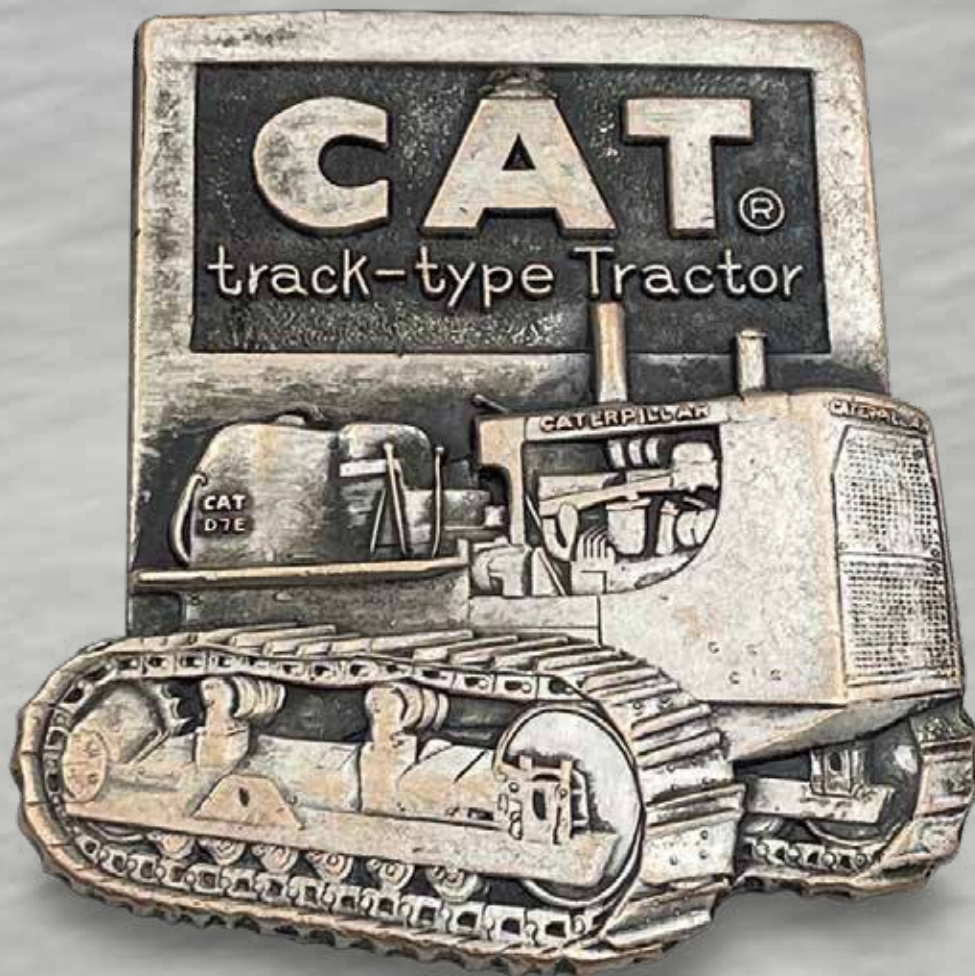




## Allied Rental Modaraba

Managed by: Allied Engineering  
Management Company (Private) Limited



# Progress anchored in tradition

## Annual Report 2022



## **We are there, whenever and wherever you need us!**

One call connects you with our fleet of Power generation and auxiliary equipment, Construction Machines, Mobile Lighting Towers and Logistics equipment — all designed and built exclusively for rental applications. We have the right equipment available at a very short notice and online when you need it. You'll get fast, hassle free service and complete 24 hour support at terms attractive to your bottom line.

Our team of engineers, electricians, service technicians and operators are ready to provide you turnkey support - be it complete system design, delivery, installation, and operation. We take care of the equipment so you can focus on your core business.







# Contents

<b>20</b> Modaraba Information	<b>21</b> Organogram	<b>15</b> Vision & Mission	<b>17</b> Core Values	<b>19</b> DuPont Analysis
<b>29</b> Achievement	<b>30</b> Key Financial Data	<b>22</b> Product Profile	<b>26</b> Corporate Briefing Session	<b>27</b> Allied Sports
<b>34</b> Vertical Analysis	<b>35</b> Horizontal Analysis	<b>31</b> Summary of Cash Flows	<b>32</b> Value Added Statement	<b>33</b> Balance Sheet Composition
<b>41</b> Shari'ah Review Report	<b>42</b> Chairmans' Review Report	<b>37</b> Financial Summary at a Glance	<b>38</b> Annual Review Meeting 2021	<b>39</b> Notice of Annual Review Meeting
<b>57</b> Credit Rating	<b>59</b> Human Resources & Remuneration Committee	<b>43</b> Directors' Report	<b>54</b> Certificate Holding Pattern	<b>55</b> Combined Pattern of CDC & Physical Shareholdings
<b>64</b> Review Report to the Certificate Holders	<b>65</b> Auditors' Report to the Certificate Holders	<b>60</b> IT Steering Committee	<b>61</b> Audit Committee	<b>62</b> Statement of Compliance

# Financials

<b>71</b> Statement of Cash Flows	<b>72</b> Statement of Changes in Equity	<b>68</b> Statement of Financial Position	<b>69</b> Statement of Profit or Loss Account	<b>70</b> Statement of Comprehensive Income
<b>119</b> سالانہ نظر ثانی اجلاس کی اطلاع	<b>130</b> ڈائریکٹرز کی رپورٹ	<b>73</b> Notes to and Forming Part of the Financial Statements	<b>118</b> Offices Across Pakistan	
		Proxy	تشکیل نیابت داری	

# Then...







# Hands On

At Allied Modarba we still take from the time tested value systems of yesteryears, values that still hold up today: honesty, dedication, principles, commitment, interpersonal contact and ownership of word and deed. With this as our foundation we have built up our status amongst the business community.

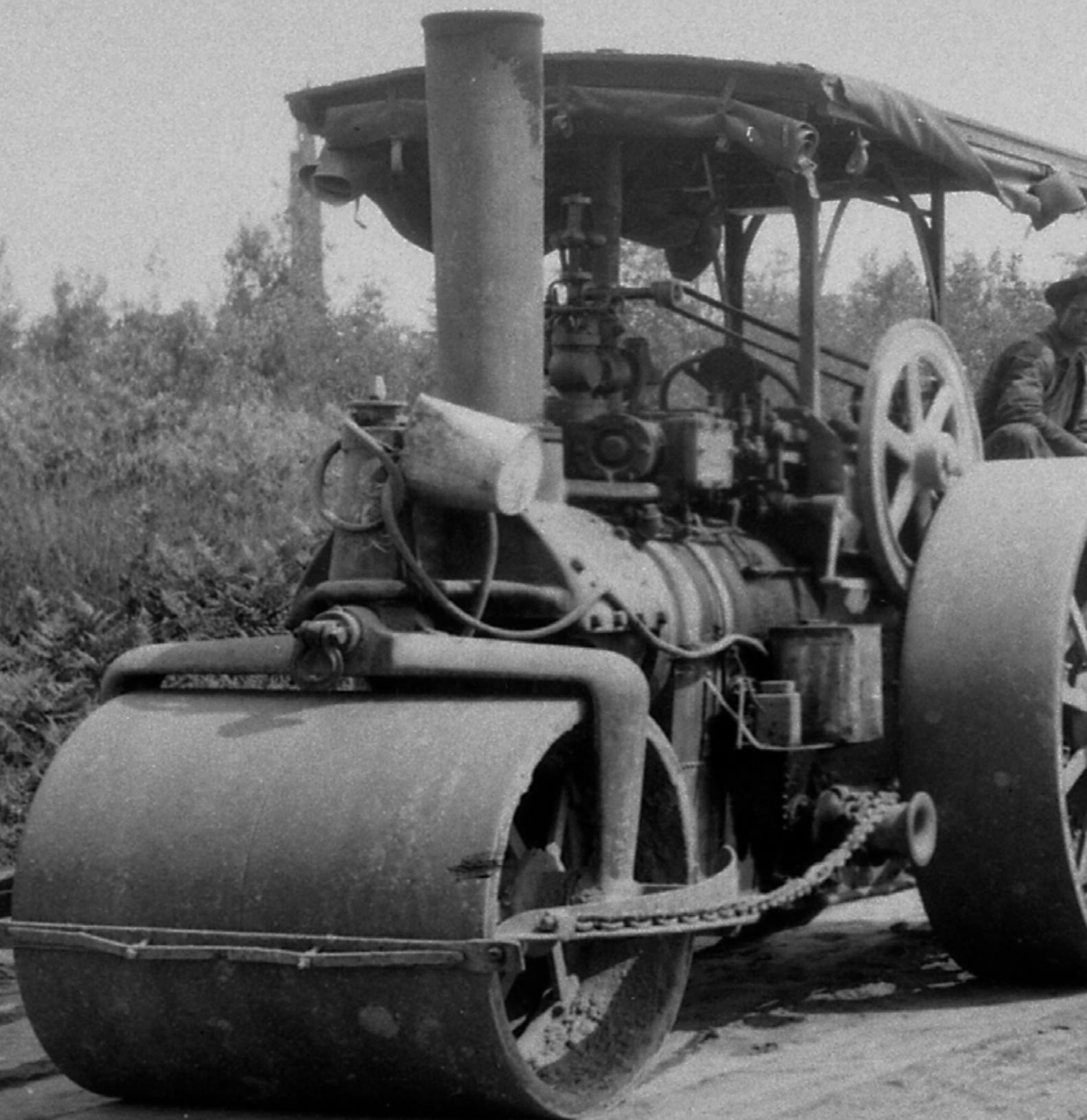
To this basic ethos we have progressively added ingenuity, new technology, efficiency, combining the best practices with the best services.

The hands might be different, but the commitment is traditional.



— and Now

Then...







# We Listen

To be able to communicate efficiently with our customers, to understand their specific needs requires us to keep an open mind and open communication lines. To recognize a new idea, to have the vision to see its true potential, to insure that it sees light.

We, at Allied, know that preset ideas or cookie cutter solutions are not the way forward.

We believe in saying “Hello” to the future. The future is our customer. The instruments might be different, but the listening ear is traditional.

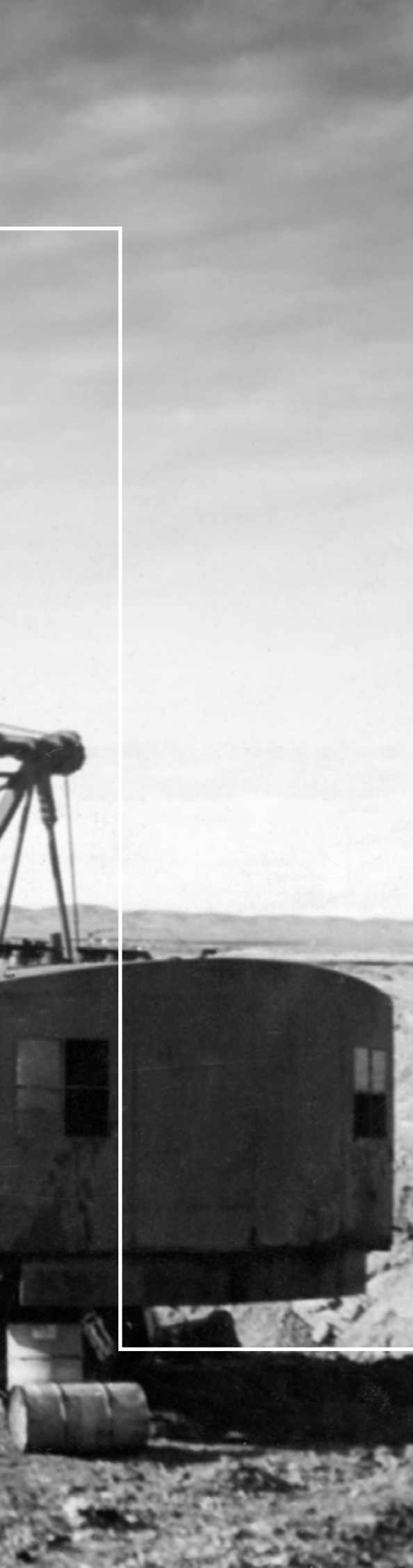


— and Now



# Then...





# A New World

Traditional trade and business, family run and partnerships with its old world charm. The small businesses where everyone knew each other, customers and proprietors. Risks were kept low but so was the potential of growth.

At Allied, with the world being the marketplace, the risks taken today are greater; however, nothing risked - nothing gained. Though the cart now is different, the ideas it carries are always fresh. Innovation is the key to success.



— and Now



Then...





# We Innovate

Challenging conventional notions of how things have been done before, and bringing ideas from one industry to another, or from one geographic region to another is the hallmark of our Company.

At Allied, we create meaningful points of difference for products and services vs. current alternatives.

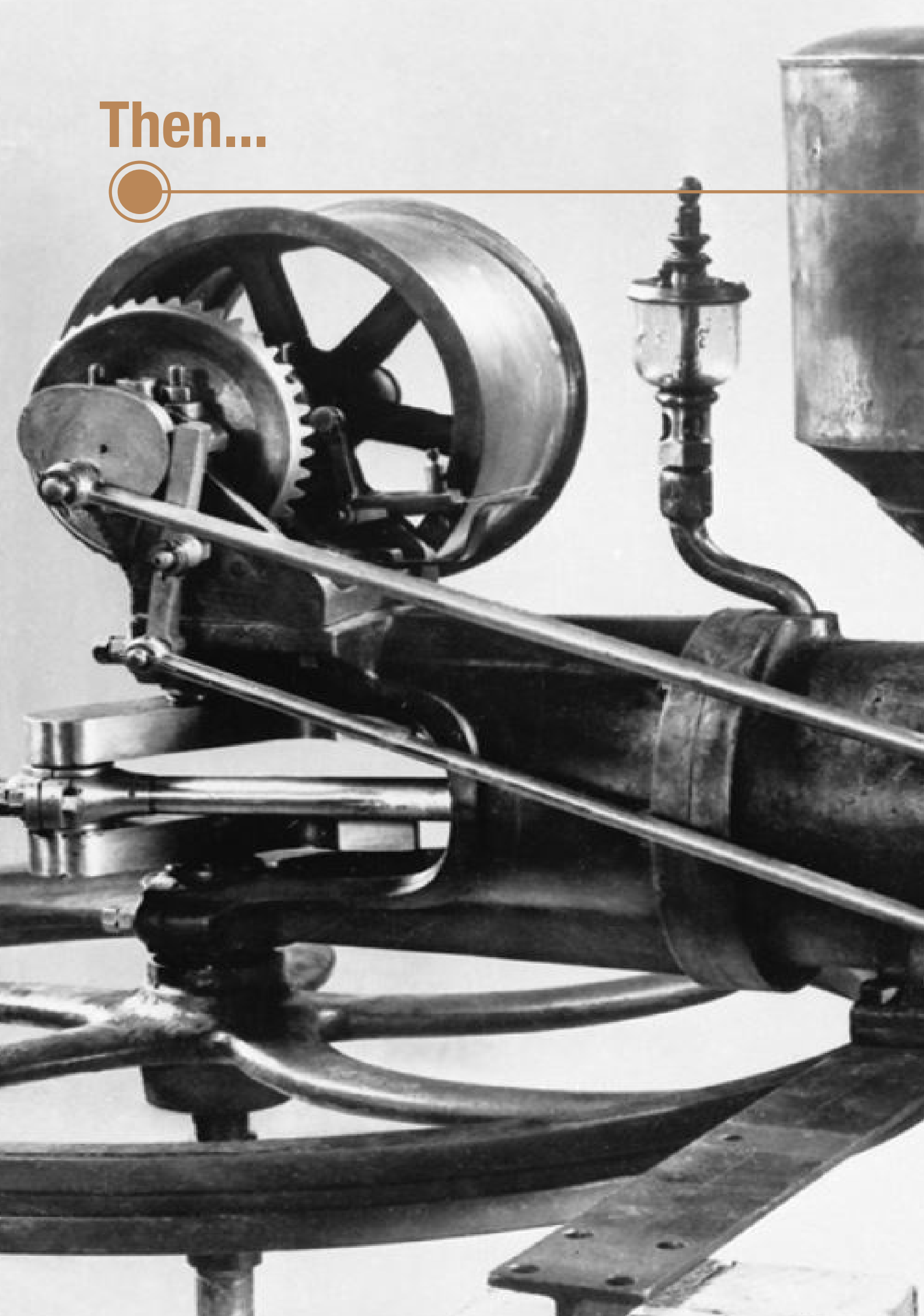
We fulfill unmet consumer needs, by offering new ways to accomplish goals, more productively.



— and Now



# Then...





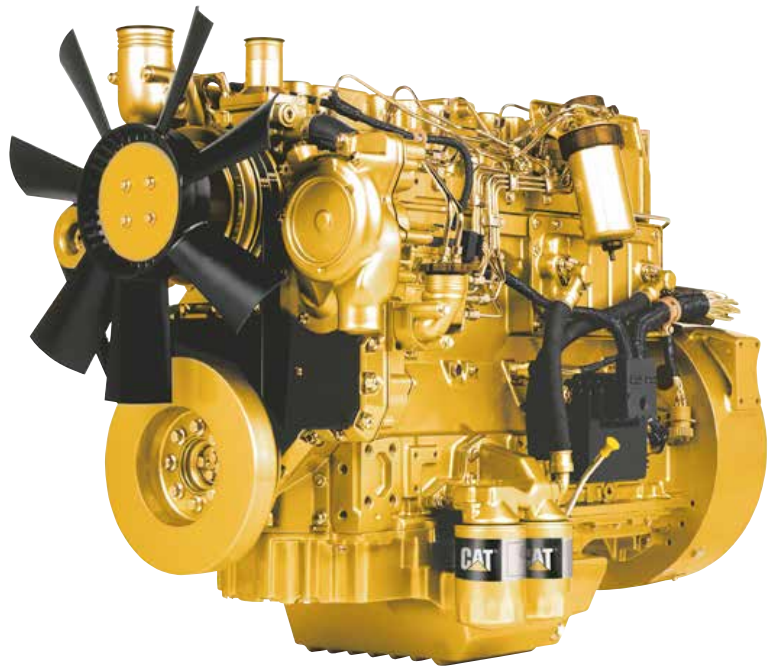
# More Efficient

Compared to other technologies we use every day, it seems like engines haven't really changed much.

But while the same basic principles that drove the first engines are still used today, modern engines have evolved to meet the power and efficiency needs of today's modern needs.

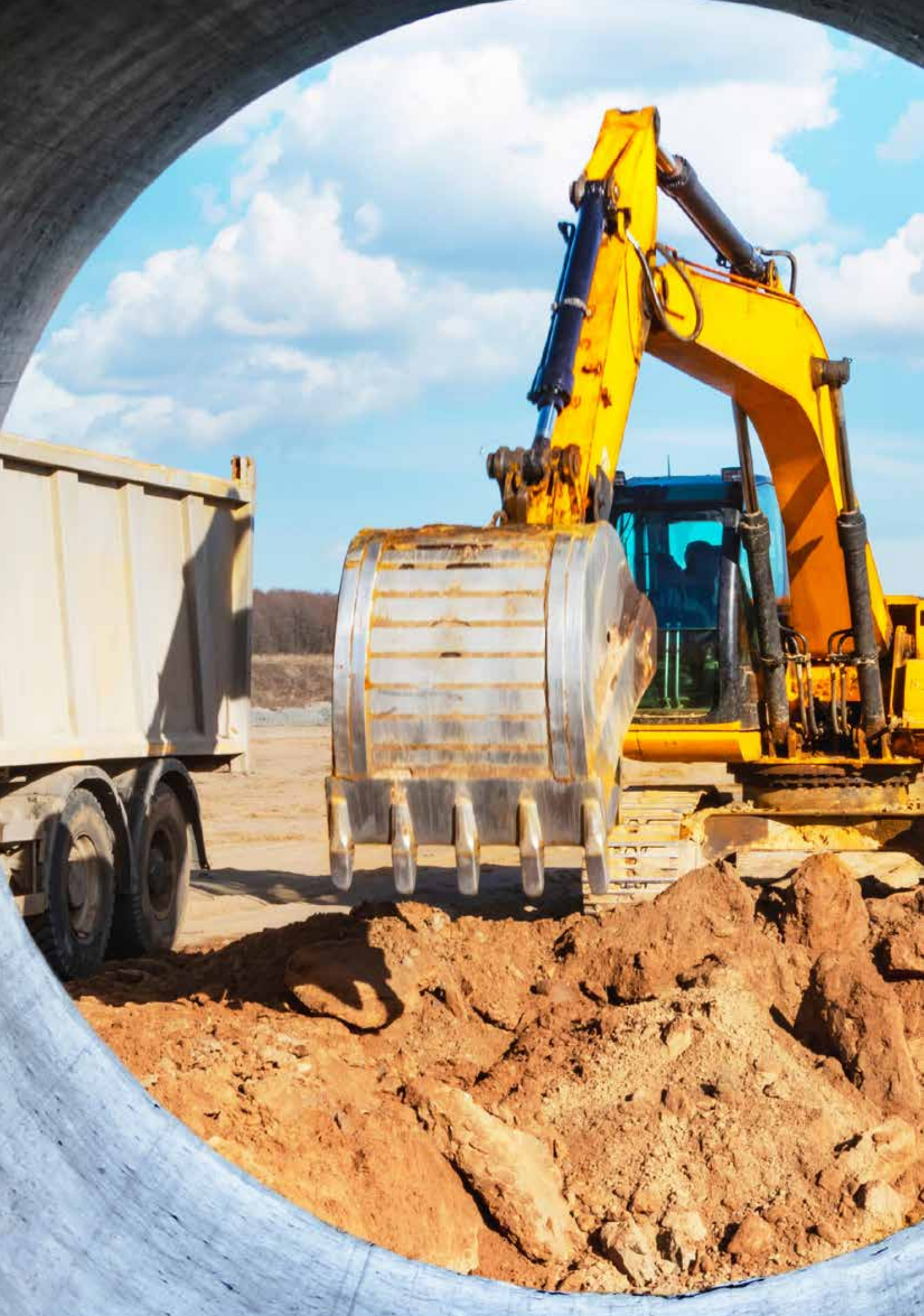
Today's engines are cleaner, quieter, and more efficient -just as Allied Rental Modaraba.

Complete Commitment- Minimum Fuss.



and Now









# 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.

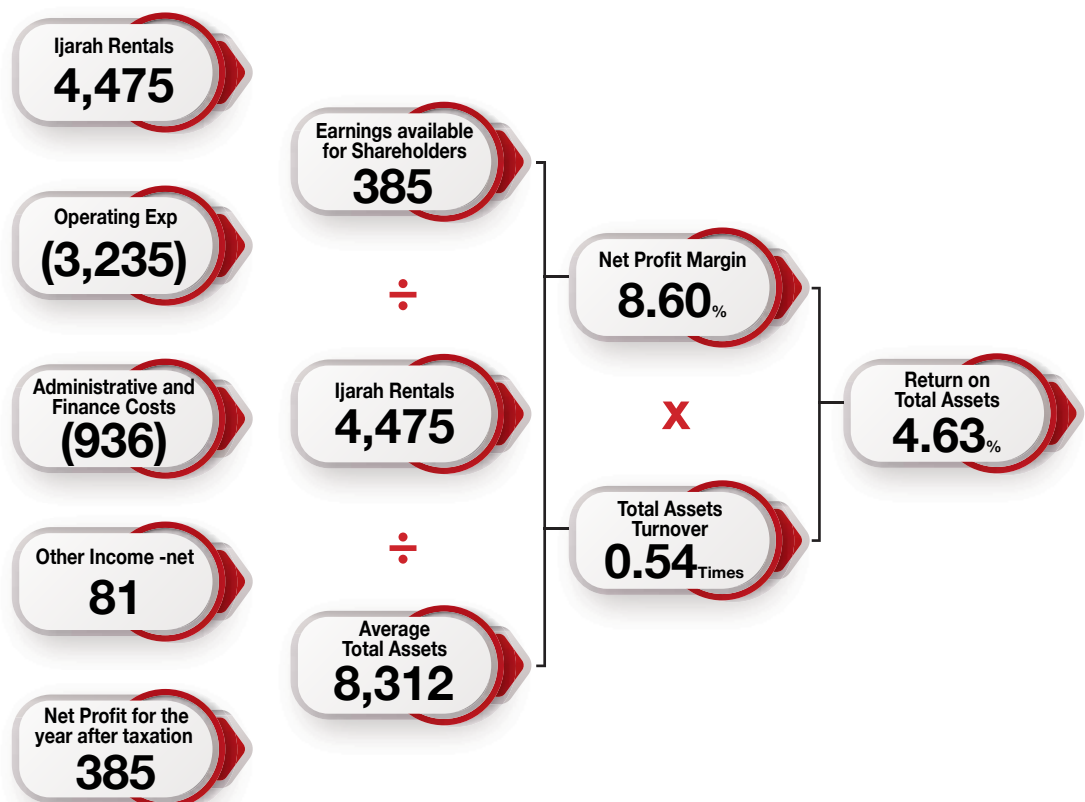




# DuPont Analysis

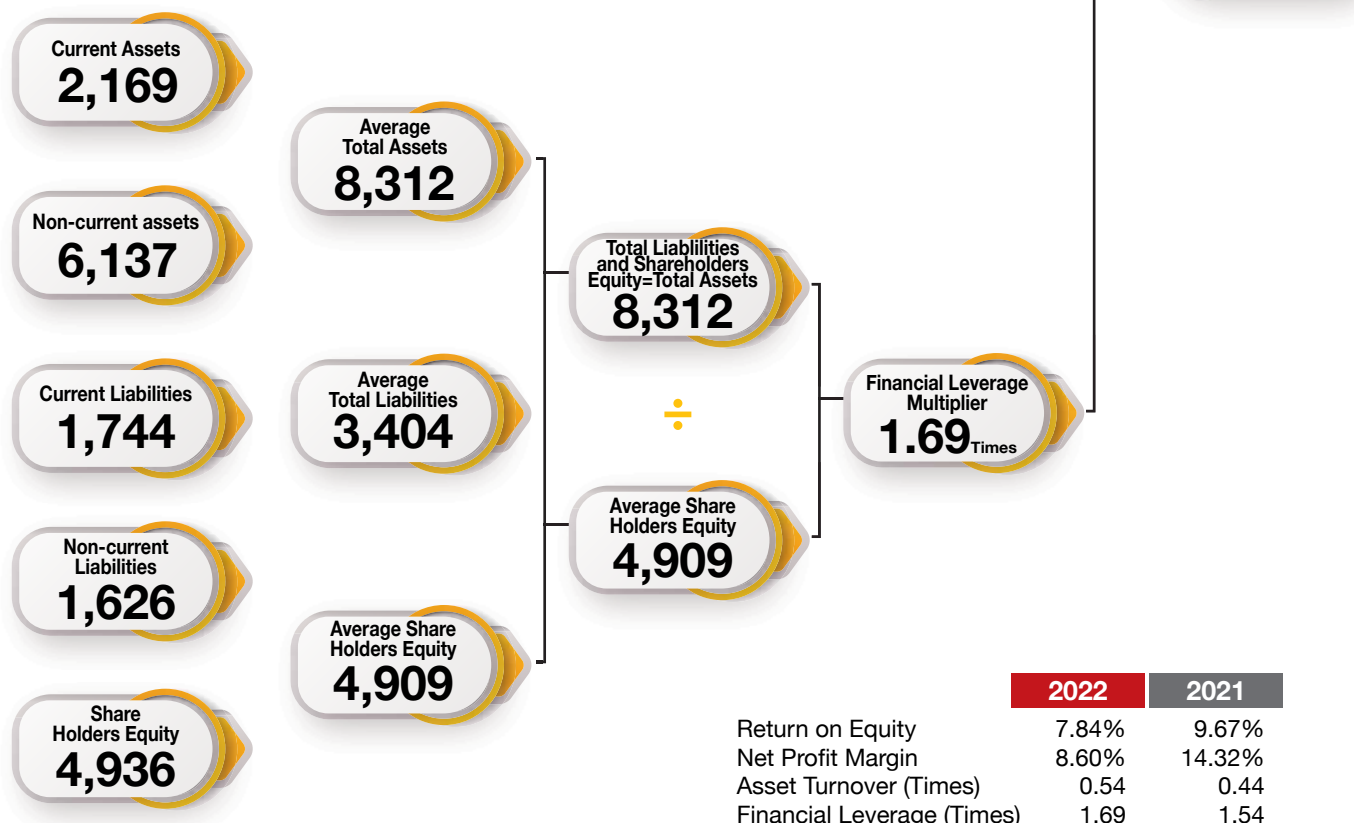
## Profit and Loss Account

(Rs. in Million)



