



CONTENTS

Modaraba Information	002
Director Review	003
Independent Auditor’s Review Report	009
Condensed Interim Balance Sheet (Un-audited)	010
Condensed Interim Profit and Loss Account and Other Comprehensive Income (Un-audited)	011
Condensed Interim Cash Flow Statement (Un-audited)	012
Condensed Interim Statement Of Changes In Equity (Un-audited)	013
Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)	014

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

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)

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 of ORIX Modaraba for the six months period ended December 31, 2020.

1. Economic Outlook

Moody's Investor Service has forecasted that Pakistan economy will grow by 1.5pc during the current fiscal year, however, SBP is projecting the current growth slightly above 2 percent in FY21 due to fact that inflation has slowed down, large-scale manufacturing has increased 7.4% and current account posted a surplus on the back of double-digit growth in foreign remittances. IMF and World Bank are projecting the Pakistan's growth rate to touch positive 4 percent in next fiscal year 2021-22 and 5 percent in 2022-23 by end of the current government's five-year tenure.

The current account remained in surplus during the first half of FY21, at \$1.1 billion compared to a deficit of over \$2 billion during the same period last year. This improvement has been mainly driven by workers' remittances, which have remained above \$2 billion every month during the current fiscal year due in part to travel restrictions and supportive policy measures taken by the government and SBP that have increased the use of formal channels.

The IMF has projected the rate of inflation at 8 percent, while the Government expects it to be 6.5 percent in 2020-21 that is within single digit. Inflation remained close to 9 percent in the preceding two months, with headline inflation fell to 8.3 percent in November and further to 8 percent in December, the lowest rate since June 2019. This decline is mainly attributable to easing food inflation. Owing to conducive weather and various measures taken by the government to address supply-side issues, the price of perishables, wheat, pulses and rice has declined.

Although recent vaccination drive (for healthcare workers in the country) have raised hopes of a turnaround in the pandemic in second half of the current year, however, renewed waves and new variants of the virus pose concerns for the outlook. Pakistan must continue to implement the stimulus throughout 2021 to help people strive through the pandemic and support economic recovery, with substantially improved efficiency.

2. Financial Highlights

Financial results are summarized as under:

Balance Sheet

Certificate capital	
Total equity	
Total assets	
Investment in Ijarah finance and Ijarah Assets	
Investments in Diminishing Musharika and Sukuks	
Redeemable capital	

December 31, 2020	June 30, 2020
(Rupees '000')	
453,835	453,835
1,122,204	1,174,473
6,935,400	7,246,367
2,679,955	2,632,313
3,081,835	3,230,796
3,438,805	3,871,505

Profit and Loss

	Six months ended December 31, 2020	Six months ended December 31, 2019
	----- (Rupees '000) -----	
Revenue (net of Ijarah assets depreciation)	350,064	474,656
Financial charges	166,246	312,874
Provision	21,407	8,643
Operating expenses	92,014	83,710
Profit before modaraba management company's remuneration	70,396	69,429
Net profit	61,192	60,352

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 due to COVID 19 and other factors. The Modaraba's net profit for the six months period ended December 31, 2020 has marginally increased by 1.39% from PKR 60,352 to PKR 61,192 million compared to corresponding period of last year. Gross revenue (net of Ijarah assets depreciation and including other income) for the six months period decreased by 26.25% from PKR 474,656 million to PKR 350,064 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 the full portfolio is on floating basis. Similarly, financial charges also decreased by 46.86% from PKR 312,874 million to PKR 166,246 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 21,407 million has been provided against doubtful finances. Administrative and operating expenses increased by 9.92% from PKR 83,710 million to PKR. 92,014 million mainly due to staff cost in line with the market and additional expenditures incurred for testing and protection of staff during COVID-19.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 5,762 million compared to PKR 5,863 million as at June 30, 2020, showing a decrease of 1.73% during six months period mainly due to slow down in economy resulting lower disbursement amount during the period. During the period under review, the Modaraba booked fresh net disbursements to the tune of Rs. 1,140 million as compared to Rs. 1,240 million during the corresponding period last year.

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.

During the COVID-19 pandemic, your Modaraba has increased both engagement and reviews of its clients to ensure there are no surprises and that we remain a trusted partner in this time of flux.

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

In the month of October 2020, Pakistan saw the second wave of the Coronavirus pandemic. However, due the placement of strict SOPs such as restriction of large indoor gatherings, partial opening of educational institutions, and restriction on restaurants over dine out facility has helped the government to cater the condition more effectively. Currently Businesses are operating to almost normal pace. Business activities are picking up at a faster clip, as worries about COVID-19 fade. Banks and offices do impose the mandatory face mask rule in their premises. The government approved the allocation of US\$ 150 Million for the purchase of COVID-19 vaccine to vaccinate in the elderly and frontline workers in the medical field. The Cabinet also approved exemption of import duties on the vaccine.

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. 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.

