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Modaraba Information

Modaraba Company

ORIX Services Pakistan (Pvt) Limited

Directors of Modaraba Company

Mr. Shaheen Amin
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Mr. Ramon Alfrey
Director

Mr. Nausherwan Adil
Independent Director

Mian Faysal Raiz
Director

Ms. Maryam Aziz
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Nausherwan Adil
Chairman

Mr. Ramon Alfrey
Member

Mian Faysal Raiz
Member

Human Resource and Remuneration (HR&R) Committee

Mr. Nausherwan Adil
Chairman

Mr. Shaheen Amin
Member

Mr. Raheel Qamar Ahmad
Member

Shariah Advisor

Mufti Faisal Ahmed

Auditors

A. F. Ferguson & Co. Chartered Accountants

Bankers/ Financial Institutions

Standard Chartered Bank (Pakistan) Limited
(Saadiq)

Meezan Bank Limited

United Bank Limited (UBL Ameen)

Bank Alfalah Limited (Islamic banking)

Allied Bank Limited (Islamic banking)

Bank Al Habib Limited (Islamic banking)

Legal Advisors

Fazle Ghani Advocates Haider Ali Khan
Partner, Advocate High Court

Registered and Head Office:

Office No. 601, 6th Floor,
Syedna Tahir Saifuddin Foundation Building,
Beaumont Road, Civil Lines, Karachi.
Phone: (021)35930000
Email: askus@orixmodaraba.com

Lahore Branch:

Office No. 602-B,
6th Floor, City Towers, Gulberg-II,
Lahore.

Islamabad Branch:

Ground Floor, Phase 1, State Life Building No. 5,
Nazimuddin Road, Blue Area, Islamabad.

Registrars & Share Registration Office

Famco Associates (Private) Limited 8-F,
Next to Hotel Faran, Nursery,
Block 6, P.E.C.H.S., Shakra-e-Faisal, Karachi.
Tel: (92-21) 34380101-5
Fax: (92-21) 34380106
Email: info.shares@famco.com.pk

DIRECTORS' REVIEW

For the quarter ended September 30, 2019

The Board of Directors of ORIX Services Pakistan (Private) Limited, the management company of ORIX Modaraba is pleased to present the unaudited accounts for the three months period ended September 30, 2019.

1. Economic Outlook

Pakistan economic growth in FY 2020 is likely to remain weak as the country severe twin deficits require fiscal austerity. In addition, a tighter monetary stance and still-elevated inflation are expected to eat into household spending and investment. Deteriorating relations with India, and substantial financing needs, represent additional risks to the outlook.

The trade deficit shrank by nearly half in July, the first month of FY2020, from \$3.4 billion a year earlier to \$1.8 billion. With further narrowing of the trade deficit and a continued positive trend in workers' remittances, the current account deficit is projected to narrow further to 2.8% of GDP in FY2020. Import payments will remain subdued, reflecting weak economic activity and the pass-through of past rupee depreciation against US dollar.

To restore macroeconomic stability, the government plans to catalyze significant international financial support and promote sustainable and balanced growth under a 3-year economic stabilization and reform program with the International Monetary Fund (IMF). Fiscal consolidation under the program aims to reduce the large public debt while expanding social spending, establish a flexible exchange rate regime to restore competitiveness, and rebuild official reserves.

Inflation remained elevated at the start of FY2020 at 9.4% in July and August. It is projected to accelerate further to average 12.0% in FY2020 because of a planned hike in domestic utility prices, taxes introduced in the FY2020 budget, and the lagged impact of currency depreciation. Pressure from inflationary expectations can be relieved by the government's commitment to refrain from directly financing the budget deficit by borrowing from the central bank as monetary policy continues to tighten.

The economic reform program supported by the IMF envisages a multiyear strategy for revenue mobilization to pare public debt to a sustainable level. The budget assumes tax revenue increased to equal 14.3% of GDP. With nontax revenue projected at 2.3% of GDP in FY2020, total revenue is expected to increase to 16.6% of GDP.

Expenditure in FY2020 is projected to equal 23.8% of GDP with an increase of 1.8 percentage points in current spending to cover larger interest payments and higher allocations for social spending to avoid hurting the poor as reform progresses. At the same time, to support the adjustment efforts, the government set the federal government wage increases below the inflation rate. Development spending is projected to rise to 3.6% of GDP in FY2020 and support stronger social spending in the FY2020 budget.

2. Financial Highlights

Financial results are summarized as under:

Balance Sheet

	30 September 2019	30 June 2019
	----- (Rupees) -----	
Certificate capital	453,835	453,835
Total equity	1,068,873	1,160,475
Total assets	6,692,490	6,966,013
Investment in Ijarah finance and Ijarah Assets	3,020,270	3,139,888
Investments in Diminishing Musharika and Sukuks	2,895,436	3,084,690
Redeemable capital	2,786,055	2,785,705

Profit and Loss

	Three months ended 30 September 2019	Three months ended 30 September 2018
Revenue (net of Ijarah assets depreciation)	213,108	139,626
Financial charges	149,919	85,133
Reversal of provisions – net	-	2,667
Operating expenses	38,047	33,711
Profit before modaraba management company's remuneration	25,143	23,448
Net profit	21,856	20,383

