

DIRECTORS' REPORT

For the period ended March 31, 2023

The Board of Directors of Allied Engineering Management Company (Private) Limited, the Management Company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with un-audited accounts of the Modaraba for the Nine months' period ended March 31, 2023.

Financial Highlights

	Rs in '000
Gross Revenue from operations	4,243,672
Net Revenue after Provincial Sales Tax	3,806,606
Net Profit for the period	504,055
Net profit margin	13.24%
Earning per certificate	Rs. 2.29

Review of Operations

Despite the challenging economic environment, we are proud to report that the Modaraba has performed well during this period. Our strong financial performance reflects our ability to weather the storm and emerge as a resilient organization. The period under review was marked by significant economic instability and market volatility. Inflation, currency fluctuations, and other macroeconomic indicators posed significant challenges for businesses operating in Pakistan. Nevertheless, Allied Rental Modaraba was able to navigate these challenges and achieve positive results and net sales for the Nine Months ended March 2023 appreciated by 15% from the corresponding period to close at Rs. 3,807 million.

Revenue from Power Generation segment maintained its growth trend, all sub-segments of power equipment's performed as per the benchmark set for the period. We have been able to leverage our experience in power rental to provide reliable and cost-effective power solutions to our customers. Our gas power rental segment also performed as per benchmarks despite critical challenges due to availability of gas to captive power units, we have appropriate fleet of power generators to meet the increasing demand from our customers, the modaraba is continuously investing in new and improved generators as replacements of our old generators.

Sales from our Outbound Logistics segment also showed upward trend and increased by 48% in line with the increase in fuel prices. However, the business is full of challenges due to competitive pricing from unorganized

sector, non-implementation of regulatory regime on Motorways and highways for Axle Load Compliance resulting in the menace of Overloading and non-availability of skilled and reliable manpower.

Sales from our Machines and Cranes and MHE segment also showed improvement by increasing 5% as compared to corresponding period last year. However, we are aware that the overall outlook for the industry is not as positive, due to factors such as reduced government spending on infrastructure projects and a slowdown in the real estate sector. Despite these challenges, we have continued to focus on delivering high-quality services to our customers and maintaining our position as a leading player in the industry. We are also implementing cost management measures and increased operational efficiency to ensure that we remain competitive in the market.

The operating expense for the period increased by 20.5% to Rs. 2.719 Million for the period which is approximately in line with increase in Sales, main increase is noted in Fleet vehicle Running cost and Vehicle running cost which increased by 65% due to increase in fuel prices as compared to last year. Similarly, administrative and distribution expenses increased by 16.3% compared to corresponding period last year which is in line with increase in sales. Markup costs went up by 36% in the current period, mainly on account of increase in KIBOR Base rate.

As the tax exemption available to Modaraba has been withdrawn, a tax charge of Rs. 228 Million have been booked in the Profit and loss account. This includes Rs. 192 Million as Current Tax for the year and Rs. 36 Million for deferred tax liability arising due to timing differences.

Restructuring of the Modaraba

As mentioned in previous annual and quarterly reports pursuant 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, during the Financial year 2022, 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. The draft Scheme was also approved by Competition Commission of Pakistan – CCP on August 1, 2022.

Upon successfully obtaining NOCs from all the creditors, the Modaraba have filed the petition with the Honorable Sindh High Court in the Month of October 2022, the first hearing at the Honorable Sindh High Court on the Petition was held on October 19, 2022, whereby, the petition was admitted and court instructed to issue notices to the petitioners and publication of the scheme in the official gazette thereafter, separate meeting of members of all the petitioners were held on November 25, 2022 whereby, the scheme was approved unanimously. Minutes of the meeting of the members were also submitted to the SHC subsequently within 7 days of the meeting. The Modaraba management company expects to get approval from the Sindh High Court, before June 30, 2023.