6. 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: February 18, 2021



Ramon Alfrey
Director

کاروبار میں بنیادی پہلو منتخب کلائنٹس کے تعلقات میں مضبوطی اور اچھی سادھ 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 پروفائل 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 کمپینیاں پورٹ فولیو کی نگرانی کی ذمہ دار ہیں اور ممکنہ ناموافق منظر نامہ سے بروقت ہوشیار کرتی ہیں۔

4- وبائی مرض کوویڈ-19 کے اثرات:

گذشتہ سال اکتوبر کے مہینے میں کوویڈ-19 کی دوسری لہر کی وجہ سے ریٹورنٹس پر پابندی، تعلیمی اداروں کی جزوی بندش بڑے اجتماعات پر عائد پابندی اور کررونا کی ایس او بیز پر عملدرآمد سے حکومت نے موثر طور پر حالات سنبھالے ہیں۔ موجودہ حالات میں تجارتی سرگرمیاں تقریباً نارمل انداز میں چل رہی ہیں کوویڈ-19 کے خدشات مدہم ہونے کی وجہ سے تجارتی سرگرمیوں میں اضافہ ہو رہا ہے۔ حکومت نے بروقت 150 ملین ڈالرو کی سینیٹیشن کی درآمد کے لئے مختص کیے ہیں جو عمر رسیدہ افراد اور طبی شعبہ سے تعلق رکھنے والے ورکرز/کارکنوں کو لگائی جائے گی جبکہ حکومت نے ویکسینیشن کی درآمد کو ڈیوٹی سے بھی مستثنیٰ قرار دیا ہے۔

آپ کا مضاربہ باریک بینی سے صورتحال کی نگرانی کر رہا ہے۔ اور ایسے ضروری اقدامات کیے ہیں جن سے مضاربہ کے عملہ 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 جا رہی ہے۔ آپ کا مضاربہ تسلسل کے ساتھ مستقبل کی توقعات پر پورا اترنے کی کوشش کر رہا ہے۔ جس طرح وہ نارمل حالات میں خدمات فراہم کرتا ہے۔

5- 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 ریٹنگز سے قرضہ جاتی خطرے کی کم توقعات اور مالیاتی وعدوں کی بروقت ادائیگی کی مضبوط صلاحیت کی عکاسی ہوتی ہے۔

6- اعتراف

بورڈ ڈائریکٹروں، 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۔



ریمون الفری

ڈائریکٹر



راجیل قمر احمد

مینجنگ ڈائریکٹر/سی ای او

کراچی: 18 فروری، 2021

2- مالیاتی جھلکیاں

مختصر مالیاتی جھلکیاں درج ذیل ہیں:

30 جون 2020	31 دسمبر 2020
(روپے ہزار میں)	(روپے ہزار میں)

نیٹس شیٹ

453,835	453,835
1,174,473	1,122,204
7,246,367	6,935,400
2,632,313	2,679,955
3,230,796	3,081,835
3,871,505	3,438,805

سرٹیفیکیٹ سرمایہ

کل ایکویٹی

مجموعی اثاثہ جات

اجارہ فنانس اور اجارہ اثاثوں میں سرمایہ کاری

ڈمٹنگ مشارکہ اور سسکو میں سرمایہ کاری

قابل خلاصی سرمایہ

31 دسمبر 2019	31 دسمبر 2020
(روپے ہزار میں)	(روپے ہزار میں)

ششماہی اختتام

ششماہی اختتام

474,656	350,064
312,874	166,246
8,643	21,407
83,710	92,014
69,429	70,396
60,352	61,192

منافع و خسارہ

ریونیو (اصل اجارہ کے اثاثوں کی قیمت میں فرسودگی کے بعد)

مالی واجبات

دفعات

آپریٹنگ اخراجات:

مدار بہ انتظامی کمپنی کے معاوضہ سے قبل منافع

خالص منافع:

3- کاروباری افعال کا جائزہ

اللہ رب العزت کی رحمت سے زیر جائزہ مدت کے دوران آپ کے مضاربہ کی کارکردگی COVID-19 اور دیگر عوامل کے نتیجے میں معاشی سست روی کے باوجود مستحکم رہی۔ ششماہی مدت مختتمہ 31 دسمبر 2020 میں مضاربہ کا خالص منافع معمولی اضافے کے ساتھ 1.39 فیصد سے بڑھ کر گزشتہ سال کی اسی مدت کے 60.352 ملین روپے کے مقابلے میں 61.192 ملین روپے رہا۔ ششماہی مدت کی خام آمدنی (اجارہ اثاثوں کی فرسودگی نکالنے کے بعد اور دیگر آمدن شامل کرنے کے بعد) 26.25 فیصد سے کم ہو کر گزشتہ سال کی اسی مدت کے 474.656 ملین روپے کے مقابلے میں 350.064 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 پر ہیں۔ اسی طرح مالیاتی اخراجات بھی 46.86 فیصد کم ہو کر گزشتہ سال کی اسی مدت کے 312.874 ملین روپے کے مقابلے میں 166.246 ملین روپے رہے جس کی بنیادی وجہ مذکورہ بالا اوسطاً KIBOR میں کمی تھی۔ ہمارے محتاط پورٹ فولیو کے انتظامی طریقے کے وجہ سے کچھ کسٹمر کو زیریں درجہ میں ڈال دیا گیا۔ لہذا، جائزہ مدت کے دوران 21.407 ملین روپے کا اختصاص مشکوک سرمایہ کاریوں کے عوض مختص کی گئی۔ انتظامی اور کاروباری اخراجات میں 9.92 فیصد اضافہ کے ساتھ 83.710 ملین روپے سے بڑھ کر 92.014 ملین روپے رہا جس کی وجہ مارکیٹ کے مطابق عملے کی لاگت اور کروڈیہ 19 کے دوران عملے کی حفاظت اور ڈمٹنگ کے اضافی اخراجات ہیں