3. Review of Operations

By the Grace of Allah, your Modaraba's performance during the period under review continued to be strong in spite of economy slowdown, reduction in industry spreads and stiff competition with Islamic banks. The Modaraba's gross revenue for the quarter increased by 5.38% from PKR 464.09 million to PKR 489.04 million compared to corresponding period of last year. Revenue (net of Ijarah assets depreciation and including other income) increased by 52.63% from PKR 139.63 million to PKR 213.11 million compared to the corresponding period of last year. Whereas revenue net of financial charges increased by 15.96% from PKR 54.49 million to PKR 63.19 million compared to the corresponding last year. This was achieved mainly due to upward movement in discount rate and better mix of portfolio resulting in better profit rates. Administrative and operating expenses increased by 12.86% from PKR 33.71 million to PKR. 38.05 million mainly due to staff cost in line with the market and cost associated with the process alignment for compliance of new regulations. Net profit however, increased by 7.23% from PKR 20.38 to PKR 21.86 million.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 5,916 million compared to PKR 6,225 million as at June 30, 2019, showing a decrease of 4.96% during three months period. During the quarter under review, the Modaraba booked fresh disbursements to the tune of Rs. 421 million.

The business has been driven mainly by deepening relationships with selective clientele and initiating relationships with good names. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships.

ORIX Modaraba manages and monitors risk exposure very prudently. The evaluation of borrower's credit profile including repayment ability is made at the time of grant of facility and regular oversight thereon. Further, there are Portfolio Management and Early Alert committees which are responsible to ensure portfolio monitoring and timely alerts for possible untoward scenarios.

4. Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the ratings of your Modaraba as AA (Double A) and A1+ (A one plus) for long-term and short-term respectively. These ratings indicate low expectation of credit risk and very strong capacity for timely payment of financial commitments.

5. Acknowledgement

The Board appreciates the support of regulatory authorities, certificate-holders, customers and business partners and looks forward to their support in future.


Raheel Qamar Ahmad
Managing Director/CEO
Karachi: October 23, 2019


Ramon Alfrey
Director

کاروباری آپریشنز کا جائزہ

اللہ رب العزت کی رحمت سے آپ کی مضاربہ کی کارکردگی جائزہ مدت کے دوران معاشی سست روی، صنعتی پھیلاؤ میں کمی اور اسلامی بینکوں سے سخت مسابقت کے باوجود مستحکم رہی، مضاربہ کے خام محصولات گزشتہ سال اسی مدت کے ۲۶۲.۰۹ ملین روپے سے ۵.۳۸ فیصد بڑھ کر ۲۸۹.۰۴ ملین روپے ہو گئے۔ محصولات (اجارہ اثاثوں کی فرسودگی نکالنے اور دیگر آمدن شامل کرنے کے بعد) ۵۲.۶۳ فیصد سے بڑھ کر ۱۱۳.۱۱ ملین روپے ہو گئے جبکہ گزشتہ سال ۱۳۹.۶۳ ملین روپے تھے۔ جبکہ مالیاتی اخراجات نکالنے کے بعد خالص محصولات میں ۱۵.۹۶ فیصد اضافہ ہوا جو کہ گزشتہ سال اسی مدت کے ۵۴.۴۹ ملین روپے کے مقابلے میں بڑھ کر ۶۳.۱۹ ملین روپے ہو گئے۔ اس کی بنیادی وجوہات میں رعایتی نرخ میں اضافہ کاروبار اور پورٹ فولیو کے بہتر مرکب کے نتیجے میں بہتر شرح منافع حاصل ہوئی۔ اختطائی اور کاروباری اخراجات میں ۱۲.۸۶ فیصد اضافہ ہوا جو کہ ۳۳ ملین روپے سے بڑھ کر ۳۸.۰۵ ملین روپے ہو گئے جس کی بنیادی وجہ مارکیٹ کے مطابق عملے کی اجرتوں میں اضافہ اور نئے ضوابط کی پاسداری کے مطابق عمل سے ملحقہ لاگت تھی۔ تاہم خالص منافع میں ۲.۲۳ فیصد اضافہ ہوا جو کہ ۲۰.۳۸ ملین روپے سے بڑھ کر ۲۱.۸۶ ملین روپے ہو گیا۔

اجارہ فنانس کے پورٹ فولیو سلوک اور مشارکہ متناقدہ میں سرمایہ کاری ۹۱۶.۹۱ ملین روپے رہی جبکہ ۳۰ جون ۲۰۱۹ کو ۲۲۵.۶۲ ملین روپے تھے، جس سے سہ ماہی مدت میں ۴.۹۶ فیصد کمی کی عکاسی ہوتی ہے۔ جائزہ سہ ماہی کے دوران مضاربہ نے ۲۲۱ ملین کی نئی سرمایہ کاری کی۔

منتخب گاہکوں کے ساتھ گہرے تعلقات کو استوار اور نئے اچھی ساکھ کے حامل گاہکوں سے تعلقات کا آغاز کرتے ہوئے کاروبار کو آگے بڑھا یا گیا۔ اثاثوں کے پورٹ فولیو کا مرکب اچھا رہا جس میں کثیر القومی، بڑی اور درمیانی درجے کی مقامی اور منتخب SME سے تعلقات شامل ہیں۔