## Balance Sheet

(Rs. in Million)



	2022	2021
Return on Equity	7.84%	9.67%
Net Profit Margin	8.60%	14.32%
Asset Turnover (Times)	0.54	0.44
Financial Leverage (Times)	1.69	1.54



# Modaraba Information

## Board of Directors

**Syed Feisal Ali**  
Chairman

**Mr. Murtaza Ahmed Ali**  
Chief Executive

**Mr. Khwaja Ahad Rahman**  
Non - Executive Director

**Mrs. Saira Nasir (Independent)**  
Non - Executive Director

**Mr. Ali Akbar**  
Non - Executive Director

**Mr. Hassan Shehzad Abidi**  
Non - Executive Director

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

## Audit Committee

**Mr. Abdul Rahim Suriya (Independent)**  
Chairman

**Syed Feisal Ali**  
Member

**Mr. Ali Akbar**  
Member

## Chief Financial Officer

**Mr. Muhammad Saad**

## Company Secretary

**Mr. 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

**Mr. Rashid Jehangiri**  
Business Unit Head - MHE, Machines and Cranes

**Mr. Ali Ammar**  
Business Administrator

**Mr. Muhammad Azeem Siddiqui**  
Head of Human Resource and Administration

## 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  
Meezan Bank Limited  
Dubai Islamic Bank  
Bank Al Habib Limited

## Auditors

A.F. Ferguson & 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

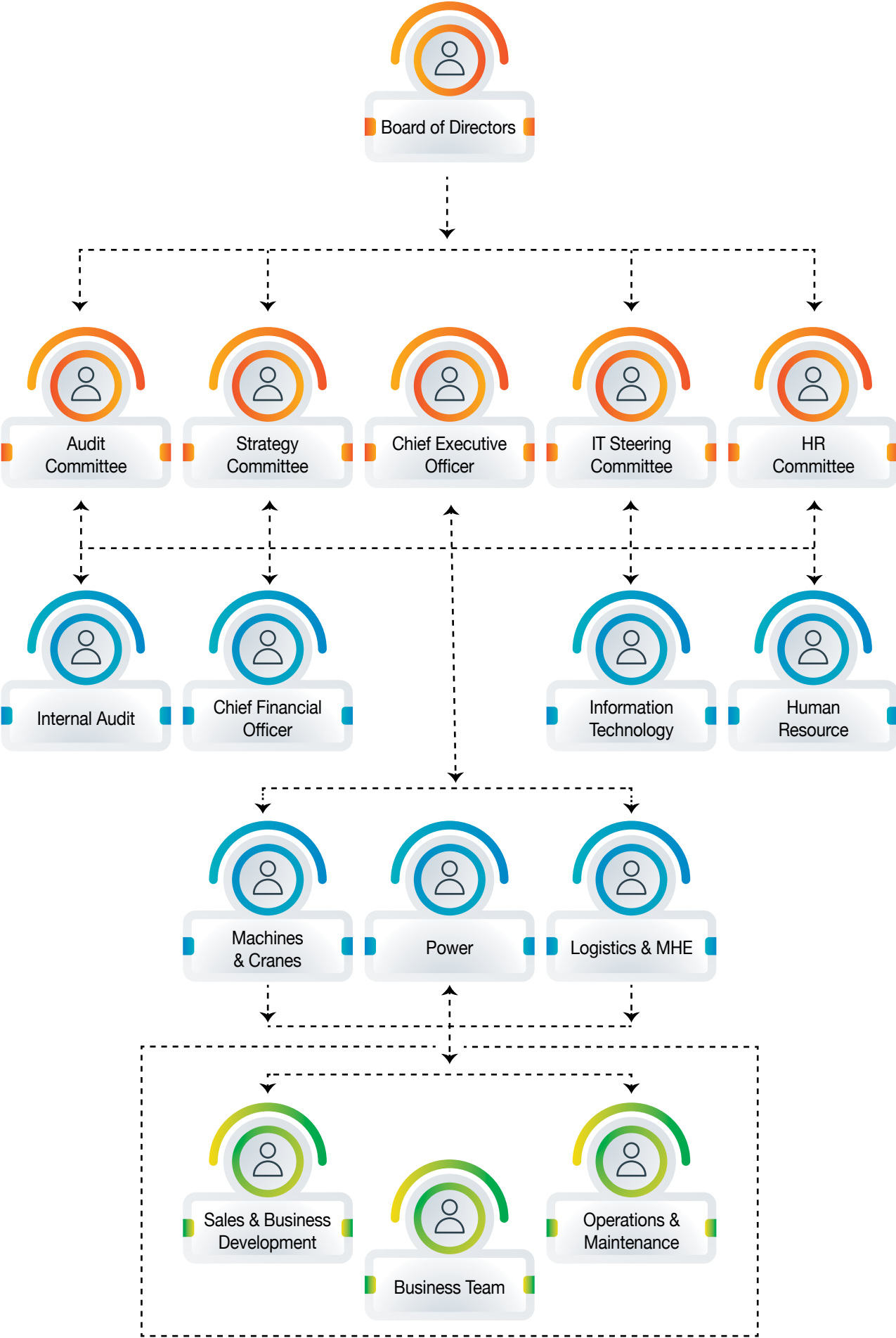
## Registered & Head office

21/3 Sector 22, Korangi Industrial Area,  
Karachi - 74900 UAN; (021) 111-250-250  
Website: [www.arm.com.pk](http://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.

## 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.





## 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.

## 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.







## 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.





## 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.





# Corporate Briefing Session

As per Pakistan Stock Exchange (PSX) notice no. PSX/N-92 dated January 28, 2019, all listed companies were advised to hold atleast one corporate briefing program during the financial year for the analyst community and for shareholders to brief about the financial performance and future outlook of the company .

As per the above directive, Corporate Briefing Session (CBS) of Allied Rental Modaraba for the year 2020-21 was held on November 11, 2021 at PSX Auditorium.



# Allied Hard Ball Cricket Team



## Allied Bowling Championship





# Allied Table Tennis



# Achievement





# Key Financial Data

		2022	2021	2020	2019	2018	2017
Total Assets	Rs. Million	8,307	8,319	8,634	8,829	9,036	8,361
Current Assets	Rs. Million	2,169	2,215	2,254	2,183	2,100	1,667
Current Liabilities	Rs. Million	1,744	1,666	1,584	1,981	1,704	1,533
Paid-up capital	Rs. Million	2,200	2,200	2,200	2,200	2,000	1,755
Reserves	Rs. Million	2,736	3,476	3,152	3,134	3,151	2,904
Stock holder's equity	Rs. Million	4,936	5,666	5,352	5,334	5,151	4,659
Gross Profit	Rs. Million	1,240	854	869	915	938	839
Net Profit	Rs. Million	385	532	228	383	395	458
Profit after Tax Ratio	%	8.60	14.32	6.63	10.02	10.69	15
Return on Asset	%	4.63	6.28	2.61	4.29	4.54	6
Return on Equity	%	7.84	9.66	4.26	7.30	8.06	10
Return on Capital employed	%	6	8	3	6	5	7
Expense Ratio	%	82	84	85	85	83	81
Debt / Equity Ratio	%	32: 68	53: 47	39 : 61	34 : 66	25 : 75	21 : 79
Current Ratio	times	1.24 : 1	1.33 : 1	1.42 : 1	1.10 : 1	1.23 : 1	1.09 : 1
Price Earning Ratio	times	12.83	4.36	10.73	7.47	9.05	9.54
Earning per certificate - basic and diluted	Rs.	1.75	2.42	1.03	1.74	1.89	2.61
Dividend yield Ratio	%	0	14	7	8	6	6
Dividend Pay out ratio	%	0	62	73	57	53	57
Cash dividend	%	0	15	7.50	10	10	15
Stock dividend	%	0	0	0	0	10	0
Cash dividend per certificate	Rs.	0	1.50	0.75	1.00	1.00	1.50
Book Value per certificate	Rs.	22.44	25.75	24.33	24.24	25.75	26.54
Market Value per certificate	Rs.	22.45	10.54	11.05	13.00	17.11	24.90

# Summary of Cash Flows

	2022	2021	2020	2019	2018	2017
	(Rupees '000)					
Profit for the year	728,506	532,127	227,521	382,854	395,124	457,859
Adjustments For Non-Cash And Other Items	460,589	491,545	663,528	795,578	1,069,877	891,677
Decrease / (increase) in operating assets	41,487	62,720	(125,520)	(225,330)	(734,100)	(426,768)
Increase / (decrease) in operating liabilities	386,813	(315,248)	193,161	216,145	56,532	(91,463)
Cash generated from operations	428,300	(252,528)	67,641	(9,185)	(677,568)	(518,231)
Cash Flows From Operating Activities	1,617,395	771,144	958,690	1,169,247	787,432	831,305
Cash Flows From Investing Activities	(552,206)	(242,284)	(212,328)	(379,205)	(1,212,319)	(1,327,805)
Cash Flows From Financing Activities	(891,884)	(504,657)	(704,091)	(830,628)	208,678	746,586
Net Cash increase/ (decrease) during the period	173,304	24,203	42,272	(40,586)	(216,208)	250,086
Cash and cash equivalents at beginning of the period	117,120	92,916	50,645	91,231	307,439	57,353
Cash and cash equivalents at end of the period	290,424	117,120	92,916	50,645	91,231	307,439



# Value Added Statement

## VALUE ADDED

Revenue from Operation  
Less: Operating Expense  
Other Income

## VALUE ALLOCATED

To Employees  
As Remuneration

To Providers of Finance  
As Profit on Diminishing Musharakah

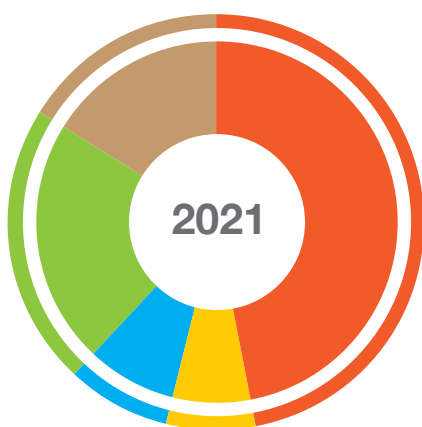
To Modarib  
As Modaraba Management Fee

To Government Authorities  
As Taxes, Duties & Welfare funds

To Certificate Holders  
As Profit on Modaraba Certificates

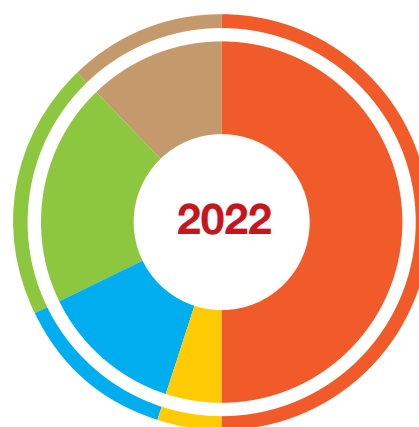
Retained in the Business  
As Depreciation  
As Reserve and Retained Earnings

2022		2021	
(Rupees '000)	(%)	(Rupees '000)	(%)
4,982,304	98%	4,082,655	98%
(2,283,520)		(1,592,005)	
80,576	2%	103,876	2%
2,779,360	100%	2,594,526	100%
1,243,354	45%	1,038,532	40%
120,416	4%	153,941	6%
10,000	0.36%	10,000	0.39%
887,018	32%	402,240	16%
330,000	12%	165,000	6%
493,748	18%	473,855	18%
(305,175)	-11%	350,959	14%
2,779,360	100%	2,594,526	100%



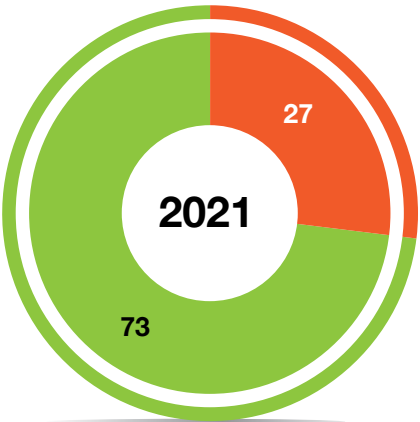
Employees	40%
Providers of Finance - Profit on DM	6%
Modaraba Management Fee	0.39%
Certificate Holders	6%
Retained as Depreciation	18%
Retained as Reserve and Retained Earnings	14%

## Value Allocated

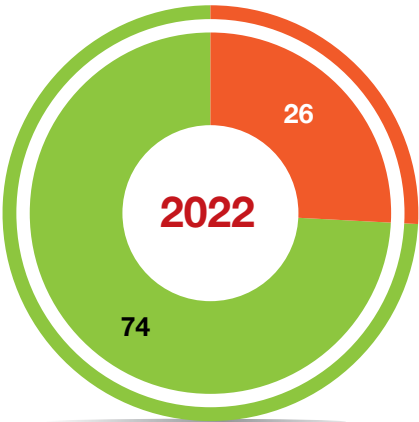


Employees	45%
Providers of Finance - Profit on DM	4%
Modaraba Management Fee	0.36%
Certificate Holders	12%
Retained as Depreciation	18%
Retained as Reserve and Retained Earnings	-11%

# Balance Sheet Composition

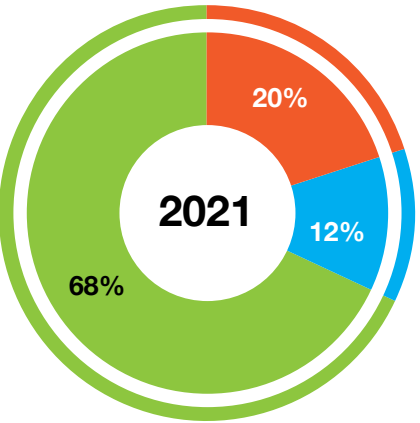


Assets

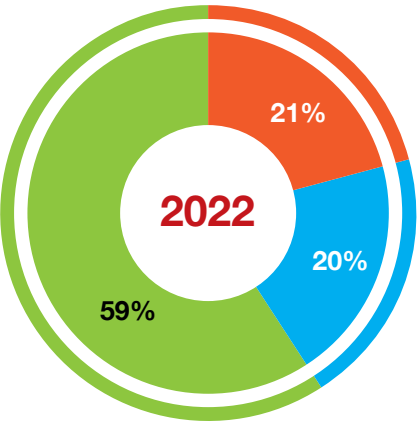


- Total Current Assets
- Total Non - Current Assets

- 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	3%
Short-term investments	0%
Ijarah rentals receivable	11%
Operation and maintenance income receivable	0%
Advances, deposits, prepayments and other receivable	8%
Spare parts	3%
Current portion of net investment in Ijarah finance	0%

#### Non-current assets

Net investment in Ijarah finance	0%
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	71%
Capital work-in-progress	1%

### LIABILITIES

#### Current liabilities

Creditors, accrued and other liabilities	14%
Bai Muajjal - unsecured	0%
Payable to the Modaraba Management Company	0%
Current portion of Long term borrowings	1%
Current portion of Diminishing Musharakah financing payable	5%
Current portion of liabilities against right of use assets	0%
Current portion of other long term liabilities	0%
Contract liabilities	1%
Current portion of security deposits	0%

#### Non-current liabilities

Diminishing Musharakah financing payable	7%
Long term borrowings	0%
Deferred liabilities	2%
Other long-term employee benefits	0%
Liabilities against right of use assets	0%
Other long term liabilities	0%
Deferred tax liability	10%
Security deposits	0%

### FINANCED BY : CAPITAL AND RESERVES

Issued, subscribed and paid-up certificate capital	26%
Premium on issue of right certificates	15%
Statutory (mandatory) reserve	23%
Unappropriated profit	-6%

### PROFIT AND LOSS ACCOUNT

Ijarah rentals	95%
Operation and maintenance income	3%
Profit on Ijarah finance	0%
Other income	2%
Gross Revenue	100%

Operating expenses	71%
Administrative and distribution expenses	7%
Provision against potential Ijarah losses and operation and maintenance income	3%
Finance costs	3%
Provincial Workers' welfare fund	0%

#### Total Expenses

Modaraba Management Company's remuneration	0%
Sindh Sales Tax on Management Company's remuneration	0%
Taxaion	8%

#### Profit Margin

	2022	2021	2020	2019	2018	2017
(Rupees '000)						
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	3%	1%	1%	1%	1%	4%
Short-term investments	0%	0%	0%	0%	0%	0%
Ijarah rentals receivable	11%	14%	13%	14%	15%	12%
Operation and maintenance income receivable	0%	0%	0%	0%	0%	0%
Advances, deposits, prepayments and other receivable	8%	9%	10%	8%	6%	3%
Spare parts	3%	2%	2%	2%	1%	1%
Current portion of net investment in Ijarah finance	0%	0%	0%	0%	0%	0%
	26%	27%	26%	25%	23%	20%
<b>Non-current assets</b>						
Net investment in Ijarah finance	0%	0%	0%	0%	0%	0%
Long-term security deposits	0%	0%	0%	0%	0%	0%
Diminishing Musharakah financing - secured	0%	0%	0%	0%	0%	0%
Fixed assets in own use - tangible	2%	2%	2%	2%	1%	1%
Intangible assets in own use	0%	0%	0%	0%	0%	0%
Ijarah assets	71%	71%	71%	73%	75%	72%
Capital work-in-progress	1%	0%	1%	1%	1%	6%
	74%	73%	74%	75%	77%	80%
	100%	100%	100%	100%	100%	100%
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Creditors, accrued and other liabilities	14%	9%	13%	9%	7%	7%
Bai Muajjal - unsecured	0%	0%	0%	0%	0%	1%
Payable to the Modaraba Management Company	0%	0%	0%	0%	0%	0%
Current portion of Long term borrowings	1%	2%	1%	0%	0%	0%
Current portion of Diminishing Musharakah financing payable	5%	8%	4%	12%	11%	10%
Current portion of liabilities against right of use assets	0%	0%	0%	0%	0%	0%
Current portion of other long term liabilities	0%	1%	0%	0%	0%	0%
Contract liabilities	1%	1%	0%	0%	0%	0%
Current portion of security deposits	0%	0%	0%	1%	1%	0%
	21%	20%	18%	22%	19%	18%
<b>Non-current liabilities</b>						
Diminishing Musharakah financing payable	7%	9%	16%	16%	23%	24%
Long term borrowings	0%	1%	1%	0%	0%	0%
Deferred liabilities	2%	1%	1%	1%	1%	1%
Other long-term employee benefits	0%	0%	0%	0%	0%	0%
Liabilities against right of use assets	0%	0%	1%	0%	0%	0%
Other long term liabilities	0%	0%	0%	0%	0%	0%
Deferred tax liability	10%	0%	0%	0%	0%	0%
Security deposits	0%	0%	0%	0%	1%	1%
	20%	12%	20%	17%	24%	26%
<b>FINANCED BY : CAPITAL AND RESERVES</b>						
Issued, subscribed and paid-up certificate capital	26%	26%	25%	25%	22%	21%
Premium on issue of right certificates	15%	15%	15%	14%	14%	14%
Statutory (mandatory) reserve	23%	23%	20%	18%	18%	17%
Unappropriated profit	-6%	3%	2%	3%	3%	4%
	59%	68%	62%	60%	57%	56%
	100%	100%	100%	100%	100%	100%
<b>PROFIT AND LOSS ACCOUNT</b>						
Ijarah rentals	95%	94%	95%	94%	96%	95%
Operation and maintenance income	3%	4%	4%	3%	3%	4%
Profit on Ijarah finance	0%	0%	0%	0%	0%	0%
Other income	2%	3%	1%	3%	0%	1%
Gross Revenue	100%	100%	100%	100%	100%	100%
Operating expenses	71%	75%	74%	74%	74%	72%
Administrative and distribution expenses	7%	7%	7%	6%	6%	6%
Provision against potential Ijarah losses and operation and maintenance income	3%	0%	3%	3%	3%	2%
Finance costs	3%	4%	9%	7%	7%	5%
Provincial Workers' welfare fund	0%	0%	0%	0%	0%	0%
<b>Total Expenses</b>	84%	86%	93%	90%	89%	85%
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%
Taxaion	8%	0%	0%	0%	0%	0%
<b>Profit Margin</b>	8%	14%	7%	10%	11%	15%

# Horizontal Analysis

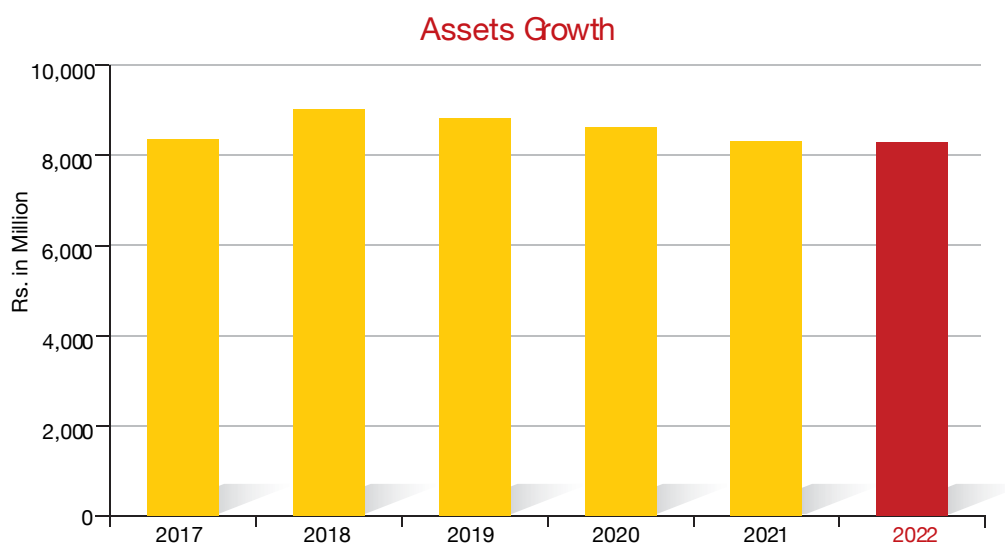
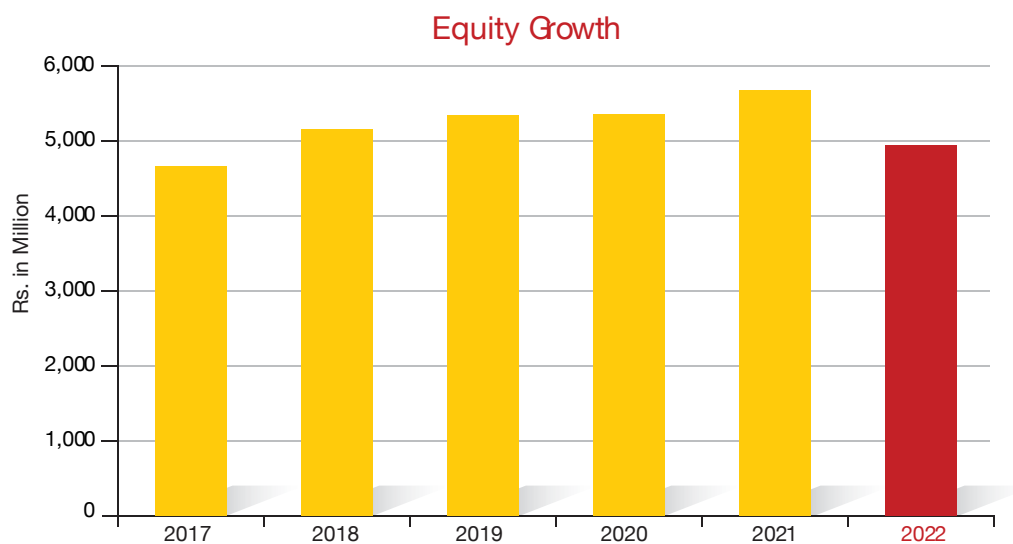
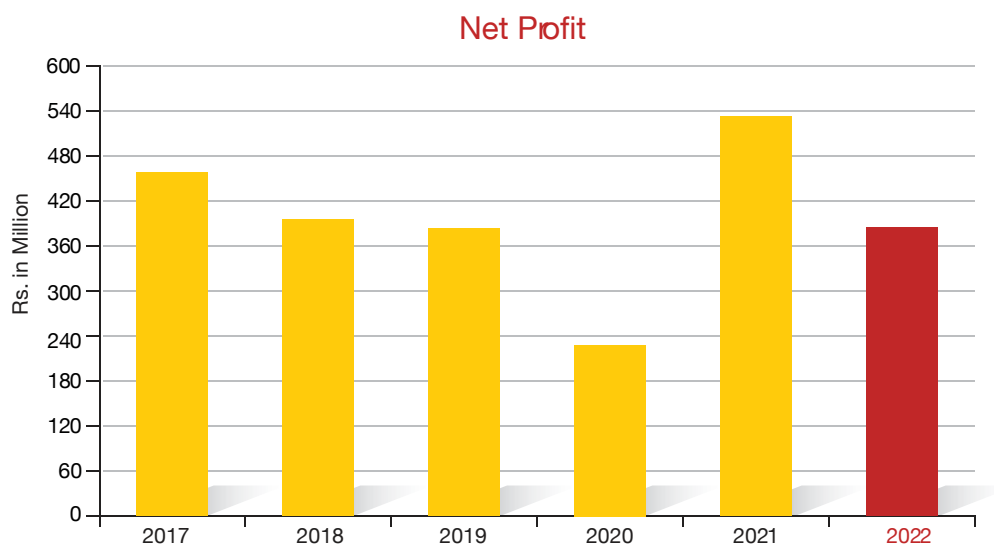
## BALANCE SHEET

