ORIX Modaraba

(Formerly Standard Chartered Modaraba)

ANNUAL REPORT 2020-2021

www.orixmodaraba.com

ARFA KAREEM

Youngest MCO (Microsoft Certified Professional) of the world.

ALI MOIN NAWAZISH

Highest Number of A grade in A level Examination in the world.

نہیں ہے ناامید اقبال اپنی کشتِ ویراں سے
ذرا نم ہو تو یہ مٹی بڑی زرخیز ہے ساقی

MALALA YOUSAFZAI

Youngest Nobel Prize Laureate in the world.

MUHAMMAD ILYAS

Youngest Judge in the world.

Awards 2021

MANAGEMENT ASSOCIATION OF PAKISTAN

2004 — 22nd Corporate Excellence Award in financial sector category.

2006 — 23rd Corporate Excellence Award in Non banking financial Institution scetor category

2008 — 24th Corporate Excellence Award in financial category

2012 — 28th Corporate Excellence Award in Equity Investment Instrument Sector Category

2013 — 29th Corporate Excellence Award in Equity Investment Instrument Sector Category

2017 — 33rd Corporate Excellence Award in Modaraba Sector Category

2018 — 34th Corporate Excellence Award in Modaraba Sector Category

2019 — 35th Corporate Excellence Award in Modaraba Sector Category

NBFI & MODARABA ASSOCIATION OF PAKISTAN

2019 -	Best Performance Award 3rd Position
2017 -	Best Performance Award 2nd Position
2016 -	Best Performance Award 3rd Position
2015 -	Best Performance Award 4th Position
2014 -	Best Performance Award 3rd Position
2013 -	Performance Award
2012 -	Best Performance Award 2nd Position
2010 -	Best Performance Award 2nd Position
2009 -	Best Performance Award 2nd Position
2008 -	Best Performance Award 2nd Position
2005 -	2nd Highest Dividend in the Sector
2004 -	3rd Highest Dividend in the Sector

CERTIFICATE OF MERIT

SAFA Best Presented Annual Report Awards

Best Corporate Reports Awards 2020 by ICAP and ICMAP

Corporate Social Responsibility Award 2021 BY National Forum for Environment & Health (NFEH)

CREDIT RATING BY PACRA

AA
LONG TERM

A1+
SHORT TERM

2021 - AA
2020 - AA
2019 - AA
2018 - AA
2017 - AA
2016 - AA+
2015 - AA+
2014 - AA+
2013 - AA+

Group Profile

ORIX Corporation (ORIX) was established in April 1964 with leasing operations in Japan. Since then, ORIX has set up a number of specialized leasing companies to tap new market potential by providing a wide range of Innovative Financial products and services to clients in Japan and 31 different countries/ regions across the world. This has also enabled the Corporation to maintain a strong reputation with continous profit. The Corporation is listed on Tokyo and New York Stock Exchanges. ORIX Shareholders' Equity as at March 31, 2021 was ¥3 Trillion. It employs 33,000 employees and has over 2,000 business locations across the globe.

ORIX Corporation, Japan – Financial Highlights:

Years Ended March 31 (Yen in billion)	2021	2020	2019	2018	2017
Total revenue	2,292.70	2,280.33	2,434.86	2,862.80	2,678.70
Total expense	2,033.89	2,010.65	2105.43	2,526.60	2,349.40
"Income before income taxes, discountinues operation and extraordinary gain"	287.56	412.56	395.73	435.50	425.00
Net Income attributable to ORIX Corporation shareolders	192.38	302.70	323.75	313.10	273.20
ORIX Corporation Shareholder equity	3,028.46	2,993.61	2,897.07	2,682.40	2,507.70
Total assets	13,563.08	13,067.53	12,175.00	11,426.00	11,231.90
ROE (in percentage)	6.40	10.30	11.60	12.10	11.30
ROA (in percentage)	1.44	2.40	2.74	2.76	2.46
ORIX Corporation shareholder equity per share (Yen)	2,487.77	2,386.35	2,263.41	2,095.64	1,925.17
Cash Dividend (Yen)	78.00	76.00	76.00	66.00	52.25
Number of employees	33,000	31,233	32,411	31,890	34,835

ORIX Modaraba History

ORIX Modaraba (ORIXM) (Formerly Standard Chartered Modaraba) Established in 1987, floated under the Modaraba Ordinance of 1980, ORIXM is one of the largest modarabas in Pakistan. It is listed on the Pakistan Stock Exchange and has a history of offering highest dividends on its certificates. On September 01, 2015, ORIX Leasing Pakistan Limited signed a Share and Certificate Purchase Agreement (SPA) with Standard Chartered Bank (Pakistan) Limited (SCBPL), for the acquisition of SCBPL's 20% stake in the Modaraba [10% directly and 10% through ORIX Services Pakistan (Private) Limited (formerly Standard Chartered Services of Pakistan (Private) Limited)], and 100% stake in the management company of the Modaraba. Securities and Exchange Commission of Pakistan ("SECP"), on March 28, 2016, gave approval for this transaction. Subsequently ORIX Leasing Pakistan Limited acquired the 100% ownership of ORIX Services Pakistan (Private) Limited and 10% ownership of ORIX Modaraba (Formerly Standard Chartered Modaraba) on June 20, 2016 and June 21, 2016 respectively.

ORIX Leasing Pakistan Limited (OLP) and ORIX Services Pakistan (Private) Limited (Formerly Standard Chartered Services of Pakistan (Private) Limited) each own ten percent shareholding in ORIXM and hence are the associated companies of ORIXM. ORIXM is a member of NBFI & Modaraba association of Pakistan.

ORIXM Geographical Outreach

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INTRODUCTORY

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 Raiz	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 Mortage 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 Memorial Foundation Building,
Beaumont Road, Civil Lines, Karachi.
Phone: (021)35930000
Email:askus@orixmodaraba.com

Lahore Branch:
Office No-08, 1St floor,
Park Lane Tower (Mall Of Lahore)
172-Tufail Road, Lahore Cantt.

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., Shahra-e-Faisal, Karachi.
Tel: (92-21) 34380101-5
Fax: (92-21) 34380106
Email: info.shares@famco.com.pk

NOTICE OF DISTRIBUTION OF PROFIT & TRANSFER BOOK CLOSURE OF TWENTY SECOND ANNUAL REVIEW MEETING

At the meeting held on September 22, 2021, the Board of Directors of the ORIX Services Pakistan (Private) Limited was pleased to announce a net profit for ORIXM of PKR 152.52 million for the year ended June 30, 2021. The Board also approved a cash dividend @ 29.00% (PKR 2.90 per certificate of PKR 10/ each) for the year ended June 30, 2021 after transferring a sum of PKR 7.628 million to statutory reserve.

Twenty second Annual Review Meeting (ARM) of certificate-holders of ORIXM will be held on Tuesday, October 26, 2021 at 12:00 p.m., electronically through video link arrangement, to review the performance of the Modaraba for the year ended June 30, 2021.

Closure of Certificate Transfer Books

For the purpose of ascertaining entitlement of the aforementioned dividend and to attend Annual Review Meeting, the certificate transfer books will remain closed from Tuesday, October 19, 2021 to Tuesday, October 26, 2021 (both days inclusive). Transfers received in order at the office of our Registrar, FAMCO Associates (Pvt.) Ltd. 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi, before the close of business hours on Monday, October 18, 2021 will be treated as in time for the purpose of entitlement to dividend and to attend Annual Review Meeting respectively.

Participation in Annual Review Meeting

The Securities & Exchange Commission of Pakistan (SECP) through its Circular No. 6 of 2021 dated March 3, 2021, has directed that in case, listed companies are facing difficulties in holding Annual Review Meeting physically, they may opt to hold such meeting through electronic mode; however, the Modaraba shall provide necessary reasoning in the notice of Annual Review Meeting, for not holding the meeting physically. This direction has been issued to safeguard the certificate holders against the continuing threat posed by the COVID-19 pandemic and to protect their wellbeing.

In view of SECP's aforementioned circular, it is desided to attand the meeting by the Directors of ORIX Services Pakistan (Pvt) Limited and by certificate holders including holders of proxies, electronically through video link arrangement, in the best health interest of our valued shareholders and to ensure maximum participation.

The certificate holders are requested to get themselves registered by sending their particulars at the designated email address (secretariat @orixmodaraba.com), mentioning their names, CNIC number, Folio number, cell phone number and email address by the close of business hours (5:00 PM) on October 18, 2021. The webinar link would be provided to the registered certificate holders who have provided all the requested information.

Annual Report

In terms of Section 223 (7) of the Companies Act 2017, the Annual Report for the year ended 2021 will also be placed on the Modaraba's website simultaneously with the dispatch of the same to the members.

Members are hereby informed that pursuant to SECP's S.R.O. 787(1)/2014 dated September 8, 2014 regarding electronic transmission of Annual Report, we have uploaded the request form on our Modaraba's website. Members who want to avail this facility are requested to submit the request form duly filled to the Share Registrar.

On behalf of the Board
MUHAMMAD SIDDIQUE
Company Secretary

October 05, 2021

Notes:

Electronic Transfer of Dividend

As per SECP directives, the dividend of Certificate holders whose CNIC are not available with the Shares Registrar could be withheld. Certificate holders are therefore, requested to submit a copy of their valid CNIC (if not already provided) to the Modaraba's Shares Registrar, FAMCO Associates (Pvt.) Ltd. 8-F, Near Hotel Faran, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi. In the absence of a Member's valid CNIC, the Company will be constrained to withhold payment of dividend to such Members.

Please also note that in accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a Modaraba to pay cash dividend to certificate holders only through electronic mode directly into the bank account designated by the entitled certificate holders. In order to receive your dividend directly into your Bank account, please complete the particulars as mentioned in Electronic Credit Mandate Form and return the same duly signed along with a copy of your CNIC to our Registrar.

In case of non-communication of bank account details, the Modaraba would be constrained to act in accordance with the provisions of law, for withholding the amount of dividend which may be payable by the Modaraba. CDC certificate-holders are requested to submit their Dividend Mandate and CNIC directly to their broker (participant)/CDC.

You can find the Electronic Credit Mandate Form on Notices and Announcements Section at ORIXM website www.orixmodaraba.com. Further, the same is also available on website of FAMCO Associates (Private) Limited http://www.famco.com.pk. You may contact us at askus@orixmodaraba.com for this purpose.

With Holding Tax On Dividend:

Tax Requirements: The dividend income on certificates is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and pursuant to the provisions of Finance Act, 2020, the 'Filer' and 'Non-Filer' certificate holders will pay tax on dividend income @ 25% and 50% respectively. The Filer status of certificate holders will only be determined on the basis of latest available Active Taxpayers List (ATL) uploaded by the Federal Board of Revenue (FBR) on their website http://www.fbr.gov.pk.

In case a Folio / CDS Account is jointly held, each joint-holder will be treated separately as Filer or Non-Filer and tax will be deducted on the gross dividend amount determined by bifurcating the certificate holding of each joint-holder on equal proportions, except where certificate holding proportion of joint-holders is pre-defined as per the records of Modaraba's Certificate Registrar and thus tax rates will be applied in line with respective proportions. Those certificate holders, who are holding certificates jointly, are requested to update/ notify the certificate holding proportions of Principal and Joint-holder(s) in writing to our certificate Registrar latest by 18 October 2021 at their above referred office address.

In this regard, all certificate holders, whose names are not entered into the ATL despite the fact that they are filers, are advised to make sure that: (i) their names appear into the ATL before start of closed period (referred above), otherwise they will be treated as non-filers for tax deduction purpose, and (ii) a copy of their National Tax Number is submitted to their relevant Participant / CDC Investor Account Services or to our Share Registrar (in case of physical certificate holding only) at their above referred office address.

Corporate certificate holders are requested to provide a copy of valid Income Tax Exemption Certificate issued by the concerned authority to your institution which is compulsorily required to claim tax exemption in terms of clarification issued by FBR vide their letter C.No.1 (43) DG (WHT)/ 2008-Vol.11-66417-R dated 12 May 2015 (viewable at FBR's website at following link: http://www.°r.gov.pk/ShowDocument.aspx?type=Doc&Actionid=4141). In case you are subject to any special tax rate, please also provide a copy of relevant certificate issued by the concerned authority. Relevant copies should reach our Share Registrar at their above mentioned office address

Deposit of Physical Shares in to CDC Account

As per Section 72 of the Companies Act, 2017, every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017. The Certificate holders having physical certificate holding are encouraged to open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical certificates into scrip less form, this will facilitate them in many ways, including safe custody and sale of certificates, any time they want, as the trading of physical certificates is not permitted as per existing regulations of the Pakistan Stock Exchange.

الیکٹرانک طریقہ کار کے ذریعے حقدار سرٹیفکیٹ ہولڈرز کے نامزد کردہ بینک اکاؤنٹ میں ادا کرے۔ اپنا منافع منقسمہ براہ راست اپنے بینک اکاؤنٹ میں وصول کرنے کے لیے، براہ کرم الیکٹرانک کریڈٹ مینڈیٹ فارم میں بیان کردہ تفصیلات کو مکمل کریں اور اپنے رجسٹرار کو اپنے CNIC کی ایک کاپی کے ساتھ دستخط شدہ دستاویز واپس کریں۔

بینک اکاؤنٹ کی تفصیلات کے موصول نہ ہونے کی صورت میں، مضاربہ کو قانون کی دفعات کے مطابق مضاربہ کی طرف سے قابل ادائیگی منافع منقسمہ کی رقم کو روکنے پر مجبور ہو جائے گا۔ سی ڈی سی سرٹیفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنا منافع منقسمہ مینڈیٹ اور سی این آئی سی براہ راست اپنے بروکر (شریک)/سی ڈی سی کو جمع کریں۔

آپ ORIXM ویب سائٹ www.orixmodaraba.com پر ڈاؤنلوڈ اینڈ ڈاؤنلوڈ سیکشن پر الیکٹرانک کریڈٹ مینڈیٹ فارم تلاش کر سکتے ہیں۔ مزید یہ کہ یہ فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کی ویب سائٹ http://www.famco.com.pk پر بھی دستیاب ہے۔ آپ اس مقصد کے لیے askus@orixmodaraba.com پر ہم سے رابطہ کر سکتے ہیں۔

منافع منقسمہ پر ہولڈنگ ٹیکس

ٹیکس کے مقاصد، سرٹیفکیٹ پر منافع کی آمدنی انکم ٹیکس آرڈیننس، 2001 کی دفعہ 150 کے تحت وہولڈنگ ٹیکس کی کٹوتی کے لیے ذمہ دار ہے اور فنانس ایکٹ، 2020 کی دفعات کے مطابق، 'فائلر' اور 'نان فائلر' سرٹیفکیٹ ہولڈر مضاربہ کی طرف سے آمدنی پر بالترتیب 25% اور 50% ٹیکس ادا کریں گے۔ سرٹیفکیٹ ہولڈرز کی فائلر کی حیثیت کا تعین فیڈرل بورڈ آف ریونیو (ایف بی آر) کی جانب سے ان کی ویب سائٹ http://www.fbr.gov.pk پر اپ لوڈ کردہ ایکٹیو ٹیکس دہندگان کی فہرست (اے ٹی ایل) کی بنیاد پر کیا جائے گا۔

ایسی صورت میں فولیو/سی ڈی ایس اکاؤنٹ مشترکہ طور پر ہو تو، ہر مشترکہ ہولڈر کو علیحدہ علیحدہ فائلر یا نان فائلر سمجھا جائے گا اور ہر مشترکہ ہولڈر کے سرٹیفکیٹ ہولڈنگ کو مساوی تناسب سے تقسیم کر کے طے شدہ مجموعی منافع منقسمہ کی رقم پر ٹیکس کاٹا جائے گا، سوائے اس کے جہاں مشترکہ ہولڈرز کا سرٹیفکیٹ ہولڈنگ تناسب مضاربہ کے سرٹیفکیٹ رجسٹرار کے ریکارڈ کے مطابق پہلے سے طے شدہ ہوں اور اس طرح ٹیکس کی شرحیں متعلقہ تناسب کے مطابق لاگو ہوں گی۔ وہ سرٹیفکیٹ ہولڈر جو مشترکہ طور پر سرٹیفکیٹ رکھتے ہیں، ان سے درخواست کی جاتی ہے کہ وہ پرنسپل اور جوائنٹ ہولڈرز کے سرٹیفکیٹ ووہولڈنگ کے تناسب کو اپنے سرٹیفکیٹ رجسٹرار کو تحریری طور پر 18 اکتوبر 2021 تک ان کے مذکورہ دفتر کے ایڈریس پر تازہ ترین مطلع کریں۔

اس بابت میں، تمام سرٹیفکیٹ ہولڈرز جن کے نام فائلر ہونے کے باوجود اے ٹی ایل میں داخل نہیں ہیں، ان کو مشورہ دیا جاتا ہے کہ وہ اس بات کو یقینی بنائیں کہ: (I) ان کے نام بندرت کے شروع ہونے سے پہلے اے ٹی ایل میں ظاہر ہوں (اوپر حوالہ دیا گیا ہے)، بصورت دیگر انہیں ٹیکس کٹوتی کے مقصد کے لیے نان فائلر سمجھا جائے گا، اور (II) ان کے قومی ٹیکس نمبر کی ایک کاپی ان کے متعلقہ شرکاء/سی ڈی سی انویسٹر اکاؤنٹ سروسز یا ہمارے شیئر رجسٹرار کو جمع کرائی جائے گی (صرف فزیکل سرٹیفکیٹ رکھنے کی صورت میں ان کے مذکورہ دفتر کے پتے پر۔

کارپوریٹ سرٹیفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ متعلقہ اتھارٹی کی طرف سے جاری کردہ انکم ٹیکس چھوٹ سرٹیفکیٹ کی ایک کاپی آپ کے ادارے کو فراہم کی جائے جو کہ ایف بی آر کی جانب سے جاری کردہ وضاحت کے لحاظ سے ٹیکس چھوٹ کا دعویٰ کرنے کے لیے لازمی طور پر اپنے خط DG (43) C.No.1 (WHT)/2008-R-66417-Vol.11 مورخہ 12 مئی 2015 (ایف بی آر کی ویب سائٹ پر درج ذیل لنک پر دیکھا جا سکتا ہے http://www.r.gov.pk/show document.

اگر آپ کسی خاص ٹیکس کی شرح کے تابع ہیں تو، براہ کرم متعلقہ اتھارٹی کی طرف سے جاری کردہ متعلقہ سرٹیفکیٹ کی ایک کاپی بھی فراہم کریں۔ متعلقہ کاپیاں ہمارے شیئر رجسٹرار کو ان کے مذکورہ آفس ایڈریس پر پہنچائیں۔

فزیکل حصص کو سی ڈی سی اکاؤنٹ میں جمع کروائیں

کمپنیز ایکٹ، 2017 کے سیکشن 72 کے مطابق، ہر فہرست میں موجود کمپنی کو اپنے فزیکل شیئرز کو بک انٹری فارم میں مخصوص انداز کے ساتھ اور کمیشن کی طرف سے مطلع کردہ تاریخ کو چار سال سے کم مدت میں ایکٹ کے آغاز سے یعنی 30 مئی 2017 تک ضروری تبدیلی کروائیں۔ سرٹیفکیٹ ہولڈرز جو کہ فزیکل سرٹیفکیٹ ہولڈرز ہیں ان کی حوصلہ افزائی کی جاتی ہے کہ وہ کسی بھی بروکر یا انویسٹر کے اکاؤنٹ کے ساتھ سی ڈی سی کے ساتھ براہ راست سی ڈی سی کے ذیلی اکاؤنٹ کھولیں تاکہ وہ اپنے فزیکل سرٹیفکیٹ کو الیکٹرانک فارم میں رکھیں۔ یہ انہیں کئی طریقوں سے سہولت فراہم کرے گا، شمول محفوظ تحویل اور سرٹیفکیٹ کی فروخت، جب چاہیں، اور جس وقت چاہیں، کیونکہ پاکستان اسٹاک ایکسچینج کے موجودہ قواعد کے مطابق فزیکل سرٹیفکیٹ کی تجارت کی اجازت نہیں ہے۔

اورکس موضاربا (اورکس)

نوٹس برائے منافع کی تقسیم، ٹرانسفر کتابوں کی بندش اور پانچسواں سالانہ جائزہ اجلاس

22 ستمبر 2021 کو ہونے والی میٹنگ میں، اورکس سروسز پاکستان (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز مختتمہ سال 30 جون 2021 کے لیے 152.52 ملین روپے برائے ORIXM کے خالص منافع کا اعلان کرتے ہوئے مسرت محسوس کرتے ہیں۔ 30 جون 2021 کے مختتمہ سال کے لیے PKR 7.628 ملین کی رقم کو قانونی ریزرو میں منتقل کرنے کے بعد بورڈ نے ایک نقد ڈیویڈنڈ کی 29.00% @ (بحساب 2.90 روپے فی سرٹیفکیٹ) منظوری دی ہے۔

ORIXM کے سرٹیفکیٹ ہولڈرز کی پانچسویں سالانہ جائزہ میٹنگ (ARM) منگل 26 اکتوبر 2021 کو بوقت 12:00 p.m. بجے الیکٹرانک طریقے سے ویڈیو لنک کے ذریعے منعقد کی جائے گی تاکہ مختتمہ سال 30 جون 2021 میں بوقت 12:00 p.m. بجے مضاربہ کی کارکردگی کا جائزہ لیا جاسکے۔

سرٹیفکیٹ ٹرانسفر کتابوں کی بندش

مذکورہ بالا منافع منقسمہ کے حق کو یقینی بنانے اور سالانہ جائزہ میٹنگ میں شرکت کے مقصد کے لیے، سرٹیفکیٹ کی کتابوں کی بندش منگل، 19 اکتوبر، 2021 سے منگل، 26 اکتوبر، 2021 تک (دونوں دن شامل) بند رہیں گی۔ ہمارے رجسٹرار، FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ F-8، ہوٹل فاران کے آگے، نرسری، بلاک-6، PECHS، شاہراہ فیصل، کراچی کے دفتر میں آرڈر میں موصول ہونے والی ٹرانسفرز، کاروباری اوقات ختم ہونے سے پہلے پیر، 18 اکتوبر، 2021 منافع منقسمہ اور سالانہ جائزہ میٹنگ میں شرکت کے لئے حقدار تصور کیا جائے گا۔

سالانہ جائزہ اجلاس میں شرکت

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) نے اپنے 2021 کے سرکلر نمبر 6 مورخہ 3 مارچ 2021 کے ذریعے ہدایت کی جاتی ہے کہ اگر فہرست میں درج کمپنیوں کو سالانہ جائزہ اجلاس منعقد کرنے میں مشکلات کا سامنا کرنا پڑتا ہے تو وہ اس طرح کے اجلاس منعقد کرنے کا انتخاب الیکٹرانک طریقہ اختیار کرسکتے ہیں۔ تاہم، مضاربہ سالانہ جائزہ اجلاس کے نوٹس چلنے کو فزیکل طور پر منعقد نہ کرنے پر ضروری اسباب فراہم کرنا ہوگے۔ یہ ہدایت سرٹیفکیٹ ہولڈرز کو COVID-19 وبائی امراض سے لاحق خطرے کے خلاف اور ان کی فلاح و بہبود کے تحفظ کے لیے جاری کی گئی ہے۔

ایس ای سی پی کے مذکورہ سرکلر کے پیش نظر، یہ فیصلہ کیا گیا ہے کہ میٹنگ میں اورکس سروسز پاکستان (پرائیویٹ) لمیٹڈ کے ڈائریکٹرز اور پراکسی ہولڈرز سمیت سرٹیفکیٹ ہولڈرز، الیکٹرانک طور پر ویڈیو لنک کے ذریعے شرکت کریں گے، ہمارے قابل قدر شیئر ہولڈرز کے بہترین صحت کے مفاد میں اسکا اہتمام کیا گیا ہے اور اس میں زیادہ

سے زیادہ شرکت کو یقینی بنایا جاسکے۔

سرٹیفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ رجسٹریشن حاصل کرنے کے لئے اپنی تفصیلات ای میل ایڈریس (secretariat@orixmodaraba.com) پر اپنے نام، CNIC نمبر، فولیو نمبر، سیل فون نمبر اور ای میل ایڈریس پر کاروباری اوقات (5:00 PM) 18 اکتوبر 2021 تک بھیج دیں۔ webinar میں رجسٹرڈ سرٹیفکیٹ ہولڈرز جنہوں نے تمام ضروری معلومات فراہم کردی ہیں انہیں webinar link فراہم کردیا جائے گا۔

سالانہ رپورٹ

کمپنیز ایکٹ 2017 کے سیکشن 223(7) کے لحاظ سے، 2021 کے مختتمہ سال کی سالانہ رپورٹ بھی مضاربہ کی ویب سائٹ پر رکھی جائے گی جس کے ساتھ ہی یہ ممبران کو بھیجی جائے گی۔

اراکین کو مطلع کیا جاتا ہے کہ ایس ای سی پی کے ایس آر او 787(1)/2014 مورخہ 8 ستمبر 2014 کے مطابق سالانہ رپورٹ کے الیکٹرانک ٹرانسمیشن کے حوالے سے، ہم نے درخواست فارم اپنی مضاربہ کی ویب سائٹ پر اپ لوڈ کردیا ہے۔ جو ممبران اس سہولت سے فائدہ اٹھانا چاہتے ہیں ان سے درخواست کی جاتی ہے کہ وہ درخواست فارم کو مناسب طریقے سے بھر کر رجسٹرار سے شیئر کریں۔

بورڈ کی جانب سے۔

محمد صدیق

5 اکتوبر 2021 کمپنی سیکرٹری۔

نوٹس:

منافع منقسمہ کی الیکٹرانک منتقلی

ایس ای سی پی کی ہدایات کے مطابق، سرٹیفکیٹ ہولڈرز کا منافع منقسمہ جن کے CNIC شیئرز رجسٹرار کے پاس دستیاب نہیں ہیں، روک لیا جائے گا۔ اس لیے سرٹیفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے درست CNIC کی ایک کاپی مضاربہ کے شیئرز رجسٹرار، FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ F-8، نزد ہوٹل فاران، بلاک 6، PECHS، شاہراہ فیصل، کراچی میں جمع کرائیں۔ ممبر کے درست CNIC کی عدم موجودگی میں، کمپنی ایسے ممبروں کو منافع منقسمہ کی ادائیگی روکنے پر مجبور ہوگی۔

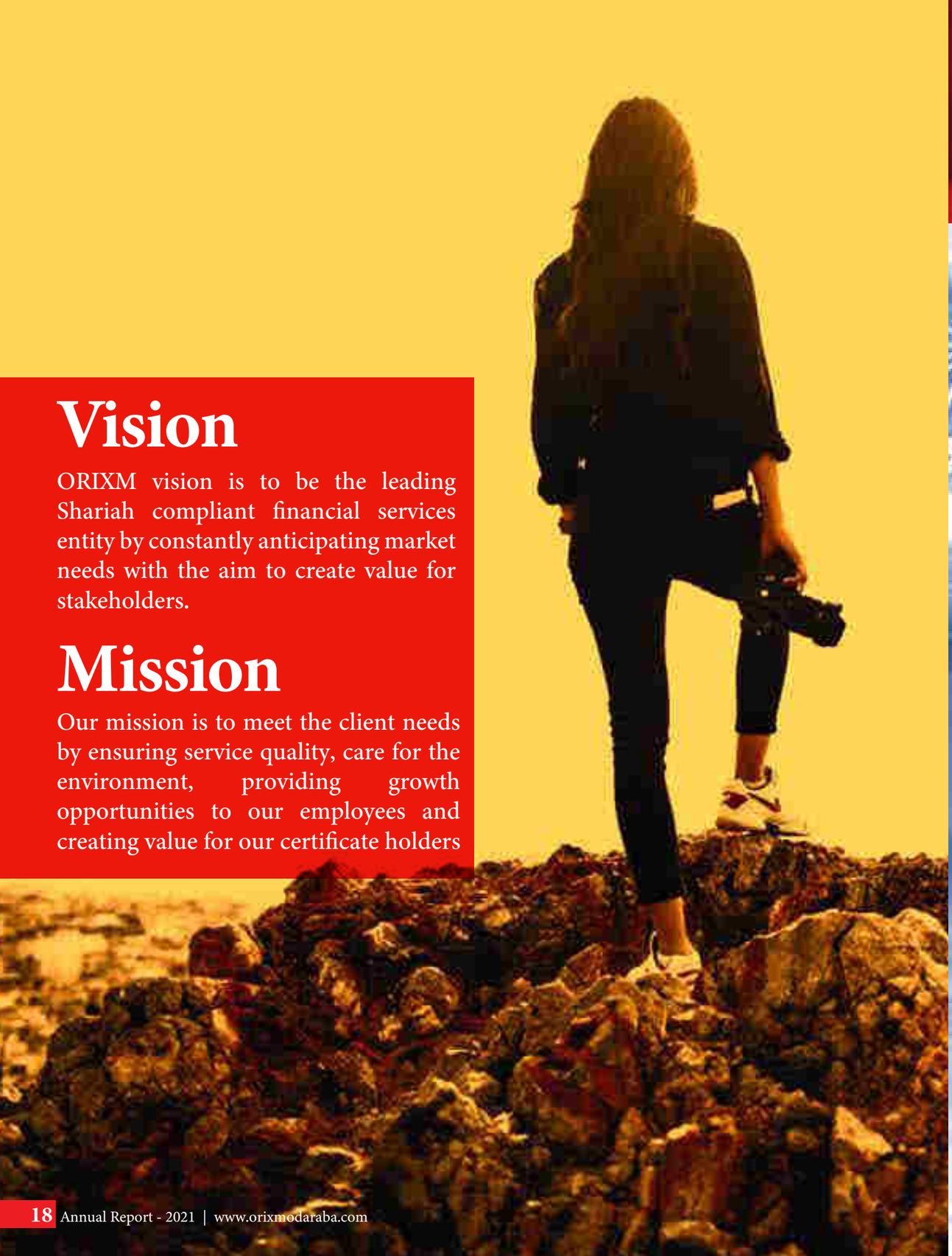
براہ کرم یہ بھی نوٹ کرلیں کہ کمپنیز ایکٹ، 2017 کے سیکشن 242 کی دفعات کے مطابق، مضاربہ کے لیے لازم ہے کہ وہ سرٹیفکیٹ ہولڈرز کو نقد منافع منقسمہ صرف

Vision

ORIXM vision is to be the leading Shariah compliant financial services entity by constantly anticipating market needs with the aim to create value for stakeholders.