ORIX مضاربہ سرمایہ کاری کا انتظام اور نگرانی بہت محتاط انداز میں کرتی ہے۔ قرض لینے والوں کے قرضہ جاتی پروفائل بشمول واپس ادائیگی کی صلاحیت کا تجزیہ قرضہ کی سہولت کی منظوری سے قبل کیا جاتا ہے اور اس کی باقاعدگی سے نگرانی کی جاتی ہے۔ مزید برآں پورٹ فولیو کے انتظام اور اتہاد میں تنہیہ کرنے والی کمپنیاں موجود ہیں جو کہ کسی بھی ممکنہ موافقہ منظر نامہ سے بچنے کے لئے پورٹ فولیو کی نگرانی اور بروقت تنہیہ کو یقینی بناتی ہیں۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے آپ کے مضاربہ کی طویل مدتی اور قلیل مدتی ریٹنگ بالترتیب AA (ڈبل A) اور A1+ (اے ون پلس) برقرار رکھی ہے۔ ان ریٹنگ سے قرضہ جاتی خطرہ کی کم توقعات اور مالیاتی وعدوں کی انتہائی مضبوط بروقت ادائیگی کی گنجائش کی عکاسی ہوتی ہے۔

اعتراف

بورڈ ممبران اداروں، سرٹیفکیٹ ہولڈرز، گاہکوں اور کاروباری شراکت داروں کے تعاون کا اعتراف کرتا ہے اور مستقبل میں بھی اسی تعاون کی امید کرتا ہے۔



ریمین الفیری
ڈائریکٹر



راجیل قراہ
مینجنگ ڈائریکٹر/CEO

کراچی ۲۳ اکتوبر ۲۰۱۹

پانے پر سودی ادائیگیوں کا احاطہ ہوگا اور غریبوں پر بوجھ کم کرنے کے لئے سماجی اخراجات کے لئے وسیع مختص کیا جائے گا۔ اس کے ساتھ اصلاحاتی کوششوں کو تائید فراہم کرنے کے لئے حکومت نے وفاقی حکومت کے ملازمین کی اجرتوں کو افراط زر کے نرخ سے نیچے رکھا ہے۔ توقع ہے ترقیاتی اخراجات مالی سال ۲۰۲۰ میں بڑھ کر ۳.۶ فیصد ہو جائیں گے اور مالیاتی بجٹ ۲۰۲۰ کے سماجی اخراجات کو تائید فراہم کریں گے۔

مالیاتی جھلکیاں

مختصر مالیاتی جھلکیاں درج ذیل ہیں

۳ جون ۲۰۱۹ (روپے '۰۰۰۰)	۳ ستمبر ۲۰۱۹ (روپے '۰۰۰۰)
۴۵۳،۸۳۵	۴۵۳،۸۳۵
۱،۱۶۰،۴۷۵	۱،۰۶۸،۸۷۳
۶،۹۶۶،۰۱۳	۶،۶۹۲،۴۹۰
۳،۱۳۹،۸۸۸	۳،۰۲۰،۲۷۰
۳،۰۸۴،۶۹۰	۲،۸۹۵،۴۳۶
۲،۷۸۵،۷۰۵	۲،۷۸۶،۰۵۵

میزانیہ

سرٹیفکیٹ کا سرمایہ

کل حصص سرمایہ

کل اثاثہ جات

اجارہ فنانس میں سرمایہ کاری اور اجارہ اثاثہ جات

مشارکہ منافع اور سکوس میں سرمایہ کاری

قابل بازیابی سرمایہ

۳ ستمبر ۲۰۱۹ (روپے '۰۰۰۰)	۳ ستمبر ۲۰۱۸ (روپے '۰۰۰۰)
۲۱۳،۱۰۸	۱۳۹،۹۱۹
۱۳۹،۹۱۹	-
۳۸،۰۴۷	۲۳،۴۳۸
۲۵،۱۴۳	۲۰،۳۸۳

منافع اور خسارہ

محصولات (اجارہ اثاثوں کی فرسودگی نکالنے کے بعد)

مالیاتی اخراجات

اختصاص کی معکوسی - خالص

کاروباری اخراجات

مضاربہ کی منتظم کمپنی کا معاوضہ نکالنے سے قبل منافع

خالص منافع

ڈائریکٹران کا جائزہ

برائے سہ ماہی ختمہ مدت 30 ستمبر 2019

اور کس مضاربہ کی منتظم کمپنی اور کس سرورسز پاکستان (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز سہ ماہی مدت ختمہ ۳۰ ستمبر ۲۰۱۹ کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے اظہار مسرت کرتا ہے۔

معاشی منظر نامہ

اس بات کا اندازہ ہے کہ مالی سال ۲۰۲۰ میں پاکستان کی معاشی نمو کمزور رہے گی کیونکہ ملک کے شدید دوہرے خساروں سے نمٹنے کے لئے مالیاتی کفایت شعاری کی ضرورت ہے۔ اس کے علاوہ سخت مالیاتی پالیسی اور افراط زر کے بڑھتے ہوئے رجحان سے اندازہ ہے کہ گھریلو اخراجات اور سرمایہ کاری میں ضم ہو جائیں گے۔ انڈیا کے ساتھ بگڑتے ہوئے تعلقات اور سرمائے کی قابل ذکر ضروریات سے منظر نامہ پر اضافی خطرات کی عکاسی ہوتی ہے۔

