



## **ALLIED RENTAL MODARABA**

Managed By: Allied Engineering Management Company (Pvt) Ltd.  
21/3, Sector No. 22, Korangi Industrial Area, Karachi-74900  
UAN: 111 250 250 Tel: 021-35066901-13, 35113621-25  
Fax: 021-35066915-16 Website: www.arm.com.pk  
Email: rental@aesl.com.pk

### **DIRECTORS' REPORT**

**For the period ended December 31, 2023**

The Board of Directors of Allied Engineering Management Company (Pvt.) Limited, the management company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with Unaudited Financial Statements of the Modaraba for the half year ended December 31, 2023.

#### **Financial Highlights**

	<b><u>Rs. in '000</u></b>
Investment in Ijarah assets	6,148,407
Total Revenue with provincial sales tax	3,085,623
Net profit for the period	286,874
Net profit margin	10.6%
Return on equity	5.3%
Current Ratio	1.55:1
Earning per certificate	Rs. 1.30
Break-up value per certificate	Rs 25.1

#### **Restructuring of the 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Pursuant to the Finance Act, 2021, the tax exemption on Modarabas has been withdrawn, effective from July 1, 2021.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.

As per the restructuring plan, the existing logistics business of the Modaraba will be transferred to a newly incorporated entity - Allied Transport & Logistics (Private) Limited [Now known as Allied Transport & Logistics Limited (ATL) (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 [Now known as Allied Rental Services Limited (the 'Modaraba Management Company')]. 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 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 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, for sanctioning of the scheme of arrangement. 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 (i.e. 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.

'In compliance with the SECP's letter dated June 23, 2022, the Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company) purchased certificates of the dissenting certificate holders at Rs. 25 per certificate which is more 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, i.e. Rs. 20.13 per certificate, and the book value per certificate as per the audited financial statements of the Modaraba as at December 31, 2021, i.e., Rs. 22.44 per certificate.

'The petition was published in the official gazette of Pakistan on October 25, 2023. Following the publication, the matter was heard at the SHC on December 26, 2023, after the hearing, the SHC issued an order, sanctioning the scheme of arrangement. In the scheme of arrangement, the effective date of the scheme was initially proposed to be July 1, 2022 unless otherwise specified by the SHC, and the SHC in its order dated December 26, 2023 has defined the effective date of the scheme to be January 01, 2024. Thus, these condensed interim financial statements are the last financial statements of the Modaraba.

'As per the scheme of arrangement, the certificate holders of the Modaraba will be allotted 0.211 shares in Modaraba Management Company and 0.588 shares in ATL, for each certificate in the Modaraba.



'Upon Modaraba's request, the Pakistan Stock Exchange Limited has suspended trading in the certificates of the Modaraba with effect from February 23, 2024.

The license of the Modaraba Management Company will be surrendered to the Registrar Modarabas and the SECP after the completion of the aforementioned scheme of arrangement.

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.

### **Overview of business**

Despite the significant challenges confronting the overall industry, including heightened inflation, strict IMF funding program requirements, pressures on the Pakistani rupee's parity due to current account deficits and foreign payments, escalating debts and tariffs, increased international crude oil and gas prices, and import bans, the Modaraba has managed to maintain its growth trajectory. During the half-year ended December 2023, the Modaraba experienced a 6.3% increase in net sales compared to the corresponding period, reaching Rs. 2,695 million, demonstrating sustained growth in both revenue and profitability.

This year, the Power Generation segment witnessed a 19% decline in revenue, marking a departure from the previous year's growth trends. This decline can be attributed primarily to challenges such as a scarcity of gas supply to captive power units and high capital costs associated with power generation equipment. In contrast, the Outbound Logistics segment experienced a significant increase in sales, despite facing challenges such as competitive pricing from the unorganized sector. Moreover, the Machines and Cranes as well as Material Handling Equipment (MHE) segment achieved noteworthy revenue growth, driven by more efficient machine deployment and a strategic shift toward higher-margin projects. This growth occurred notwithstanding challenges posed by the unorganized sector and a shortage of skilled workers in the machine rental industry. Sales from our Outbound Logistics segment depict a consistent upward trend, with a 23% increase compared to the corresponding period last year. The implementation of the axel load regime in this sector has had a favorable impact, particularly in rate negotiations, owing to the limited availability of vehicles in the local market. Our customer base for this segment continues to comprise blue-chip companies in the FMCG sector, including Nestle, Engro, Schlumberger Pakistan, Fauji Foods, and others.

Sales from the construction machines, cranes, and material handling equipment segment experienced a remarkable 32% increase, largely attributed to the commencement of new projects aligned with our strategic focus on higher-margin endeavors.

In line with the rise in rental revenue, operating expenses for the period also experienced a 5.1% increase, amounting to Rs. 1,901 million compared to Rs. 1,809 million for the same period. Despite a 28% increase in the minimum wage from Rs. 25,000 to Rs. 32,000 starting from July 2023 onwards, salaries and wages only rose by 5.5% compared to the corresponding period last year. The most significant increases were observed in rent



expenses, which surged by 35% primarily due to the initiation of new projects in various locations, and a 25% increase in vehicle running expenses. Depreciation for the period also saw a notable increase of 16%.

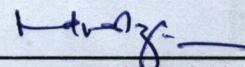
Administrative and distribution expenses saw a significant increase of 20%, reaching Rs. 202 million compared to Rs. 168 million in 2022. This rise can be attributed primarily to an increase in salaries and wages rose by 16%, reflecting the establishment of various business segments as we diversify into other sectors within our Rental portfolio and manage increased business volumes and nearly 5 % increase in legal and professional fees incurred primarily as a part of restructuring of Modaraba.

Despite the rising trend in the KIBOR base rate, markup costs decreased by 6 million in the current period, primarily due to the completion of musharaka agreements. A provision against potential Ijarah losses was recorded at Rs. 47.1 million, along with operation and maintenance income, in compliance with the requirements of the International Financial Reporting Standard IFRS – 9.

### **Acknowledgement**

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

On Behalf of the Board



Murtaza Ahmed Ali  
Chief Executive

February 27, 2024



## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE CERTIFICATE HOLDERS OF ALLIED RENTAL MODARABA

#### Report on Review of Condensed Interim Financial Statements

##### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Allied Rental Modaraba (the 'Modaraba') as at December 31, 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management of the Modaraba Management Company [Allied Engineering Management Company (Private) Limited] [now known as Allied Rental Services Limited] is responsible for the preparation and presentation of these condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2023 and December 31, 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2023.

##### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

##### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

##### Emphasis of matter

We draw attention to note 1.3 to the enclosed condensed interim financial statements which describes the fact that a plan to restructure the current legal structure of the Modaraba has been approved by the Honourable High Court of Sindh (SHC), 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. The SHC has sanctioned the scheme of arrangement effective from January 1, 2024.

Our opinion is not modified in respect of this matter.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: February 29, 2024  
Engagement Partner: **Junaid Mesia**  
UDIN: RR202310611vq5VJxU24



