

Contents

03	Company Information	
04	Director Report	
07	Director Report (Urdu)	
08	Condensed Interim Statement of Financial Position (Unaudited)	
09	Interim Statement of Profit and Loss Account (Unaudited)	
10	Condensed Interim Statement of Comprehensive Income (Unaudited)	
11	Condensed Interim Cash Flow Statement (Unaudited)	
12	Condensed Interim Statement of Changes in Equity (Unaudited)	
13	Notes to the Condensed Interim Financial Information (Unaudited)	

Company 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
Standard Chartered Bank (Pakistan) Limited
BankIslami (Pakistan) Limited
Faysal Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank
MCB Islamic Bank Limited
United Bank Limited
First Habib Modraba
Meezan Bank Limited
Al Baraka Bank Limited
Dubai Islamic Bank
Bank Al Habib Limited
Allied Bank Limited

Auditors

KPMG Taseer Hadi & Co. Chartered
Accountants

Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head office

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

Website: www.arm.com.pk

Registrar & Certificate Transfer Office

JWAFFS Registrar Services (Private) Limited
407-408, Al-Ameera Centre,
Shahrah-e-Iraq, Saddar, Karachi.
Tel: 021-35662023-24
Fax: 021-35221192

DIRECTORS' REPORT

For the period ended September 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 un-audited accounts of the Modaraba for the three months' period ended September 30, 2019.

Financial Highlights

Rs in '000

Gross Revenue from operations	1,013,806
Net Revenue after Provincial Sales Tax	928,223
Profit for the period	92,144
Net profit margin	9.09%
Earning per certificate	Re. 0.42

Review of Operations

Gross Revenue for the quarter was recorded Rs. 1,014 Million compared to Rs 1,053 Million of the corresponding Jul – Sep 2018 quarter. This is the first time in the history of Modaraba that its sales declined compared to corresponding period and confirms overall stagnation of the economy and its effects on the business of the Modaraba. After deduction the Services Sales Tax of Punjab, Sindh and Balochistan, the net revenue for the quarter stands at Rs. 928 Millions compared to Rs. 971 for the corresponding quarter of Jul - Sep 2018. Accordingly, the net profits for the period also declined from Rs 141.846 Million to Rs 92.144 Millions for the current period.

Sales from our Inbound and Outbound Logistics segment increased by around 10.6% to Rs. 437 Millions as compared to Rs. 395 Millions of the corresponding period last year, mainly on account of increase in fuel prices and marginally better price realization. Due to implementation of the Axle Load Regime, a long standing demand of the Logistics operators, per ton freight rates have gone up resulting in better price realization. The effects of better fuel economics and maintenance expenses will also reflect in the coming quarter results.

Sales from our Machines and Cranes segment remained stagnant and contributed Rs. 132 Millions during the quarter from Rs. 130 Million for the corresponding period last year. slow growth of this segment is mainly due to slashing of the infrastructure budgets, lower GDP forecasts and non payment of contractors bills resulting in accumulation of receivables. Though we have got deployment at some good construction projects, but again overall our future investments in the segment will remain on hold until we see clarity on development budgets at federal government level.

Sales in the Power Generation segment declined by 21% due to overall lower deployment and completion of our old long term BOT projects. No new investment are planned at this stage for any segment of the Power Rental business, both Diesel and Gas as we feel that our present fleet size is able to meet the current market demands.

The operating expense for the period remained almost constant at Rs.712 Million for the period despite inflationary pressures. In line with Sales, Salaries and Wages were reduced by 5% compared to corresponding period last year even after offsetting effect of upward revision in Minimum Wage by

the Government Fleet vehicles running cost raised by 34% due to increase in Fuel rates Depreciation for the period dropped by Rs.39 Million compared to corresponding quarter.

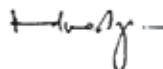
Administrative and distribution expenses remained stagnant at Rs. 55 Million (2018: Rs. 56 Million). Despite overall reduction in Net Borrowing level, Markup costs went up by Rs. 16 Million in the current quarter on account of increase in KIBOR Base rate.