تجارتی خسارہ کم ہو کر جولائی یعنی مالی سال ۲۰۲۰ کے پہلے ماہ میں تقریباً آدھا ہو گیا چونکہ ۳.۴ بلین ڈالر سالانہ سے کم ہو کر ۱.۸ بلین ڈالر رہ گیا۔ تجارتی خسارہ میں مزید کمی تسلسل کے ساتھ بیرون ملک مزدوروں کی ترسیلات میں بڑھتے ہوئے رجحان کی وجہ سے توقع ہے کہ رواں کھاتے کا خسارہ مالی سال ۲۰۲۰ میں GDP کا ۲.۸ فیصد رہ جائے گا۔ درآمدی ادائیگیاں دباؤ کا شکار رہیں گی جس سے معاشی سرگرمی میں کمزوری اور ماضی کی طرح یو ایس ڈالر کے مقابلے میں روپے کی قدر میں کمی جاری رہے گی۔

معاشی استحکام کی بحالی کے لئے حکومت نے قابل ذکر عالمی مالی مدد حاصل کرنے اور پائیدار اور متوازن نمو کے لئے 3 سالہ معاشی استحکامی اور اصلاحاتی پروگرام کی عالمی مالیاتی فنڈ (IMF) کے تعاون سے منصوبہ بندی کی ہے۔ اس استحکامی پروگرام کا مقصد یہ ہے بڑے پیمانے پر سرکاری قرضوں میں کمی جبکہ سماجی اخراجات کو وسعت دیتے ہوئے، پبلک پریزرمبادلہ کے نظام کو قائم کر کے مسابقتی کارکردگی کو بحال کیا جائے اور زرمبادلہ کے سرکاری ذخائر کی از سر نو تعمیر کی جائے۔

افراط زر میں مالی سال ۲۰۲۰ کے آغاز میں جولائی اور اگست میں ۹.۴ فیصد اضافہ ہوا۔ اس بات کا اندازہ لگایا گیا ہے کہ مالی سال ۲۰۲۰ میں تیز ترین اضافہ کے نتیجے یہ وسطاً ۱۲.۰ فیصد رہے گا جس کی وجوہات میں مقامی بنیادی سہولیات کی قیمتوں میں منصوبہ کے مطابق اضافہ، مالی سال ۲۰۲۰ میں متعارف کرائے گئے ٹیکس اور کرنسی کی قدر میں کمی شامل ہیں۔ افراط زر پر متوقع دباؤ میں کمی لانی جاسکتی ہے بشرطیکہ حکومت بجٹ خسارہ کو پورا کرنے کے لئے مرکزی بینک سے بلا واسطہ قرضے لینے سے اجتناب کرے کیونکہ مالیاتی پالیسی تسلسل کے ساتھ سخت ہے۔

معاشی اصلاحاتی پروگرام جسے IMF کی تائید حاصل ہے، کثیر پہلو حکمت عملی پر مشتمل ہے جس میں محصولات میں اضافہ کے سرکاری قرضے کو ایک پائیدار سطح پر لانا ہے۔ بجٹ مفروضے کے مطابق ٹیکس محصولات بڑھ کر GDP کا ۱۳.۳ فیصد ہو جائیں گے۔ جبکہ مالی سال ۲۰۲۰ میں نان ٹیکس محصولات GDP کا ۲.۳ ہونے کی وجہ سے توقع ہے کہ کل محصولات بڑھ کر GDP کا ۱۶.۶ فیصد ہو جائیں گے۔

اصلاحات کے تحت مالی سال ۲۰۲۰ میں اخراجات GDP کا ۲۳.۸ فیصد رہیں گے یعنی موجودہ اخراجات کی شرح فیصد میں ۱.۸ پوائنٹس کا اضافہ ہو جائے گا جن میں بڑے

FINANCIAL STATEMENT

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

	Note	(Un-audited) 30 September 2019	(Audited) 30 June 2019
ASSETS			
Current assets			
Cash and bank balances	5	448,162,026	432,292,749
Ijarah rentals receivable	6	111,170,877	106,243,898
Advances, deposits, prepayments and other receivables		201,065,756	185,688,009
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharika	8	1,047,755,104	1,056,293,238
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		9,087,178	8,733,382
Total current assets		1,817,610,941	1,789,621,276
Non-current assets			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharika	8	1,847,680,714	2,028,396,990
Ijarah assets	9	3,019,899,775	3,139,517,722
Fixed assets in own use	10	7,298,390	8,477,133
Total non-current assets		4,874,878,879	5,176,391,845
TOTAL ASSETS		6,692,489,820	6,966,013,121
LIABILITIES AND EQUITY			
Current liabilities			
Current maturity term finance arrangements	11	870,394,349	832,919,998
Current maturity of security deposits		183,532,132	188,434,541
Creditors, accrued and other liabilities		245,852,346	345,197,941
Advance Ijarah rentals received		23,174,013	36,404,859
Current portion of redeemable capital		2,748,305,000	2,747,955,000
Profit distribution payable	12	169,144,458	55,752,238
Total current liabilities		4,240,402,298	4,206,664,577
Non-current liabilities			
Long-term portion of term finance arrangements	11	894,659,800	1,100,751,879
Long-term portion of security deposits		450,805,127	460,371,219
Long-term portion of redeemable capital		37,750,000	37,750,000
Total non-current liabilities		1,383,214,927	1,598,873,098
TOTAL LIABILITIES		5,623,617,225	5,805,537,675
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (June 30, 2019: 50,000,000) certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 30, 2019: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (June 30, 2019: 16,883,530) bonus certificates of Rs. 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		61,071,816	153,767,466
Other reserves		553,965,479	552,872,680
TOTAL LIABILITIES AND EQUITY		6,692,489,820	6,966,013,121
CONTINGENCIES AND COMMITMENTS			