	2022	2021	2020	2019	2018	2017
	(Rupees '000)					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	148%	26%	83%	-44%	-70%	436%
Short-term investments	0%	0%	0%	0%	0%	0%
Ijarah rentals receivable	-19%	6%	-11%	-7%	35%	36%
Operation and maintenance income receivable	-20%	-28%	35%	-5%	-1%	1%
Advances, deposits, prepayments and other receivable	-15%	-11%	13%	35%	101%	66%
Spare parts	72%	-17%	44%	30%	44%	10%
Current portion of net investment in Ijarah finance	0%	0%	0%	0%	0%	0%
	-2%	-2%	3%	4%	26%	60%
<b>Non-current assets</b>						
Net investment in Ijarah finance	0%	0%	0%	0%	0%	0%
Long-term security deposits	0%	0%	0%	0%	0%	-100%
Diminishing Musharakah financing - secured	0%	0%	0%	-100%	-86%	100%
Fixed assets in own use - tangible	-7%	-1%	48%	7%	25%	17%
Intangible assets in own use	-44%	-48%	-53%	-31%	-18%	62%
Ijarah assets	0%	-4%	-5%	-4%	11%	6%
Capital work-in-progress	902%	-87%	-24%	4%	-87%	58%
	1%	-4%	-4%	-4%	4%	8%
	0%	-4%	-2%	-2%	8%	16%
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Creditors, accrued and other liabilities	59%	-35%	32%	31%	6%	-16%
Bai Muajjal -secured	0%	0%	0%	0%	-100%	0%
Payable to the Modaraba Management Company	-2%	-5%	-53%	98%	-12%	15%
Current portion of Long term borrowings	-43%	137%	100%	0%	0%	0%
Current portion of Diminishing Musharakah financing payable	-35%	74%	-65%	3%	27%	1%
Current portion of liabilities against right of use assets	18%	-21%	100%	0%	0%	0%
Current portion of other long term liabilities	-76%	100%	0%	0%	0%	0%
Contract liabilities	-4%	100%	0%	0%	0%	0%
Current portion of security deposits	0%	-100%	-74%	68%	65%	43%
	5%	5%	-20%	16%	11%	-6%
<b>Non-current liabilities</b>						
Diminishing Musharakah financing payable	-24%	-49%	2%	-32%	0%	84%
Long term borrowings	-100%	-5%	0%	0%	0%	0%
Deferred liabilities	22%	14%	14%	21%	33%	33%
Other long-term employee benefits	15%	-16%	7%	43%	17%	120%
Liabilities against right of use assets	-19%	-29%	100%	0%	0%	0%
Other long term liabilities	147%	100%	0%	0%	0%	0%
Deferred tax liability	100%					
Security deposits	0%	-100%	-12%	-53%	0%	43%
	65%	-42%	12%	-31%	1%	81%
<b>FINANCED BY : CAPITAL AND RESERVES</b>						
Issued, subscribed and paid-up certificate capital	0%	0%	0%	10%	14%	0%
Premium on issue of right certificates	0%	0%	0%	0%	11%	0%
Statutory (mandatory) reserve	0%	16%	4%	-3%	14%	14%
Unappropriated profit	-281%	23%	-20%	13%	-24%	45%
	-13%	6%	0%	4%	11%	6%
	0%	-4%	-2%	-2%	8%	16%
<b>PROFIT AND LOSS ACCOUNT</b>						
Ijarah rentals	21%	8%	-11%	3%	19%	16%
Operation and maintenance income	10%	4%	4%	4%	6%	13%
Profit on Ijarah finance	0%	0%	0%	0%	0%	0%
Other income	-22%	269%	-73%	665%	-64%	203%
Gross Revenue	19%	10%	-12%	6%	18%	17%
Operating expenses	13%	12%	-12%	5%	21%	9%
Administrative and distribution expenses	21%	3%	5%	14%	17%	26%
Provision against potential Ijarah losses and operation and maintenance income	-1179%	-113%	-6%	10%	49%	226%
Finance costs	-20%	-46%	4%	17%	46%	20%
Provincial Workers' welfare fund	21%	-36%	100%	0%	0%	-100%
<b>Total Expenses</b>	16%	2%	-9%	7%	23%	12%
Modaraba Management Company's remuneration	0%	0%	0%	0%	0%	13%
Sindh Sales Tax on Management Company's remuneration	0%	0%	0%	0%	0%	-100%
Taxation	100%	0%	0%	0%	0%	0%
<b>Profit Margin</b>	-28%	134%	-41%	-3%	-14%	56%



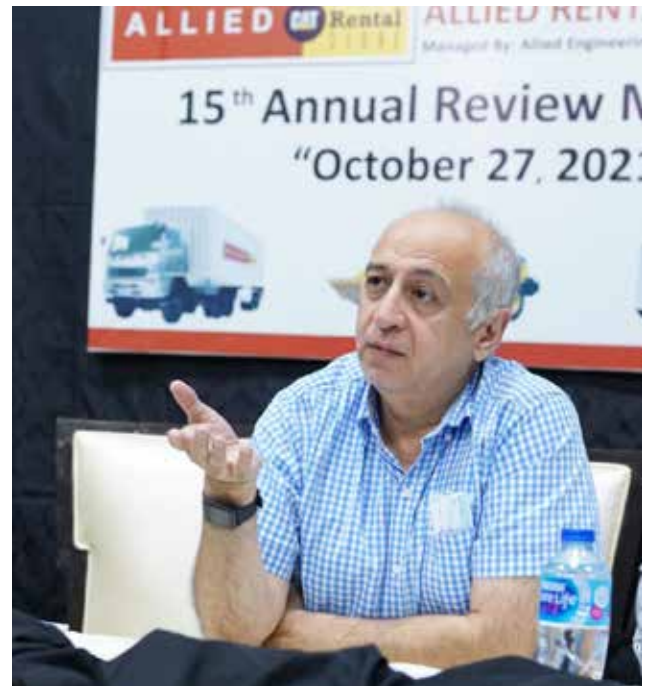


# Financial Summary at a Glance





# Annual Review Meeting 2021



# Notice of Annual Review Meeting

Notice is hereby given that the 16th Annual Review Meeting of the Certificate Holders will be held on Thursday, October 27, 2022 at 03:00 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, 2022.

The Certificate Holders whose names appear on the Register of Certificate Holders of Allied Rental Modaraba as on October 20, 2022 will be eligible to attend the Annual Review Meeting.

By order of the Board

**Muzzammil Tariq**  
Company Secretary

September 12, 2022  
Karachi.

**Note:**

1. The Certificate Transfer Book will remain closed from October 21, 2022 to October 27, 2022 (both days inclusive) for the purpose of attending Annual Review Meeting. All transfer received in order up to close of business on October 20, 2022 at our Registrar's office M/s JWAFFS 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, 2022

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 (Pvt.) Ltd. for the year ended June 30, 2022 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas.

## I 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 and the rectification of some issues, 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.

وصلّى الله على نبينا محمد وبارك وسلّم



**Irshad Ahmad Aijaz**

Shari'ah Advisor

Dated: September 06, 2022





# Chairmans' Review Report

For the year ended June 30, 2022

I am pleased to present the Annual Report for the year 2022.

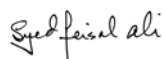
There are significant macro-economic challenges facing the Industrial sector of the country. High Inflation, continued depreciation of the Rupee and high incidence of taxation are few of the major factors affecting the business. Costs are continuously rising and to pass on the element to customers under these circumstance is extremely challenging, where the businesses of our customers are under severe pressure of continuity and sustainability. Being highly Capital and Labour intensive business, both cost of new capital investment / induction and continuously rising costs of doing business has become a major impediment of sustainable growth for the future.

Despite the significant macro-economic challenges facing the economy, the Modaraba performed well with Net Sales of Rs 4.5 Billion increased by 37% as compared to last year, and Profit before tax of Rs 729 million as compared to Rs 532 Million of last year. After accounting for Current Income Tax of Rs 261 Million and Deferred tax of Rs 82 Million, the after tax profits closed at Rs 385 Million. Better price realization, increased deployments for all segments of Rental assets, overall reduction in financial liabilities contributed together for the significant contribution of the healthy bottom line. New Capital Investments during the year are recorded at Rs 721 Million, 66% financed from own funds. Our Rental Asset base now stands at Net Book Value of Rs 6 Billion of > 1,500 Assets, making us the largest company with diversified asset base of Generators, Cranes, Construction Equipment, Forklifts and trucks.

Due to withdrawal of the Tax Exemption on Modarabas with effect from July 1, 2021, as announced earlier the Management decided to restructure its current legal structure of the Modaraba and separate the existing businesses with all its assets and liabilities, including all contingent liabilities into two separate Private Limited Companies, one for the Rental Business of all Machines and Equipment and another for the Logistics business. The Net Assets of Rental and Logistics business as disclosed in Note 42.1 to the Accounts stands at Rs 3,643 Million and Rs 1,293 Million respectively. Accordingly, the Scheme of Arrangement Under section 279 to 283 and 285 read with section 505(1)(c) of the Companies Act, 2017 was filed with Registrar Modaraba, SECP and Completion Commission of Pakistan (CCP). Both the regulatory authorities along with banks and financial institutions have granted their No Objection Certificate NOC on the proposed Scheme. Modaraba shall soon be filing the petition with Sindh High Court for the approval of the proposed Scheme of Arrangement. In compliance with regulatory and listing requirements all appropriate and relevant disclosures were made during the year on the PSX Board to timely inform our Certificate holders.

During the year, the Board was ably assisted by its various Committees, including Audit, HR and IT Committee. 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, so as not to miss the opportunities that the market presents. Board is aware of the Shariah Compliance Framework and advises the Management to ensure that all transactions are in complete compliance to Shariah rules and principles, as advised by the Shariah advisor.

The future of the business and its continuity and sustainability is highly dependent on the business friendly policies of the Government, including ease of doing business. Presently it is otherwise, with zero focus of our regulatory and fiscal authorities to spur growth and incentivize and promote Corporate business models. Regressive Withholding Tax Regime of 8% on Gross Rental Sales is major impediment of growth for the organized and tax compliant businesses, thereby unfortunately promoting non-compliant players in the market place.



**Syed Feisal Ali**  
Chairman

September 12, 2022

# Directors' Report

For the year ended June 30, 2022

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, 2022.

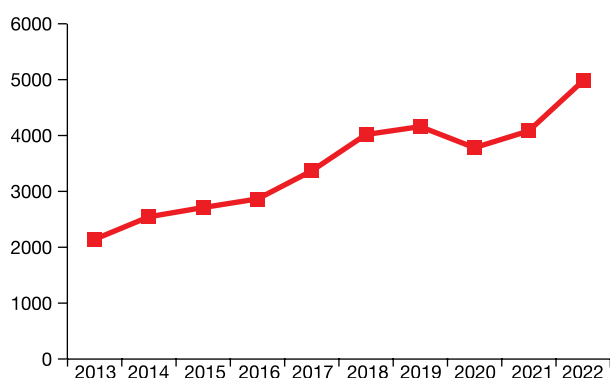
## FINANCIAL HIGHLIGHTS

	2022
	Rs. in '000'
Gross Sales Revenue, inclusive of Provincial Sales Taxes	4,982,304
Net Sales Revenue	4,474,967
Profit before tax for the year	728,506
Less: Income Taxes	343,660
Profit after tax for the year	384,845
Un-appropriated Profit / (Loss) brought forward	(775,935)
Available for Appropriation	(391,371)
Transfer to Statutory Reserve @ 20 % of profit for the year	76,969
Proposed cash dividend @ Nil% (Rs Nil per certificate)	Nil
Un-appropriated profit carried forward	(468,340)
Net profit margin	8.6%
Return on equity	7.84%
Earning per certificate	Rs 1.75
Break-up value per Certificate	Rs 22.44
Price Quoted on Pakistan Stock Exchange on June 30, 2022	Rs 22.45

## BUSINESS REVIEW

### Revenue Analysis

Modaraba's Gross Sales Revenue, inclusive of Provincial Services Sales Tax recorded significant growth of 22% and was recorded at Rs 4,982 Million as against Rs. 4,083 Million of last year. Growth of revenue for last 10 years can be seen in the below chart.



Profit for the year, before taxes, went up from Rs. 729 Million as compared to Rs. 532 Million of previous year, increase by Rs. 197 Million [37%]. Being the first year of the Modaraba under the taxation regime, the Taxes for the year, including Deferred taxes are recorded at Rs 344 Million. The profit for the year after taxes are Rs 385 Million.

Sales from our Power Rental Segment contributed Rs. 2 Billion as compared to last year of Rs. 1.5 Billion. All segments of the power rental outperformed their benchmark and targets set for the year. The large MW units rental requirements remain all around the year, due to weak Grid, unavailability of Gas to captive power units and overall increase in demand. Better price realization also contributed to better profitability on MW segment. < 1000 KVA range of diesel units also contributed to the increase in revenue due to better deployment and increase in prices

to pass on the cost push element. Deployment were seen all across different sectors of the economy, from Textiles to Cement and Housing Societies to all industrial and commercial segment. Deployment on the Construction project sites gives us an edge vis-à-vis our competitors in offering complete range of products, from Construction Equipment, Machines, Cranes and Concreting Equipment. All our long-term contracts concluded with satisfactory payments made by our customers. Gas Rental units also witnessed increase in revenue, despite the major issue of availability of Gas to captive power units.

For Diesel Power Rental business, we have ordered some new units to replace our old fleet. We feel that our present fleet size is able to meet the current market demand, keeping the long term view of the economy in perspective.

Rental sales of our Inbound Logistics segment continued with its robust performance during the year with sales for the year increasing by 24%. 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. It is pertinent to note that this job requires specialized skills and experience especially with respect to health and safety of our employees, equipment and customers' stock and premises so as to provide accident-free service to our customers. Apart from addition of new customers, our strategy for growth in this segment is to induct new fuel-efficient units and electric forklifts to offer new technologies to our customers.

Outbound Logistics segment maintained its business levels and once again crossed Rs. 1 Billion mark. We are working with almost all the blue chip companies in the FMCG sector; Nestle, Engro, Dalda, Northern Beverages and Oil and Gas Company, Schlumberger and counting, and our strong focus and commitment to HSE guidelines; industry sees us as reliable vendor for their outbound logistics. The main challenges of this business are:



- Competitive pricing from unorganized sector;
- Non-implementation of Axle Load Compliance Regime by the Government resulting in the menace of Overloading leading to destruction of nationwide road networks; and
- Shortage of skilled and reliable manpower.

Though operationally very challenging, but we also foresee strong growth prospects in this segment with specific reference to development of Pakistan as the transit hub of the region and corridor for the movement of Chinese cargoes under CPEC. In this respect, all the Transport Associations are working with the Government on the Implementation of the Axle Load Regime (ALR), pending since last 20 years despite NHSO law, to prepare the country's Logistics sector for future business and its challenges. The implementation of ALR will not only reduce the menace of overloading but will also result in better price realization and effective Vehicle Maintenance and Management practices.

The effects of COVID-19 closures of Construction sites are now over and CAT Machines and SANY Cranes rental segment recovered with Sales for the year at Rs. 700 million. Very challenging business again due to market dominated by unorganized sector with extremely low quality product and lack of skilled workforce. Our Competitive edge is the availability of new CAT and SANY branded Machines with focus on trained and skilled work force, and compliance with HSE guidelines. Major deployment and projects during the year are Bhasha Dam, Jaglot - Skardu Road, Thar Coal, Jamshoro Power Plant and Gwadar International Airport.

The major challenge of Machine Rental business is the payment cycle of the contractor. Payment by contractor is dependent on the recovery of his bills from the Government. Project delays are routine here, except for CPEC projects where we see timely clearance of Receivables. Though now our major concentration of these units deployment is mainly with FWO and other Chinese contractors, however, timely payment of receivables still remains a major challenge.

### Operating Expenses

Operating Expenses increased by 13.8% during the year to Rs. 3,235 Million as compared to Rs. 2,843 Million of the previous year, the increase is in line with the increase in revenue. Salaries and wages went up from Rs. 899 Million to Rs. 1,075 Million, due to increased deployment of the units, increase in minimum wage as per Government directive and wage increase to cover the element of inflation and cost of living. Repairs and Maintenance went up from Rs 361 Million to Rs. 532 Million due to higher deployment and Rupee depreciation and its impact on Consumables, Tyres, Spare Parts and Lube cost. Fuel Cost went up from Rs. 394 Million to Rs. 514 Million due to rise in the price of Fuel. Depreciation for the period is recorded at Rs 335 Million. In addition the Management recognized the impairment of Rs 116 Million on its Gas Engine Units due to Management views of stagnation of its demand due to high price of LNG and availability of Gas to captive power units. However, despite these increases, the Gross Margin percentage increased from 23.5% in the

previous year to 27.7% in the current year, to close at Rs. 1,240 Million.



Operating Salaries and Wages increased by Rs. 177 Million at the rate 20% from Rs. 899 Million in previous year to Rs. 1,077 Million in the current year which is in line with the increase in Revenue. Due to inflationary pressures and cost of essential items price increases, especially food, the wage levels were increased to adequately compensate our large Operators and Drivers segment of the business, comprising of 90% of our workforce. Pakistan ranks at 161/192 countries on Human Development Index (HDI) with overall quality of manpower being below par and is a major challenge for the profitable development of Rental Asset Growth.

Major Investment by the Government is required to improve our Human Resource development to bring them at par, atleast with our regional neighbours.

Takaful / Insurance charge closed at Rs. 44 million during the year from Rs. 42 million in the previous year.

### Administrative and Selling Expenses

Administrative and Selling Expenses went up by 13% to Rs. 308 Million as compared to Rs. 273 Million in the preceding year. Major increase is witness in Salaries and wages which went up by Rs. 28 Million. 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 also increased by Rs. 8 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 is now in its 7th year of new IT system “Microsoft AX and Sycor Rental” to cater for multiple business units and segments requirements.

### Finance Cost

With overall reduction of our borrowing levels, mark up costs for the year went down to Rs. 131 Million as compared to last year's charge of Rs. 163 Million, adding Rs. 32 million to the profits.



### Other Income

Profits on Savings account and proceeds from disposal of scrap generated other income of Rs. 7 Million and Rs. 39 Million respectively. Disposal of old units resulted in Loss of Rs. 11 Million as compared to gain of Rs. 24 Million in the preceding year. During the year Modaraba was able to recover Old Receivables worth of Rs. 40 Million which were earlier written off in the books of accounts.

### Provision against Rental Receivables

During the year, Rs 32 Million receivables were written off. Pakistan is facing severe economic challenges and its affects are seen all across the sectors of economy. Inflation at its all-time high levels, continued devaluation of the Rupee, pressure on our Foreign Exchange front are the key ails of the present economic situation. Accordingly, based on our discussion with auditors and IFRS 9 standards, additional provision of Rs 132 Million for the year was booked in the accounts.

### COVID-19 AND ITS IMPACTS ON THE BUSINESS

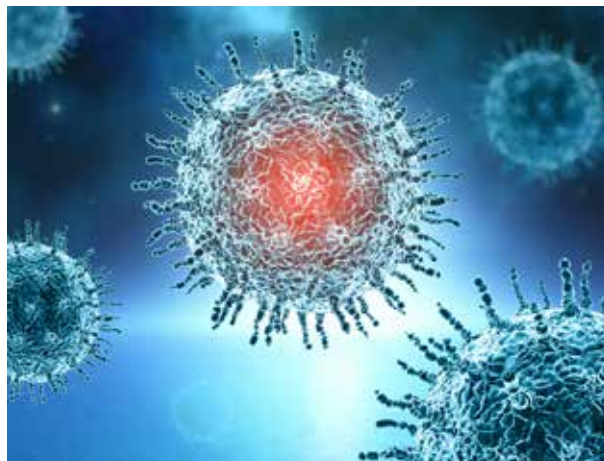
Coronavirus (COVID-19) - classified as Pandemic by the World Health Organization on 11 March 2020, hit the world impacting countries globally including Pakistan. The COVID-19 pandemic is constantly testing grit of the globe and our economies. ARM's continuous focus on and implementation of strict COVID-19 SOPs allowed the operations to run in smooth manner.

During the recent waves of COVID-19, overall infection levels in Pakistan remained under control. Government through various fiscal and monetary measures tried to relieve the industries in tough times. At ARM three major challenges we are facing during COVID-19 are:

1. Sourcing of Parts and spares for our machines amidst disruption in supply chain activities all across the Globe

2. Management of approx. 3000+ permanent and Contractual staff disbursed all across Pakistan on our rental sites.
3. Guaranteeing timely outbound and inbound logistics to ensure consistent supplies to customers

Except for some marginal / temporary loss of Sales and Collections during the COVID-19 period last year, we did not see any significant future impact on our business. For long term / BOT deployments, fixed rentals were charged and duly paid by our customers during the period of lockdown. Furthermore, the management has made assessment of future profitability projection and as per the projections, we feel that the current business profile of the Modaraba will ensure continuation of its profitability in future years.



### TAXATION AND LEGAL MATTERS

Through Second Amendment Ordinance promulgated by the Honorable President of Pakistan on March 22, 2021, later on ratified through Finance Act 2021, the Income Tax exemption available to Modaraba under Clause 100 of the Second Schedule of the Income Tax Ordinance, 2001 was revoked with effect from July 1, 2021.

As the Income tax exemption available to Modaraba has been withdrawn, a tax charge of Rs. 344 Million have been booked in the Profit and loss account. This includes Rs 261 Million as Current Tax for the year and Rs 82 Million for deferred tax liability arising due to timing differences. During the year Withholding Tax of Rs. 201 Million was deducted by our customers. The net amount now receivable from Tax Authorities now stands at Rs. 388 Million as at June 30, 2022.



In addition the 2020-21 figures were restated and a provision of Rs 783 Million for net deferred tax liability was booked in the accounts.

Further, Modaraba is under litigation with various Appellate authorities in different legal and taxation matters, the details of these cases are reported in note 25 to the Financial Statements.

Due to withdrawal of the Tax Exemption on Modarabas from July 1, 2021, the Board in its meeting held on September 7, 2021 re-analyzed the strategy of continuing to operate the business under the legal structure of a Modaraba. It was discussed at the Board Meeting and the Board advised the Management to explore the opportunities of conversion of the Modaraba to two Private Limited entities to reduce the burden of regulatory compliance and accordingly reduce the cost of doing business. Accordingly, the following public disclosure was made on the Pakistan Stock Exchange (PSX):

*“Due to withdrawal of the Tax Exemption on Modarabas in the Federal Fiscal Year Budget 2021-22, the Board of Directors of the Management Company of the Modaraba has proposed to restructure its current legal structure and separate the existing businesses with all its assets and liabilities, including all contingent liabilities into two separate Private Limited Companies.*

*It is proposed that the Logistics business of the Modaraba with all its existing Fixed Assets and Staff and Financial Liabilities will be transferred to Allied Transport & Logistics (Private) Limited and all other remaining Assets and Liabilities including all contingent liabilities will be merged with the Allied Engineering Management Company (Private) Limited, after surrendering the license of the Management Company to Registrar Modarabas - SECP and conversion of Management Company to a Private Limited Company. The Management Company of the Allied Rental Modaraba namely Allied Engineering and Management Company (Private) Limited will be renamed for this purpose.*

*The above proposed scheme is subject to the approval of Registrar Modarabas, SECP, Sindh High Court and other relevant authorities as per Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Companies Act, 2017 and other laws for the time being in force. ”*

During the year the draft scheme of arrangement was finalized and submitted to the SECP - Registrar Modarabas for its approval. The SECP vide a letter no. SC/M/PRDD/Allied/2022-RS 49 / 134 dated June 23, 2022 has issued a no objection certificate (NOC) on the scheme of arrangement subject to the fulfilment of following conditions:

- The modaraba shall determine a buy-back price in consultation with the PSX to buy shares from the dissenting certificate holders which shall not be lower than the 12 months' average daily price reported by PSX preceding to the date of the board meeting for approval of swap ratio and scheme and the book value per certificate as per the audited accounts as at December 31, 2021; and
- No objection certificate(s) shall be obtained from all the creditors before making a petition to the Court and certified true copies shall be submitted to the Registrar Modaraba

The Draft Scheme was also approved by Competition Commission of Pakistan – CCP on July 29, 2022.

NOCs from the creditors (banks/financial institutions) have been obtained. New Swap Ratio will be worked out based on June 30, 2022 accounts and upon completion of the all the necessary paperwork, we expect to file the petition with the Sindh High Court for approval of the scheme of arrangement during the month of October 2022. The Modaraba management company expects to get approval from the Sindh High Court, the Certificate Holders, and the other relevant authorities before December 31, 2022. The effective date of the Scheme to be submitted to the SHC is July 1, 2022.

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

More than 95% certificates of the Modaraba are held by the associated and the group companies by virtue of which this transaction will be considered as a transaction under common control and will be accounted for under predecessor method of accounting in accordance with the requirements of 'Accounting for Common Control Transactions' standard (which specifies the accounting for common control transactions) issued by the SECP. Currently, there is no potential impact that requires adjustment to the carrying values and classification of assets and liabilities in the books of the Modaraba as at the reporting date. The assets and liabilities will be transferred to the new entities at its carrying values reported in June 30, 2022 audited financial statements.

#### **Future Strategy**

Power Rental Business of the Modaraba is still the largest segment of the Modaraba with share in the revenue of 45% to the overall Sales Revenue of the Modaraba. The Modaraba shall continue to follow its replacement cycle of power rental fleet, depending on the disposal of its used units. The fuel efficiency and better reliability



of the new replaced units gives competitive edge to the Modaraba and generates premium on its price offering to its customers.

The deployment of construction machines and equipment has recovered from the initial impacts of COVID-19 site closures. Segment will evaluate profitable opportunities of new investment in the fleet depending on the demands from DAM Construction sites vis-à-vis low pricing / low quality investor cum operator sector competition 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.

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 NHSO 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 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 under the Transit Hub / CPEC corridor and the business unit is fully aware of the significant opportunities on this front. We see profitable growth prospects on this segment as our knowledge base of this segment improves.

## DIVIDEND

As the Tax Exemption stands withdrawn, the Management decided not to declare dividends for the year.

However, the non declaration of dividend for the year has no impact on the return of investment to the present Certificate holders for the following reason.

As the Modaraba is going through the Reconstruction Scheme of conversion of the Modaraba into two private limited entities, the scheme envisage buying back of the Certificates from minority certificate holders by the Sponsors and Principal shareholders. Accordingly, as per the directives issued by SECP, the buying price is determined either at the 12 months' average daily price reported by PSX preceding to the date of the board meeting for approval of swap ratio and scheme or the book value per certificate as per the audited accounts, whichever ever is higher.

Accordingly, the buy back price works out at Rs 22.44 the Break Up Value of the Certificate as at June 30, 2022. If any dividend for the year had been declared, the buy back price would have proportionately reduced with additional 15% incidence of Tax on Dividends.

## 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 over Rs. 13 Billion, the management decided in 2016 to invest in its IT infrastructure and selected the ERP solution of Microsoft AX Dynamics with an integrated add on German based computer software 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.

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, Management and ERP team remained focused on the project and following milestones were achieved including:

### Enhancement of Trip Management System

Entire Fleet Management is done via TMS System which has been locally developed by our IT team 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. During the year numerous financial reports, comparison of financial and operational data and analytical reports were added in the system to monitor performance vs KPIs and set corrective actions in place as quickly as possible.

### Microsoft Power BI

Power BI Project was started last year with a target kept in mind to enhance our reporting structure and drilling deep down in our datasets. Main Idea was to focus on our segment trends and operational reporting.