The Management will remain cautious and prudent for its investment strategy on all segments of the business, as we expect the economy to slow down to control the negative balance of payment issue and until the economic direction is set by the new government. We always strive to keep special emphasis on customer satisfaction, also ensuring in the process that we always follow the Islamic Shariah principles in all our business transactions.

Acknowledgement

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

On Behalf of the Board



Murtaza Ahmed Ali
Chief Executive

October 28, 2019

رقوم میں اضافہ ہو گیا۔ اگرچہ ہم نے بعض اچھے تعمیراتی منصوبوں میں تعین کی ہے لیکن مجموعی طور پر اس شعبہ میں ہم مستقبل کی سرمایہ کاری سے اس وقت تک گریزاں ہیں جب تک وفاقی حکومت کی سطح پر ترقیاتی بجٹ کے خدوخال واضح نہ ہو جائیں۔

پاور جزیشن کے شعبہ کی سیلز میں 21% کمی آئی۔ اس کی بڑی وجہ ہمارے مجموعی طور پر کم تعین اور ہمارے پرانے طویل المدت BOT منصوبوں کے پایہ تکمیل کو پہنچ جانا تھی۔ اس مرحلے پر ڈیزل اور گیس، دونوں طرح کے پاور رینٹل کاروبار کے کسی شعبہ میں نئی سرمایہ کاری کا کوئی منصوبہ نہیں ہے کیونکہ ہمارے خیال میں ہمارے موجودہ بیڑے کا سائز مارکیٹ کی موجودہ طلب پوری کرنے کیلئے کافی ہے۔

کاروباری عمل کو جاری رکھنے کے اخراجات افراط زر کے دباؤ کے باوجود تقریباً گزشتہ مدت کے برابر یعنی 712 ملین روپے رہے۔ سیلز تنخواہوں اور اجرتوں میں گزشتہ سال کے مقابلے میں 5% کمی آئی۔ جس کی وجہ حکومت کی جانب سے کم سے کم اجرتوں میں اضافہ تھا۔ ہمارے بیڑے کی گاڑیوں کے چلنے کے اخراجات 34% بڑھ گئے جس کی وجہ فیول کے ریٹس میں اضافہ تھی۔ اس مدت میں فرسودگی کے اخراجات گزشتہ سال اسی مدت کے مقابلے میں 39 ملین روپے کم ہوئے۔

انتظامی امور اور تقسیم کاری کے اخراجات 55 ملین روپے ہوئے (2018: 56 ملین روپے)۔ مجموعی طور پر قرضہ جات کے حصول میں کمی آنے کے باوجود موجودہ سہ ماہی میں مارک اپ کے اخراجات 16 ملین روپے تک بڑھ گئے جس کی وجہ KIBOR پڑنی ریٹس میں اضافہ تھی۔

انتظامیہ اپنے تمام کاروباری شعبہ جات میں ہوشیاری اور دانشمندی سے سرمایہ کاری کی حکمت عملی اپنائے گی کیونکہ ہمیں توقع ہے کہ منفی توازن ادائیگی کے مسئلے پر کنٹرول کیلئے معیشت کی رفتار سست رہے گی نیز ہم نئی حکومت کی جانب سے معیشت کے رخ کے تعین کا بھی انتظار کریں گے۔ ہم ہمیشہ صارف کے اطمینان پر خاص توجہ دیتے ہیں اور اپنے کاروباری لین دین میں اسلامی شریعہ اصولوں پر عمل پیرا رہتے ہیں۔

اعتراف

بورڈ، رجسٹرار مضاربہ کے خصوصی طور پر ممنون ہیں اور، مذہبی بورڈ، بینکرز اور اپنے مالیاتی پارٹنرز کے مستقل تعاون اور رہنمائی کیلئے ان کا بے حد شکر گزار ہے اور صارفین کی سرپرستی اور کاروباری امور میں شرکت کیلئے ان کا شکریہ ادا کرتا ہے۔