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

For ORIX Services Pakistan (Private) Limited
(Management Company of ORIX Modaraba)


Chairman


Chief Executive


Director


Chief Financial Officer

FINANCIAL STATEMENT

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Note	Three months period ended 30 September, 2019	Three months period ended 30 September, 2018
		----- (Rupees) -----	
Ijarah rentals earned		365,141,698	395,344,906
Income on Diminishing Musharika arrangements		114,588,240	64,440,094
Income on deposits with banks		9,311,330	4,304,660
		489,041,268	464,089,660
Financial charges		(149,918,628)	(85,133,154)
Depreciation on assets under Ijarah arrangements		(285,483,949)	(329,530,703)
Impairment on assets under Ijarah arrangement		-	(462,984)
		53,638,691	48,962,819
Reversal of provision in respect of Ijarah finances - net		-	1,662,984
Reversal of provision in respect of Diminishing Musharika		-	1,466,695
		53,638,691	52,092,498
Other income		9,551,092	5,066,774
Administrative and operating expenses		(38,046,587)	(33,710,906)
		25,143,196	23,448,366
Management Company's remuneration		(2,514,320)	(2,344,837)
Provision for services sales tax on Management Company's remuneration	14	(326,862)	(304,829)
Provision for Workers' Welfare Fund	15	(446,040)	(415,974)
Profit for the period before taxation		21,855,974	20,382,726
Taxation	16	-	-
Profit for the period after taxation		21,855,974	20,382,726
Other comprehensive income for the period		-	-
Total comprehensive income for the period		21,855,974	20,382,726
Earnings per certificate - basic and diluted		0.48	0.45

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

For ORIX Services Pakistan (Private) Limited
(Management Company of ORIX Modaraba)


Chairman


Chief Executive


Director


Chief Financial Officer

FINANCIAL STATEMENT

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the period before taxation

Adjustments for non-cash and other items:

Depreciation / amortisation on fixed assets in own use
 Depreciation on Ijarah assets
 Gain on disposal of Ijarah assets
 Reversal of provision in respect of Ijarah finances - net
 Reversal of provision in respect of Diminishing Musharika
 Income on deposits with bank
 Profit on:
 - Redeemable capital
 - Musharika term finance arrangements
 Provision for services sales tax on Management Company's remuneration
 Provision for Workers' Welfare Fund

(Increase) / decrease in assets

Advances, deposits, prepayments and other receivables
 Ijarah rentals receivable
 Diminishing Musharika
 Purchase of assets under Ijarah arrangements
 Proceeds from disposal of assets under Ijarah arrangements

Increase / (decrease) in liabilities

Creditors, accrued and other liabilities
 Advance Ijarah rentals received
 Security deposits

Profit paid on

- Redeemable capital
 - Term finance arrangements

Taxes paid

Net cash generated from operating activities / (used)

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure
 Income on deposits with bank

Net cash generated / (used) from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Redeemable capital less repayments
 Term finance less repayments
 Profit paid to certificate holders

Net (decrease) / increase in cash and cash equivalents

Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of period

Cash and cash equivalents at end of the period

Three months
period ended
30 September,
2019

Three months
period ended
30 September,
2018

	(Rupees)	
Profit for the period before taxation	21,855,974	20,382,726
Adjustments for non-cash and other items:		
Depreciation / amortisation on fixed assets in own use	1,178,743	2,662,362
Depreciation on Ijarah assets	285,483,949	329,530,703
Gain on disposal of Ijarah assets	(5,779,563)	(1,998,546)
Reversal of provision in respect of Ijarah finances - net	-	(1,200,000)
Reversal of provision in respect of Diminishing Musharika	-	(1,466,695)
Income on deposits with bank	(9,311,330)	(4,304,660)
Profit on:		
- Redeemable capital	82,814,412	48,581,050
- Musharika term finance arrangements	62,661,798	31,705,939
Provision for services sales tax on Management Company's remuneration	326,862	304,829
Provision for Workers' Welfare Fund	446,040	415,974
	417,820,911	404,230,956
	439,676,885	424,613,682
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	(13,951,820)	(6,355,131)
Ijarah rentals receivable	(4,926,979)	(7,833,018)
Diminishing Musharika	189,254,410	(163,417,060)
Purchase of assets under Ijarah arrangements	(275,282,761)	(379,899,700)
Proceeds from disposal of assets under Ijarah arrangements	115,196,322	64,052,348
	10,289,172	(493,452,561)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	(49,503,341)	3,794,880
Advance Ijarah rentals received	(13,230,846)	8,734,905
Security deposits	(14,468,501)	30,224,082
	(77,202,688)	42,753,867
	372,763,369	(26,085,012)
Profit paid on		
- Redeemable capital	(135,928,554)	(37,981,567)
- Term finance arrangements	(60,162,812)	(28,355,920)
	(196,091,366)	(66,337,487)
Taxes paid	(353,796)	-
Net cash generated from operating activities / (used)	176,318,207	(92,422,499)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	(284,850)
Income on deposits with bank	7,885,403	-
Net cash generated / (used) from investing activities	7,885,403	(284,850)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	350,000	172,700,000
Term finance less repayments	(168,617,728)	13,682,437
Profit paid to certificate holders	(66,605)	(190,817)
Net (decrease) / increase in cash and cash equivalents	(168,334,333)	186,191,620
Increase / (decrease) in cash and cash equivalents	15,869,277	93,484,271
Cash and cash equivalents at the beginning of period	432,292,749	409,085,082
Cash and cash equivalents at end of the period	448,162,026	502,569,353