Mission

Our mission is to meet the client needs by ensuring service quality, care for the environment, providing growth opportunities to our employees and creating value for our certificate holders



CORE VALUES

Integrity
We promote honesty and fairness in all our actions.

Clients Focus
We are because of our client and our success lies in their satisfaction.

Teamwork
We work together to create synergies.

Innovation
We seek continuous improvement and encourage creativity.

Respect
We respect each other's feelings and opinions.

Ownership
We protect the Interest of the Modaraba as if it is our own Business.

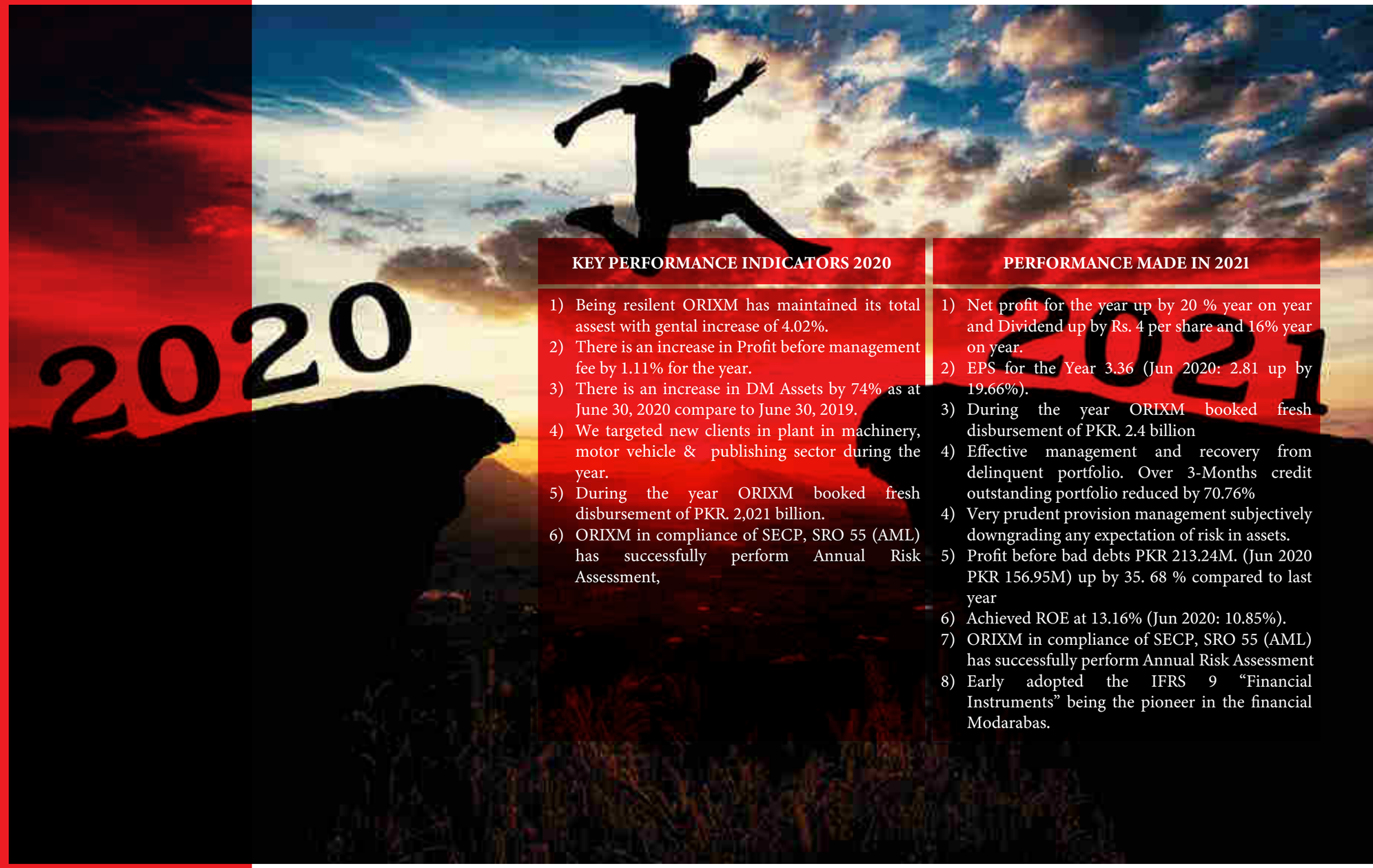
Forward Looking

Our strategy remains maintaining growth momentum and asset quality, increasing profitability and refining the product mix. We aim to target profitable new market segments and plan to enhance our exposure in high and mid-tier SME under Diminishing Musharika structure and consumer market under an assurance based model or with High Net Worth individuals. We understand that adapting to the change is the way forward.

In line with the same, ORIXM has set up a Principals Committee and Strategic Initiatives Unit to synchronize with the ever changing operating environment. Amongst other things, ORIXM focuses on IT and system's transactional capability reach and easy to use efficient processes ensuring client's satisfaction by reducing turnaround time without compromising on the control environment.

As the focus is to grow, acquiring and retaining the right quality of human resource will be critical. Accordingly, ORIXM will continue to invest in learning and development of its staff i.e. on the job learning, learning from others and formal training.

We believe that Islamic financing has a bright future in Pakistan. We intend to contribute a fair share to the growth of Islamic financing in the country. We will also look to maintain our thought leader status in the sector and to grow to be largest and most profitable Modaraba in Pakistan.



KEY PERFORMANCE INDICATORS 2020

1) Being resilent ORIXM has maintained its total assest with gental increase of 4.02%.
2) There is an increase in Profit before management fee by 1.11% for the year.
3) There is an increase in DM Assets by 74% as at June 30, 2020 compare to June 30, 2019.
4) We targeted new clients in plant in machinery, motor vehicle & publishing sector during the year.
5) During the year ORIXM booked fresh disbursement of PKR. 2,021 billion.
6) ORIXM in compliance of SECP, SRO 55 (AML) has successfully perform Annual Risk Assessment,

PERFORMANCE MADE IN 2021

1) Net profit for the year up by 20 % year on year and Dividend up by Rs. 4 per share and 16% year on year.
2) EPS for the Year 3.36 (Jun 2020: 2.81 up by 19.66%).
3) During the year ORIXM booked fresh disbursement of PKR. 2.4 billion
4) Effective management and recovery from delinquent portfolio. Over 3-Months credit outstanding portfolio reduced by 70.76%
4) Very prudent provision management subjectively downgrading any expectation of risk in assets.
5) Profit before bad debts PKR 213.24M. (Jun 2020 PKR 156.95M) up by 35. 68 % compared to last year
6) Achieved ROE at 13.16% (Jun 2020: 10.85%).
7) ORIXM in compliance of SECP, SRO 55 (AML) has successfully perform Annual Risk Assessment
8) Early adopted the IFRS 9 "Financial Instruments" being the pioneer in the financial Modarabas.

Major Calendar Event

July 2020

- Covid-19 awareness session to ORIXM staff

August 2020

- 6th board human resource & remuneration committee meeting
- Distribution of plants to ORIX staff for evironmental sustainability

September 2020

- 255th board meeting
- 80th board audit committee meeting
- 7th board human resource & remuneration committee meeting
- 1st risk committee meeting
- Announcement of 25% cash dividend

October 2020

- Annual review meeting
- 256th board meeting
- 81st board audit committee meeting
- 2nd corporate briefing session
- 2nd position best corporate report award 2019

November 2020

- Distribution of 25% cash dividend to certificate holders

December 2020

- "Certificate of merit award from safa for best presented annual report, integrated award and saarc anniversary awards for corporate governance Disclosure 2019"
- medical takaful policy awareness session by igi form orixm staff

January 2021

- Awareness session on cyber security to ORIXM staff

February 2021

- 257th board meeting
- 82nd board audit committee meeting
- Certificate of excellency NFEHS corporate social responsibility award 2021
- Shariah principles, modaraba concept and shariah products training to ORIXM staff

March 2021

- Publication of Modaraba regulation 2021 by SECP PACRA assigned long term AA rating and
- Short term A1+ rating to ORIX Modaraba
- Publication of second amended income tax ordinance 2021

April 2021

- 258th board meeting
- 83rd board audit committee meeting

May 2021

- Submission on AML report
- Re-location of Lahore Branch office

June 2021

- Finance act 2021-2022

THE BOARD

GET TO KNOW YOUR BOARD OF DIRECTORS

MR. SHAHEEN AMIN
Chairman

Mr. Amin was appointed as the Chairman of the Board of Directors in June 2016. He is also the Chief Executive Officer of ORIX Leasing Pakistan Limited (OLP) since February 2016. He started his career with OLP in 1986 and he served in various capacities before being appointed as Deputy Managing Director in January 1992. Mr. Amin's appointments since then include General Manager, Oman ORIX Leasing Company SAOG and General Manager, Saudi ORIX Leasing Company. Mr. Amin has an MBA from Booth School of Business, University of Chicago and an Executive MS in Risk Management from Stern School, New York University.

MR. RAHEEL QAMAR AHMAD
Managing Director

Mr. Raheel Qamar Ahmad has been the CEO of Standard Chartered Modaraba since 2011, which was renamed as ORIX Modaraba after acquisition by ORIX group. He has over 25 years of varied corporate and investment banking experience. In his last three roles, he ran the country local corporate portfolio at Standard Chartered Bank and large regional corporate portfolios at United Bank Limited and Allied Bank. Prior to that he ran Mashreq Bank's structured finance portfolio. He has also participated as sell side advisor for entities in the Government of Pakistan privatisation programme. In addition to various technical, risk, Islamic banking and other certifications, Raheel is also a certified board director (from PICG) enabling him to be appointed to any listed company's board in the country. He holds a Masters in Business Administration from the Illinois Institute of Technology, Chicago (IIT) and a Bachelor of Science in Engineering from University of Engineering and Technology, Lahore (UET).

MR. RAMON ALFREY
Director

Mr. Alfrey was appointed as a member of the Board of Directors in June 2016 and he currently holds the office of Deputy Chief Executive officer, ORIX Leasing Pakistan Limited (OLP). He joined OLP in 1990 and has served the ORIX Group in various senior capacities in Pakistan and United Arab Emirates. Mr. Alfrey is a fellow member of the Institute of Chartered Accounts of Pakistan and has attended a number of leadership and management training courses in Pakistan and abroad.

MR. NAUSHERWAN ADIL
Independent Director

Mr. Nausherwan Adil is an MBA from Fairleigh Dickinson University New-Jersey, USA. He has over 31 years of prolific banking experience and has held various senior positions. He has twice served as Group Chief Operations National Bank of Pakistan. During his tenure with NBP, he has also served as Senior Executive Vice President & Regional Chief Executive - Europe Region where he was responsible for NBP Europe Operations in France and Germany. He contributed materially to overall institutional policy debate and strategy formulation.

MIAN FAYSAL RIAZ
Director

Mian Faysal Riaz is currently serving as Group General Manager - Operations, ORIX Leasing Pakistan Limited (OLP). He graduated from Forman Christian College in 1989 and started his professional career with OLP's Lahore office in 1991. Mr. Riaz has served in various capacities at OLP's including postings as Branch Manager Faisalabad and Head of Lahore Office. Mr. Riaz has attended various seminars and courses in Pakistan and abroad to enhance his professional abilities, these include High Impact Leadership Program and Building a Brighter Future which was held under ORIX Corporation's Global Leaders programme.

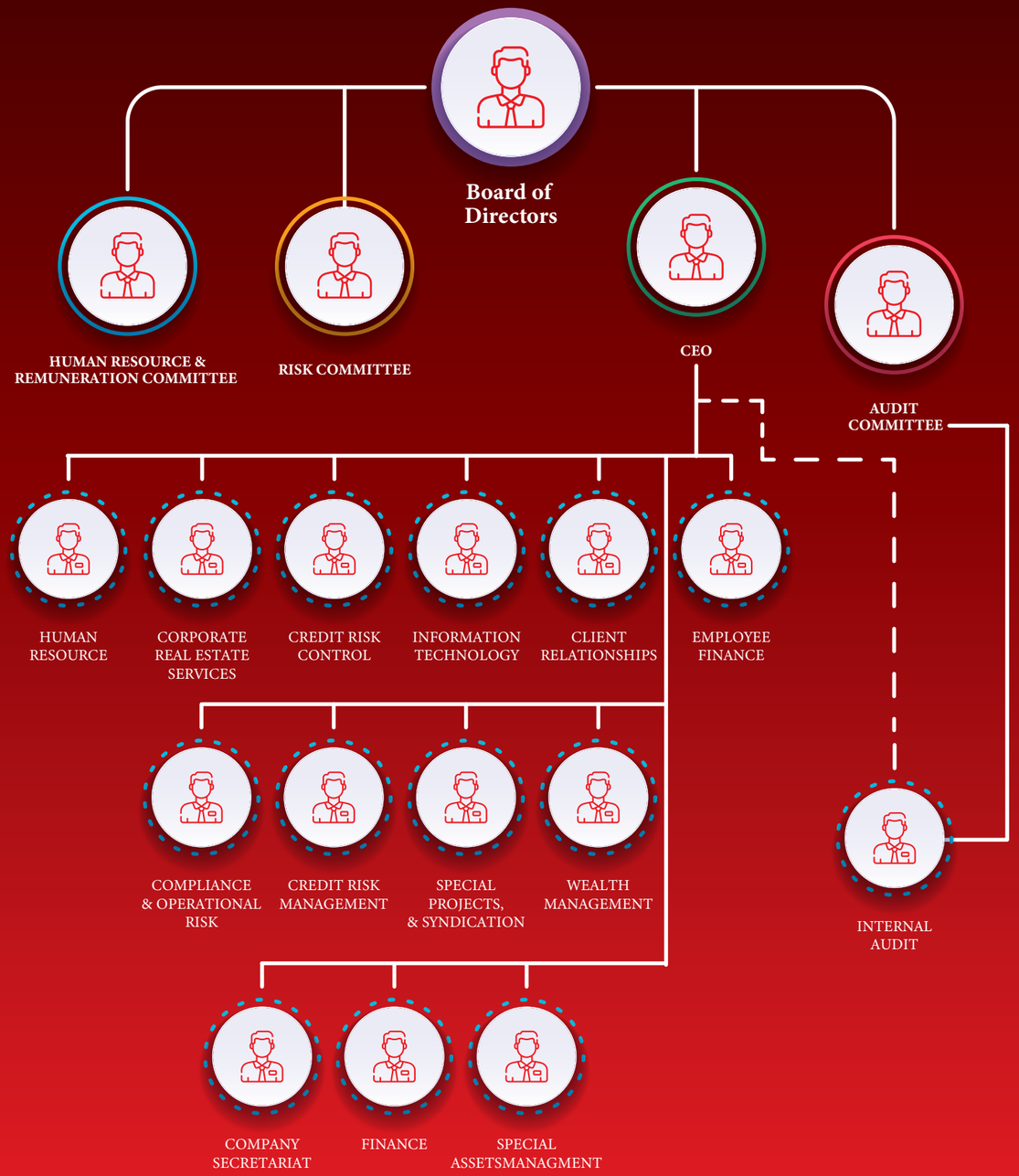
MS. MARYAM AZIZ
Director

Ms. Maryam Aziz is a Fellow Chartered Accountant and has been associated with ORIX Leasing Pakistan Limited (OLP) since April 2002 and has or 20 years of professional experience. She was deputed to SK Leasing, Kazakhstan in July, 2005 as Finance Director. She returned to Pakistan in January, 2011 and was elevated as Head of Risk Management & Internal Audit Department. She has attended various courses including Pakistan Institute of Corporate Governance – Directors Training Program Certification, IFC Certification for Environment Management, Managing Change, Strategic Management, and Corporate Governance.

MR. NADIM D. KHAN
Independent Director

Nadim D. Khan has over 30 years of diversified senior financial management experience along with a wealth of knowledge in strategic planning, preparation of corporate plan, business retention & development, conducting market due diligence, risk management, compliance, human resource management, etc. His depth of experience comes from working with Standard Chartered Bank, ING Barings Securities, Elixir Securities Pakistan, AMZ Asset Management Limited, KASB Securities and BenchMatrix. He did his BBA from Grand Valley State University, Michigan and MBA from San Francisco State University, California, USA. He is also an Associate from the Institute of Bankers, Pakistan.

ORIXM ORGANOGRAM



ORGANIZATION OVERVIEW & EXTERNAL ENVIRONMENT

MODARABA
at a Glance

ORIX Modaraba - ORIXM (formerly Standard Chartered Modaraba) was incorporated in May 1987. It started operations in August 1987 as First Grindlays Modaraba (FGM). ORIXM is widely regarded as the thought leader in the sector. Its strategy is to grow to be the largest and most profitable Modaraba in Pakistan.

ORIXM offers Ijarah, Diminishing Musharika (DM), House Finance under DM structure, Sukuk, Murabaha, Salam to Corporates, SME, High net work individuals and employees of selected Corporate Clients under Assurance Model. The funds to finance the assets comes from a mix of Certificate of Musharakah, bank financing, equity and operational inflows. Our total assets balance is PKR 6.75 billion as at June 30, 2021.

ORIXM is managed by ORIX Services Pakistan (Private) Limited which owns 10% certificates capital in ORIXM. ORIX Leasing Pakistan Limited holds another 10% stake in ORIXM. The rest 80% is held by the general public. ORIXM is regulated by Securities and Exchange Commission of Pakistan and employs 40 permanent and 14 contractual staff members. It has branch offices in Lahore and Islamabad with the Head office in Karachi.

FINANCIAL HIGHLIGHTS

Profit After Tax	PKR in Million
2021	152.52
2020	127.46

Earnings	PKR
2021	3.36
2020	2.81

Cash Dividend	PKR in Million
2021	131.61
2020	113.46

Total Assets	PKR in Billion
2021	6.751
2020	7.246

Total Disbursements	PKR in Million
2021	2.419
2020	2.199

Break-up value Per Certificate	PKR
2021	25.53
2020	25.88

ORIX Modaraba (formerly Standard Chartered Modaraba) - ORIXM offers both Consumer and Wholesale Shariah compliant products. These include; Ijarah/ Leasing, Diminishing Musharakah, Murabaha, Salam, Istisna and Certificates of Musharakah. ORIXM also offers Syndicate Financing Facility to the clients that require large amount of financing.

ORIXM PRODUCTS

CERTIFICATE OF MUSHARAKAH

ORIXM's Certificate of Musharakah is a profit & loss-sharing instrument whereby investors have an opportunity to earn low-risk income. It offers the most secure and rewarding return to its investors given ORIXM's AA Rating assigned by Pakistan Credit Rating Agency Limited (PACRA). This strong credit rating assigned to ORIXM indicates low expectation of credit risk and strong capacity for timely payment of financial commitments. Launched in the year 2000, this Shariah compliant Deposit Scheme has been formulated under the guidelines issued by SECP Religious Board formed under the Modaraba Ordinance. ORIXM's Certificate of Musharakah is an Islamic investment avenue available to Individuals, Corporates, Provident Funds, Gratuity Funds, Mutual Funds, and high Net Worth Individuals. ORIXM has tailor-made this product keeping in consideration Islamic Principles and its valued customers' convenience.

MURABAHA FINANCE

ORIX Modaraba also offers Murabaha (selling a commodity as per the purchasing price with an agreed profit). Murabaha refers to the sale of commodity on pre-defined price and profit. Murabaha is completed in two stages. In the first stage, the ORIXM purchases a commodity that the client is desirous of acquiring. In the second stage, the client agrees to a payment schedule for repurchasing the goods.

IJARAH

ORIXM OFFERS ITS CLIENTS SHARIAH-COMPLIANT INTEGRATED FINANCIAL LEASING SERVICES.

At ORIXM, we pride ourselves on our Shariah-based values in offering asset rental solutions with ownership promise that is Ijarah Financing. Ijarah is the best solution as it fulfils the needs and aspirations of all clients, in a flexible timeframe that perfectly fits clients' needs. We offer financing services to our clients in a way that answers their needs and goes hand in hand with their expectations.

One of the most important fields of work at ORIXM is the leasing of assets which includes Plant & Machinery, Motor Vehicles, Office and Computer Equipment. We are proud to say that we have experience and an in-depth knowledge in this field in Pakistan; our specialization in the field has allowed us to present the best in terms of financial leasing services.

DIMINISHING MUSHARAKAH (DM)

DM arrangements allow equity participation and sharing of profits on a pro-rata basis. Under this product, possession of the asset is with the client. The financing is made by ORIXM and the client jointly in accordance with an agreed share. The share of the Modaraba in an asset reduces with every periodical payment, ultimately transferring ownership of the asset to the client. The client also pays rent for the use of Modaraba's share in the asset.

The clients may approach ORIXM for the acquisition of Plant and Machinery, Motor Vehicles, Office and Computer Equipment using DM financing. The asset remains under the charge of ORIXM until settlement.

HOUSE FINANCE DIMINISHING MUSHARAKAH (HFDM)

HFDM is based on the concept of mortgage. The clients can avail HFDM facility for the acquisition, construction and renovation of property of their choice. Under this product, ownership and possession of the property is with the client. The financing is done by ORIXM and the client jointly in accordance with an agreed percentage. The property remains mortgaged in favor of ORIXM and original property documents are held by us till the contract is matured or terminated and settled.

SALAM

Salam or Bai-Al Salam, is a contract of sale where the Seller undertakes to supply some specific commodity to the Buyer at a future date in exchange for a price fully paid in advance. Hence, the price is paid in cash whereas delivery of the purchased Goods is deferred.

Client may approach ORIXM for this product to manage its working capital requirements. This may include both core and overheads expenses pertaining to business operations of our esteemed clients.

ISTISNA

The word Istisna is a derivative from the root word 'Sa na'a, which means to manufacture or to construct something. Istisna is a contract of sale of specified items to be manufactured or constructed with an obligation on the part of the seller to deliver them to the purchaser upon completion.

A client who intends to purchase certain assets to be manufactured or constructed may approach the Modaraba. At this point, Modaraba acting as a seller and the client as purchaser would execute an Istisna contract. Once the asset is complete and in useable condition, the Modaraba would deliver the assets to the client on agreed delivery schedule. The Client would make the payment to the Modaraba pursuant to the terms agreed upon in the Istisna contract either in various instalments or, as the case may be, at the delivery of the asset.

SYNDICATE FINANCING

ORIX Modaraba also arranges Syndicate Financing facilities for clients (clients that can be Large Corporates, Local Corporates, Medium Enterprises or SMEs).

A traditional syndicated facility, is a facility arranged / offered by a group of Financial Institutions - referred to as a syndicate - who work together to provide funds for a single client.

Such a facility is suitable for clients that are looking for a single contact point solution for their relatively larger financial facility requirements.

ORIX Modaraba can arrange the following types of facilities for its clients:

- Syndicated Ijara Facility (Direct and sale & lease back Ijarah).
- Syndicated Diminishing Musharika Facility (For new & existing assets).

Code of Conduct

Do the right thing

Our values are integral to the way we work every day. The Code is important because it outlines how we can make sure that the decisions we make are the right ones.

Act responsibly and within authority

Be disciplined, responsible and take accountability for the risks Staff take and make sure they are appropriate to your business or activity. Staff must keep to their limits and policies and not make decisions that are beyond their delegated authority.

Use good judgment

Recognise when there are situations without simple solutions. Use the Code's decision making framework to help make decisions well, appropriately and with care.

Speaking Up

Staff have a responsibility to Speak Up when they see behaviour, a process or system they are not comfortable with at work. This helps to maintain a culture of strong ethics, integrity and transparency.

Comply with laws, regulations and standards

Staff are individually responsible for complying with the spirit, not just the letter, of laws, regulations and our standards.

Combat financial crime

It is critically important to protect the worldwide financial system. Staff must comply with laws, regulations and standards on anti-money laundering (including those on tax evasion), preventing financing for terrorism, fraud or sanctions.

Reject bribery and corruption

Bribery is illegal, dishonest and damages the communities where it takes place. Staff must not give or accept bribes nor take part in any form of corruption.

Treat clients fairly

A focus on building long-term relationships helps to increase our business by improving our reputation. This includes having well-designed products and services, which:

- are clearly sold based on suitable advice
- perform as expected
- give clients choice

Manage conflicts of interest

Staff are responsible for identifying, assessing and managing conflicts of interest (whether actual or issues which could be viewed as conflicts) that arise in your daily working life.

Do not engage in or support insider dealing

The misuse of inside information undermines the financial system and unfairly disadvantages others in the market.

Protect confidential information

Building trust is a basic part of all our relationships with clients. Staff must not release confidential information unless authorised to do so.

Compete fairly in the market place

Staff must understand and comply with the laws which affect how you compete in their markets both locally and abroad.

Treat colleagues fairly and with respect

All staff are entitled to a safe working environment that is inclusive and free from discrimination, bullying and harassment. Treating your colleagues as partners helps our people to deliver on the brand promise, resulting in a positive effect on our business results.

Be open and co-operate with regulators

Deal with regulators in a responsive, open and co-operative way and give regulators information they would reasonably expect to be told about.

Respect our communities and the environment

To contribute to economic stability in our markets, we all have a responsibility to reduce our effect on the environment and give back to our communities.

Factors Affecting the External Environment and the Organization's Response

DESCRIPTIO	POLITICAL Government policy's intervention in the economy, other related factors and actions that can affect a business	ECONOMIC Various aspects of the economy, and how the outlook on each area could impact your business.	SOCIAL Cultural and demographic trends of society. Social norms and pressures are key to determining consumer behavior.
FACTORS	P • Political uncertainty and inconsistent policies can have adverse impacts • Global decline in demand, trade activity and exchange-rate fluctuations • Terrorism and geostrategic considerations • Environmental laws • Fiscal policies • Labour Law • Trade restrictions	E • Reduction in policy rates • Financial crisis due to pandemic • Increased Labour cost • Rising interest rates • Inflation • Low economic growth • Exchange rate fluctuations • Disposable income of businesses & consumers	S • CSR responsibilities factors • Charity & donations • Providing education facility • Safe & healthy environment • Social impacts of Covid -19 in Pakistan • Organizational Reputation • Fair practices
RESPONSE	• Modaraba remains focused on enhancing its policies and procedures while working closely with all regulators. • Regular Updation of internal documents in line with Modaraba's regulations • ORIXM has embedded Environmental and Social Risk Assessment in products and services that are offered to the clients.	• From the onset of the pandemic ORIXM worked closely to reduce the transmission of virus Covid -19 by promoting adherence to staff safety health measures and encouraging staff to get them vaccinated. For this purpose, ORIXM collaborated with Zainab Panjwani Memorial Hospital for the "Vaccination Drive". • Reduce cost through cost containment initiatives • Profit rate adjustments • Informed decision making	• ORIXM has formed multiple committees related to Corporate Social Responsibility, Health and Safety, Resource Utilization and welfare of the staff and the society as a whole. • ORIXM continues to provide financial assistance to various charitable and non-profit organizations such as The Citizens Foundation (TCF), Layton Rahmatulla Benevolent Trust Hospital (LRBT), The Kidney Centre, Sindh Institute of Urology and Transplantation (SIUT), Professional Education Network, PSEF • Special precautionary measures are taken against Covid-19 for staff such as awareness sessions, free covid-19 testing in office premises, fumigation and availability of sanitizers, masks, antibacterial liquid & temperature detector device. • Staff has been trained to use email, internet, internal & external collaboration and social networking forums responsibly to protect reputational damage and preserve confidentiality of Modaraba

	TECHNOLOGICAL Innovation in the industry and the overall economy. Not being up to date to the latest trends of a particular industry can have adverse impact on the business	ENVIRONMENTAL Ecological impacts on business. Importance of Corporate Sustainability Responsibility (CSR) initiatives.	LEGAL Legal forces define what a business can or cannot do.
FACTORS	T • Problem of security and privacy • Businesses have to keep pace with emerging technology to satisfy their customer base • Technological awareness that a market possesses • Technological awareness & readiness • Level of innovation • Automation	E • Environmental protection • Climate changes • Carbon Foot prints • Recycling standards	L • Corporate & personal Taxes (Tax & Tariffs) • Anti-Bribery and Corruption code adherence • Employment laws & Discrimination laws • Data protection laws
RESPONSE	• ORIXM has a reporting process where any actual or suspected incidents are reported without delay to prevent loss or theft of information or assets • Monitored and need to know download to prevent malicious software or viruses • Managers are responsible to promote awareness of information security to protect Modaraba's information from unauthorized access, modification & deletion • ORIXM has adopted Auto Banker system to improve internal processes and enhance service quality.	• ORIXM continues its support towards environmental protection, conservation and reduction of carbon emissions • ORIXM's commitment towards clean environment is also extended to its clients. We have embedded Environmental and Social Risk Assessment in our products and services we offer to our client. All activities of clients must comply with our environmental & social risk policies and an Environmental and Social Risk Assessment is performed for all our corporate clients • ORIXM has shifted its internal process to paperless environment and has eliminated where possible or has greatly reduced the use of paper.	• Modaraba considers the above factors while making decisions to enter or not enter certain industries, to launch or not launch certain products • Anti-corruption and customer confidentiality protection measures are taken seriously at ORIXM • Adherence to a policy on Anti Bribery and Corruption (ABC), for which the employees are trained regularly • Restricted disclosure of information to a need basis only. • A closed process complying with all applicable laws & regulations, including Shariah governance, ensure the highest level of governance.

STRATEGY AND RESOURCE ALLOCATION

Overall Strategy

Innovation prowess especially in Shariah compliant products, close ties with our partners, expertise honed over decades and customized Shariah compliant solutions are some of our key strengths giving us a competitive edge.

ORIX Modaraba's Strengths and Strategy

ORIX Modaraba (ORIXM) has a multitude of strengths that has contributed to our success in the past and will also set us apart from our competitors in future. These include:

- Strong evaluation of client's credit profile including repayment ability.
- Post disbursement monitoring of risk exposure.
- Experienced management team.
- Efficient IT systems that support core competencies and improves overall efficiency and responsiveness to market development.
- Continuous re-engineering of policies, procedures, SOPs, SLAs and TATs, ensuring operational efficiencies through effective management of key resources without any compromise on control environment.
- Strong customer loyalty, supported by the ORIX premium brand.
- Differentiated product suite including the Pioneer Modaraba offering Shariah compliant house finance facility to Individual.

