



CONTENTS

Modaraba Information	002
Director Review	003
Condensed Interim Statement of Financial Position	008
Condensed Interim Profit & Loss Account	009
Condensed Interim Cash Flow Statement	010
Condensed Interim Statement of Changes in Equity	011
Condensed Interim Notes to and Forming Part of the Financial Statements	012

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 Officer

Mr. Ramon Alfrey
Director

Mr. Nausherwan Adil
Independent Director

Mian Faysal Riaz
Director

Mr. Nadim D. Khan
Independent Director

Ms. Maryam Aziz
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Nausherwan Adil
Chairman

Mr. Ramon Alfrey
Member

Mian Faysal Riaz
Member

Human Resource and Remuneration (HR&R) Committee

Mr. Nadim D. Khan
Chairman

Mr. Shaheen Amin
Member

Mr. Raheel Qamar Ahmad
Member

Risk Committee

Ms. Maryam Aziz
Chairperson

Mr. Nausherwan Adil
Member

Mr. Raheel Qamar Ahmad
Member

Shariah Advisor

Mufti Faisal Ahmed

Auditors

AF 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)

Habib Bank Limited (Islamic banking)

Pakistan Mortgage Refinance Company Limited

Legal Advisors

Haider Ali Khan

Advocate High Court, Partner, Fazle Ghani Advocates

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

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, 2020.

1. Economic Outlook

The World Bank sees an “anaemic” economic outlook of Pakistan, with growth rate of just 0.5% in the current fiscal year. The half-a-percentage economic growth rate is far below the official target of 2.1% that the government had set. As per the bank's forecast, Pakistan's economic outlook remains fragile for at least two years, as the outbreak of the coronavirus respiratory disease compounded the country's miseries. Growth is expected to gradually recover but remain muted, given heightened uncertainty and the resumption of demand compression measures. A possible resurgence of the infection, pose major risks to the outlook.

The current account deficit is expected to widen to an average of 1.5% of GDP over fiscal year 2020-21 and 2021-22, with imports and exports gradually picking up as domestic demand and global conditions improve, it added. The fiscal deficit is projected to surge to 8.2% of the GDP in this fiscal, as the expenditures will remain substantial due to sizeable interest payments, a rising salary and pension bill, and absorption of energy SOE guaranteed debt by the government, WB report stated. The public debt would remain high in new two years, projecting it at 93.5% of the GDP in this fiscal year, which is set to slightly increase in next fiscal year too. The external financing risks could be compounded by difficulties in rolling-over bilateral debt from non-traditional donors and tighter international financing conditions.

With the government's 'Make-in Pakistan' import substitution policy making slow progress, the country's imports jumped up by 13.22pc in September, compared to the same month last year. The recent continuing trend of falling imports was reversed. Exports however simultaneously rose by 6.13pc. The increase in imports is attributed to mainly liberalised imports of industrial raw materials and also because imports of sugar and wheat are required to stabilise surging domestic prices of the two commodities. The foreign direct investment increased by 39.9pc to \$226.7m against \$162m. To shore up the foreign currency reserves Roshan Digital Accounts have been launched for overseas Pakistanis. The authorities are also mulling floatation of Eurobond, Sukuk bond and Chinese Panda bond worth some \$2.5bn.

2. Financial Highlights

Financial results are summarized as under:

Note	September 30, 2020	June 30, 2020
	(Rupees)	
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,088,192	1,174,473
Total assets	6,939,300	7,246,367
Investment in Ijarah finance and Ijarah Assets	2,531,514	2,632,313
Investments in Diminishing Musharika and Sukuku	3,141,764	3,230,796
Redeemable capital	3,629,205	3,871,505

Profit and Loss

Revenue (net of Ijarah assets depreciation)
 Financial charges
 Provision / (reversal) of provisions- net
 Operating expenses
 Profit before modaraba management company's remuneration
 Net profit

	Three months ended September 30, 2020	Three months ended September 30, 2019
	(Rupees)	
Note		
	176,058	213,108
	85,917	149,919
	15,440	-
	43,436	38,047
	31,266	25,143
	27,178	21,856

By the Grace of Allah, your Modaraba's performance during the period under review continued to be strong in spite of economy slowdown due to COVID 19 and other factors. The Modaraba's net profit for the three months period ended September 30, 2020 has increased by 24.35% from PKR 21,856 to PKR 27,178 million compared to corresponding period of last year. Gross revenue (net of Ijarah assets depreciation and including other income) for the three months period decreased by 17.39% from PKR 213,108 million to PKR 176,058 million compared to corresponding period of last year mainly due to reduced average KIBOR during current period compared to average KIBOR during the corresponding period of last year as almost all our portfolio is on floating basis. Similarly, financial charges also decreased by 42.69% from PKR 149,919 million to PKR 85,917 million compared to corresponding period of last year mainly due to reduced average KIBOR as stated above. In line with our prudent portfolio management practice, we subjectively downgraded some customers. Accordingly, during the period under review a net amount of PKR 15,440 million has been provided against doubtful finances. Administrative and operating expenses increased by 14.17% from PKR 38,047 million to PKR 43,436 million mainly due to staff cost in line with the market.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 5,673 million compared to PKR 6,863 million as at June 30, 2020, showing a decrease of 3.24% during three months period mainly due to slow down in economy resulted in low disbursement amount during the period. During the period under review, the Modaraba booked fresh disbursements to the tune of Rs. 392 million as compared to Rs. 421 million during the corresponding period last.

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. The potential impact of COVID-19

COVID-19 indicators are showing a slowdown in Pakistan. With the exception of large indoor gatherings, social and commercial lockdown has been lifted in Pakistan. Educational institutions have opened in a progressive manner with SOPs in place. Restrictions while traveling by train and airlines are partially lifted. However, strict SOPs were imposed. Business activities are picking up at a faster clip, as worries about COVID-19 fade.