**ALLIED RENTAL MODARABA  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2023**

	Note	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
----- (Rupees) -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Ijarah assets	5	6,148,407,573	6,189,453,588
Fixed assets - in own use	6	195,375,154	204,377,216
Intangible asset	7	-	114,097
		6,343,782,727	6,393,944,901
<b>Current assets</b>			
Investment	8	3,781,896	31,934,583
Stores and spares	9	333,669,250	357,635,725
Ijarah rentals receivable	10	1,245,329,706	1,158,130,313
Operation and maintenance income receivable	11	43,628,955	32,353,136
Advances, deposits, prepayments and other receivable	12	328,815,305	457,367,736
Security deposits	13	231,009	231,009
Cash and bank balances	14	294,555,357	152,833,955
		2,250,011,478	2,190,486,457
<b>Total assets</b>		<b>8,593,794,205</b>	<b>8,584,431,358</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Certificate capital and reserves</b>			
Authorized certificate capital 250,000,000 (June 30, 2023: 250,000,000) modaraba certificates of Rs. 10 each	15.1	2,500,000,000	2,500,000,000
Issued, subscribed and paid-up certificate capital 220,000,000 (June 30, 2023: 220,000,000) modaraba certificates of Rs. 10 each	15.2	2,200,000,000	2,200,000,000
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory reserve	16	1,949,054,073	1,949,054,073
Unappropriated profit / (losses)		121,912,345	(166,591,907)
		5,526,678,918	5,238,174,666
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred liability for staff gratuity	17	177,245,853	161,275,168
Compensated absences		21,819,000	23,848,987
Liability against right-of-use assets	18	-	12,297,944
Diminishing musharaka financing payable - secured	19	306,109,588	454,760,288
Deferred tax liability	20	1,081,431,072	1,083,539,360
Other long term liabilities	21	32,715,487	29,403,987
		1,619,321,000	1,765,125,734
<b>Current liabilities</b>			
Current maturity of liability against right-of-use assets	18	-	18,440,764
Current maturity of diminishing musharaka financing payable - secured	19	290,992,804	384,835,317
Current portion of other long term liabilities	21	7,032,677	9,829,551
Payable to the modaraba management company	22	21,227,686	10,341,384
Creditors, accrued and other liabilities	23	904,803,959	1,058,589,389
Running musharaka financing payable - secured		100,000,000	-
Contract liabilities (advance from customers)		122,939,570	98,296,962
Unclaimed dividend		797,591	797,591
		1,447,794,287	1,581,130,958
<b>Total liabilities</b>		<b>3,067,115,287</b>	<b>3,346,256,692</b>
<b>Total equity and liabilities</b>		<b>8,593,794,205</b>	<b>8,584,431,358</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes from 1 to 37 form an integral part of these condensed interim financial statements.

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**For Allied Engineering Management Company (Private) Limited**  
(Now known as: Allied Rental Services Limited)  
(Modaraba Management Company)

**Muhammad Saad**  
Chief Financial Officer

**Murtaza Ahmed Ali**  
Chief Executive Officer

**Abdul Rahim Suriya**  
Director

**Syed Feisal Ali**  
Director



**ALLIED RENTAL MODARABA**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2023**

	Note	Six months period ended		Three months period ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
----- (Rupees) -----					
Ijarah rentals - net	25	2,598,715,996	2,441,969,977	1,327,725,782	1,237,959,856
Operation and maintenance income - net	26	96,258,531	92,797,455	51,731,131	47,595,725
		<u>2,694,974,527</u>	<u>2,534,767,432</u>	<u>1,379,456,913</u>	<u>1,285,555,581</u>
Operation, maintenance and Ijarah related expenses	27	(1,901,773,429)	(1,809,133,439)	(1,002,757,217)	(910,393,061)
<b>Gross profit</b>		<u>793,201,098</u>	<u>725,633,993</u>	<u>376,699,696</u>	<u>375,162,520</u>
Administrative and distribution expenses	28	(202,754,414)	(168,361,159)	(115,183,374)	(86,940,166)
Provision of impairment on Ijarah rentals receivable and operation and maintenance income receivable - net	10.1 & 11.1	(47,158,847)	(17,373,875)	(47,158,847)	(17,373,875)
Finance cost	29	(81,320,940)	(87,308,458)	(37,999,788)	(44,462,862)
Other income - net	30	65,894,689	53,610,057	44,018,014	46,285,867
		<u>(265,339,512)</u>	<u>(219,433,435)</u>	<u>(156,323,995)</u>	<u>(102,491,036)</u>
		<u>527,861,586</u>	<u>506,200,558</u>	<u>220,375,701</u>	<u>272,671,484</u>
Modaraba Management Company's remuneration		(5,000,000)	(5,650,000)	(5,000,000)	(5,650,000)
Provincial worker's welfare fund		(8,844,844)	(7,228,865)	(4,590,803)	(3,690,360)
<b>Profit before taxation</b>		<u>514,016,742</u>	<u>493,321,693</u>	<u>210,784,898</u>	<u>263,331,124</u>
Taxation	31	(227,142,623)	(154,991,078)	(101,760,403)	(75,192,678)
<b>Profit after taxation</b>		<u>286,874,119</u>	<u>338,330,615</u>	<u>109,024,495</u>	<u>188,138,446</u>
<b>Earnings per certificate - basic and diluted</b>	32	<u>1.30</u>	<u>1.54</u>	<u>0.50</u>	<u>0.86</u>

The annexed notes from 1 to 37 form an integral part of these condensed interim financial statements.

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**For Allied Engineering Management Company (Private) Limited**  
(Now known as: Allied Rental Services Limited)  
(Modaraba Management Company)

**Muhammad Saad**  
Chief Financial Officer

**Murtaza Ahmed Ali**  
Chief Executive Officer

**Abdul Rahim Suriya**  
Director

**Syed Feisal Ali**  
Director



ALLIED RENTAL MODARABA  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2023

	Six months period ended		Three months period ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	----- (Rupees) -----			
Profit after taxation	286,874,119	338,330,615	109,024,495	188,138,446
Other comprehensive income:				
<b>Items that will not be subsequently reclassified to the statement of profit and loss</b>				
Gain on remeasurement of the defined benefit plan obligation - net of deferred tax	1,630,133	-	1,630,133	-
Total comprehensive income	<u>288,504,252</u>	<u>338,330,615</u>	<u>110,654,628</u>	<u>188,138,446</u>

The annexed notes from 1 to 37 form an integral part of these condensed interim financial statements.

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**For Allied Engineering Management Company (Private) Limited**  
(Now known as: Allied Rental Services Limited)  
(Modaraba Management Company)

\_\_\_\_\_  
**Muhammad Saad**  
Chief Financial Officer

\_\_\_\_\_  
**Murtaza Ahmed Ali**  
Chief Executive Officer

\_\_\_\_\_  
**Abdul Rahim Suriya**  
Director

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**Syed Feisal Ali**  
Director



**ALLIED RENTAL MODARABA  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

	Issued, subscribed and paid up certificate capital	Premium on issue of certificates	Statutory reserve	Unappropriated profit / (accumulated losses)	Total
	(Rupees)				
Balance as at June 30, 2022 - audited	2,200,000,000	1,255,712,500	1,949,054,073	(468,339,791)	4,936,426,782
<b>Total comprehensive income for the period</b>					
Profit for the period - unaudited	-	-	-	338,330,615	338,330,615
Other comprehensive loss for the period - unaudited	-	-	-	-	-
Transaction with owners - recorded directly in equity				338,330,615	338,330,615
Transfer to statutory reserve (at 20% of the profit for the period) - unaudited	-	-	67,666,123	(67,666,123)	-
<b>Balance as at December 31, 2022 - unaudited</b>	<b><u>2,200,000,000</u></b>	<b><u>1,255,712,500</u></b>	<b><u>2,016,720,196</u></b>	<b><u>(197,675,299)</u></b>	<b><u>5,274,757,397</u></b>
Balance as on July 1, 2023	2,200,000,000	1,255,712,500	1,949,054,073	(166,591,907)	5,238,174,666
<b>Total comprehensive income for the period</b>					
Profit for the period - unaudited	-	-	-	286,874,119	286,874,119
	-	-	-	1,630,133	1,630,133
	-	-	-	288,504,252	288,504,252
<b>Balance as at December 31, 2023 - unaudited</b>	<b><u>2,200,000,000</u></b>	<b><u>1,255,712,500</u></b>	<b><u>1,949,054,073</u></b>	<b><u>121,912,345</u></b>	<b><u>5,526,678,918</u></b>

The annexed notes from 1 to 37 form an integral part of these condensed interim financial statements.