منجانب بورڈ

مرتضیٰ احمد علی

چیف ایگزیکٹو

28 اکتوبر 2019

ڈائریکٹرز کی رپورٹ

برائے مدت ختمہ 30 ستمبر 2019

الائیڈر نیٹل مضاربہ کی منتظمہ کمپنی الائیڈ انجینئرنگ منجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز اپنے سرٹیفکیٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے سہ ماہی ختمہ 30 ستمبر 2019 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مالیاتی جھلکیاں	000 روپے میں
کاروباری عمل سے حاصل شدہ کل آمدنی	1,013,806
خالص منافع بعد از وصول بانی سیلز ٹیکس	928,223
مذکورہ مدت کا منافع	92,144
خالص منافع کا فرق	9.09%
فی سرٹیفکیٹ آمدنی	Re. 0.42

کاروباری عمل کا جائزہ

اس سہ ماہی میں کل آمدنی 1,014 ملین روپے ریکارڈ کی گئی جبکہ گزشتہ جولائی-ستمبر 2018 کی آمدنی 1,053 ملین روپے تھی۔ یہ مضاربہ کی تاریخ نہیں پہلی بار ہوا ہے کہ گزشتہ مدت کی آمدنی کے مقابلے میں کمی آئی ہے جس سے یہ بھی ثابت ہوتا ہے کہ مجموعی طور پر معیشت پر جمود طاری ہے اور اس کے اثرات مضاربہ کے کاروبار پر بھی پڑ رہے ہیں۔ پنجاب، سندھ اور بلوچستان کے سروسز سیلز ٹیکس کی کٹوتی کے بعد اس سہ ماہی کی آمدنی 928 ملین روپے رہی جب کہ جولائی-ستمبر 2018 کی سہ ماہی میں یہ 971 ملین روپے تھی۔ اس کے لحاظ سے خالص منافع بھی 928.14 ملین روپے سے کم ہو کر 92.14 ملین روپے رہ گیا۔ ہمارے داخلی اور خارجی لاجسٹکس کے شعبہ کی سیلز تقریباً 10.6% کے اضافہ کے ساتھ 437 ملین روپے ہو گئی جب کہ گزشتہ اسی مدت کی سیلز 395 ملین روپے تھی۔ اس کی بڑی وجہ فیول کی قیمتوں میں اضافہ اور قیمت کا نمایاں طور پر بہتر حصول تھی۔ لاجسٹکس آپریٹرز کی طویل مدت کی ڈیمانڈ یعنی ایکسل لوڈ رینجیم پر عمل درآمد سے فی ٹن فریٹ کے ریٹس میں اضافہ ہوا جس کے نتیجے میں بہتر قیمتیں حاصل ہوئیں۔ فیول کی بہتر معیشت اور دیکھ بھال کے اخراجات کے اثرات اگلی سہ ماہی کے نتائج میں پیش کئے جائیں گے۔ ہمارے مشین اور کرین کے شعبہ کی سیلز 132 ملین روپے رہی جو گزشتہ سال اسی مدت میں 130 ملین روپے تھی۔ اس کی وجوہات میں انفراسٹرکچر کے بجٹ میں کٹوتی، کم ترقی ڈی پی کی توقعات اور کنسٹرکٹرز کے بلوں کی عدم ادائیگی شامل ہیں جس کے نتیجے میں قابل وصول

Condensed Interim Statement of Financial Position (Unaudited)