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

We would like to highlight that no adjustments have been made in the carrying value of assets and liabilities held by the Modaraba and the classifications of balances between long-term and short-term have not been adjusted

as the transaction is at the preliminary stage, subject to the final approval of High Court of Sindh and the businesses and balances will be transferred on going concern basis at the carrying values.

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

We are confident in the future prospects of Allied Rental Modaraba. We have a solid foundation of operational excellence, strong customer relationships, and a culture of innovation. We are committed to continuing to invest in our business and drive growth. Our strategy for the future includes expanding our Rental fleet, investing in other horizontally integrated business ideas, and strengthening our risk management practices.

We remain confident in our ability to create value for our stakeholders and look forward to the future with optimism, also ensuring in the process that we always follow the Islamic Shariah principles in all our business transactions.

Acknowledgement

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



On Behalf of the Board
Murtaza Ahmed Ali
Chief Executive

April 28, 2023


Condensed Interim Statement of Financial Position (Unaudited)

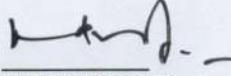
As at March 31, 2023

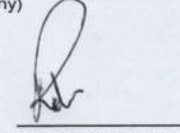
	Note	Unaudited Mar 31, 2023	Audited Jun 30, 2022 (Restated)
(Rupees)			
ASSETS			
Non-current assets			
Long term security deposits		50,000	50,000
Fixed assets in own use - tangible		195,343,481	190,197,116
Intangible asset for own use		228,195	570,486
Ijarah assets	5	6,235,604,439	5,946,661,687
		<u>6,431,226,115</u>	<u>6,137,479,289</u>
Current assets			
Cash and bank balances		273,600,380	290,423,919
Ijarah rentals receivable		1,152,488,005	950,212,604
Operation and maintenance income receivable		41,309,905	21,574,924
Advances, deposits, prepayments and other receivable		599,284,012	625,788,324
Spare parts		346,604,229	281,311,632
		<u>2,413,286,531</u>	<u>2,169,311,403</u>
Total assets		<u>8,844,512,645</u>	<u>8,306,790,692</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized certificate capital			
225,000,000 (30 June 2022: 225,000,000) modaraba certificates of Rs.10 each		<u>2,250,000,000</u>	<u>2,250,000,000</u>
Issued, subscribed and paid-up certificate capital			
220,000,000 (30 June 2022: 220,000,000) modaraba certificates of Rs.10 each		<u>2,200,000,000</u>	<u>2,200,000,000</u>
Premium on issue of certificates		<u>1,255,712,500</u>	<u>1,255,712,500</u>
Statutory reserve		<u>2,016,720,196</u>	<u>1,949,054,073</u>
Unappropriated Profit/(Loss)		<u>(31,950,526)</u>	<u>(468,339,791)</u>
		<u>5,440,482,170</u>	<u>4,936,426,782</u>
LIABILITIES			
Non-current liabilities			
Diminishing musharaka financing payable - secured	6	624,456,777	545,781,004
Deferred liability for staff gratuity		146,843,660	132,755,367
Other long-term employee benefit		22,000,460	27,766,018
Other long term liabilities		25,772,403	23,246,536
Deferred tax liability		901,852,497	866,017,146
Liability against right of use assets		14,018,632	30,738,716
		<u>1,734,944,429</u>	<u>1,626,304,787</u>
Current liabilities			
Current maturity of liability against right of use assets		20,974,347	16,769,988
Current maturity of diminishing musharaka financing payable - secured	6	350,690,914	410,600,730
Current portion of long term borrowings and deferred grants		-	101,747,694
Current portion of other long term liabilities		15,148,195	11,504,551
Creditors, accrued and other liabilities		1,144,381,324	1,126,000,163
Unclaimed dividend		797,591	1,246,177
Payable to the Modaraba Management Company	7	16,036,354	10,519,525
Contract liabilities (advance from customers)		121,057,322	65,670,295
		<u>1,669,086,047</u>	<u>1,744,059,123</u>
Total liabilities		<u>3,404,030,475</u>	<u>3,370,363,910</u>
Total equity and Liabilities		<u>8,844,512,645</u>	<u>8,306,790,692</u>
CONTINGENCIES AND COMMITMENTS			
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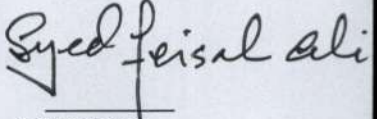
The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director


