عناصر کے سبب اس شعبہ میں نئی سرمایہ کاری کیلئے چوکنا رہنا ہوگا۔ ہمیں یہ انتظار کرنا ہوگا اور دیکھنا ہوگا کہ نئی حکومت سی پیک کے منصوبوں اور بیرونی قرضہ جات اور ان کی ادائیگی کیلئے کیا لائحہ عمل اختیار کرتی ہے۔ سال کے دوران میں کاروباری عمل جاری رکھنے کے اخراجات 5% اضافہ کے ساتھ 2,907 ملین روپے ہو گئے جب کہ گزشتہ سال یہ اخراجات 2,758 ملین روپے تھے۔ اس کے مطابق مجموعی مارجن کی شرح گزشتہ سال کی 25% سے موجودہ سال میں 24% کمی کے ساتھ 915 ملین روپے رہی۔ اس کی بڑی وجہ ڈیزل فیول کی قیمت میں اضافہ تھی جو 30 جون 2019 کو 127 روپے فی لیٹر تھی جو یکم جولائی 2018 کو 113 روپے فی لیٹر تھی۔ اس کے علاوہ افراط زر بھی دو ہندی بڑھ گئی اور یو ایس ڈالر کے مقابلے میں روپے کی قدر 33% کم ہو گئی۔ تنخواہوں اور اجرتوں میں 100 ملین روپے کا اضافہ ہوا جو گزشتہ سال کے 821 ملین روپے سے بڑھ کر موجودہ سال میں 921 ملین روپے ہو گئے۔ اس کی بڑی وجہ ملک بھر میں کم سے کم اجرتوں کی سطح میں ہونے والا اضافہ، افرادی قوت اور سیلز پر متوقع ٹیکسیشن (Taxation) کے اثرات اور EOBI/SESSI/PESSI اور دیگر ریٹس میں اضافہ نیز درکار ہنرمند افرادی قوت کی زیادہ طلب کے سبب اجرتوں میں اضافہ تھی۔

پاکستان میں ہنرمند افراد کی تعداد بھی بہت کم ہے اور مجموعی طور پر ان کا معیار بھی کمزور ہے۔ اس سے مشینز اور کرینز کے شعبہ کی ترقی کو بڑا چیلنج درپیش ہے جس کیلئے اجرتیں زیادہ ہیں



ڈائریکٹرز کی رپورٹ

برائے مدت ختمہ 30 جون 2019

الائیڈ رینٹل مضاربہ کی منتظمہ کمپنی الائیڈ انجینئرنگ مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز اپنے سرٹیفکیٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے آڈٹ شدہ مالیاتی گوشوارے برائے سال ختمہ 30 جون 2019 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

000 روپے میں

4,162,447

3,821,667

382,854

34,135

417,137

153,698

220,000

43,439

10.02%

7.30%

Rs. 1.74

Rs. 24.24

Rs. 13.00

مالیاتی جھلکیاں

سیلز کی کل آمدنی

سیلز کی خالص آمدنی

منافع برائے سال

گزشتہ سے منتقل شدہ، غیر مختص منافع

مختص کرنے کیلئے دستیاب

سال کے منافع سے 40% کی شرح سے قانونی طور پر محفوظ رقم میں منتقلی

مجوزہ نقد منافع بشرح 10% (1 روپیہ فی سرٹیفکیٹ)

غیر مختص شدہ منافع، نئے حساب میں شامل کیا گیا جو آگے منتقل ہوا

خالص منافع کا مارجن

ایکویٹی پر منافع کی شرح

آمدنی فی سرٹیفکیٹ

فی سرٹیفکیٹ بریک اپ ویلیو

کراچی اسٹاک ایکسچینج کو 30 جون 2019 کو پیش کی گئی قیمت

کاروباری عمل کا جائزہ

معیشت کے ایک ہی جگہ بننے کی وجہ سے انفراسٹرکچر پروجیکٹس میں سرمایہ کاری کی رفتار بھی سست رہی اور معیشت کے تمام شعبہ جات میں گروتھ ریٹ بھی کم رہا۔ سال کے دوران میں ہماری سرمایہ کاری بھی کم ہی رہی جو کہ 537 ملین روپے تھی جب کہ اس کے مقابلے میں گزشتہ سال 1,326 ملین روپے اور اس سے پہلے تین سالوں (2016-2018) کے دوران میں مجموعی سرمایہ کاری کی رقم 4,583 ملین روپے تھی (اوسطاً 1,527 ملین روپے سالانہ)۔