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

**Muhammad Saad**  
Chief Financial Officer

**Murtaza Ahmed Ali**  
Chief Executive Officer

**Abdul Rahim Suriya**  
Director

**Syed Feisal Ali**  
Director



**ALLIED RENTAL MODARABA  
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

	December 31, 2023	December 31, 2022
Note	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	514,016,742	493,321,693
<b>Adjustments for:</b>		
Depreciation for Ijarah assets and fixed assets in own use	224,838,756	195,811,917
Amortisation	114,097	228,195
Provincial worker's welfare fund	8,844,844	7,228,865
Provision for impairment on Ijarah rentals receivable and operation and maintenance income receivable	47,158,847	17,373,875
Provision for deferred liabilities - gratuity	19,547,276	15,166,718
Provision against spare parts	12,887,804	6,210,004
Finance cost	81,320,940	87,308,458
Amortisation of deferred government grant	-	(1,711,548)
Ijarah rentals receivable written off during the period	23,890,540	30,412,151
Gain on termination of lease liability	(4,642,213)	-
Exchange gain	(667,120)	10,742,802
Profit on deposit accounts with bank	(10,842,500)	(3,015,616)
Provision for long term employee benefits	(874,955)	(4,677,096)
Gain on disposal of Ijarah and fixed assets	(39,793,283)	(5,705,116)
	<u>361,783,033</u>	<u>355,373,609</u>
	875,799,775	848,695,302
<b>(Increase) / decrease in assets</b>		
Spare parts	11,078,671	(73,233,089)
Ijarah rentals receivable	(161,231,053)	(182,400,592)
Operation and maintenance income receivable	(8,293,546)	(29,953,439)
Advances, deposits, prepayments and other receivable	95,734,699	40,614,703
	(62,711,229)	(244,972,417)
<b>Increase / (decrease) in operating liabilities</b>		
Payable to the Modaraba Management Company	10,886,302	5,571,358
Creditors, accrued and other liabilities	(146,864,935)	55,123,170
Contract liabilities (advance from customers)	24,642,608	13,320,102
Other liabilities	514,626	2,766,945
	(110,821,399)	76,781,575
	<u>702,267,147</u>	<u>680,504,460</u>
Gratuity paid	(904,242)	(1,078,427)
Compensated absences paid	(1,155,032)	(969,398)
Profit on deposit accounts received	7,737,962	2,742,867
Income tax paid	(194,370,857)	(125,706,732)
Worker's Welfare Fund paid	(15,098,219)	(11,608,889)
Financial charges paid	(1,475,264)	(79,648,156)
	(205,265,652)	(216,268,735)
<b>Net cashflow generated from operating activities</b>	497,001,495	464,235,725
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure of Ijarah assets and fixed assets in own use	(264,440,553)	(496,099,844)
Proceeds from disposal of investment in Mutual Fund	28,152,687	-
Proceeds from disposal of Ijarah assets and fixed assets in own use	129,443,157	43,358,396
<b>Net cashflow used in investing activities</b>	(106,844,709)	(452,741,448)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution to the certificate holders	-	-
Diminishing musharaka financing availed	-	268,280,281
Long term borrowing availed	-	-
Running mushraka financing payable - net	100,000,000	-
Repayment of lease liability against right-of-use assets	(27,190,127)	(9,051,109)
Repayment of long term borrowings and deferred grant	-	(80,002,950)
Repayment of diminishing musharaka financing	(321,245,257)	(228,643,992)
<b>Net cashflow used in financing activities</b>	(248,435,384)	(49,417,770)
<b>Net increase / (decrease) in cash and cash equivalents</b>	141,721,402	(37,923,493)
Cash and cash equivalents at the beginning of the period	152,833,955	290,423,919
<b>Cash and cash equivalents at the end of the period</b>	<u>294,555,357</u>	<u>252,500,426</u>

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The annexed notes from 1 to 37 form an integral part of these condensed interim financial statements.

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**For Allied Engineering Management Company (Private) Limited**  
(Now known as: Allied Rental Services Limited)  
(Modaraba Management Company)

**Muhammad Saad**  
Chief Financial Officer

**Murtaza Ahmed Ali**  
Chief Executive Officer

**Abdul Rahim Suriya**  
Director

**Syed Feisal Ali**  
Director



**ALLIED RENTAL MODARABA**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 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 [Now known as Allied Rental Services 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+ (2023: A+) and short term rating of A-1 (2023: A-1) to the Modaraba on August 7, 2023 (2023: August 7, 2023).

**1.3 Restructuring of Modaraba**

**1.3.1** 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.

As per the restructuring plan, the existing logistics business of the Modaraba will be transferred to a newly incorporated entity - Allied Transport & Logistics (Private) Limited [Now known as Allied Transport & Logistics Limited (ATL) (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 [Now known as Allied Rental Services Limited (the 'Modaraba Management Company')]. 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, for sanctioning of the scheme of arrangement. 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 (i.e. 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.

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In compliance with the SECP's letter dated June 23, 2022, the Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company) purchased certificates of the dissenting certificate holders at Rs. 25 per certificate which is more 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, i.e. Rs. 20.13 per certificate, and the book value per certificate as per the audited financial statements of the Modaraba as at December 31, 2021, i.e. Rs. 22.44 per certificate.

The petition was published in the official gazette of Pakistan on October 25, 2023. Following the publication, the matter was heard at the SHC on December 26, 2023, after the hearing, the SHC issued an order, sanctioning the scheme of arrangement. In the scheme of arrangement, the effective date of the scheme was initially proposed to be July 1, 2022 unless otherwise specified by the SHC, and the SHC in its order dated December 26, 2023 has defined the effective date of the scheme to be January 01, 2024. Thus these condensed interim financial statements are the last financial statements of the Modaraba.

As per the scheme of arrangement, the certificate holders of the Modaraba will be allotted 0.211 shares in Modaraba Management Company and 0.588 shares in ATL, for each certificate in the Modaraba.

Upon Modaraba's request, the Pakistan Stock Exchange Limited has suspended trading in the certificates of the Modaraba with effect from February 23, 2024.

The licence of the Modaraba Management Company will be surrendered to the Registrar Modarabas and the SECP after the completion of the aforementioned scheme of arrangement.

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

These 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 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, 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, 2023.

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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 These condensed interim financial statements are presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency and all the figures presented in these condensed financial statements have 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, 2023.

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, 2023.

### 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, 2023. 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 effective

There are certain other new and amended standards, interpretations that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2024 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.

## 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, 2023.

5	IJARAH ASSETS	Note	December 31,	June 30,
			2023	2023
			(Unaudited)	(Audited)
			----- (Rupees) -----	
	Ijarah assets	5.1	6,020,605,105	6,039,626,525
	Capital work-in-progress	5.2	127,802,468	149,827,063
			<u>6,148,407,573</u>	<u>6,189,453,588</u>

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## 5.1 Ijarah assets

	December 31, 2023 (Unaudited)			
	Generators and related equipments	Logistics Vehicles	Machines	Total
	----- (Rupees) -----			
<b>At July 1, 2023</b>				
Cost	7,655,591,541	2,121,252,923	1,401,190,499	11,178,034,963
Accumulated depreciation	(3,672,931,964)	(809,701,820)	(539,408,709)	(5,022,042,493)
Accumulated impairment losses	(115,798,945)	-	(567,000)	(116,365,945)
Net book value as at July 1, 2023	<u>3,866,860,632</u>	<u>1,311,551,103</u>	<u>861,214,790</u>	<u>6,039,626,525</u>
Additions during the period	253,117,081	7,857,594	-	260,974,675
<b>Disposals during the period</b>				
Cost	(61,613,363)	(30,984,485)	(23,046,256)	(115,644,104)
Accumulated depreciation	13,111,986	12,469,909	7,608,945	33,190,840
	(48,501,377)	(18,514,576)	(15,437,311)	(82,453,264)
<b>Transfers during the period</b>				
Cost	-	112,063,701	(112,063,701)	-
Accumulated depreciation	-	(56,679,189)	56,679,189	-
	-	55,384,512	(55,384,512)	-
Impairment during the period	-	-	-	-
Depreciation charge for the period	(125,648,809)	(43,241,626)	(28,652,396)	(197,542,831)
Closing net book value as at December 31, 2023	<u>3,945,827,527</u>	<u>1,313,037,007</u>	<u>761,740,571</u>	<u>6,020,605,105</u>
<b>At December 31, 2023</b>				
Cost	7,847,095,259	2,210,189,733	1,266,080,542	11,323,365,534
Accumulated depreciation	(3,785,468,787)	(897,152,726)	(503,772,971)	(5,186,394,484)
Accumulated impairment losses	(115,798,945)	-	(567,000)	(116,365,945)
Net book value as at December 31, 2023	<u>3,945,827,527</u>	<u>1,313,037,007</u>	<u>761,740,571</u>	<u>6,020,605,105</u>
Life (years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	
	----- (Rupees) -----			
	June 30, 2023 (Audited)			
	Generators and related equipments	Logistics Vehicles	Machines	Total
	----- (Rupees) -----			
<b>At July 1, 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 July 1, 2022	<u>3,576,477,701</u>	<u>1,369,854,457</u>	<u>935,425,045</u>	<u>5,881,757,203</u>
Additions during the year	536,276,473	85,751,603	7,527,124	629,555,200
<b>Disposals during the year</b>				
Cost	(63,513,421)	(118,169,219)	(32,184,647)	(213,867,287)
Accumulated depreciation	33,189,401	55,208,615	9,585,836	97,983,852
	(30,324,020)	(62,960,604)	(22,598,811)	(115,883,435)
<b>Transfer during the year</b>				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
	-	-	-	-
Impairment during the year	-	-	-	-
Depreciation charge for the year	(215,569,522)	(81,094,353)	(59,138,568)	(355,802,443)
Closing net book value as at June 30, 2023	<u>3,866,860,632</u>	<u>1,311,551,103</u>	<u>861,214,790</u>	<u>6,039,626,525</u>
<b>At June 30, 2023</b>				
Cost	7,655,591,541	2,121,252,923	1,401,190,499	11,178,034,963
Accumulated depreciation	(3,672,931,964)	(809,701,820)	(539,408,709)	(5,022,042,493)
Accumulated impairment losses	(115,798,945)	-	(567,000)	(116,365,945)
Net book value as at June 30, 2023	<u>3,866,860,632</u>	<u>1,311,551,103</u>	<u>861,214,790</u>	<u>6,039,626,525</u>
Life (years)	<u>3 to 24</u>	<u>8</u>	<u>8 to 10</u>	