Condensed Interim Statement of Profit and Loss Account (Unaudited)
For the nine months period ended March 31, 2023

	Note	Nine months period ended		Three months period ended	
		Mar 31, 2023	Mar 31, 2022	Mar 31, 2023	Mar 31, 2022
		(Rupees)		(Rupees)	
Ijarah rentals	9	3,663,905,592	3,196,928,387	1,221,935,615	1,061,878,364
Operation and maintenance income	10	142,700,454	106,076,700	49,902,999	32,768,698
		<u>3,806,606,046</u>	<u>3,303,005,087</u>	<u>1,271,838,614</u>	<u>1,094,647,062</u>
Operating expenses	11	(2,719,448,799)	(2,255,960,493)	(910,315,360)	(737,392,254)
Gross Profit		<u>1,087,157,247</u>	<u>1,047,044,594</u>	<u>361,523,254</u>	<u>357,254,808</u>
Administrative and distribution expenses	12	(255,778,561)	(220,058,846)	(87,417,402)	(78,614,869)
Provision against potential Ijarah losses and operation and maintenance income		(17,373,875)	(109,739,825)	-	-
Finance costs	13	(131,825,676)	(97,109,377)	(44,517,218)	(31,421,211)
Other income		67,212,690	70,223,005	13,602,633	16,533,313
		<u>(337,765,422)</u>	<u>(356,685,043)</u>	<u>(118,331,987)</u>	<u>(93,502,767)</u>
		<u>749,391,825</u>	<u>690,359,552</u>	<u>243,191,267</u>	<u>263,752,042</u>
Modaraba Management Company's remuneration		(5,650,000)	(5,650,000)	-	-
		<u>743,741,825</u>	<u>684,709,552</u>	<u>243,191,267</u>	<u>263,752,042</u>
Provincial worker's welfare fund		(11,403,427)	(12,137,589)	(4,174,562)	(4,620,444)
Profit for the period before taxation		<u>732,338,398</u>	<u>672,571,963</u>	<u>239,016,705</u>	<u>259,131,598</u>
Taxation	14	(228,283,004)	(261,805,629)	(73,291,926)	(95,853,568)
Profit for the period after taxation		<u>504,055,394</u>	<u>410,766,334</u>	<u>165,724,779</u>	<u>163,278,030</u>
		13.24%			
Earnings per certificate - basic & diluted		<u>2.29</u>	<u>1.87</u>	<u>0.75</u>	<u>0.74</u>

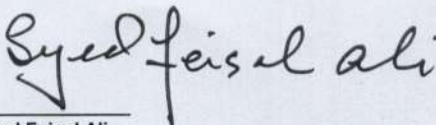
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For Allied Engineering Management Company (Private) Limited
(Management Company)


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director



Syed Feisal Ali
Director

Condensed Interim Statement of Comprehensive Income (Unaudited)
 For the nine months period ended March 31, 2023

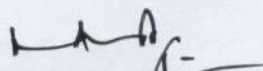
	Nine months period ended		Three months period ended	
	Mar 31, 2023	Mar 31, 2022	Mar 31, 2023	Mar 31, 2022
	(Rupees)		(Rupees)	
Profit for the period after taxation	504,055,394	410,766,334	165,724,779	163,278,030
Other comprehensive income	-	-	-	-
<i>Items that will not be reclassified to profit or loss</i>				
Loss on remeasurement of defined benefit plan obligation	-	(678,951)	-	-
Total comprehensive income for the period	504,055,394	410,087,383	165,724,779	163,278,030

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.