#### Key Benefits of using Power BI

##### Integrates seamlessly with existing applications:

Power BI integrates easily with your existing business environment allowing us to adopt analytics and reporting capabilities.

##### Rich personalized dashboards:

The crowning feature of Power BI is the information dashboards, which can be customized to meet the exact need of any enterprise. We can easily embed the dashboards and BI reports in the applications to provide a unified user experience.

Publish reports securely:

The tool helps you to setup automatic data refresh and publish reports allowing all the users to avail the latest information.

##### No specialized technical support required:

Power BI provides agile inquiry and analysis without the need for specialized technical support. It supports a powerful natural language interface and the use of intuitive graphical designer tools.

##### Extracting business intelligence rapidly and accurately:

It helps in transforming our enterprise data into rich visuals, thus extracting business intelligence for enhanced decision making.

During the year, a charge of Rs 0.45 Million was made in the year for the amortization of IT costs incurred.

### FUTURE OUTLOOK

On the business front, due to focused and targeted marketing campaigns resulting in better outreach to our customers, diversification of customer and business segments, better treasury management, the Modaraba was able to present stellar performance and closed at approx. Rs. 5 Billion Sales and Rs. 729 Million Pre Tax Profits. We expect this Sales and Profitability trend to continue in the coming years. However, with the withdrawal of the Tax Exemption on Modarabas and regressive Withholding Tax Regime of 8% WHT on Rental Services, 8% on O&M Services and 3% on transportation services the overall profitability after tax on the rental business will remain under pressure.

Rental of Assets is extremely Capital-Intensive businesses and provides services to the Industries and all construction projects. Rental Service providers are actively engaged in major projects of Strategic nature by rendering services

to major infra structure projects such as Construction activities of Bhasha Dam, Mohmand Dam, Dasu Dam, Gwadar International Airport Project, Karachi - Hyderabad Motorway (M-9), Jaglot-Skardu Road (Gilgit - Baltistan), Thar Coal Power Project and many other such projects. The sector is not only supporting major projects of National interest but also generating employment for thousands of people and building valuable human capital through continuous investment in development and training.

The 8% withholding tax rate is highly regressive and works out to a net taxable profit margin of 32%, as per following chart:

Description		Withholding @ 8%	Withholding @ 3%
Sales	A	100	100
Sales tax	B	16	16
Total Sales	C=A+B	116	116
Withholding Tax	D = C × W/H Rate	9.28	3.48
Corporate tax rate	E	29%	29%
Taxable Net Profit Margin	F = D / E	32%	12%

Based on published statistics of our financial results, the last 5 years average Net Profit Margin works out to 10%, ranging from highs of 14.32% to lows 6.63% per annum and even achieving these margins in current macroeconomic environment is very challenging. This amply demonstrates that the WHT of % is highly regressive, discriminatory and tantamount of closure of this both Capital and Labor Intensive business, providing essential rental services to all industries and upcoming Power and Infrastructure projects in Pakistan.

Capital intensive businesses such as Rental Assets, either in Pakistan or in any part of the world, cannot generate 32% Net Taxable Profit. This is extremely regressive and tantamount to closer of such businesses in Pakistan. In the Finance Bill 2021, Oilfield Services, Warehousing Services, Logistics Services, Collateral Management Services and Telecommunication Services are classified under reduced rate of 3%.

Two similar nature of services, namely rent a car and transportation services are already included in the sixteen other services @ 3% Withholding tax rate. Rental of Machinery / asset is similar to these two services and it is discriminatory to levy WHT at extremely higher rate of 8%.



In this connection, we made presentations on Federal budget 2021-22 and 2022-23 to Senate Standing Committee and Anomaly Committee set up by FBR. All endorsed our contention for the reduction of WHT rates to FBR. Unfortunately, recommendations of these august bodies didn't find any positive response from FBR for unknown reasons. We believe that reducing the withholding tax rate of rental of Machinery is essential for the survival and growth of the Modaraba business / Rental business to sustain.

Mark up rates are continuously rising due to higher inflation and SBP is continuously revising the rates upwardly. The Mark up rates will significantly affect the profitability of the Modaraba as we see our financial charges to rise in coming years due to induction of Capital Equipment. In addition, the devaluation of Pak Rupee is a major challenge that will continuously increase the cost of parts and consumables and induction of Capital Assets. To pass on this increase in costs to the customers, in these extremely difficult times facing the economy, will be a major challenge of the business.

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. 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. 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.

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 220 Million population, we see our country as big market for all sorts of investment, whether industrial investment for rising Power Generation demand, investment in the logistics sector by partnering with leading FMCG brands or movement of cargo on CPEC front or investment in earth moving equipment and machine segment for dam/ infrastructure development projects.

The Management is positive of the rental industry potential, CPEC development and tremendous opportunities generated from the various Strategic Projects Initiated by Government especially DIAMER BHASHA DAM Project, 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 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' values, 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 develop and implement good Corporate Governance as 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

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.

#### 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 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:

Category	Name
Independent Female Director	Mrs. Saira Nasir
Independent Director	Mr. Abdul Rahim Suriya
Executive Director [CEO]	Mr. Murtaza Ahmed Ali
Non-Executive Directors (representing Allied Group of Companies)	Syed Feisal Ali [Chairman] Mr. Khwaja Ahad Rahman Mr. Ali Akbar Mr. Hassan Shehzad Abidi

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.

Mrs. Saira Nasir, as an Independent Female Director on the Board is a certified director and fellow member of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Corporate Secretaries of Pakistan. She has over 30 years of experience in Accounting, Auditing, Finance and Corporate Governance.

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.

Five 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
Syed Feisal Ali	5
Mr. Murtaza Ahmed Ali	5
Mr. Khwaja Ahad Rahman	4
Mr. Ali Akbar	5
Mr. Abdul Rahim Suriya	5
Mr. Hassan Shahzad Abidi	5
Mrs. Saira Nasir	5

#### 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.

#### 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, except the matter discussed in emphasis of matter paragraph in auditor's report regarding restructuring of Modaraba whereby the existing business of the Modaraba along with all assets and liabilities (including contingent liabilities) will be transferred on a going concern basis to two separate legal entities.
- 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, 2022 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 financial statements of the fund as at December 31, 2021 Rs. 271,372,612 (2020: Rs. 199,659,292)
- The pattern of holding of certificates by the certificate-holders is included in this annual report. Post year end June 30, 2022, the sponsor company Allied Engineering & Services (Private) Limited purchased 1,786,350 certificates from open market, the said transactions were duly reported to PSX.
- 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.
  - a sound organizational plan of the Company,
  - an effective employee development program and;
  - 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:

**1. Mr. Abdul Rahim Suriya** - Chairman

**2. Syed Feisal Ali**

**3. 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 appointment of the Messrs. A.F. Ferguson & Co. Chartered Accountants as auditors for the year ending June 30, 2023 at a remuneration to be mutually agreed, subject to the approval of Registrar of Modaraba Companies & Modarabas.



**Murtaza Ahmed Ali**  
Chief Executive

Date: September 12, 2022

#### 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 Shariah' Audit Report issued for the affairs of the Modaraba for the year ended June 30, 2022 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 Registrar Modarabas, officials at SECP and SBP 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.



**Ali Akbar**  
Director

# Certificate Holding Pattern

As at June 30, 2022

Categories of Certificate Holders	Number	Certificates Held	Percentage
<b>Associated Companies</b>			
Allied Engineering & Services (Private) 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%
<b>Directors, CEO &amp; Their Spouses &amp; Minor Children</b>			
Murtaza Ahmed Ali	1	510,629	0.2%
Syed Feisal Ali	1	2,256,650	1%
Ali Akbar	1	82,544	0.0%
Saira Nasir	1	-	0.0%
Hassan Shahzad Abidi	1	7,324	0.0%
Aduld Rahim Suriya	1	46,256	0.0%
Khwaja Ahad Rahman	1	5,973,845	2.7%
		8,877,248	4%
<b>Executives</b>	3	136,844	0.1%
<b>Employee Provident Fund</b>	1	2,192	0.0%
<b>Modaraba</b>	2	58,000	0.0%
<b>Mutual Fund &amp; Others</b>	1	384	0.0%
<b>General Public</b>	394	11,259,394	5%
	411	220,000,000	100%

## Information on Trading in Certificates

Name	Designation	Purchase	Bonus	Sale
Number of Certificates				
Mr. Murtaza Ahmed Ali	Chief Executive Officer	-	-	-
Syed Feisal Ali	Chairman	-	-	-
Mr. Ali Akbar	Non-Executive Director	-	-	-
Mr. Hassan Shahzad Abidi	Non-Executive Director	-	-	-
Mr. Khwaja Ahad Rahman	Non-Executive Director	-	-	-
Mr. A. R. Suriya	Independent Director	-	-	-
Mrs. Saira Nasir	Independent Director	-	-	-
Mr. Muhammad Saad	Chief Financial Officer	-	-	-
Mr. Muzzammil Tariq	Company Secretary	-	-	-
Mr. Abid Altaf	Head of Internal Audit	10,000	-	-

# Combined Pattern of CDC & Physical Shareholdings

As at June 30, 2022

Categories of Share Holders	Number of Share Holders	Shares Held	Percentage
Individuals	403	20,273,272	9.22%
Investment Companies			
Insurance Companies			
Joint Stock Companies	1	384	0.00%
Financial Institutions			
Modaraba Companies	2	58,000	0.02%
Foreign Companies			
Co-Operative Societies			
Associates	3	199,665,938	90.76%
Others	2	2,406	0.00%
<b>Totals</b>	<b>411</b>	<b>220,000,000</b>	<b>100.00%</b>

Number Of Share Holders	Share Holding			Total Shares Held
100	1	-	100	1,437
42	101	-	500	14,943
45	501	-	1,000	36,052
113	1,001	-	5,000	288,797
31	5,001	-	10,000	224,149
16	10,001	-	15,000	196,137
7	15,001	-	20,000	122,678
9	20,001	-	25,000	193,444
7	25,001	-	30,000	194,243
6	30,001	-	35,000	190,165
2	35,001	-	40,000	73,185
4	40,001	-	45,000	170,047
3	45,001	-	50,000	137,403
1	55,001	-	60,000	60,000
2	60,001	-	65,000	126,622
1	65,001	-	70,000	65,662
3	70,001	-	75,000	220,067
2	75,001	-	80,000	156,500
1	80,001	-	85,000	82,544
1	90,001	-	95,000	91,759
1	110,001	-	115,000	111,294
1	125,001	-	130,000	126,795
1	160,001	-	165,000	160,596
1	215,001	-	220,000	219,998
1	350,001	-	355,000	351,758
1	510,001	-	515,000	510,629
1	585,001	-	590,000	586,666
1	670,001	-	675,000	672,801
1	740,001	-	745,000	743,351
1	2,255,001	-	2,260,000	2,256,650
1	3,730,001	-	3,735,000	3,734,868
2	5,970,001	-	5,975,000	11,947,690
1	43,995,001	-	44,000,000	43,999,997
1	151,931,001	-	151,932,000	151,931,073
<b>411</b>				<b>220,000,000</b>





# Credit Rating

**“A-One” Short-Term**

**“A+” Long-Term**









# 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:

- A. determination of appropriate measures to safeguard the Modaraba's assets;
- B. review of quarterly, half-yearly and annual financial statements of the Modaraba, prior to their approval by the Board of Directors.
- C. review of preliminary announcements of results prior to publication;
- D. 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;
- E. review of management letter issued by external auditors and management's response thereto;
- F. ensuring coordination between the internal and external auditors of the Modaraba;
- G. 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.
- H. 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;
- I. consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- J. 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;
- K. review of the Modaraba's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- L. 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
- M. determination of compliance with relevant statutory requirements.
- N. monitoring compliance with these regulations and identification of significant violations thereof;
- O. 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.
- P. 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, 2019

For the Year Ended June 30, 2022

This statement is being presented to comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019, 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 Listed Companies (Code of Corporate Governance) Regulations, 2019 in the following manner:

1. The total number of directors are 7 as per the following:
  - a. Male: 6
  - b. Female: 1
2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Abdul Rahim Suriya
	Mrs. Saira Nasir (Female Director)
Executive Director	Mr. Murtaza Ahmed Ali
Non-Executive Directors	Mr. Khwaja Ahad Rahman
	Syed Feisal Ali
	Mr. Ali Akbar
	Mr. Hassan Shahzad Abidi

Currently, the Modaraba Management Company has two eminent and seasoned independent directors out of total seven directors on the Board. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations, therefore, the appointment of a third independent director is not considered.

3. The directors have confirmed that none of them is serving as director in more than seven listed companies, including the Modaraba Management Company.
4. The Modaraba has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. 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 requirements specified under the Regulations.
10. The board has approved appointment of Chief Financial Officer, 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 Chief Financial Officer, Company Secretary and Head of Internal Audit was made during the year.
11. Chief Financial Officer and Chief Executive Officer 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

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 committees for compliance.

14. The frequency of meetings of the committee were as per following:

- a. Audit Committee – 4 (Four) meetings of the committee, on quarterly basis, were held during the year.
- b. HR and Remuneration Committee – 1 (One) meeting of the committee was held during the year.

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 Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners

are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Modaraba;

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.

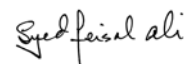
18. We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

On behalf of the Board



**Murtaza Ahmed Ali**  
Chief Executive Officer

September 12, 2022



**Syed Feisal Ali**  
Chairman

# INDEPENDENT AUDITOR'S REVIEW REPORT



A.F.FERGUSON & Co.

## To the Certificate Holders of Allied Rental Modaraba Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Allied Engineering Management Company (Private) Limited, the Management Company of Allied Rental Modaraba (the Modaraba) for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the 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 and the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a 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 Management Company's corporate governance procedures and risks.

The Regulations require the 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. 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.

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 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 June 30, 2022.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**

Dated: September 29, 2022  
UDIN: CR202210061M5AuEkhqV

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*A.F.FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*  
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*  
*Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

■ KARACHI ■ LAHORE ■ ISLAMABAD



# AUDITORS' REPORT TO THE CERTIFICATE HOLDERS



A·F·FERGUSON & CO.

We have audited the annexed statement of financial position of Allied Rental Modaraba (Modaraba) as at June 30, 2022 and the related statement of profit or loss and statement of comprehensive income, statement of changes in equity and cash flow statement 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 who 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 Management 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 Management 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 and statement of profit or loss and statement of comprehensive income 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 agreement with accounting policies consistently applied in 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, statement of profit or loss, statement of comprehensive loss, statement of changes in equity and cash flow statement 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 June 30, 2022 and of the profit and comprehensive income, 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 Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

## Emphasis of matter

- a) We draw attention to note 1.3 to the financial statements which describes the fact that a plan to restructure the current legal structure of the Modaraba has been approved by the Board of Directors of the Management Company and Securities and Exchange Commission of Pakistan (SECP) registrar modarabas whereby the existing



business of the Modaraba along with all assets and liabilities (including contingent liabilities) will be transferred on a going concern basis to two separate legal entities. There is no impact on the carrying values of assets and liabilities appearing in the books of the Modaraba as the management intends to carry out transfer of assets and liabilities at the carrying values as at the date of transfer subject to the approvals of the certificate holders, the High Court of Sindh and other relevant authorities.

- b) We draw attention to note 1.4 to the financial statements which describe a matter relating to distribution made by the Modaraba in respect of the financial year ended June 30, 2021, in excess of the available profits.

Our opinion is not modified in respect of these matters.

#### **Other Matter**

The financial statements of the Modaraba for the year ended June 30, 2021 were audited by another firm of chartered accountants who had expressed a modified opinion via their audit report dated October 6, 2021. The audit opinion was modified for not recording the deferred tax liability in the financial statements of the Modaraba for the year ended June 30, 2021. The Modaraba has now recognised the deferred tax by restating the prior period balances as more fully explained in note 4 to the enclosed financial statements.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**

Dated: September 29, 2022

Engagement Partner: **Noman Abbas Sheikh**

UDIN: AR202210061ThXyvZHwK





# Statement of Financial Position

As at 30 June 2022

	Note	2022	2021
(Rupees)			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Ijarah assets	5	5,946,661,687	5,897,659,183
Fixed assets - in own use	6	190,197,116	190,716,697
Intangible asset	7	570,486	1,026,875
		6,137,429,289	6,089,402,755
<b>Current Assets</b>			
Spare parts	8	281,311,632	163,139,692
Ijarah rentals receivable	9	950,212,604	1,168,468,030
Operation and maintenance income receivable	10	21,574,924	26,856,560
Advances, deposits, prepayments and other receivable	11	625,788,324	753,915,844
Security deposits	12	50,000	50,000
Cash and bank balances	13	290,423,919	117,119,860
		2,169,361,403	2,229,549,986
<b>Total assets</b>		<b>8,306,790,692</b>	<b>8,318,952,741</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized certificate capital			
250,000,000 (June 30, 2021: 250,000,000) modaraba certificates of Rs.10 each	14.1	2,500,000,000	2,500,000,000
Issued, subscribed and paid-up certificate capital			
220,000,000 (June 30, 2021: 220,000,000) modaraba certificates of Rs.10 each	14.2	2,200,000,000	2,200,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory reserve	15	1,949,054,073	1,872,085,044
Accumulated losses		(468,339,791)	(445,934,539)
		4,936,426,782	4,881,863,005
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred liability for staff gratuity	16	132,755,367	109,060,825
Other long-term employee benefits	17	27,766,018	24,052,311
Liability against right-of-use assets	18	30,738,716	38,091,892
Diminishing musharaka financing payable - secured	19	545,781,004	720,780,585
Long term borrowings and deferred grants	20	-	85,596,156
Deferred tax liability	21	866,017,146	783,819,912
Other long term liabilities	22	23,246,536	9,406,035
		1,626,304,787	1,770,807,716
<b>Current liabilities</b>			
Current maturity of liability against right-of-use assets	18	16,769,988	14,166,667
Current maturity of diminishing musharaka financing payable - secured	19	410,600,730	636,194,123
Current portion of long term borrowings and deferred grants	20	101,747,694	179,562,908
Current portion of other long term liabilities	22	11,504,551	48,769,028
Payable to the modaraba management company	23	10,519,525	10,788,100
Creditors, accrued and other liabilities	24	1,126,000,163	707,611,979
Contract liabilities (advance from customers)		65,670,295	68,054,519
Unclaimed dividend		1,246,177	1,134,696
		1,744,059,123	1,666,282,020
<b>Total liabilities</b>		<b>3,370,363,910</b>	<b>3,437,089,736</b>
<b>Total equity and Liabilities</b>		<b>8,306,790,692</b>	<b>8,318,952,741</b>

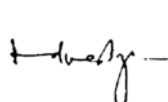
## CONTINGENCIES AND COMMITMENTS

25

The annexed notes from 1 to 46 form an integral part of these financial statements.

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

  
**Muhammad Saad**  
Chief Financial Officer

  
**Murtaza Ahmed Ali**  
Chief Executive Officer

  
**Abdul Rahim Suriya**  
Director

  
**Syed Feisal Ali**  
Director

# Statement of Profit and Loss Account

For the year ended 30 June 2022

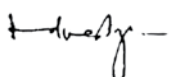
	Note	2022	2021
		(Rupees)	
Ijarah rentals - net	26	4,323,853,295	3,577,303,454
Operation and maintenance income - net	27	151,113,838	137,435,722
		4,474,967,133	3,714,739,176
Operation, maintenance and Ijarah related expenses	28	(3,234,510,148)	(2,842,551,954)
Gross profit		1,240,456,985	872,187,222
Administrative and distribution expenses	29	(308,477,149)	(273,069,001)
(Provision) / reversal of provision against Ijarah rentals receivable and operation and maintenance income receivable - net	9.2, 10.1 & 11.6	(131,700,075)	12,207,154
Finance cost	30	(130,541,729)	(163,328,495)
Other income - net	31	80,575,579	103,875,825
		(490,143,374)	(320,314,517)
		750,313,611	551,872,705
Modaraba Management Company's remuneration - inclusive of services sales tax	23.1	(10,000,000)	(10,000,000)
Provincial worker's welfare fund		(11,807,978)	(9,745,333)
Profit before taxation		728,505,633	532,127,372
Taxation	32	(343,660,488)	(783,343,923)
Profit / (loss) after taxation		384,845,145	(251,216,551)
		(Rupees)	
Earnings / (loss) per certificate - basic and diluted	33	1.75	(1.14)

The annexed notes from 1 to 46 form an integral part of these financial statements.

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



**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director

# Statement of Comprehensive Income

For the year ended 30 June 2022

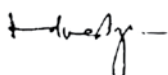
	Note	2022	2021
		(Rupees)	
Profit / (loss) after taxation		384,845,145	(251,216,551)
Other comprehensive income / (loss)		-	-
<b>Items that will not be reclassified to the statement of profit or loss</b>			
(Loss) / gain on remeasurement of the defined benefit plan obligation - net of deferred tax	4 & 16	(281,368)	1,165,351
Total comprehensive income / (loss)		384,563,777	(250,051,200)

The annexed notes from 1 to 46 form an integral part of these financial statements.

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



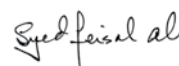
**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director



# Cash Flow Statement

For the year ended 30 June 2022

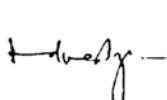
	Note	2022	2021
		(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year before taxation		728,505,633	532,127,372
<b>Adjustments for:</b>			
Depreciation for ijarah assets and fixed assets in own use	28 & 29	377,511,748	473,854,106
Amortisation	29	456,389	934,279
Impairment of Ijarah Assets	28	115,779,513	586,432
Provincial worker's welfare fund		11,807,978	9,745,333
Provision against ijarah rentals receivable, operation and maintenance income receivable and other receivables		131,700,075	(12,207,154)
Provision for deferred liabilities - gratuity	16.3	23,961,782	14,736,018
Finance cost	30	130,541,729	163,328,495
Amortisation of deferred government grant	31	(10,730,392)	(16,036,654)
Profit on deposit accounts with bank	31	(6,721,242)	(3,880,687)
Provision against slow moving spares	28	2,449,103	37,603,447
Gain on modification of lease		-	(12,753,848)
Provision / (reversal of provision) against long term employee benefits		3,713,707	(3,071,683)
Loss / (gain) on disposal of Ijarah and fixed assets	31	10,432,269	(24,088,827)
		790,902,659	628,749,257
		1,519,408,292	1,160,876,629
<b>(Increase) / decrease in assets</b>			
Spare parts		(120,621,043)	33,036,715
Ijarah rentals receivable		89,036,305	(68,167,024)
Operation and maintenance income receivable		3,563,689	10,657,373
Advances, deposits, prepayments and other receivable		69,507,796	87,192,789
		41,486,747	62,719,853
<b>Increase / (decrease) in operating liabilities</b>			
Payable to the Modaraba Management Company		(268,575)	(511,900)
Creditors, accrued and other liabilities		412,889,977	(286,498,025)
Contract liabilities (advance from customers)		(2,384,224)	-
Security deposits		(23,423,976)	(28,237,952)
		386,813,202	(315,247,877)
		1,947,708,241	908,348,605
Gratuity paid	16.3	(687,192)	-
Compensated absences paid		-	(1,149,814)
Profit on deposit accounts received		6,170,532	3,880,687
Income tax paid		(201,455,121)	-
Worker's Welfare Fund paid		(9,668,613)	(9,745,333)
Financial charges paid		(124,672,960)	(146,226,505)
		(330,313,354)	(153,240,965)
<b>Net cash inflows from operating activities</b>		1,617,394,887	755,107,640
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure of Ijarah assets and fixed assets in own use		(720,949,601)	(536,680,625)
Proceeds from disposal of Ijarah assets and fixed assets in own use		168,743,148	294,396,626
<b>Net cash outflows on investing activities</b>		(552,206,453)	(242,283,999)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Profit distribution to the certificate holders		(330,000,000)	(165,000,000)
Diminishing musharaka financing availed		241,207,500	228,936,564
Long term borrowing availed		-	160,000,000
Repayment of lease liability against right-of-use assets		(8,610,423)	(24,563,047)
Repayment of long term borrowings and deferred grant		(152,680,978)	(44,446,754)
Repayment of diminishing musharaka financing		(641,800,474)	(643,546,638)
<b>Net cash outflows on financing activities</b>		(891,884,375)	(488,619,875)
<b>Net increase in cash and cash equivalents</b>		173,304,059	24,203,766
Cash and cash equivalents at the beginning of the year	43	117,119,860	92,916,094
<b>Cash and cash equivalents at the end of the year</b>		290,423,919	117,119,860

The annexed notes from 1 to 46 form an integral part of these financial statements.

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



**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director

# Statement of Changes in Equity

For the year ended 30 June 2022

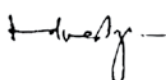
	Issued, subscribed and paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Unappropriated profit / (accumulated losses)	Total
	(Rupees)				
<b>Balance as at June 30, 2020</b>	2,200,000,000	1,255,712,500	1,685,840,464	155,361,241	5,296,914,205
Total comprehensive Income for the year					
Profit / (loss) after taxation for the year - restated (refer note 4)	-	-	-	(251,216,551)	(251,216,551)
Other comprehensive income for the year - restated (refer note 4)	-	-	-	1,165,351	1,165,351
Transfer to statutory reserve (at 35% of the reported profit for the year) (refer note 1.5)	-	-	186,244,580	(186,244,580)	-
Transaction with owners - recorded directly in equity					
Profit distribution for the year ended June 30, 2020 @ Rs. 0.75 per certificate declared subsequent to the year end	-	-	-	(165,000,000)	(165,000,000)
<b>Balance as at June 30, 2021 - restated</b>	2,200,000,000	1,255,712,500	1,872,085,044	(445,934,539)	4,881,863,005
Total comprehensive income for the year					
Profit after taxation for the year	-	-	-	384,845,145	384,845,145
Other comprehensive loss for the year	-	-	-	(281,368)	(281,368)
Transfer to statutory reserve (at 20% of the profit after taxation for the year)	-	-	76,969,029	(76,969,029)	-
Transaction with owners - recorded directly in equity					
Profit distribution for the year ended June 30, 2021 @ Rs. 1.50 per certificate declared subsequent to the year end	-	-	-	(330,000,000)	(330,000,000)
<b>Balance as at June 30, 2022</b>	2,200,000,000	1,255,712,500	1,949,054,073	(468,339,791)	4,936,426,782

The annexed notes from 1 to 46 form an integral part of these financial statements.

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



**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer



**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2022

## 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

- 1.2** The VIS Credit Rating Company Limited has assigned long term rating of A+ (2021: A+) and short term rating of A-1 (2021: A-1) to the Modaraba on June 17, 2022 (2021: June 11, 2021).

### **1.3 Restructuring of Modaraba**

Pursuant to the Finance Act, 2021, the tax exemption on Modarabas has been withdrawn, effective from July 1, 2021. Consequent to this withdrawal, the Board of Directors of the Modaraba Management Company in their meeting held on September 7, 2021 discussed and approved a plan to restructure the current legal structure of the Modaraba and transfer the entire existing business of the Modaraba, on a going concern basis, along with all its assets and liabilities at their respective carrying values, including all contingent liabilities, to two separate legal entities.