As at September 30, 2019

		Unaudited Sep 30, 2019 (Rupees)	Audited Jun 30, 2019
	Note		
ASSETS			
Current assets			
Cash and bank balances		53,064,879	50,644,643
Ijarah rentals receivable		1,256,712,276	1,235,580,096
Operation and maintenance income receivable		30,983,049	27,781,979
Advances, deposits, prepayments and other receivable		748,676,504	732,291,991
Spare parts		165,009,226	136,361,764
		<u>2,254,445,934</u>	<u>2,182,660,473</u>
Non-current assets			
Long-term security deposits		50,000	50,000
Fixed assets in own use - tangible		133,010,507	139,827,871
Intangible asset for own use		1,911,560	4,215,005
Ijarah assets	6	6,262,357,667	6,434,721,942
Capital work-in-progress		<u>88,274,350</u>	<u>67,562,112</u>
		6,485,604,085	6,646,376,930
Total assets		<u>8,740,050,019</u>	<u>8,829,037,403</u>
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities		971,692,255	821,622,788
Dividend Payable		220,935,975	1,095,066
Payable to the Modaraba Management Company		14,171,008	24,228,441
Current portion of Diminishing Musharakah financing payable	7	945,523,951	1,038,625,290
Current portion of security deposits		<u>47,853,709</u>	<u>95,810,000</u>
		2,200,176,898	1,981,381,585
Non-current liabilities			
Diminishing Musharakah financing payable - secured	7	1,178,594,392	1,375,976,897
Deferred liabilities		84,196,492	84,196,492
Other long-term employee benefits		26,820,323	26,820,323
Security deposits		<u>44,580,023</u>	<u>27,123,732</u>
		1,334,191,230	1,514,117,444
Total liabilities		<u>3,534,368,128</u>	<u>3,495,499,029</u>
NET ASSETS		<u>5,205,681,892</u>	<u>5,333,538,374</u>
FINANCED BY : CAPITAL AND RESERVES			
Authorised certificate capital			
250,000,000 (Jun 2019 : 225,000,000) Modaraba certificates of Rs.10 each		<u>2,500,000,000</u>	<u>2,250,000,000</u>
Issued, subscribed and paid-up certificate capital		2,200,000,000	2,200,000,000
Premium on issue of right certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve		1,614,386,450	1,614,386,450
Unappropriated profit		<u>135,582,942</u>	<u>263,439,424</u>
CONTINGENCIES AND COMMITMENTS	8	<u>5,205,681,892</u>	<u>5,333,538,374</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



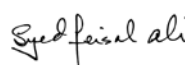
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Profit and Loss Account (Unaudited)

For the three months period ended September 30, 2019

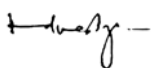
	Note	Three months period ended	
		Sep 30, 2019	Sep 30, 2018
		(Rupees)	
Ijarah rentals	9	897,240,094	941,659,204
Operation and maintenance income	10	30,983,049	29,515,452
		928,223,143	971,174,656
Operating expenses	11	(711,685,439)	(713,323,906)
Gross Profit		216,537,704	257,850,750
Administrative and distribution expenses	12	(55,095,131)	(56,557,599)
Provision against potential Ijarah losses and operation and maintenance income		-	(10,000,000)
Finance costs	13	(76,052,834)	(60,268,991)
Other income		6,753,779	10,821,647
		(124,394,186)	(116,004,943)
		92,143,518	141,845,807
Modaraba Management Company's remuneration		-	-
Profit for the period before taxation		92,143,518	141,845,807
Taxation	14	-	-
Profit for the period after taxation		92,143,518	141,845,807
Earnings per certificate - basic & diluted		0.42	0.64

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



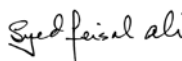
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the three months period ended September 30, 2019

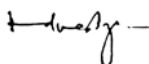
Note	Three months period ended	
	Sep 30, 2019	Sep 30, 2018
	(Rupees)	
Profit for the period after taxation	92,143,518	141,845,807
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>92,143,518</u>	<u>141,845,807</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



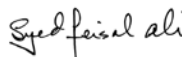
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Cash Flow Statement (Unaudited)