اجارہ فنانس، سسکو، انویسٹمنٹ اور ڈمٹنگ مشارکہ میں سرمایہ کاری 5,762 ملین روپے رہی جو کہ گزشتہ سال 30 جون 2020 کے اختتام پر 5,863 ملین روپے تھی، جس سے ششماہی مدت میں 1.73 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 1,140 ملین روپے کی نئی ادائیگیاں بک کیں جبکہ گزشتہ سال اسی مدت میں 1,240 ملین روپے تھے۔

ڈائریکٹرز کا جائزہ برائے مختتمہ مدت 31 دسمبر 2020

اورکس سروسز پاکستان (پرائیویٹ) لمیٹڈ جو کہ اورکس مدارپہ کی انتظامی کمپنی ہے کہ بورڈ آف ڈائریکٹرز اورکس مدارپہ کے غیر آڈٹ شدہ مالیاتی گوشوارے برائے مدت مختتمہ 31 دسمبر 2020 پیش کرنے پر مسرت کا اظہار کرتے ہیں۔

معاشی نقطہ نظر:

موڈیز کی انویسٹرس نے پیشن گوئی کی ہے کہ رواں مالی سال کے دوران پاکستان کی معیشت میں 1.5 فیصد اضافہ ہوگا۔ تاہم، اسٹیٹ بینک مالی سال 21 میں موجودہ شرح نمو کو 2 فیصد سے تھوڑا سا اوپر پیش کر رہا ہے جس کی وجہ افراط زر میں کمی، بڑے پیمانے پر مینوفیکچرنگ میں 7.4 فیصد اضافہ اور کرنٹ اکاؤنٹ میں غیر ملکی ترسیلات زر میں دوہندسی شرح نمو کی وجہ سے اضافہ ہے۔ موجودہ حکومت کے پانچ سالہ دور اقتدار کے اختتام پر آئی ایم ایف اور ورلڈ بینک آئندہ مالی سال 22-2021 میں پاکستان کی شرح نمو میں 4 فیصد اور 23-2022 میں 5 فیصد کے اضافے کی پیشن گوئی کر رہے ہیں۔

رواں مالی سال 21 کی پہلی ششماہی کے دوران جاری کھاتہ 1.1 ارب ڈالر سے سرپلس رہا جو گذشتہ سال اسی عرصے کے دوران 2 کے ارب ڈالر سے زائد کے خسارے میں تھا۔ یہ بہتری بیرون ملک مقیم پاکستانی کارکنوں کی ترسیلات کی وجہ سے ہے۔ جو رواں مالی سال ہر ماہ کے دوران 2 بلین ڈالر سے زیادہ رہی، اس بہتری کی بنیادی وجہ سفری پابندیوں اور حکومت اور اسٹیٹ بینک کے ذریعے گئے امدادی پالیسی اقدامات ہیں جس کی وجہ سے باضابطہ پیبلز کے استعمال میں اضافہ ہوا۔

آئی ایم ایف نے افراط زر کی شرح 8 فیصد رہنے کی پیشن گوئی کی ہے، جبکہ حکومت کو توقع ہے کہ 21-2020 میں یہ 6.5 فیصد کے ایک ہندسے میں رہے گی۔ پچھلے دو مہینوں میں افراط زر 9 فیصد کے قریب رہا، ہیڈ لائن افراط زر نومبر میں 8.3 فیصد اور دسمبر میں 8 فیصد رہ گیا۔ یہ جون 2019 کے بعد سے سب سے کم شرح ہے۔ جس کی بنیادی وجہ خوراک کے افراط زر میں کمی ہے۔ سازگار موسمی حالات اور اجناس جن میں گندم، دالیں، چاول اور خورد و نوش کے دیگر اشیاء کی فراہمی کے نتیجے میں قیمتوں میں کمی واقع ہوئی ہے۔

اگرچہ حالیہ ویکسینیشن مہم (ملک میں صحت کی دیکھ بھال کرنے والے کارکنوں کیلئے) نے رواں سال کے دوسرے نصف حصے میں وبائی امراض میں تبدیلی کی اُمیدوں کو جنم دیا ہے، تاہم وائرس کی نئی تجدید لہریں اور نئی شکلیں اس نقطہ نظر کے لئے تشویش کا سبب ہیں۔ پاکستان کو وبائی امراض کے پھیلاؤ کو روکنے اور معاشی بحالی کی مدد کرنے کے لئے 2021 تک محرک پر عمل درآمد جاری رکھنا چاہئے، جس میں کافی حد تک بہتر کارکردگی کا مظاہرہ کیا گیا۔



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE CERTIFICATE HOLDERS OF ORIX MODARABA

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of ORIX Modaraba (the 'Modaraba') as at December 31, 2020 and the related condensed interim profit and loss account and other comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management of the Modaraba Management Company [ORIX Services Pakistan (Private) Limited] is responsible for the preparation and presentation of these condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account and other comprehensive income for the quarters ended December 31, 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2020.