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

The draft scheme of arrangement was finalised and submitted to the SECP - Registrar Modarabas for its approval. The SECP vide a letter no. SC/M/PRDD/Allied/2022-RS 49 / 134 dated June 23, 2022 has issued a no objection certificate (NOC) on the scheme of arrangement subject to the fulfilment of the following conditions:

- The modaraba shall determine a buy-back price in consultation with the PSX to buy shares from the dissenting certificate holders which shall not be lower than the 12 months' average daily price reported by PSX preceding to the date of the board meeting for approval of swap ratio and the scheme and the book value per certificate as per the audited financial statements as at December 31, 2021; and
- No objection certificate(s) shall be obtained from all the creditors before making a petition to the Court and certified true copies shall be submitted to the Registrar Modaraba.

Currently, the management is in the process of obtaining the NOCs from the creditors upon completion of which the petition will be filed with the Sindh High Court for approval of the scheme of arrangement. The Modaraba management company expects to get approval from the Sindh High Court, the Certificate Holders, and the other relevant authorities before December 31, 2022.

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



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

- 1.4** The Modaraba had reported a profit of Rs 532.127 million for the year ended June 30, 2021 and distributed 90 percent of its accounting profit amounting to Rs 330 million (Rs 1.50 per certificate). In accordance with the requirements of IAS 10 this distribution has been accounted for during the current year. As a result of the restatement of the prior period figures / balances (as more fully explained in note 4 to these financial statements), the profit after taxation for the year ended June 30, 2021 amounting to Rs 532.127 million has now resulted into a loss of Rs. 251.216 million.

As per the requirements of clause 18(3) of the Modaraba Companies and Modaraba Rules, 1981, "no distribution shall be made otherwise than out of profits of the year or any other undistributed profits or realised capital gains". The aforementioned distribution by the Modaraba after incorporating the effect of deferred tax has resulted in excess distribution whereby the unappropriated profits have now resulted into accumulated losses.

- 1.5** The Modaraba had reported a profit of Rs. 532.127 million for the year ended June 30, 2021 and had transferred Rs. 186.224 million (35% of the reported profit) to the statutory reserve. As a result of the restatement of the prior period figures / balances (as more fully explained in note 4 to these financial statements), the profit after taxation for the year ended June 30, 2021 amounting to Rs. 532.127 million has now resulted into a loss of Rs. 251.216 million. The amount transferred to statutory reserves for the year ended June 30, 2021 has not been adjusted as the management believes that it can only be made upon approval of the Securities and Exchange Commission of Pakistan (SECP). The management has written a letter to the SECP seeking its approval for the transfer of the amount of Rs 186.244 million from statutory reserves to unappropriated profit.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

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

- 2.2** Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Mustajir (lessors) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset. The Mustajir is required to distinguish these Ijarah assets 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.

**2.3** These financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency and all the figures presented in these financial statements have been rounded off to the nearest Rupee, unless otherwise stated.

## **2.4 Basis of measurement**

These financial statements have been prepared on the basis of historical cost convention except for certain staff retirement benefits and compensated absences which are carried at present value.

## **2.5 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year:**

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

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

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

## **2.7 Critical accounting estimates and judgments**

The preparation of these financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of the accounting policies are as follows:

- Estimates of residual values, useful lives and depreciation methods of ijarah assets, fixed assets in own use and intangible assets (notes 3.4, 3.5, 3.7, 5, 6 and 7);
- Impairment of financial assets (notes 3.1.1.5, 9, 10 and 11);
- Impairment of non-financial assets (notes 3.14 and 5)
- Provision against non-performing ijarah rentals receivables, operation and maintenance income receivables and other receivables (notes 3.1.1.5, 9, 10 and 11);
- Provision for staff retirement benefits (notes 3.11.1 and 16)
- Provision for compensated absences (notes 3.9 and 17);
- Provision for taxation (notes 3.8 and 11); and
- Provision on spare parts (notes 3.3 and 8).

## **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.

### **3.1 Financial instruments**

#### **3.1.1 Financial assets**

##### **3.1.1.1 Classification**

The Modaraba classifies its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI);
- at fair value through profit or loss (FVTPL).

##### **a) At amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised and measured as described in note 3.1.1.5.

##### **b) Fair value through other comprehensive income (FVOCI):**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment losses or reversals, recognised and measured as described in note 3.1.1.5, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of profit or loss.

##### **c) Fair value through profit or loss (FVTPL)**

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of profit or loss in the year in which it arises.

##### **3.1.1.2 Business model**

The business model reflects how the Modaraba manages the assets in order to generate cash flows. That is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Modaraba in determining the business model for a Modaraba of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

##### **3.1.1.3 Solely payments of principal and interest**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Modaraba assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Modaraba considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

##### **3.1.1.4 Initial recognition**

Financial assets are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value plus transaction costs except for financial assets carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the statement of profit or loss.



### **3.1.1.5 Impairment (including against potential Ijarah rental receivables and operation and maintenance income receivables and write offs)**

The Modaraba recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and FVOCI. The maximum period considered when estimating ECLs is the maximum contractual period for which the Modaraba is exposed to credit risk.

The Modaraba measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets except ijarah rentals receivable and operations and maintenance income receivable that are determined to have low credit risk at reporting date; and
- Financial assets except ijarah rentals receivable and operations and maintenance income receivable for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of the financial asset has increased significantly since initial recognition and when estimating ECLs, the Modaraba considers reasonable and supportable information that is relevant and available without undue cost or effort. This include both qualitative and quantitative information and analysis, based on the Modaraba's historical experience and informed credit assessment including forward looking information.

The Modaraba assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Modaraba considers a financial asset to be in default when:

- The counterparty is unlikely to pay its credit obligations to the Modaraba in full, without recourse by the Modaraba to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial asset.

12-month ECLs are the portion of ECLs that result from default event that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

#### **Measurement of the ECLs**

Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the Modaraba expects to receive).

ECLs are discounted at the effective interest rates of the financial assets.

#### **Credit-impaired financial assets**

At each reporting date, the Modaraba assess whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is "credit-impaired" when one or more event that have a detrimental impact on the estimated future cashflows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counter party;
- a breach of contract such as a default or being more than 90 days past due;
- restructuring of a loan or advance by the Modaraba on terms that the Modaraba will not consider otherwise;
- it is probable that the counter party will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### **Presentation of allowance for ECL in the statement of financial position**

Loss allowance for financial assets measured at amortised cost are deducted from the carrying amount of the assets and charged to profit or loss.

### 3.1.1.6 Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- the Modaraba transfers substantially all the risks and rewards of ownership; or
- the Modaraba neither transfers nor retains substantially all the risks and rewards of ownership and the Modaraba has not retained control.

Any gain or loss on derecognition of financial liabilities is taken to the statement of profit or loss.

### 3.1.1.7 Reclassifications

The Modaraba reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change.

### 3.1.1.8 Write offs

The gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, the Modaraba makes an assessment with respect to the timing and amount of write off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

### 3.1.1.9 Subsequent measurement

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

#### a) Financial assets at fair value

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

Financial assets at fair value through 'Other Comprehensive Income' are marked to market using the closing market rates and are carried on the statement of financial position 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 held at amortised cost

These are subsequently measured at amortised cost.

### 3.1.1.10 Collaterals

Cash collaterals provided by the Modaraba is classified as margin cash and is not included as a component of cash and cash equivalents. For collaterals 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 statement of financial position separately from other assets and identifies the asset as pledged collaterals. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

## 3.1.2 Financial liabilities

Financial liabilities are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value less any directly attributable transaction cost.

Financial liabilities are subsequently measured at amortised cost except for:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer.

### **3.1.2.1 Derecognition**

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial liabilities is taken to the statement of profit or loss.

### **3.1.2.2 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements 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.

## **3.2 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. These include cash in hand, balances with banks in current and savings accounts and short-term highly liquid investments that are readily convertible to known amounts of cash (i.e. in three month) and which are subject to an insignificant risk of changes in value.

## **3.3 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.

These are valued at moving average cost less accumulated impairment loss, if any, except for items in transit which are stated at invoice value plus other charges incurred thereon till the reporting date. Cost comprises invoice value and other direct costs but excludes borrowing cost. Provision is made for obsolete / slow moving items where necessary and is recognised in the statement of profit or loss.

Provision against obsolete and slow moving spares is determined based on the management's assessment regarding their future usability.

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.

## **3.4 Ijarah assets**

Assets leased out under Ijarah arrangements 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 statement of profit or loss 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 the statement of profit or loss applying the straight line method whereby the cost of an asset less residual value is depreciated over the estimated useful life of the asset. Depreciation is charged on additions from the month the asset is available for use and on disposals up to 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 statement of profit or loss, in the year in which these arise.

## **3.5 Fixed assets - in own use**

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 statement of profit or loss as and when incurred.

Depreciation on all fixed assets is charged to the statement of profit or loss applying the straight-line method over the useful life of the asset as disclosed in note 6 to the financial statements and after taking into account residual value. 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 up to 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 statement of profit or loss, in the year in which these arise.

### **3.6 Capital work-in-progress**

Capital work-in-progress are stated at cost less accumulated impairment losses (if any). It also includes expenditure incurred on ijarah assets in the course of installation and advances for capital expenditure. Transfers are made to the relevant category of ijarah assets as and when the assets becomes available for intended use.

### **3.7 Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amounts or recognised as separate assets, as appropriate, only when 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. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 7 to these financial statements. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation 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 statement of profit or loss in the year in which these arise.

### **3.8 Taxation**

#### ***Current***

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

#### ***Deferred***

Deferred tax is recognised using the balance sheet method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward unused tax assets and unused tax losses can be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

### **3.9 Compensated absences**

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

The modaraba's obligation under the compensated absences is determined through actuarial valuations carried out under "Projected Unit Credit Method". The actuarial valuations are conducted annually and the latest valuation was conducted at June 30, 2022. Liability so determined is fully recognised by the Modaraba.

### **3.10 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.

### **3.11 Staff retirement benefits**

#### **3.11.1 Unfunded gratuity scheme**

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The modaraba's obligation under the scheme is determined through actuarial valuations carried out under "Projected Unit Credit Method". Gratuity is computed based on last drawn basic salary. Actuarial valuations are conducted annually and the latest valuation was conducted at June 30, 2022. Service costs are recognised in the statement of profit or loss in the year in which these occur. Net interest on net defined benefit liability is also recognised in the statement of profit or loss. Effect of remeasurement comprising actuarial gain / loss is recognised in the statement of comprehensive income. Amount recognised in the statement of financial position represents the present value of defined benefit obligation.

#### **3.11.2 Staff Provident fund - defined contribution plan**

The Modaraba Management Company operates a recognised provident fund for the Modaraba's 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 these are due.

### **3.12 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.

### **3.13 Revenue recognition**

- Ijarah rentals are recognised as income on an accrual basis, as and when rentals become due.
- Revenue from operation and maintenance services is recognised when the related services have been rendered.
- Return on savings accounts including term deposits receipt is recognised on an accrual basis at the implicit rate of interest.

### **3.14 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 statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### **3.15 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 statement of profit or loss in the current year.

### **3.16 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 three 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 three operating segments.

### **3.17 Earnings per certificate**

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

### **3.18 Proposed profit distribution to certificate holders and appropriations to statutory reserves**

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

Appropriations to statutory reserves declared / approved subsequent to reporting date are considered as adjusting event and are recorded in financial statements of the current year.

### **3.19 Government grants and related borrowing and deferred income**

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Modaraba recognises government grants when there is reasonable assurance that grants will be received and the Modaraba will be able to comply with conditions associated with grants.

Government grants are recognised at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Modaraba will be able to comply with the conditions associated with the grants.

Grants that compensate the Modaraba for expenses incurred, are recognised on a systematic basis in the income for the year in which the related expenses are recognised. Grants that compensate for the cost of an asset are recognised in income on a systematic basis over the expected useful life of the related asset.

The borrowing (from the Government in this case) is initially recognised at the amount received and subsequently measured at amortised cost.

### **3.20 Right-of-use asset and related lease liability**

At inception of a contract, the Modaraba assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

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

## **4 RESTATEMENT OF PRIOR YEAR BALANCES**

### **4.1 Deferred tax liability**

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



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

	June 30, 2021		
	As previously reported	Restatement	As restated
<b>Effect on the statement of financial position</b>	(Rupees)		
Decrease in unappropriated profit	337,885,373	(783,819,912)	(445,934,539)
Increase in deferred tax liability	-	783,819,912	783,819,912
<b>Effect on the statement of profit or loss</b>			
Increase in taxation	-	783,343,923	783,343,923
Decrease in profit after taxation	532,127,372	(783,343,923)	(251,216,551)
Decrease in earnings per certificate	2.42	(3.56)	(1.14)
<b>Effect on the statement of comprehensive income</b>			
Decrease in profit after taxation	532,127,372	(783,343,923)	(251,216,551)
Loss on remeasurement of the defined benefit plan obligation - net of deferred tax	1,641,340	(475,989)	1,165,351

The above restatement does not have any impact on the cash flow statement.

**5 IJARAH ASSETS**

	Note	2022	2021
		(Rupees)	
Ijarah assets	5.1	5,881,757,203	5,891,181,931
Capital work-in-progress	5.2	64,904,484	6,477,252
		5,946,661,687	5,897,659,183

**5.1 Ijarah assets**

	2022			
	Generators and related equipment	Logistics Vehicles	Machines	Total
<b>At 1 July 2021</b>	(Rupees)			
Cost	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated depreciation	(3,509,191,221)	(725,961,096)	(462,840,485)	(4,697,992,802)
Accumulated impairment losses	(19,432)	-	(567,000)	(586,432)
Net book value as at July 1, 2021	3,515,520,231	1,361,471,560	1,014,190,140	5,891,181,931
Additions during the year	484,902,017	103,157,600	11,597,380	599,656,997
Disposals during the year				
Cost	(326,804,412)	(36,919,717)	(63,346,983)	(427,071,112)
Accumulated depreciation	218,552,116	17,403,802	32,650,999	268,606,917
	(108,252,296)	(19,515,915)	(30,695,984)	(158,464,195)
Impairment during the year	(115,779,513)	-	-	(115,779,513)
Depreciation charge for the year	(199,912,738)	(75,258,788)	(59,666,491)	(334,838,017)
Closing net book value as at June 30, 2022	3,576,477,701	1,369,854,457	935,425,045	5,881,757,203
<b>At June 30, 2022</b>				
Cost	7,182,828,489	2,153,670,539	1,425,848,022	10,762,347,050
Accumulated depreciation	(3,490,551,843)	(783,816,082)	(489,855,977)	(4,764,223,902)
Accumulated impairment losses	(115,798,945)	-	(567,000)	(116,365,945)
Net book value as at June 30, 2022	3,576,477,701	1,369,854,457	935,425,045	5,881,757,203
Life (years)	2 to 14	8	8 to 10	

	2021			
	Generators and related equipment	Logistics Vehicles	Machines	Total
<b>At 1 July 2020</b>	(Rupees)			
Cost	7,128,336,301	2,183,943,055	1,292,842,081	10,605,121,437
Accumulated depreciation	(3,371,402,855)	(768,054,972)	(345,324,791)	(4,484,782,618)
Net book value as at July 1, 2020	3,756,933,446	1,415,888,083	947,517,290	6,120,338,819
Additions during the year	295,671,683	158,195,968	118,574,924	572,442,575
Disposals during the year				
Cost	(399,277,100)	(150,616,920)	(37,908,827)	(587,802,847)
Accumulated depreciation	169,058,065	27,924,258	6,910,514	203,892,837
	(230,219,035)	(122,692,662)	(30,998,313)	(383,910,010)
Transfer during the year				
Cost	-	(104,089,447)	104,089,447	-
Accumulated depreciation	-	38,517,564	(38,517,564)	-
	-	(65,571,883)	65,571,883	-
Impairment during the year	(19,432)	-	(567,000)	(586,432)
Depreciation charge for the year	(306,846,431)	(24,347,946)	(85,908,644)	(417,103,021)
Closing net book value as at June 30, 2021	3,515,520,231	1,361,471,560	1,014,190,140	5,891,181,931
<b>At June 30, 2021</b>				
Cost	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated depreciation	(3,509,191,221)	(725,961,096)	(462,840,485)	(4,697,992,802)
Accumulated impairment losses	(19,432)	-	(567,000)	(586,432)
Net book value as at June 30, 2021	3,515,520,231	1,361,471,560	1,014,190,140	5,891,181,931
Life (years)	2 to 14	8	8 to 10	

**5.2** This represents advance against purchase of equipment, trucks and overhauling of generators.

**5.3** During the year, the Modaraba acquired certain equipment and parts amounting to Rs. 82.128 million (June 30, 2021: Rs. 13.186 million) and Rs. Nil (June 30, 2021: Rs. 106.423 million) from related parties namely Allied Engineering and Services (Private) Limited (AESL) and Apex Machinery (Private) Limited, associated companies.

#### **5.4 Change in estimates**

During the current year, the management has carried out a review of the estimate of the residual values of generators, machines and related equipment and has made certain changes in the assumptions used for estimating the residual values. The revision has been made after considering the expected pattern of the recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the revision in the residual values not been made, depreciation would have been higher and profit for the year would have been lower by Rs. 86.076 million and the carrying value of the above-mentioned assets would have been lower by the same amount.

#### **5.5 Impairment of gas generators**

The usage of certain gas generators (gensets) has been affected due to non-availability of gas in the industrial sector during the current year. The management believes that the gas supply is expected to remain affected in the near future as well and has carried out a review of the recoverable amount of these gensets. Furthermore, the management believes that these generators could only be sold in the scrap market due to non-availability of current market demand primarily due to non availability of gas in the industrial sector and availability of more fuel efficient generators in the market.

The management engaged an independent valuer from the panel of valuers of the SECP for determining the scrap value of these generators as at June 30, 2022. The valuer has determined the scrap values of Rs. 238.970 million for such gensets having a carrying values of Rs 354.760 million based on the industry experience and market survey. Accordingly, an impairment loss of Rs. 115.799 million has been recognised in these financial statements. Moreover, there were no triggers for impairment in respect of logistic vehicles, machines and diesel generators.

#### **5.6 Temporarily idle Ijarah assets**

As at June 30, 2022, ijarah assets with a carrying amount of Rs. 646.971 million (June 30, 2021: Rs. 463.054 million) were temporarily idle, which the Modaraba plans to deploy them going forward.

**5.7** Additions to Ijarah assets during the year include assets amounting to Rs. 241.207 million (2021: Rs. 204.557 million) acquired under Diminishing Musharaka arrangement. The Modaraba holds title to these assets.

**5.8** 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
<b>(Rupees)</b>							
<b>Equipments</b>							
Power Cables	184,000	147,200	36,800	35,976	(824)	Negotiation	Wisam Enterprise
Synchronizing Panel	280,000	95,666	184,334	141,500	(42,834)	Negotiation	Packages Real Estate (Private) Limited
Synchronizing Controller	459,600	298,740	160,860	141,500	(19,360)	Negotiation	Packages Real Estate (Private) Limited
MV Panel	1,340,703	927,320	413,383	670,000	256,617	Negotiation	Packages Real Estate (Private) Limited
Power Cables	1,410,000	1,128,000	282,000	285,000	3,000	Negotiation	Packages Real Estate (Private) Limited
MCC Panel	3,416,100	2,732,880	683,220	670,000	(13,220)	Negotiation	Packages Real Estate (Private) Limited
<b>Fleet Vehicle</b>							
Foton M-280	418,304	51,978	366,326	1,400,000	1,033,674	Negotiation	Al-Saboor Motors
Foton M-280	418,304	51,978	366,326	1,400,000	1,033,674	Negotiation	Al-Saboor Motors
Mitsubishi Fuso Canter	597,443	51,978	545,465	2,050,000	1,504,535	Negotiation	Mr. Shehbaz
Mitsubishi Fuso Canter	597,443	51,978	545,465	2,020,000	1,474,535	Negotiation	Mr. Muhammad Munir
Foton M-280	658,304	128,304	530,000	1,400,000	870,000	Negotiation	Al-Saboor Motors
Foton M-280	658,304	128,304	530,000	1,050,000	520,000	Negotiation	Mr. Farrukh Butt
Mitsubishi Fuso Canter	788,184	55,811	732,373	2,100,000	1,367,627	Negotiation	Mr. Fazzal Qayyum
Foton M-280	1,308,620	548,802	759,818	1,555,786	795,968	Negotiation	Mr. Khuwaja M Afaq
Foton M-280	1,522,117	730,542	791,575	980,000	188,425	Negotiation	Mr. Hanif
Foton M-280	1,540,800	852,723	688,077	900,000	211,923	Negotiation	Mr. Fazzal Qayyum
Foton M-280	1,759,067	840,167	918,900	1,050,000	131,100	Negotiation	Mr. Farrukh Butt
Foton M-410	2,040,762	976,362	1,064,400	975,000	(89,400)	Negotiation	Mr. Fazzal Qayyum
Master Grande M-410	2,354,292	1,112,244	1,242,048	1,530,000	287,952	Negotiation	Al-Saboor Motors
Foton M-410	2,354,292	1,112,244	1,242,048	1,650,000	407,952	Negotiation	Al-Saboor Motors
Mitsubishi Fuso Canter	2,624,673	1,267,494	1,357,179	2,100,000	742,821	Negotiation	Mr. Fazzal Qayyum
Mitsubishi Fuso Canter	2,652,290	1,286,731	1,365,559	2,000,000	634,441	Negotiation	Mr. Farooq Nazir
Mitsubishi Fuso Canter	2,744,673	1,301,138	1,443,535	1,950,000	506,465	Negotiation	Mr. Farooq Nazir
Mitsubishi Fuso Canter	3,871,135	2,353,217	1,517,918	1,950,000	432,082	Negotiation	Mr. Farooq Nazir
FAW - 220Hp	8,010,710	4,501,807	3,508,903	1,380,000	(2,128,903)	Negotiation	Mr. Abu Bakr
Forklifts	166,771	-	166,771	311,985	145,214	Negotiation	Mr. Hamid Shair
<b>Gensets</b>							
Caterpillar GEP30	134,609	-	134,609	585,000	450,391	Negotiation	Iqbal Engineering Works
Caterpillar GEP110	609,508	-	609,508	1,070,000	460,492	Negotiation	Iqbal Engineering Works
Caterpillar GEP22	884,568	474,568	410,000	1,306,344	896,344	Negotiation	Allied E-Commerce Solutions (Private) Limited
Caterpillar GEP88	1,405,364	635,364	770,000	830,000	60,000	Negotiation	Iqbal Engineering Works
Caterpillar DE50E0	1,501,812	943,080	558,732	558,732	-	Negotiation	Gerry'S Dnata Vp Home
Caterpillar GEP65	1,644,894	1,394,894	250,000	250,000	-	Negotiation	Perfect Aerosol Industries
Caterpillar GEP65	1,705,349	965,349	740,000	880,000	140,000	Negotiation	Iqbal Engineering Works
Caterpillar GEP65	1,756,166	1,016,166	740,000	1,581,704	841,704	Negotiation	Mr. Sajjad
Caterpillar DE110E2	2,134,074	1,194,074	940,000	1,025,641	85,641	Negotiation	Mr. Faiz-E-Hakimi
Caterpillar DE110E2	2,134,074	1,534,074	600,000	500,000	(100,000)	Negotiation	Mr. Prince Marquee
Caterpillar GEP110	2,191,258	1,251,258	940,000	625,000	(315,000)	Negotiation	Zain Corporation
Caterpillar DE110E2	2,204,891	1,471,150	733,741	500,000	(233,741)	Negotiation	Parsa Banquet
Caterpillar 3406	2,682,712	-	2,682,712	877,000	(1,805,712)	Negotiation	Iqbal Engineering Works
Caterpillar 3406	3,000,000	680,000	2,320,000	809,000	(1,511,000)	Negotiation	Iqbal Engineering Works
Caterpillar 3406	3,547,949	1,627,949	1,920,000	1,666,667	(253,333)	Negotiation	Zain Corporation
Caterpillar 3406	3,685,065	1,814,221	1,870,844	2,083,333	212,489	Negotiation	Zain Corporation
Caterpillar GEP220	3,842,828	2,122,828	1,720,000	1,950,000	230,000	Negotiation	Iqbal Engineering Works
Caterpillar C32	4,046,786	46,786	4,000,000	2,217,283	(1,782,717)	Cannibalized	Transfer To Stores And Spares
Caterpillar 3406	4,939,006	2,039,006	2,900,000	877,000	(2,023,000)	Negotiation	Iqbal Engineering Works
Caterpillar 3516	7,146,000	1,817,208	5,328,792	3,418,803	(1,909,989)	Negotiation	Ms. Qadri Noori Enterprises
Caterpillar C15	7,454,047	4,054,047	3,400,000	6,410,256	3,010,256	Negotiation	M.J. Textiles
Caterpillar C15	7,482,477	4,082,477	3,400,000	2,916,667	(483,333)	Negotiation	Zain Corporation
Caterpillar C15	8,418,776	4,994,026	3,424,750	1,330,333	(2,094,417)	Negotiation	Iqbal Engineering Works
Caterpillar 3412	13,234,094	8,234,094	5,000,000	4,750,000	(250,000)	Insurance Claim	Adamjee Insurance
Caterpillar 3516	13,297,597	6,597,597	6,700,000	3,144,213	(3,555,787)	Cannibalized	Transfer to stores and spares
Caterpillar 3412	14,083,621	8,083,621	6,000,000	6,988,620	988,620	Negotiation	Sind Institute Of Urology & Transplantation
Caterpillar G3520C	15,307,324	-	15,307,324	7,242,084	(8,065,240)	Cannibalized	Transfer to stores and spares
Caterpillar 3516	19,023,494	6,099,578	12,923,916	3,292,412	(9,631,504)	Cannibalized	Transfer to stores and spares
Caterpillar 3516HD	38,677,333	33,677,333	5,000,000	6,000,000	1,000,000	Negotiation	Packages Real Estate (Private) Limited
Caterpillar 3516HD	38,677,333	33,677,333	5,000,000	6,000,000	1,000,000	Negotiation	Packages Real Estate (Private) Limited
Caterpillar 3516HD	39,452,529	34,452,529	5,000,000	6,000,000	1,000,000	Negotiation	Packages Real Estate (Private) Limited
Caterpillar 3516HD	53,241,700	48,241,700	5,000,000	6,000,000	1,000,000	Negotiation	Packages Real Estate (Private) Limited



Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
<b>Machines</b>							
Motor Grader	6,989,388	3,208,388	3,781,000	5,500,000	1,719,000	Negotiation	Habib Rafiq Engineering (Private) Limited
Motor Grader	10,239,902	6,849,633	3,390,269	6,500,000	3,109,731	Negotiation	Habib Rafiq Engineering (Private) Limited
Excavator	11,314,149	3,431,958	7,882,191	7,090,000	(792,191)	Insurance Claim	Adamjee Insurance
Excavator	11,734,860	3,885,990	7,848,870	6,002,675	(1,846,195)	Insurance Claim	Adamjee Insurance
Motor Grader	12,017,996	8,627,727	3,390,269	5,500,000	2,109,731	Negotiation	Habib Rafiq Engineering (Private) Limited
Reach Truck	3,989,185	1,994,593	1,994,592	311,985	(1,682,607)	Negotiation	Mr. Hamid Shair
Telehandler	7,061,503	4,652,710	2,408,793	311,985	(2,096,808)	Negotiation	Mr. Hamid Shair
<b>2022</b>	<b>427,071,112</b>	<b>268,606,917</b>	<b>158,464,195</b>	<b>146,599,485</b>	<b>(11,864,710)</b>		
<b>2021</b>	<b>587,802,847</b>	<b>203,892,837</b>	<b>383,910,010</b>	<b>406,102,491</b>	<b>22,192,481</b>		

**5.9** Above assets include fully depreciated assets of Rs. 1,446.991 million (June 30, 2021: 1,491.296 million) still in the Modaraba's use.