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



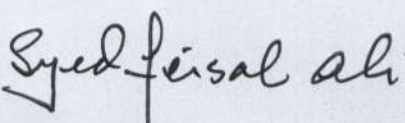
Muhammad Saad
 Chief Financial Officer



Murtaza Ahmed Ali
 Chief Executive



Abdul Rahim Suriya
 Director




Syed Feisal Ali
 Director

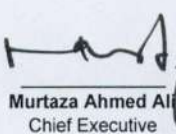
Condensed Interim Statement of Changes in Equity (Unaudited)
For the nine months period ended March 31, 2023

	Issued Subscribed & Paid up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve (Rupees)	Un- appropriated profit	Total
Balance as at June 30, 2021 - Restated	2,200,000,000	1,255,712,500	1,872,085,044	(442,914,125)	4,884,883,419
Profit distribution for the year ended June 30, 2021 @ Rs. 1.50 per certificate	-	-	-	(330,000,000)	(330,000,000)
Total comprehensive income for the nine months period ended March 31, 2022	-	-	-	410,087,383	410,087,383
Transfer to statutory (mandatory) reserve	-	-	49,497,661	(49,497,661)	-
Balance as at March 31, 2022	2,200,000,000	1,255,712,500	1,921,582,705	(412,324,403)	4,964,970,802
Total comprehensive income / (loss) for the three months period ended June 30, 2022	-	-	-	(28,544,020)	(28,544,020)
Transfer to statutory (mandatory) reserve	-	-	27,471,368	(27,471,368)	-
Balance as at June 30, 2022	2,200,000,000	1,255,712,500	1,949,054,073	(468,339,791)	4,936,426,782
Total comprehensive income for the nine months period ended March 31, 2023	-	-	-	504,055,394	504,055,394
Transfer to statutory (mandatory) reserve	-	-	67,666,123	(67,666,123)	-
Balance as at March 31, 2023	2,200,000,000	1,255,712,500	2,016,720,196	(31,950,526)	5,440,482,170

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements

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


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


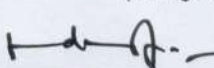
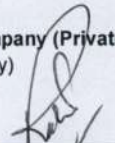
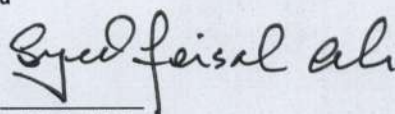

Syed Feisal Ali
Director

Condensed Interim Cash Flow Statement (Unaudited)
For the nine months period ended March 31, 2023