Scope of Review

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

Conclusion

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

The engagement partner on the review resulting in this independent auditor's review report is Norman Abbas Sheikh.

A.F. Ferguson & Co

Chartered Accountants
Karachi

Dated: February 19, 2021

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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	Note	(Un-audited) December 31, 2020	(Audited) June 30, 2020
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	755,109,589	1,038,077,150
Ijarah rentals receivable	6	165,424,315	180,028,517
Advances, deposits, prepayments and other receivables		238,977,008	149,743,964
Current portion of investment in sukuk certificates	7	-	-
Current portion of diminishing musharaka	8	1,196,786,395	984,997,788
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		9,619,860	9,619,860
Total current assets		2,366,287,167	2,362,837,279
Non-current assets			
Long-term portion of investment in sukuk certificates	7	-	-
Long-term portion of diminishing musharaka	8	1,885,048,438	2,245,797,777
Ijarah assets	9	2,679,584,787	2,631,943,089
Fixed assets in own use	10	4,479,249	5,789,033
Total non-current assets		4,569,112,474	4,883,529,899
TOTAL ASSETS		6,935,399,641	7,246,367,178
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of term finance arrangements	11	411,679,926	519,255,299
Current portion of security deposits		252,516,187	201,933,288
Creditors, accrued and other liabilities		341,865,394	301,923,898
Advance Ijarah rentals received		53,341,988	23,266,400
Current portion of redeemable capital		3,405,655,000	3,832,405,000
Unclaimed profit distribution		60,116,485	58,119,424
Total current liabilities		4,525,174,980	4,936,903,309
Non-current liabilities			
Long-term portion of term finance arrangements	11	889,399,844	720,815,205
Long-term portion of security deposits		365,471,043	375,075,859
Long-term portion of redeemable capital		33,150,000	39,100,000
Total non-current liabilities		1,288,020,887	1,134,991,064
TOTAL LIABILITIES		5,813,195,867	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			
		285,000,000	285,000,000
		168,835,300	168,835,300
		453,835,300	453,835,300
		106,063,268	161,391,902
		562,305,206	559,245,603
		1,122,203,774	1,174,472,805
TOTAL LIABILITIES AND EQUITY		6,935,399,641	7,246,367,178
CONTINGENCIES AND COMMITMENTS			

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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


Chairman


Chief Executive


Director


Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	Six months period ended December 31, 2020	Six months period ended December 31, 2019	Three months period ended December 31, 2020	Three months period ended December 31, 2019
(Rupees)					
Ijarah rentals earned		644,722,716	761,741,478	324,043,249	396,599,780
Income on Diminishing Musharaka arrangements		177,241,522	231,266,129	87,281,622	116,677,889
Income on deposits with banks		24,218,227	26,623,728	9,681,689	17,312,398
		<u>846,182,465</u>	<u>1,019,631,335</u>	<u>421,006,560</u>	<u>530,590,067</u>
Financial and other charges		(166,246,440)	(312,873,926)	(80,329,930)	(162,955,298)
Depreciation on assets under Ijarah arrangements		(514,910,209)	(581,610,878)	(260,486,810)	(296,126,929)
		<u>165,025,816</u>	<u>125,146,531</u>	<u>80,189,820</u>	<u>71,507,840</u>
Provision in respect of Ijarah finances - net		(5,799,935)	(23,866)	-	(23,866)
Provision in respect of Diminishing Musharaka		(15,607,196)	(8,618,710)	(5,967,426)	(8,618,710)
		<u>143,618,685</u>	<u>116,503,955</u>	<u>74,222,394</u>	<u>62,865,264</u>
Other income		18,791,372	36,635,776	13,486,009	27,084,684
Administrative and operating expenses		(92,014,471)	(83,710,324)	(48,578,407)	(45,663,737)
		<u>70,395,586</u>	<u>69,429,407</u>	<u>39,129,996</u>	<u>44,286,211</u>
Management Company's remuneration		(7,039,559)	(6,942,941)	(3,913,000)	(4,428,621)
Provision for services sales tax on Management Company's remuneration	13	(915,143)	(902,582)	(508,690)	(575,720)
Provision for Workers' Welfare Fund	14	(1,248,818)	(1,231,678)	(694,166)	(785,638)
Profit for the period before taxation		<u>61,192,066</u>	<u>60,352,206</u>	<u>34,014,140</u>	<u>38,496,232</u>
Taxation	15	-	-	-	-
Profit for the period after taxation		<u>61,192,066</u>	<u>60,352,206</u>	<u>34,014,140</u>	<u>38,496,232</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>61,192,066</u>	<u>60,352,206</u>	<u>34,014,140</u>	<u>38,496,232</u>
Earnings per certificate - basic and diluted	16	<u>1.35</u>	<u>1.33</u>	<u>0.75</u>	<u>0.85</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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