**5.10** Depreciation charge for the year has been recognised in operating expenses.

## 6 FIXED ASSETS - IN OWN USE

Note	2022	2021
	(Rupees)	
Operating fixed assets	190,197,116	190,716,697

### 6.1 Operating fixed assets

	2022				
	Furniture and fixtures	Other equipments	Vehicles	Right-of-use asset	Total
(Rupees)					
<b>At 01 July 2020</b>					
Cost	18,461,160	19,141,788	204,591,209	87,656,908	329,851,065
Accumulated depreciation	(16,030,578)	(16,594,391)	(73,114,609)	(33,394,790)	(139,134,368)
Net book value as at July 1, 2021	2,430,582	2,547,397	131,476,600	54,262,118	190,716,697
Additions during the year	-	4,120,031	54,884,773	3,860,568	62,865,372
Disposals during the year					
Cost	-	(95,000)	(53,562,984)	-	(53,657,984)
Accumulated depreciation	-	26,382	32,920,380	-	32,946,762
	-	(68,618)	(20,642,604)	-	(20,711,222)
Depreciation charge for the year	(1,287,117)	(1,491,459)	(24,657,303)	(15,237,852)	(42,673,731)
Closing net book value as at June 30, 2022	1,143,465	5,107,351	141,061,466	42,884,834	190,197,116
<b>As at June 30, 2022</b>					
Cost	18,461,160	23,166,819	205,912,998	91,517,476	339,058,453
Accumulated depreciation	(17,317,695)	(18,059,468)	(64,851,532)	(48,632,642)	(148,861,337)
Net book value as at June 30, 2022	1,143,465	5,107,351	141,061,466	42,884,834	190,197,116
Life (years)	3	3	4 to 8		

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

## 6.2 Details of disposal of operating fixed assets are as follows:

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
Computers	95,000	26,382	68,618	38,000	(30,618)	Negotiation	Computer Need Network(CNN)
Motor Vehicles							
Suzuki Mehran	494,350	395,251	99,099	310,000	210,901	Modaraba' Policy	Mr. Muhammad Awais
Unique - 70	68,000	50,685	17,315	22,054	4,739	Modaraba' Policy	Mr. Peer Buksh
Honda CD-70	68,000	50,680	17,320	17,320	-	Modaraba' Policy	Mr. Sheraz Ahmed
Unique - 70	44,500	27,180	17,320	17,321	1	Negotiation	Mr. Faizan Hussain
Unique - 70	67,500	44,100	23,400	23,400	-	Negotiation	Mr. Faizan Hussain
Toyota Corolla	1,756,500	1,405,200	351,300	351,300	-	Modaraba' Policy	Mr. Azher Saleem
Toyota Vitz	990,000	625,180	364,820	364,820	-	Modaraba' Policy	Mr. Syed Ashraf Hussain
Toyota Corolla	1,827,500	1,154,056	673,444	673,444	-	Modaraba' Policy	Mr. Muhammad Saddique
Suzuki Swift	1,299,800	903,288	396,512	396,512	-	Modaraba' Policy	Mr. Zulfiqar Ahmed Abbasi
Suzuki Cultus	1,282,000	809,576	472,424	472,424	-	Modaraba' Policy	Mr. Abdur Rehman
Unique - 70	43,175	33,594	9,581	9,581	-	Modaraba' Policy	Mr. Aziz Ahmed
Suzuki Mehran	688,000	466,528	221,472	221,472	-	Modaraba' Policy	Mr. Abdul Hameed Khan
Unique - 70	63,500	40,100	23,400	23,400	-	Modaraba' Policy	Mr. Imran Ali
Unique - 70	63,500	40,100	23,400	23,400	-	Modaraba' Policy	Mr. Syed Zain-Ul-Abadien Naqvi
Unique - 70	63,500	40,100	23,400	23,400	-	Modaraba' Policy	Mr. Misbah Rauf
Toyota Aqua	1,265,000	798,841	466,159	466,159	-	Modaraba' Policy	Mr. Sarwen Gill
Suzuki Cultus	1,265,000	798,841	466,159	466,159	-	Modaraba' Policy	Mr. Noor Elahi
Suzuki Cultus	1,094,000	649,156	444,844	444,844	-	Modaraba' Policy	Mr. Ameer Tamoor

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
Suzuki Cultus	1,074,000	678,225	395,775	395,775	-	Insurance Claim	Adamjee Insurance
Unique - 70	63,500	40,100	23,400	23,400	-	Modaraba' Policy	Mr. Syed Rizwan Mubeen
Honda City	1,537,000	961,026	575,974	575,974	-	Modaraba' Policy	Mr. Zeeshan Kafeel
Toyota Corolla	1,900,173	1,337,465	562,708	562,708	-	Modaraba' Policy	Mr. Syed Khizar Abbas Rizvi
Unique - 70	48,000	18,800	29,200	15,000	(14,200)	Modaraba' Policy	Mr. Aftab Haider
Unique - 70	48,000	18,800	29,200	10,000	(19,200)	Modaraba' Policy	Mr. Junaid Khan
Unique - 70	48,000	18,800	29,200	15,000	(14,200)	Modaraba' Policy	Mr. Muhammad Haris
Unique - 70	65,500	31,022	34,478	53,500	19,022	Walk in Customer	Mr. Muhammad Sajjad
Changan Karvan	1,354,000	135,400	1,218,600	1,500,000	281,400	Modaraba' Policy	Mr. Mirza Kamran Baig
Unique - 70	63,500	50,800	12,700	12,700	-	Modaraba' Policy	Mr. Bahadur Ali
Suzuki GD-150	63,500	40,100	23,400	23,400	-	Walk in Customer	Mr. Sameer
Suzuki GD-110S	89,000	65,600	23,400	23,400	-	Modaraba' Policy	Mr. Muhammad Hassan Khateeb
Suzuki Mehran	732,000	430,606	301,394	301,394	-	Modaraba' Policy	Mr. Muhammad Hassan
Unique - 70	63,500	40,100	23,400	23,400	-	Modaraba' Policy	Mr. Zaheer Abbas
Suzuki Mehran	750,000	447,342	302,658	302,658	-	Modaraba' Policy	Mr. Shafiq Ur Rehman
Suzuki Mehran	742,000	420,511	321,489	321,489	-	Modaraba' Policy	Mr. Jazib Mumtaz
Suzuki Mehran	742,000	399,998	342,002	342,002	-	Modaraba' Policy	Mr. Syed Sajjad Raza
Suzuki Wagon-R	1,234,000	692,788	541,212	541,212	-	Modaraba' Policy	Mr. Taha Majeed
Suzuki Cultus	1,870,000	186,455	1,683,545	1,683,545	-	Modaraba' Policy	Mr. Ali Ahsan
Suzuki Mehran	695,000	486,500	208,500	651,000	442,500	Modaraba' Policy	Mr. Adil Faiyyaz
Unique - 70	44,500	19,654	24,846	15,000	(9,846)	Modaraba' Policy	Mr. Umair Majeed
Unique - 70	44,500	19,654	24,846	15,000	(9,846)	Modaraba' Policy	Mr. Umair Raza
Suzuki Cultus	1,114,000	891,200	222,800	222,800	-	Modaraba' Policy	Mr. Zeeshan Kazmi
Suzuki Cultus	1,507,486	1,205,989	301,497	301,497	-	Modaraba' Policy	Mr. Shahbaz Yousuf
Avenzo Turbo	2,403,500	1,922,800	480,700	480,700	-	Modaraba' Policy	Mr. Majid
Suzuki Cultus	1,195,000	956,000	239,000	239,000	-	Negotiation	Mr. Khuwaja M Afaq
Toyota Hilux	2,092,000	1,673,600	418,400	418,400	-	Modaraba' Policy	Mr. Syed Mubeen Riaz
Toyota Corolla	1,358,000	1,086,400	271,600	271,600	-	Modaraba' Policy	Mr. Haider Qutbuddin
Honda City	1,350,000	1,080,000	270,000	270,000	-	Modaraba' Policy	Mr. Abid Altaf
Toyota Hilux-	1,924,500	1,539,600	384,900	384,900	-	Modaraba' Policy	Mr. Syed Zulqarnain Jafri
Suzuki Cultus	601,000	420,700	180,300	180,300	-	Modaraba' Policy	Mr. Usman Latif Chaudhry
Unique - 70	43,500	26,180	17,320	17,320	-	Modaraba' Policy	Mr. Ali Ahsan
Honda City	1,797,000	1,527,254	269,746	269,746	-	Insurance Claim	Adamjee Insurance
Honda City	1,563,000	987,026	575,974	575,974	-	Modaraba' Policy	Mr. Mr. Khurram Shehzad
Suzuki Swift	749,500	479,754	269,746	269,746	-	Modaraba' Policy	Mr. Muhammad Anwar
Unique - 70	72,000	55,417	16,583	16,583	-	Modaraba' Policy	Mr. Fayyaz Ahmed
Unique 125	45,000	21,600	23,400	23,400	-	Modaraba' Policy	Mr. Muhammad Farooq
Honda CD-70	63,500	40,100	23,400	23,400	-	Modaraba' Policy	Mr. Aqeel Ahmed Khan
Suzuki Cultus	800,000	519,199	280,801	280,801	-	Modaraba' Policy	Mr. Hassan Karim
Suzuki Wagon R	1,114,000	840,569	273,431	273,431	-	Modaraba' Policy	Mr. Abid Hussain
Honda CD-70	63,500	40,100	23,400	23,400	-	Modaraba' Policy	Mr. Abdul Qadir Khan
Honda City Manual	1,893,000	1,265,435	627,565	627,565	-	Modaraba' Policy	Mr. Abdur Rafah
Suzuki Mehran	772,500	491,699	280,801	280,801	-	Modaraba' Policy	Mr. Haroon Iftikhar
Toyota Corolla	1,230,000	451,000	779,000	1,350,788	571,788	Modaraba' Policy	Mr. Haroon Iftikhar
Toyota Vitz	1,020,000	-	1,020,000	1,020,000	-	Modaraba' Policy	Mr. Zeeshan Kazmi
Honda CG-125	125,500	59,257	66,243	66,243	-	Modaraba' Policy	Mr. Ali Ammar
Honda Civic	2,950,000	467,299	2,482,701	2,482,701	-	Modaraba' Policy	Mr. Fayyaz Ahmed
2022	53,657,984	32,946,762	20,711,222	22,143,663	1,432,441		
2021	58,127,151	31,913,470	26,213,681	28,110,027	1,896,346		



## 7 INTANGIBLE ASSET

	Note	2022	2021
		(Rupees)	
Computer Software	7.1	570,486	1,026,875
<b>7.1 Computer Software</b>			
Cost		9,471,794	9,471,794
Accumulated depreciation		(8,444,919)	(7,510,640)
Opening net book value		1,026,875	1,961,154
Additions during the year		-	-
Disposals during the year			
Cost		-	-
Accumulated depreciation		-	-
Amortisation charge for the year		(456,389)	(934,279)
Closing net book value		570,486	1,026,875
Life over which cost of the asset is amortised		4 years	4 years

## 8 SPARE PARTS

Balance as at the year end		321,364,182	200,743,139
Provision against ijarah rentals receivable	8.1	(40,052,550)	(37,603,447)
		281,311,632	163,139,692
<b>8.1 Provision against spare parts</b>			
Opening balance		37,603,447	-
Charge for the year		2,449,103	37,603,447
Closing balance		40,052,550	37,603,447

## 9 IJARAH RENTALS RECEIVABLE

Balance as at the year end		1,246,516,246	1,367,296,008
Provision against ijarah rentals receivable	9.1 & 9.2	(296,303,642)	(198,827,978)
		950,212,604	1,168,468,030

**9.1** Ijarah rentals receivable include exposure which are secured by way of cash deposits of Rs. 1.675 million (June 30, 2021: Rs. 26.875 million).

## 9.2 Provision against ijarah rentals receivable

	Note	2022	2021
		(Rupees)	
Opening balance		198,827,978	236,592,264
Effect of change in accounting estimate / accounting policy	9.4	51,815,848	49,916,037
Charge / (reversal) for the year		77,403,273	(10,077,491)
Written off during the year		(31,743,457)	(77,602,832)
Closing balance		296,303,642	198,827,978
<b>9.3</b> Related parties from whom the receivables are due are as under:			
Allied Engineering Services Limited (major share holder)		-	279,851
Apex Machinery Limited (common directorship)		-	406,000
		-	685,851

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

	2022	2021
	(Rupees)	
Not past due	-	35,000
Past due 1-180 days	-	212,850
Past due 181-360 days	-	438,001
	-	685,851

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

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

Refer note 37.2.2 for the details of aging of the above receivables.

#### 10 OPERATION AND MAINTENANCE INCOME RECEIVABLE

	Note	2022	2021
(Rupees)			
Balance as at the year end		30,035,298	32,136,865
Provision against operation and maintenance income receivable	10.1	(8,460,374)	(5,280,305)
		<u>21,574,924</u>	<u>26,856,560</u>

Refer note 37.2.2 for the details of aging of the above receivables.

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

Opening balance		5,280,305	5,332,407
Effect of change in accounting estimate / accounting policy	10.2	2,449,008	2,930,375
Charge / (reversal) during the year		731,061	(1,200,236)
Written off during the year		-	(1,782,241)
Closing balance		<u>8,460,374</u>	<u>5,280,305</u>

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

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

#### 11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

	Note	2022	2021
(Rupees)			
Income tax recoverable	11.1	388,302,795	448,172,344
Federal Excise Duty (FED) receivable	25.1.2	50,000,000	50,000,000
Punjab service sales tax refundable		48,803,542	84,006,540
Sindh service sales tax refundable		-	21,724,717
Federal sales tax refundable	25.1.3	9,896,473	9,896,473
Sales tax on imports refundable	11.2	4,182,666	4,182,666
Advances (unsecured):			
- to suppliers for purchase of fixed assets - in own use		22,294,036	14,330,731
- to suppliers for expenses		73,046,675	95,046,448
- to employees against salary (interest free & secured against retirement benefit)		3,869,646	722,934
- to employees for expenses	11.3	964,651	4,178,977
Prepaid expenses		-	472,082
Security deposits	11.4	20,193,738	19,736,559
Accrued income on profit or loss sharing bank accounts		652,206	101,496
Insurance claim receivable		463,008	689,301
Others	11.5	3,448,148	1,682,951
		<u>626,117,584</u>	<u>754,944,219</u>
Less: Provision against deposits and other receivables	11.6	<u>(329,260)</u>	<u>(1,028,375)</u>
		<u>625,788,324</u>	<u>753,915,844</u>

- 11.1** This includes taxes collected at source at import stage by the collector of customs of Rs 18.466 million (June 30, 2021: Rs. 2.333 million) and withholding of taxes of Rs. 183.561 million (June 30, 2021: Rs. 108.425 million) from various payments made to Modaraba. An amount of Rs. 261.325 million (June 30, 2021: Nil), representing income tax payable as at December 31, 2021, is netted off from the gross balance of tax recoverable.
- 11.2** The Modaraba filed Constitutional Petition in the High Court of Sindh, against levy of additional sales tax (AST) @ 3% at the time of import of equipment. The Sindh High Court stayed the said levy vide its order dated January 1, 2013. After the grant of the stay order and on the direction of the Sindh High Court, the amount of 3% additional sales tax amounting to Rs. 4.183 million has been deposited with the Nazir of the court for release of various consignments received thereafter. Later on the Ministry of Finance, Economic Affairs, Statistics and Revenue (Revenue Division) vide SRO No. 367(1)/2013 dated May 8, 2013 also exempted Service Industry from levy of additional sales tax hence admitted the legal advisor's contentions. The management believes that the petition will be decided in the Modaraba's favour. Once decided, the amount deposited with the Nazir will be released. Accordingly, no provision has been recognised in these financial statements.
- 11.3** These represent advances given to employees for expenses. The maximum amount receivable at the end of any month during the year was Rs. 4.158 million (June 30, 2021: Rs. 4.740 million).
- 11.4** These include a cash margin and security deposits of Rs. 17.381 million (June 30, 2021: Rs. 14.892 million) held by the Banks as security for the guarantees of the same amount given by them on behalf of the Modaraba to its suppliers / customers.
- 11.5** This includes an amount of Rs. 2.958 million receivable from Allied E-Commerce against sale of ijarah asset and payments made on behalf of the company.

**11.6 Provision against deposits and other receivables**

	2022	2021
	(Rupees)	
Opening balance	1,028,375	-
Effect of change in accounting policy	-	1,957,802
Reversal during the year	(699,115)	(929,427)
Closing balance	329,260	1,028,375

**12 SECURITY DEPOSITS**

The balance comprises of amount deposited to Central Depository Company of Pakistan.

**13 CASH AND BANK BALANCES**

	Note	2022	2021
		(Rupees)	
Balances with banks in:			
- current accounts		128,143,738	83,734,885
- deposit accounts	13.1	161,994,889	32,944,647
		290,138,627	116,679,532
Cash in hand		285,292	440,328
		290,423,919	117,119,860

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

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

**14.1 Authorised certificate capital**

2022	2021		2022	2021
(Number of certificates)			(Rupees)	
250,000,000	250,000,000	Modaraba certificates of Rs. 10 each	2,500,000,000	2,500,000,000



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

2022	2021		2022	2021
(Number of certificates)			(Rupees)	
220,000,000	220,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	1,726,250,000	1,726,250,000
47,375,000	47,375,000	Modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	473,750,000	473,750,000
267,375,000	267,375,000		2,200,000,000	2,200,000,000

## 14.3 Following certificates are held by associated companies of the Modaraba:

	2022		2021	
	Number of certificates	(Rupees)	Number of certificates	(Rupees)
Allied Engineering and Services (Private) Limited	151,931,073	1,519,310,730	151,931,073	1,519,310,730
Allied Engineering Management Company (Private) Limited	43,999,997	439,999,970	43,999,997	439,999,970
	195,931,070	1,959,310,700	195,931,070	1,959,310,700

## 15 STATUTORY RESERVE

Statutory reserve represents profits set aside to comply with the Modaraba Regulations, 2021 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. 76.970 million (2021: Rs. 186.244 million) which represents 20% (2021: 35%) of the profit after taxation.

## 16 DEFERRED LIABILITY FOR STAFF GRATUITY

	Note	2022	2021
		(Rupees)	
Deferred liability for staff gratuity	16.2	132,755,367	109,060,825

### 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 June 30, 2022 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 June 30, 2022 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 June 30, 2022, 342 employees (2021: 354 employees) were covered under the scheme.

Under the service rules, eligible employees are entitled to gratuity after ten years of service and the amount of gratuity depends upon the number of years of service completed by them and at different entitlement rates (applied on 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 June 30, 2022. 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:

	2022	2021
	(%)	
Discount rate	13.5	10.25
Expected rate of increase in salary level	13.5	10.25
Withdrawal rates	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 statement of financial position

Note	2022	2021
	(Rupees)	
Present value of defined benefit obligation	132,755,367	109,060,825

### 16.3 Movement in amount payable to the defined benefit plan

Opening balance	109,060,825	95,966,148
Charge for the year	23,961,782	14,736,018
Benefits paid during the year	(687,192)	-
Remeasurement loss / (gain) on obligation recognised in comprehensive income of the year	419,952	(1,641,341)
Closing balance	132,755,367	109,060,825

### 16.4 Movement in the present value of defined benefit obligation is as follows:

	2022	2021
	(Rupees)	
Present value of defined benefit obligation - opening	109,060,825	95,966,148
Current service cost	10,604,496	4,719,586
Mark-up cost	13,357,286	10,016,432
Benefit paid during the year	(687,192)	-
Remeasurement loss / (gain) on obligation recognised in comprehensive income of the year	419,952	(1,641,341)
Present value of defined benefit obligation - closing	132,755,367	109,060,825

### 16.4.1 Analysis of present value of defined benefit obligation

#### Split by type of members:

Active employees	132,755,367	109,060,825
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#### Split by vested / non-vested

(i) Vested benefits	102,638,293	78,848,966
(ii) Non-vested benefits	30,117,074	30,211,859
	132,755,367	109,060,825

#### Split by benefits earned to date

(i) Accumulated benefit obligation	38,206,821	37,029,485
(ii) Amounts attributable to future salary increase	94,548,546	72,031,340
	132,755,367	109,060,825

#### Cadre by type of members

Management staff	132,755,367	109,060,825
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## 16.5 Amount charged to the statement of profit or loss

During the year, the following amounts have been charged to the statement of profit or loss in respect of this scheme:

	Note	2022	2021
		(Rupees)	
Current service cost	16.4	10,604,496	4,719,586
Interest expense	16.4	13,357,286	10,016,432
		23,961,782	14,736,018

## 16.6 Remeasurements recognised in other comprehensive income during the year

	2022	2021
	(Rupees)	
Remeasurement loss / (gain) on obligation recognised in other comprehensive income	419,952	(1,641,341)

## 16.7 Historic Information

	2022	2021	2020	2019	2018
	(Rupees)				
Present value of defined benefit obligation	132,755,367	109,060,825	95,966,148	84,196,492	69,496,155
Remeasurement (loss) / gain on obligation	(419,952)	1,641,340	10,659,132	1,390,253	(5,367,570)

## 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%	118,853,054	149,045,931
Salary increase rate	1%	148,891,953	118,738,905

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 year) 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 11.31 years ( June 30, 2021: 12.28 years).

**16.10** Based on actuarial advice charge for the year ending June 30, 2023 amounts to Rs. 25.233 million (June 30, 2022: Rs. 21.794 million).

## 17. OTHER LONG-TERM EMPLOYEE BENEFITS

	2022	2021
	(Rupees)	
Other long-term employee benefits	27,766,018	24,052,311

This represents accrual for staff compensated absences and includes liability in respect of key management personnel amounting to Rs. 6.137 million (2021: Rs. 11.443 million).

**17.1** The management has estimated the liability for compensated absences at June 30, 2022 based on an actuarial valuation of the employees' compensated absences scheme conducted this year under the projected credit unit method. Following significant assumptions have been used for the actuarial valuation carried out by an independent valuer:



	2022	2021
	(%)	
Discount rate	13.5	10.25
Salary increase rate	13.5	10.25
Withdrawal rates	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.

## 18. LIABILITY AGAINST RIGHT-OF-USE ASSETS

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

	2022		2021	
	Minimum Lease Payments	Present Value of minimum lease payments	Minimum Lease Payments	Present Value of minimum lease payments
	(Rupees)			
Not later than one year	20,362,507	16,769,988	16,949,057	14,166,667
Later than one year but not later than five years	32,862,500	30,738,716	44,121,368	38,091,892
Later than five years	-	-	-	-
	53,225,007	47,508,704	61,070,425	52,258,559
Financial charges allocated to future periods	(5,716,303)	-	(8,811,866)	-
	47,508,704	47,508,704	52,258,559	52,258,559
Less: current maturity	(16,769,988)	(16,769,988)	(14,166,667)	(14,166,667)
	30,738,716	30,738,716	38,091,892	38,091,892

The remaining lease term varies between 6 to 31 months (June 30, 2021: 4 to 48 Months) and present values have been discounted ranging from 8.25% to 10.01% per annum (June 30, 2021: 8.25% to 10.01%).

## 19. DIMINISHING MUSHARAKA FINANCING PAYABLE - SECURED

	Note	2022	2021
		(Rupees)	
Musharaka finance	19.1 & 19.2	956,381,734	1,356,974,708
Due within one year		(410,600,730)	(636,194,123)
		545,781,004	720,780,585
19.1 Financing from Islamic window operations of banks		956,381,734	1,351,518,458
Financing from Modarabas		-	5,456,250
	19.2	956,381,734	1,356,974,708

**19.2** The total facility from Musharaka finance available from financial institutions amounts to Rs.956.382 million (June 30, 2021: Rs.1,351.518 million) and Modarabas amounts to Nil (June 30, 2021: Rs. 5.456 million), respectively. These facilities have maturities from August 8, 2022 to May 31, 2026 (June 30, 2021: July 31, 2021 to May 31, 2026) and are secured against the hypothecation of Ijarah assets amounting to Rs. 3,648.968 million (June 30, 2021: Rs. 5,542.493 million). Share of profit payable on these facilities ranges between 7.88% to 16.14% per annum (June 30, 2021: 7.22% to 14.50%) per annum.

**19.3** During the year, the Modaraba utilized running musharaka financing facility of amounts ranging from Rs. 6.497 million to Rs. 100 million (June 30, 2021: Rs. 0.043 million to Rs. 70.078 million) to meet its working capital requirements which carries share of profit at rates ranging from 8.76% to 15.56% per annum (June 30, 2021: 8.56% to 8.78% per annum). Total facility available to the Modaraba amounts to Rs. 200 million (June 30, 2021: Rs. 100 million). The facility is secured against hypothecation of Ijarah assets.

## 20. LONG TERM BORROWINGS AND DEFERRED GRANTS

**20.1** Due to the effects of Covid -19 pandemic, the State Bank of Pakistan (SBP) took various steps to support the economy, the SBP introduced a refinance scheme for the payment of salaries and wages at subsidized rate of borrowings. The Modaraba has obtained the said facilities of Rs. 165.473 million from Habib Bank Limited at subsidized rate of 3% per annum and of Rs. 160 million from Bank Alfalah Limited at 3% subsidized mark-up rate. The principal amount of Habib Bank Limited against two facilities is payable in eight quarterly

instalments of Rs. 6.402 million and Rs. 14.282 million commencing from January 1, 2021 which is secured against hypothecation charge over machines and spares amounting to Rs. 350.914 million (June 30, 2021: 350.914 million). The principal amount of Bank Alfalah Limited against three facilities is payable in eight quarterly instalments of Rs. 8.789 million, Rs. 4.714 million and Rs. 6.496 million starting from March 3, 2021 which are secured against hypothecation charge over machines amounting to Rs. 225 million (June 30, 2021: Rs. 225 million). The facility is available to all the eligible borrowers meeting the threshold requirement.