For the three months period ended September 30, 2019

	Three months period ended	
	Sep 30, 2019	Sep 30, 2018
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	92,143,518	141,845,807
Adjustments for non-cash charges and other items:		
Depreciation	163,356,395	200,691,979
Financial charges including bank charges	76,052,834	60,268,991
Loss/(Profit) on disposal of Ijarah assets	760,513	(851,962)
	332,313,260	401,954,815
(Increase) / decrease in assets		
Ijarah rentals receivable	(21,132,181)	(27,676,055)
Operation and maintenance income receivable	(3,201,070)	1,131,305
Advances, deposits and other receivable	(16,384,513)	(42,087,455)
Spare parts	(28,647,462)	5,539,781
Diminishing musharakah financing - secured	-	721,268
Long-term security deposits	-	-
	(69,365,225)	(62,371,156)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	144,129,600	58,149,498
Payable to the Modaraba Management Company	(10,057,433)	750,176
Security Deposits	(30,500,000)	1,790,000
	103,572,167	60,689,674
Cash generated from / (utilized in) operations	34,206,941	(1,681,482)
Financial charges paid	(70,272,058)	(54,488,215)
Net cash flows from operating activities	296,248,143	345,785,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(34,023,549)	(183,467,639)
Proceeds from disposal of Ijarah assets	30,679,487	2,800,000
Net cash flows from investing activities	(3,344,062)	(180,667,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharakah financing availed	12,500,747	163,901,383
Repayment of Diminishing Musharakah financing	(302,984,591)	(269,227,936)
Net cash flows from financing activities	(290,483,844)	(105,326,553)
Net (decrease)/increase in cash and cash equivalents	2,420,236	59,790,926
Cash and cash equivalents at the beginning of the period	50,644,643	91,230,840
Cash and cash equivalents at the end of the period	53,064,879	151,021,766

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



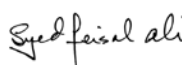
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Condensed Interim Statement of Changes in Equity (Unaudited)

For the three months period ended September 30, 2019

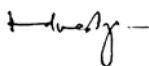
	Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve (Rupees)	Un- appropriated profit	Total
Balance as at June 30, 2018	2,000,000,000	1,255,712,500	1,660,688,804	234,135,265	5,150,536,569
Total comprehensive income for the three months period ended 30 September 2018	-	-	-	141,845,807	141,845,807
Profit distribution for the year ended June 30, 2018 @ Rs. 1.00 per certificate				(200,000,000)	(200,000,000)
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2018	<u>2,000,000,000</u>	<u>1,255,712,500</u>	<u>1,660,688,804</u>	<u>175,981,072</u>	<u>5,092,382,376</u>
Balance as at June 30, 2019	2,200,000,000	1,255,712,500	1,614,386,450	263,439,424	5,333,538,374
Total comprehensive income for the three months period ended 30 September 2019	-	-	-	92,143,518	92,143,518
Profit distribution for the year ended June 30, 2019 @ Rs. 1.00 per certificate				(220,000,000)	(220,000,000)
Transfer to statutory (mandatory) reserve	-	-	-	-	-
Balance as at September 30, 2019	<u>2,200,000,000</u>	<u>1,255,712,500</u>	<u>1,614,386,450</u>	<u>135,582,942</u>	<u>5,205,681,892</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



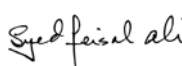
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

Notes to the Condensed Interim Financial Information (Unaudited)

For the three months period ended September 30, 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 Companies Ordinance, 1984 and is registered with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

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

The Modaraba is a perpetual Modaraba and is primarily engaged in rental / Ijarah and operation and maintenance of Caterpillar and other equipment (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.

- 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, 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 PRESENTATION

- 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 The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These condensed interim financial information does not include all the information required for a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended 30 June 2019.

2.3 The comparative balance sheet presented in these condensed interim financial information as at 30 June 2019 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2019, whereas the comparative profit and loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the three months period ended 30 September 2018 have been extracted from the unaudited condensed interim financial information for the period then ended.

2.4 Functional and presentation currency

These condensed interim 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.

3. ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended 30 June 2019.