5.2 This represents advances for the purchase of equipments, trucks and overhauling of generators.

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- 5.3 During the period, the Modaraba acquired certain equipments and parts amounting to Rs. 53.163 million (December 31, 2022: Rs. 31.366 million) from related party, Allied Engineering and Services (Private) Limited (AESL), an associate company.

6	FIXED ASSETS - IN OWN USE	Note	December 31,	June 30,
			2023 (Unaudited)	2023 (Audited)
			------(Rupees)-----	
	Operating fixed assets	6.1	<u>195,375,154</u>	<u>204,377,216</u>

6.1 Operating fixed assets

	December 31, 2023 (Unaudited)				
	Furniture and fixtures	Other equipments	Vehicles	Right-of-use asset	Total
	------(Rupees)-----				
<b>At July 1, 2023</b>					
Cost	20,212,840	23,358,215	254,259,871	91,517,476	389,348,402
Accumulated depreciation	(17,958,519)	(19,524,499)	(81,240,878)	(66,247,290)	(184,971,186)
Net book value as at July 1, 2023	<u>2,254,321</u>	<u>3,833,716</u>	<u>173,018,993</u>	<u>25,270,186</u>	<u>204,377,216</u>
Additions during the period	-	-	42,780,600	-	42,780,600
<b>Disposals during the period</b>					
Cost	-	(123,300)	(17,175,546)	-	(17,298,846)
Accumulated depreciation	-	75,349	10,026,887	-	10,102,236
	-	(47,951)	(7,148,659)	-	(7,196,610)
Depreciation charge for the period	(291,947)	(1,228,444)	(17,795,475)	(7,980,059)	(27,295,925)
Termination of right-of-use asset					
Cost	-	-	-	(91,517,476)	(91,517,476)
Accumulated depreciation	-	-	-	74,227,349	74,227,349
	-	-	-	(17,290,127)	(17,290,127)
Closing net book value as at December 31, 2023	<u>1,962,374</u>	<u>2,557,321</u>	<u>190,855,459</u>	<u>-</u>	<u>195,375,154</u>
<b>At December 31, 2023</b>					
Cost	20,212,840	23,234,915	279,864,925	-	323,312,680
Accumulated depreciation	(18,250,466)	(20,677,594)	(89,009,466)	-	(127,937,526)
Net book value as at December 31, 2023	<u>1,962,374</u>	<u>2,557,321</u>	<u>190,855,459</u>	<u>-</u>	<u>195,375,154</u>
Life (years)	<u>3</u>	<u>3</u>	<u>4 to 8</u>		

	June 30, 2023 (Audited)				
	Furniture and fixtures	Other equipment	Vehicles	Right-of-use asset	Total
	------(Rupees)-----				
<b>At July 1, 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 July 1, 2022	<u>1,143,465</u>	<u>5,107,351</u>	<u>141,061,466</u>	<u>42,884,834</u>	<u>190,197,116</u>
Additions during the year	1,751,680	933,838	74,546,043	-	77,231,561
<b>Disposals during the year</b>					
Cost	-	(742,442)	(26,199,170)	-	(26,941,612)
Accumulated depreciation	-	742,404	14,112,268	-	14,854,672
	-	(38)	(12,086,902)	-	(12,086,940)
Depreciation charge for the year	(640,824)	(2,207,435)	(30,501,614)	(17,614,648)	(50,964,521)
Closing net book value as at June 30, 2023	<u>2,254,321</u>	<u>3,833,716</u>	<u>173,018,993</u>	<u>25,270,186</u>	<u>204,377,216</u>
<b>At June 30, 2023</b>					
Cost	20,212,840	23,358,215	254,259,871	91,517,476	389,348,402
Accumulated depreciation	(17,958,519)	(19,524,499)	(81,240,878)	(66,247,290)	(184,971,186)
Net book value as at June 30, 2023	<u>2,254,321</u>	<u>3,833,716</u>	<u>173,018,993</u>	<u>25,270,186</u>	<u>204,377,216</u>
Life (years)	<u>3</u>	<u>3</u>	<u>4 to 8</u>		

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	Note	December 31, 2023 (Unaudited) ------(Rupees)-----	June 30, 2023 (Audited)
<b>7 INTANGIBLE ASSET</b>			
Computer Software	7.1	-	114,097
<b>7.1 Computer Software</b>			
Cost		9,471,794	9,471,794
Accumulated depreciation		(9,357,697)	(8,901,308)
Opening net book value		114,097	570,486
Additions during the period / year			-
<b>Disposals during the period / year</b>			
Cost		-	-
Accumulated depreciation		-	-
Amortisation charge for the period / year		(114,097)	(456,389)
Closing net book value		-	114,097
Life over which cost of the asset is amortised		4 years	4 years
<b>8 INVESTMENT</b>			
Investment in Mutual Fund - at fair value through profit or loss		3,781,896	31,934,583
<b>9 STORES AND SPARES</b>			
Balance as at the period / year end		412,028,048	423,106,719
Provision against spare parts	9.1	(78,358,798)	(65,470,994)
		333,669,250	357,635,725
<b>9.1 Provision against spare parts</b>			
Opening balance		65,470,994	40,052,550
Charge for the period / year	27	12,887,804	25,418,444
Closing balance		78,358,798	65,470,994
<b>10 IJARAH RENTALS RECEIVABLE</b>			
Balance as at the period / year end		1,559,642,861	1,446,192,888
Provision against ijarah rentals receivable	10.1	(314,313,155)	(288,062,575)
		1,245,329,706	1,158,130,313
<b>10.1 Provision against ijarah rentals receivable</b>			
Opening balance		288,062,575	296,303,642
Charge during the period / year		50,141,120	32,111,683
Written off during the period / year		(23,890,540)	(40,352,750)
Closing balance		314,313,155	288,062,575
<b>11 OPERATION AND MAINTENANCE INCOME RECEIVABLE</b>			
Balance as at the period / year end		49,980,825	41,687,279
Provision against operation and maintenance income receivable	11.1	(6,351,870)	(9,334,143)
		43,628,955	32,353,136
<b>11.1 Provision against operation and maintenance income receivable</b>			
Opening balance		9,334,143	8,460,374
Reversal / charge during the period / year		(2,982,273)	873,769
Closing balance		6,351,870	9,334,143

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	Note	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
------(Rupees)-----			
<b>12</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE</b>		
Income tax recoverable	12.1	250,944,381	286,866,651
Federal Excise Duty (FED) receivable	24.1.2	-	50,000,000
Federal sales tax refundable	24.1.3	9,896,473	9,896,473
Sales tax on imports refundable	12.2	4,182,666	4,182,666
Advances (unsecured):			-
- to suppliers for purchase of fixed assets - in own use		-	24,177,517
- to suppliers for expenses		12,644,671	52,937,499
- to employees against salary (interest free & secured against retirement benefit)		3,212,891	3,010,743
- to employees for expenses	12.3	2,007,462	1,397,049
Security deposits	12.4	40,077,583	22,285,583
Accrued income on profit or loss sharing bank accounts		3,792,691	688,153
Insurance claim receivable		-	88,420
Others	12.5	2,385,747	2,166,242
		<u>329,144,565</u>	<u>457,696,996</u>
Less: provision against deposits and other receivables	12.6	<u>(329,260)</u>	<u>(329,260)</u>
		<u>328,815,305</u>	<u>457,367,736</u>

**12.1** This includes advance tax paid to Federal Board of Revenue (FBR) of Rs. 2.018 million (June 30, 2023: Rs. 8.8510 million), taxes collected at source at import stage by the collector of customs of Rs. 4.401 (June 30, 2023: Rs. 18.826 million) and withholding of taxes of Rs. 187.952 million (June 30, 2023: Rs. 290.177 million) from various payments made to Modaraba. An amount of Rs. 230.293 million (June 30, 2023: Rs. 450.67 million), representing income tax payable as at December 31, 2023, is netted off from the gross balance of tax recoverable.