## 20.2 Details are as follows:

	2022	2021
	(Rupees)	
SBP Salary refinance scheme	99,812,830	252,493,806
Deferred income - government grant	1,934,864	12,665,258
Outstanding balance	101,747,694	265,159,064
Current portion of SBP Salary refinance scheme	99,812,830	168,832,513
Current portion of deferred income - government grant	1,934,864	10,730,395
	101,747,694	179,562,908
Long term portion of the SBP salary refinance scheme	-	83,661,293
Long term portion of deferred income	-	1,934,863
	-	85,596,156

## 21 DEFERRED TAX LIABILITY

	Note	2022	2021
		Restated	
		(Rupees)	
Deferred tax liability	21.1	866,017,146	783,819,912

## 21.1 Movement in temporary differences during the year:

	As at July 1, 2021 Restated	Recognised in P&L	Recognised in OCI	As at June 30, 2022
	(Rupees)			
Taxable temporary differences on				
- Ijarah assets	817,929,561	146,782,224	-	964,711,785
- Fixed assets - in own use	12,672,972	4,339,706	-	17,012,678
	830,602,533	151,121,930	-	981,724,463
Deductible temporary differences on				
- Deferred liability for staff gratuity	(31,627,639)	(12,043,048)	(138,584)	(43,809,271)
- Liability against right-of-use assets	(15,154,982)	(522,890)	-	(15,677,872)
- Ijarah rentals receivable	-	(54,681,762)	-	(54,681,762)
- Operation and maintenance income receivable	-	(1,538,412)	-	(1,538,412)
	(46,782,621)	(68,786,112)	(138,584)	(115,707,317)
	783,819,912	82,335,818	(138,584)	866,017,146

## 22 OTHER LONG TERM LIABILITIES

	Note	2022	2021
		(Rupees)	
Security deposits	22.1	1,675,000	25,758,732
Employee car scheme - deductions	22.2	33,076,087	32,416,331
		34,751,087	58,175,063
Current portion of security deposits		1,675,000	25,758,732
Current portion of employee car scheme - deductions		9,829,551	23,010,296
		11,504,551	48,769,028
Non-current portion of security deposits		-	-
Non-current portion of employee car scheme - deductions		23,246,536	9,406,035
		23,246,536	9,406,035

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

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

## 23 PAYABLE TO THE MODARABA MANAGEMENT COMPANY

	2022	2021
	(Rupees)	
Remuneration payable to Management Company - net	9,219,525	9,488,100
Sindh Sales Tax payable on remuneration of Management Company	1,300,000	1,300,000
	10,519,525	10,788,100

- 23.1** 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 30, 2022 has been recognised at 1.32% (June 30, 2021: 1.78%) of the profit for the year.

## 24 CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	2022	2021
		(Rupees)	
Creditors	24.1	952,003,413	500,443,313
Accrued expenses	24.2	150,952,442	192,660,035
Payable to Worker's Welfare Fund		12,554,586	10,415,221
Tax deduction at source from			
- employees		952,765	1,265,110
- suppliers		2,841,965	1,114,518
Sindh sales tax payable		6,694,992	1,713,782
		1,126,000,163	707,611,979

- 24.1** This includes Rs. 670.022 million (June 30, 2021: Rs. 425.485 million) and Rs. 18.656 million (June 30, 2021: Rs. 21.550 million) payable to Allied Engineering and Services (Private) Limited and Apex Machinery (Private) Limited (associated companies) for various purchases and services availed by the Modaraba.
- 24.2** This includes an accrual of financial charges of Rs. 14.251 million (June 30, 2021: Rs. 14.270 million), Rs. 1.180 million (June 30, 2021: Rs. 0.282 million) and Rs. 2.486 million (June 30, 2021: Rs. 3.550 million) in respect of Diminishing Musharaka, Running Musharaka and the SBP refinancing facilities availed by the Modaraba, respectively.

## 25 CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

Contingencies outstanding as at June 30, 2022 are as follows:

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

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

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

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



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

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

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

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

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

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

On March 11, 2016, assessment orders relating to tax years 2014 and 2015 were received from the Assistant Commissioner of Inland Revenue demanding a Federal Excise Duty (FED) aggregating to Rs 838.662 million (calculated @16% of gross receipts of the Modaraba for the above mentioned tax years) the related default surcharge and applicable penalty. In response, an appeal was filed by the Modaraba with the Commissioner Inland Revenue – Appeals (CIR-A) on March 16, 2016. The Modaraba had paid an amount of Rs 50 million to the Federal Board of Revenue under protest in respect of the above.

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

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

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

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

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

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

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

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

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

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

The management, in consultation with its tax advisor, believes that the outcome of the appeal will be in their favour and, accordingly, no provision has been made in these financial statements. Further, the under protest payment of Rs. 9.896 million has been shown as a refundable balance in note 11 of these financial statements.

- 25.1.4** Deputy Commissioner Inland Revenue (CIR) issued an order D.C. no. 21/03 dated June 9, 2018 in respect of tax audit for the tax year 2012. The CIR raised a tax demand amounting to Rs. 8.152 million against the profit on ijarah financing, gain on disposed of ijarah assets and the management fee. The Modaraba has filed an appeal with Commissioner Inland Revenue (Appeal) against the order. The management in consultation with the tax advisor, believes that the outcome of the appeal will be in favour of the Modaraba and, accordingly, no provision has been made in these financial statements.

- 25.1.5** The Additional Commissioner Inland Revenue (ACIR) issued an order DC No. 02/29 dated October 7, 2020. The order states that on the scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2015 showed that the Modaraba has not deducted / partially deducted taxes from the payments against expenses made during the year. In the order, short deductions of tax were calculated by the department on the entire amount of the expenditures claimed in the return (Rs. 1.346 billion). The department demanded Rs. 232.830 million from the Modaraba along with the default surcharge u/s 205 of Rs. 41.910 million.

The Modaraba has filed an appeal against the order in the Sindh High Court and obtained a stay order on this matter. The appeal was heard on February 12, 2021, May 4, 2021 and later on October, 11 2021. However, order is still awaited. The management, based on its lawyer/tax advisor's view, is of the view that the appeal filed by the Modaraba will be adjudicated in favour of the Modaraba and, accordingly, no provision has been made in these financial statements.

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

- The ACIR has rejected the tax exemption under clause 100 Part I of Second schedule to the Ordinance and imposed tax @ 30% on the income of Rs. 1.342 billion. The rejection is alleged on the premise that the amount transferred to statutory reserve is not as prescribed under the prudential regulations for Modarabas.
- The Modaraba's tax deductions under section 148(1) of the Ordinance amounting to Rs. 40.93 million is treated as a tax under the final tax regime under section 148(7) of the Ordinance (and not as tax recoverable). This was based on the inference that income for this year is not exempt as the conditions were not met and as such tax collected under section 148 is alleged to be final tax.

- Credit of taxes claimed for taxes paid / deducted aggregating to Rs. 142.66 million has been disallowed pending the provision of evidence.
- After taking into account the above, taxable income of Rs. 1,342 million has been assessed and income tax of Rs. 350.25 million has been demanded.

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

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

#### 25.1.7 Refer notes 11.1 and 11.2 also.

#### 25.2 Commitments

	2022	2021
	(Rupees)	
Capital commitments and financial guarantees	109,991,954	844,000

25.2.1 This represents commitments in respect of purchase of ijarah assets which is expected to be settled in the next financial year.

#### 26 IJARAH RENTALS - net

	2022	2021
	(Rupees)	
Ijarah rentals	4,814,627,649	3,929,942,313
Sales tax	(490,774,354)	(352,638,859)
	4,323,853,295	3,577,303,454

#### 27 OPERATION AND MAINTENANCE INCOME - net

Operation and maintenance income	167,675,892	152,713,283
Sales tax	(16,562,054)	(15,277,561)
	151,113,838	137,435,722

#### 28 OPERATION, MAINTENANCE AND IJARAH RELATED EXPENSES

	Note	2022	2021
		(Rupees)	
Salaries, wages and other staff benefits	28.1	1,076,802,456	899,487,057
Depreciation expense	5.1	334,838,017	417,103,021
Repairs and maintenance expenses		531,929,736	360,551,544
Fleet vehicles running expenses		964,379,391	940,780,386
Vehicles running expenses		62,929,502	45,765,153
Insurance expense - equipment		43,920,499	42,445,122
Transportation cost		71,219,150	74,509,832
Travelling, conveyance and other expenses		8,877,159	10,299,823
Rent expense		21,385,622	13,420,137
Impairment of Ijarah Assets	5.1	115,779,513	586,432
Provision against slow moving spares	8.1	2,449,103	37,603,447
		3,234,510,148	2,842,551,954

28.1 This includes contribution of Rs. 14.728 million (2021: 15.816 million) to the staff provident fund (maintained by the associated company) and charge in respect of unfunded gratuity scheme amounting to Rs. 14.611 million (2021: Rs. 10.024 million).



## 29 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

	Note	2022	2021
		(Rupees)	
Salaries, wages and other staff benefits	29.1	174,961,481	147,454,355
Vehicle running costs		20,441,907	10,557,734
Travelling and conveyance		2,114,553	896,043
Depreciation expense	6.1	42,673,731	56,751,085
Amortisation expense	7.1	456,389	934,279
Legal and professional charges		21,555,078	13,158,754
Auditors' remuneration	29.3	4,135,320	2,860,643
Telephone, postage and fax charges		8,201,733	8,097,209
Advertisement and sales promotion		179,920	962,020
Printing and stationery		6,686,368	5,509,835
Insurance cost - vehicles		965,619	1,026,408
Training, meetings and tender participation		2,311,214	1,824,953
Donations	29.2	1,320,000	1,101,000
Software development		1,224,003	1,887,717
Entertainment		5,139,245	5,122,171
Utilities		7,490,267	8,525,919
Security		5,696,797	5,977,871
Miscellaneous		2,923,524	421,005
		<b>308,477,149</b>	<b>273,069,001</b>

**29.1** This includes contribution of Rs. 6.446 million (2021: Rs. 3.616 million) to the staff provident fund (maintained by the associated company) and charge in respect of unfunded gratuity scheme amounting to Rs. 9.350 million (2021: Rs. 4.712 million).

### 29.2 Donations

Donations were paid to the following organisations:

	2022	2021
	(Rupees)	
Burhani Medical Welfare Association	150,000	126,000
Koohi Goth Hospital	125,000	125,000
Akhuwat Micro Finance - Sindh Flood	-	100,000
Aashiyana Welfare Society	50,000	100,000
Islamic Educational & Welfare Society	75,000	75,000
Al-Quresh Welfare Society	50,000	50,000
Fatimid Foundation	-	50,000
Al-Madad Welfare Society	50,000	50,000
Anjuman-e- Hasani Donation	50,000	50,000
Nigahban Foundation	50,000	50,000
Health Education Livelihood Promoters	50,000	50,000
Umeed Gah Rehabilitation	50,000	50,000
Healthcare and Social Welfare	50,000	50,000
M Khozema Safiri - Marathon Event	-	50,000
Malir Social Welfare Organization	50,000	50,000
Markaz-e-Umeed	50,000	50,000
Aab The Need Of Life	100,000	25,000
Eye Sight Trust	20,000	-
Fatima Kidney Centre	100,000	-
NBFI and Map Donation	150,000	-
Rehman Foundation	50,000	-
Muhammadi Blood Bank	50,000	-
	<b>1,320,000</b>	<b>1,101,000</b>

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

### 29.3 Auditors' remuneration

	2022	2021
	(Rupees)	
Audit fee	825,000	750,000
Fee for review of half yearly financial statements	500,000	439,876
Fee for audit of special purpose financial statements	900,000	-
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance	135,000	125,000
Fee for review services	550,000	500,000
Other statutory certifications	450,000	389,800
Out of pocket expenses	775,320	655,967
	<u>4,135,320</u>	<u>2,860,643</u>

### 30 FINANCE COST

Financial cost on diminishing Musharaka financing arrangement	104,263,699	129,846,575
Financial cost on running musharaka financing arrangement	2,247,939	608,006
Finance cost on long term borrowing	16,151,589	24,095,402
Finance cost on liability against right-of-use assets	5,165,993	5,068,954
Bank charges and commission	2,712,509	3,709,558
	<u>130,541,729</u>	<u>163,328,495</u>

### 31 OTHER INCOME - NET

Profit on deposit accounts with bank	6,721,242	3,880,687
Income from disposal of scrap	39,458,890	28,887,089
(Loss) / gain on disposal of fixed assets and Ijarah assets	(10,432,269)	24,088,827
Amortisation of deferred government grant	10,730,392	16,036,654
Reversal of liability no longer payable	-	17,721,335
Exchange gain / loss	(5,902,676)	507,385
Gain on reassessment of lease liability	-	12,753,848
Bad debt recovered	40,000,000	-
	<u>80,575,579</u>	<u>103,875,825</u>

### 32 TAXATION

	2022	2021
	(Rupees)	
- Current	261,324,670	-
- Deferred	82,335,818	783,343,923
	<u>343,660,488</u>	<u>783,343,923</u>

**32.1** During the year ended June 30, 2021, the income of non-trading modaraba was made taxable through the Tax Laws (Second Amendment) Ordinance, 2021. Based on the advice of the tax advisor, the management is of the view that the taxability on income is effective from July 1, 2021.

### 32.2 Relationship between tax expense and accounting profit

	2022
	(Rupees)
Accounting profit before tax	<u>728,505,633</u>
Tax rate	29%
Tax on accounting profit	211,266,634
Tax effect of:	
Permanent differences	69,316,683
Tax effect of super tax	31,724,374
Tax effect of change in tax rate	31,352,797
	<u>343,660,488</u>

### 33 EARNINGS/ (LOSS) PER CERTIFICATE - BASIC AND DILUTED

	2022	2021
	(Rupees)	
Profit / (loss) for the year after taxation	384,845,145	(251,216,551)
	(Number of certificates)	
Weighted average number of ordinary certificates outstanding during the year	220,000,000	220,000,000
	(Rupees)	
Earnings / (loss) per certificate - basic and diluted	1.75	(Restated) (1.14)

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

### 34 REMUNERATION OF EXECUTIVES

	2022			2021		
	(Key management personnel)	Other employees	Total	(Key management personnel)	Other employees	Total
	(Rupees)					
Basic salary	24,851,616	23,660,130	48,511,746	22,916,130	23,693,817	46,609,947
Bonus	6,420,000	6,235,533	12,655,533	4,403,254	9,378,517	13,781,771
House rent allowance	11,183,232	10,647,074	21,830,306	10,312,260	10,662,204	20,974,464
Utility allowance	2,485,165	2,366,023	4,851,188	2,291,606	2,369,379	4,660,985
Provident fund	2,485,158	2,366,013	4,851,171	2,291,604	2,369,375	4,660,979
Gratuity	4,956,297	3,707,108	8,663,405	4,099,558	2,953,495	7,053,053
Contribution to Employees' Old Age Benefit	74,880	138,060	212,940	74,880	146,640	221,520
Medical benefits	3,210,000	3,056,100	6,266,100	2,960,000	3,060,450	6,020,450
	55,666,348	52,176,041	107,842,389	49,349,292	54,633,877	103,983,169
Number of persons	8	15	23	8	17	25

- 34.1** 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.

### 35 PROVIDENT FUND RELATED DISCLOSURE

The investments out of provident fund have been made in accordance with the requirements of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

### 36 FINANCIAL INSTRUMENTS BY CATEGORY

	2022	
	Amortised cost	Total
	(Rupees)	
<b>Financial assets</b>		
Cash and Bank balances	290,423,919	290,423,919
Ijarah rentals receivables	950,212,604	950,212,604
Operation and maintenance income receivables	21,574,924	21,574,924
Deposits and other receivables	29,262,137	29,262,137
Security deposits	50,000	50,000
	1,291,523,584	1,291,523,584
<b>Financial liabilities</b>		
Creditors, accrued and other liabilities	1,102,955,855	1,102,955,855
Payable to the Modaraba Management Company	10,519,525	10,519,525
Diminishing musharakah financing payable - secured	956,381,734	956,381,734
Long-term borrowings and deferred grant	101,747,694	101,747,694
Liability against right-of-use assets	47,508,704	47,508,704
Unclaimed dividend	1,246,177	1,246,177
	2,220,359,689	2,220,359,689



	2021	
	Amortised cost	Total
	(Rupees)	
<b>Financial assets</b>		
Cash and Bank balances	117,119,860	117,119,860
Ijarah rentals receivables	1,168,468,030	1,168,468,030
Operation and maintenance income receivables	26,856,560	26,856,560
Deposits and other receivables	40,620,433	40,620,433
Long-term security deposits	50,000	50,000
	1,353,114,883	1,353,114,883
<b>Financial liabilities</b>		
Creditors, accrued and other liabilities	693,103,348	693,103,348
Payable to the Modaraba Management Company	9,488,100	9,488,100
Diminishing musharakah financing payable - secured	1,356,974,708	1,356,974,708
Long-term borrowings	265,159,064	265,159,064
Liability against right-of-use assets	52,258,559	52,258,559
Unclaimed dividend	1,134,696	1,134,696
	2,378,118,475	2,378,118,475

## 37 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.

### 37.1 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.

#### 37.1.1 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. As at June 30, 2022 the Modaraba's exposure to foreign currency risk in respect of its obligation was USD 536,939 (2021: USD 645 and Euro 94,000). 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		Reporting date rate	
	2022	2021	2022	2021
Rupees / US Dollar	192.31	162.81	204.85	157.54
Rupees / Euro	207.58	187.94	213.75	187.27

#### *Sensitivity 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):

2022									
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)									
3.00% to 7.25%	161,994,889	-	-	-	-	-	-	128,429,030	290,423,919
	-	-	-	-	-	-	-	950,212,604	950,212,604
	-	-	-	-	-	-	-	21,574,924	21,574,924
	-	-	-	-	-	-	-	29,262,137	29,262,137
	-	-	-	-	-	-	-	50,000	50,000
	161,994,889	-	-	-	-	-	-	1,129,528,695	1,291,523,584
<b>Financial liabilities</b>									
Creditors, accrued, and other liabilities	-	-	-	-	-	-	-	1,102,955,855	1,102,955,855
Payable to the Modaraba Management Company	-	-	-	-	-	-	-	10,519,525	10,519,525
Diminishing musharakah financing payable - secured	-	674,659,286	281,722,448	-	-	-	-	-	956,381,734
Long-term borrowings	-	101,747,694	-	-	-	-	-	-	101,747,694
Lease Liability against right-of-use assets	1,476,521	3,007,534	4,567,055	7,718,886	30,738,708	-	-	-	47,508,704
Unclaimed dividend	-	-	-	-	-	-	-	1,246,177	1,246,177
	1,476,521	779,414,514	286,289,503	7,718,886	30,738,708	-	-	1,114,721,557	2,220,359,689
	160,518,368	(779,414,514)	(286,289,503)	(7,718,886)	(30,738,708)	-	-	14,807,138	(928,836,105)
<b>On-balance sheet gap</b>									
<b>Off-balance sheet financial instruments</b>									
<b>Financial liabilities</b>									
Guarantees from banks on behalf of the Modaraba	-	-	-	-	-	-	-	109,991,954	109,991,954
Off-balance sheet gap	-	-	-	-	-	-	-	109,991,954	109,991,954
<b>Total interest rate sensitivity gap</b>	160,518,368	(779,414,514)	(286,289,503)	(7,718,886)	(30,738,708)	-	-	124,799,092	(818,844,151)
<b>Cumulative interest rate sensitivity gap</b>	160,518,368	(618,896,146)	(905,185,649)	(912,904,535)	(943,643,243)	(943,643,243)	(943,643,243)	(818,844,151)	

## On-balance sheet financial instruments

### Financial assets

Cash and bank balances  
Ijarah rentals receivables  
Operation and maintenance income receivables  
Deposits and other receivables  
Long-term security deposits  
Sub total

### Financial liabilities

Creditors, accrued, and other liabilities  
Payable to the Modaraba Management Company  
Diminishing musharakah financing payable - secured  
Long-term borrowings  
Lease Liability against right-of-use assets  
Unclaimed dividend  
Sub total

## On-balance sheet gap

### Off-balance sheet financial instruments

### Financial liabilities

Guarantees from banks on behalf of the Modaraba

## Off-balance sheet gap

## Total interest rate sensitivity gap

## Cumulative interest rate sensitivity gap

2021										
	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										
2.75% to 6.68%	Cash and bank balances	32,944,647	-	-	-	-	-	-	84,175,213	117,119,860
	Ijarah rentals receivables	-	-	-	-	-	-	-	1,168,468,030	1,168,468,030
	Operation and maintenance income receivables	-	-	-	-	-	-	-	26,856,560	26,856,560
	Deposits and other receivables	-	-	-	-	-	-	-	40,620,433	40,620,433
	Long-term security deposits	-	-	-	-	-	-	-	50,000	50,000
	Sub total	32,944,647	-	-	-	-	-	-	1,320,170,236	1,353,114,883
	Financial liabilities									
7.22% to 14.50% 9.36% to 10.28% 8.25% to 9.59%	Creditors, accrued, and other liabilities Payable to the Modaraba Management Company	-	-	-	-	-	-	-	693,103,348	693,103,348
	Diminishing musharakah financing payable - secured	32,679,569	128,249,338	173,601,968	301,663,249	588,537,957	132,242,627	-	-	1,356,974,708
	Long-term borrowings	21,612,433	42,524,857	42,207,354	62,487,871	96,326,549	-	-	-	265,159,064
	Lease Liability against right-of-use assets	1,520,503	3,012,715	3,907,974	7,156,550	29,638,688	7,022,129	-	-	52,258,559
	Unclaimed dividend	-	-	-	-	-	-	-	1,134,696	1,134,696
	Sub total	55,812,505	173,786,910	219,717,296	371,307,670	714,503,194	139,264,756	-	703,726,144	2,378,118,475
	On-balance sheet gap	(22,867,858)	(173,786,910)	(219,717,296)	(371,307,670)	(714,503,194)	(139,264,756)	-	616,444,092	(1,025,003,592)
Off-balance sheet financial instruments										
Financial liabilities										
Guarantees from banks on behalf of the Modaraba		-	-	-	-	-	-	-	14,900,000	14,900,000
	Off-balance sheet gap	-	-	-	-	-	-	-	14,900,000	14,900,000
Total interest rate sensitivity gap										
Cumulative interest rate sensitivity gap										
		(22,867,858)	(196,654,768)	(416,372,064)	(787,679,734)	(1,502,182,928)	(1,641,447,684)	(1,641,447,684)	(1,010,103,592)	



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

		Carrying amount	
		2022	2021
Variable rate instruments	Note	(Rupees)	
Financial assets			
Saving accounts with banks	12	161,994,889	32,944,647
Financial liabilities			
Diminishing Musharakah financing payable - secured	18	(956,381,734)	(1,356,974,708)
Fixed rate instruments			
Financial liabilities			
Liability against right-of-use assets	17	47,508,704	52,258,559
Long term borrowings and deferred grants	19	101,747,694	265,159,064
		149,256,398	317,417,623

#### Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not have any fixed rate financial assets and liabilities which are classified at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting year 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. 9.563 million (2021: Rs. 12.475 million). The sensitivity of savings account has not been presented as the impact would not be material.

### 37.1.2 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 does not have any investment traded in the market, therefore the Modaraba is not subject to price risk.

### 37.2 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 receivables, operational and maintenance income receivables, 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 Modaraba Regulations, 2021 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. Modaraba also obtains security deposits 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	2022	2021
		(Rupees)	
Bank balances	12	290,138,627	116,679,532
Ijarah rentals receivables		950,212,604	1,168,468,030
Operation and maintenance income receivables		21,574,924	26,856,560
Deposits and other receivables		29,262,137	40,620,433
Security deposits		50,000	50,000
Total carrying value (and maximum exposure to credit risk)		1,291,238,292	1,352,674,555

### 37.2.1 Credit risk ratings and collaterals held

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

	2022	2021
	(Rupees)	
Rating		
AAA	202,430,067	100,497,778
AA+	61,286,400	-
AA	2,182,316	16,181,754
A+	24,239,844	-
	<u>290,138,627</u>	<u>116,679,532</u>

### 37.2.1.2 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. 1.675 million (2021: Rs. 25.759 million) is also kept as security deposits against these arrangements.

### 37.2.2 Impairment losses and past due balances

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

	2022		2021	
	Gross	Allowance for receivable losses	Gross	Allowance for receivable losses
	(Rupees)			
Not past due	716,672,555	26,854,461	780,598,514	43,756,334
Past due 1-90 days	247,290,571	39,220,164	304,711,250	29,694,241
Past due 91 days to 180 days	115,275,076	58,636,244	144,983,869	26,541,220
Past due 181 days to one year	82,312,337	66,556,130	42,477,978	23,681,199
More than one year	115,001,005	113,497,017	126,661,262	80,435,288
Total	<u>1,276,551,544</u>	<u>304,764,016</u>	<u>1,399,432,873</u>	<u>204,108,282</u>

### 37.2.3 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:

	2022		2021	
	(Rupees)	%	(Rupees)	%
Airlines	5,901,557	0.46%	-	-
Automobiles	3,491,446	0.27%	3,962,429	0.29%
Banks & Financial Institutions	290,439,701	22.49%	135,505,501	10.02%
Cement	4,059,507	0.31%	10,444,511	0.77%
Chemicals And Pharmaceuticals	16,868,157	1.31%	42,355,655	3.13%
Construction	112,314,408	8.70%	193,500,781	14.31%
Collector of Customs	-	-	4,182,666	0.31%
Distributors	-	-	53,145	0.00%
Dairy & Poultry	7,355,141	0.57%	-	-
Edible Oil	13,687	0.00%	-	-
Education	12,064	0.00%	3,975,647	0.29%
Electrical	8,516,817	0.66%	-	-
Energy, Oil And Gas	172,344,114	13.35%	163,636,357	12.10%
Engineering	13,743,765	1.06%	45,129,820	3.34%
Fast Moving Consumer Goods (FMCG)	45,452,053	3.52%	123,199,112	9.11%
Food And Beverages	52,270,674	4.05%	111,763,786	8.26%
Healthcare	16,836,582	1.30%	41,962,981	3.10%
Hospital	-	-	1,388,535	0.10%

	2022		2021	
	(Rupees)	%	(Rupees)	%
Hotel	39,608	0.00%	4,621,548	0.34%
Individuals	123,001	0.01%	15,910,411	1.18%
Information Technology and Communication	2,122,293	0.16%	4,271,552	0.32%
Insurance	-	-	689,301	0.05%
Logistics	7,077,327	0.55%	26,575,116	1.96%
Manufacturing	16,150,515	1.25%	11,265,336	0.83%
Media	6,113,635	0.47%	11,077,585	0.82%
Other	371,828,104	28.80%	254,597,418	18.82%
Packaging	23,049,705	1.79%	15,864,029	1.17%
Paper And Board	7,395,312	0.57%	9,768,619	0.72%
Plastic Industries	1,675,728	0.13%	-	-
Rice	-	-	6,844	0.00%
Securities depository	50,000	0.00%	50,000	0.00%
Sugar	1,294,708	0.10%	2,177,757	0.16%
Textile And Cotton	76,498,577	5.92%	99,969,865	7.39%
Tobacco	27,936,144	2.16%	12,015,087	0.89%
Warehousing	263,962	0.02%	2,753,161	0.20%
	1,291,238,292	100%	1,352,674,555	100%

### 37.3 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 financial assets and financial liabilities of the Modaraba

	2022					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	Over five years
	(Rupees)					
<b>Non-derivative financial assets</b>						
Cash and bank balances	290,423,919	290,423,919	290,423,919	-	-	-
Ijarah rentals receivables	950,212,604	950,212,604	950,212,604	-	-	-
Operation and maintenance income receivables	21,574,924	21,574,924	21,574,924	-	-	-
Deposits and other receivables	29,262,137	29,262,137	29,262,137	-	-	-
Short Term Security Deposit	50,000	50,000	50,000	-	-	-
	1,291,523,584	1,291,523,584	1,291,523,584	-	-	-
<b>Non-derivative financial liabilities</b>						
Creditors, accrued and other liabilities	1,102,955,855	1,102,955,855	1,102,955,855	-	-	-
Payable to the Modaraba Management Company	10,519,525	10,519,525	10,519,525	-	-	-
Diminishing musharakah financing payable - secured	956,381,734	956,381,734	228,643,941	181,956,788	545,781,005	-
Long term borrowings	101,747,694	101,747,694	101,747,694	-	-	-
Lease Liability against right-of-use assets	47,508,704	47,508,704	9,061,117	7,718,879	30,728,708	-
Unclaimed dividend	1,246,177	1,246,177	1,246,177	-	-	-
	2,220,359,689	2,220,359,689	1,454,174,309	189,675,667	576,509,713	-
On-balance sheet gap	(928,836,105)	(928,836,105)	(162,650,725)	(189,675,667)	(576,509,713)	-

	2021					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	Over five years
	(Rupees)					
<b>Non-derivative financial assets</b>						
Cash and bank balances	117,119,860	117,119,860	117,119,860	-	-	-
Ijarah rentals receivables	1,168,468,030	1,168,468,030	1,168,468,030	-	-	-
Operation and maintenance income receivables	26,856,560	26,856,560	26,856,560	-	-	-
Deposits and other receivables	40,620,433	40,620,433	1,290,797	32,964,199	6,365,437	-
Long term security deposit	50,000	50,000	-	-	-	50,000
	1,353,114,883	1,353,114,883	1,313,735,247	32,964,199	6,365,437	50,000
<b>Non-derivative financial liabilities</b>						
Creditors, accrued and other liabilities	693,103,348	693,103,348	693,103,348	-	-	-
Payable to the Modaraba Management Company	9,488,100	9,488,100	9,488,100	-	-	-
Diminishing musharakah financing payable - secured	1,356,974,708	1,356,974,708	334,530,875	301,663,249	720,780,584	-
Long term borrowings	265,159,064	265,159,064	106,344,644	62,487,871	96,326,549	-
Lease Liability against right-of-use assets	52,258,559	52,258,559	8,441,192	7,156,550	36,660,817	-
Unclaimed dividend	1,134,696	1,134,696	1,134,696	-	-	-
	2,378,118,475	2,378,118,475	1,153,042,855	371,307,670	853,767,950	-
<b>On-balance sheet gap</b>	(1,025,003,592)	(1,025,003,592)	160,692,392	(338,343,471)	(847,402,513)	50,000

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 up to six months. However, based on historical behavior, 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.