Your Modaraba is closely monitoring the situation and has continued the required actions to ensure safety and security of Modaraba staff and an uninterrupted service to our customers. The senior management of the Modaraba is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Strict compliance of Standard Operating Procedures (SOP) has been continuously monitored. Your Modaraba continues to meet the expectations of all stakeholders as they would in a normal scenario.

5. Awards

During the quarter, your Modaraba has won two prestigious awards for the first time in the history of the Modaraba. Your Modaraba has been awarded Second Best Corporate and Sustainability Report - 2019 in NBFIs and Modaraba Sector and winner of the 17th Annual Environment Excellence Awards -2020. These achievements would not have been possible without the efforts of every employee of the Modaraba, guidance and support of the Board of directors and regulators, trust and support of our certificate holders, customers and investors.

6. 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.

7. 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 26, 2020

Ramon Alfrey
Director

ڈائریکٹر ان کا جائزہ

برائے مختتمہ مدت 30 ستمبر 2020

اوکس سروئز پاکستان (پرائیویٹ) لمیٹڈ کی منتظم کمپنی اور کس مضاربہ کا بورڈ آف ڈائریکٹرز غیر آڈٹ شدہ مالیاتی گوشوارے برائے سہ ماہی مدت مختتمہ 30 ستمبر 2020 پیش کرتے ہوئے اظہار مسرت کرتا ہے۔

1- معاشی جائزہ

ورلڈ بینک پاکستان کا کمزور معاشی منظر نامہ دیکھ رہا ہے جس میں عموماً موجودہ مالیاتی سال میں صرف 0.5 فیصد ہوگی۔ نصف فیصد کی نمو حکومت کے طے کردہ سرکاری ہدف 2.1 فیصد سے بہت کم ہے۔ بینک کی پیشین گوئی کے مطابق پاکستان کا معاشی منظر نامہ کم از کم دو سال تک زبوں حال رہے گا کیونکہ کورونا وائرس سانس کی بیماری نے ملکی مشکلات میں مزید اضافہ کر دیا ہے۔ نمو کی بحالی بتدریج ہوگی لیکن دباؤ کا شکار رہے گی، کیونکہ بڑھتی ہوئی غیر یقینی صورتحال اور متعدد ہی مرض کے ممکنہ دوبارہ پھیلاؤ اس منظر نامہ میں بڑے خطرات ہونگے۔

اس رپورٹ میں یہ بھی بتایا گیا کہ رواں کھاتے کے خسارے میں متوقع طور پر مالیاتی سال 2020-21 اور 2021-22 میں بڑھ کر اوسطاً GDP کا 1.5 فیصد اضافہ رہے گا جبکہ مقامی طلب اور عالمی صورتحال میں بہتری سے برآمدات و درآمدات میں بھی اضافہ ہوگا۔ ورلڈ بینک کی رپورٹ کے مطابق موجودہ مالیاتی سال میں مالیاتی خسارہ GDP کا 8.2 فیصد کی پیشین گوئی کی گئی ہے کیونکہ ہماری شرح سود کی ادائیگیوں، تنخواہوں اور پیشین کا بڑھتا ہوا بل اور حکومت کے توانائی کے SOE کو فراہم کردہ ضمانت کو جذب کرنے کے لئے اخراجات کافی زیادہ رہیں گے، سرکاری قرضے اگلے دو سالوں میں بلند رہیں گے، جو کہ اس مالیاتی سال میں GDP کا 93.5 فیصد ہیں جس میں اگلے مالیاتی سال میں بھی معمولی اضافہ ہوگا۔ غیر روایتی قرض دہندگان سے باہمی قرضوں میں مشکلات اور عالمی قرضوں کی سخت شرائط بیرونی قرضوں کے خطرات میں مزید پیچیدگی پیدا کر سکتے ہیں۔

درآمدی متبادل کے لئے حکومت کی ”پاکستان میں تیار کردہ“ کی پالیسی بہت سست روی سے آگے بڑھ رہی ہے، لہذا ستمبر میں ملکی درآمدات میں گزشتہ سال اسی مدت کی یہ نسبت 13.22 فیصد اضافہ ہوا۔ گرتی ہوئی درآمدات کا حالیہ رجحان معکوس ہو رہا ہے۔ تاہم برآمدات میں بھی 6.13 فیصد اضافہ ہوا ہے۔ درآمدات میں اضافہ کی بنیادی وجہ صنعتی خام مال کی درآمدات میں آزدی اور چینی اور آلے کی قیمتوں کو مقامی طور پر مستحکم رکھنے کے لئے ان دونوں اشیاء کی درآمدات تھیں۔ بلا واسطہ غیر ملکی سرمایہ کاری گزشتہ مدت کے 162 ملین کے مقابلے میں 39.9 فیصد اضافہ کے ساتھ 226.7 ملین ڈالر رہیں۔ زرمبادلہ کے ذخائر میں اضافہ کے لئے بیرون ملک پاکستانیوں کے لئے روشن ڈیجیٹل اکاؤنٹس کو آغاز کیا گیا ہے۔ مجاز ادارے 2.5 ملین ڈالر مالیت کے یورو بانڈ، سکوک بانڈ اور چائنیز بانڈ بانڈز میں گہری دلچسپی لے رہے ہیں۔

2- مالیاتی جھلکیاں

مختصر مالیاتی جھلکیاں درج ذیل ہیں:

30 ستمبر 2019	30 ستمبر 2020	میزانیہ
(روپے ہزار میں)	(روپے ہزار میں)	شعقلیت سرمایہ
453,835	453,835	کل ایکویٹی
1,174,473	1,058,192	کل اثاثے
7,246,367	6,939,300	اجارہ فنانس اور اجارہ اثاثوں میں سرمایہ کاری
2,632,313	2,531,514	ڈمٹنگ مشارکہ اور سکس میں سرمایہ کاری
3,230,796	3,141,764	قابل خلاصی سرمایہ
3,871,505	3,629,205	