Chairman


Chief Executive


Director


Chief Financial Officer

Note	Six months period ended December 31, 2020	Six months period ended December 31, 2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	61,192,066	60,352,206
Adjustments for non-cash and other items:		
Depreciation on tangible fixed assets in own use	2,235,674	2,246,996
Amortisation on intangible fixed assets in own use	146,675	152,046
Depreciation on assets under Ijarah arrangements	514,910,209	581,610,878
Gain on disposal of assets under Ijarah arrangements	(9,498,393)	(24,487,418)
Provision in respect of Ijarah finances - net	5,799,935	23,866
Provision in respect of Diminishing Musharaka	15,607,196	8,618,710
Income on bank deposits	(24,218,227)	(26,623,728)
Profit on:		
- Redeemable capital	112,003,486	177,459,766
- Term finance arrangements	37,426,710	124,989,944
Provision for services sales tax on the Management Company's remuneration	915,143	902,582
Provision for Workers' Welfare Fund	1,248,818	1,231,678
	656,577,226	846,125,320
	717,769,292	906,477,526
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	(91,501,301)	4,655,407
Ijarah rentals receivable	8,804,266	(918,690)
Diminishing Musharaka	133,353,536	(21,360,895)
Purchase of assets under Ijarah arrangements	(726,146,998)	(830,759,094)
Proceeds from disposal of assets under Ijarah arrangements	173,093,484	405,627,969
	(502,397,012)	(442,755,303)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	29,091,235	(46,178,153)
Advance Ijarah rentals received	30,075,588	(18,994,183)
Security deposits	40,978,087	(18,088,592)
	100,144,910	(83,260,928)
	315,517,190	380,461,295
Profit paid on		
- Redeemable capital	(92,423,897)	(188,732,403)
- Term finance arrangements	(48,319,999)	(121,919,394)
	(140,743,896)	(310,651,797)
Taxes paid	-	(358,429)
Net cash generated from operating activities	174,773,294	69,451,069
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,072,565)	(694,998)
Income received on bank deposits	26,486,485	25,338,255
Net cash generated from investing activities	25,413,920	24,643,257
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	(432,700,000)	419,950,000
Term finance less repayments	61,009,261	(292,235,463)
Profit paid to certificate holders	(111,464,036)	(107,621,031)
Net cash (used in) / generated from financing activities	(483,154,775)	20,093,506
Net (decrease) / increase in cash and cash equivalents during the period	(282,967,561)	114,187,832
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	755,109,589	546,480,581

5

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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

Chairman


Chief Executive


Director


Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Issued, subscribed and paid-up certificate capital	Premium on issue of modaraba certificates	Capital reserve Statutory reserve	Sub-total	Revenue reserve Unappropriated 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 six months period ended December 31, 2019	-	-	-	-	60,352,206	60,352,206	60,352,206
- Other comprehensive income for the six months period ended December 31, 2019	-	-	-	-	-	-	-
	-	-	-	-	60,352,206	60,352,206	60,352,206
Transactions with owners							
Profit distribution for the year ended June 30, 2019 @ Rs. 2.5 per certificate declared subsequent to the year ended June 30, 2019	-	-	-	-	(113,461,097)	(113,461,097)	(113,461,097)
Transfer to statutory reserve	-	-	3,017,610	3,017,610	(3,017,610)	-	-
Balance as at December 31, 2019	<u>453,835,300</u>	<u>55,384,700</u>	<u>500,505,590</u>	<u>555,890,290</u>	<u>97,640,965</u>	<u>653,531,255</u>	<u>1,107,366,555</u>
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 six months period ended December 31, 2020	-	-	-	-	61,192,066	61,192,066	61,192,066
- Other comprehensive income for the six months period ended December 31, 2020	-	-	-	-	-	-	-
	-	-	-	-	61,192,066	61,192,066	61,192,066
Transactions with owners							
Profit distribution for the year ended June 30, 2020 @ Rs. 2.5 per certificate declared subsequent to the year ended June 30, 2020	-	-	-	-	(113,461,097)	(113,461,097)	(113,461,097)
Transfer to statutory reserve	-	-	3,059,603	3,059,603	(3,059,603)	-	-
Balance as at December 31, 2020	<u>453,835,300</u>	<u>55,384,700</u>	<u>506,920,506</u>	<u>562,305,206</u>	<u>106,063,268</u>	<u>668,368,474</u>	<u>1,122,203,774</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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


Chairman


Chief Executive


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 Saifuddin 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, whereas 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 a long term rating of AA (2019: AA) and a short term rating of A1+ (2019: A1+) to the Modaraba on March 24, 2020 (2019: February 26, 2019).

2. BASIS OF PREPARATION**2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. The approved accounting standards 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;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the Prudential Regulations for Modarabas;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IAS 34, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, IFAS, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

- 2.2** 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.

During 2019, the Modaraba Association of Pakistan informed its members that the SECP has deferred the applicability of IFRS 9 to the extent of provision against financings made by the modaraba and required the modaraba to follow all other requirements of IFRS 9. The aforementioned communication by the Modaraba Association of Pakistan to its members was based on the clarification given by the SECP to the Modaraba Association of Pakistan. Accordingly, the Modaraba had adopted all requirements of IFRS 9 and had determined the provision against financings (Ijarah and Diminishing Musharaka) as per the requirements of the Prudential Regulations issued by the SECP at the time of finalization of the financial statements for the year ended June 30, 2019.