### 38 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Issued, subscribed and paid up certificate capital	Premium on issue of certificates	Unappropriated profit	Diminishing musharakah financing availed	Long term borrowings	Lease liability against right-of-use assets	Total
	(Rupees)						
<b>Balance as at 1 July 2021</b>	2,200,000,000	1,255,712,500	(445,934,539)	1,356,974,708	265,159,064	52,258,559	4,684,170,292
Changes from financing cash flows							
Repayment of Diminishing musharakah	-	-	-	(641,800,474)	-	-	(641,800,474)
Proceeds from Diminishing musharakah	-	-	-	241,207,500	-	-	241,207,500
Repayment of Long term borrowings	-	-	-	-	(152,680,978)	-	(152,680,978)
Profit distribution to the certificate holders	-	-	(330,000,000)	-	-	-	(330,000,000)
Repayment of lease liability against right-of-use assets	-	-	-	-	-	(8,610,423)	(8,610,423)
Total changes from financing activities	-	-	(330,000,000)	(400,592,974)	(152,680,978)	(8,610,423)	(891,884,375)
<b>Other changes</b>							
Addition of lease liability during the year	-	-	-	-	-	3,860,568	3,860,568
Amortisation of deferred grant	-	-	-	-	(10,730,392)	-	(10,730,392)
Total comprehensive income for the year	-	-	384,563,777	-	-	-	384,563,777
Transfer to statutory reserve (at 50% of the profit for the year)	-	-	(76,969,029)	-	-	-	(76,969,029)
Total equity related other changes	-	-	307,594,748	-	(10,730,392)	3,860,568	300,724,924
<b>Balance as at 30 June 2022</b>	2,200,000,000	1,255,712,500	(468,339,791)	956,381,734	101,747,694	47,508,704	4,093,010,841

### 39 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 behavior. 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.

## 40 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 and 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.

## 41 RELATED PARTY TRANSACTIONS

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

### 41.1 Details of transactions with related parties (other than those which have been disclosed else where in these financial statements):

Name of the related party	Relationship and percentage shareholding	Transactions during the year	2022	2021
			(Rupees)	
Allied Engineering Management Company (Private) Limited (the Modaraba Management Company)	Associated Company	Modaraba Management Company's remuneration	10,000,000	10,000,000
		Payment made to the Modaraba Management Company (including management fee) during the year	11,300,000	11,300,000
		Amount received from the Modaraba Management Company during the year	-	12,596,030
		Dividend paid during the year	65,999,996	32,999,998
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	82,127,736	13,186,391
		Purchase of parts and services	437,373,998	296,688,032
		Income from ijarah assets	13,354,663	2,045,650
		Expenses charge during the year	16,375,545	17,371,936
		Receivable from AESL against customer deposits	1,037,028	1,092,959
		Dividend paid during the year	227,896,610	113,948,305
Apex Machinery (Private) Limited	Associated Company	Purchase of parts and services	24,021,093	4,413,362
		Expenses charge during the year	20,000	-
		Purchase of assets	-	106,423,200
Allied E-Commerce Solutions (Private) Limited	Associated Company	Expenses charge during the year	1,484,517	-
		Income from Ijarah Assets	1,528,422	-
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident fund	Contribution to the staff provident fund during the year	21,610,453	19,487,223
		Dividend paid during the year	5,602,302	2,801,151
Key management (Other than the CEO and the employees of the Management Company)	Key Management personnel	Remuneration of the key management personnel during the year	55,666,348	49,349,292
		Dividend paid during the year	173,766	86,883
		Contribution to the staff provident fund during the year	2,485,158	2,291,604
		Charge for staff gratuity scheme during the year	4,956,297	4,099,558
Directors	Directors of the management company	Dividend paid during the year	13,315,873	6,657,936

**41.2 Balances with related parties (other than those which have been disclosed else where in these financial statements):**

Name of the related party	Relationship and percentage shareholding	Transactions during the year	2022	2021
			(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba)	Associated Company	Outstanding certificates 43,999,997 (June 30, 2021: 43,999,997)	439,999,970	439,999,970
		Payable to the Modaraba Management Company (Management Company)	10,519,525	10,788,100
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Outstanding certificates 151,931,073 (June 30, 2021: 151,931,073)	1,519,310,730	1,519,310,730
		Payable against purchase of parts and services	670,021,629	425,484,687
Apex Machinery (Private) Limited	Associated Company	Payable against purchase of parts	18,656,476	21,550,405
Allied E-Commerce Solutions (Private) Limited	Associated Company	Receivable against miscellaneous expenses	2,958,148	54,791
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Outstanding certificates 3,734,868 (June 30, 2021: 3,734,868)	37,348,680	37,348,680
Key Management Personnel	Key Management	Outstanding certificates 136,844 (June 30, 2021: 115,844)	1,368,440	1,158,440
Directors	Directors of Management Company	Outstanding certificates 8,877,248 (June 30, 2021: 8,877,248)	88,772,480	88,772,480

**42 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.

As disclosed in note 1.3 to these financial statements, the management of Modaraba has approved the restructuring of the Modaraba, upon which the results of the logistics business are reviewed separately by the chief operating decision maker for the allocation of resources, Therefore, the logistics business has been shown separately from other ijarah rental businesses. Previously, it was included in the ijarah rental business.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from rental activities within Pakistan.

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

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

	2022					2021				
	Ijarah Rentals- Others	Operation and Maintenance	Total Rental Business	Logistics Business	Total	Ijarah Rentals- Others	Operation and Maintenance	Total Rental Business	Logistics Business	Total
(Rupees)										
<b>Segment revenues / profits</b>										
Revenue	3,183,545,060	151,113,898	3,334,658,898	1,140,308,235	4,474,967,133	2,389,405,269	137,435,722	2,526,840,991	1,187,898,185	3,714,739,176
Operating Expenses	(2,301,069,147)	(109,225,214)	(2,410,294,361)	(824,215,787)	(3,234,510,148)	(1,676,670,769)	(96,994,501)	(1,773,665,270)	(1,087,001,088)	(2,860,666,358)
Gross Profit	882,475,913	41,888,624	924,364,537	316,092,448	1,240,456,985	712,734,500	40,441,221	753,175,721	100,897,097	854,072,818
Finance Cost	(92,868,945)	(4,408,225)	(97,277,170)	(33,264,559)	(130,541,729)	(130,056,201)	(963,816)	(131,020,017)	(32,308,478)	(163,328,495)
Administrative Expenses	(219,454,328)	(10,416,873)	(229,871,201)	(78,605,948)	(308,477,149)	(207,392,995)	(8,014,438)	(215,407,433)	(39,547,164)	(254,954,597)
Other expenses	(109,207,462)	(5,183,768)	(114,391,230)	(39,116,823)	(153,508,053)	(7,236,652)	(301,527)	(7,538,179)	-	(7,538,179)
Other income	57,322,429	2,720,933	60,043,362	20,532,217	80,575,579	94,867,800	-	94,867,800	9,008,025	103,875,825
Reportable segment profit before tax	518,267,607	24,600,691	542,868,298	185,637,335	728,505,633	462,916,452	31,161,440	494,077,892	38,049,480	532,127,372
Taxation	(244,484,175)	(11,604,969)	(256,089,144)	(87,571,344)	(343,660,488)	-	-	-	-	-
Profit / (loss) after taxation	273,783,432	12,995,722	286,779,154	98,065,991	384,845,145	462,916,452	31,161,440	494,077,892	38,049,480	532,127,372

**Segment assets and liabilities****Assets**

Ijarah assets  
Fixed assets - in own use  
Intangible asset  
Short term security deposits  
Spare parts  
Ijarah rentals receivable  
Operation and maintenance income receivable  
Advances, deposits, prepayments and other receivable  
Cash and bank balances

**Liabilities**

Deferred liability for staff gratuity  
Other long-term employee benefit  
Liability against right-of-use assets  
Diminishing musharaka financing payable - secured  
Long term borrowings and deferred grants  
Deferred tax liability  
Other long term liabilities  
Payable to the modaraba management company  
Creditors, accrued and other liabilities  
Contract liabilities (advance from customers)  
Unclaimed dividend

2022						2021				
						Restated				
Ijarah Rentals- Others	Operation and Maintenance	Total Rental Business	Logistics Business	Total		Ijarah Rentals- Others	Operation and Maintenance	Total Rental Business	Logistics Business	Total
(Rupees)										
4,541,293,777	-	4,541,293,777	1,405,367,910	5,946,661,687		4,536,187,623	-	4,536,187,623	1,361,471,560	5,897,659,183
168,255,577	1,656,723	169,912,300	20,284,816	190,197,116		175,401,726	-	175,401,726	15,314,971	190,716,697
570,486	-	570,486	-	570,486		1,026,875	-	1,026,875	-	1,026,875
50,000	-	50,000	-	50,000		50,000	-	50,000	-	50,000
276,867,210	-	276,867,210	4,444,422	281,311,632		148,851,970	-	148,851,970	14,287,722	163,139,692
633,409,042	-	633,409,042	316,803,562	950,212,604		786,046,295	-	786,046,295	382,421,735	1,168,468,030
-	21,574,924	21,574,924	-	21,574,924		-	26,856,560	26,856,560	-	26,856,560
580,928,591	165,135	581,093,726	44,694,598	625,788,324		736,657,047	-	736,657,047	17,258,797	753,915,844
290,423,919	-	290,423,919	-	290,423,919		117,119,860	-	117,119,860	-	117,119,860
6,491,798,602	23,396,782	6,515,195,384	1,791,595,308	8,306,790,692		6,501,341,396	26,856,560	6,528,197,956	1,790,754,785	8,318,952,741
107,871,681	12,894,658	120,766,339	11,989,028	132,755,367		98,979,829	-	98,979,829	10,080,996	109,060,825
22,243,543	2,122,883	24,366,426	3,399,592	27,766,018		21,088,761	-	21,088,761	2,963,550	24,052,311
45,708,704	-	45,708,704	1,800,000	47,508,704		51,087,279	-	51,087,279	1,171,280	52,258,559
821,577,496	-	821,577,496	134,804,238	956,381,734		1,110,562,125	-	1,110,562,125	246,412,583	1,356,974,708
101,747,694	-	101,747,694	-	101,747,694		265,159,064	-	265,159,064	-	265,159,064
719,289,190	(5,824,691)	713,464,499	152,552,647	866,017,146		783,819,912	-	783,819,912	-	783,819,912
25,791,746	3,598,900	29,390,646	5,360,441	34,751,087		52,385,925	-	52,385,925	5,789,138	58,175,063
10,519,525	-	10,519,525	-	10,519,525		10,788,100	-	10,788,100	-	10,788,100
959,127,215	5,789,336	964,916,551	161,083,612	1,126,000,163		658,613,644	-	658,613,644	48,998,335	707,611,979
38,375,006	11,392	38,386,398	27,283,897	65,670,295		55,218,984	-	55,218,984	12,835,535	68,054,519
1,246,177	-	1,246,177	-	1,246,177		1,134,696	-	1,134,696	-	1,134,696
2,853,497,977	18,592,478	2,872,090,455	498,273,455	3,370,363,910		3,108,838,319	-	3,108,838,319	328,251,417	3,437,089,736



**42.2** Reconciliation of reportable segments revenues and profit or loss is as follow:

	Note	2022	2021
		(Rupees)	
<b>Revenues</b>			
Total revenue for reportable segments	26 & 27	4,474,967,133	3,714,739,176
Other Income	31	80,575,579	103,875,825
Revenue from other segments		-	-
Elimination of inter-segment revenue		-	-
Elimination of discontinued operations		-	-
		<u>4,555,542,712</u>	<u>3,818,615,001</u>
<b>Profit before tax</b>			
Total profit before tax for reportable segments		728,505,633	532,127,372
Profit before tax for other segments		-	-
Elimination of inter-segment profit		-	-
Elimination of discontinued operation		-	-
Unallocated amounts		-	-
		<u>728,505,633</u>	<u>532,127,372</u>
<b>43 CASH AND CASH EQUIVALENTS</b>			
Balances with banks		<u>290,423,919</u>	<u>117,119,860</u>

**44 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

**44.1 Fair value hierarchy**

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2022 and June 30, 2021, there were no financial instruments which were measured at fair values in these financial statements.

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

As at 30 June 2022								
Carrying Value				Fair Value				
Fair value through profit or loss	Fair value through OCI	Amortised cost	Total	Level 1	Level 2	Level 2	Total	
(Rupees)								
<b>Financial assets not measured at fair value</b>								
Cash and bank balances	-	-	290,423,919	290,423,919	-	-	-	-
Ijarah rentals receivables	-	-	950,212,604	950,212,604	-	-	-	-
Operation and maintenance income receivables	-	-	21,574,924	21,574,924	-	-	-	-
Deposits and other receivables	-	-	29,262,137	29,262,137	-	-	-	-
Short term security deposit	-	-	50,000	50,000	-	-	-	-
			1,291,523,584	1,291,523,584	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Creditors, accrued and other liabilities	-	-	1,102,955,855	1,102,955,855	-	-	-	-
Payable to the Modaraba Management Company	-	-	10,519,525	10,519,525	-	-	-	-
Diminishing musharaka	-	-	956,381,734	956,381,734	-	-	-	-
Long term borrowings	-	-	101,747,694	101,747,694	-	-	-	-
Lease liability against right-of-use assets	-	-	47,508,704	47,508,704	-	-	-	-
Unclaimed dividend	-	-	1,246,177	1,246,177	-	-	-	-
			2,220,359,689	2,220,359,689	-	-	-	-
<b>As at 30 June 2021</b>								
Carrying Value				Fair Value				
Fair value through profit or loss	Fair value through OCI	Amortised cost	Total	Level 1	Level 2	Level 2	Total	
(Rupees)								
<b>Financial assets not measured at fair value</b>								
Cash and bank balances	-	-	117,119,860	117,119,860	-	-	-	-
Ijarah rentals receivables	-	-	1,168,468,030	1,168,468,030	-	-	-	-
Operation and maintenance income receivables	-	-	26,856,560	26,856,560	-	-	-	-
Deposits and other receivables	-	-	40,620,433	40,620,433	-	-	-	-
Long term security deposit	-	-	50,000	50,000	-	-	-	-
			1,353,114,883	1,353,114,883	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Creditors, accrued and other liabilities	-	-	693,103,348	693,103,348	-	-	-	-
Payable to the Modaraba Management Company	-	-	9,488,100	9,488,100	-	-	-	-
Diminishing musharaka	-	-	1,356,974,708	1,356,974,708	-	-	-	-
Long term borrowings	-	-	265,159,064	265,159,064	-	-	-	-
Lease liability against right-of-use assets	-	-	52,258,559	52,258,559	-	-	-	-
Unclaimed dividend	-	-	1,134,696	1,134,696	-	-	-	-
			2,378,118,475	2,378,118,475	-	-	-	-

**44.3** 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.

#### **45 NUMBER OF EMPLOYEES**

The total number of employees as at year end were 338 (2021: 354) and average number of employees were 345 (2021: 360).

#### **46 GENERAL**

##### **46.1 Reclassification of comparatives**

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

From		To	2022 (Rupees)
Fixed assets - in own use		Advances, deposits, prepayments and other receivable	14,330,733
Operation, maintenance and ljarah related expenses		Administrative and distribution expenses	18,114,404

**46.2** The restatement as disclosed in note 4 does not have any impact on the preceding year's opening statement of financial position and accordingly a third statement of financial position has not been presented.

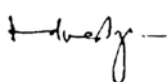
##### **46.3 Date of authorisation**

These financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on 12, September 2022.

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



**Muhammad Saad**  
Chief Financial Officer



**Murtaza Ahmed Ali**  
Chief Executive Officer

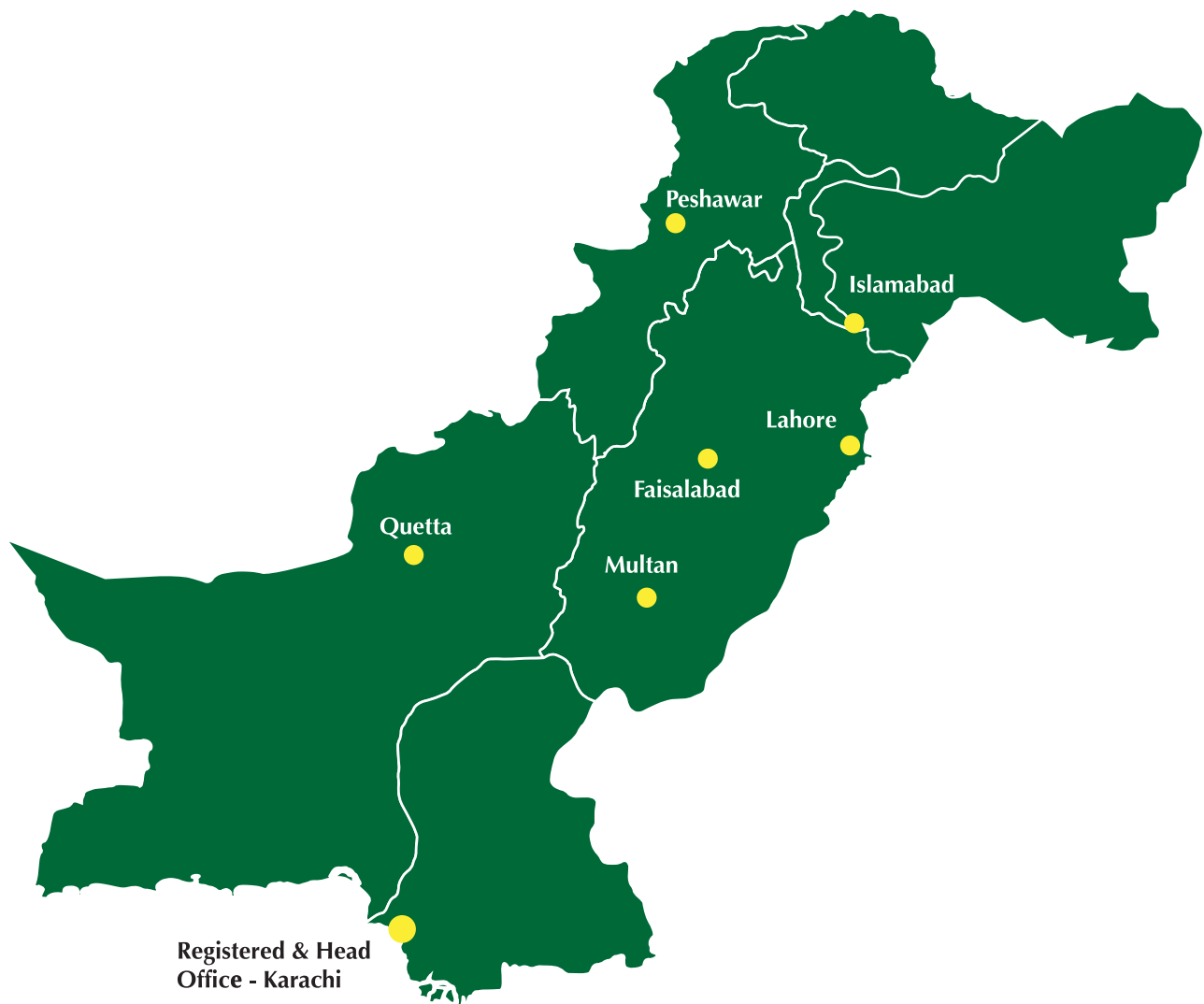


**Abdul Rahim Suriya**  
Director



**Syed Feisal Ali**  
Director

# Offices Across Pakistan



## Registered & Head Office - Karachi

Address: 21/3 Sector No. 22, Korangi Industrial Area, Karachi - 74900,

UAN : +9221 111 250 250 Tel: +9221- 35066901-13, +9221- 335113621-25

Fax: +9221- 35066915-16 E-mail: rental@aesl.com.pk Web: www.arm.com.pk

## Lahore

16 KM, Multan Road, Lahore

P.O.Box 288

Tel : +9242 - 37512971,

37511618-23

Fax : +9242 - 37511617

Email : rental\_lahore@aesl.com.pk

## Islamabad

Allied Centre, Peshawar Road,

2KM Tarnol, Railway Crossing

Tel : +9251 - 2227000-4

Fax : +9251 - 2217527

Email : rental.isb@aesl.com.pk

## Multan

Shershah Bye-Pass Road, Moaza

Hamid Pur Kanora, Multan

Tel : +9261 - 4590701- 4

Fax: +9261 - 4590709

Email: amultan@aesl.com.pk

## Peshawar

House No. 178, Street No. 2,

Sector J-4, Phase II Hayatabad

Tel : +9291 - 5830445 - 6

Fax : +9291 - 5830445

Email : pesh@aesl.com.pk

## Quetta

Banglow No. 5-A, Lytton Road,

Asad Jan Street, Behind Al-Khair

Hospital, Zarghoon Road

Tel : +9281 - 2822196

Email: admin@aesl.com.pk

## Faisalabad

Plot 28-A, Phase 1-A,

M3 Industrial City FIEDMC

Sahianwala

Cell : +9241 - 8784643

Email: faisalabad@aesl.com.pk



# سالانہ نظر ثانی اجلاس کی اطلاع

اطلاع دی جاتی ہے کہ حاملانِ سرٹیفیکیٹ کا سولواں نظر ثانی اجلاس جمعرات، 27 اکتوبر 2022ء بوقت 3:00 سہ پہر، بمقام (رجسٹرڈ پتہ) 21/3 سیکٹر 22 کورنگی انڈسٹریل ایریا، کراچی میں منعقد کیا جا رہا ہے۔ جس کا مقصد اختتام شدہ سال 30 جون 2022ء کے دوران مضاربہ کی کارکردگی پر نظر ثانی ہے۔

حاملانِ سرٹیفیکیٹ جن کا نام 20 اکتوبر 2022ء تک الائیڈ ریٹیل مضاربہ کے حاملانِ سرٹیفیکیٹ کے رجسٹر میں درج ہے۔ اس سالانہ نظر ثانی اجلاس میں شمولیت کے حقدار ہیں۔

بحکم بورڈ

مزل طارق

کمپنی سیکریٹری

12 ستمبر 2022ء

## نوٹ:

1۔ سرٹیفیکیٹ ٹرانسفر کی کتاب سالانہ نظر ثانی اجلاس میں شمولیت کے مقصد کے تحت 21 اکتوبر 2022ء سے 27 اکتوبر 2022ء تک بند رہے گی (دونوں دن شامل ہیں)۔ ہر طرح سے مکمل ٹرانسفر جو 20 اکتوبر 2022ء کے دن اختتام کا رتک ہمارے رجسٹر آفس میسرز JWAFS رجسٹرار سرورسز (پرائیویٹ) لمیٹڈ، 407-408، المیر سینٹر، شارع عراق، صدر، کراچی میں موصول ہوں وہ بروقت تصور ہوں گے۔








2۔ CDC حاملانِ سرٹیفیکیٹ 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۔



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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 16th Annual Review Meeting of the Modaraba to be held on 27th day of October 2022 and at any adjournment there of.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022

### 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.

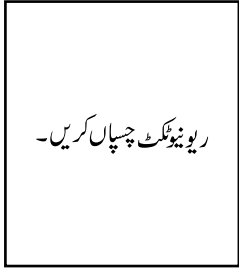


# تشکیل نیابت داری

\_\_\_\_\_ اہم  
\_\_\_\_\_ کن \_\_\_\_\_ بحیثیت الائیڈ ریٹیل مضاربہ \_\_\_\_\_ کے  
\_\_\_\_\_ وحا \_\_\_\_\_ سرفیکٹ بمطابق سرفیکٹ رجسٹرڈ فوئیو نمبر \_\_\_\_\_  
\_\_\_\_\_ ورا یا سی ڈی سی کے شراکتی آئی ڈی نمبر \_\_\_\_\_ اور ذیلی کھاتہ نمبر \_\_\_\_\_  
\_\_\_\_\_ محترم / محترمہ \_\_\_\_\_ ساکن \_\_\_\_\_  
\_\_\_\_\_ بصورت دیگر محترم / محترمہ \_\_\_\_\_ ساکن \_\_\_\_\_

کو اپنی جگہ مورخہ 27 اکتوبر، 2022 کو منعقد یا ملتوی ہونے والے سولواں 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 سرفیکٹ 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 اسے کسی کے ساتھ منسلک کریں۔



## **Allied Rental Modaraba**

Managed by: Allied Engineering  
Management Company (Private) Limited

**21/3 Sector No. 22, Korangi  
Industrial Area, Karachi -74900**

**UAN:**

**+9221 - 111-250-250**

**Tel: +9221 - 35066901 - 13  
+9221 - 35113621 - 25**

**Fax: +9221 - 35066915 - 16**

**Email: [rental@aesl.com.pk](mailto:rental@aesl.com.pk)**

**Web: [www.arm.com.pk](http://www.arm.com.pk)**