Focus on Growth and Profitability

Our strategy is geared towards generating growth over the next few years. We will be continue with our strength in Corporates, high end SMEs, and HNW individuals. We will also expand into midtier SME and Employees of selected Corporate Client under Assurance Model. The cornerstones of our strategy are:

- Expanding our Diminishing Musharika portfolio;
- Stable and constant growth of the housing finance product;
- New business with High Net Worth customers and target employees of selected blue-chip entities;
- Syndication with OLPL and other entities;
- Synergy within ORIX group with two way referrals, syndication, use of common resources and profiling including utilize existing OLPL branch network for mobilization of Islamic funds and new products;
- Advisory transactions where risk reward parameters are met.

Significant Decision, Changes in Objectives and Strategies from Prior Years:

ORIXM is on its way to achieve the overall objectives set by its Board of Directors. There are no significant changes in objectives & strategies of ORIXM as compared to last year. Furthermore, there are no significant plans and decisions including corporate restructuring, business expansion and discontinuance of operations, etc., in the light of ORIXM's existing objectives & strategies.

ORIXM Resource Mobilization

ORIXM manages its liquidity position and funding profile through Asset Liability Committee (ALCO) chaired by the Chief Executive. It meets on a monthly basis and is represented by CFO and Business Heads. It reviews monthly and quarterly cash flow projections. The approach to manage liquidity ensures that it will always have adequate liquidity to meet its commitments under normal and stressed conditions.

Cash flows and Financing Resources

The main sources of funding are Operational inflows, Certificate of Musharakah and Term Financing from Shariah compliant banks or Islamic windows. Operational inflows are repayments received in the form of rentals and principal along with mark-up based on financing terms. Certificate of Musharakah offered to individuals and corporates for a tenor of three months to five years whereas funds from banks hold repayment terms for a period of over one month to five years. Modaraba intends to focus on medium to long term Bank financing to fund the projected growth.

Human Resources

Staff is the key asset of any organization and Modaraba has the right quality of human resources. We believe in equal opportunity, diversity and inclusion of staff and their continuous professional and personal development. Modaraba recognizes the services of its staff and fairly rewards them in line with HR policies of the Modaraba duly approved by the Board.

Critical Performance Indicators

Critical performance indicators that are in place to appraise ORIXM performance include:

Strategic Direction: To ensure that the management is involved in setting and devising key strategies that provide the Modaraba with correct futuristic direction, and all of the management proposals, challenges, assumptions and alternatives are duly considered prior to deciding such strategy.

Management Financial Performance: To ensure that the management's performance in terms of revenue, profitability and cost control and its progress towards achieving its set targets is periodically monitored by the Board members of Modaraba Management Company.

Internal Controls: To oversee and ensure that appropriately designed internal control framework is in place and is routinely tested to address top risks.

Compliance: To ensure that there is an active compliance function at the Modaraba, and to monitor its compliance with external laws & regulations (including anti money laundering requirements) and internal policies, and to monitoring of controls through Control Sample Testing (CST).

Understanding of Corporate Governance and Code of Conduct: : To ensure that the management fully understand the Code of Corporate Governance and Ethics.

Committee Composition: To ensure that each of the Board and management Committees are appropriately structured to effectively achieve its underlying goals and objectives, and its key functions are also clear and well defined.

Liquidity Strategy:

ORIXM manages its liquidity position and funding profile primarily through Asset Liability Committee (ALCO) represented by CEO, CFO and key personnel from Business, Operations and Liabilities. ALCO regularly reviews upcoming monthly and quarterly cash flow projections with respect to disbursements in pipeline, COMs portfolio proceeding towards maturity considering respective reinvestment probabilities, bank financings repayments, available drawing limits of banking lines, status of processing of new banking lines and other major operational cash flows falling due. In addition, ALCO sets guidelines for Maximum Cumulative Outflows (MCO), and Medium Term Funding Ratio (MTFR). The same is monitored regularly.

Accordingly, Balance Sheet position, Assets-liabilities gap/maturity mismatch and funding profile are operationally managed in ensuring that liquidity remains adequate and Balance sheet continues to be well funded with focus on the targets and guidelines set under Board's approved Annual Financial Plan as overall financial strategy.

- ORIXM has Asset Liability Committee (ALCO) in place which regularly meets to ensure effective liquidity management. ORIXM-ALCO holds the ownership of Liquidity Contingency Plan which ensures that all financial liabilities that are falling due are either re-invested or re-financed with other feasible sources.

- The main source of fund to ORIXM for extending Islamic financings is issuance of Certificate of Musharaka (COMs). Since COMs are the most economical source of funds available to Modaraba, ORIXM focused on COMs to manage its financial cost efficiently.

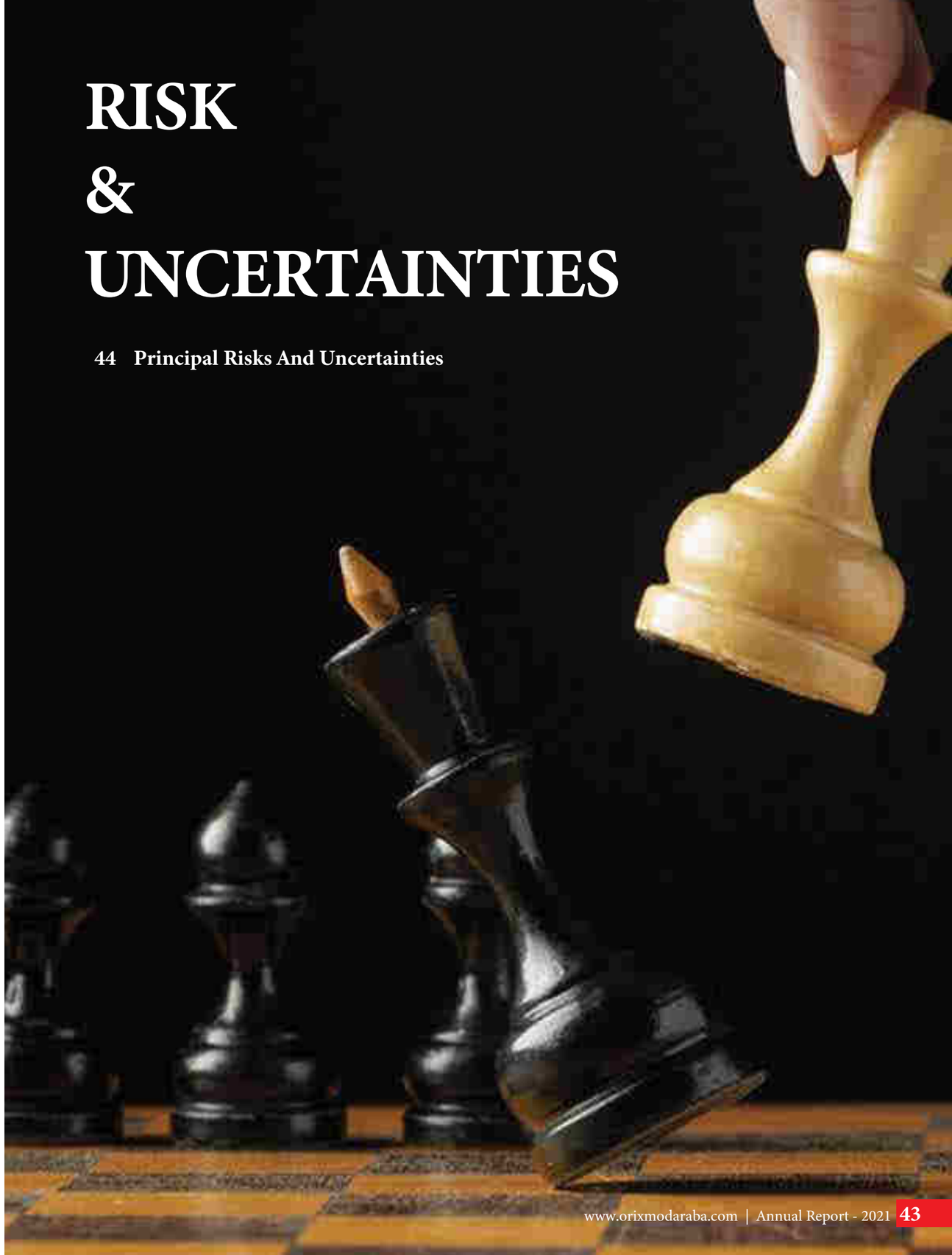
- ORIXM Effectively markets the COMs in a way that maturing COMs are replenished with new issue of COMs.

Considering frequent changes in discount rate, COM customer prefers to invest in short term maturity period. Consequently, almost all COMs have maturity up to one year. Although there is substantial contractual maturity mismatch, however there is nominal behaviour maturity mismatch as most of the CoMs were re-invested after maturity.

On the asset side, ORIXM portfolio includes Ijarah and Diminishing Musharaka products with maturity period of minimum three (03) years.

ORIXM avails long term finance facilities from Islamic banks and Islamic windows of conventional banks to reduce contractual maturity mismatch and holds substantial unutilized financing facilities from Islamic Banks with the help of which ORIXM manages the remaining mismatch

RISK & UNCERTAINTIES



PRINCIPAL RISKS AND UNCERTAINTIES

The significant risks faced by the ORIXM are detailed below. The external risks faced by the ORIXM may also impact the success of delivering against the ORIXM's long-term strategic objectives. They include, but are not limited to the coronavirus pandemic, global macro-economic conditions, regulatory developments and the black listing of Pakistan by FATF.

Through the coronavirus pandemic, the ORIXM has offered help and support to its clients with deferment of principal payments in compliance of government directives and continues to actively monitor the outcomes to ensure fair treatment. Support has been prioritised for those clients in the most vulnerable situations and those who need help urgently. ORIXM has also taken a series of unprecedented actions to protect employees, and we have been proactive in limiting the impact with a number of mitigating actions to support employees' safety and wellbeing. Transition planning, including continued engagement with employees, remains a key focus in ensuring that we continue to protect our employees and our services delivery to our clients as the situation continues to evolve and that any lessons learned from the pandemic can be embedded into our future working practices.

In continuation of COVID - 19 relief provided to the customer in last financial year, futer PKR 272.76 million have been deferred in this financial year.

The ORIXM's key cyber controls and enablement have continued to operate effectively during the coronavirus pandemic. During this period, the ORIXM has also enhanced monitoring of key suppliers to protect the services received by ORIXM and its ability to protect and maintain service to customers. The ORIXM continues to work with the regulators constructively with regular engagement to ensure they are aware of the impacts on, and mitigating actions taken by, the ORIXM.

The ORIXM's principal risks and uncertainties are reviewed and reported regularly to the Board in alignment with ORIXM's Risk Management Framework. Following are the key risks faced by the ORIXM:

CHANGE / EXECUTION

The risk that, in delivering the change agenda, the ORIXM may fails to ensure compliance with laws and regulation, maintain effective customer service and availability, and/or operate within the ORIXM's approved risk appetite.

DATA

The risk that the ORIXM may fail to effectively govern, manage, and control data (including data processed by third party suppliers) leading to ,mismanagement of data confidentiality, unethical decisions, poor customer outcomes, loss of value to the ORIXM and mistrust.

OPERATIONAL RESILIENCE

The risk that the ORIXM may fails to design resilience into business operations, underlying infrastructure and controls (people, process, technology) so that it is able to withstand external or internal events which could impact the continuation of operations, and may fail to respond in a way which meets customer and stakeholder expectations and needs when the continuity of operations is compromised.

STRATEGIC

The risks which result from strategic plans which do not adequately reflect trends in external factors, ineffective business strategy execution, or failure to respond in a timely manner to external environments or changes in stakeholder behaviours and expectations.

CREDIT

The risk that parties with whom the ORIXM has contracted, may fail to meet their financial obligations (both on and off balance sheet). For example observed, anticipated or unexpected changes in the economic environment could impact profitability due to an increase in delinquency, defaults, write-downs and/or expected credit losses.

REGULATORY AND LEGAL

The risk of financial penalties, regulatory censure, criminal or civil enforcement action or customer detriment as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.

CONDUCT

The risk of customer detriment across the customer lifecycle including: failures in product management, distribution and servicing activities; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss.

OPERATIONAL

The risk of loss from inadequate or failed internal processes, people and systems, or from external events.

PEOPLE

The risk that the ORIXM fails to provide an appropriate employee and customer-centric culture, supported by robust reward and wellbeing policies and processes; effective leadership to manage human resources; effective talent and succession management; and robust control to ensure all employee -related requirements are met.

CAPITAL

The risk that the ORIXM has a sub-optimal quantity or quality of capital or that capital is inefficiently deployed across different Business Segments.

MARKET

The risk that the ORIXM's capital or earnings profile is affected by adverse market rates, in particular interest rates and credit spreads in the banking business, and credit spreads.

FUNDING AND LIQUIDITY

Funding risk is the risk that the ORIXM may not have sufficiently stable and diverse sources of funding or the funding structure is inefficient. Liquidity risk is the risk that the ORIXM may not have sufficient financial resources to meet commitments when they fall due, or can only secure them at excessive cost.

GOVERNANCE

The risk that the organisational infrastructure fails to provide robust oversight of decision making and the control mechanisms to ensure strategies and management instructions are implemented effectively.

GOVERNANCE

Review Report

SHAHEEN AMIN
Chairman

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of ORIX Modaraba highlighting the Modaraba's performance and achievements for the year ended June 30, 2021.

Year 2021 for Pakistan:
The year 2021 was also the year of Pandemic as the year began in the midst of the most severe global health crises experienced in modern history. Pakistan's economy, like rest of the world, has also struggled to combat the economic consequence of Covid-19. However, with effective and prompt decisions (monetary and fiscal measures, smart lockdowns, rapid vaccination etc.) taken by the Government, the country economy has witnessed a V- shape growth recovery. The SBP's foreign exchange reserve rose to $16 billion four -year high, the policy rate remained unchanged at 7.0 % which improved business sentiments, current account posted a surplus of $0.8 billion, during July-April, FY2021 for the first time in 17 years, FBR tax collection has witnessed a significant growth of around 18% during July-May FY 2021, The country entered the international capital market after a gap of over 03 years by successfully raising $2.5 billion through EURO Bonds.

Review of Financial Performance:
Despite the pandemic, our performance has been excellent for the year with the focus on creating value for shareholders and achieving optimum results. The Modaraba's net profit increased by 19.66% from PKR 127.46 million to PKR 152.52 million.

Modaraba Awards and Rating:
For the period from last chairman review report, the Modaraba has been awarded with Certificate of Merit; SAFA Best Presented Annual Report Awards, Certificate of Merit; Best Corporate Reports Awards 2020 by ICAP and ICMAP and Corporate Social Responsibility Award 2021 by National Forum for Environment & Health (NFEH).

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the ratings of ORIX Modaraba as AA (Double A) and A1+ (A one plus) for long-term and short-term respectively.

The Review of Board and its Functions:
I would like to report that the Board of Directors has performed its duties and responsibilities diligently and has made positive contributions in guiding the company in its strategic affairs. In today's volatile macroeconomic environment, it has focused on major risk areas and remained involved in the strategic planning process of the Modaraba. The Board recognizes that well defined corporate governance processes are important to preserve and enhance stakeholder value. All Directors including Independent Directors, fully participated and contributed in the decision making process of the Board. The Board carried out its annual self-evaluation in line with the requirements of Code of Corporate Governance.

The year ahead is going to be one of challenges and opportunities. We believe our stakeholders provide us with the motivation to keep getting better and it is our endeavor to continue to deliver a quality service.

Acknowledgement:
Finally, I would like to thank all our Board Members for their commitment and contribution in the overall performance of Modaraba and to the certificate holders for their trust in the Board and the management. I would also like to thank our employees for their hard work and continuous support in year ended 2021 and I look forward to continue working with them to attain success in 2022.

Shaheen Amin
Chairman

Karachi: September 22, 2021

The Board of Directors of ORIX Services Pakistan (Private) Limited, the Management Company of ORIX Modaraba-ORIXM, is pleased to present the thirty eighth Directors' report of ORIXM, together with audited financial statements and auditors' report thereon for the year ended June 30, 2021.

Thirty Eighth Report of the Directors of Modaraba Company

For the year ended June 30, 2021

1. Economy

Pakistan's economy is moving progressively on higher inclusive and sustainable growth path on the back of various measures and achievements during the year. Economy has witnessed a V – shaped recovery. The current economic recovery has been achieved without compromising internal and external stability. Major achievements highlighting the economic performance during FY2021 are mentioned below:

The provisional GDP growth rate is estimated at 3.9 percent on account of 2.8 percent growth in Agriculture, 3.6 percent in the Industrial sector and 4.4 percent growth in the Services sector. Moreover, GDP at current market prices stood at Rs 47,709 billion, showing a growth of 14.8 percent during FY2021 over last year (Rs 41,556 billion). While in the dollar term, it remained $ 299 billion which is higher than its value recorded last year ($ 263 billion). Manufacturing has witnessed broad-based growth as major sectors of Large Scale Manufacturing (LSM) have shown significant improvement i.e., Textile, Food Beverages & Tobacco, Non-Metallic Mineral Products and Automobile. First nine months of FY2021 recorded highest period wise growth of 8.99 percent since FY2007. Current account posted a surplus of $ 0.8 billion, during July-April, FY2021 for the first time in 17 years. Inflows of foreign exchange through the Roshan Digital Account (RDA) crossed the $1 billion mark. During July-April FY2021, workers' remittances posted historically high growth of 29 percent and reached to $ 24.2 billion.

SBP's foreign exchange reserves rose to $16 billion, four-years high. Keeping in view the significant performance pertaining to FATF conditions, potential of exports and e-commerce, Pakistan has been added into the Amazon's seller list. FBR tax collection has witnessed a significant growth of around 18 percent during July-May FY2021 owing to the revival of domestic economic activity and ongoing comprehensive tax policy and administrative reforms. Primary balance remained in surplus at 1.0 percent of GDP, highest level through the first three quarters in 12 years. The policy rate remained unchanged at 7.0 percent which improved business sentiments and thus stimulating economic activities enabling employment to recover. Pakistan has entered the international capital market after a gap of over three years by successfully raising $ 2.5 billion through Euro bonds. On 27th May 2021, PSX witnessed an all-time high daily trading volume with 2.21 billion shares traded in a single session. Due to its impressive growth, Pakistan Stock Exchange earned the title of being the best Asian stock market and fourth best-performing market across the world in 2020. (marketcurrentswealthnet.com).

IMF has acknowledged that the government policies have been critical in supporting the economy and saving lives and livelihoods. The IMF and Pakistan have announced the resumption of stalled $ 6 billion loan programme. During the year, all three major credit rating agencies, Moody's, Fitch and Standard & Poor's, reaffirmed their sovereign credit Ratings for Pakistan. This reaffirmation is reflective of the sound policies of the Government and of the confidence reposed by these leading international institutions in the country's economic outlook.

Major relief has been given to the Automobile industry in Budget 2021-22 by reducing the sales tax on 850cc cars from 17 percent to 12.5 percent along with exemption from value-added tax (VAT). As a result, car prices were reduced. Under SME Support Program for risk-sharing and collateral-free lending to SMEs, PKR 12 billion has been allocated. PKR 900 billion has been allocated in Federal PSDP 2021-22 which is 38.5 percent higher as compared to the previous year (PKR 650 billion last year).

2. Operating Results and Business Overview

	June 30, 2021	June 30, 2020
Balance Sheet	---------- (Rupees) ----------	
Certificate capital	453,835	453,835
Total equity	1,158,672	1,174,473
Investment in Ijarah finance and Ijarah Assets	2,244,264	2,632,313
Investments in Diminishing Musharika and Sukuk	3,326,029	3,230,796
Redeemable capital	3,250,705	3,871,505
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	730,533	931,603
Financial charges	328,910	598,938
Provisions	(37,781)	(10,323)
Operating expenses	188,384	175,713
Profit before management fee	175,458	146,629
Net profit	152,519	127,458
Appropriations		
Net profit for the year	152,519	127,458
Add: Un appropriated profit brought forward	47,930	40,306
Effect of change in accounting policy-Impact of IFRS 9	(54,858)	-
Profit available for appropriation	145,591	167,764
Profit distribution @ 29% (2020 @25%)	131.612	113,462
Statutory reserve	7,626	6,373
	139.238	119,834
Unappropriated profit carried forward	6.353	47,930
Earnings per certificate	3.36	2.81

By the Grace of Allah, your Modaraba's performance during the year under review continued to be very strong in spite of difficult economic conditions due to the COVID -19 pandemic result in slowdown in economic activities. Although Modaraba's gross revenue (net of Ijarah assets depreciation and including other income) decreased by 21.58% from PKR 931.60 million last year to PKR 730.53 million. However, profit before management company's remuneration increased by 19.66% from PKR 146.63 million last year to PKR 175.46 million. The main reason for decrease in gross revenue is reduced average KIBOR during current year compared to average KIBOR during the last year as the whole portfolio is on floating basis. Similarly financial charges also decreased by 48.08% from PKR 598.94 million last year to PKR 328.91 million mainly due to downward movement of KIBOR as stated above. During the year a net provision amounting to PKR 37.78 million has been provided for doubtful finances against net provision amounting to PKR 10.32 last year. Major reason for this provision is the subjectively downward classification of some of the customers in line with prudent portfolio management practice. Administrative and operating expenses increased by 7.21% from PKR 175.71 million to PKR. 188.38 million mainly due to staff cost in line with the market and cost associated with process alignment for compliance of new regulations. However Net profit has increased by 19.66% from PKR 127.46 million to PKR 152.52 million. During the year your Modaraba has early adopted all the requirements of IFRS 9 "Financial Instruments". Accordingly, provision against financing has been incorporated from the current year using modified retrospective restatement approach which has been detailed in note 2.6 and 4.2.1.2 to the financial statements. Hence the opening unappropriated profit has been adjusted by PKR 54.86 million due to impact of IFRS 9.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 5,570 million compared to PKR 5,863 million as at June 30, 2020, showing decrease of 4.99% mainly due to reduction in disbursement as a result of slowdown in economic activities. Similarly total assets, also decreased by 4.02% from PKR 7,246 million to PKR. 6,750 million last year. During the year under review, the Modaraba booked fresh disbursements to the tune of PKR 2,419 million consisting of PKR 1,522 million (63%) Plant and Machinery, PKR 853 million (35%) Motor Vehicle and PKR 44 million (2%) others.

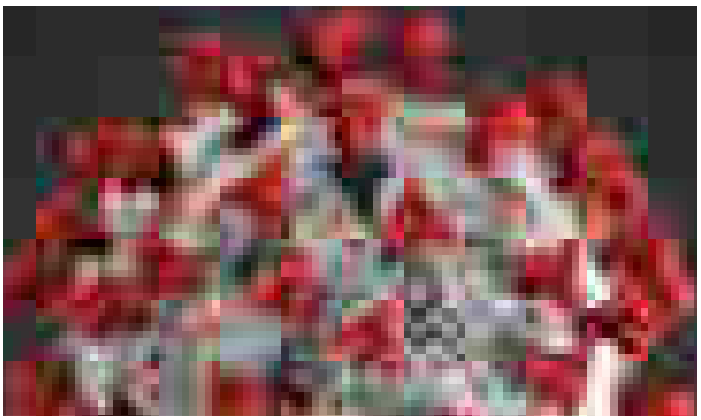
On the liability side Certificates of Musharika (COMs) decreased by 16.04% from PKR 3,872 million to PKR 3,251 million whereas bank financing increased by 12.70% from PKR 1,240 million to PKR 1,398 million last year. Although majority of COMs are maturing within next 12 months, their behavioral maturity is more than 12 months as majority of our COMs customers reinvest their funds after maturity.

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 granting facilities and regular oversight thereon. Further, there are Portfolio Management and Early Alert committees which are responsible for ensure portfolio monitoring and timely alerts for possible untoward scenarios.

3. The potential impact of COVID-19

Pandemics like COVID-19 are once-in-a-century event that devastate global economies. Pakistan did much better in coping with the pandemic compared to many countries but its economy, like the rest of the world, has struggled to combat the economic consequences of COVID-19 shock through prompt measures for supporting the economy and saving the lives and livelihoods. Besides, virus containment measures, the government has implemented a comprehensive set of measures including the largest ever economic stimulus package of PKR 1,240 billion,



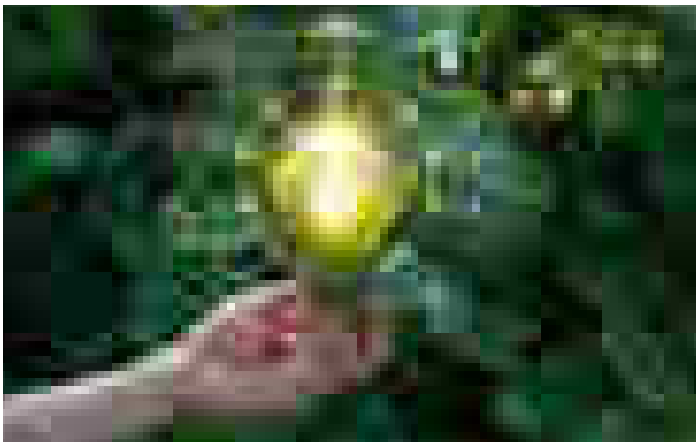
a construction package, an expansion of the social safety net to protect the vulnerable segments of the society and supportive monetary policy stance along with targeted financial initiatives. These measures helped the economy in lessening the negative impact of the pandemic in contrast to other world economies

Your Modaraba is closely monitoring the situation and has invoked 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. Robust Standard Operating Procedures (SOP) has developed and implemented to ensure safety and security of the staff and uninterrupted service to the customers. 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. Your Modaraba continues to meet the expectations of all stakeholders as they would in a normal scenario.

4. Future Outlook

The COVID-19 pandemic has tested the country's health infrastructure and identified the need for more investment in the health sector especially for diagnostic facilities, disease surveillance, disease prevention and spread, training of health personnel and their protection from the pandemic, vaccine development, up-grading health care infrastructure, emergency rooms, intensive care units, isolation wards and public awareness.

In order to make substantial progress on Goal 3 of SDGs (Good Health and Wellbeing), the Government of Pakistan has given priority to strengthen the health sector to further resolve and address the outbreak of the COVID-19 pandemic. The health-related expenditure increased by 14.3 percent from Rs 421.8 billion (1.1 percent of GDP) in 2018-19 to Rs 482.3 billion (1.2 percent of GDP) in 2019-20. Pakistan formally launched the coronavirus vaccination drive on 03 February 2021. China has donated 1.5 million doses of the Sinopharm vaccine, which has an efficacy of 79 percent. Till 2nd June, 2021, a total of 13.0 million doses of vaccine have been received by the Government of Pakistan and 8.3 million doses have been administered as on 5th June, 2021. The government is fully committed to increase the health coverage and provision of good nutrition to meet the emerging demand and to develop the effective human capital.



Social protection has also played central role in addressing the social, economic and health dimensions of the COVID-19 crisis. The Ehsaas Emergency Cash programme has proven to be effective in mitigating the socio-economic consequences of COVID-19 pandemic. The Government has disbursed Rs 179.8 billion as one-time emergency cash assistance to 14.8 million families at risk of extreme poverty. Since the launch of Ehsaas, many transformative initiatives and policy reforms have effectively been implemented nationwide.

ORIXM took all necessary precautions to ensure health and safety of its staff and to offer sustained and persistent services to our customers with a safe environment. Being one of the prominent Modarabas, ORIXM has played a foremost role to ensureing smooth operations in order to provide financial services to the customers in these difficult times. The Modaraba took adequate Initiatives to ensure smooth vaccination of Covid-19 to all staff members thus enabling the Modaraba to appropriate deal with this sprouting crisis after closely monitoring the enduring developments. ORIXM is also working closely with our valued customers to support them during these testing time to provide regulatory reliefs through regular liaison with the regulators.

Most countries are now gradually easing lockdown restrictions to revive economic activities post COVID-19 with acceptance of new normal. While the number of new infections in Pakistan is slowing, the evolution will depend on how the Government controls the situation going forward. Moving forward, as the economy opens up, the demand is expected to pick up however growth will remain subdued due to the lasting impact of the virus on different sectors of the economy. Looking ahead, we expect fresh disbursements to gradually pick up with the revival of economic activity. In line with our previous practices, we will further congeal our cautious approach towards booking of new business and prudently evaluate customers on the newly introduced parameters in line with the changing scenario. We will further strengthen our relationships with existing customers to support them in these tough times and will have close liaison with them to pre-empt the difficulties due to ongoing evolution.

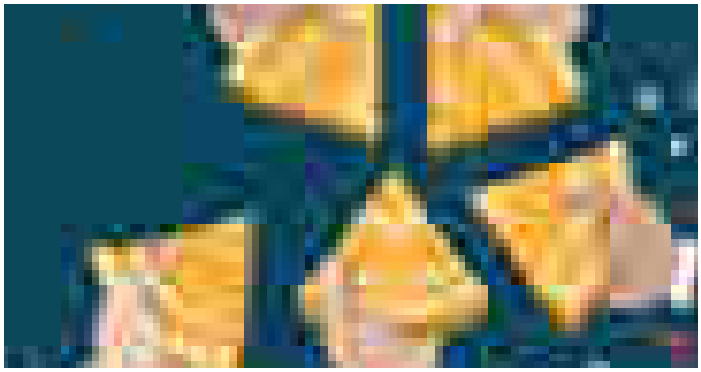
ORIXM re-evaluated its entire portfolio to ascertain risks associated with our existing customers and adjusted risk classification of those customers accordingly. Credit policies have been tuned accordingly to evaluate customers that are to be on-boarded in future. Stricter monitoring and data gathering is also in place for existing clients. While reviewing credit policies, due weightage is given to various geographies, business sectors and their ability to sustain any future business disruptions.

5. Pattern of Shareholding

The Modaraba certificates are traded on the Pakistan Stock Exchange Limited. The certificate holding information as of June 30, 2021 is provided in the relevant section of this annual report. The Directors, CEO, CFO/ Company Secretary, Head of Internal Audit and their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year except already disclosed to the regulatory bodies and included in the pattern of shareholding.

6. Profit Distribution

The Board in its meeting held on September 22, 2021 has approved the distribution of profit of Rs. 2.90 (29%) per certificate of Rs.10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2021.



An amount of PKR. 7,626 million has been transferred to statutory reserve in compliance with the Modaraba Regulations 2021 which require that not less than 20% and not more than 50% of the Modaraba's after tax profit be transferred to such reserve till such time as the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

7. Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, Accounting estimates used are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- The system of internal control, which is in place is sound in design and has been effectively implemented and monitored.
- There is no doubt upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2021 except for those disclosed in the financial statements.