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

For ORIX Services Pakistan (Private) Limited
 (Management Company of ORIX Modaraba)


 Chairman


 Chief Executive


 Director


 Chief Financial Officer

FINANCIAL STATEMENT

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Reserves					
	Paid-up certificate capital	Premium on modaraba certificates	Statutory reserve	Unappropriated profit	Sub-total	Total
	(Rupees)					
Balance as at June 30, 2018	453,835,300	55,384,700	491,185,149	147,475,214	694,045,063	1,147,880,363
Total comprehensive income for the period						
- Profit for the three months period ended September 30, 2018.	-	-	-	20,382,726	20,382,726	20,382,726
- Other comprehensive income for the three months period	-	-	-	-	-	-
	-	-	-	20,382,726	20,382,726	20,382,726
Profit distribution for the year ended June 30, 2018 @ Rs. 2.5 per certificate	-	-	-	(113,461,545)	(113,461,545)	(113,461,545)
Transfer to statutory reserve	-	-	1,019,136	(1,019,136)	-	-
Balance as at September 30, 2018	453,835,300	55,384,700	492,204,285	53,377,259	600,966,244	1,054,801,544
Balance as at June 30, 2019	453,835,300	55,384,700	497,487,980	153,767,466	706,640,146	1,160,475,446
Total comprehensive income for the period						
- Profit for the three months period ended September 30, 2019.	-	-	-	21,855,974	21,855,974	21,855,974
- Other comprehensive income for the three months period	-	-	-	-	-	-
	-	-	-	21,855,974	21,855,974	21,855,974
Profit distribution for the year ended June 30, 2019 @ Rs. 2.5 per certificate	-	-	-	(113,458,825)	(113,458,825)	(113,458,825)
Transfer to statutory reserve	-	-	1,092,799	(1,092,799)	-	-
Balance as at September 30, 2019	453,835,300	55,384,700	498,580,779	61,071,816	615,037,295	1,068,872,595

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

For ORIX Services Pakistan (Private) Limited
(Management Company of ORIX Modaraba)


Chairman


Chief Executive


Director


Chief Financial Officer

FINANCIAL STATEMENT

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

1. STATUS AND NATURE OF BUSINESS

ORIX Modaraba ('the Modaraba') was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by ORIX Services Pakistan (Private) Limited ('the Management Company'). The Management Company is a wholly owned subsidiary of ORIX Leasing Pakistan Limited. The registered office is situated at 6th Floor, Syedna Tahir Saif-u-ddin Trust Building, Beaumont Road, Civil Lines, Karachi, Pakistan.

The Modaraba is operated through a head office in Karachi and two branches which are located in Lahore and Islamabad.

The Modaraba is a perpetual Modaraba and is primarily engaged in financing of plant and machinery, motor vehicles (both commercial and private), computer equipment and housing under the modes of Ijarah (Islamic leasing) and Diminishing Musharika. The Modaraba may also invest in commercial and industrial ventures suitable for the Modaraba. The Modaraba is listed on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA and short term rating of A1+ to the Modaraba on 26 February 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

a) The condensed interim financial statements of the Modaraba for the three months period ended on 30 September 2019 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standard as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act, 2017;
- Provisions of and directions issued under the Companies Act, 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas and IFAS differ from IFRS Standards, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFAS have been followed.

b) During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the Securities and Exchange Commission of Pakistan vide an SRO 431(1)/2007 dated 5 May 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

Mujir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.

FINANCIAL STATEMENT

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

Costs, including depreciation on the assets given on Ijarah, incurred in earning Ijarah income shall be recognised as expense.

Ijarah income shall be recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated 09 March 2009, allowed that in case of Modarabas, IFAS 2 shall be applied for Ijarah transactions executed on or after July 01, 2008. Accordingly, the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases and has treated the leasing transactions executed on or after 01 July 2008 in accordance with the requirements of IFAS 2.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest rupee.

2.3 Significant accounting estimates and judgements

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the year ended June 30, 2019

3 Significant Policies, Estimates, Assumptions and Changes therein

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Modaraba as at and for the year ended June 30, 2019.

3.2 New standards, interpretations and amendments adopted by the Modaraba

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017, and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of this standard is not likely to have an impact on the Modaraba's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Modaraba's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or fair value through other comprehensive income (FVOCI), IFRS 9 requires its contractual cash flows to meet the criterion that cash flows are 'solely payments of principal and profit/markup there upon' (SPPP). Some prepayment options could result in a situation wherein the party that triggers the early termination receives compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on the Modaraba's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Modaraba's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net markup cost for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of this amendment does not have an impact on the Modaraba's financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

FINANCIAL STATEMENT

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and it contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when an entity increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that an entity treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2020 and are not likely to have an impact on Modaraba's 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 financial statements as at and for the year ended June 30, 2019.