**12.2** 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 condensed interim financial statements.

**12.3** These represent advances given to employees for expenses. The maximum amount receivable at the end of any month during the period was Rs. 3.361 million (June 30, 2023: Rs. 2.874 million).

**12.4** These include a cash margin and security deposits of Rs. 35.096 million (June 30, 2023: Rs. 19.756 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.

**12.5** This includes an amount of Rs. 1.788 million (June 30, 2023: Rs. 1.676 million) receivable from Allied E-Commerce Solutions (Private) Limited - a related party, against sale of ijarah asset and payments made on behalf of the Modaraba.

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
------(Rupees)-----		
<b>12.6</b>	<b>Provision against deposits and other receivables</b>	
Opening balance	329,260	329,260
Charge during the period / year	-	-
Closing balance	<u>329,260</u>	<u>329,260</u>

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### 13 SECURITY DEPOSITS

The balance comprises of amount deposited with Central Depository Company of Pakistan Limited and K-Electric Limited.

	Note	December 31, 2023 (Unaudited) ------(Rupees)-----	June 30, 2023 (Audited)
<b>14 CASH AND BANK BALANCES</b>			
Balances with banks in:			
- current accounts		78,554,452	63,018,788
- deposit accounts	14.1	<u>215,675,069</u>	<u>89,277,356</u>
		294,229,521	152,296,144
Cash in hand		<u>325,836</u>	<u>537,811</u>
		<u><u>294,555,357</u></u>	<u><u>152,833,955</u></u>

14.1 These balances carry profit at rates ranging from 15.80% to 20.5% per annum (June 30, 2023: 3.40% to 13.50% per annum).

### 15 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

#### 15.1 Authorised certificate capital

December 31, 2023 (Unaudited) (Number of certificates)	June 30, 2023 (Audited)		December 31, 2023 (Unaudited) ------(Rupees)-----	June 30, 2023 (Audited)
<u>250,000,000</u>	<u>250,000,000</u>	Modaraba certificates of Rs. 10 each	<u>2,500,000,000</u>	<u>2,500,000,000</u>

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

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
<u>267,375,000</u>	<u>267,375,000</u>		<u>2,200,000,000</u>	<u>2,200,000,000</u>

### 16 STATUTORY RESERVE

Statutory reserve represents profits set aside to comply with the Modaraba Regulations, 2021 issued by the SECP. Until June 30, 2022, the Modaraba Regulations 2021 required every 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. Effective from August 15, 2022, the Modaraba Regulations, 2021 have been amended which states that a Modaraba (if compliant with the minimum equity requirement) may create a reserve fund to which shall be credited an amount of its after-tax profits.

During the current period, the Modaraba has transferred an amount of Rs. Nil (December 31, 2022: Rs. 67.666 million).

	December 31, 2023 (Unaudited) ------(Rupees)-----	June 30, 2023 (Audited)
<b>17 DEFERRED LIABILITY FOR STAFF GRATUITY</b>		
Deferred liability for staff gratuity	<u>177,245,853</u>	<u>161,275,168</u>

### 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:

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	December 31, 2023 (Unaudited)		June 30, 2023 (Audited)	
	Minimum Lease Payments	Present Value of minimum lease payments	Minimum Lease Payments	Present Value of minimum lease payments
	----- (Rupees) -----		----- (Rupees) -----	
Not later than one year	-	-	20,350,000	18,440,764
Later than one year but not later than five years	-	-	12,512,500	12,297,944
Later than five years	-	-	-	-
	-	-	32,862,500	30,738,708
Financial charges allocated to future periods	-	-	(2,123,792)	-
	-	-	30,738,708	30,738,708
Less: current maturity	-	-	(18,440,764)	(18,440,764)
	-	-	12,297,944	12,297,944

The lease agreement has been terminated on December 31, 2023 with the mutual consent of the Modaraba and the Allied Engineering and Services (Private) Limited (the Lessor).

	Note	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
		----- (Rupees) -----	
<b>19 DIMINISHING MUSHARAKA FINANCING PAYABLE - SECURED</b>			
Musharaka finance	19.1	597,102,392	839,595,605
Due within one year		(290,992,804)	(384,835,317)
		306,109,588	454,760,288

19.1 The total facility from Musharaka finance available from financial institutions amounts to Rs. 597.102 million (June 30, 2023: Rs. 839.596 million). These facilities have maturities from February 1, 2024 to October 24, 2027 (June 30, 2023: July 10, 2023 to October 24, 2027) and are secured against the hypothecation of Ijarah assets amounting to Rs. 2,496.270 million (June 30, 2023: Rs. 2,938.433 million). Share of profit payable on these facilities ranges between 17.87% to 25.04% per annum (June 30, 2023: 11.28% to 23.57%) per annum.

	Note	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
		----- (Rupees) -----	
<b>20 DEFERRED TAX LIABILITY</b>			
Deferred tax liability	20.1	1,081,431,072	1,083,539,360

20.1 Movement in temporary differences during the period:

	As at July 1, 2023	Recognised in P&L	Recognised in OCI	As at December 31, 2023
	----- Rupees -----			
<b>Taxable temporary differences on</b>				
- Ijarah assets	1,228,765,127	34,502,901	-	1,263,268,028
- Fixed assets - in own use	35,547,267	(29,082,322)	-	6,464,945
	1,264,312,394	5,420,579	-	1,269,732,973
<b>Deductible temporary differences on</b>				
- Deferred liability for staff gratuity	(62,897,316)	(7,270,783)	1,042,216	(69,125,883)
- Liability against right-of-use assets	(11,988,096)	11,988,096	-	-
- Ijarah rentals receivable	(102,775,814)	(14,223,505)	-	(116,999,319)
- Operation and maintenance income receivable	(3,111,808)	935,109	-	(2,176,699)
	(180,773,034)	(8,571,083)	1,042,216	(188,301,901)
	1,083,539,360	(3,150,504)	1,042,216	1,081,431,072

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		December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
		------(Rupees)-----	
<b>21</b>	<b>OTHER LONG TERM LIABILITIES</b>		
	Employee car scheme - deductions	39,748,164	39,233,538
	Current portion of employee car scheme - deductions	7,032,677	9,829,551
	Non-current portion of employee car scheme - deductions	32,715,487	29,403,987

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

		December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
		------(Rupees)-----	
<b>22</b>	<b>PAYABLE TO THE MODARABA MANAGEMENT COMPANY</b>		
	Remuneration payable to the Management Company - net Sindh Sales Tax payable on remuneration of the Management Company	5,000,000	9,041,384
	Loan payable	650,000 15,577,686	1,300,000 -
		21,227,686	10,341,384

22.1 This represent interest free loan payable on demand to the Modaraba Management Company.

		December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
		------(Rupees)-----	
<b>23</b>	<b>CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
	Creditors	622,726,132	876,914,061
	Accrued expenses	193,042,667	125,662,315
	Payable to Worker's Welfare Fund	8,942,398	15,195,773
	Tax deduction at source from		
	- employees	1,819,203	2,413,387
	- suppliers	10,573,090	1,723,932
	Sales tax payable	67,700,469	36,679,921
		904,803,959	1,058,589,389

23.1 This includes Rs. 414.775 million (June 30, 2023: Rs. 582.492 million) and Rs. 8.504 million (June 30, 2023: Rs. 5.871 million) payable to Allied Engineering and Services (Private) Limited - related party and Apex Machinery (Private) Limited - a related party, for various purchases and services availed by the Modaraba.