30 ستمبر 2019	30 ستمبر 2020	منافع و خسارہ
(روپے ہزار میں)	(روپے ہزار میں)	آمدن (اجارہ اثاثوں کی فرسودگی نکالنے کے بعد)
213,108	176,058	اختصاص / (معکوس) اختصاص - خاص
149,919	85,197	کاروباری اخراجات
-	15,440	مضاربہ کی منتظم کمپنی کا معاوضہ نکالنے سے قبل منافع
38,047	43,436	خالص منافع
25,143	31,266	
21,856	27,178	

3- کاروباری افعال کا جائزہ

اللہ رب العزت کی رحمت سے زیر جائزہ مدت کے دوران آپ کی مضاربہ کی کارکردگی COVID-19 اور دیگر عوامل کے نتیجے میں معاشی سست روی کے باوجود مستحکم رہی۔ سرمایہ مدت مختتمہ 30 ستمبر 2020 میں مضاربہ کا خالص منافع 24.35 فیصد سے بڑھ کر گزشتہ سال کی اسی مدت کے 21.586 ملین کے مقابلے میں 27.178 ملین روپے رہا۔ سرمایہ مدت کی خام آمدنی (اجارہ اثاثوں کی فرسودگی نکالنے کے بعد اور دیگر آمدن شامل کرنے کے بعد) 17.39 فیصد سے کم ہو کر گزشتہ سال کی اسی مدت کے 213.108 ملین کے مقابلے میں 176.058 ملین روپے رہی جس کی بنیادی وجہ گزشتہ سال کی اسی مدت کی بہ نسبت اوسطاً KIBOR میں کمی تھی کیونکہ تقریباً تمام پورٹ فولیو میں شرح متزلزل بنیاد رہیں۔ اسی طرح مالیاتی اخراجات بھی 42.69 فیصد کم ہو کر گزشتہ سال کی اسی مدت کے 149.919 ملین کے مقابلے میں 85.817 ملین روپے رہے جس کی بنیادی وجہ مذکورہ بالا اوسطاً KIBOR میں کمی تھی۔ ہمارے محتاط پورٹ فولیو کے انتظامی طریقے کے وجہ سے ہم نے کچھ کسٹمر زکوزریں درجہ میں ڈال دیا گیا۔ لہذا، جائزہ مدت کے دوران 15.440 ملین روپے کا اختصاص مشکوک سرمایہ کارپوں کے عوض مختص کی گئی۔ انتظامی اور کاروباری اخراجات میں 14.17 فیصد اضافہ کے ساتھ 37.047 ملین سے بڑھ کر 43.436 ملین روپے رہا جس کی وجہ مارکیٹ میں عملہ کی لاگت تھی۔

اجارہ فنانس، سلوک، انویسٹمنٹ اور ڈمٹنگ مشارکہ میں سرمایہ کاری 5,673 ملین روپے رہی جو کہ گزشتہ سال 30 جون 2020 کے اختتام پر 6,863 ملین روپے تھی، جس سے سرمایہ مدت میں 3.24 فیصد کمی ظاہر ہوتی ہے جس کی بنیادی وجہ مدت کے دوران معاشی سست روی کے نتیجے میں ادائیگی کی زیریں رقم تھی۔ جائزہ مدت کے دوران مضاربہ نے 392 ملین روپے کی نئی ادائیگیاں بک کیں جبکہ گزشتہ سال اسی مدت میں 421 ملین روپے تھیں۔

کاروبار میں بنیادی پہلو منتخب کلائنٹس کے تعلقات میں مضبوطی اور اچھی ساکھ کے حامل نئے کسٹمرز کے ساتھ تعلقات کا آغاز تھا۔ اثاثوں کا پورٹ فولیو کثیر القومی، بڑے اور درمیانی سائز کے مقامی اداروں اور منتخب SMEs کیلئے مصنوعات کے بہتر مرکب پر مشتمل ہے۔

اور کس مضاربہ لاحق ہونے والے خطرات کا انتظام اور نگرانی انتہائی محتاط طریقے سے کرتی ہے۔ قرض خواہ کا قرضہ جاتی پروفاکسل بشمول قرضہ واپس کرنے کی صلاحیت کی تشخیص اور سہولت کی منظوری کے وقت انجام دی جاتی ہے اور اس کی باقاعدگی سے نگرانی کی جاتی ہے۔ مزید برآں، پورٹ فولیو کا انتظام اور قبل از وقت ہوشیار کرنے والی کمپنیاں پورٹ فولیوں کی نگرانی کی ذمہ دار ہیں اور ممکنہ ناموافق منظر نامہ سے بروقت ہوشیار کرتی ہیں۔

4- COVID-19 کے امکانی اثرات

پاکستان میں COVID-19 کے پھیلاؤ کے اشاروں میں کمی واقع ہوئی ہے۔ اندرونِ خانہ بڑے اجتماعات کے علاوہ معاشرتی اور تجارتی لاک ڈاؤن کو ختم کر دیا گیا ہے۔ ایس او پی کی پابندی کے ساتھ تعلیمی اداروں کو بتدریج کھول دیا گیا ہے۔ ٹرین اور ہوائی سفر کے دوران پابندیوں کو جزوی طور پر ختم کر دیا گیا ہے۔ البتہ سخت ایس او پی نافذ کر دیئے گئے ہیں۔ COVID-19 کا خوف مدہم ہونے کی وجہ سے کاروباری سرگرمیوں میں تیزی آئی ہے۔