	Nine months period ended	
	Mar 31, 2023	Mar 31, 2022
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	504,055,394	672,571,963
Adjustments for non-cash charges and other items:		
Depreciation	300,489,794	349,482,694
Provision for deferred liabilities - gratuity	15,166,720	10,210,132
Provision against long term employee benefits	(4,796,160)	(4,828,155)
Financial charges including bank charges	131,825,676	97,024,234
(Profit)/Loss on disposal of Ijarah assets	(11,873,642)	13,512,862
(Profit)/Loss on disposal of fixed assets in own use	(104,732)	860,655
	934,763,050	1,138,834,385
(Increase) / decrease in assets		
Ijarah rentals receivable	(202,275,401)	148,320,944
Operation and maintenance income receivable	(19,734,981)	(10,110,003)
Advances, deposits and other receivable	233,045,188	129,761,849
Spare parts	(65,292,597)	(68,478,019)
	(54,257,791)	199,494,771
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	10,473,757	202,556,963
Payable to the Modaraba Management Company	5,516,829	(5,770,317)
Contract liabilities (advance from customers)	55,387,027	(17,265,278)
Deferred tax liability	35,835,351	-
Other long term liabilities	6,169,511	(18,061,098)
	113,382,475	161,460,270
Cash generated from / (utilised in) operations	993,887,735	1,499,789,426
Gratuity paid	(1,078,427)	(687,192)
Compensated absence paid	(969,398)	(1,316,766)
Income Tax paid	(206,540,876)	(156,825,585)
Worker's Welfare Fund paid	(11,608,889)	(9,668,613)
Financial charges paid	(112,757,976)	(103,214,139)
	(332,955,566)	(271,712,295)
Net cash flows from operating activities	660,932,169	1,228,077,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(675,076,222)	(304,226,006)
Proceeds from disposal of fixed assets in own use	2,527,315	11,772,567
Proceeds from disposal of Ijarah assets	90,290,661	107,016,113
Net cash flows from investing activities	(582,258,246)	(185,437,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Diminishing Musharaka financing availed	330,123,835	36,000,000
Repayment of Diminishing Musharaka financing	(311,357,878)	(497,166,486)
Repayment of Long term borrowing	(101,747,694)	(122,563,659)
Repayment of lease liability against ROU assets	(12,515,725)	(9,813,482)
liability against ROU assets availed	-	3,860,568
Dividend paid	-	(330,000,000)
Net cash flows from financing activities	(95,497,462)	(919,683,059)
Net increase in cash and cash equivalents	(16,823,539)	122,956,746
Cash and cash equivalents at the beginning of the period	290,423,919	117,119,859
Cash and cash equivalents at the end of the period	273,600,380	240,076,605

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

 Muhammad Saad Chief Financial Officer	 Murtaza Ahmed Ali Chief Executive	 Abdul Rahim Suriya Director	 Syed Feisal Ali Director
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ALLIED RENTAL MODARABA

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2023

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+ and short term rating A-1 to the Modaraba on June 17, 2022.

- 1.3 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.

Upon successfully obtaining NOCs from all creditors, the Modaraba and the related companies have filed the petition with the Honorable Sindh High Court (SHC) in the month of October 2022. The first hearing at the Honorable Sindh High Court on the petition was held on October 19, 2022, whereby, the petition was admitted and the court ordered to convene separate meetings of members of all the petitioners (Modaraba and related companies) and publication of the scheme in the official gazette. Thereafter, separate meetings of members of all the petitioners were held on November 25, 2022 whereby, the scheme was approved unanimously. Minutes of the meetings of members were also submitted to the SHC subsequently within seven days of the meeting. The modaraba management company expects to get approval from the SHC before June 30, 2023.

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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, interim financial reporting issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulation, 2021
- Provisions of and directions 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, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs), the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IAS 34, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed

2.2 The disclosures made in these condensed interim financial statements are limited based on the requirements of the International Accounting Standard (IAS) 34: 'Interim Financial Reporting'. These condensed interim financial statements does not include all the disclosures and statements required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2022

2.3 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance.

2.4 Functional and Presentation Currency

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

2.5 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the following:

- Right-of-use assets and their related lease liability are carried at present value of future lease rentals adjusted for any lease payments made at or before the commencement date of the lease;
- Obligation in respect of staff gratuity is measured at present value of defined benefit obligations;
- Compensated absences are carried at present value.

3 SIGNIFICANT POLICIES, ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those that were applied in the preparation of the annual published audited financial statements of the Modaraba for the year ended June 30, 2022.

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

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the annual published audited financial statements for the year ended June 30, 2022

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

There are certain amendments to the published approved accounting standards that are mandatory for the Modaraba's accounting period beginning on July 1, 2022. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these condensed interim financial statements.

- 3.4 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, 2023 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these condensed interim financial statements.