انتظامیہ بسمرت اطلاع دیتی ہے کہ سیلز کی مجموعی آمدنی مع پروڈکٹ سروسز سیلز ٹیکس 4,162 ملین روپے ریکارڈ کی گئی جب کہ گزشتہ سال کی 4,019 ملین روپے کی آمدنی سے 3.6% زیادہ ہے۔ یہ اضافہ گزشتہ سالوں کے دوہندسی % اضافے کے مقابلے میں کم ہے۔ اس کی بڑی وجہ یہ ہے کہ سال کے دوران میں ہر محاذ پر معیشت دباؤ کی حالت میں رہی جس کے نتیجے میں دونوں نئے کنٹریکٹ اور قیمتوں میں کوئی اضافہ نہیں ہوا۔

مجموعی طور پر پاور رینٹل کاروبار نے اپنی آمدنی کے ہدف حاصل کر لئے باوجود اس کے کہ ہمارے ڈیزل اور گیس دونوں یونٹس کے لئے ٹیکسٹائل کے شعبہ میں طلب میں کمی آئی۔ اس کی وجہ یہ تھی کہ ٹیکسٹائل کی صنعت کو قدرتی گیس کی فراہمی بہتر ہو گئی تھی۔ اس شعبہ میں کل آمدنی 1,694 ملین روپے رہی جو ڈیزل، گیس اور HFO تینوں یونٹس کی مشترکہ آمدنی ہے۔ سیمنٹ اور ہاؤسنگ سوسائٹیز کے شعبہ جات میں ہمارے ڈیزل اور گیس دونوں کے بڑے انجنوں کے شعبہ میں سیل ہوئی۔ ایل این جی کی دستیابی اور نارتھ کے کسٹمر کیلئے اس کے نرخ کے مناسب ڈھانچے کی بدولت ہمارے گیس انجنوں کے استعمال میں بہتری آئی ہے۔ ہمارے طویل المدت معاہدے ہمارے صارفین کی جانب سے تسلی بخش ادائیگی کے ساتھ جاری ہیں سوائے ہمارے ایک بڑے HFO صارف کے، جہاں فیکٹری کی بندش کے نتیجے میں HFO یونٹس کا کوئی استعمال نہیں ہوا۔

قدرتی گیس کی بہتر اور بھروسہ مند دستیابی ہمارے ڈیزل اور گیس انجن، دونوں شعبہ جات کیلئے



















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Proxy Form

Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

I / We _____

of _____

being a member of Allied Rental Modaraba and holder of _____ Certificates

as per Certificate _____ Register Folio No. _____ and / or CDC Participant

ID No. _____ and Sub Account No. _____

hereby appoint _____ of _____

or failing him / her of _____

As my proxy to represent me and on my behalf at the 13th Annual Review Meeting of the Modaraba to be held on 28th day of October 2019 and at any adjournment there of.

Signed this _____ day of _____ 2019

WITNESSES:

1 Signature: _____

Name: _____

Address: _____

CNIC / or: _____

Passport No.: _____

Signature

Revenue
Stamp
Rs. 5 /-

(Signature should agree with
specimen signature registered
with the Modaraba)

2 Signature: _____

Name: _____

Address: _____

CNIC / or: _____

Passport No.: _____

Note: Proxies in order to be effective must be received by the Modaraba not less than 48 hours before the meeting. A proxy must be a certificate holder of the Modaraba. CDC Certificate holders and their proxies are each requested to submit attested photocopy of their Computerized National Identity Card or Passport with this proxy form.

تشکیل نیابت داری

میں / ہم _____

ساکن _____ بحیثیت الائیڈ رینٹل مضاربہ _____ کے

رکن و حامل _____ سرٹفکیٹ بمطابق سرٹفکیٹ رجسٹرڈ فوٹیو نمبر _____

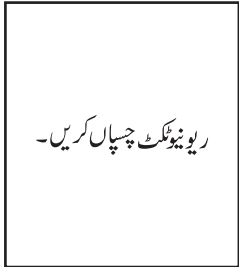
اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____

محترم / محترمہ _____ ساکن _____

یا بصورت دیگر محترم / محترمہ _____ ساکن _____

کو اپنی جگہ مورخہ 28 اکتوبر، 2019 کو منعقد یا ملتوی ہونے والے تیرہواں سالانہ نظر ثانی اجلاس عام میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

گواہ:



(دستخط کمپنی میں پہلے سے موجود نمونہ کے مطابق ہونے چاہئے)

دستخط

1 دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

2 دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

نوٹ:

پراکسیز کے موثر ہونے کے لیے ضروری ہے کہ ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل مضاربہ کو موصول ہو جائے۔

سی ڈی سی شیئر سرٹفکیٹ ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی مضاربہ کو پیش کرنے سے قبل اس پراکسی کے ساتھ منسلک کریں۔



Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

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