During the year ended June 30, 2020, the SECP extended the applicability of IFRS 9 for modarabas for period / year ending on or after June 30, 2021. Moreover, the management also sought a clarification from the SECP with respect to the applicability date of IFRS 9. Based on the clarification received from the SECP, the requirements of IFRS 9 are applicable on the annual financial statements of the Modaraba for the year ending June 30, 2021 and not on the condensed interim financial statements for the six months period ended December 31, 2020. The Modaraba had already adopted all the requirements of IFRS 9 in the year 2019 with the exception of determining the provision against financing (Ijarah and Diminishing Musharaka). The provision against financing (Ijarah and Diminishing Musharaka) has been currently determined in accordance with the requirements of the Prudential Regulations issued by the SECP.

The Management is currently in the process of assessing the impact of IFRS 9 on the financial statements of the Modaraba for the year ending June 30, 2021.

- 2.3** The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34: 'Interim financial Reporting'. These condensed interim financial statements do not include all the information and disclosures 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. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

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 Critical accounting estimates and judgments

The preparation of these condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Modaraba's accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the annual published audited financial statements for the year ended June 30, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those that were applied in the preparation of the annual published audited financial statements of the Modaraba for the year ended June 30, 2020.

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

There are certain amendments to the published approved accounting standards that are mandatory for the Modaraba's accounting period beginning on July 1, 2020. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these condensed interim financial statements.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these condensed interim financial statements.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual published audited financial statements of the Modaraba for the year ended June 30, 2020.

5. CASH AND BANK BALANCES

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
Note	----- (Rupees) -----	

Balances with banks		
- in current accounts	258,468,584	106,419,144
- in deposit accounts	496,414,456	431,556,697
- in term deposit receipts	-	500,000,000
Balance with the State Bank of Pakistan	151,549	51,549
Cash in hand	75,000	49,760
	<u>755,109,589</u>	<u>1,038,077,150</u>

5.1 These carry profit at rates ranging from 3.5% - 6% (June 30, 2020: 4.50% - 6.75%) per annum.

5.2 The balances held with banks in deposit accounts have been kept in order to comply with the requirements of the guidelines issued by the SECP with respect to the maintenance of prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

6. IJARAH RENTALS RECEIVABLE

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
Note	----- (Rupees) -----	

Ijarah rentals receivable - considered good	133,474,127	143,732,051
Ijarah rentals receivable - considered bad or doubtful	69,270,401	67,753,723
Less: Allowance for potential Ijarah losses	(11,305,415)	(5,505,480)
Less: Profit held in suspense	(26,014,798)	(25,951,777)
	<u>31,950,188</u>	<u>36,296,466</u>
	<u>165,424,315</u>	<u>180,028,517</u>

6.1 Allowance for potential Ijarah losses

Opening balance	5,505,480	5,505,480
Charge for the period	8,275,049	-
Reversal of prior-period provision	(2,475,114)	-
Provision for the period - net	5,799,935	-
Closing balance	<u>11,305,415</u>	<u>5,505,480</u>

6.2 Profit held in suspense

Opening balance	25,951,777	18,224,887
Income suspended / reversal during the period - net	63,021	7,726,890
Closing balance	<u>26,014,798</u>	<u>25,951,777</u>

6.3 Ijarah includes Rs 135.74 million (2020: Rs 164.2 million) which have been placed under non-performing status.

- 6.4 The Modaraba has availed the benefit of forced sales 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. 23.16 million (June 30, 2020 : Rs 24.43 million).

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
7. INVESTMENT IN SUKUK CERTIFICATES	Note (Rupees)	
At amortised cost		
Investment in sukuk certificates	57,701,835	57,701,835
Less: Provision in respect of sukuk certificates	(57,701,835)	(57,701,835)
	-	-
7.1 Movement in provision against Sukuk certificates		
Opening balance	57,701,835	57,701,835.
Provision for the year	-	-
Closing balance	57,701,835	57,701,835
7.2 Break-up of investment in sukuk certificates between long-term and current portion is as follows:		
Current portion of investment in sukuk certificates	57,617,150	56,093,720
Less: Provision held	(57,617,150)	(56,093,720)
	-	-
Long-term portion of investment in sukuk certificates	84,685	1,608,115
Less: Provision held	(84,685)	(1,608,115)
	-	-
8. DIMINISHING MUSHARAKA		
Staff - considered good		
- Housing finance	70,658,672	87,740,576
- Motor vehicles	23,294,285	29,936,317
- Others	2,467,303	3,323,435
8.1	96,420,260	121,000,328
Others - considered good		
- Housing finance	423,334,555	474,274,989
- Motor vehicles	1,039,133,125	1,127,941,998
- Plant, machinery and equipment	1,285,536,510	1,184,672,731
	2,748,004,190	2,786,889,718
Others - considered bad or doubtful		
- Housing finance	1,865,362	2,116,083
- Motor vehicles	83,916,280	102,904,546
- Plant, machinery and equipment	177,559,332	228,208,285
	263,340,974	333,228,914
Less: Provision in respect of diminishing musharaka	8.2 (25,930,591)	(10,323,395)
	2,985,414,573	3,109,795,237
	3,081,834,833	3,230,795,565
Less: current portion of diminishing musharaka - net	(1,196,786,395)	(984,997,788)
	1,885,048,438	2,245,797,777

- 8.1** This includes diminishing musharaka facility availed by the key management personnel as per the employment terms, with respect to housing finance, motor vehicles and personal finance amounting to Rs. 32.781 million (June 30, 2020: Rs. 44.030 million), Rs. 4.116 million (June 30, 2020: Rs.8.309 million) and Rs.0.428 million (June 30, 2020: Rs. 1.191 million) respectively.