آپ کا مضاربہ باریک بینی سے صورتحال کی نگرانی کر رہا ہے۔ اور ایسے ضروری اقدامات کیے ہیں جن سے مضاربہ کے عمل کا تحفظ اور حفاظت یقینی ہو اور ہمارے کسٹمرز کو بلا رکاوٹ خدمات فراہم کی جاتی رہیں۔ مضاربہ کی اعلیٰ انتظامیہ تسلسل کے ساتھ صورتحال کا جائزہ لے رہی ہے۔ اور کسی بھی خدشات کو حل کرنے کے لئے بروقت فیصلے کرتی ہے۔ ایس او پی کی پابندی کی سخت نگرانی کی جارہی ہے۔ آپ کا مضاربہ تسلسل کے ساتھ مستقبل پر توقعات پر پورا اترنے کی کوشش کر رہا ہے۔ جس طرح وہ نازل حالات میں خدمات فراہم کرتا ہے۔

5- ایوارڈز

موجودہ سہ ماہی کے دوران آپ کے مضاربہ نے اپنی تاریخ میں پہلی بار دو نامور ایوارڈز جیتے ہیں۔ آپ کے مضاربہ کو این بی ایف آئی اور مضاربہ سیکٹر میں دوسری بہترین کارپوریٹ اور اسٹیٹ کام کی رپورٹ 2019 سے نوازا گیا ہے۔ اور 17 ویں سالانہ ماحولیاتی ایکسیلنس ایوارڈ 2020 کا فاتح ہے۔ یہ کامیابیاں مضاربہ ہر ملازم کی کوششوں، بورڈ آف ڈائریکٹرز اور ریگولیٹری رہنمائی اور مدد، ہمارے سرٹیفکیٹ ہولڈرز، صارفین اور سرمایہ کاروں کے اعتماد اور تعاون کے بغیر ممکن نہیں تھیں۔

6- کریڈٹ ریٹنگ

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

7- اعتراف

بورڈ ممبران اداروں، سرٹیفکیٹ ہولڈرز، کسٹمرز اور کاروباری شراکت داروں کے تعاون کو سراہتا ہے اور امید کرتا ہے کہ ان کا تعاون مستقبل میں بھی جاری گا۔

ریہون الفرے
ڈائریکٹر

راجیل قمر احمد
مینجنگ ڈائریکٹر/سی ای او

کراچی: 26 اکتوبر 2020

	Note	(Un-audited) September 30, 2020	(Audited) June 30, 2020
ASSETS			
Current assets			
Cash and bank balances	5	926,966,681	1,038,077,150
Ijarah rentals receivable	6	143,893,987	180,028,517
Advances, deposits, prepayments and other receivables		180,647,664	149,743,964
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharaka	8	1,096,659,126	984,997,788
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		9,619,860	9,619,860
Total current assets		2,358,157,318	2,362,837,279
Non-current assets			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharaka	8	2,045,104,380	2,245,797,777
Ijarah assets	9	2,531,144,198	2,631,943,089
Fixed assets in own use	10	4,894,196	5,789,033
Total non-current assets		4,581,142,774	4,883,529,899
TOTAL ASSETS		6,939,300,092	7,246,367,178
LIABILITIES AND EQUITY			
Current liabilities			
Current maturity of term finance arrangements		454,293,580	519,255,299
Current maturity of security deposits		222,962,475	201,933,288
Creditors, accrued and other liabilities		343,311,575	301,923,898
Advance Ijarah rentals received		40,316,234	23,266,400
Current portion of redeemable capital		3,591,655,000	3,832,405,000
Profit distribution payable	11	171,071,625	58,119,424
Total current liabilities		4,823,610,489	4,936,903,309
Non-current liabilities			
Long-term portion of term finance arrangements		628,834,455	720,815,205
Long-term portion of security deposits		361,113,242	375,075,859
Long-term portion of redeemable capital		37,550,000	39,100,000
Total non-current liabilities		1,027,497,697	1,134,991,064
TOTAL LIABILITIES		5,851,108,186	6,071,894,373
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (June 30, 2020: 50,000,000) certificates of Rs. 10 each			
amounting to Rs 500,000,000 (June 30, 2020: Rs 500,000,000)			
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 30, 2020: 28,500,000) certificates of Rs. 10 each fully paid in cash			
16,883,530 (June 30, 2020: 16,883,530) bonus certificates of Rs. 10 each			
Revenue reserve		285,000,000	285,000,000
Capital reserves		168,835,300	168,835,300
		453,835,300	453,835,300
		73,752,107	161,391,902
		560,604,499	559,245,603
		1,088,191,906	1,174,472,805
TOTAL LIABILITIES AND EQUITY		6,939,300,092	7,246,367,178

CONTINGENCIES AND COMMITMENTS

12

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director

Chief Financial Officer

**CONDENSED INTERIM PROFIT AND
LOSS ACCOUNT (UNAUDITED)**
For The Three Months Period Ended September 30, 2020

	Note	Three months period ended September 30, 2020	Three months period ended September 30, 2019
		(Rupees)	
Ijarah rentals earned		320,679,467	365,141,698
Income on Diminishing Musharaka arrangements		89,959,900	114,588,240
Income on deposits with banks		14,536,538	9,311,330
		425,175,905	489,041,268
Financial charges		(85,916,510)	(149,918,628)
Depreciation on assets under Ijarah arrangements		(254,423,399)	(285,483,949)
		84,835,996	53,638,691
Provision in respect of Ijarah finances		(5,799,935)	-
Provision in respect of Diminishing Musharaka		(9,639,770)	-
		69,396,291	53,638,691
Other income		5,305,363	9,551,092
Administrative and operating expenses		(43,436,064)	(38,046,587)
		31,265,590	25,143,196
Management Company's remuneration		(3,126,559)	(2,514,320)
Provision for services sales tax on Management Company's remuneration	13	(406,453)	(326,862)
Provision for Workers' Welfare Fund - net	14	(554,652)	(446,040)
		27,177,926	21,855,974
Profit for the period before taxation		27,177,926	21,855,974
Taxation	15	-	-
		27,177,926	21,855,974
Profit for the period after taxation		27,177,926	21,855,974
Other comprehensive income for the period		-	-
		27,177,926	21,855,974
Total comprehensive income for the period		27,177,926	21,855,974
Earnings per certificate - basic and diluted	16	0.60	0.48