4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual published audited financial statements of the Modaraba for the year ended June 30, 2022

5. IJARAH ASSETS	Note	31 March	30 June
		2023	2022
		(Unaudited)	(Audited)
		(Rupees)	
Ijarah assets - at cost less accumulated depreciation	5.1	5,994,917,443	5,881,757,203
Capital work-in-progress		240,686,996	64,904,484
		<u>6,235,604,439</u>	<u>5,946,661,687</u>

5.1 Ijarah assets - at cost less accumulated depreciation

	(Unaudited) March 31, 2023			
	Generators and related equipments	Logistics vehicles	Machines	Total
At 01 July 2021	----- (Rupees) -----			
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	<u>3,576,477,701</u>	<u>1,369,854,457</u>	<u>935,425,045</u>	<u>5,881,757,203</u>
Additions	397,617,467	56,062,902	-	453,680,369
Disposals				
Cost	(27,685,873)	(108,754,590)	(11,734,859)	(148,175,322)
Accumulated depreciation	15,078,480	50,581,347	3,698,476	69,358,303
	(12,607,393)	(58,173,243)	(8,036,383)	(78,817,019)
Transfer during the period				
Depreciation charge for the year	(156,099,745)	(61,447,858)	(44,155,505)	(261,703,109)
Closing net book value	<u>3,805,388,030</u>	<u>1,306,296,257</u>	<u>883,233,157</u>	<u>5,994,917,443</u>

At 31 March 2022

Cost	7,552,760,083	2,100,978,851	1,414,113,163	11,067,852,096
Accumulated depreciation	(3,631,573,108)	(794,682,593)	(530,313,006)	(4,956,568,708)
Accumulated impairment losses	(115,798,945)	-	(567,000)	(116,365,945)
Net book value	<u>3,805,388,030</u>	<u>1,306,296,257</u>	<u>883,233,157</u>	<u>5,994,917,443</u>
Life (Years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

	(Audited) June 30, 2022			
	Generators and related equipments	Logistics vehicles	Machines	Total

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

At 01 July 2021

Cost	7,024,730,884	2,087,432,656	1,477,597,625	10,589,761,165
Accumulated depreciation	(3,509,191,221)	(725,961,096)	(462,840,485)	(4,697,992,802)
Accumulated impairment losses	(19,432)	-	(567,000)	(586,432)
Net book value as at July 1, 2021	<u>3,515,520,231</u>	<u>1,361,471,560</u>	<u>1,014,190,140</u>	<u>5,891,181,931</u>

Additions during the 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	<u>3,576,477,701</u>	<u>1,369,854,457</u>	<u>935,425,045</u>	<u>5,881,757,203</u>

At June 30, 2022

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	<u>3,576,477,701</u>	<u>1,369,854,457</u>	<u>935,425,045</u>	<u>5,881,757,203</u>

Life (Years) 2 to 24 8 8 to 10

	Note	March 31, 2023 (Unaudited)	June 30, 2022 (Audited)
------(Rupees)-----			
6	DIMINISHING MUSHARAKA FINANCING PAYABLE - SECURED		
	Musharaka finance	975,147,691	956,381,734
	Due within one year	<u>(350,690,914)</u>	<u>(410,600,730)</u>
		<u>624,456,777</u>	<u>545,781,004</u>
6.1	Financing from Islamic window operations of banks	<u>975,147,691</u>	<u>956,381,734</u>
		March 31, 2023 (Unaudited)	June 30, 2022 (Audited)
------(Rupees)-----			
7	PAYABLE TO THE MODARABA MANAGEMENT COMPANY		
	Remuneration payable to Management Company - net	15,386,354	9,219,525
	Sindh Sales Tax payable on remuneration of Management Company	<u>650,000</u>	<u>1,300,000</u>
		<u>16,036,354</u>	<u>10,519,525</u>
7.1	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 period ending March 31, 2023 has been recognised at 1.11% (June 30, 2022: 1.32%) of the profit before tax before charging such remuneration.		
8	CONTINGENCIES AND COMMITMENTS		
8.1	Contingencies		
	Contingencies outstanding as at March 31, 2023 are as follows:		

8.1.1 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 Company till the decision has been reached in appeal pending before the Commissioner (Appeals) - (SRB).