8.2 Movement in Provision against diminishing musharaka

Opening balance

Charge for the period

Closing balance

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
	----- (Rupees) -----	
	10,323,395	-
	15,607,196	10,323,395
	<u>25,930,591</u>	<u>10,323,395</u>

- 8.2.1** The Modaraba has availed the benefit of forced sale value of assets held as collateral against non-performing diminishing musharaka finances 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 Diminishing Musharaka finances would have been higher by Rs 40.16 million (June 30, 2020 : Rs 31 million).

- 8.3** Diminishing Musharaka includes Rs 263.34 million (2020: Rs 333.23 million) which have been placed under non-performing status.

9. IJARAH ASSETS

Note

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

9.1&9.2

Ijarah contracts prior to July 1, 2008

- accounted for as finance leases

Less: Current portion of net investment in Ijarah finance

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
	----- (Rupees) -----	
	2,679,584,787	2,631,943,089
	370,000	370,000
	<u>(370,000)</u>	<u>(370,000)</u>
	<u>-</u>	<u>-</u>

- 9.1** During the six months period ended December 31, 2020, additions amounting to Rs 726 million (December 31, 2019: Rs 831 million) and disposals amounting to Rs 486 million (December 31, 2019 : Rs 992 million) were made to the assets under Ijarah arrangements.

Ijarah Assets

Additions at cost during the period

- Plant, machinery and equipments
- Motor vehicles

Disposals at cost during the period

- Plant, machinery and equipments
- Motor vehicles

	(Un-audited) December 31, 2020	(Un-audited) December 31, 2019
	----- (Rupees) -----	
	509,002,439	632,654,597
	217,144,559	198,104,497
	<u>726,146,998</u>	<u>830,759,094</u>
	124,243,486	502,838,503
	361,653,518	489,278,834
	<u>485,897,004</u>	<u>992,117,337</u>

9.2 Ijarah includes Rs 135.74 million (2020: Rs 164.2 million) which have been placed under non-performing status.

9.3 The Modaraba has availed the benefit of forced sales 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. 23.16 million (June 30, 2020 : Rs 24.43 million).

10. FIXED ASSETS IN OWN USE

Tangible assets
Intangible assets

(Un-audited) December 31, 2020	(Audited) June 30, 2020
----- (Rupees) -----	

4,212,342	5,375,451
266,907	413,582
<u>4,479,249</u>	<u>5,789,033</u>

10.1 During the six months period ended December 31, 2020, additions amounting to Rs. 1.073 million (December 31, 2019 : Rs. 0.695 million) were made to the tangible fixed assets in own use.

Additions at cost during the period
- Office equipment, appliances and computer systems

Note

(Un-audited) December 31, 2020	(Un-audited) December 31, 2019
----- (Rupees) -----	
1,072,565	694,998
<u>1,072,565</u>	<u>694,998</u>

11. TERM FINANCE ARRANGEMENTS

Musharaka / Wakala finance
Less: Current portion of musharaka term finance

11.1 & 11.2

(Un-audited) December 31, 2020	(Audited) June 30, 2020
----- (Rupees) -----	
1,301,079,770	1,240,070,504
(411,679,926)	(519,255,299)
<u>889,399,844</u>	<u>720,815,205</u>

11.1 Musharaka / Wakala Finance

Name of bank / DF	Facility limit		Profit rate (per rupee one thousand per day)		Frequency of mark-up payment	Tenor		Balance outstanding	
	As at December 31, 2020 (Un-audited)	As at June 30, 2020 (Audited)	During the period ended December 31, 2020 (Un-audited)	During the year ended June 30, 2020 (Audited)		December 31, 2020 (Un-audited)	June 30, 2020 (Audited)	As at December 31, 2020 (Un-audited)	As at June 30, 2020 (Audited)
	(Rupees)							(Rupees)	
Meezan Bank limited	45,000,000	100,000,000	0.2151-0.2340	0.3236-0.3975	Quarterly	3-5 years	3-5 years	45,000,000	100,000,000
Bank Alfalah Limited	350,000,000	30,550,000	0.2014-0.2441	0.3208-0.3962	Quarterly	3 years	3 years	350,000,000	30,550,000
Allied Bank Limited	800,000,000	800,000,000	0.2151-0.2153	0.3126-0.3962	Quarterly	3-5 years	3-5 years	480,595,661	659,520,504
Pakistan Mortgage Refinance Company Limited	425,484,109	450,000,000	0.1644	0.1644	Quarterly	5 years	5 years	425,484,109	450,000,000
								<u>1,301,079,770</u>	<u>1,240,070,504</u>

11.2 These carry profit at the rates ranging between 6% to 14.51% (2020: 6% to 14.10%) per annum.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There were no contingencies outstanding as at December 31, 2020 and June 30, 2020.

12.2 Commitments

Outstanding letter of credit at December 31, 2020 amounts to Rs. 15.375 million (June 30, 2020: Rs. 107.72 million).