5. CASH AND BANK BALANCES

	Note	(Un-audited) 30 September 2019	(Audited) 30 June 2019
		----- (Rupees) -----	
Balances with banks			
- in current accounts		921,861	102,104,677
- in deposit accounts	5.1	447,190,405	330,138,312
Cash in hand		49,760	49,760
		448,162,026	432,292,749

- 5.1 These carry profit at rate ranging between 6.09% - 12.75% per annum (June 2019: 3.59% - 10%). The balances with banks in deposit accounts have been kept in order to comply with the requirement of guidelines issued by the Securities and Exchange Commission of Pakistan (SECP) with respect to the maintenance of prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

6. IJARAH RENTALS RECEIVABLE

	Note	(Un-audited) 30 September 2019	(Audited) 30 June 2019
		(Rupees)	
Ijarah rentals receivable - considered good		88,902,640	106,243,898
Ijarah rentals receivable - considered bad or doubtful		50,994,186	23,730,367
Less: allowance for potential Ijarah losses	6.1	(5,505,480)	(5,505,480)
Less: profit held in suspense	6.2	(23,220,469)	(18,224,887)
		22,268,237	-
		111,170,877	106,243,898

6.1 Allowance for potential Ijarah losses

Opening balance	5,505,480	7,998,229
(Reversal) for the period / year	-	(2,492,749)
Closing balance	5,505,480	5,505,480

6.2 Profit held in suspense

Opening balance	18,224,887	18,651,654
Income suspended / (reversed) during the period / year - net	4,995,582	(426,767)
Closing balance	23,220,469	18,224,887

7. INVESTMENT IN SUKUK CERTIFICATES

Held-to-maturity investments		
Investment in Sukuk certificates	57,701,835	57,701,835
Less: Provision in respect of Sukuk certificates	(57,701,835)	(57,701,835)
	-	-
Less: Current portion of investment in Sukuk Certificates	-	-

FINANCIAL STATEMENT

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

8. DIMINISHING MUSHARIKA

	Note	(Un-audited) 30 September 2019	(Audited) 30 June 2019
		----- (Rupees) -----	
- Staff			
Housing finance		68,035,511	68,792,546
Motor Vehicles		30,131,662	29,390,342
Others		3,193,638	3,428,287
	8.1	101,360,811	101,611,175
- Other Customers			
Housing finance		532,129,172	593,496,094
Motor vehicles		1,097,299,970	1,091,821,417
Plant, Machinery and equipments		1,164,645,865	1,297,761,542
		2,794,075,007	2,983,079,053
		2,895,435,818	3,084,690,228
Less: current portion of Diminishing Musharika		(1,047,755,104)	(1,056,293,238)
		1,847,680,714	2,028,396,990

- 8.1 This includes diminishing musharika facility availed by key management personnel with respect to housing finance, Motor vehicles and personal finance amounted to Rs. 26.654 million (June 2019: Rs.27.254 million), Rs. 10.875 million (June 2019: Rs.10.166 million) and Rs. 1.41 million (June 2019: Rs. 1.540 million) respectively.

9. NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing on or after July 1, 2008
- accounted for under IFAS 2

3,019,899,775	3,139,517,722
---------------	---------------

Ijarah contracts prior to July 1, 2008

- accounted for as finance leases

370,000	370,000
(370,000)	(370,000)

Less: Current portion of net investment in Ijarah finance

-	-
---	---

Ijarah Assets

(Un-audited) 30 September 2019	(Un-audited) 30 September 2018
----- (Rupees) -----	

Additions at cost during the period

- Plant, machinery and equipments
- Motor vehicles

199,131,761	192,818,803
76,151,000	187,080,897
275,282,761	379,899,700

Disposals at cost during the period

- Plant, machinery and equipments
- Motor vehicles

288,374,372	29,135,250
181,659,057	155,720,679
470,033,429	184,855,929

10. FIXED ASSETS IN OWN USE

Tangible assets
Intangible assets

(Un-audited) 30 September 2019	(Audited) 30 June 2019
(Rupees)	
6,656,739	7,759,459
641,651	717,674
<u>7,298,390</u>	<u>8,477,133</u>

10.1 During the three months period ended September 30, 2019, additions amounting to Rs. Nil million (September 30, 2018 : 0.285 million) are made to the operating fixed assets.

11. TERM FINANCE ARRANGEMENTS

Musharika term finance with other banks
Less: Current portion of musharika term finance

1,765,054,149	1,933,671,877
(870,394,349)	(832,919,998)
<u>894,659,800</u>	<u>1,100,751,879</u>

12. PROFIT DISTRIBUTION PAYABLE

Profit distribution payable for the
year ended June 30, 2019
Unclaimed profit distribution

12.1 & 12.2

113,458,825	-
55,685,633	55,752,238
<u>169,144,458</u>	<u>55,752,238</u>

12.1 The Board of Directors of the Management Company in their meeting held on September 04, 2019 approved a cash distribution of Rs. 2.5 per certificate for the year ended June 30, 2019. Payment of the dividend is in process.

12.2 This includes dividend payable to ORIX Leasing Pakistan Limited (holding company) and ORIX Services Pakistan (Private) Limited - Management company amounting to Rs 11.346 million and Rs. 11.346 million respectively

13. CONTINGENCIES AND COMMITMENTS

13.1 Commitments

There is no Letter of Comfort outstanding as at 30 September 2019. At 30 June 2019, the same commitments stands at Rs. 119.213 million issued in favour of different commercial banks by the Modaraba on behalf of its customers.

14. PROVISION FOR SERVICES SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated 22 April 2013, the Modaraba has recorded a provision in respect of Sindh Sales Tax on Management Company's remuneration at applicable rates with effect from 1 November 2011. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order. The Appellate Tribunal SRB through its order dated 19 February 2016 allowed the appeal and set aside the order-in-original and order-in-appeal and remanded back

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the case to the assessing officer for re-assessment. Thereafter, on 8 April 2016, the assessing officer issued a fresh notice to the Management Company. Against the notice, the Management Company has filed an appeal before the Honorable Sindh High Court. As an interim relief, the Court vide its Order dated 13 October 2016 has stopped the assessing authorities to pass any final order till the culmination of its proceedings. The interim relief was reconfirmed by the Court in its Order dated 05 November 2018. The case is pending to date.