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director

Chief Financial Officer

Note	Three months period ended September 30, 2020	Three months period ended September 30, 2019
	(Rupees)	(Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	27,177,926	21,855,974
Adjustments for non-cash and other items:		
Depreciation / amortisation on fixed assets in own use	1,202,313	1,178,743
Depreciation on Ijarah assets	254,423,399	285,483,949
Gain on disposal of Ijarah assets	(1,996,804)	(5,779,563)
Provision in respect of Ijarah finances - net	5,799,935	-
Provision in respect of Diminishing Musharaka - net	9,639,770	-
Income on deposits with bank	(14,536,538)	(9,311,330)
Profit on:		
- Redeemable capital	57,391,511	82,814,412
- Musharaka finance	-	-
- Term finance arrangements	19,937,160	62,661,798
Provision for services sales tax on Management Company's remuneration	554,652	326,862
Provision for Workers' Welfare Fund - net	406,453	446,040
	332,821,851	417,820,911
	359,999,777	439,676,885
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	(18,481,545)	(13,951,820)
Ijarah rentals receivable	30,334,595	(4,926,979)
Diminishing Musharaka	79,392,289	189,254,410
Purchase of assets under Ijarah arrangements	(224,908,442)	(275,282,761)
Proceeds from disposal of assets under Ijarah arrangements	73,280,738	115,196,322
	(60,382,365)	10,289,172
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	45,595,889	(49,503,341)
Advance Ijarah rentals received	17,049,835	(13,230,846)
Security deposits	7,066,574	(14,468,501)
	69,712,298	(77,202,688)
	369,329,710	372,763,369
Profit paid on		
- Redeemable capital	(53,533,742)	(135,928,554)
- Term finance arrangements	(28,964,247)	(60,162,812)
	(82,497,989)	(196,091,366)
Taxes paid	-	(353,796)
Net cash generated from operating activities	286,831,721	176,318,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(307,476)	-
Income on deposits with bank	2,114,384	7,885,403
Net cash generated from investing activities	1,806,908	7,885,403
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	(242,300,000)	350,000
Term finance less repayments	(156,942,474)	(168,617,728)
Profit paid to certificate holders	(506,624)	(66,605)
Net cash used in financing activities	(399,749,098)	(168,334,333)
Net (decrease) / increase in cash and cash equivalents	(111,110,469)	15,869,277
Cash and cash equivalents at the beginning of the period	1,038,077,150	432,292,749
Cash and cash equivalents at the end of the period	926,966,681	448,162,026

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For The Three Months Period Ended September 30, 2020

	Issued, subscribed and paid-up certificate capital	Premium on issue of modaraba certificates	Capital reserve Statutory reserve	Sub-total	Revenue reserve Unappropri- ated profit	Sub-total	Total
	(Rupees)						
Balance as at June 30, 2019	453,835,300	55,384,700	497,487,980	552,872,680	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 ended September 30, 2019	-	-	-	-	-	-	-
Transactions with owners							
Profit distribution for the year ended June 30, 2019 @ Rs. 2.5 per certificate declared subsequent to the year end	-	-	-	-	21,855,974	21,855,974	21,855,974
Transfer to statutory reserve	-	-	1,092,799	1,092,799	(1,092,799)	-	-
Balance as at September 30, 2019	453,835,300	55,384,700	498,580,779	553,965,479	61,069,096	615,034,575	1,068,869,875
Balance as at June 30, 2020	453,835,300	55,384,700	503,860,903	559,245,603	161,391,902	720,637,505	1,174,472,805
Total comprehensive income for the period							
- Profit for the three months period ended September 30, 2020	-	-	-	-	27,177,926	27,177,926	27,177,926
- Other comprehensive income for the three months period ended September 30, 2020	-	-	-	-	-	-	-
Transactions with owners							
Profit distribution for the year ended June 30, 2020 @ Rs. 2.5 per certificate declared subsequent to the year end	-	-	-	-	(113,458,825)	(113,458,825)	(113,458,825)
Transfer to statutory reserve	-	-	1,358,896	1,358,896	(1,358,896)	-	-
Balance as at September 30, 2020	453,835,300	55,384,700	505,219,799	560,604,499	73,752,107	634,356,606	1,088,191,906

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director

Chief Financial Officer

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 head office is placed separately within the premises of the Management Company. In Lahore, the branch office is situated at 602-B, 6th Floor, City Towers, Gulberg-II and in Islamabad, the branch office is situated at Ground Floor, Phase 1, State Life Building No. 5, Nazimuddin Road, Blue Area.

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 Musharaka. 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 (June 2020: AA) and short term rating of A1+ (June 2020: A1+) to the Modaraba on March 24, 2020 (2019: February 26, 2019).

2. BASIS OF PREPARATION

2.1 Statement of compliance

- a) These condensed interim financial statements have 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 Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued by the Securities & Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017;
 - Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the Prudential Regulations 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 the Prudential Regulation for Modarabas and IFASs differ with the requirements of IAS 34, 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 the Prudential Regulations for Modarabas and IFASs have been followed.

- b) In the last financial year, the Modaraba has adopted IFRS 16 which replaces existing leasing guidance on IAS 17 'Leases'. Initially, the SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of IAS 17 "Leases" on modarabas with effect from July 1, 2003 and advised the Management Companies of modarabas that they may continue to prepare the financial statements of modarabas without applying the requirements of IAS 17. Later, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease) entered into by the Modaraba upto June 30, 2008. Currently, ijarah transactions are being accounted for in accordance with the requirements of IFAS 2 'Ijarah'.
- c) IFRS 9: "Financial Instruments" has become applicable effective for accounting periods beginning on or after July 1, 2018. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach.