8. The Modaraba Regulations, 2021

During the year, SECP issued Modaraba Regulations, 2021 (the revised Regulations) on March 5, 2021 which replaces the previously issued Prudential Regulation for Modarabas, 2004. Revised regulation come into force at once. A number of changes has been introduced through the Regulations including revised limit on maximum exposure to a person or a group, more stringent time-based criteria for classified portfolio etc. A new chapter "Certificates of Musharakah" (COMs) has been introduced to regulate the COMs. Currently COMs are governed by the SECP's Guidelines for Issue of Certificates of Musharakah for Modarabas dated 7th September 1994 (the Guidelines) and COM Scheme of ORIX Modaraba duly approved by SECP. ORIX Modaraba is already compliant with almost all requirements of the Revised Regulations.

9. Taxation

On March 22, 2021, the President of Pakistan promulgated the Tax Law (Second Amendment) Ordinance, 2021, (Ordinance 2021) whereby Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 which relate to the Tax Exemption available to the Modarabas stands withdrawn. The Modaraba Companies and

Modaraba (Floatation and Control) Ordinance, 1980 (Modaraba Ordinance) regulates matters relating to registration of modaraba companies and the floatation, management and regulation of modarabas and for matters connected therewith or ancillary thereto. As per Clause 37 of the Modaraba Ordinance, the income of a modaraba shall be exempt from tax, if not less than ninety per cent of its profits in a year is distributed to the holders of the Modaraba Certificates. Subsequently a new Section 242 of the Income Tax Ordinance, 2001 was introduced through the Finance Act, 2021. Section 242 provides clarity on how the beneficiaries of the repealed exemptions are to be treated.

A legal opinion has been obtained by the NBFI & the Modaraba Association of Pakistan. The legal counsel is of the view that the withdrawal of the exemption is effective from July 1, 2021 and the tax exemption remains valid for the year ended June 30, 2021. Accordingly, the Modaraba intends to claim tax exemption for the year ended June 30, 2021 by distributing ninety percent of its total profit as reduced by the amount transferred to statutory reserve. Further, as a result of withdrawal of tax exemption, there are implications of deferred tax which have been assessed by the management in consultation with tax advisor. The management and the tax advisor are of the view that since the income of the Modaraba would be chargeable to tax for the first time in the tax year 2022, potential differences may arise in practice which are not yet envisaged. Therefore, the management has prudently decided not to recognise the deferred tax asset in these financial statements.

10. The Board of Directors' Meetings and Attendance

During the year, four (04) meetings of the Board of Directors were held. No Board meeting was held outside Pakistan. Attendance by each director was as follows:

Name of Director	No. of Meetings Attended
Mr. Shaheen Amin	04
Mr. Raheel Qamar Ahmad	04
Mr. Ramon Alfrey	04
Mian Faysal Riaz	04
Mr. Nausherwan Adil	04
Ms. Maryam Aziz	04
Mr. Nadim D. Khan	04

During the year, four (04) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Director	No. of Meetings Attended
Mr. Nausherwan Adil - Chairman	04
Mian Faysal Riaz	04
Mr. Ramon Alfrey	04

During the year, three meeting were held by the Human Resource and Remuneration Committee to finalize the recommendation for the yearly staff compensation amounts which was attended by all members at that time.

Name of Director	No. of Meetings Attended
Mr. Nadim D Khan - Chairman	03
Mr. Shaheen Amin	03
Mr. Raheel Qamar Ahmad	03

During the year, one meeting of the Board Risk Committee was held and was attended by all members.

Name of Director	No. of Meeting Attended
Ms. Maryam Aziz - Chairperson	01
Mr. Raheel Qamar Ahmad	01
Mr. Nausherwan Adil	01

11. Current Structure of Board and its Committees

The total number of directors are 07 as per the following,-

a. Male: 06

b. Female: 01

The composition of the board and its committees are as follows:

Names of Board Members	Member in Committees	Category
Mr. Nausherwan Adil Mr. Nadim D. Khan	Chairman Audit and Member Risk Committee Chairman HR&R Committee	Independent Directors
Mr. Raheel Q. Ahmad	Member Risk and HR&R Committee	Executive Director
Mr. Shaheen Amin Mr. Ramon Alfrey Mian Faysal Riaz Ms. Maryam Aziz	Member HR&R Committee Member Audit Committee Member Audit Committee Chairperson Risk Committee	Non-Executive Directors

The remuneration of the Executive Director and Independent Directors were paid by Modaraba management Company.

All Directors have completed their training under the Director Training Program.

In accordance with Regulation 7 of Listed Companies Code of Corporate Governance 2019, Ms. Maryam Aziz is appointed as the female director.

12. Management Committee

The Management Committee comprises of Seven (07) senior members and the managing director, who meet and discuss major business plans, issues and progress updates of their respective functions. The major matters are then put forth in the Board for consideration and approvals.

13. Social Responsibility

ORIXM is committed for conducting business responsibly and investing in communities for their sustainable development. Corporate Social Responsibility is, therefore, an integral part of ORIXM's ways of working. At ORIXM, we believe in building long term relationships with neighboring communities, stakeholders and embrace transparency in all work processes. Detailed policies and procedures are in place to enable us to meet the legal, ethical, commercial and public expectations of the communities in which we operate.

At ORIXM we have formed multiple committees on different initiatives related to Corporate Social Responsibility, Health and Safety, Resource Utilization and welfare of the staff and the society as a whole. These committees include Corporate Social Responsibility and Environment Committee, Carbon Reduction Initiative, Volunteering Committee, Well-Being Committee, Support/ Initiative Committee for Social Welfare.

From the onset of the pandemic ORIXM worked closely to reduce the transmission of virus Covid -19 by promoting adherence to staff safety health measures and encouraging staff to get them vaccinated. For this purpose, ORIXM collaborated with Zainab Panjwani Memorial Hospital for the "Vaccination Drive". Further special precautionary measures are taken against Covid-19 for staff such as awareness sessions, free covid-19 testing in office premises, fumigation and availability of sanitizers, masks, antibacterial liquid & temperature detector device.

ORIXM under the supervision of professionals, organized "Medical Camp" in collaboration with "Chugtai Lab" for employees in office premises. In this camp employees were provided basic tests free of cost, other medical test on discounted rate and free medical consultation from General Physician.

In view of gender diversity and wellness in the month of October "Breast Cancer "awareness session was conducted by a professional Oncologist for female staff. ORIXM staff wore pink ribbon on the occasion to show its solidarity to the cause.

ORIXM continues its support towards environmental protection, conservation and reduction of carbon emissions. In support of this initiative on Independence Day we arranged Tree Plantation Drive in association with National Forum for Environment and Health at Export Processing Zone. In this drive more than 50 fruit trees were planted. ORIXM's commitment towards clean environment is also extended to its clients. We have embedded Environmental and Social Risk Assessment in the products and services we offer to our client. All activities of clients must comply with our environmental & social risk policies and an Environmental and Social Risk Assessment is performed for all our corporate clients.

ORIXM continues to provide financial assistance to various charitable and non-profit organizations. We support a range of fund-raising events and projects, which focuse on children's health and education for under privileged members of society such as The Citizens Foundation (TCF), Layton Rahmatulla Benevolent Trust Hospital (LRBT), The Kidney Centre, Sindh Institute of Urology and Transplantation (SIUT) and Professional Education Network.

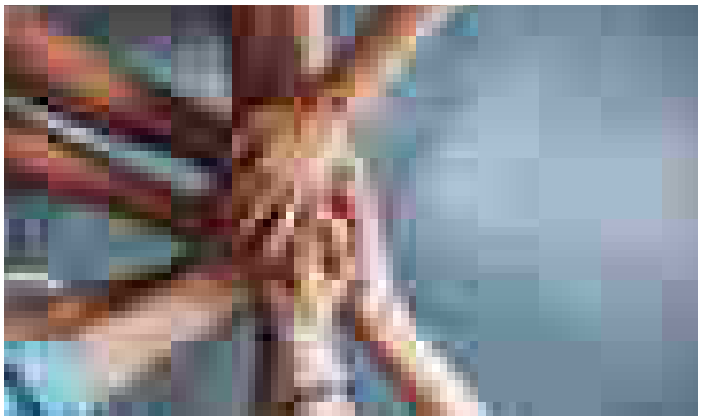
14. Our People

People at ORIX Modaraba are crucial to the delivery of its sustainable business model. In our continuous drive to make ORIXM a great place to work, focus is on attracting the best talent across our footprint and employee engagement. At ORIX Modaraba we believe high performance is not just about generating high profits; it is about living our values.

The Board places on record its appreciation of the services rendered by the staff members responsible for Modaraba affairs. Modaraba's record of achievements would not have been possible without the efforts of every employee. It is indeed the dedication and hard work of each one of them that has brought ORIXM to where it stands now. We will continue to invest in our Human Resources.

15. Equal Opportunity Employer

ORIXM is an equal opportunity employer and does not discriminate on the basis of gender, language, race, religion and disability. In compliance with all legal requirements ORIXM appoints special persons. The responsibility of HR is to ensure transparency with regard to suitable recruitment and compensation on the basis of merit, experience and qualification.



We specially encourage minorities, ladies and differently abled individuals to apply for each role in our recruitment process.

16. Environmental Protection Measures

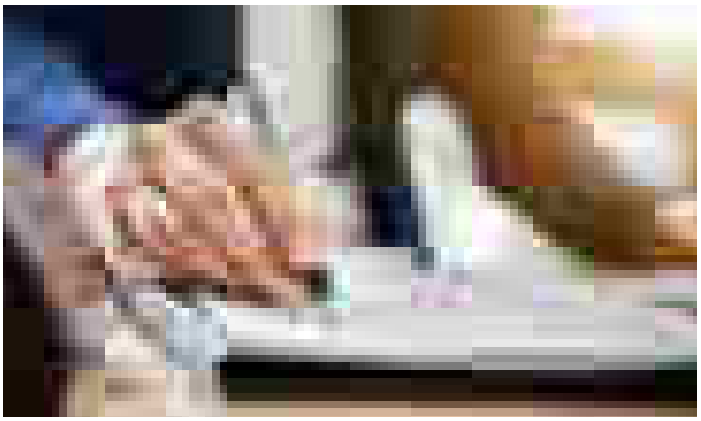
At ORIXM, it is our resolve to ensure sustainability in our portfolio and in our practices. In order to protect an environment which is a global cause, we have formed a "Carbon Footprint Reduction Committee". Our carbon committee continuously strive and find new ways to reduce carbon emissions to implement that business practices which are environmentally friendly. The Company strongly discourages un-necessary or wasteful use of resources and encourages re-cycling for internal office use.

17. Consumer Protection and Anti-Corruption Measures

Business ethics, anti-corruption and customer confidentiality protection measures are taken seriously at ORIXM as we believe, that ethics of employees play a vital role in the development of institutional reputation and sustainability. Our relationship with customers relies on mutual trust. To retain this trust we set out customer's interest first while ensuring that we provide highest standard of service, treating all customers fairly with transparency and responsibility. We have extencive processes are such that ensure that trust is not violated. Adherence to a policy on Anti Bribery and Corruption (ABC), for which the employees are trained regularly and restriction of information to a need basis only with adequate back up of data and a closed process complying with all applicable laws & regulations, including Shariah governance, ensure the highest level of governance.

18. External Audit

The financial statements of ORIXM have been audited along a review of Statement of Compliance with the requirements of Listed Companies Code of Corporate Governance 2019, without any qualification by the auditors namely M/s A F Ferguson & Co., Chartered Accountants.



19. Appointment Auditors

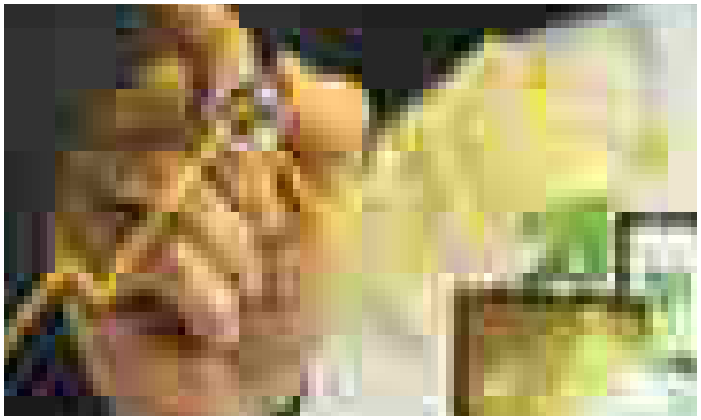
On the recommendation of Audit Committee, the Board has approved the appointment of the Messrs. A.F. Ferguson & Co., Chartered Accountants, as auditors for the year ending June 30, 2022 at a fee mutually agreed with the auditors and subject to approval by the Registrar of Modaraba Companies and Modarabas.

20. Awards

During the period from last annual Directors' Report, your Modaraba has been awarded Certificate of Merit by ICAP for best Corporate and Sustainability Report 2020 in NBFIs and Modaraba Sector. The South Asian Federation of Accountants (SAFA) has also awarded Certificate of Merit award to your Modaraba for Best Presented Annual Report 2019. Besides this you Modaraba is the winner of the 13th Corporate Social Responsibility Awards-2021.

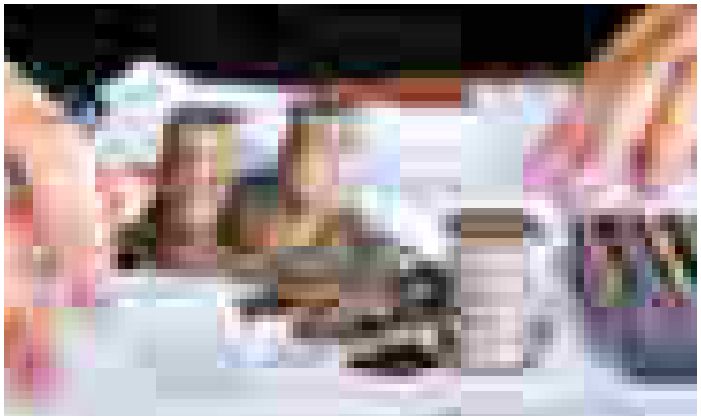
21. Entity Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the ratings of ORIX 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 exceptionally strong capacity for timely payment of financial commitments.



22. Value of Investment of Provident, Gratuity Funds

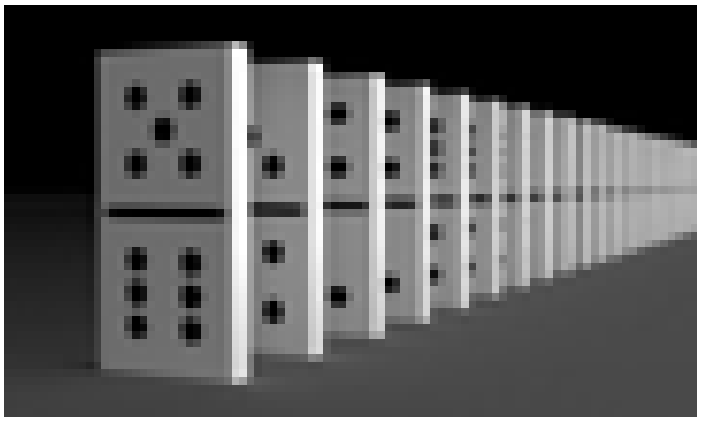
The Modaraba maintains retirement benefit plans for its employees. These funds are invested in profit bearing accounts maintained with Islamic branch of a bank. The bank balance of staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2021 are as follows:



Provident Fund	PKR 62.333 million
Gratuity Fund	PKR 42.118 million

23. Subsequent Events

No material changes or commitments affecting the financial position of the Modaraba have occurred between the end of the financial year of the Modaraba and the date of this report.



24. Acknowledgment

The Board would like to thank the SECP for its continued guidance and support.

The Board would also like to thank its valued customers and investors for their continued trust and support.

Karachi: September 22, 2021

Ramon Alfrey
Director

Raheel Qamar Ahmad
Managing Director/ CEO

The Chairman and
CEO Role

A clear division of responsibilities is important for the effective working of the Board and to ensure that no one individual has unfettered power of decision. The Chairman and Chief Executive work together to provide effective and complementary stewardship. The Chief Executive operates within clearly defined limits of authority delegated by the Board and any matters outside these limits are referred to the Board for consideration. The roles of the Chairman and Chief Executive are clearly defined as summarised below;

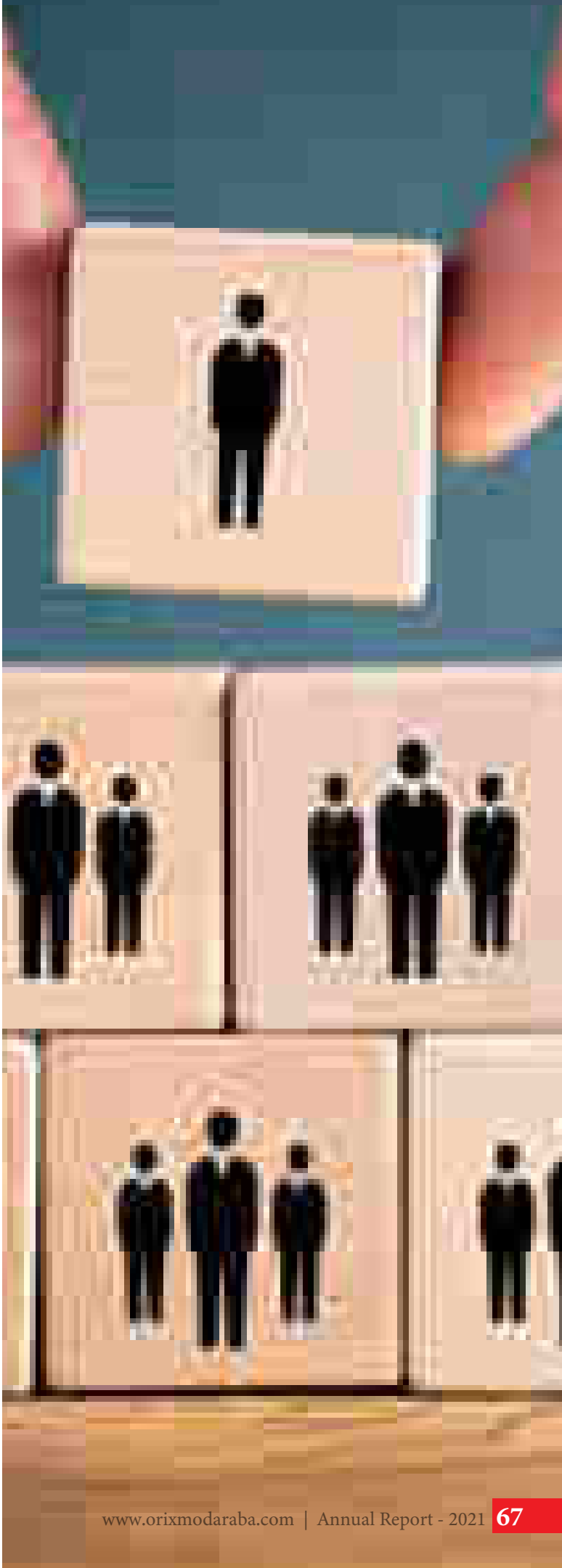
Chairman:

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Modaraba. He is responsible for the management of the Board in all respects in the most efficient and competent manner. This involves (but not limited to) the responsibility to

- Responsible for the composition and capability of the Board;
- Responsible for the effective leadership and governance of the Board;
- Ensures Board and Committee meetings are used effectively by focusing on key areas and promoting a culture of openness and healthy debate;
- Maintains regular contact with the Chief Executive providing advice, counsel and support to the Chief Executive as and when appropriate;
- Works with the Chief Executive and Company Secretary to establish the Board's 12-month rolling agenda; and
- Leads assessment of the effectiveness of the Board and each Director.

Chief Executive:

The CEO is responsible for putting the strategy defined by the Board into practice and managing the Modaraba's operations. He is the ultimate responsible for all day-to-day management decisions and for implementing



the Modaraba's long and short term goals and plans. The main responsibilities are as follows:

- Responsible for providing effective leadership to the Modaraba Team;
- Identification and analysis of strategic options for growth in shareholder value;
- Implementation of operating plans and budgets required to deliver the agreed strategy;
- Works closely with the Chief Financial Officer to ensure that the Modaraba has in place an appropriate capital structure, risk management and internal control processes;
- Review and implementation of HR Policies and Succession Planning of the Modaraba Staff to enable it to achieve the approved strategy;
- Represent the industry as thought leaders at different fora with the regulators i.e. SECP on a regular basis;
- Setting the ethical tone in providing ethical leadership and creating an ethical environment;
- Works closely with the Modaraba Team to ensure that the Modaraba maintains effective relationships and communications with stakeholders of the Modaraba; and
- Responsible for delivery of ongoing operational performance against targets and continuous improvement in performance on safety and sustainability

Composition of Board Committees

The Board of Directors comprises of seven (07) Directors out of which six (06) are Non-Executive including two (02) are Independent Directors. The Chairman of the Board is a Non-Executive Director. The roles of Chairman and the CEO have been segregated and responsibilities have been clearly defined. The CEO is responsible for operations of the Modaraba, whereas the Board, under the Chairman, performs oversight.

The Board has established following committees:

1) Board Audit Committee
2) Human Resource & Remuneration (HR&R) Committee
3) Board Risk Committee

Board Audit Committee

1. The responsibilities of the are to review, monitor and recommend for approval the statutory accounts of the Company, published financial statements of Modaraba for issuance to its certificate holders and other stakeholders including Stock Exchange and regulatory authorities, including appropriateness and completeness of significant financial reporting judgements contained in them. In particular:

    (a) to consider the quality, application and acceptability of the accounting policies and practices, the adequacy of accounting records and financial and governance reporting disclosures and changes thereto;

    (b) to consider recommendations of management in respect of provisions for bad and doubtful debts and for any other provisions for losses and charges;

    (c) significant adjustments resulting from the audit;

(d) going concern assumption;

(e) any changes in accounting policies and practices;

(f) compliance with applicable accounting standards;

(g) compliance with these regulations and other statutory and regulatory requirements; and

(h) all related party transactions;

2. to keep under review the appropriateness of the accounting policies and to consider changes to these;

3. to review the preliminary announcements of results prior to external communication and publication;

4. to ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

5. to review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;

6. to institute special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;

7. to review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;

8. to review details of all related party transactions (than those involving Directors which will be placed before Board of Directors) and recommend the same to Board of Directors for review and approval.

9. in relation to the accounting and financial reporting function:

   (a) to ensure that the accounting and financial reporting function is adequately resourced; and
   (b) to review the qualifications and experience of reporting accountants appointed and their training programmes and budget;

10. in relation to the internal audit function:

   (a) to review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed;

   (b) to review and monitor management's responsiveness to the internal auditor's findings and recommendations;

(c) to monitor and assess the role and effectiveness of the internal audit function and to receive reports from the Head of Internal Audit on these matters;

(d) to consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto; and

(e) to consider the appointment, resignation or removal of the Head of Internal Audit;

11. in relation to the external auditors:

(a) to consider and make recommendations to the Board, on their appointment, re-appointment, resignation or removal which will be put to shareholders for approval in general meeting and in the case of Modaraba, for approval in the meeting of the Board;

(b) to approve the terms of engagement or delegate the same for approval by the CEO, nature and scope of their audit and the effectiveness of the audit process;

(c) to review any representation letter(s) requested by the external auditor before they are signed by management or delegate this matter to the CEO;

(d) to review the management letter and management's response to the auditor's findings and recommendations;

(e) to review the independence and objectivity of the external auditors and to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;

(f) agree the adequacy of the employment with Modaraba of former employees of the external auditor;

(g) to ensure coordination between the internal and external auditors;

(h) to review the findings of their audit including any major issues that arose during the course of the audit that have subsequently been resolved and any unresolved audit issues. To consider key accounting and audit judgements, the level of errors identified during the audit, obtain explanations from management and, where necessary, the external auditors as to why audit differences remain unadjusted; and

(i) to review and monitor the cost effectiveness of the audit taking into consideration relevant professional and regulatory requirements and to recommend the approval of audit fee and the provision of any service permissible to be rendered to the Modaraba by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations;

12. to consider the adequacy of disclosures in the annual report including:

(a) the role of the Committee, its activities and how it has discharged its responsibilities, membership of the Committee, number of Committee meetings, attendance over the course of the year and whether or not external advice was taken and its source;

(b) the explanation in the annual report on how auditors' independence and objectivity has been safeguarded in the event of the external auditors providing non-audit services, if required under the local laws;

(c) any findings and other matters arising from the external auditors' half yearly and final audits;

13. to consider the annual report and discuss any findings and other matters arising from the external auditors' interim and final audits;

14. to determine appropriate measures to safeguard the company's assets;

15. to review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee shall ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;

16. to consider reports, review and approve impairment provisioning on a case to case basis;

17. to review reports from the Head of Compliance and Assurance on the arrangements established by management for ensuring adherence to internal compliance policies, procedures and codes and relevant regulatory and legal requirements and identification of significant violations thereof;

18. to report to the Board on its consideration of the above matters, identifying those areas where action or improvement is needed, and making recommendations as appropriate;

19. generally to consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and to make recommendations or reports to the Board as appropriate;

20. to report any unresolved issues between the Committee and the Board as part of its disclosure on its responsibilities in the annual report;

21. for the Chairman of the Committee to attend the Annual Review Meeting of Modaraba and answer any questions, through the Chairman of the Board, on the Committee's activities and its responsibilities;

22. to give due consideration to laws, regulations and the requirements of the Code of Corporate Governance and Listing Rules as appropriate;

23. to review these Terms of Reference once in three years and recommend any changes to it.

Human Resource & Remuneration (HR&R) Committee

The Committee shall maintain high levels of good governance on all remuneration related matters, in line with prevailing international best practice (such as the Financial Stability Board principles on compensation), as well as any specific regulatory directives in Pakistan.

The Committee shall:

1. Recommend Human Resources related policies to the OSPL Board, to the extent required.

2. Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management).

3. Make recommendations to the OSPL Board on the selection, evaluation and compensation (including salary, performance award and end of service benefits) of, Chief Financial Officer, Head of Internal Audit, and Company Secretary.

4. Review and recommend selection, evaluation, compensation (including performance ratings, pay, performance awards and end of service benefits) and succession planning of the CEO recommended by his / her line manager.

5. Ensure that Committee members do not participate in discussions or be a part of approvals pertaining to their own remuneration.
6. Review the ongoing appropriateness and relevance of remuneration related policies, ensuring that they are consistent with effective risk management.

7. Review the terms of reference of the Committee at least every three years and propose any changes it considers necessary to the OSPL Board for approval.

8. Make recommendations to the OSPL Board on appointment of a new committee member in case a member resigns from the committee. However, it will be sole discretion of the Board to appoint any new member.

9. Where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the OSPL.

10. Undertake annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment.

Reporting Responsibilities

1. Report formally to the OSPL Board on its proceedings after each meeting on all matters within its duties and responsibilities.

2. Ensure that the names of the members of the committee shall be disclosed in each Annual Report.

Board Risk Committee:

The responsibilities of the BRC shall be:

1. Set the risk appetite of the Modaraba.

2. Ensure the design and implementation of appropriate risk management and internal control systems that identify the risks facing the Modaraba and enable the Board to make a robust assessment of the principal risks.

3. Determine the nature and extent of principal risks faced by the ORIXM and those risks which the Modaraba is willing to take in the achievement of its strategic objectives.

4. Ensure that necessary steps are taken to foster an enterprise-wide culture that supports appropriate risk awareness, behaviors and judgments about risk and that ensures that risk-taking beyond the Modaraba's determined risk appetite is recognized and appropriately escalated and timely addressed.

5. Determine how the principal risks should be managed or mitigated to reduce the likelihood of their occurrence or their impact.

6. Ensure that the risk management policies and procedures designed and implemented by the ORIXM are consistent with the Modaraba's strategy and risk appetite.

7. Ensure that risk management policies and procedures are functioning as directed, by monitoring the Modaraba's risk management and internal control systems and the management's process of monitoring and reviewing, and ensure that these are functioning effectively and that corrective action is being taken where necessary.

8. Ensure the existence of sound internal and external information and communication processes.

9. Ensure that emerging and inter-related risks are also considered in the risk management process by Management.

10. At least on annual basis, perform an overall review of business risks to ensure that Management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Modaraba and certificate holders.

11. Periodically assess the Board's risk oversight processes to ensure that these enable the Board to achieve its risk oversight objectives.

12. Ensure appropriate disclosure of the Modaraba's risk framework and internal control system in the Directors Report.

13. Ensure that risk mitigation measures are robust and integrity of financial information is ensured.

14. Monitor and review all material controls (financial, operational, compliance);

15. The Committee shall review its terms of reference every three year and recommend any necessary changes to the Board.

16. The Committee shall report on an annual basis to the Board on its activities by comparing the Committee performance with its duties.

17. The Committee shall report on its roles and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. The report may be in the form of an oral report made at any regularly scheduled Board meeting.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the certificate holders of ORIX Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019.

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of ORIX Services (Pakistan) Private Limited, the Management Company of ORIX Modaraba (the Modaraba) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's and the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2021.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: September 30, 2021

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
ORIX SERVICES PAKISTAN (PRIVATE) LIMITED
YEAR ENDED JUNE 30, 2021

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 (the Code). Regardless of the fact that ORIX Services Pakistan (Private) Limited, the Management Company of ORIX Modaraba (the Modaraba), is a private limited company, the Board of Directors of the Management Company are pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

The Management Company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 07 as per the following,-

   a. Male: 06
   b. Female: 01

2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Nausherwan Adil Mr. Nadim D. Khan
Non-Executive Directors	Mr. Shaheen Amin Mr. Ramon Alfrey Mian Faysal Riaz Ms. Maryam Aziz (Female Director)
Executive Director	Mr. Raheel Qamar Ahmad

In accordance with the contents of Regulation 6 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the 2019 Code") at least two or one third members of the Board, whichever is higher, should be independent directors. If any fraction contained in such one-third number which is not rounded up as one, reason should be explained in the compliance report.