15 PROVISION FOR WORKERS' WELFARE FUND

Vide letter no. SRB /DC-A(W)/2017/Rep/4760 dated 16 January 2017, the Sindh Revenue Board (SRB) has advised the Modaraba to pay off all its liabilities falling due under the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act). As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after 31 December 2013. The management considers that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to province of Sindh, no WWF liability to SRB can be paid out. On these grounds, foreseeing the expected WWF demand and penal actions from SRB, the Modaraba has filed a Constitutional Petition (CP) No. CP.D.3879/2017 with the Honorable Sindh High Court which is pending to date, however the Honorable Court has restrained the SRB from levy of WWF under the SWWF Act. The management has accrued for WWF liability for the period from 2014 to September 30, 2019 in these financial statements considering it as prudent.

16. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2020. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

17. RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba include the management company, staff retirement funds, directors and key management personnel and ORIX Leasing Pakistan Limited. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

	Three months period ended 30 September, 2019 (Un-audited)	Three months period ended 30 September, 2018 (Un-audited)
	----- (Rupees) -----	
ORIX Leasing Pakistan Limited		
- Holding Company of the Management Company		
Dividend	11,345,883	11,345,883
Rent payable for Islamabad office	122,304	-
Staff retirement benefits funds		
Contribution to the staff provident fund	1,146,449	1,026,372
Contribution to the staff gratuity fund	954,987	854,959
Reimbursement from staff gratuity fund	93,480	-

**ORIX Services Pakistan (Private) Limited
- Management Company**

Management company's remuneration
Dividend

Key Management Personnel

Salaries and benefits
Contribution to the staff provident fund
Contribution to the staff gratuity fund
Income earned on DM finances to Key
management personnel
Ijarah rental earned on Ijarah finances to
Key management personnel
Profit on Redeemable Capital

Number of persons

Three months
period ended
30 September,
2019
(Un-audited)

Three months
period ended
30 September,
2018
(Un-audited)

	(Rupees)	
	2,514,320	2,344,837
	11,345,883	11,345,883
	15,142,698	13,530,269
	451,066	394,659
	375,735	328,750
	1,545,831	1,379,018
	-	951,179
	135,415	7,562
	7	7

The Modaraba enters into transactions with related parties based on a transfer pricing policy under which all transactions are carried out on agreed terms. The balances with related parties other than balances that have been disclosed in the respective notes are as follows:

**ORIX Services Pakistan (Private) Limited
- Management Company**

Management company's remuneration payable

Staff retirement benefits funds

Receivable from staff gratuity fund

Key Management Personnel

Accrued profit on finances under diminishing musharaka
Profit payable on redeemable capital
Redeemable capital

(Un-audited)
30 September
2019

(Audited)
30 June
2019

	(Rupees)	
	2,514,320	14,501,602
	-	55,962
	255,699	389,714
	330,688	194,455
	4,550,000	4,000,000

18

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates. Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

The table below analyses financial instruments measured at the end of the reporting period (i.e. financial assets measured at fair value through profit and loss account (FVTPL), financial asset measured at fair value through other comprehensive income (FVOCI), financial assets measured at amortised cost, financial liabilities measured at fair value through profit and loss and those that are measured at amortised cost) by the level in the fair value hierarchy into which the fair value measurement is categorised:

18.1 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

		As at 30 September 2019						
Note		Carrying value			Fair value			
		Financial assets at Amortised cost	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)								
Financial assets not measured at fair value								
18.2	Cash and bank balances	448,162,026	-	448,162,026	-	-	-	-
	Ijarah rentals receivable	111,170,877	-	111,170,877	-	-	-	-
	Advances, deposits and other receivables	186,549,350	-	186,549,350	-	-	-	-
	Diminishing Musharika	2,895,435,818	-	2,895,435,818	-	-	-	-
	Taxation recoverable	9,087,178	-	9,087,178	-	-	-	-
	Investment in Sukuk certificates	-	-	-	-	-	-	-
	Total	3,650,405,249	-	3,650,405,249	-	-	-	-
Financial liabilities not measured at fair value								
18.2	Musharika term finance	-	1,765,054,149	1,765,054,149	-	-	-	-
	Security deposits	-	634,337,259	634,337,259	-	-	-	-
	Creditors, accrued and other liabilities	-	226,736,122	226,736,122	-	-	-	-
	Redeemable capital	-	2,786,055,000	2,786,055,000	-	-	-	-
	Unclaimed profit distribution	-	169,144,458	169,144,458	-	-	-	-
	Advance Ijarah rentals received	-	23,174,013	23,174,013	-	-	-	-
	Total	-	5,604,501,001	5,604,501,001	-	-	-	-

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The Modaraba also has a diversified certificate holder population. As at September 30, 2019, there were only two (June 30, 2019: two) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (June 30, 2019: 10% and 10%) respectively.

20. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in this condensed interim financial information during the current period.

21. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on **October 23**, 2019 by the Board of Directors of the Management Company.

For ORIX Services Pakistan (Private) Limited
(Management Company of ORIX Modaraba)


Chairman
Chief Executive
Director
Chief Financial Officer