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

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

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

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

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

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

8.1.2 Federal Excise Duty on gross revenue receipts of the Modaraba

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

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

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

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

During the year ended June 30, 2022, the hearing of ATIR was held on September 16, 2021. The order dated September 21, 2021 was passed by ATIR stating that "Under the light of the decision of SHC CP-3184/2014 in the favour of the Modaraba, it is concluded that both the orders for the charge years have already been quashed and set aside by the Honourable Court, therefore, there is no place for this forum for any further comments or action. Both appeals by appellant succeed.

In light of the judgment of the SHC and based on consultations with its tax advisors, the management believes that the outcome of the appeals with the ATIR and SHC will be in favour of the Modaraba. Accordingly, no provision in respect of FED has been made in these condensed interim financial statements. Further, the under protest payment of Rs 50 million made to the FBR has been shown as a refundable balance in note 11 to these condensed interim 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 condensed interim financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

	March 31, 2023	June 30, 2022
	------(Rupees)-----	
8.2 Commitments		
Capital commitments and financial guarantees	-	109,991,954

	Nine months period ended		Three months period ended	
	Mar 31, 2023	Mar 31, 2022	Mar 31, 2023	Mar 31, 2022
	(Rupees)		(Rupees)	
9. IJARAH RENTALS - net				
Ijarah rentals	4,084,495,256	3,551,469,914	#####	#####
Less: Sales tax	(420,589,664)	(354,541,527)	(144,566,357)	(129,229,120)
	<u>3,663,905,592</u>	<u>3,196,928,387</u>	<u>#####</u>	<u>#####</u>
10. OPERATION AND MAINTENANCE INCOME - net				
Operation and maintenance income	159,176,597	117,849,535	56,393,653	36,333,239
Less: Sindh sales tax	(16,476,143)	(11,772,835)	(6,490,654)	(3,564,541)
	<u>142,700,454</u>	<u>106,076,700</u>	<u>49,902,999</u>	<u>32,768,698</u>
11. OPERATING EXPENSES				
Salaries, wages and other staff benefits	897,571,555	791,301,950	278,344,827	258,148,821
Depreciation expense	261,703,109	315,686,731	91,756,432	104,858,100
Repairs and maintenance cost	314,716,999	359,232,041	107,182,121	113,975,972
Fleet vehicles running cost	1,059,541,556	642,084,103	376,834,776	211,443,261
Vehicles running cost	73,490,107	44,276,861	26,636,934	15,696,940
Insurance cost - equipments	33,919,170	31,559,134	11,020,092	8,285,176
Transportation cost	50,433,355	53,189,150	10,964,000	17,524,000
Travelling and conveyance	7,395,629	6,953,636	2,192,319	2,434,548
Rent Expense	14,467,314	11,676,887	5,383,858	5,025,436
Provision against slow moving spares	6,210,004	-	-	-
	<u>2,719,448,799</u>	<u>2,255,960,493</u>	<u>910,315,360</u>	<u>737,392,254</u>
12. ADMINISTRATIVE AND DISTRIBUTION EXPENSES				
Salaries, wages and other staff benefits	141,280,690	118,721,151	51,208,615	43,262,581
Vehicle running costs	23,773,636	14,211,807	8,159,171	4,975,984
Travelling and conveyance	2,239,881	1,818,922	745,562	632,132
Depreciation expense	38,444,393	33,453,671	12,579,153	11,154,174
Amortization expense	342,292	342,292	114,097	114,097
Legal and professional charges	12,586,030	18,970,172	2,601,635	9,332,610
Auditors' remuneration	1,133,937	877,500	-	-
Telephone, postage and fax charges	6,445,967	6,013,546	2,054,933	1,928,439
Advertisement and sales promotion	217,692	122,400	114,872	16,900
Printing and stationery	5,814,416	5,716,548	937,371	1,027,050
Insurance cost - vehicles	729,966	685,460	270,761	284,001
Training, meetings and tender participation	797,130	1,983,919	114,800	575,135
Donation	1,675,000	300,000	1,225,000	-
Software development	2,009,834	925,543	1,042,808	598,935
Entertainment	4,725,008	4,171,573	1,733,453	1,363,488
Utilities	6,281,517	6,256,202	2,899,491	1,341,665
Security	5,000,492	4,523,368	1,271,920	1,288,564
Miscellaneous	2,280,681	964,772	343,761	719,114
	<u>255,778,561</u>	<u>220,058,846</u>	<u>87,417,402</u>	<u>78,614,869</u>
13. FINANCE COSTS				
Financial cost on Diminishing Musharaka	122,051,037	77,275,241	42,659,563	25,760,046
Financial cost on Running Musharaka financing arrangement	2,660,868	1,067,029	251,507	369,644
Finance cost on long term borrowing	2,922,151	13,472,621	338,066	3,530,950
Finance cost on liability against right of use Assets	2,896,774	3,665,995	1,072,884	1,254,055
Bank charges and commission	1,294,846	1,628,490	195,198	506,515
	<u>131,825,676</u>	<u>97,109,377</u>	<u>44,517,218</u>	<u>31,421,211</u>
14. TAXATION				
- Current	192,447,653	295,664,040	71,874,608	95,853,568
- Deferred	35,835,351	(33,858,411)	1,417,318	-
	<u>228,283,004</u>	<u>261,805,629</u>	<u>73,291,926</u>	<u>95,853,568</u>