13. PROVISION FOR SERVICES SALES TAX ON THE 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

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay to Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

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 current period, the Modaraba has deposited the SWWF amounting to Rs 7.18 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 December 31, 2020 in these condensed interim 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 - BASIC AND DILUTED

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at December 31, 2020 and December 31, 2019 which would have any effect on the earnings per certificate if the option to convert is exercised.

17. RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the management company and its holding company, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties other than those which have been specifically disclosed elsewhere in these condensed interim financial statements and remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

	(Un-audited) Six months period ended December 31, 2020	(Un-audited) Six months period ended December 31, 2019
	----- (Rupees) -----	
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Dividend	11,345,883	11,345,883
Allocated cost to the Modaraba for Islamabad office	299,279	247,064
Staff retirement benefits funds		
Contribution made to ORIX Modaraba - Staff Provident Fund	2,567,865	2,309,700
Contribution made to ORIX Modaraba - Staff Gratuity Fund	2,139,008	1,923,967
Refund received from ORIX Modaraba - Staff Gratuity Fund	-	93,480
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration	7,039,559	6,942,941
Dividend	11,345,883	11,345,883
AWT Investments Limited (AWTIL)		
Profit on Certificate of Musharaka issued to mutual funds managed by (AWTIL)	504,551	1,984,041
Layton Rahmatulla Benevolent Trust Hospital		
Donation paid by the Modaraba	1,000,000	-
Directors of the Management Company		
Dividend paid to Mr. Shaheen Amin	250,000	250,000
Dividend paid to Mr. Nadim D. Khan	15,123	15,123
Key Management Personnel		
Salaries and benefits	27,264,413	25,109,939
Contribution to the staff provident fund	968,853	902,131
Contribution to the staff gratuity fund	807,045	751,470
Income earned on diminishing musharaka finances to key management personnel	2,847,039	3,639,727
Profit on redeemable capital	239,846	260,434
Number of persons	7	7

The Modaraba enters into transactions with related parties for lease of assets and other general services. These transactions are 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) December 31, 2020	(Audited) June 30, 2020
	----- (Rupees) -----	
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Certificate capital (Certificates held : 4,538,353, June 30, 2020: 4,538,353)	45,383,530	45,383,530
ORIX Services Pakistan (Private) Limited - Management Company		
Certificate capital (Certificates held : 4,538,353 June 30, 2020: 4,538,353)	45,383,530	45,383,530
Remuneration payable to the Management company	7,039,559	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 30, 2020: 100,000)	1,000,000	1,000,000
Mr. Nadim D. Khan (Certificates held: 6,049, June 30, 2020: 6,049)	60,490	60,490
Key Management Personnel		
Accrued profit on finances under diminishing musharaka	133,198	226,998
Advance against diminishing musharaka	3,400,000	-
Profit payable on redeemable capital	177,765	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. 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.

18.1 Fair value hierarchy

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

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

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

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

As at December 31, 2020 and June 30, 2020, there were no financial instruments which were measured at fair values in these condensed interim financial statements.

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

	As at December 31, 2020 (Un-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	18.1.1						
Cash and bank balances	755,109,589	-	755,109,589	-	-	-	-
Ijarah rentals receivable	165,424,315	-	165,424,315	-	-	-	-
Advances, deposits and other receivables	221,113,074	-	221,113,074	-	-	-	-
Diminishing Musharaka	3,081,834,833	-	3,081,834,833	-	-	-	-
Net investment in Ijarah finance	370,000	-	370,000	-	-	-	-
Total	4,223,851,811	-	4,223,851,811	-	-	-	-
Financial liabilities not measured at fair value	18.1.1						
Term finance arrangements	-	1,301,079,770	1,301,079,770	-	-	-	-
Security deposits	-	617,987,230	617,987,230	-	-	-	-
Creditors, accrued and other liabilities	-	326,528,284	326,528,284	-	-	-	-
Redeemable capital	-	3,438,805,000	3,438,805,000	-	-	-	-
Unclaimed profit distribution	-	60,116,485	60,116,485	-	-	-	-
Advance Ijarah rentals received	-	53,341,988	53,341,988	-	-	-	-
Total	-	5,797,858,757	5,797,858,757	-	-	-	-
	(Rupees)						
Financial assets not measured at fair value	18.1.1						
Cash and bank balances	1,038,077,150	-	1,038,077,150	-	-	-	-
Ijarah rentals receivable	180,028,517	-	180,028,517	-	-	-	-
Advances, deposits and other receivables	124,143,434	-	124,143,434	-	-	-	-
Diminishing Musharaka	3,230,795,565	-	3,230,795,565	-	-	-	-
Net investment in Ijarah finance	370,000	-	370,000	-	-	-	-
Total	4,573,414,666	-	4,573,414,666	-	-	-	-
Financial liabilities not measured at fair value	18.1.1						
Term finance arrangements	-	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 Ijarah rentals received	-	23,266,400	23,266,400	-	-	-	-
Total	-	6,050,622,996	6,050,622,996	-	-	-	-

18.1.1 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 the approved accounting 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 also has a diversified certificate holder population. As at December 31, 2020, there were only two (June 30, 2020: two) certificate holders who individually hold equal to or more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (June 30, 2020: 10% and 10%) respectively.

20. CORRESPONDING FIGURES

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

21. IMPACT OF COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Modaraba.

22. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on **18 February 2021** 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



ORIX Modaraba

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