3.2 Amendment and interpretation to approved accounting standards effective

During the period certain amendments and interpretation to approved accounting standards became effective. However, these are either not relevant to the Modaraba's operation and/or do not have any impact on the accounting policies of the Modaraba.

4. ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the accounting policies and the key sources of estimation and uncertainty those are the same as those that applied to the financial statements as at and for the year ended 30 June 2019.

5. FINANCIAL RISK MANAGEMENT

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

6 Ijarah assets - at cost less accumulated depreciation

(Unaudited) September 30, 2019

	Generators and related equipments	Logistics vehicles	Machines	Total
	(Rupees)			
At 01 July 2019				
Cost	7,614,383,636	2,099,273,123	1,256,188,343	10,969,845,102
Accumulated depreciation	(3,607,612,314)	(668,489,379)	(259,021,467)	(4,535,123,160)
Net book value	<u>4,006,771,322</u>	<u>1,430,783,744</u>	<u>997,166,876</u>	<u>6,434,721,942</u>
		-	-	
Additions	15,495,771			15,495,771
Disposals				
Cost	(205,904,175)	-	-	(205,904,175)
Accumulated depreciation	174,464,175	-	-	174,464,175
	(31,440,000)	-	-	(31,440,000)
Depreciation charge for the year	(80,348,759)	(53,749,148)	(22,322,138)	(156,420,046)
Closing net book value	<u>3,910,478,334</u>	<u>1,377,034,596</u>	<u>974,844,738</u>	<u>6,262,357,667</u>
At 30 September 2019				
Cost	7,423,975,232	2,099,273,123	1,256,188,343	10,779,436,698
Accumulated depreciation	(3,513,496,898)	(722,238,527)	(281,343,605)	(4,517,079,030)
Net book value	<u>3,910,478,334</u>	<u>1,377,034,596</u>	<u>974,844,738</u>	<u>6,262,357,667</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

(Audited) June 30, 2019

	Generators and related equipments	Logistics vehicles	Machines	Total
	(Rupees)			
At 01 July 2018				
Cost	7,628,065,059	1,889,747,859	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,364,461,229)	(463,308,573)	(166,649,104)	(3,994,418,906)
Net book value	<u>4,263,603,830</u>	<u>1,426,439,286</u>	<u>1,042,892,649</u>	<u>6,732,935,765</u>
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	<u>4,006,771,322</u>	<u>1,430,783,743</u>	<u>997,166,876</u>	<u>6,434,721,941</u>
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	<u>4,006,771,322</u>	<u>1,430,783,743</u>	<u>997,166,876</u>	<u>6,434,721,941</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

	Unaudited Sep 30, 2019	Audited June 30, 2019
	(Rupees)	
7 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED		
Musharakah financing	2,124,118,343	2,414,602,187
Due within one year	<u>(945,523,951)</u>	<u>(1,038,625,290)</u>
	<u>1,178,594,392</u>	<u>1,375,976,897</u>
7.1 Financing from banking and financial institutions	2,054,183,443	2,331,460,854
Financing from modarabas	<u>69,934,900</u>	<u>83,141,333</u>
	<u>2,124,118,343</u>	<u>2,414,602,187</u>

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

Contingencies outstanding as at 30 September 2019 are as follows:

8.1.1 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 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.

8.1.2 Federal Excise Duty on gross revenue receipts of the Modaraba

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

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

However, in contradiction to the above mentioned judgment by the SHC, the CIR-A through orders dated 03 June 2016 upheld 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.

8.1.3 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 advice, believes that the decision will be in its favour.

8.1.4 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 . million. 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.

8.1.5 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.