15. RELATED PARTY TRANSACTIONS

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

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

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

	Unaudited	
	Nine months period ended	
	March 31, 2023	March 31, 2022
Allied Engineering Management company (Private) Limited (Modaraba Management Company)	(Rupees)	
Dividend Paid	-	65,999,996
Modaraba Management Company's remuneration	5,650,000	5,650,000
Allied Engineering and Services (Private)Limited (holding company of the Management Company)		
Purchase of assets	31,366,324	77,833,836
Purchase of parts and services	223,911,347	261,450,100
Income from Ijarah assets	2,286,882	6,782,348
Dividend Paid	-	227,896,610
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	12,829,929	8,008,220
Dividend Paid	-	5,602,302
Apex Machinery (Private) Limited (Associated Company)		
Purchase of parts and services	5,060,528	12,997,184
Allied Commercial Enterprises (Private) Limited (Associated Company)		
Income from Ijarah assets	-	-

15.2 Detail of balances with related parties as at period end are as follows:

	Unaudited Mar 31, 2023	Audited Jun 30, 2022
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 43,999,997 (June 30, 2022: 43,999,997)	<u>439,999,970</u>	<u>439,999,970</u>
Payable to the Modaraba Management Company	<u>16,036,354</u>	<u>10,519,525</u>
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 163,163,353 (June 30, 2022 : 151,931,073)	<u>1,631,633,530</u>	<u>1,519,310,730</u>
Payable against purchase of parts and services	<u>566,949,294</u>	<u>670,021,629</u>
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 3,734,868 (June 30, 2022: 3,734,868)	<u>-</u>	<u>37,348,680</u>
Apex Machinery (Private) Limited (Associated Company)		
Payable against purchase of parts and services	<u>9,840,100</u>	<u>18,656,476</u>

16. GENERAL


16.1 The figures in this condensed interim financial information has been rounded off to the nearest Rupee.

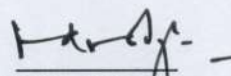
16.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant rearrangements or reclassifications in this condensed interim financial information.

17. DATE OF AUTHORISATION

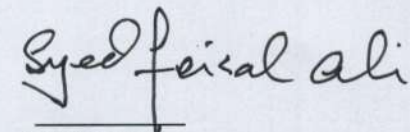
These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on April 28 2023.

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


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director