The Management Company of ORIXM has appointed two independent directors out of total seven directors. Other than CEO and Independent directors all directors are representatives of ORIX Leasing Pakistan Limited (OLP); a Multinational Non-banking finance company, operating in Pakistan since 1986 and part of ORIX Group Japan. Rationale behind appointing maximum possible Directors from OLP was to align the organization with the ORIX Group and its Policies besides the fact that It is difficult to find independent directors from this industry with rich and relevant experience. Current independent

directors have banking experience which is a complement to the other directors having Non-banking experience especially in SME sector. OLP is the leading company in its industry and Modaraba's line of business is identical to that of OLP. Directors appointed on the Board of the Modaraba carry vast experience in the fields of Client Relationships, SMEs, Finance, Credit and Risk Management. These directors from OLP are in a position to provide valuable input to ORIXM while making decisions in various fields due to their experience in the relevant field.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The Management Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board the of Management Company/ certificate holders of the Modaraba (where applicable) as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The Board has provided training to all its directors.

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed following committees comprising of members named below.-

a) Audit Committee

1). Mr. Nausherwan Adil- Chairman
2). Mr. Ramon Alfrey- Member
3). Mian Faysal Riaz- Member

b) Human Resource and Remuneration Committee

1). Mr. Nadim D. Khan – Chairman
2). Mr. Shaheen Amin- Member
3). Mr. Raheel Qamar Ahmad - Member

c) Risk Committee

1). Ms. Maryam Aziz- Chairperson
2). Mr. Nausherwan Adil- Member
3). Mr. Raheel Qamar Ahmad- Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committee were as per following,-

Audit Committee	Quarterly
Risk Committee	Yearly
Human Resource and Remuneration Committee	Yearly

15. The Board has set up an effective internal audit function;

16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Management Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

SHAHEEN AMIN
Chairman

Dated: September 22, 2021

Report of the Board Audit Committee

Chairman's Introduction

On behalf of the Board, I am pleased to present the Audit Committee's report for the year ended June 30, 2021. This report explains the Committee's role and its work during the year.

The Audit Committee is responsible for monitoring the integrity of the ORIXM's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the compliance, internal control and risk management systems, and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audits, agreeing audit fees and reviewing the audit findings). The Committee also reviews the provision of any non-audit services by the external statutory auditor.

Throughout the year the Audit Committee has regularly reviewed and applied the guidance issued by Securities and Exchange Commission of Pakistan (SECP) and other regulatory bodies. In doing so the Committee has focused its review across a broad range of areas. These include:

- Compliance with all relevant regulatory statutes including but not limited to the Modaraba Prudential regulations;
- Regular updates on the ORIXM finances and business portfolio including updates on repayments by clients highlighted by External Auditors last year;
- Review of 1st time adoption of provisioning against financing under IFRS-9 as Modaraba has early adopted the complete implementation of IFRS-9.
- Update on the measures taken by the business to safeguard employee and client welfare;
- The maintenance of the internal control environment with respect to wider IT considerations presented by home working arrangements including Data protection and cyber security risk; and

- Review of all other key judgements and estimates applied by management in preparing the financial statements. The Committee has challenged these judgements in light of the principal risks, the wider economic conditions in which the business operates and the need to ensure the financial statements are fair, balanced and understandable.

The Committee Chair also maintained a regular dialogue with the Chief Financial Officer, to maintain current awareness of all financial, audit and risk related matters.

The Committee also agreed to add impact of COVID-19 on selected clients as a standing agenda item at its meetings, given its increased importance.

I would like to thank the management team at ORIXM and all Committee members for their valuable contribution and support during what has been an extraordinary year.

Nausherwan Adil
Chairman of the Audit Committee
September 20, 2021

Membership and meetings

During the year the Committee comprised the following independent non-executive directors:

Members

Nausherwan Adil	Chairman
Ramon Alfrey	Member
Mian Faysal Riaz	Member

The Committee member meeting attendance table is shown on page __ of the ORIXM Annual Report 2021.

The Committee's wide range of financial and commercial skills and experience serves to provide the necessary knowledge and ability to work as an effective committee and to robustly challenge the Board and senior management as and when appropriate. Mr. Ramon Alfrey, member Board Audit Committee, a Chartered Accountant, possesses recent and relevant financial experience and the Committee as a whole continues to have competence relevant to the sector. Further details of the directors' skills, experience and qualifications can be found in the biographies on pages __and __ of the ORIXM Annual Report 2021.

The terms of reference were most recently reviewed in April 2021 and were considered by the Board to remain appropriate.

During the year, the Committee held four scheduled meetings. The Chairman and all members attended all of this year's meetings. The Committee meets without management present on a regular basis, and meets privately with Head of Internal Audit and the external auditor as necessary and at least annually. Executive director is invited to attend Committee meetings regularly in order to reinforce a strong culture of risk management and to keep the Committee up to date with events in the business.

Annual evaluation of the Audit Committee's performance was undertaken as part of the Board evaluation process. During 2020/21, this process was facilitated internally, and further details are included on page __ of the ORIXM Annual Report 2021. The review concluded that the Committee operates effectively.

Role of the Committee

The Committee focuses on ensuring the integrity of the financial reporting and audit processes and the maintenance of sound internal control systems in order to safeguard certificate holder interests. In particular, it focuses on monitoring and/or reviewing the following:

- Financial reporting – this area of responsibility includes monitoring the integrity and compliance of the Modaraba's financial statements and any formal announcements or publications relating to the Modaraba's financial performance as well as reviewing significant financial reporting issues and judgements made in connection with them.

- Compliance – this area includes reviewing the Modaraba's compliance policies and procedures to ensure that it complies with relevant regulatory and legal requirements including the arrangements in place for the reporting and investigation of concerns identified.

- Internal audit – this area includes monitoring the role and effectiveness of the Internal Audit function including approving the annual plan of internal audit work in line with three-year audit plan approved by the Committee last year, monitoring the reports arising from internal audits and the status of actions resulting therefrom and the appointment or removal of the Head of Internal Audit.

- Whistleblowing – reviewing arrangements by which staff may in confidence raise concerns about possible improprieties regarding financial reporting and other matters.

- Internal controls – this area includes reviewing the effectiveness of the Modaraba's system of internal controls and ensuring timely action is taken by management to address matters arising from the risk and internal audit assessments.

- External audit – this area includes considering and making recommendations to the Board on the appointment of the external auditors (including approving the remuneration and terms of appointment) as well as reviewing the external auditors' annual audit report and the results therefrom, reviewing the quality and effectiveness of the audit and reviewing and confirming the policy on non-audit services carried out by the external auditors and auditor independence.

Committee activities during 2020/21:

Review of financial statements

The Committee reviewed the financial statements and assessed whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviewed the 1st time adoption of provisioning against financing under IFRS-9 as Modaraba has early adopted the complete implementation of IFRS-9 and also reviewed the impact of withdrawal of Income Tax exemption for Modarabas by the Federal Government on current and deferred tax liabilities/ assets as disclosed in the financial statement for the year ended June 30, 2021.

The Audit Committee also recognizing the importance of the views of the external auditor made enquires to ensure that suitably robust challenges and audit procedures had been performed on these judgements during the course of the audit. There were no differences between management and the external auditors which were reported to the Committee.

Having reviewed management's papers and considered the procedures and findings of the external auditor, the Committee is satisfied that the judgements are reasonable, and that suitable accounting policies have been adopted and disclosed in the accounts.

The following areas of significance were all subject to this process and were discussed and addressed with our external auditor throughout the external audit process. The key matters of focus were:

1. IFRS-9 – Financial Instruments;
2. Outstanding exposure against selected clients; and
3. Taxation.

Internal audit

During the year the Committee:

- Reviewed the level of internal audit resource, experience and expertise and concluded that it was adequate for the size, structure and business risks of the ORIXM and is supplemented with appropriate external resources where needed.

- Reviewed and approved the scope of the internal audit work plan ensuring that it was aligned to the key risks of the business, including changes to the plan during the year.

- Received an update at each Committee meeting from the Head of Internal Audit on the internal audit work performed and the results.

- Met with the Head of Internal Audit without the presence of the management to discuss the internal audit plan and resources.

The Committee considered the effectiveness of the internal audit function by considering the function's purpose, organization structure, processes, people and expertise, and performance and communication. The Committee is satisfied that the internal audit function has continued to perform effectively during the year. The Committee received regular updates about progress against the areas of improvement identified.

External auditor

The Audit Committee is responsible for recommending to the Board the appointment, re-appointment, remuneration, and removal of the external auditor. A resolution to propose the re-appointment of PwC
was approved by the Board of Directors in 2019. When considering whether to recommend the re-appointment of the external auditor, the Committee considers a range of factors, including the effectiveness of the external audit, the period since the last audit was conducted, and the ongoing independence and objectivity of the external auditor.

a. Independence and objectivity

PwC conducted its first audit of ORIXM's financial statements in 2020, following a competitive onboarding process. Noman Abbas Shaikh, the Lead Audit Partner, has held his position since that time, and will serve a maximum term of five annual audit cycles. The Committee will conduct an auditor onboarding review at least every five years to ensure that the independence of the external auditor is safeguarded.

PwC has reported to the Committee that, in its professional judgement, it is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

The Audit Committee has assessed the independence of the auditor, and concurs with this statement. When assessing the independence of the auditor, the Committee considers, amongst other things, the length of tenure of the audit firm and the audit partner, the value of non-audit fees provided by the external auditor and the relationship with the auditor as a whole.

b. Non-audit work carried out by the external auditor

In order to ensure the continued independence and objectivity of the ORIXM's external auditor, the Committee reviews audit and non-audit fees once a year. The Committee's approval is required in advance for the provision of any non-audit services by the external auditor. The ORIXM'S external auditor is prohibited from providing any services that would conflict with their statutory responsibilities or which would otherwise compromise their objectivity or independence.

During the year, PwC's audit fee amounted to PKR 863,365 (excluding sales tax on services) and its non-audit fees were PKR 1,257,750 (excluding sales tax on services) in total. In line with the Committee TORs, appropriate advance approval was obtained from the Committee. Non-audit fees related to services provided in relation to the implementation of IFRS-9 and the review of compliance with Code of Corporate Governance and other certification required under applicable laws.

Further details are provided in Note 21.3 to the financial statements.

c. Effectiveness and reappointment

It is the Committee's responsibility to assess the effectiveness of the external audit.

The Committee kept under review the effectiveness of the external audit throughout the year. It did this through:

- Considering the areas in which PwC had challenged management's assumptions in key areas of judgement and the number and nature of the accounting and control observations raised by the auditor;
- the high level of engagement from the audit partner throughout the audit process;
- Considering the manner in which the audit was conducted and the audit areas in which most time was spent.
- the use of sophisticated technology to support the conduct of the audit;
- the level and quality of challenge received from the External auditor;
- a good knowledge of accounting standards, governance requirements and the infrastructure market;
- the robust and perceptive handling of the key accounting and audit judgements;
- the support received by the External auditor from the External auditor's technical team;
- the continuity of the audit team was predominantly retained from the previous year; and
- the final report was presented based on a good understanding of the Modaraba's business and included granularity around the valuation assumptions.

Based on these reviews, the Committee concluded that PwC had applied appropriately robust challenge and skepticism throughout the audit, that it possessed the skills and experience required to fulfil its duties effectively and efficiently, and that the audit was effective.

Having reviewed the auditor's independence and the effectiveness of its audit, the Committee is satisfied that PwC should be re-appointed as external auditor for the 2021/22 financial year.

Whistleblowing

The Modaraba's whistleblowing procedures ensure that employees, clients and other third parties are able to raise concerns about possible improprieties on a confidential basis. Concerns can be raised by telephone or online to an independently provided service. During the year, the Committee received updates at every meeting of reported issues, if any.

Other matters

Other matters reviewed by the Committee during the year were:

- The Modaraba's compliance with its regulatory requirements generally with particular focus on the entire scope of governance and compliance information received by both the Board and the Board Committees; and
- The coverage of the proposed interim and final dividends, including a review of the Board's assessment of the coverage of dividend payments through income generated by the Modaraba and transfer of funds to statutory reserves.

The Committee reported to the Board on how it has discharged its responsibilities and the key matters arising at each meeting. All recommendations were accepted by the Board.

CORPORATE GOVERNANCE FRAME WORK

The Board as a whole continues to take ownership of effective leadership and the long-term success of the Modaraba. The diverse range of skills and leadership experience offered by the Non-Executive Directors means that they are well qualified to scrutinize performance, assess the Modaraba's risk management and control processes, provide constructive challenge and to support the Chief Executive. Details for each of the Directors together with their Board responsibilities are set out on page 67.

The Board has (04) scheduled meetings during the year; additional meetings are arranged if required. The Board committee meetings are scheduled around the regular Board meetings.

Composition of the Board

Category	Number
Independent Director	02
Executive Director	01
Non-Executive Directors	03
Female Director	01

The independent Directors have provided the annual declaration of his independence as required by Listed Companies (Code of Corporate Governance) Regulations, 2019. The declaration states that:

a) He has not been an employee of the Company or any of its subsidiaries or holding company within the last three years;

b) He has not been the CEO of Company's subsidiaries, associated company, associated undertaking or holding company in the last three years;

c) He has not been within the last three years, in a material business relationship with the Company either directly, or indirectly as a partner, major shareholder or director of a body that has such relationship with the Company;

d) He has not received remuneration in the three years preceding my appointment as a director nor received any additional remuneration, apart from director's fee or have not participated in the Company's share option or a performance -related pay scheme;

e) He has not a close relative of the Company's promoters , directors or a major shareholders ;

f) He has not hold cross-directorships nor have significant links with others directors through involvement in other companies or bodies;

g) He has not served on the Board for more than three consecutive terms from the date of my first appointment.

Female Director

The Board in accordance with clause 7 of listed Companies code of Corporate Governance 2019 has appointed Ms. Maryam Aziz as female representative on the Board of ORIX Modaraba.

Decision taken by Board or delegated to management

Directors are required to attend each Board meeting and meetings of any Committee of which they are a member. In addition, members of the management team and the External Auditors may, by invitation, attend meetings to address specific agenda items. There is a formal schedule of matters reserved for the Board, which is reviewed regularly to ensure that it remains current. Matters reserved for the Board include the items summarized in the table below:

Governance	Strategy and direction	Risk management, accountability and control
- Review of governance structure and composition; - Appointments to and removals from the Board; and - Terms of reference for and membership of Board committees.	- Approval of long term strategy and annual budgets; - Authorization of to enter into new business or geographic areas; and - Affirmation of risk management strategies and risk appetite.	- Approval of financial statements, other updates to the market and recommendations on dividends; - Approval of authority levels, financing and funding limits; - Review of internal control and risk management; and - Approval of HR, Health and Safety policies.

The Management:

The Management is responsible to manage the daily business affairs of the Modaraba in an effective and ethical manner in conformity with the strategies and goals approved by the Board and to identify and manage the principal risks and opportunities which could impact the Modaraba in carrying out its business.

Board Performance Evaluation:

The SECP Listed Companies Code of Corporate governance Regulation 2019, requires Board of Directors to conduct an annual evaluation of the Board own performance. Therefore, a detailed criteria for the evaluation of Board performance was devised and was approved by the Board in 2020. The approved criteria is circulated to the Directors for the evaluation of board and its committees performance and the results will be shared in the next board meeting

Formal Orientation Course:

Directors are provided with a comprehensive information pack on joining the Modaraba and are advised of their legal and other duties and obligations as a director of a listed company. Induction Pack provide detailed information on operations and activities of the Modaraba, the role of the Board and the Modaraba's corporate governance procedures.

The Directors are also encouraged to update their skills and knowledge regularly, including in relation to environmental, sustainability and governance matters, and where necessary, the Company Secretary is notified by Directors of their requirements in this respect. In pursuit of best practice, the Board reviews presentations on compliance with governance and regulatory matters.

Directors Training:

All Directors have completed their training under the Director Training Program in accordance with Regulation 19 of Listed Companies Code of Corporate Governance 2019

Policy for Remuneration to Non-Executive Directors

The Board of Directors has approved a 'Remuneration Policy for Directors and its committees'; the salient features of which are:

- The Modaraba will not pay any remuneration to its nonexecutive directors except as meeting fee for attending the Board and its Committee meetings as approved by the Board.

- The Modaraba will not pay any remuneration to the Chief Executive and other Directors for attending the meeting, who work whole time on remuneration for the company.

- The Remuneration of an Independent Director for performing additional responsibilities shall be determined by the Board.

Foreign Director:

The Modaraba as a matter of policy has a practice that a person qualifying the Fit & Proper criteria of SECP shall be appointed as director of Modaraba. Moreover in case of appointment of any foreign director, the appointment is based on the clearance from Ministry of Interior of Pakistan.

Governance practice addition to Legal requirements:

In addition to the compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019, the Modaraba has developed various issue based committees which are as follows:

Carbon Reduction Committee:

To highlight the importance of Carbon Footprint Reduction as how it can have a healthy impact on our surroundings and to formulate and manage the reduction of greenhouse gas emissions.

Customer Experience Forum:

To analyze, discuss and find solutions to issues that might impact, or have impacted, the client from having a WOW experience at ORIXM during the Client Life Cycle.

Principals committee:

A select group of leaders who analyze effects of all decision making across the Modaraba.

Country Operation Risk Committee - CORC

To ensure the effective management of Operational Risk throughout ORIXM in support of entity's strategy and in accordance with the Risk Management Framework and related Operational Risk Policies and Procedures.

Portfolio Management Comittee - PMC

To manage and direct as appropriate the management of the credit portfolio in ORIXM to ensure that systems and controls are in place and operating effectively such that earnings from the portfolio meet expectations.

Diversity and dignity at work:

The Modaraba has set a policy to ensure fair, diversified and gender inclusive provision of opportunities for employees to fulfill their potential within an appropriate and fair working environment and become a well-known equal opportunity employer in the market.

Related Party Transactions:

All related party transactions, during the year 2021, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly reviewed by the Audit Committee and approved by the Board in their respective meetings. All these transactions were in line with the transfer pricing methods and the policy with related parties approved by the Board previously. The Modaraba also maintains a full record of all such transactions, along with the terms and conditions. For further details please refer note 32 to the financial statements.

Statement on the Management's responsibility towards the preparation and presentation of the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Approved Accounting Standards as applicable in Pakistan which include keeping proper books of account of the Modaraba as required by Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. The balance sheet, profit and loss account and the statement of comprehensive income together with the notes thereon of the Modaraba have been drawn up in conformity with the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981.

Conflicts of interest

In addition to the compliance of regulatory requirements, a formal Code of conduct is in place for avoidance of known or perceived conflicts of interest among board of directors' members and employees. Under the Modaraba Management Company's Articles of Association, to the extent permitted by the Companies Act 2017, permit the Board to consider and, if it sees fit, to authorize situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Modaraba. The Board has in place procedures to deal with Directors' conflicts of interest arising under Section 213 of Companies Act 2017 and these procedures are considered to be effective. Furthermore, Board members exercise their due rights of participation in proceedings of Board meetings. The minutes of the proceedings are comprehensively prepared and any reservation of the Board members are appropriately documented, for further evaluation as to qualification for conflict of interest.

Investor Grievance Handling

At ORIX Modaraba we value our relationships the most and believe in nurturing the bonds formed at all levels. We have earned the trust of our investors and are fully committed to sustain it. The Board is committed to ensure that we continue to engage effectively with our investors. The potential investors and certificate holders of ORIXM have full access to obtain information relating to Modaraba's operations in addition to the queries raised specifically relating to their investment, dividend distribution and circulation of statutory notices and reports. The Modaraba endeavors for prompt resolution of the queries and provision of required information in accordance with provisions of the law.

The Modaraba has established a mechanism for investor services and grievances handling and has hired the services of an independent Share Registrar in addition to having a dedicated section (Corporate secretariat) to resolve all issues of the investors. The initial contact point for complaint resolution is the Modaraba's Secretariat who may be approached us at "askus@orixmodaraba.com", secretariat@orixmodaraba.com and the Share Registrar. Investor Relations section on the website of the Modaraba includes mailing address of ORIXM for written correspondence in addition to the various notices/ announcements updated from time to time.

Safety of Records of the Modaraba

The Modaraba encourage paperless environment and documents are archived electronically to safeguard the records as well optimizing storage spaces. However, the Modaraba has also established process for safety of records extends beyond the regulatory requirements and the Modaraba makes a conscious effort for the safety of all its records. The records include books of accounts, documentation pertaining to secretarial, legal, contractual, taxation and other matters. The process for Safety of Records consists of the following points:

- The creation, maintenance, confidentiality and disposal of any official document should adhere to SOPs mentioned in the departmental manuals.
- Real-time back up of data at on and off-site locations.
- Maintenance of a fire-proof vault for the safekeeping of legal documents and other confidential data.
- To ensure back-up of all the relevant Legal, Administrative, Operational and other documents, intellectual property and records in case of any hazard.
- Ensure and Maintain Digital backup of all the records,

Whistle Blowing Policy

In view of our commitment to create an atmosphere where people can freely communicate their concerns or raise an alert against possibility of occupational fraud, non-compliance with Modaraba's policies, Code of Conduct and regulatory framework, an effective Whistle Blowing Mechanism has been implemented. This policy is designed to enable all officers and employees of the Modaraba to raise complaints at designated platform. The Modaraba is committed to achieving and maintaining the highest standards of openness, integrity, ethical values and accountability. Hence it expects all of its employees to do the same. In the interest of the Modaraba, it is the responsibility of every employee to ensure that any inappropriate event does not occur and if occurred, the same is reported at relevant forum in the Modaraba.

All those who come in the ambit of Whistle Blowing Policy are encouraged to participate without fear of reprisal or repercussions, in confidentiality, under defined reporting channels. Such communications are investigated independently and reported at the highest level.

An inappropriate event could be any behavior, action or incident that compromises the interests of shareholders, investors, client or any other stakeholder. It is also mission-critical to maintain a good corporate image, thus raising standards of corporate governance

ORIXM Risk Tolerance Approach

The Risk Management Framework defines Risk Tolerances (RT) as boundaries that determine the maximum level of risk the entity is ordinarily willing to take in pursuit of its strategy, in accordance with its Risk Management Principles. RTs must constrain risk to the levels where the potential for any financial or reputational damage is consistent with the sustained pursuit of strategy and in line with the reasonable expectations of stakeholders.

In the context of Operational Risk (OR), the Entity's RT statement is as follows:

"The ORIXM aim's to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Entity."

In order to comply with this statement the OR management approach includes the following requirements:

- The ORIXM will systematically identify Top Risks and emerging risks with the involvement of Senior Management and the Board, and define the appropriate treatment which may include business restrictions;

- All processes will be mapped and owned with appropriate key control standards defined to mitigate risks;

- The ORIXM will not miss any opportunity to learn lessons from internal or external events and will implement relevant mitigation actions; and

- The ORIXM will systematically test internal capital adequacy through scenario analysis and stress testing.

Human Resource Management Policies

HR management policies are essential for sustaining viable businesses. HR policies assist organizations in establishing & maintaining consistent practices in the workplace, it is the way of communication with employees and managers in regard of desired performance and behavior. ORIXM have the following HR management policies;

- Day Care Policy
- Employee Discipline Policy
- Employee Equal Opportunity, Diversity and Dignity at Work Policy
- Leave Policy
- Speak Up Policy
- Employee Grievance Policy
- Educational Assistance Policy
- Sexual Harassment Policy
- Local Relocation Policy
- Subsidy Policy
- Hospitalization Insurance / Takaful Policy

All the HR policies mentioned above are available in writing, approved by Board of Directors, implemented and shared with all staff of ORIXM. In addition to this succession planning is also executed at ORIXM.

Succession Plan

Succession planning ensures smooth replacement of critical positions at management and technical level in ORIX Modaraba (ORIXM). The purpose of succession planning is to identify and prepare candidates to take over key positions at all levels that becomes vacant due to resignation, retirement or death of an employee. ORIXM perform succession planning session after every three years. Identify successors for all critical roles. In this way, it provides continuity to leadership and can avoid extended and costly vacancies for key position. Sourcing of successors is first performed within ORIXM and in the event no potential candidate is available an external recruitment effort is conducted. Successors which are identified in the session is equipped with all necessary trainings and assignments to make him/ her to take over the role.

Business Continuity Plan

"In the event of any untoward and unexpected situation, our businesses are fully equipped to initiate their BCP response protocols; therefore, ensuring the continuity of important operations at the very least and restoration of key operations."

ORIXM believes that business disruptions can constitute serious risks to the reputation of an organization and its ability to operate effectively. Therefore, the Board of Directors of Modaraba has approved a comprehensive BCP to ensures that the Modaraba has an updated Business Continuity and Disaster Recovery plan for the continuity of its critical operations in case of any extra ordinary circumstances. The plan caters for the following scenarios/assumptions:

- Loss of access to critical buildings (including utility failure). This includes serious disruption to our building or denial of access, or wide scale disruption affecting all local offices including recovery sites.

- Loss of systems or services.

- Non-availability of personnel.

A Business Impact Analysis (BIA) was carried out by the BIA team what an effective oversight of ORIXM senior management which had members from all departments. The whole process focused on key functions & processes in the ORIXM and ranks them according to criticality. Keeping in view of the business continuity needs, ORIXM has a redundant hot site having all critical services present. ORIXM IT conducts BCP exercise twice a year with complete or partial failover. This is done with a view to have more resilient IT service capability in line with the entity's requirements. Resultantly, ORIXM has availability of system and transactional capability at all times.

IT Governance

Recognizing IT Governance as a critical part of overall corporate governance, the Modaraba has aligned itself to efficient use of Information Technology resources in achieving its operational and strategic objectives while increasing certificate holders' value. ORIX Modaraba governs its information and systems using the measures set out below.

Risk management

Risk analysis is an ongoing process which is done to identify the type and level of controls that need to be applied to information and systems use. Changes in risk must be monitored to ensure controls remain adequate.

Business ownership of risk

The business owner for each application is aware of information security risks and is accountable for ensuring that either suitable controls are in place or risks are formally accepted.

Access control

Staff must have an authorised business need to know to access the entity's systems and information.

Use of information and systems.

Staff is educated in how to secure the information they create and use, and how to use the systems they access securely.

Classification of information

Data classification is provided through role based access control and need to know basis.. Breaches, based on the severity, to data confidentiality guidelines are dealt with under disciplinary procedures.

Physical protection of information

Systems and information within the entity's premises are protected through physical access and monitoring measures.

Personnel management

Staff must be recruited, trained and managed so as to minimise the risks of the misuse or abuse of systems and to avoid conflicts of interest regarding the security of information and systems.

Monitoring of usage

The secure use of systems and handling of information is actively monitored, tested and appropriate measures must be taken to ensure that the Information Security is maintained. Details are escalated to IT Steering Committee.

Appropriate use

Acceptable use policy is shared with staff upon hiring and a signed copy of the same is placed in their file which is provided and maintained by HR Department.

Shariah Mechanism

A fundamental requirement of an Islamic financial institution is that its whole business practices and operations are based on Shariah rules and principles. Islamic finance derives its value proposition from the application of Shariah contracts in financial transactions that provide for different risks and return profile. Adherence to Shariah principles under such distinct contract preserves the validity and sanctity of any Islamic financial transactions.

In order to uphold these principles, ORIXM has devised a proper mechanism for Shariah Governance. This mainly includes appointment of a Shariah Advisor who reviews & ensure that the business conducted, the transactions carried out and the investment made by ORIXM are in accordance with Shariah principles and are in line with its prospectus duly approved by Religious Board of SECP. Moreover ORIXM has developed product program of each of its product offered, where are duly reviewed and signed by the Shariah Advisor. All process flows of products are also approved by the Shariah Advisor. In addition, ORIXM has a Shariah Internal Advisor who reviews the transactions on a regular basis to validate ORIXM's compliance to Islamic principles.

Shariah Advisor Profile

Mufti Faisal Ahmed is the Shariah advisor of ORIX Modaraba. He has experience as a teacher and visiting faculty at different Universities. He is a regular guest speaker on Islamic topics including Riba Free Banking, Zakat, etc. at different fora. In addition to his primary responsibility of being a teacher at Jamiatur-Rasheed since 2003, he is also assigned responsibility of Administration, Consultancy and delivering Fatawa at Shariah Consultancy for trade and finance under supervision of Dar-Ul-Ifta Jamiat-ur-Rasheed

Shariah Advisor's Report

I have conducted the Shariah review of ORIX Modaraba (managed by ORIX Services Pakistan (Private) Limited, Modaraba Management Company for the year ended June 30, 2021 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

i. The Modaraba has a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles.

ii. During the year, ORIXM arranged inhouse Shariah Compliance Training for its staff across three different offices via video conference call. The purpose of the training was to highlight the Shariah Compliance requirements related to product and services being offered by the ORIXM. The target audience was new joiners but good number of experienced and senior members of the team also attend the training.

iii. ORIXM continues to hold interactive inhouse sessions in which Shariah Advisor provide guidance on Shariah compliance in Modaraba's process flows and other product related documentations to Senior Management Personnel.

iv. The agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and the related conditions have been met.

v. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.

vi. Profit sharing ratios conform to the basis and principles of scheme approved by SECP religious board.

vii. During the period, no earnings were realized from the sources or by means prohibited by Shariah and funds credited to charity account were recovered from the clients as late payments charges and paid to Board approved charitable institutions accordingly.

Observations

1. In continuation of efforts made by the Management last year to counter the risk posed by COVID-19 pandemic, ORIXM continues to take positive steps in handling of health, safety and security of the Modaraba Staff and its Clients which includes strict implementation of SOPs directed by the Government and work from home through efficient and secured use of technology, where appropriate.

2. I appreciate the management of Modaraba for its professional approach while adopting Islamic guidelines for their business. The senior management and staff are well intentioned and cooperative in observing Shariah compliance in its true spirit.

3. Most of the heads of departments have good Islamic knowledge about their business and related processes and they have acted in the best way possible to promote Shariah compliance in the Modaraba by taking timely advice from me on different shariah matters.

Recommendation

Since ORIXM Corporate clients insure their assets themselves, it has been recommended that more efforts are required to convince clients insure larger assets portfolio through takaful mode as compared to conventional insurance.

Conclusion:

In my opinion and best of my knowledge and information provided by the Modaraba management with relevant explanation, I am of the view that during the period overall business operations of the Modaraba are Shariah Compliant.

And Allah Taala knows Better & Perfect

Mufti Faisal Ahmed
Shariah Advisor

Dated: September 13, 2021

SUSTAINBILITY

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

ORIXM is committed for conducting business responsibly and investing in communities for their sustainable development. Corporate Social Responsibility is, therefore, an integral part of ORIXM's ways of working. At ORIXM, we believe in building long term relationships with neighboring communities, stakeholders and embrace transparency in all work processes. Detailed policies and procedures are in place to enable us to meet the legal, ethical, commercial and public expectations of the communities in which we operate.