8.2 Commitments

8.2.1 Contractual rentals receivable on Ijarah contracts

(Unaudited) September 30, 2019			(Audited) June 30, 2019		
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	37,187,000	304,674,500	341,861,500	74,884,000	245,004,500	319,888,500
------------------------------	------------	-------------	-------------	------------	-------------	-------------

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

Three months period ended

Sep 30, 2019	Sep 30, 2018
(Rupees)	

9 IJARAH RENTALS - Net

Ijarah Rentals	979,731,144	1,020,068,728
Less : Sales Tax	(82,491,050)	(78,409,524)
	<u>897,240,094</u>	<u>941,659,204</u>

10 OPERATION AND MAINTENANCE INCOME - Net

Operation and Maintenance Income	34,075,301	32,750,266
Less : Sales Tax	(3,092,252)	(586,761)
	<u>30,983,049</u>	<u>32,163,505</u>

11 OPERATING EXPENSES

Salaries, wages and other staff benefits	228,649,163	241,136,993
Depreciation expense	156,420,046	195,907,962
Repairs and maintenance cost	112,128,775	108,023,534
Fleet vehicles running cost	186,507,349	140,152,124
Vehicles running cost	9,902,093	9,074,584
Insurance cost - equipments	10,196,488	10,456,906
Travelling and conveyance	2,753,239	3,352,873
Rent expense	<u>5,128,286</u>	<u>5,218,930</u>
	<u>711,685,439</u>	<u>713,323,906</u>

12 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

Salaries, wages and other staff benefits	31,604,120	37,107,528
Vehicle running costs	4,618,468	3,032,904
Travelling and conveyance	987,545	1,114,182
Depreciation expense	6,936,350	4,784,018
Legal and professional charges	2,272,396	3,337,768
Telephone, postage and fax charges	1,733,365	1,680,260
Advertisement and sales promotion	49,366	263,952
Printing and stationery	786,781	975,474
Insurance cost - vehicles	764,246	645,370
Training, meetings and tender participation	332,320	328,065
Donation	-	150,000
Software Development	108,506	5,250
Entertainment	1,398,076	858,985
Utilities	2,138,206	911,098
Security	1,059,891	959,826
Miscellaneous	<u>305,495</u>	<u>402,920</u>
	<u>55,095,131</u>	<u>56,557,599</u>

		Three months period ended	
		Sep 30, 2019	Sep 30, 2018
		(Rupees)	
13	FINANCE COSTS		
	Financial cost on Diminishing Musharakah financing	75,879,123	59,318,260
	Exchange loss / (Profit)	-	179,483
	Bank charges and commission	173,711	771,248
		<u>76,052,834</u>	<u>60,268,991</u>

14 TAXATION

The income of non-trading Modarabas is exempt from 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 stated above, no provision for taxation has been made in these financial statements.

15 RELATED PARTY TRANSACTIONS

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

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

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

	Three months period ended	
	Sep 30, 2019	Sep 30, 2018
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Modaraba Management Company's remuneration	-	-
Allied Engineering and Services (Private) Limited (holding company of the Modaraba Management Company)		
Purchase of assets	18,130,055	33,138,359
Purchase of parts and services	106,540,157	64,706,920
Rental revenue	847,495	2,430,937
Apex Machinery (Private) Limited (Associated Company)		
Purchase of parts and services	5,013,021	2,575,990
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Income from ijarah assets	12,304,746	14,325,946
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	3,899,192	3,353,709

	Unaudited Sep 30, 2019	Audited Jun 30, 2019
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 43,999,997 (June 30, 2019: 43,999,997)	439,999,970	439,999,970
Payable to the Modaraba Management Company	14,171,008	24,228,441
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 151,931,073 (June 30, 2019: 151,931,073)	1,519,310,730	1,519,310,730
Payable against purchase of parts and services	581,136,507	457,313,790
Apex Machinery (Private) Limited (Associated Company)		
Payable against purchase of parts and services	19,384,323	14,525,269
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Ijarah rental receivable	13,396,058	164,939
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 3,734,868 (June 30, 2019: 3,734,868)	37,348,680	37,348,68

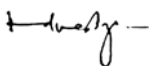
16 DATE OF AUTHORISATION

These financial statements were authorised in the meeting of the Board of Directors of the Management Company held on October 28, 2019.

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



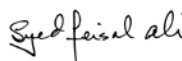
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Chairman