Initially, the SECP had deferred the applicability of IFRS 9 for provision against financings made by Modaraba in the financial statements for the year ended June 30, 2019 and later on extended the deferment till June 30, 2021. The Modaraba had already adopted all the requirements of IFRS 9 in the financial statements for the year ended June 30, 2019 with the exception of determining the provision against financing (Ijarah and Diminishing Musharika). The provision against financing (Ijarah and Diminishing Musharika) is continued to be determined and accounted for under the requirements of Prudential Regulations issued by the SECP.

2.2 Applicability of International Accounting Standard (IAS) 17 'Leases' and Islamic Financial Accounting Standard (IFAS) 2 'Ijarah'

SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on modarabas with effect from July 1, 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of the modarabas without applying the requirements of IAS 17. Currently, ijarah transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained below.

Vide an SRO 431(1)/2007 dated 22 May 2007, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was notified for adoption by the Securities and Exchange Commission of Pakistan. Later, the SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS 2 shall be applied for Ijarah transactions executed on or after July 1, 2008. Accordingly, the Modaraba has accounted for Ijarah transactions executed before July 01, 2008 as finance leases and has treated the Ijarah transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Mustajir (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.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognised as an 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.

2.3 These condensed interim financial statements do not include all the information 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, 2020.

2.4 These condensed interim financial statements are unaudited.

2.5 Functional and presentation currency

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

2.6 Significant accounting estimates and judgements

The preparation of these condensed interim financial statements require 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 these condensed interim financial statements 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, 2020.

3. Significant Accounting Policies

3.1 The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Modaraba as at and for the year ended June 30, 2020 except for the adoption of new standard as referred to in note 3.2 to these condensed interim financial statements.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017, and the amendments and interpretations thereto have been adopted by the Modarba during the period.

- IAS 1 - 'Presentation of financial statements' (amendments)
- IAS 8 - 'Accounting policies, change in accounting estimates'

There are certain standards, amendments and interpretations to the International Financial Reporting Standards (IFRS Standards) that have been issued but the same are not mandatory for annual periods starting before July 01, 2021. These do not have any material impact with respect to the current accounting policies and conventions being followed by the Modaraba.

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, 2020.

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
5. CASH AND BANK BALANCES	Note	(Rupees)	
Balances with banks			
- in current accounts		3,400,665	106,419,144
- in deposit accounts	5.1	923,339,467	431,556,697
- in term deposit receipts	5.2	-	500,000,000
Balance with State Bank of Pakistan		151,549	51,549
Cash in hand		75,000	49,760
		926,966,681	1,038,077,150

- 5.1** These carry profit at rates ranging from 3.75% - 6% per annum (June 30, 2020: 4.50% - 6.75%).
- 5.2** Term deposit receipts carry profit at Nil (June 30, 2020: 7.35%) per annum.
- 5.3** The balances held with banks in deposit accounts and term deposit receipts have been kept in order to comply with the requirement of the guidelines issued by the SECP with respect to the maintenance of prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

6. IJARAH RENTALS RECEIVABLE

Ijarah rentals receivable - considered good

Ijarah rentals receivable - considered bad or doubtful

Less: allowance for potential Ijarah losses

Less: profit held in suspense

Note	(Un-audited) September 30, 2020	(Audited) June 30, 2020
	(Rupees)	
	119,623,684	143,732,051
	59,902,849	67,753,723
6.1	(11,305,415)	(5,505,480)
6.2	(24,327,131)	(25,951,777)
	24,270,303	36,296,466
	143,893,987	180,028,517

6.1 Allowance for potential Ijarah losses

Opening balance

Charge for the period / year - net

Closing balance

5,505,480	5,505,480
5,799,935	-
11,305,415	5,505,480

6.2 Profit held in suspense

Opening balance

Income suspended during the period / year - net

Closing balance

25,951,777	18,224,887
(1,624,646)	7,726,890
24,327,131	25,951,777

6.3 The Modaraba has availed the benefit of forced sale value of assets held as collateral against non-performing Ijarah as allowed under the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. Had the benefit not been taken by the Modaraba, the specific provision against non-performing Ijarah would have been higher by Rs. 23.19 million (June 30, 2020 : 24.43 million).

7. INVESTMENT IN SUKUK CERTIFICATES

Held-to-maturity investments

Investment in Sukuk certificates

Less: Provision in respect of Sukuk certificates

Less: Current portion of investment in Sukuk Certificates

Note	(Un-audited) September 30, 2020	(Audited) June 30, 2020
	(Rupees)	
	57,701,835	57,701,835
	(57,701,835)	(57,701,835)
	-	-
	-	-

8. DIMINISHING MUSHARAKA

Note (Rupees)

(Un-audited)
September 30,
2020

(Audited)
June 30,
2020

Staff - considered good

- Housing finance	86,368,180	87,740,576
- Motor vehicles	29,183,778	29,936,317
- Others	3,439,009	3,323,435
8.1	118,990,967	121,000,328

Others - considered good

- Housing finance	465,604,059	474,274,989
- Motor vehicles	1,058,683,274	1,127,941,998
- Plant, machinery and equipment	1,200,761,571	1,184,672,731
	2,725,048,904	2,786,889,718

Others - considered bad or doubtful

- Housing finance	2,116,083	2,116,083
- Motor vehicles	100,775,947	102,904,546
- Plant, machinery and equipment	214,794,770	228,208,285
	317,686,800	333,228,914

Less: Provision in respect of Diminishing Musharaka

(19,963,165) (10,323,395)

3,022,772,539 **3,109,795,237**

Less: current portion of Diminishing Musharaka

3,141,763,506 **3,230,795,565****(1,096,659,126)** **(984,997,788)****2,045,104,380** **2,245,797,777**

8.1 This includes Diminishing Musharaka facility availed by key management personnel with respect to housing finance, motor vehicles and personal finance amounted to Rs. 42.953 million (June 30, 2020: Rs. 44.030 million), Rs. 7.655 million (June 30, 2020: Rs.8.309 million) and Rs.1.046 million (June 30, 2020: Rs. 1.191 million) respectively.