23.2 This includes an accrual of financial charges of Rs. 20.017 million (June 30, 2023: Rs. 18.146 million) and Rs. 0.457 million (June 30, 2023: Nil) in respect of Diminishing Musharak and Running Musharaka.

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

Contingencies outstanding as at December 31, 2023 are as follows:

#### 24.1.1 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).

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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 condensed interim financial statements.

#### **24.1.2 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.

ATIR



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 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".

During the year ended June 30, 2023, Deputy Commissioner Inland Revenue, Sales Tax Refund (DCIR STF) passed sales tax refund order amounting Rs. 50 million dated May 15, 2023. The Modaraba received the said order on August 23, 2023.

During the current period, on September 14, 2023, the said amount of Rs. 50 million has been deposited in the bank account of the Modaraba.

- 24.1.3** 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 was received dated December 14, 2021 to pay the total ordered amount on or before December 21, 2021.

The appeal before the CIR (A) was filed vide the letter DST 055 dated July 1, 2018 in respect of sales tax on disposal of ijarah assets. The CIA (A) wide appeal-in-order dated October 29, 2021 maintained the action of ACIR. The Modaraba then filed appeal before the ATIR, the ATIR vide its order dated Decemeber 1, 2023 maintained the order of ACIR.

The Modaraba approached the Honorable Sindh High Court (SHC) for stay which has been granted vide order December 9, 2023. The Modaraba has filed reference application with the SHC which is pending.

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 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 deposited 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 cases 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 12 of these condensed interim financial statements.

- 24.1.4** 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 condensed interim financial statements.

- 24.1.5** The Additional Commissioner Inland Revenue (ACIR) issued an order DC No. 02/29 dated October 7, 2020. The order stated on the basis of scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2015 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. 232.83 million from the Modaraba along with the default surcharge u/s 205 of Rs. 41.91 million.

The Modaraba filed an appeal against the assessment with the Commissioner Inland Revenue Appeals CIR (A). The appeal was heard on February 12, 2021, May 4, 2021 and later on October 11, 2021. The appeal has been decided by the CIR (A) vide his order dated November 25, 2021, in which the assessment has been set-aside and remanded back to the assessing officer. Re-assessment proceedings have been initiated but the same has not been concluded.

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- 24.1.6** The Additional Commissioner Inland Revenue (ACIR) issued an order dated June 30, 2022. The order stated upon the scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2016 that the Modaraba has not deducted / partially deducted taxes from the payments against purchase of fixed assets. The department demanded Rs. 11.94 million from the Modaraba along with the default surcharge u/s 205 and penalty u/s 182 of Rs. 1.43 million and Rs. 1.19 million respectively.

The Modaraba had filed an appeal against the assessment with the Commissioner Inland Revenue Appeals CIR (A). The appeal was decided by the CIR (A) vide his order dated December 23, 2022. The assessment has been set-aside and remanded back to the assessing officer. Re-assessment proceedings have not been initiated.

- 24.1.7** Additional Commissioner Inland Revenue (ACIR) issued an order dated June 27, 2023. The order stated on the basis of scrutiny of return and monthly / annual statements filed by the Modaraba for the tax year 2017 that the Modaraba has not deducted taxes from the payments against expenses amounting Rs. 24.91 million. The department demanded Rs. 2.94 million from the Modaraba along with the default surcharge u/s 205 and penalty u/s 182 of Rs. 0.29 million and Rs. 0.24 million respectively.

Appeal against the assessment has been filed with the Commissioner Inland Revenue Appeals CIR (A) and is pending for adjudication. 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.

- 24.1.8** 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.

Refer notes 12.1 and 12.2 also.

	December 31, 2023 (Audited)	June 30, 2023 (Unaudited)
	----- (Rupees) -----	
<b>24.2</b> <b>Commitments</b>		
Capital commitments and financial guarantees	-	16,097,784
	-----	-----
	December 31, 2023	December 31, 2022
	----- (Rupees) -----	
	----- (Unaudited) -----	
<b>25</b> <b>IJARAH RENTALS - net</b>		
Ijarah rentals	2,978,133,371	2,717,993,284
Sales tax	(379,417,375)	(276,023,307)
	<u>2,598,715,996</u>	<u>2,441,969,977</u>

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		December 31, 2023	December 31, 2022
		----- (Rupees) -----	
		----- (Unaudited) -----	
<b>26</b>	<b>OPERATION AND MAINTENANCE INCOME - net</b>		
	Operation and maintenance income	107,489,668	102,782,944
	Sales tax	(11,231,137)	(9,985,489)
		<u>96,258,531</u>	<u>92,797,455</u>
<b>27</b>	<b>OPERATION, MAINTENANCE AND IJARAH RELATED EXPENSES</b>		
	Salaries, wages and other staff benefits	653,355,621	619,226,728
	Depreciation expense	197,542,831	169,946,677
	Repairs and maintenance expenses	196,296,720	207,534,878
	Fleet vehicles running expenses	713,678,853	682,706,780
	Vehicles running expenses	58,748,257	46,853,173
	Insurance expense - equipments	22,835,056	22,899,078
	Transportation cost	29,411,784	39,469,355
	Travelling, conveyance and other expenses	4,725,130	5,203,310
	Rent expense	12,291,373	9,083,456
	Provision against slow moving spares	12,887,804	6,210,004
		<u>1,901,773,429</u>	<u>1,809,133,439</u>
<b>28</b>	<b>ADMINISTRATIVE AND DISTRIBUTION EXPENSES</b>		
	Salaries, wages and other staff benefits	104,467,051	90,072,075
	Vehicle running costs	18,239,123	15,614,465
	Travelling and conveyance	2,430,273	1,494,319
	Depreciation expense	27,295,925	25,865,240
	Amortisation expense	114,097	228,195
	Legal and professional charges	17,829,867	9,984,395
	Auditors' remuneration	2,628,666	1,133,937
	Telephone, postage and fax charges	5,199,373	4,391,034
	Advertisement and sales promotion	330,210	102,820
	Printing and stationery	2,625,321	4,877,045
	Insurance cost - vehicles	588,978	459,205
	Training, meetings and tender participation	518,514	682,330
	Donations	50,000	450,000
	Software development	616,507	967,026
	Entertainment	4,178,662	2,991,555
	Utilities	9,061,735	3,382,026
	Security	3,773,915	3,728,572
	Miscellaneous	2,806,197	1,936,920
		<u>202,754,414</u>	<u>168,361,159</u>
<b>28.1</b>	<b>Donations</b>		
	Donations were paid to the following organisations:		
	Aab the Need of Life	-	-
	Anjuman e Hasani	-	-
	NBFI & MAP Donation	-	-
	Fatima Kidney Care	-	-
	Al Madad Welfare Society	50,000	-
	Roshan Pakistan Academy	-	100,000
	Karachi Relief Trust	-	200,000
	Foap-Donation On A/C Khi Relief Trust	-	100,000
	Muhammadi Haematology-Donation	-	50,000
		<u>50,000</u>	<u>450,000</u>

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

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	<u>Audited</u> December 31, 2023	<u>Unaudited</u> December 31, 2022
	----- (Rupees) -----	----- (Rupees) -----
	----- (Unaudited) -----	----- (Unaudited) -----
<b>29 FINANCE COST</b>		
Financial cost on diminishing Musharaka financing arrangement	78,752,044	79,391,474
Financial cost on running musharaka financing arrangement	457,177	2,409,361
Finance cost on long term borrowing	-	2,584,085
Finance cost on liability against right-of-use assets	1,093,632	1,823,890
Bank charges and commission	1,018,087	1,099,648
	<u>81,320,940</u>	<u>87,308,458</u>
<b>30 OTHER INCOME - NET</b>		
Profit on deposit accounts with bank	10,842,500	3,015,616
Income from disposal of scrap	9,074,618	27,757,879
Gain / (loss) on disposal of fixed assets and Ijarah assets	39,793,283	5,705,116
Reversal of provision of long-term employee benefit	874,955	4,677,096
Amortisation of deferred government grant	-	1,711,548
Gain on termination of lease liability	4,642,213	-
Exchange gain	667,120	10,742,802
	<u>65,894,689</u>	<u>53,610,057</u>
<b>31 TAXATION</b>		
- Current	230,293,127	120,573,045
- Deferred	(3,150,504)	34,418,033
	<u>227,142,623</u>	<u>154,991,078</u>
<b>32 EARNINGS PER CERTIFICATE</b>		
Profit for the period after taxation	<u>286,874,119</u>	<u>338,330,615</u>
	----- (Number of certificates) -----	----- (Number of certificates) -----
Weighted average number of ordinary certificates outstanding during the period	<u>220,000,000</u>	<u>220,000,000</u>
	----- (Rupees) -----	----- (Rupees) -----
Earnings per certificate - basic and diluted	<u>1.30</u>	<u>1.54</u>
<b>32.1</b>	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.	
	<u>Audited</u> December 31, 2023	<u>Unaudited</u> December 31, 2022
	----- (Rupees) -----	----- (Rupees) -----
	----- (Unaudited) -----	----- (Unaudited) -----
<b>33 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>294,555,357</u>	<u>252,500,426</u>
<b>34 RELATED PARTY TRANSACTIONS</b>		
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.		