At ORIXM we have formed multiple committees on different initiatives related to Corporate Social Responsibility, Health and Safety, Resource Utilization and welfare of the staff and the society as a whole. These committees include ***Corporate Social Responsibility and Environment Committee, Carbon Reduction Initiative, Volunteering Committee, Well-Being Committee, Support/ Initiative Committee for Social Welfare***

From the onset of the pandemic ORIXM worked closely to reduce the transmission of virus Covid -19 by promoting adherence to staff safety health measures and encouraging staff to get them vaccinated. For this purpose, ORIXM collaborated with Zainab Panjwani Memorial Hospital for the "Vaccination Drive". Further special precautionary measures are taken against Covid-19 for staff such as awareness sessions, free covid-19 testing in office premises, fumigation and availability of sanitizers, masks, antibacterial liquid & temperature detector device.

ORIXM under the supervision of professionals, organized "Medical Camp" in collaboration with "Chugtai Lab" for employees in office premises. In this camp employees were provided basic tests free of cost, other medical test on discounted rate and free medical consultation from General Physician.

In view of gender diversity and wellness in the month of October "Breast Cancer "awareness session was conducted by a professional Oncologist for female staff. ORIXM staff wore pink ribbon on the occasion to show its solidarity to the cause.

ORIXM continues its support towards environmental protection, conservation and reduction of carbon emissions. In support of this initiative on Independence Day we have arranged Tree Plantation Drive in association with National Forum for Environment and Health at Export Processing Zone. In this drive more than 50 fruit trees were planted. ORIXM's commitment towards clean environment is also extended to its clients. We have embedded Environmental and Social Risk Assessment in our products and services we offer to our client. All activities of clients must comply with our environmental & social risk policies and an Environmental and Social Risk Assessment is performed for all our corporate clients

COMMUNITIES:

ORIXM continues to provide financial assistance to various charitable and non-profit organizations. We support a range of fund-raising events and projects, which focuses on children's health and education in under privileged members of society such as The Citizens Foundation (TCF), Layton Rahmatulla Benevolent Trust Hospital (LRBT), The Kidney Centre, Sindh Institute of Urology and Transplantation (SIUT), Professional Education Network.

OUR PEOPLE:

People at ORIX Modaraba are crucial to the delivery of its sustainable business model. In our continuous drive to make ORIXM a great place to work, focus is on attracting the best talent across our footprint and employee engagement. At ORIX Modaraba we believe high performance is not just about generating high profits; it is about living our values.

The Board places on record its appreciation of the services rendered by the staff members responsible for Modaraba affairs. Modaraba's record of achievements would not have been possible without the efforts of every employee. It is indeed the dedication and hard work of each one of them that has brought ORIXM to where it stands now. We will continue to invest in our Human Resources

EQUAL OPPORTUNITY EMPLOYER:

ORIXM is an equal opportunity employer and does not discriminate on the basis of gender, language, race, religion and disability in compliance with all legal requirements ORIXM appoints special persons. The responsibility of HR is to ensure transparency in regard of suitable recruitment and compensation on the basis of merit, experience and qualification.

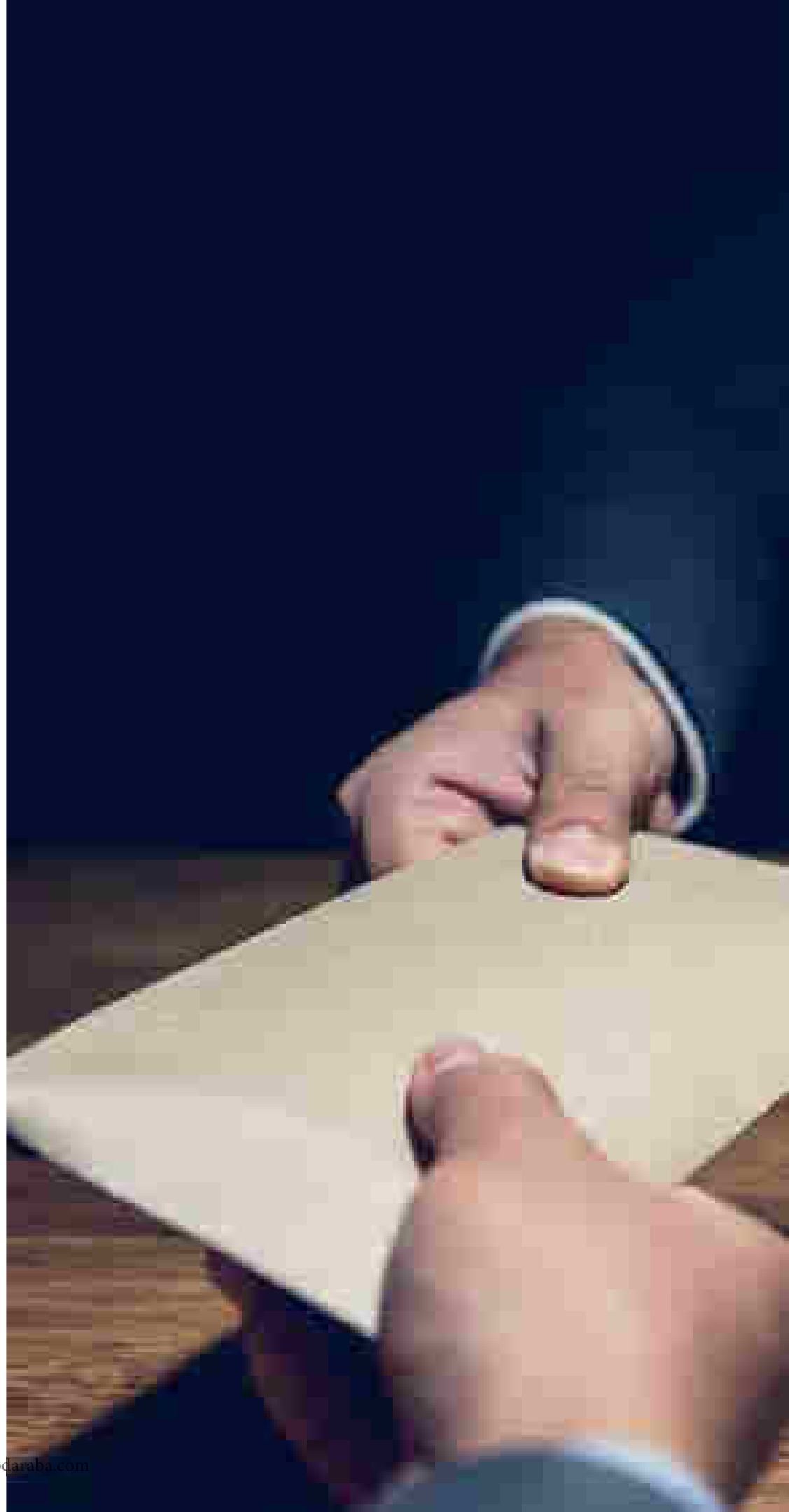
We specially encourage minorities, ladies and differently abled individuals to apply for each role in our recruitment process.

ENVIRONMENTAL PROTECTION MEASURES

At ORIXM, it is our resolve to ensure sustainability in our portfolio and in our practices. In order to protect an environment which is a global cause, we have formed a "Carbon Footprint Reduction Committee". We through our carbon committee continuously strive and find new ways to reduce carbon emissions and to implement that business practices which are environmentally friendly. The Company strongly discourages un-necessary or wasteful use of resources and encourages re-cycling for internal office use.

Consumer Protection and Anti-Corruption Measures

Business ethics, anti-corruption and customer confidentiality protection measures are taken seriously at ORIXM as we believe, that ethics of employees play a vital role in the development of institutional reputation and sustainability. On one hand our relationship with customers relies on mutual trust, and to retain this trust we set out customer's interest first while ensuring to provide highest standard of service, treating all customers fairly with transparency and responsibility. Whilst on the other hand our processes are such that ensure that trust is not violated. Adherence to a policy on Anti Bribery and Corruption (ABC), for which the employees are trained regularly and restriction of information to a need basis only with adequate back up of data and a closed process complying with all applicable laws & regulations, including Shariah governance, ensure the highest level of governance.



STAKEHOLDERS

STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

The main philosophy followed by the ORIX Modaraba (ORIXM), has been to create value for all stakeholders through fair business practices. This translates into policies approved by the Board of Directors that ensures that systems and controls are in place so that Clients are treated fairly and full regard is taken of their interests as required by the entity's regulators.

ORIXM maintains sound collaborative relationships with its stakeholders through engagement and provides a medium for clear, effective and consistent communication with all its stakeholders.

This helps to promote the reputation of the Modaraba and its management. Dialogues with investors, analysts and other stakeholders are also encouraged. Frequency of engagements is based on specific corporate requirements under the Code of Corporate Governance and with the objective to establish, promote and enhance the image of ORIXM and its practices.

Group of stakeholders includes but is not limited to the following:

Investors / Certificate holders: Best practices and guidelines are followed to maintain satisfactory relations with the investors. Their confidence is honored and acknowledged by providing them with a consistent and good rate of return on their investment. ORIXM engages with the certificate holders through the Annual Review Meeting where their queries are addressed appropriately and by providing Financial Reports which include comprehensive information on operations and financial performance of the Modaraba. We also engage with the certificate holders/ investors on a personal basis and answer any questions that are posted on the website or if they enquire in person. For this the secretariat department acts as the investor point of contact.

Clients: ORIXM has a thorough customer relationship management mechanism. Periodic engagements are held with clients in accordance with call plans and thereafter call reports are prepared and analyzed. The details are used to incorporate the client needs in our product offering. In addition, informal meetings are also held with institutional customers to provide them with an opportunity to give feedback regarding the services provided. Turn Around Time (TATs) with clients are monitored at different fora at ORIXM.

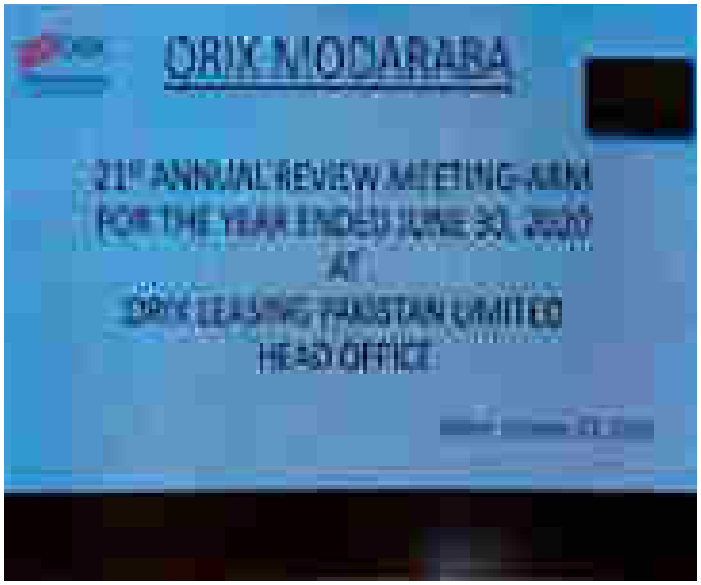
Banks: ORIXM engages Shariah compliant Banks and financial institutions on an on-going basis in relation to negotiation of rates, financing arrangements, deposits and investments. Shariah compliant Banks are also used for disbursements of operational nature.

Media: Statutory notices and other various public announcements as required by law are circulated through print media. Furthermore, the website of ORIXM is also used as a medium to communicate information to stakeholders.

Regulators: ORIXM maintains a robust regulatory relationship plan. The same is used to liaise with the regulators in terms of matters relating to the entity. ORIXM also represents the industry as thought leaders at different fora.

Issues raised at last ARM

The Chairman of the meeting started the Annual Review Meeting by welcoming all the certificate holders of the Modaraba. The MD/ CEO briefed the holders about the Modaraba's performance for the last financial year and also provided updates on how the management is working to safeguard the interests of the certificate holders and maximize their value creation. In addition to brief financial performance overview, the queries and concerns of certificate holders were also addressed appropriately in a question and answer session. The certificate holders appreciated the performance of the Modaraba. The Meeting was attended by the Chairman, CEO, directors, CFO, Company Secretary, Head of CRC, Head of Compliance and Legal & Head of internal Audit. External Audit representatives also attended the meeting.



Encouragement of Minority Shareholders to Attend the Annual Review Meetings

The Modaraba encourages its shareholders to attend the Annual Review Meetings. It circulates the notice of review meetings well within regulatory timeframe. Moreover, advertisement is published in Urdu and English newspapers in all four provinces having largest readership within each province.

The Modaraba timely updates its website with respect to all notices of annual review meetings.

Investor Relations Section on Website

We are continuously exploring new opportunities to create further value for our certificate holders and investors to give them a better return on their investments. The website of ORIXM (www.orixmodaraba.com) is one such medium to generate awareness and provide reliable information to the investors. Detailed Modaraba information is provided on the website which includes but not limited to financial reports, investors notices/announcements, pattern of certificate holding, dividend declarations etc. The investor relations section is comprehensively

covered on the website of ORIXM which is regularly updated.

The Modaraba is also in full compliance with the SRO 634(I)/2014 dated July 10, 2014 issued by SECP regarding maintenance of functional website by listed companies. A Compliance Certificate by the Chief Executive under the said SRO is also placed on the website.

Summary of the analyst briefing, if any, taken place during the year

On 27 October 2020, a Corporate Briefing Session was organized by ORIXM for its stakeholders, analysts. The detail of which can be viewed from ORIX Modaraba website www.orixmodaraba.com

Pattern of holding of certificates by the certificate-holders as at June 30, 2021

Number of Certificate holders	Certificate holding From	To	Total Certificates held
1,473	1	50	27,704
608	51	100	44,411
3,563	101	500	1,069,831
1,059	501	1,000	829,414
1,166	1,001	5,000	2,659,905
204	5,001	10,000	1,517,979
335	10,001	375,000,000	39,234,286
8,408			45,383,530

Certificate-holders Category	Number of Certificate-holders	Number of Certificate Held	Percentage %
INDIVIDUAL	8,321	23,656,460	52.13
FINANCIAL INSTITUTIONS **	11	8,227,729	18.13
INVESTMENT COMPANIES	-	-	-
INSURANCE COMPANIES	11	5,740,394	12.65
MODARABAS / MODARABA MANAGEMENT COMPANIES*	7	4,571,201	10.07
JOINT STOCK COMPANIES	34	2,095,813	4.62
OTHERS	24	1,091,933	2.41
	8,408	4,538,3530	100.00

* Includes ORIX Services of Pakistan (Private) Limited (4,538,353 certificates)
** Includes ORIX Leasing Pakistan Limited (4,538,353 certificates)

Categories of Certificate-holders	Number	Certificates held	Percentage
Associated Companies, Undertakings and Related Parties			
ORIX LEASING PAKISTAN LIMITED		4,538,353	10.00
ORIX SERVICES PAKISTAN (PVT.) LIMITED		4,538,353	10.00
	2	9,076,706	20.00
Mutual funds			
CDC - TRUSTEE NATIONAL INVESTMENT	1	3,677,560	8.1
Directors, CEO & their Spouse and Minor Children			
MR. SHAHEEN AMIN	1	100,000	0.22
MR. Nadim D. Khan	1	6,049	0.13
Executives	-	-	-
Public Sector Companies and Corporations	4	4,114,975	9.07
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas	21	1,676,337	3.68
Certificate-holders holding five percent or more certificates in the Modaraba (other than those reported above)	-	-	-

PERFOMANCE

ORIX Modaraba
(formerly Standard Chartered Modaraba)

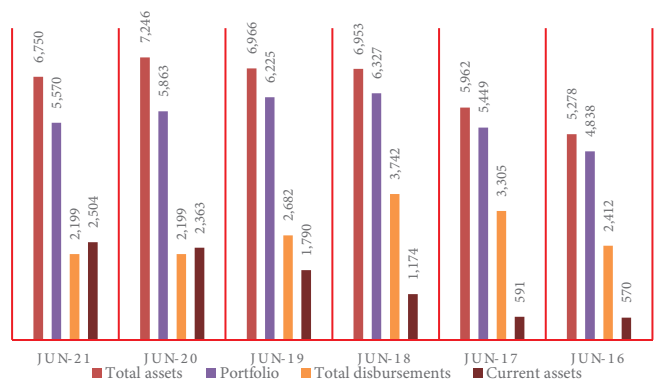
		June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
KEY FINANCIAL DATA (Rupees in Million)							
Total assets		**6,750**	7,246	6,966	6,953	5,962	5,278
Portfolio		**5,570**	5,863	6,225	6,327	5,449	4,838
Total disbursements		**2,419**	2,199	2,682	3,742	3,305	2,412
Current assets		**2,504**	2,363	1,790	1,174	591	570
Total liabilities		**5,592**	6,072	5,806	5,806	4,812	4,102
Current liabilities		**3,902**	4,937	4,207	4,206	3,468	2,805
Financing from financial institutions		**1,398**	1,240	1,934	1,636	947	328
Redeemable capital and deposits		**3,827**	4,449	3,435	3,849	3,581	3,451
Certificate-holders' fund (cum dividend)		**592**	615	608	601	610	642
Reserves		**567**	559	553	547	541	534
Certificate-holders' equity		**1,159**	1,174	1,161	1,148	1,151	1,176
Revenues from operations (net off depreciation)		**731**	932	742	522	458	496
Financial charges		**329**	599	448	246	204	223
Impairment loss / (reversal) against doubtful debts		**38**	10	(4)	(2)	(12)	(33)
Net Profit		**153**	127	126	120	128	173
Dividend including Bonus certificates		**132**	113	113	113	123	154
SUMMARY OF CASH FLOW							
Cash and cash equivalents at beginning of the year		**1,038**	433	409	368	257	245
Net cash generated from /(used in) operating activities		**271**	272	158	(916)	(340)	201
Net cash generated from/(used in) investing activities		**37**	52	18	9	14	(18)
Net cash generated from / (used in) financing activities		**(577)**	281	(152)	948	437	(171)
Net Increase / (decrease) in cash and cash equivalents		**(269)**	605	24	41	111	12
Cash and cash equivalents at end year		**769**	1,038	433	409	368	257
Profitability Ratios							
Profit before tax ratio	%	**14.70**	18.85	27.86	32.04	36.96	33.32
Gross Yield on Earning Assets	%	**11.43**	13.71	11.13	7.18	8.03	10.53
Gross Spread ratio	%	**49.95**	69.09	66.92	56.96	50.87	47.61
Cost/Income ratio	%	**51.78**	54.51	51.33	50.24	48.95	34.83
Return on Equity	%	**13.07**	10.92	10.92	10.47	11.03	14.87
Return on Capital employed	%	**2.52**	2.10	2.14	2.24	2.80	4.02
Liquidity Ratios							
Advances to deposits ratio		**1.71**	1.51	2.23	2.02	1.98	1.73
Current / Quick ratio		**0.64**	0.48	0.43	0.28	0.17	0.20
Cash to Current Liabilities	%	**19.71**	21.03	10.28	9.73	10.59	9.51
Investment /Market Ratios							
Dividend Yield ratio	%	**16.57**	13.89	16.13	15.05	11.57	13.60
Dividend Payout ratio	%	**86.29**	89.02	90.01	94.32	95.55	78.94
Cash Dividend per certificate	%	**29.00**	25.00	25.00	25.00	27.00	34.00
Cash Dividend per certificate	Rs.	**2.90**	2.50	2.50	2.50	2.70	3.40
Earnings per Certificate (EPC) basic and diluted	Rs.	**3.36**	2.81	2.78	2.65	2.83	4.31
Break-up Value per share	Rs.	**25.53**	25.88	25.57	25.29	25.34	25.92
Market value per certificate at the end of the year and high/low during the year	Rs.	**17.50**	18.00	15.50	16.61	23.33	25.00
Market value per certificate - low	Rs.	**14.00**	14.00	14.65	16.37	21.47	24.25
Market value per certificate - high	Rs.	**18.50**	18.50	20.25	24.49	28.29	32.24
Dividend Cover ratio		**1.16**	1.12	1.11	1.06	1.05	1.27
Price Earnings ratio		**5.21**	6.41	5.58	6.27	8.26	5.80
Price to Book ratio		**0.12**	0.11	0.10	0.11	0.18	0.22

		June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
KEY FINANCIAL DATA (Rupees in Million)							
Capital Structure Ratios							
Earning assets to total assets ratio	%	**93.91**	95.24	95.56	96.88	97.55	96.72
Weighted Average cost of deposit	%	**5.95**	10.96	8.57	5.39	5.69	5.93
Net assets per share	Rs.	**25.53**	25.88	25.57	25.29	25.34	25.92
Financial leverage ratio		**4.01**	4.35	4.07	4.15	3.22	2.65
Weighted average cost of debt	%	**6.74**	12.18	9.44	5.81	5.97	7.10
Debt to Equity ratio		**1.26**	1.11	1.71	1.47	1.30	1.24
Financial Charges Cover ratio		**1.46**	1.21	1.28	1.49	1.63	1.78
Revenue from Ijarah transaction is calculted on the basis rental income net off related depreciation for above ratios							
Non performing portfolio							
Ijarah		**68.81**	164.20	29.34	31.75	35.61	41.38
Diminishing Musharaka		**125.36**	331.11	25.37	-	-	-
Housing Finance		**-**	2.12	-	7.43	-	-
Sukuks		**57.70**	57.70	57.70	57.70	57.70	57.70
Total		**251.87**	**555.13**	**112.42**	**96.88**	**93.31**	**99.08**

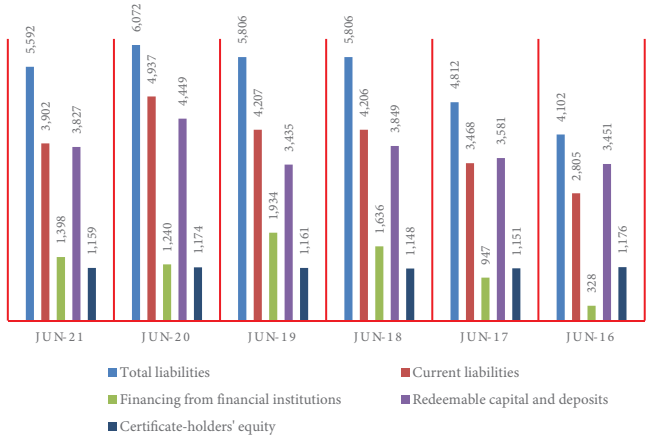
Concentration of assets, liabilities and off Balance Sheet items

GRAPHS

ASSETS

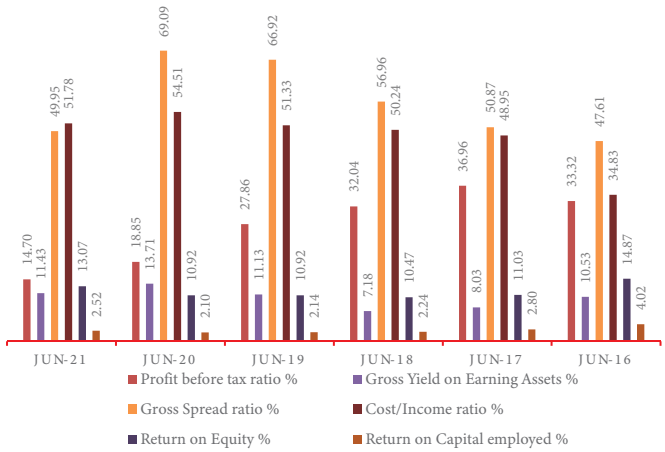


EQUITY & LIABILITIES

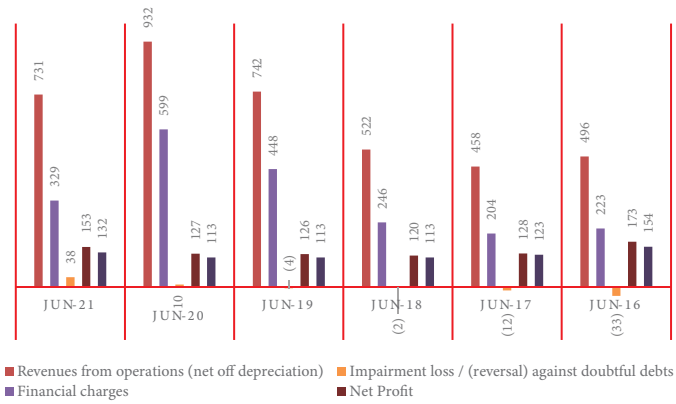


GRAPHS

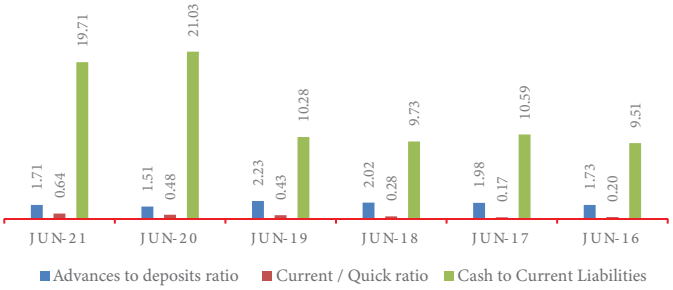
PROFITABILITY RATIOS



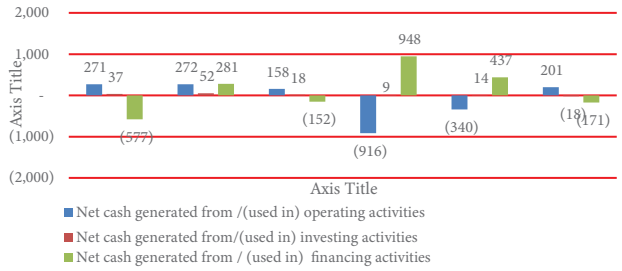
PROFIT & LOSS



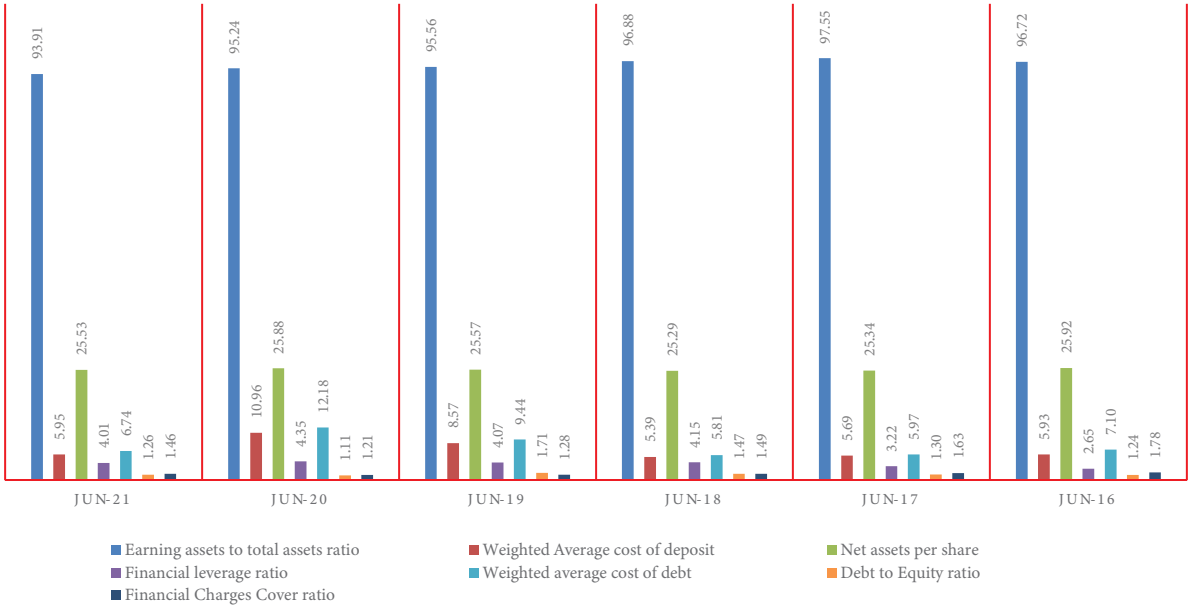
LIQUIDITY RATIOS



CASH FLOW



CAPITAL STRUCTURE RATIO



Comments on Key Financial Data and Ratios

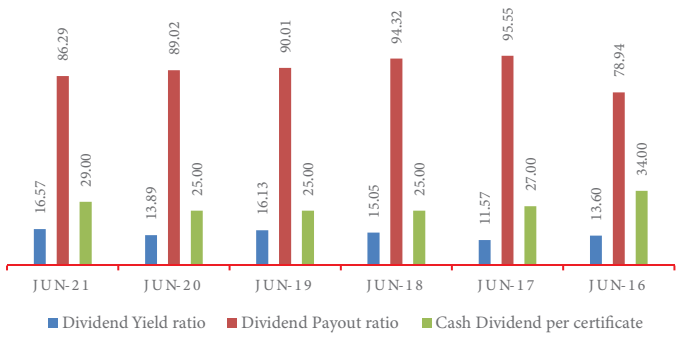
The financial year (FY) 2020-2021 was started with great uncertainty as the pace of economic recovery from COVID 19 effects was largely improbable. Due to effective government measures towards controlling the spread of the COVID, there was no complete business closure during the FY, however, there had been regular disruption in business due to smart lockdowns at regular intervals. Accordingly, the business volume could not gain its full swing, however, the management remained resilient, implemented the required calibrations in the business plan as and when required in order to effectively respond to the prevalent challenges adequately. The main focus areas had been managing efficiently the Modaraba's profit rate refixation profile mismatch, bringing down the cost of the funding through managing the funding mix between deposits and bank borrowing, booking financing exposures more towards Diminishing Musharaka instead of Ijarah, extending financings to business sectors showing positive business prospects, rigorous follow-ups with the customers to whom statutory grace-period in principal repayments were granted in the last financial year so as to ensure that impairment charges do not increase or reversal of already accrued impairment charges occur that was recorded in the last FY. All these have resulted in the increased profitability during the current financial year and resultantly has brought improvements in profitability ratios and investment ratios accordingly

Total assets have been reduced mainly due to reduction in Cash and Bank levels which were primarily build up in the last FY so as to remain adequately liquid in backdrop of COVID 19 along with the fact that more financing exposures are parked in Diminishing Musharaka instead of Ijarah. As discussed above, due to effective customers' monitoring the non-performing loans (NPL) have significantly decreased and has come down to half of the relevant level as recorded in last financial year. During the current FY, the Modaraba has implemented "Expected loss" model of IFRS-9 to record impairment over its advances as on higher of basis over impairment recorded under local Modaraba regulations. This has resulted in increased provisioning in profit and loss account, one time provisioning being debited in equity (affecting Modaraba's breakup value and debt to equity ratio slightly), however, the impairment coverage ratio has significantly improved which reflects that the current delinquent exposures do not materially endanger the Modaraba's future profitability.