8.2 The Modaraba has availed the benefit of forced sale value of assets held as collateral against non-performing Ijarah as allowed under the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. Had the benefit not been taken by the Modaraba, the specific provision against non-performing Ijarah would have been higher by Rs.28.02 million (June 30, 2020 : 31 million).

9. NET INVESTMENT IN IJARAH FINANCE

Note (Rupees)

(Un-audited)
September 30,
2020

(Audited)
June 30,
2020

Ijarah contracts commencing on or after July 1, 2008

- accounted for under IFAS 2 **2,531,144,198** **2,631,943,089**

Ijarah contracts prior to July 1, 2008

- accounted for as finance leases **370,000** **370,000**Less: Current portion of net investment in Ijarah finance **(370,000)** **(370,000)****-** **-**

- 9.1** During the quarter ended September 30, 2020, additions amounting to Rs. 225 million (September 30, 2019: Rs. 275 million) and disposals amounting to Rs. 209 million (September 30, 2019: Rs. 470 million) were made to the net investments in Ijarah finance.

Ijarah Assets

Additions at cost during the period / year

- Plant, machinery and equipments
- Motor vehicles

Disposals at cost during the period / year

- Plant, machinery and equipments
- Motor vehicles

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
Note	----- (Rupees) -----	

173,093,633	199,131,761
51,814,809	76,151,000
224,908,442	275,282,761
59,255,496	288,374,372
149,978,789	181,659,057
209,234,285	470,033,429

10. FIXED ASSETS IN OWN USE

Tangible assets

Intangible assets

	(Un-audited) September 30, 2020	(Audited) June 30, 2020
Note	----- (Rupees) -----	

4,554,497	5,375,451
339,699	413,582
4,894,196	5,789,033

- 10.1** During the three months period ended September 30, 2020, additions amounting to Rs. 0.307 million (September 30, 2019 : Nil) were made to the operating fixed assets.

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
Note	----- (Rupees) -----	

Additions at cost during the period

- Computer equipment, appliances and systems

Disposals at cost during the period

307,476	-
307,476	-
-	-

11. PROFIT DISTRIBUTION PAYABLE

Profit distribution payable for the year ended June 30, 2020

Unclaimed profit distribution

113,458,825	-
57,612,800	58,119,424
171,071,625	58,119,424

11.1 The Board of Directors of the Management Company in their meeting held on September 26, 2020 approved a cash distribution of Rs. 2.5 per certificate for the year ended June 30, 2020. Payment of the dividend is in process.

11.2 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

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There were no contingencies outstanding as at September 30, 2020 and June 30, 2020.

12.2 Commitments

Outstanding Letter of Credit at September 30, 2020 amounts to Rs. 68.40 million (June 30, 2020: Rs. 107.72 million).

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

During 2013, the Sindh Revenue Board (SRB) levied Sindh sales tax on management remuneration, which is paid by the Modaraba to its Management Company under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, treating it as a fee and chargeable under the Sindh Sales Tax Act, 2011. The Modaraba, however, considers that the management remuneration is an allocation of profit under the Shariah principle of "Modaraba" and therefore does not qualify to be treated as a fee and therefore does not attract any services sales tax.

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the SRB dated April 22, 2013 issued to the Management Company, the Modaraba has recorded a provision in respect of Sindh Sales Tax on Management Company's remuneration at applicable rates with effect from November 1, 2011. The Management Company had filed an appeal before the Appellate Tribunal SRB against this order. The Appellate Tribunal SRB through its order dated February 19, 2016 allowed the appeal and set aside the order-in-original and order-in-appeal and remanded back the case to the assessing officer for re-assessment. Thereafter, on April 8, 2016, the assessing officer issued a fresh notice to the Management Company contending that sales tax on the Management Company's remuneration is applicable. 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 October 13, 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 November 5, 2018. The case is pending to date. However, the Modaraba has continued to recognise the provision for services sales tax on the Management Company's remuneration.

14. PROVISION FOR WORKERS' WELFARE FUND

The Sindh Revenue Board (SRB) vide letter no. SRB /DC-A(W)/2017/Rep/4760 dated January 16, 2017 had advised the Modaraba to pay off all its liabilities falling due under the SWWF Act. The management considered 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 SWWF liability to SRB can be paid out. On these grounds, foreseeing the expected WWF demand and penal actions from SRB, the Modaraba had filed a Constitutional Petition (CP) No. CP.D.3879/2017 with the Honorable Sindh High Court. On March 16, 2020, an interim order was issued by the Honorable Sindh High Court whereby it was instructed to deposit the SWWF liability either with SRB or Nazir as appointed by the Court. During the period, the Modaraba has deposited the SWWF amounting to Rs 5.98 million with SRB, calculated on a proportionate basis and as advised by its legal counsel and consistent with the grounds adopted by the Modaraba in its petition. The management has provided for SWWF liability for the period from January 1, 2014 to September 30, 2020 in these financial statements on a prudent basis.

15. 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, 2021. Accordingly, no provision in respect of current and deferred taxation has been made in these condensed interim financial statements.

16. EARNINGS PER CERTIFICATE

A diluted earnings per certificate has not been presented as the Modaraba did not have any convertible instruments in issue as at September 30, 2020 and 2019 which would have any effect on the earnings per certificate if the option to convert is exercised.

17. RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba include the management company, its holding company, other associated companies, staff retirement funds, directors and key management personnel. 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 September 30, 2020	Three months period ended September 30, 2019
Note	(Rupees)	
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Dividend	11,345,883	11,345,883
Rent paid for Islamabad office	147,534	122,304
Staff retirement benefits funds		
Contribution to the staff provident fund	1,211,049	1,146,449
Contribution to the staff gratuity fund	1,008,790	954,987
Reimbursement from staff gratuity fund	-	93,480
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration	3,126,559	2,514,320
Dividend	11,345,883	11,345,883
Rent reimbursement	-	-
AWT Investments Limited (AWTIL)		
Profit on Certificate of Musharaka	457,835	1,062,500
Layton Rahmatulla Benevolent Trust Hospital		
Donation	1,000,000	-
Key Management Personnel		
Salaries and benefits	9,426,940	15,142,698
Contribution to the staff provident fund	461,535	451,066
Contribution to the staff gratuity fund	384,456	375,735
Reimbursement from staff gratuity fund	-	-
Income earned on DM finances to Key management personnel	1,553,108	1,545,831
Ijarah rental earned on Ijarah finances to Key management personnel	-	-
Profit on Redeemable Capital	126,721	135,415
Number of persons	7	7

The Modaraba enters into certain 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:

	(Un-audited) September 30, 2020	(Audited) June 30, 2020
Note	----- (Rupees) -----	
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Certificate Capital (Certificates held : 4,538,353, June 2020: 4,538,353)	45,383,530	45,383,530
Rent payable for Islamabad office	147,534	-
ORIX Services Pakistan (Private) Limited - Management Company		
Certificate Capital (Certificates held : 4,538,353, June 2020: 4,538,353)	45,383,530	45,383,530
Management company's remuneration payable	3,126,559	13,645,879
Staff retirement benefits funds		
Receivable from staff provident fund	-	5,339
Receivable from staff gratuity fund	-	2,223
AWT Investments Limited (AWTIL)		
Redeemable capital	-	29,000,000
Profit payable on redeemable capital	-	2,810,752
Directors of the Management Company		
Certificate Capital		
Mr. Shaheen Amin (Certificates held : 100,000, June 2020: 100,000)	1,000,000	1,000,000
Mr. Nadeem .D. Khan (Certificates held : 6,490, June 2020: 6,490)	60,490	60,490
Key Management Personnel		
Accrued profit on finances under diminishing musharaka	149,812	226,998
Profit payable on redeemable capital	406,848	280,127
Redeemable capital	8,050,000	4,550,000

18 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 under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As per the requirements of the IFRS 13, the Modaraba shall 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:

- 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, 2020 and June 30, 2020, 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 or loss account (FVTPL), financial assets measured at fair value through other comprehensive income (FVOCI), financial assets measured at amortised cost, financial liabilities measured at fair value through profit or 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:

Note	As at September 30, 2020 (Unaudited)						
	Carrying value			Fair value			
	Financial assets at	Other Financial	Total	Level 1	Level 2	Level 3	Total
	Amortised cost	Liabilities					
(Rupees)							
Financial assets not measured at fair value	18.2						
Cash and bank balances		926,966,681	-	926,966,681	-	-	-
Ijarah rentals receivable		143,893,987	-	143,893,987	-	-	-
Advances, deposits and other receivables		159,259,167	-	159,259,167	-	-	-
Diminishing Musharika		3,141,763,506	-	3,141,763,506	-	-	-
Net investment in Ijarah finance		370,000	-	370,000	-	-	-
Total		4,372,253,341	-	4,372,253,341	-	-	-
Financial liabilities not measured at fair value	18.2						
Musharika term finance		-	1,083,128,035	1,083,128,035	-	-	-
Security deposits		-	584,075,717	584,075,717	-	-	-
Creditors, accrued and other liabilities		-	327,472,082	327,472,082	-	-	-
Redeemable capital		-	3,629,205,000	3,629,205,000	-	-	-
Unclaimed profit distribution		-	171,071,625	171,071,625	-	-	-
Advance Ijarah rentals received		-	40,316,234	40,316,234	-	-	-
Total		-	5,835,268,693	5,835,268,693	-	-	-

Note	As at June 30, 2020 (audited)						
	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	1,038,077,150	-	1,038,077,150	-	-	-	-
ġarah rentals receivable	180,028,517	-	180,028,517	-	-	-	-
Advances, deposits and other receivables	124,143,434	-	124,143,434	-	-	-	-
Diminishing Musharika	3,230,795,565	-	3,230,795,565	-	-	-	-
Net investment in ġarah finance	370,000	-	370,000	-	-	-	-
Total	4,573,414,666	-	4,573,414,666	-	-	-	-
Financial liabilities not measured at fair value	18.2						
Musharika term finance	-	1,240,070,504	1,240,070,504	-	-	-	-
Security deposits	-	577,009,147	577,009,147	-	-	-	-
Creditors, accrued and other liabilities	-	280,652,521	280,652,521	-	-	-	-
Redeemable capital	-	3,871,505,000	3,871,505,000	-	-	-	-
Unclaimed profit distribution	-	58,119,424	58,119,424	-	-	-	-
Advance ġarah rentals received	-	23,266,400	23,266,400	-	-	-	-
Total	-	6,050,622,996	6,050,622,996	-	-	-	-

18.2 These financial assets and liabilities are for short term or repriced over short term. Therefore their carrying amounts are reasonable approximation of fair value.

19. SEGMENT 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 Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

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 and reporting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

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

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 these condensed interim financial statements during the current period.

21. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 26, 2020 by the Board of Directors of the Management Company.

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

_____ Chief Executive	_____ Director	_____ Director	_____ Chief Financial Officer
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