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**34.1 Transactions with related parties (other than those which have been disclosed else where in these condensed interim financial statements):**

Name of the related party	Relationship and percentage shareholding	Transactions during the period	Six months period ended	
			December 31, 2023	December 31, 2022
			(Unaudited) ----- (Rupees) -----	
Allied Engineering Management Company (Private) Limited (the Modaraba Management Company) (Now known as Allied Rental Services Limited)	Associated Company	Modaraba Management Company's remuneration	5,000,000	5,650,000
		Payment made to the Modaraba Management Company (including management fee) during the period	11,300,000	-
		Loan received from the Modaraba Management Company	17,760,000	-
		Expense paid on behalf of the Modaraba Management Company	573,698	-
Allied Engineering and Services (Private) Limited (AESL) (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	53,163,105	31,366,324
		Purchase of parts and services	207,460,876	180,009,179
		Income from ijarah assets & sale proceeds against disposal of ijarah assets	53,606,776	2,286,882
		Reimbursement of expenses	13,486,324	12,273,294
		Paid on behalf of AESL	12,810,532	-
		Receivable from AESL against customer deposits	1,098,099	1,675,866
Apex Machinery (Private) Limited	Associated Company	Purchase of parts and services	2,632,830	10,041,898
Allied E-Commerce Solutions (Private) Limited (AECSL)	Associated Company	Expenses charge during the period	91,537	108,468
		Expenses paid on behalf of AECSL	19,968	-
Allied Transport & Logistics (Private) Limited (ATL) (Now known as Allied Transport & Logistics Limited)	Associated Company	Expenses paid on behalf of ATL	108,000	-
Allied Materials Private Limited	Associated Company	Income from ijarah assets	7,960,495	9,100,000
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident fund	Contribution to the staff provident fund during the period	12,016,268	10,760,436
Key management personnel (Other than the CEO and the employees of the Management Company)	Key Management Personnel	Remuneration of the key management personnel during the period	28,015,750	19,505,000
		Dividend paid during the period	-	-
		Contribution to the staff provident fund during the period	1,437,096	1,216,450
		Charge for staff gratuity scheme during the period	4,291,167	3,877,768

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

Name of the related party	Relationship and percentage shareholding	Period-end balances	As at period / year ended	
			December 31, 2023	June 30, 2023
			(Unaudited) (Audited) ----- (Rupees) -----	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company) (Now known as Allied Rental Services Limited)	Associated Company	Outstanding certificates 43,999,997 (June 30, 2023: 43,999,997)	439,999,970	439,999,970
		Payable to the Modaraba Management Company	21,227,686	10,341,384
Allied Engineering and Services (Private) Limited (AESL) (the holding company of the Modaraba Management Company)	Associated Company	Outstanding certificates 163,196,645 (June 30, 2023: 163,196,645)	1,631,966,450	1,631,966,450
		Payable to AESL	414,775,245	582,492,588
Apex Machinery (Private) Limited	Associated Company	Payable against purchase of parts	8,504,742	5,871,912

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Name of the related party	Relationship and percentage shareholding	Period-end balances	As at period / year ended	
			December 31, 2023	June 30, 2023
			(Unaudited)	(Audited)
			----- (Rupees) -----	
Allied E-Commerce Solutions (Private) Limited	Associated Company	Receivable against miscellaneous expenses	1,787,747	1,676,242
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Outstanding certificates Nil (June 30, 2023: Nil) Payable to Staff Provident Fund	503,472	444,687
Allied Transport & Logistics (Private) Limited (ATL) (Now known as Allied Transport & Logistics Limited)	Associated Company	Receivable against miscellaneous expenses	108,000	-
Allied Materials Private Limited	Associated Company	Receivable against miscellaneous expenses	7,960,495	9,100,000
Key Management Personnel	Key Management Personnel	Outstanding certificates 254 (June 30, 2023: 254)	2,540	2,540
Directors	Directors of the Management Company	Outstanding certificates 11,947,690 (June 30, 2023: 5,973,845)	119,476,900	59,738,450

### 35 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 three 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 three operating segments.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba 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.

#### 35.1 Details of segment revenues, costs, profit, assets and liabilities are as follows:

	December 31, 2023					December 31, 2022				
	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)					(Rupees)				
Segment revenues / profits										
Revenue	1,711,032,763	96,258,531	1,807,291,294	887,683,233	2,694,974,527	1,336,260,533	92,797,455	1,429,057,988	1,105,709,444	2,534,767,432
Operating Expenses	(1,207,431,318)	(67,927,142)	(1,275,358,460)	(626,414,969)	(1,901,773,429)	(953,726,004)	(66,232,103)	(1,019,958,107)	(789,175,332)	(1,809,133,439)
Gross Profit	503,601,445	28,331,389	531,932,834	261,268,264	793,201,098	382,534,529	26,565,352	409,099,881	316,534,112	725,633,993
Finance Cost	(51,630,467)	(2,904,604)	(54,535,071)	(26,785,869)	(81,320,940)	(46,026,647)	(3,196,350)	(49,222,997)	(38,085,461)	(87,308,458)
Administrative Expenses	(128,728,284)	(7,241,939)	(135,970,223)	(66,784,191)	(202,754,414)	(88,755,429)	(6,163,677)	(94,919,106)	(73,442,053)	(168,361,159)
Other expenses	(38,731,095)	(2,178,917)	(40,910,012)	(20,093,679)	(61,003,691)	(15,948,423)	(1,107,548)	(17,055,971)	(13,196,769)	(30,252,740)
Other income	41,836,378	2,353,613	44,189,990	21,704,699	65,894,689	28,261,766	1,962,656	30,224,422	23,385,635	53,610,057
Profit before tax	326,347,977	18,359,542	344,707,518	169,309,224	514,016,742	260,065,796	18,060,433	278,126,229	215,195,464	493,321,693
Taxation	(144,212,298)	(8,113,032)	(152,325,330)	(74,817,293)	(227,142,623)	(81,707,086)	(5,674,200)	(87,381,286)	(67,609,792)	(154,991,078)
Profit after taxation	182,135,679	10,246,510	192,382,188	94,491,931	286,874,119	178,358,710	12,386,233	190,744,943	147,585,672	338,330,615

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December 31, 2023 (Unaudited)					June 30, 2023 (Audited)				
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)					(Rupees)				

## Segment assets and liabilities

## Assets

Ijarah assets	4,828,097,400	-	4,828,097,400	1,320,310,173	6,148,407,573	4,873,931,189	-	4,873,931,189	1,315,522,399	6,189,453,588
Fixed assets - in own use	160,773,758	5,000,000	165,773,758	29,601,396	195,375,154	168,131,583	6,172,480	174,304,063	30,073,153	204,377,216
Intangible asset	-	-	-	-	-	114,097	-	114,097	-	114,097
Investment	3,781,896	-	3,781,896	-	3,781,896	31,934,583	-	31,934,583	-	31,934,583
Stores and spares	326,667,196	-	326,667,196	7,002,054	333,669,250	344,581,973	-	344,581,973	13,053,752	357,635,725
Ijarah rentals receivable	835,961,131	-	835,961,131	409,368,575	1,245,329,706	720,652,645	-	720,652,645	437,477,668	1,158,130,313
Operation and maintenance income receivable	-	43,628,955	43,628,955	-	43,628,955	-	32,353,136	32,353,136	-	32,353,136
Advances, deposits, prepayments and other receivable	306,139,921	19,820	306,159,741	22,655,564	328,815,305	430,032,182	439,500	430,471,682	26,896,054	457,367,736
Short term security deposits	231,009	-	231,009	-	231,009	231,009	-	231,009	-	231,009
Cash and bank balances	294,555,357	-	294,555,357	-	294,555,357	152,833,955	-	152,833,955	-	152,833,955
	<u>6,756,207,668</u>	<u>48,648,775</u>	<u>6,804,856,443</u>	<u>1,788,937,762</u>	<u>8,593,794,205</u>	<u>6,722,443,216</u>	<u>38,965,116</u>	<u>6,761,408,332</u>	<u>1,823,023,026</u>	<u>8,584,431,358</u>

Unaudited					Audited				
December 31, 2023 (Unaudited)					June 30, 2023 (Audited)				
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)					(Rupees)				

## Liabilities

Deferred liability for staff gratuity	142,336,692	17,092,151	159,428,843	17,817,010	177,245,853	130,585,253	15,521,540	146,106,793	15,168,375	161,275,168
Compensated absences	17,102,437	726,522	17,828,959	3,990,041	21,819,000	19,566,072	670,261	20,236,333	3,612,654	23,848,987
Liability against right-of-use assets	-	-	-	-	-	30,738,708	-	30,738,708	-	30,738,708
Diminishing musharaka financing payable - secured	580,840,517	-	580,840,517	16,261,875	597,102,392	793,068,757	-	793,068,757	46,526,848	839,595,605
Running musharaka financing payable - secured	100,000,000	-	100,000,000	-	100,000,000	-	-	-	-	-
Deferred tax liability	858,438,406	(8,977,719)	849,460,687	231,970,385	1,081,431,072	898,028,701	(8,091,631)	889,937,070	193,602,290	1,083,539,360
Other long term liabilities	28,327,479	4,723,823	33,051,302	6,696,862	39,748,164	27,846,976	5,427,139	33,274,115	5,959,423	39,233,538
Payable to the modaraba management company	21,227,686	-	21,227,686	-	21,227,686	10,341,384	-	10,341,384	-	10,341,384
Creditors, accrued and other liabilities	709,087,140	3,216,876	712,304,016	192,499,943	904,803,959	839,878,623	7,380,437	847,259,060	211,330,329	1,058,589,389
Contract liabilities (advance from customers)	108,279,208	-	108,279,208	14,660,362	122,939,570	70,362,502	507,594	70,870,096	27,426,866	98,296,962
Unclaimed dividend	797,591	-	797,591	-	797,591	797,591	-	797,591	-	797,591
	<u>2,566,437,156</u>	<u>16,781,653</u>	<u>2,583,218,809</u>	<u>483,896,478</u>	<u>3,067,115,287</u>	<u>2,821,214,567</u>	<u>21,415,340</u>	<u>2,842,629,907</u>	<u>503,626,785</u>	<u>3,346,256,692</u>
Net assets			<u>4,221,637,634</u>	<u>1,305,041,284</u>	<u>5,526,678,918</u>			<u>3,918,778,425</u>	<u>1,319,396,241</u>	<u>5,238,174,666</u>

## Reconciliation of reportable segments profit is as follow:

## Profit

Total profit for reportable segments  
Other income

December 31, 2023	December 31, 2022
----- (Unaudited) -----	----- (Unaudited) -----
----- (Rupees) -----	----- (Rupees) -----
514,016,742	493,321,693
-	-
<u>514,016,742</u>	<u>493,321,693</u>

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	Note	December 31, 2023	December 31, 2022
		----- (Unaudited) -----	
		----- (Rupees) -----	
<b>35.2</b>	Reconciliation of reportable segments revenues and profit or loss is as follow:		
<b>Revenues</b>			
	Total revenue for reportable segments	2,694,974,527	2,534,767,432
	Other Income	65,894,689	53,610,057
		<u>2,760,869,216</u>	<u>2,588,377,489</u>
<b>Profit before tax</b>			
	Total profit before tax for reportable segments	514,016,742	493,321,693
		<u>514,016,742</u>	<u>493,321,693</u>

### 36 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.

#### 36.1 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).

**36.2** 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.

Unaudited							
December 31, 2023							
Carrying Value				Fair Value			
Fair value through profit or loss	Fair value through OCI	Amortised cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees) -----							
<b>Financial assets measured at fair value</b>							
Investment	3,781,896	-	3,781,896	-	3,781,896	-	3,781,896
<b>Financial assets not measured at fair value</b>							
Cash and bank balances	-	294,555,357	294,555,357	-	-	-	-
Ijarah rentals receivables	-	1,263,458,233	1,263,458,233	-	-	-	-
Operation and maintenance income receivables	-	43,628,955	43,628,955	-	-	-	-
Deposits and other receivables	-	49,139,652	49,139,652	-	-	-	-
Short term security deposit	-	231,009	231,009	-	-	-	-
	-	1,651,013,206	1,651,013,206	-	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Creditors, accrued and other liabilities	-	815,768,799	815,768,799	-	-	-	-
Payable to the Modaraba Management Company	-	21,227,686	21,227,686	-	-	-	-
Diminishing musharaka financing payable - secured	-	597,102,392	597,102,392	-	-	-	-
Running musharaka financing payable - secured	-	100,000,000	100,000,000	-	-	-	-
Lease liability against right-of-use assets	-	-	-	-	-	-	-
Unclaimed dividend	-	797,591	797,591	-	-	-	-
	-	1,534,896,468	1,534,896,468	-	-	-	-

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Audited								
June 30, 2023								
Carrying Value				Fair Value				
Fair value through profit or loss	Fair value through OCI	Amortised cost	Total	Level 1	Level 2	Level 3	Total	
(Rupees)								
<b>Financial assets measured at fair value</b>								
Investment	31,934,583	-	-	31,934,583	-	31,934,583	-	31,934,583
<b>Financial assets not measured at fair value</b>								
Cash and bank balances	-	-	152,833,955	152,833,955	-	-	-	-
Ijarah rentals receivables	-	-	1,158,130,313	1,158,130,313	-	-	-	-
Operation and maintenance income receivables	-	-	32,353,136	32,353,136	-	-	-	-
Deposits and other receivables	-	-	27,909,881	27,909,881	-	-	-	-
Long term security deposit	-	-	231,009	231,009	-	-	-	-
	-	-	1,371,458,294	1,371,458,294	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Creditors, accrued and other liabilities	-	-	1,002,576,376	1,002,576,376	-	-	-	-
Payable to the Modaraba Management Company	-	-	10,341,384	10,341,384	-	-	-	-
Diminishing musharaka	-	-	839,595,605	839,595,605	-	-	-	-
Lease liability against right-of-use assets	-	-	30,738,708	30,738,708	-	-	-	-
Unclaimed dividend	-	-	797,591	797,591	-	-	-	-
	-	-	1,884,049,664	1,884,049,664	-	-	-	-

Valuation techniques used in determination of fair values:

Item	Valuation approach and input used
Mutual Funds	The valuation has been determined based on Net asset values declared by Mutual Funds Association of Pakistan (MUFAP).

- 36.3 The Modaraba has not disclosed the fair values of the financial assets and financial liabilities (other than investment in mutual fund) as these are either short term in nature or repriced periodically. Therefore, their fair value is not significantly different from their carrying amounts.

### 37 GENERAL

- 37.1 Figures in these condensed interim financial statements for the quarters ended December 31, 2023 and December 31, 2022 have not been subjected to limited scope review of the auditors.

### 37.2 Reclassification of comparatives

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these condensed interim financial statements during the current period.

### 37.2 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 \_\_\_\_\_.

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For Allied Engineering Management Company (Private) Limited  
(Now known as: Allied Rental Services Limited)  
(Modaraba Management Company)

Muhammad Saad  
Chief Financial Officer

Murtaza Ahmed Ali  
Chief Executive Officer

Abdul Rahim Suriya  
Director

Syed Feisal Ali  
Director