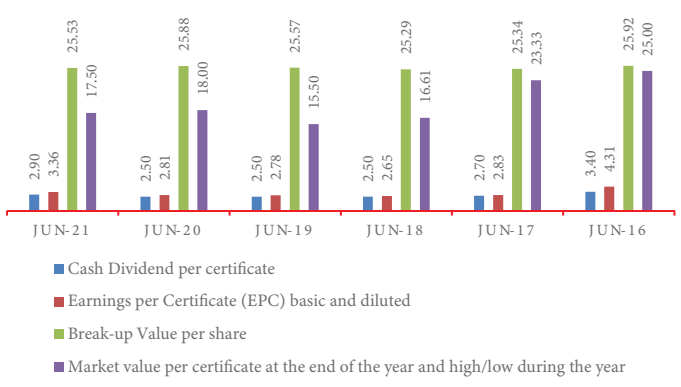
GRAPHS

INVESTMENT/ MARKET RATIOS

INVESTMENT/ MARKET RATIOS



INVESTMENT/ MARKET RATIOS



HORIZONTAL ANALYSIS Balance Sheet (%)	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
ASSETS						
Current assets						
Cash and bank balances	(25.92)	140.13	5.67	11.38	37.67	(0.40)
Loans and receivable - Term deposit receipts	-	-	-	-	-	-
Ijarah rentals receivable	(36.95)	69.45	4.34	11.79	(0.92)	(0.71)
Advances, deposits, prepayments and other receivables	88.50	(19.36)	107.80	320.87	(45.25)	(58.60)
Current portion of investment in Sukuk certificates	-	-	-	-	-	-
Current portion of Diminishing Musharika	34.76	(6.75)	87.10	453.04	(39.88)	(41.67)
Current portion of net investment in Ijarah finance	-	-	-	-	-	-
Taxation recoverable	13.94	10.15	0.02	0.04	265.72	(59.68)
Total current assets	5.95	32.03	52.45	98.70	3.64	(24.14)
Non - current assets						
Loans and advances to employees	-	-	-	-	-	-
Long-term portion of investment in Sukuk certificates	-	-	-	-	-	-
Long-term portion of Diminishing Musharika	(11.01)	10.72	5.13	115.43	(13.01)	17.58
Long-term portion of net investment in Ijarah finance	-	-	-	-	-	-
Ijarah assets	(14.74)	(16.17)	(18.09)	(13.89)	22.35	2.81
Fixed assets in own use	(26.65)	(31.71)	(51.13)	(30.29)	(38.08)	176.92
Total non-current assets	(13.04)	(5.66)	(10.44)	7.60	14.10	6.30
TOTAL ASSETS	(6.85)	4.02	0.18	16.62	12.97	1.88
LIABILITIES AND EQUITY						
Current liabilities						
Musharika finance	-	-	-	-	(100.00)	(57.10)
Murabaha finance	-	-	-	-	-	-
Current maturity of security deposits	20.02	7.16	12.28	(27.96)	20.01	13.91
Current maturity of Musharika term finance						
Creditors, accrued and other liabilities	(0.52)	(12.54)	50.98	15.06	(12.78)	9.16
Advance Ijarah rentals received	(60.47)	(36.09)	(11.80)	3.56	(27.01)	47.63
Current portion of redeemable capital	(24.14)	39.46	(11.89)	13.39	30.34	150.99
Deferred Murabaha income	-	-	-	-	-	-
Unclaimed profit distribution	(1.21)	4.25	10.34	11.06	15.11	16.78
Total current liabilities	(20.96)	17.36	0.01	21.30	23.64	64.94
Non - current liabilities						
Long-term portion of security deposits	(10.94)	(18.53)	(16.87)	(7.30)	28.81	11.66
Long-term portion of Musharika term finance	40.41	(34.52)	6.11	38.87	398.00	118.83
Long-term portion of redeemable capital	778.39	3.58	360.37	4,000.00	(99.97)	(62.93)
Total non - current liabilities	48.86	(29.01)	(0.03)	18.95	3.67	(44.26)
TOTAL LIABILITIES	(7.91)	4.59	(0.00)	20.64	17.32	1.84
CERTIFICATE HOLDERS' EQUITY						
Authorised certificate capital						
28,500,000 (2020: 28,500,000) certificates of Rs 10 each	-	-	-	-	-	-
Certificate capital						
Issued, subscribed and paid-up certificate capital						
28,500,000 (2020: 28,500,000) certificates of Rs. 10 each issued as fully paid in cash	-	-	-	-	-	-
16,883,530 (2020: 16,883,530) certificates of Rs. 10 each issued as fully paid bonus certificates	-	-	-	-	-	-
	-	-	-	-	-	-
Reserves	1.36	1.15	1.15	1.11	1.20	1.65
Unappropriated profit	(14.52)	4.96	4.27	(5.30)	(17.26)	8.47
	(1.35)	1.21	1.10	(0.19)	(2.22)	2.03
TOTAL LIABILITIES AND EQUITY	(6.85)	4.02	0.18	16.62	12.97	1.88

VERTICAL ANALYSIS Balance Sheet (%)	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
ASSETS						
Current assets						
Cash and bank balances	11.39	14.33	6.21	5.88	6.16	5.06
Loans and receivable - Term deposit receipts	-	-	-	-	-	-
Ijarah rentals receivable	1.68	2.48	1.53	1.46	1.53	1.74
Advances, deposits, prepayments and other receivables	4.18	2.07	2.67	1.29	0.36	0.73
Current portion of investment in Sukuk certificates	-	-	-	-	-	-
Current portion of Diminishing Musharika	19.66	13.59	15.16	8.12	1.71	3.22
Current portion of net investment in Ijarah finance	0.01	0.01	0.01	0.01	0.01	0.01
Taxation recoverable	0.16	0.13	0.13	0.13	0.15	0.05
Total current assets	37.09	32.61	25.69	16.88	9.91	10.80
Non - current assets						
Loans and advances to employees	-	-	-	-	-	-
Long-term portion of investment in Sukuk certificates	-	-	-	-	-	-
Long-term portion of Diminishing Musharika	29.61	30.99	29.12	27.75	15.02	19.51
Long-term portion of net investment in Ijarah finance	-	-	-	-	-	-
Ijarah assets	33.24	36.32	45.07	55.12	74.65	68.93
Fixed assets in own use	0.06	0.08	0.12	0.25	0.42	0.76
Total non-current assets	62.91	67.39	74.31	83.12	90.09	89.20
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00
LIABILITIES AND EQUITY						
Current liabilities						
Musharika finance	-	-	-	-	-	0.18
Murabaha finance	-	-	-	-	-	-
Current maturity of security deposits	3.59	2.79	2.71	2.41	3.91	3.68
Current maturity of Musharika term finance						
Creditors, accrued and other liabilities	4.45	4.17	4.96	3.29	3.33	4.32
Advance Ijarah rentals received	0.14	0.32	0.52	0.59	0.67	1.03
Current portion of redeemable capital	43.07	52.89	39.45	44.85	46.13	39.98
Deferred Murabaha income	-	-	-	-	-	-
Unclaimed profit distribution	0.85	0.80	0.80	0.73	0.76	0.75
Total current liabilities	57.81	68.13	60.39	60.49	58.16	53.14
Non - current liabilities						
Long-term portion of security deposits	4.95	5.18	6.61	7.96	10.02	8.79
Long-term portion of Musharika term finance	14.99	9.95	15.80	14.92	12.53	2.84
Long-term portion of redeemable capital	5.09	0.54	0.54	0.12	0.00	12.95
Total non - current liabilities	25.03	15.66	22.95	23.00	22.55	24.58
TOTAL LIABILITIES	82.84	83.79	83.34	83.49	80.71	77.71
CERTIFICATE HOLDERS' EQUITY						
Authorised certificate capital						
16,883,500 (2020: 28,500,000) certificates of Rs 10 each	7.41	6.90	7.18	7.19	8.39	9.47
Certificate capital						
Issued, subscribed and paid-up certificate capital						
28,500,000 (2020: 28,500,000) certificates of Rs. 10 each issued as fully paid in cash	4.22	3.93	4.09	4.10	4.78	5.40
16,883,530 (2020: 16,883,530) certificates of Rs. 10 each issued as fully paid bonus certificates	-	-	-	-	-	-
	2.50	2.33	2.42	2.43	2.83	3.20
	6.72	6.26	6.51	6.53	7.61	8.60
Reserves	8.40	7.72	7.94	7.86	9.07	10.12
Unappropriated profit	2.04	2.23	2.21	2.12	2.61	3.57
	17.16	16.21	16.66	16.51	19.29	22.29
TOTAL LIABILITIES AND EQUITY	100.00	100.00	100.00	100.00	100.00	100.00

VERTICAL ANALYSIS Profit and loss account	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Ijarah finance income	-	-	-	-	-	-
Ijarah rentals earned	76.49	74.49	82.33	92.37	94.12	91.34
Profit on Sukuk certificates	-	-	-	-	-	-
Income on Diminishing Musharika arrangements	21.18	22.70	16.70	6.96	5.21	7.73
Income on deposits with bank	2.34	2.81	0.96	0.68	0.67	0.93
	100.00	100.00	100.00	100.00	100.00	100.00
Financial charges	(19.55)	(29.73)	(22.08)	(12.59)	(10.77)	(12.07)
Depreciation on assets under Ijarah arrangements	(60.86)	(56.97)	(67.00)	(77.89)	(78.84)	(74.66)
Impairment against ijarah assets	(0.08)	-	-	(0.02)	-	-
	19.51	13.30	10.92	9.49	10.40	13.28
Reversal of provision in respect of Ijarah finances - net	0.93	-	0.12	0.20	0.61	0.57
Provision in respect of Diminishing Musharika	(2.95)	(0.51)	0.07	(0.08)	-	1.25
Reversal / (Provision) in respect of Sukuk certificates	(0.15)	-	-	-	-	(0.01)
	17.34	12.79	11.11	9.61	11.01	15.08
Other income	4.28	3.21	3.59	4.62	3.07	1.47
Administrative and operating expenses	(11.20)	(8.72)	(7.55)	(7.15)	(6.89)	(5.76)
	10.43	7.28	7.16	7.09	7.19	10.79
Management Company's remuneration	(1.04)	(0.73)	(0.72)	(0.71)	(0.72)	(1.08)
Provision for services sales tax on Management Company's remuneration	(0.14)	(0.09)	(0.09)	(0.09)	(0.09)	(0.15)
Provision for workers' welfare fund	(0.19)	(0.13)	(0.13)	(0.13)	0.40	(0.19)
Profit before taxation	9.07	6.33	6.22	6.16	6.78	9.37
Taxation	-	-	-	-	-	-
Profit after taxation	9.07	6.33	6.22	6.16	6.78	9.37
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	9.07	6.33	6.22	6.16	6.78	9.37

HORIZENTAL ANALYSIS Profit and loss account	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Ijarah finance income	-	-	-	-	-	-
Ijarah rentals earned	(14.26)	(10.06)	(7.51)	1.37	5.43	(10.29)
Profit on Sukuk certificates	-	-	-	-	-	-
Income on Diminishing Musharika arrangements	(22.11)	35.10	149.19	37.99	(31.08)	(3.42)
Income on deposits with bank	(30.48)	189.51	47.26	4.71	(26.58)	(46.28)
	(16.50)	(0.59)	3.76	3.30	2.31	(10.36)
Financial charges	(45.08)	33.83	81.98	20.81	(8.72)	(28.82)
Depreciation on assets under Ijarah arrangements	(10.80)	(15.47)	(10.75)	2.06	8.03	(6.45)
Impairment against ijarah assets	-	-	(100.00)	-	-	(100.00)
	22.53	21.08	19.36	(5.71)	(19.87)	(4.17)
Reversal of provision in respect of Ijarah finances - net		(100.00)	(36.08)	(66.34)	10.55	(638.57)
Provision in respect of Diminishing Musharika	381.33	(794.99)	(200.00)	-	(100.00)	1,958.25
Reversal / (Provision) in respect of Sukuk certificates	-	-	-	-	(100.00)	-
	13.26	14.36	19.94	(9.80)	(25.32)	9.23
Other income	11.33	(10.97)	(19.47)	55.35	114.11	(58.84)
Administrative and operating expenses	7.21	14.88	9.48	7.16	22.35	11.20
	19.66	1.11	4.79	1.78	(31.81)	(11.53)
Management Company's remuneration	19.66	1.11	4.79	1.78	(31.81)	(11.53)
Provision for services sales tax on Management Company's remuneration	19.66	1.11	4.79	1.78	(36.68)	(17.43)
Provision for workers' welfare fund	19.66	1.11	4.79	(132.13)	(316.26)	(11.43)
Profit before taxation	19.66	1.11	4.79	(6.19)	(25.93)	(11.43)
Taxation	-	-	-	-	-	-
Profit after taxation	19.66	1.11	4.79	(6.19)	(25.93)	(11.43)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	19.66	1.11	4.79	(6.19)	(25.93)	(11.43)

Cash Flow

For the year ended June 30, 2021 (By Direct Method)

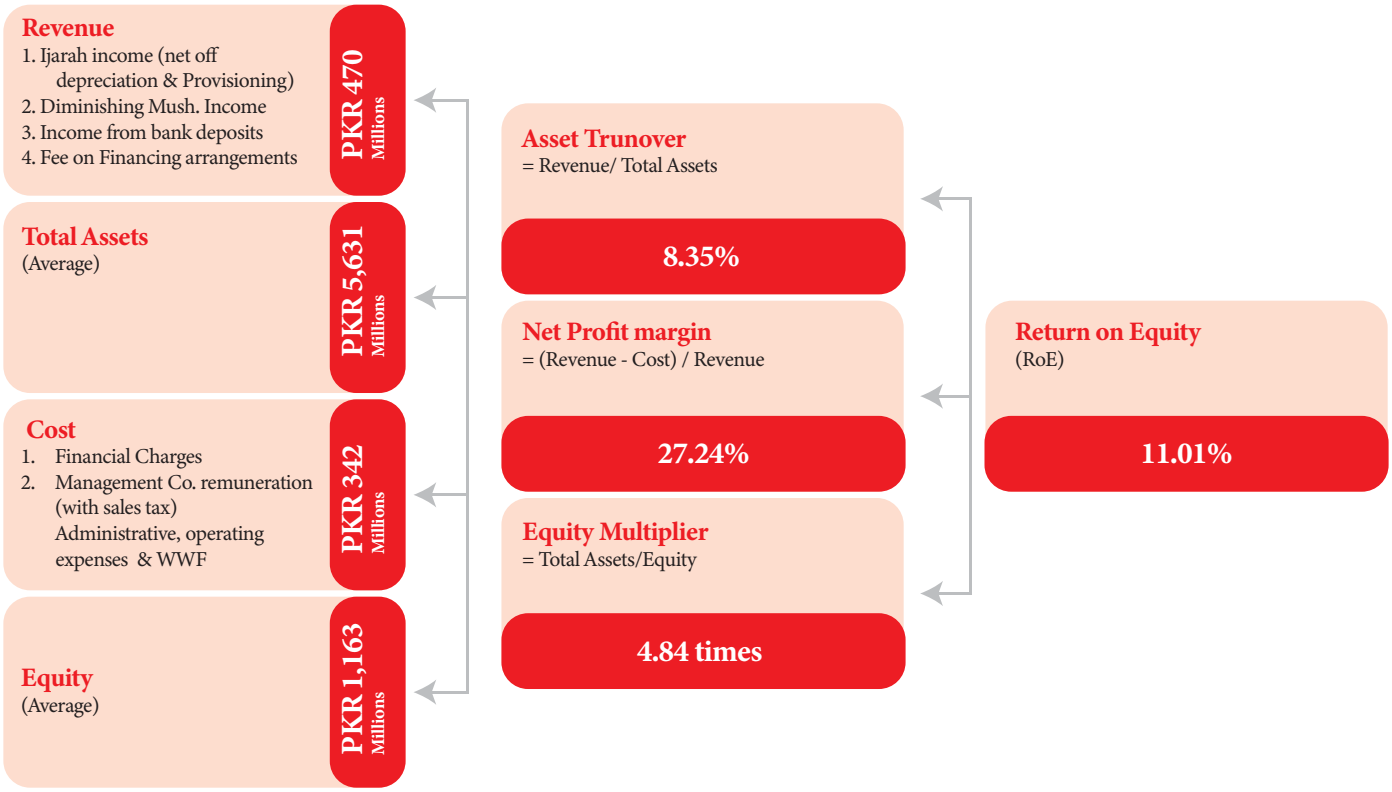
	June 30, 2021	June 30, 2020
	(Rupees)	
Ijarah Rental Collection	1,350,978,512	1,397,708,309
Diminishing Musharaka's repayment proceeds	1,185,569,141	1,086,707,016
Diminishing Musharaka's profit receipts	365,203,358	448,951,383
Ijarah Disbursements - net	(1,217,445,935)	(1,164,808,056)
Diminishing Musharaka disbursements - net	(1,129,549,261)	(869,264,069)
Net proceeds from Ijarah assets disposals - net	262,921,369	186,114,092
Financial charges paid	(335,655,627)	(613,102,516)
Management remuneration to management company	(13,645,879)	(15,518,592)
Salaries & staff benefits	(127,765,637)	(121,357,527)
Documentation fee & others from customers	23,970,357	24,732,605
Payments for operating expenses	(40,308,012)	(33,441,761)
Taxes, duties, levies, charity & advance payments	(53,214,473)	(54,331,466)
Net cash used in operating Activities	271,057,913	272,389,417
Net cash generated from investing activities	37,378,672	52,290,268
	-	
Net cash generated from financing activities	(577,484,423)	281,104,716
Net Cash generated	(269,047,838)	605,784,401
	-	
Cash & cash Equivalent at beginning of the year	1,038,077,150	432,292,749
Cash & cash Equivalent at end of the year	769,029,312	1,038,077,150

	June 30, 2021	June 30, 2020
	(Rupees)	
Free Cashflows		
Net cashflow Used in Operating Activities	271,057,913	272,389,417
Net funds from bank financing	157,479,812	(693,601,373)
Net movement in deposits	(620,800,000)	1,085,800,000
Fixed capital expenditure	(3,007,520)	(2,293,219)
	(195,269,795)	662,294,825

SEGMENT INFORMATION

	Finance lease	Finances and loans	Operating lease	Investment in subsidiaries, associates & others	Micro Finance	Total
	(Rupees)					
Segment revenues	-	367,892,948	1,347,241,203	39,325,862	-	1,754,460,013
Finance cost	-	165,637,354	145,566,707	17,705,780		328,909,842
Administrative and general expenses	-	104,854,023	92,148,628	11,208,355	-	208,211,006
Direct cost	-	-	1,023,926,663	-	-	1,023,926,663
(Reversal) / Provision-net	-	49,689,335	(14,434,550)	-	-	35,254,785
Other reversals - net	-	-		2,526,200	-	2,526,200
Segment results	**-**	**47,712,235**	**100,033,755**	**12,937,926**	**-**	**155,631,517**
Provision for Workers' Welfare Fund	-	954,245	2,000,675	258,758		3,112,630
Provision for taxation	-	-	-	-		-
Profit for the period		**46,757,991**	**98,033,080**	**12,679,168**		**152,518,887**
Other information						
Segment assets	370,000	3,326,028,938	2,357,394,199	769,029,312	-	6,452,822,449
Unallocated assets	-	-	-	-		297,470,231
Total assets						**6,750,292,680**
Segment liabilities	266,527	2,472,643,624	2,338,127,907	553,966,054	-	5,315,578,644
Unallocated liabilities						276,041,941
Total liabilities						**5,591,620,585**
Capital expenditure	-	-	-	-	-	-
Depreciation	-	-	-	-	-	4,550,488
Unallocated Capital expenditure	-	-	-	-	-	-
Additions made to intangible assets	-	-	-	-	-	-
Unallocated depreciation and amortisation	-	-	-	-	-	4,550,488

Dupont Analysis



Statement of Chairty Account

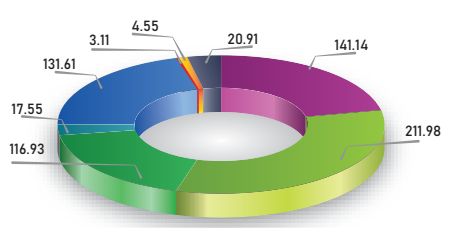
Description	2020 - 2021
Education	1,000,000
Health Care	1,000,000
	2,000,000

Names of Institutions	--- Rupees ---
Pakistan Education Foundation	1,000,000
Layton Rahmatulla Benevolent Trust	1,000,000
	2,000,000

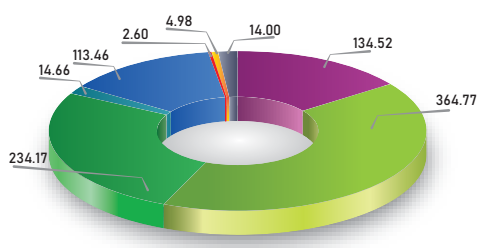
Statement of Value added

	2021 Rupees	%	2020 Rupees	%
Revenue from operations (net of depreciation of Ijarah assets)	658,463,010		866,866,583	
Other Income/ charges/reversal of povision for WWF	35,559,131		54,413,307	
	694,022,141		921,279,890	
Operating expenses	42,690,638		36,213,553	
Provision for services sales tax on management company's remuneration	2,280,958		1,906,173	
Value Added	649,050,545	100.00	883,160,165	100.00
Distributed as follows:				
To Employees				
As remuneration	141,143,091	21.79	134,518,084	15.23
To finance providers				
As profit on redeemable capital	211,979,772	32.72	364,767,806	41.30
As financial charges on Murabaha/Musharika	116,930,070	18.05	234,170,438	26.52
To Modarib				
As management company's remuneration	17,545,831	2.71	14,662,869	1.66
To Certificate-holders				
As profit on certificates	131,612,237	20.32	113,461,097	12.85
To Revenue Authorities				
As workers' welfare fund	3,112,630	0.48	2,601,193	0.29
Retained in Business				
As depreciation	4,550,488	0.70	4,981,319	0.56
As capital reserves and retained earning	20,906,650	3.23	13,997,359	1.58
	647,780,769	100.00	883,160,165	100.00

2021



2020



- As remuneration to employees
- As management company's remuneration
- As depreciation
- As profit on redeemable capital
- As profit on certificates
- As capital reserves and retained earning
- As financial charges on Murabaha/Musharika
- As workers' welfare fund

FINANCIAL STATEMENT

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Orix Modaraba (Modaraba) as at June 30, 2021 and the related profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's [Orix Services Pakistan (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Modaraba Management Company in respect of Orix Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

i) the balance sheet and profit and loss account and other comprehensive income together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for the change as stated in note 2.6 to the financial statements with which we concur;

ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2021 and of the profit and other comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated:
Engagement Partner: **Noman Abbas Sheikh**

BALANCE SHEET

AS AT JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
ASSETS		(Rupees)	
Current assets			
Cash and bank balances	5	769,029,312	1,038,077,150
Ijarah rentals receivable	6	113,500,031	180,028,517
Advances, deposits, prepayments and other receivables	7	282,263,341	149,743,964
Current portion of investment in sukuk certificates	8.2	-	-
Current portion of diminishing musharika	9.4	1,327,392,382	984,997,788
Net investment in Ijarah finance	10	370,000	370,000
Taxation recoverable		10,960,822	9,619,860
Total current assets		2,503,515,888	2,362,837,279
Non-current assets			
Long-term portion of investment in sukuk certificates	8.2	-	-
Long-term portion of diminishing musharika	9.4	1,998,636,555	2,245,797,777
Ijarah assets	10	2,243,894,173	2,631,943,089
Fixed assets in own use	11	4,246,065	5,789,033
Total non-current assets		4,246,776,793	4,883,529,899
TOTAL ASSETS		6,750,292,681	7,246,367,178
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of term finance arrangements	12	385,438,066	519,255,299
Current portion of security deposits	13	242,367,218	201,933,288
Creditors, accrued and other liabilities	14	300,360,164	301,923,898
Advance Ijarah rentals received		9,196,642	23,266,400
Current portion of redeemable capital	15	2,907,255,000	3,832,405,000
Unclaimed profit distribution		57,416,286	58,119,424
Total current liabilities		3,902,033,376	4,936,903,309
Non-current liabilities			
Long-term portion of term finance arrangements	12	1,012,112,250	720,815,205
Long-term portion of security deposits	13	334,024,954	375,075,859
Long-term portion of redeemable capital	15	343,450,000	39,100,000
Total non-current liabilities		1,689,587,204	1,134,991,064
TOTAL LIABILITIES		5,591,620,580	6,071,894,373
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (2020: 50,000,000) certificates of Rs. 10 each amounting to Rs 500,000,000 (2020: Rs. 500,000,000)			
Issued, subscribed and paid-up certificate capital			
28,500,000 (2020: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (2020: 16,883,530) bonus certificates of Rs. 10 each		168,835,300	168,835,300
	16	453,835,300	453,835,300
Revenue reserve		137,965,253	161,391,902
Capital reserves	17	566,871,548	559,245,603
		1,158,672,101	1,174,472,805
TOTAL LIABILITIES AND EQUITY		6,750,292,681	7,246,367,178
CONTINGENCIES AND COMMITMENTS	18		

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

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

Chairman	Chief Executive	Director	Chief Financial Officer

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		(Rupees)	
Ijarah rentals earned		1,286,803,547	1,500,837,866
Income on diminishing musharika arrangements		356,260,263	457,369,818
Income on deposits with banks		39,325,862	56,566,963
		1,682,389,672	2,014,774,647
Financial and other charges	19	(328,909,843)	(598,938,245)
Depreciation on assets under Ijarah arrangements	10.1	(1,023,926,662)	(1,147,908,062)
Impairment on assets under Ijarah arrangements	10.1	(1,269,770)	-
		(1,354,106,275)	(1,746,846,307)
		328,283,397	267,928,340
Reversal of provision in respect of Ijarah finances - net	6.2	15,704,326	-
Provision in respect of diminishing musharika - net	9.3	(49,689,335)	(10,323,395)
Provision in respect of other receivables	7.5	(2,526,200)	-
		(36,511,209)	(10,323,395)
		291,772,188	257,604,945
Other income	20	72,070,341	64,736,702
Administrative and operating expenses	21	(188,384,217)	(175,712,956)
		175,458,312	146,628,691
Management company's remuneration	22	(17,545,831)	(14,662,869)
Provision for services sales tax on the management company's remuneration	23	(2,280,958)	(1,906,173)
Provision for workers' welfare fund - net	14.3	(3,112,630)	(2,601,193)
Profit for the year before taxation		152,518,893	127,458,456
Taxation	24	-	-
Profit for the year after taxation		152,518,893	127,458,456
Other comprehensive income for the year		-	-
Total comprehensive income for the year		152,518,893	127,458,456
Earnings per certificate - basic and diluted	25	3.36	2.81

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

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

Chairman	Chief Executive	Director	Chief Financial Officer

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		(Rupees)	
Profit for the year before taxation		152,518,893	127,458,456
Adjustments for non-cash and other items:			
Depreciation / amortisation on fixed assets in own use	21	4,550,488	4,981,319
Depreciation on Ijarah assets	10.1	1,023,926,662	1,147,908,062
Gain on disposal of Ijarah assets	20	(51,854,146)	(43,839,957)
Gain on disposal of fixed assets in own use		-	(41,751)
Impairment on assets under Ijarah arrangements	10	1,269,770	-
Reversal of provision in respect of Ijarah finances - net		(15,704,326)	-
Provision in respect of other receivables	7.5	2,526,200	-
Provision in respect of diminishing musharika		49,689,335	10,323,395
Income on bank deposits		(39,325,862)	(56,566,963)
Profit on:			
- Redeemable capital	19	211,979,773	364,767,807
- Term finance arrangements	19	85,610,377	208,348,873
Provision for services sales tax on the Management Company's remuneration		2,280,958	1,906,173
Provision for Workers' Welfare Fund - net		3,112,630	2,601,193
		1,278,061,859	1,640,388,151
		1,430,580,752	1,767,846,607
Increase in assets			
Advances, deposits, prepayments and other receivables		(136,105,907)	37,969,272
Ijarah rentals receivable		55,513,890	(73,784,619)
Diminishing musharika		(173,062,285)	(156,428,732)
Purchase of assets under Ijarah arrangements	10.1	(1,393,537,433)	(1,501,148,709)
Proceeds from disposal of assets under Ijarah arrangements		808,244,063	904,655,237
		(838,947,672)	(788,737,551)
Increase / (decrease) in liabilities			
Creditors, accrued and other liabilities		29,623,310	(458,209)
Advance Ijarah rentals received		(14,069,758)	(13,138,459)
Security deposits		(616,975)	(71,796,613)
		14,936,577	(85,393,281)
		606,569,657	893,715,775
Profit paid on			
- Redeemable capital		(233,705,739)	(401,575,544)
- Term finance arrangements		(93,281,958)	(218,864,336)
		(326,987,697)	(620,439,880)
Payment against Workers' Welfare Fund		(7,183,085)	-
Taxes paid		(1,340,962)	(886,478)
Net cash generated from operating activities		271,057,913	272,389,417
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,007,520)	(2,293,219)
Proceeds from disposal of fixed asset in own use		-	41,751
Income received on bank deposits		40,386,192	54,541,736
Net cash generated from investing activities		37,378,672	52,290,268
CASH FLOWS FROM FINANCING ACTIVITIES			
Redeemable capital less repayments		(620,800,000)	1,085,800,000
Term finance less repayments		157,479,812	(693,601,373)
Profit paid to certificate holders		(114,164,235)	(111,093,911)
Net cash (used in) / generated from financing activities		(577,484,423)	281,104,716
Net (decrease) / increase in cash and cash equivalents during the year		(269,047,838)	605,784,401
Cash and cash equivalents at the beginning of the year		1,038,077,150	432,292,749
Cash and cash equivalents at the end of the year	33	769,029,312	1,038,077,150

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

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

Chairman	Chief Executive	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed and paid-up certificate capital	Capital reserve			Revenue reserve	Sub-total	Total
		Premium on issue of modaraba certificates	Statutory reserve	Sub-total	Unappropriated profit		
	(Rupees)						
Balance as at July 1, 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 year							
- Profit for the year ended June 30, 2020	-	-	-	-	127,458,456	127,458,456	127,458,456
- Other comprehensive income for the year	-	-	-	-	-	-	-
	-	-	-	-	127,458,456	127,458,456	127,458,456
Transactions with owners							
Profit distribution for the year ended June 30, 2019 @ Rs 2.50 per certificate declared subsequent to the year end	-	-	-	-	(113,461,097)	(113,461,097)	(113,461,097)
Transfer to statutory reserve	-	-	6,372,923	6,372,923	(6,372,923)	-	-
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
Effect of change in accounting policy							
- Impact of IFRS 9 (note 2.6)	-	-	-	-	(54,858,500)	(54,858,500)	(54,858,500)
Balance as at July 1, 2020 - restated	453,835,300	55,384,700	503,860,903	559,245,603	106,533,402	665,779,005	1,119,614,305
Total comprehensive income for the year							
- Profit for the year ended June 30, 2021	-	-	-	-	152,518,893	152,518,893	152,518,893
- Other comprehensive income for the year	-	-	-	-	-	-	-
	-	-	-	-	152,518,893	152,518,893	152,518,893
Transactions with owners							
Profit distribution for the year ended June 30, 2020 @ Rs 2.50 per certificate declared subsequent to the year end	-	-	-	-	(113,461,097)	(113,461,097)	(113,461,097)
Transfer to statutory reserve	-	-	7,625,945	7,625,945	(7,625,945)	-	-
Balance as at June 30, 2021	**453,835,300**	**55,384,700**	**511,486,848**	**566,871,548**	**137,965,253**	**704,836,801**	**1,158,672,101**

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

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

Chairman	Chief Executive	Director	Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 was situated at 602-B, 6th Floor, City Towers, Gulberg-II. Subsequent to the year end, the Lahore office has been shifted to office no. 08, Park Lane Tower, 172-Tufail road, Lahore Cantonment. The Islamabad branch is situated at Ground Floor, Phase 1, State Life Building No. 5, Nazimuddin Road, Blue Area, Islamabad.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA (2020: AA) and short term rating of A1+ (2020: A1+) to the Modaraba on March 04, 2021 (2020: March 24, 2020).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;

- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981; 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 IFRS, 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 Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Mustajir (lessors) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset. The Mustajir is required to distinguish these Ijarah assets from the assets in own use.

- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.

- Ijarah income is 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.

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.

2.3 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 Musharika) as per the requirements of the Prudential Regulations issued by the SECP at the time of finalisation 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. According to SRO 800(I)/2021 dated June 22, 2021 issued by the SECP, the application of IFRS 9 has been further extended for reporting period / year ending on or after June 30, 2022 with an option of earlier adoption. The Modaraba had already adopted all the requirements of IFRS 9 in the 2019 with the exception of determining the provision against financing (Ijarah and Diminishing Musharika). The Modaraba has early adopted the afore-mentioned requirements of provision against financing from the current year using modified retrospective restatement approach which has been detailed in note 2.6 to these financial statements.

2.4 Accounting convention

These financial statements have been prepared under the historical cost.

2.5 Critical accounting estimates and judgments

2.5.1 Use of estimates and judgments

The preparation of the 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. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgments were exercised in the application of accounting policies are as follows:

i) estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets (notes 4.6, 10 and 11);

ii) classification, valuation and provision against non-performing leases, Ijarah portfolio, diminishing musharika, investments and other receivables (notes 4.9, 6, 7.4, 8.1.3, 9.3, 10.1 and 10.4);

iii) provision for Workers' Welfare Fund (note 14.3);

iv) provision for sales tax on the Management Company's remuneration (note 23); and

v) provision for taxation (notes 4.7 and 24).

2.6 Change in accounting policy

Effective from July 1, 2020, the Modaraba has adopted the requirements of IFRS 9, 'Financial instruments' with respect to Expected Credit Loss (ECL) model. The ECL has an impact on the assets of the Modaraba which are exposed to credit risk. Previously, the provision for ijarah financing and diminishing musharika was determined in accordance with the requirements of the Prudential Regulations (now Modaraba Regulations, 2021) issued by the SECP. Upon adoption of ECL model under IFRS 9, the Modaraba while recognising provision for impaired assets has considered the amount which is higher of (on a customer basis):

- the provision required under the Modaraba Regulations, 2021; and
- the provision required under IFRS 9 using the Expected Credit Loss (ECL) model.

The Modaraba has adopted the requirements of ECL model as given in IFRS 9 using the modified retrospective approach. Accordingly, the cumulative impact of the adoption has been recognised in the unappropriated profit as of July 1, 2020 and comparatives have not been restated.

The impacts of applying ECL approach on the opening and current year balances in the balance sheet, statement of changes in equity, profit and loss account and other comprehensive income and cash flow statement are as follows:

	July 1, 2020
	------ (Rupees) ------
Impact on balance sheet:	
- Decrease in Ijarah finance - Provision against Ijarah finance	(26,718,922)
- Decrease in diminishing musharika - provision against diminishing musharika	(28,139,578)
Decrease in total assets	(54,858,500)
Impact on the statement of changes in equity:	
- Decrease in unappropriated profit	(54,858,500)

	June 30, 2021
	------ (Rupees) ------
Impact on profit or loss account and other comprehensive income:	
- Decrease in Ijarah finance - reversal of provision against Ijarah finance	**15,704,326**
- Increase in diminishing musharika - provision against diminishing musharika	**(49,689,335)**
Decrease in profit after taxation	**(33,985,009)**
- Decrease in earnings per certificate	**(0.75)**
Impact on cash flow statement:	
- Decrease in Ijarah finance - Provision against Ijarah finance	**(11,014,596)**
- Increase in diminishing musharika - provision against diminishing musharika	**(77,828,913)**
Impact on cash generated from operations	**(88,843,509)**

The Modaraba applies the IFRS 9 general approach to measure Expected Credit Losses (ECL) for Ijarah Finance and Diminishing Musharika. A lifetime ECL is recorded on Ijarah finance and diminishing musharika in which there have been Significant Increase in Credit Risk (SICR) from the date of initial recognition and which are credit impaired as on the reporting date. A 12 months ECL is recorded for Ijarah finance and diminishing musharika which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in credit risk the Modaraba compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Modaraba also considers reasonable and supportive forwarding-looking information in determination of ECL.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

There are certain amendments to the standards and new interpretations that are mandatory for accounting periods beginning on July 1, 2020 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these financial statements.

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

3.2.1 The following amendments and interpretations with respect to published approved accounting standards would be effective from the date mentioned below against the respective amendments or interpretations:

Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2023
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 1, 2023

The amendments highlighted above may impact the unconsolidated financial statements of the Company on adoption. The management is currently in the process of assessing the impact of these amendments on the unconsolidated financial statements of the Company.

3.2.2 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 financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The significant accounting polices applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as mentioned in note 2.6.

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 Classification and subsequent measurement

The Modaraba classifies its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

a) At amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 4.2.1.2.

b) Fair value through other comprehensive income (FVOCI):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment losses or reversals, recognised and measured as described in note 4.2.1.2, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the profit and loss account. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit and loss account.

c) Fair value through profit or loss (FVPL):

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value and is not part of a hedging relationship is recognised in the profit and loss account in the period in which it arises.

4.2.1.2 Impairment

The Modaraba assesses on a forward-looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The Modaraba recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Modaraba applies the IFRS 9 general approach to measure Expected Credit Losses (ECL) for ijarah finance and diminishing musharika. A lifetime ECL is recorded on Ijarah finance and diminishing musharika in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and which are credit impaired as on the reporting date. A 12 months ECL is recorded for ijarah finance and diminishing musharika which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in credit risk the Modaraba compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Modaraba also considers reasonable and supportive forwarding-looking information in determination of ECL. The allowance is increased by provisions charged to profit and loss account and other comprehensive income and is decreased by charge-offs, net of recoveries.

In evaluating the adequacy of ECL, the management considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in collateral, historical loss experience and delinquencies.

The Modaraba Regulations, 2021 specifies a criteria for classification and provisioning of impaired assets. The Modaraba while recognising provision for impaired assets has considered the amount which is higher of (on a customer basis):

- the provision required under the Modaraba Regulations, 2021; and
- the provision required under IFRS 9 using the Expected Credit Loss (ECL) model.

4.2.1.3 Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

(i) the Modaraba transfers substantially all the risks and rewards of ownership; or

(ii) the Modaraba neither transfers nor retains substantially all the risks and rewards of ownership and the Modaraba has not retained control.

The Modaraba enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

4.2.1.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Modaraba commits to purchase or sell the asset.

4.2.2 Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost except for:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer.

4.2.2.1 Derecognition

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

4.2.3 Initial recognition

Financial assets and financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

4.2.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.2.5 Write-offs

The gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, Modaraba makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

4.2.6 Diminishing musharika

It is a form of partnership in which the Modaraba and the customer create co-ownership in the asset by purchasing it jointly. The Modaraba then rents out its share of the asset to customers. Besides the payment of rentals, customer also purchases the asset from the Modaraba in installments. Hence at the end of the tenure, customer becomes sole owner of the asset.

4.3 Redeemable capital

The Modaraba offers only one deposit product, "Certificates of Musharika (COM)" under a scheme duly approved by the SECP vide its letter no. 7(04) Reg-Mod/95-449 dated April 4, 1995. The scheme of COM has been formulated under the parameters laid down for this purpose by the SECP in its "Guidelines for Issue of Certificates of Musharika for Modarabas" (the Guidelines) issued on September 7, 1994.

As per requirements of the Guidelines, the scheme of COM is based on the concept of "Musharika", hence it is classified as Redeemable Capital. The salient features of the COM are as follows:

- This is a return based certificate wherein a deposit is placed with the Modaraba for a definite period of time.

- Total profits after charging all expenses, provisions / impairments and the Management Company's remuneration of the Modaraba are shared by the COM holders and the Modaraba in accordance with ratio declared by the Modaraba and accepted by the COM holders. In the absence of such declaration, the total profits shall be shared between the COM holders and the Modaraba in proportion to their contribution in the Modaraba.

- The amount of profit allocated to the COM holders shall be shared between different category / tiers of the COM holders on the basis of predetermined weightages announced by the Modaraba at the beginning of each quarter.

- In the event of loss, such loss shall be shared between the COM holders and the Modaraba in proportion to their fund.

4.4 Net investment in Ijarah finance

Lease transactions entered into by the Modaraba prior to July 1, 2008 are accounted for as finance leases whereby assets under Ijarah arrangements are presented as receivable at an amount equal to the present value of the minimum Ijarah payments, including estimated residual value, if any. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortised over the term of the Ijarah so as to produce a constant rate of return on net investment in Ijarah. Allowances for non-performing leases are made in accordance with the criteria mentioned in note 4.2.1.2 to these financial statements.

4.5 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

4.6 Fixed assets

4.6.1 Tangible fixed assets

4.6.1.1 Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

Depreciation is charged to the profit and loss account on a straight line basis in accordance with the rates specified in note 11 to these financial statements and after taking into account residual values, if significant. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the profit and loss account in the period in which these arise.

4.6.1.2 Ijarah assets

Assets leased out under Ijarah on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the profit and loss account on a straight line basis, in accordance with the rates specified in note 10 to these financial statements, whereby the cost of an asset less salvage value is written off over the lease term, which is considered to be the estimated useful life of the asset.

4.6.1.3 Leases (except Ijarah assets)

The Modaraba has occupied various offices under lease arrangements. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until June 30, 2019, leases were classified as either finance or operating leases. Payments made under operating leases were charged to the profit and loss account on a straight-line basis over the period of the lease.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Modaraba. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the profit and loss account. Short-term leases are leases with a lease term of 12 months or less.

4.6.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. Amortisation is charged to the profit and loss account using the straight line method in accordance with the rates specified in note 11 to these financial statements. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gains or losses on disposal of intangible assets, if any, are taken to the profit and loss account in the period in which these arise.

4.6.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of tangible / intangible assets as and when the assets are available for intended use.

4.7 Taxation

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance,

1980 (XXXI of 1980) are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption by distributing at least 90% of its profits to the certificate holders each year.

The above exemption has been withdrawn with effect from July 1, 2021 as explained in note 24 to these financial statements.

Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax base and carrying amount of assets and liabilities appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

4.8 Creditors, accrued and other liabilities

These are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services.

4.9 Provisions and contingent assets and liabilities

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent assets are not recognised and are disclosed unless an inflow of economic benefits is virtually certain. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.10 Staff retirement benefits

The Modaraba operates:

i) a recognised provident fund for all eligible employees; and
ii) an approved defined contribution gratuity scheme for all permanent employees.

Gratuity is payable to employees on completion of the prescribed qualifying period of service under the scheme. Contributions to the provident fund and gratuity fund are made at the rate of 10% and 8.33% respectively, of the basic salaries of employees. Obligation for contribution to defined contribution plans are recognised as an employee benefit expense in the profit and loss account when these are due.

Investments out of the aforementioned funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

4.11 Revenue recognition

- The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to July 1, 2008 and accounted for as finance leases. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessor).

- For Ijarah arrangements commencing on or after July 1, 2008 Ijarah rentals are recognised as income on accrual basis, as and when rentals become due. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

- Gains / losses on termination of Ijarah contracts are recognised as income as the difference between the proceeds realised from the customers on sale of Ijarah assets and the net book value at which such assets are carried at the time of termination.

- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Modaraba Regulations, 2021 issued by the SECP.

- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account on an accrual basis.

- Profit on Diminishing Musharika arrangements is recognised under the effective mark-up rate method based on the amount outstanding.

- Profit / return on deposits / investments is recognised on accrual basis using the effective profit rate method.

- Income from Shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.

- Income recoverable on classified ijarah finance and diminishing musharika arrangements is recognised on a receipt basis.

- Other income is recognised on an accrual basis.

4.12 Proposed profit distribution to Modaraba certificate holders and transfers between reserves

Proposed profit distribution and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

4.13 Earnings per certificate

Basic earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any dilutive potential ordinary certificates.

4.14 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani rupees, which is the Modaraba's functional and presentation currency.

4.15 Foreign currency transactions

Transactions in foreign currencies are converted into Pakistani rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani rupees at the rate of exchange prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the profit and loss account.

4.16 Segment reporting

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer 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.

4.17 Commitments

Commitments are disclosed in the financial statements at committed amounts.

	Note	June 30, 2021	June 30, 2020
5 CASH AND BANK BALANCES		---------- (Rupees) ----------	
Balances with banks			
- in current accounts		252,639,769	106,419,144
- in deposit accounts	5.1	466,185,824	431,556,697
- in term deposit receipts	5.2	50,000,000	500,000,000
Balance with the State Bank of Pakistan		128,719	51,549
Cash in hand		75,000	49,760
		769,029,312	1,038,077,150

5.1 These carry profit at the rate ranging between 3.25% to 6.00% (2020: 4.50% to 6.75%) per annum.

5.2 Term deposit receipts carry profit at the rate of 6% (2020: 7.35%) per annum and are due to mature on July 31, 2021.

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 Modaraba Regulations, 2021 issued by the SECP with respect to the maintenance of the prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

	Note	June 30, 2021	June 30, 2020
6 IJARAH RENTALS RECEIVABLE		---------- (Rupees) ----------	
Ijarah rentals receivable - considered good		113,500,031	143,732,051
Ijarah rentals receivable - considered bad or doubtful	6.1	36,266,892	67,753,723
Less: allowance for potential Ijarah losses	6.2	(16,520,076)	(5,505,480)
Less: profit held in suspense	6.3	(19,746,816)	(25,951,777)
		-	36,296,466
		113,500,031	180,028,517

6.1 This is netted-off with the related security deposits held as at the reporting date.

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
6.2 Allowance for potential Ijarah losses			
Opening balance		5,505,480	5,505,480
Effect of change in accounting policy	2.6	26,718,922	
		32,224,402	5,505,480
Reversal for the year - net		(15,704,326)	-
Closing balance		16,520,076	5,505,480
6.3 Profit held in suspense			
Opening balance		25,951,777	18,224,887
(Reversal of) / income suspended during the year		(6,204,961)	7,726,890
Closing balance		19,746,816	25,951,777

6.4 Ijarah includes Rs 66.81 million (2020: Rs 164.2 million) which have been placed under non-performing status. The details of category of classification of these assets are given in note 27.2.2 to these financial statements.

6.5 The Modaraba has availed the benefit of forced sale value of assets held as collateral against non-performing Ijarah as allowed under the Modaraba Regulations, 2021 issued by the SECP. Had the benefit not been taken by the Modaraba, the specific provision against non-performing Ijarah would have been higher by Rs. 27.97 million (2020: Rs. 24.43 million).

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances			
Advances against assets under Ijarah arrangements	7.1	139,088,760	76,005,566
Advances against assets under diminishing musharika arrangements	7.1	87,316,670	-
Deposits		1,060,000	550,000
Prepayments			
Prepaid commission for the sale of Certificates of Musharika (COM)	7.2	14,063,355	18,037,898
Other prepayments		7,453,148	7,562,632
Other receivables			
Accrued profit on deposit accounts and term deposit receipts		3,321,200	4,381,530
Accrued profit on diminishing musharika	7.3 & 7.4	29,355,284	38,298,379
Others	7.5 & 7.6	604,924	4,907,959
		282,263,341	149,743,964

7.1 These represent amounts disbursed to various vendors for the supply or construction of assets against the financing to be extended by the Modaraba to its customers under Ijarah and diminishing musharika arrangements.

7.2 Commission in respect of the sale of COMs is being amortised over the maturity period.

7.3 This includes accrued profit from diminishing musharika related to key management personnel amounting to Rs. 0.045 million (2020: Rs. 0.227 million).

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
7.4 Accrued profit on diminishing musharika is as follows:		
Accrued profit on diminishing musharika	47,715,564	59,229,030
Less: profit held in suspense	(18,360,280)	(20,930,651)
Closing balance	29,355,284	38,298,379

7.5 This includes provision against other receivables. Movement in provision against other receivables during the year is as follows:

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
Opening balance	160,000	160,000
Provision for the year	2,526,200	-
Closing balance	2,686,200	160,000

7.6 This also includes receivable from provident and gratuity funds of the Modaraba amounting to Rs. Nil million (2020: Rs. 0.005 million) and Rs. 0.002 million (2020: Rs. 0.002 million) respectively.

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
8 INVESTMENT IN SUKUK CERTIFICATES			
At amortised cost			
Investment in sukuk certificates	8.1	57,701,835	57,701,835
Less: provision in respect of sukuk certificates	8.1.3	(57,701,835)	(57,701,835)
		-	-

8.1 Particulars of Investment in Sukuk Certificates

Name of the Investee Company	Number of certificates				Profit rate	Tenor	Security	Principal amount outstanding as at June 30, 2021	Provision held as at June 30, 2021	Carrying amount as at June 30, 2021
	As at July 1, 2020	Purchased during the year	Sold during the year	As at June 30, 2021						
								---------- (Rupees) ----------		
Sukuk certificates of Rs. 5,000 each unless stated otherwise										
Security Leasing Corporation Limited (note 8.1.1)	5,000	-	-	5,000	-	10 years	First charge over specific leased assets and associated lease receivables with 25% security margin	7,701,835	(7,701,835)	-
Shahraj Fabrics (Private) Limited (note 8.1.2)	10,000	-	-	10,000	11.52%	5 years	First pari passu charge over all present and future plant and machinery of the Company, equivalent to the facility amount with a 25% margin	50,000,000	(50,000,000)	-
As at June 30, 2021								57,701,835	(57,701,835)	-
As at June 30, 2020								57,701,835	(57,701,835)	-

8.1.1 On March 18, 2010, the terms of the redemption of principal outstanding balance and payment of profit thereon were restructured. Under the revised terms, principal redemptions were to commence from April 2010 in 48 equal monthly installments payable in arrears and profit was to be payable at the rate of 6% for the first eighteen months commencing from the date of restructuring and at the rate of 1 month KIBOR thereafter. The revised agreement was restructured with effect from March 19, 2011 under which, all future profit payments as per the first restructuring agreement were waived and the redemptions of the outstanding principal balance were to be continued to be made as per the original restructuring agreement. During the year ended June 30, 2012, the terms of the agreement were revised for the third time, whereby, the remaining principal became payable in 120 equal monthly installments commencing from February 19, 2012. The payments of these sukuk certificates have been overdue since July 2014. Accordingly, the outstanding balance has been fully provided.

8.1.2 As per the terms of the sukuk agreement, the principal was to be repaid in 14 equal quarterly installments beginning from the 21st month following the date of disbursement, whereas, profit was payable semi-annually in arrears. However, principal payments have been overdue since 2008 and, accordingly, the sukuk has been classified under the 'loss' category of non-performing assets as per the requirements of the Modaraba Regulations, 2021. Consequently, the management has retained a provision at the rate of 100 percent in respect of the said investment and has suspended the accrued profit upto June 30, 2021.

8.1.3 Movement in provision against Sukuk certificates

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
Opening balance	57,701,835	57,701,835
Provision for the year	-	-
Closing balance	57,701,835	57,701,835

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
8.2 Break-up of investment in sukuk certificates between long-term and current portion is as follows:			
Current portion of investment in Sukuk certificates		57,701,835	57,701,835
Less: provision held		(57,701,835)	(57,701,835)
		-	-
Long-term portion of investment in Sukuk certificates		-	-
Less: provision held		-	-
		-	-

8.3 Sukuk certificates of Rs 57.7 million (2020: Rs 57.7 million) have been placed under non-performing status. The details of category of classification of these assets are given in note 27.2.2 to these financial statements.

	Note	June 30, 2021	June 30, 2020
9 DIMINISHING MUSHARIKA		---------- (Rupees) ----------	
Staff - considered good			
- Housing finance		76,252,324	87,740,576
- Motor vehicles		27,000,932	29,936,317
- Others		3,345,441	3,323,435
	9.1 & 9.2	106,598,697	121,000,328
Others - considered good			
- Housing finance		382,961,380	474,274,989
- Motor vehicles		1,379,317,965	1,127,941,998
- Plant, machinery and equipment		1,419,942,212	1,184,672,731
		3,182,221,557	2,786,889,718
Others - considered bad or doubtful			
- Housing finance		-	2,116,083
- Motor vehicles		33,469,658	102,904,546
- Plant, machinery and equipment		91,891,333	228,208,285
		125,360,991	333,228,914
Less: provision in respect of diminishing musharika	9.3	(88,152,308)	(10,323,395)
		3,219,430,240	3,109,795,237
		3,326,028,937	3,230,795,565

9.1 These represent finance provided to employees, officers and key management personnel of the Modaraba under diminishing musharika arrangement for renovation, construction and purchase of house, purchase of vehicles and other consumer durables. These carry profit at rates ranging between 10.35% to 10.89% (2020: 10.22% to 16.51%) per annum and are repayable on monthly basis over a maximum period of 20 years (2020: 20 years). The maximum aggregate amount due from officers and employees at any time during the year calculated by reference to month-end balance is Rs. 120.339 million (2020: Rs. 123.481 million).

9.1.1 This includes diminishing musharika facility availed by key management personnel as per employment terms, with respect to housing finance, motor vehicles and personal finance amounting to Rs. 23.680 million (2020: Rs. 44.030 million), Rs. 10.465 million (2020: Rs 8.309 million) and Rs. 0.725 million (2020: Rs. 1.191 million) respectively. These are secured against diminishing musharika assets.

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
9.2 Reconciliation of carrying amounts of finance provided to employees and officers under Diminishing Musharika arrangement		
Opening balance	121,000,328	101,611,175
Disbursements during the year	30,255,164	35,557,609
Receipts during the year	(44,656,795)	(16,168,456)
Closing balance	106,598,697	121,000,328
9.3 Movement in provision against Diminishing Musharika		
Opening balance	10,323,395	-
Effect of change in accounting policy (note 2.7)	28,139,578	-
	38,462,973	-
Provision during the year - net	49,689,335	10,323,395
Reversal during the year	-	-
Closing balance	88,152,308	10,323,395
9.4 Break-up of diminishing Musharika between long-term and current portion is as follows:		
Current portion of diminishing musharika	1,359,393,304	990,492,546
Less: provision held	(32,000,922)	(5,494,758)
	1,327,392,382	984,997,788
Long-term portion of diminishing musharika	2,054,787,941	2,250,626,414
Less: provision held	(56,151,386)	(4,828,637)
	1,998,636,555	2,245,797,777

9.5 The Modaraba has availed the benefit of forced sale value of assets held as collateral against non-performing diminishing musharika as allowed under the Modaraba Regulations, 2021 issued by the SECP. Had the benefit not been taken by the Modaraba, the specific provision against non-performing Diminishing Musharika would have been higher by Rs. 19.3 million (2020: Rs. 31 million).

9.6 Diminishing musharika includes Rs 125.36 million (2020: Rs 333.23 million) which have been placed under non-performing status. The details of category of classification of these assets are given in note 27.2.2 to these financial statements.

9.7 Diminishing musharika carries profit at the rate ranging between 8.94% to 13.56% (2020: 9.03% to 18.98%) per annum.

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
10 IJARAH ASSETS			
Ijarah contracts commencing on or after July 1, 2008			
- accounted for under IFAS 2	10.1 & 10.2	**2,243,894,173**	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	10.3	**(370,000)**	(370,000)
		-	-

10.1 Assets under Ijarah arrangements

The following is a statement of Ijarah assets:

	June 30, 2021		
	Ijarah assets		
	Plant, machinery and equipment	Motor vehicles	Total
	(Rupees)		
At July 1, 2020			
Cost	3,270,053,666	1,762,672,699	5,032,726,365
Accumulated depreciation	(1,427,363,050)	(956,896,660)	(2,384,259,710)
Impairment against Ijarah assets	(16,060,582)	(462,984)	(16,523,566)
Net book value	1,826,630,034	805,313,055	2,631,943,089
Additions	974,815,697	418,721,736	1,393,537,433
Disposals			
Cost	(754,862,449)	(964,051,992)	(1,718,914,441)
Depreciation	397,220,263	565,304,261	962,524,524
	(357,642,186)	(398,747,731)	(756,389,917)
Depreciation charge for the year	(732,149,597)	(291,777,065)	(1,023,926,662)
Impairment during the year	(1,257,775)	(11,995)	(1,269,770)
Closing net book value	1,710,396,173	533,498,000	2,243,894,173
At June 30, 2021			
Cost	3,490,006,914	1,217,342,443	4,707,349,357
Accumulated depreciation	(1,762,292,384)	(683,369,464)	(2,445,661,848)
Impairment against Ijarah assets	(17,318,357)	(474,979)	(17,793,336)
Net book value	1,710,396,173	533,498,000	2,243,894,173
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	

	June 30, 2020		
		Ijarah assets	
	Plant, machinery and equipment	Motor vehicles	Total
	(Rupees)		
At July 1, 2019			
Cost	3,199,950,908	2,427,227,348	5,627,178,256
Accumulated depreciation	(1,328,190,372)	(1,142,946,596)	(2,471,136,968)
Impairment against Ijarah assets	(16,060,582)	(462,984)	(16,523,566)
Net book value	1,855,699,954	1,283,817,768	3,139,517,722
Additions	1,062,814,904	438,333,805	1,501,148,709
Disposals			
Cost	(992,712,146)	(1,102,888,454)	(2,095,600,600)
Depreciation	605,044,858	629,740,462	1,234,785,320
	(387,667,288)	(473,147,992)	(860,815,280)
Depreciation charge for the year	(704,217,536)	(443,690,526)	(1,147,908,062)
Impairment during the year	-	-	-
Closing net book value	1,826,630,034	805,313,055	2,631,943,089
At June 30, 2020			
Cost	3,270,053,666	1,762,672,699	5,032,726,365
Accumulated depreciation	(1,427,363,050)	(956,896,660)	(2,384,259,710)
Impairment against Ijarah assets	(16,060,582)	(462,984)	(16,523,566)
Net book value	1,826,630,034	805,313,055	2,631,943,089
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	

10.2 The Modaraba has entered into various Ijarah agreements for periods ranging from 2 to 6 years (2020: 2 to 6 years). Security deposits ranging between 0% to 55% (2020: 0% to 55%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah finance ranges between 9.25% to 13.74% (2020: 9.22% to 19.74%) per annum.

10.3 Net investment in Ijarah finance

	Note	June 30, 2021			June 30, 2020		
		Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
		(Rupees)					
Minimum Ijarah payments receivable		1,264,599	-	1,264,599	1,264,599	-	1,264,599
Add: Residual value		370,000	-	370,000	370,000	-	370,000
Gross investment in Ijarah finance		1,634,599	-	1,634,599	1,634,599	-	1,634,599
Less: Unearned finance income		-	-	-	-	-	-
Allowance for potential Ijarah losses	10.4	1,134,443	-	1,134,443	1,134,443	-	1,134,443
Suspended income	10.5	130,156	-	130,156	130,156	-	130,156
Net Investment in Ijarah finance		370,000	-	370,000	370,000	-	370,000

10.4 Allowance for potential Ijarah losses

	June 30, 2021			June 30, 2020		
	Specific	General	Total	Specific	General	Total
	(Rupees)					
Opening balance	1,134,443	-	1,134,443	1,134,443	-	1,134,443
Reversal / charge for the year	-	-	-	-	-	-
Closing balance	1,134,443	-	1,134,443	1,134,443	-	1,134,443

As at June 30, 2021, Ijarah with outstanding principal amounting to Rs. 1.134 million (2020: Rs. 1.134 million) has been classified as non-performing as per the requirements of the Modaraba Regulations, 2021 issued by the SECP.

10.5 Suspended income - Net Investment in Ijarah finance

	June 30, 2021	June 30, 2020
	(Rupees)	
Opening balance	130,156	130,156
Income suspended during the year	-	-
Reversals during the year	-	-
Closing balance	130,156	130,156

10.6 Contractual rentals receivable - Ijarah contracts commencing on or after July 1, 2008

	June 30, 2021				June 30, 2020			
	Not later than one year	Later than one year and less than five years	Later than five years	Total	Not later than one year	Later than one year and less than five years	Later than five years	Total
	(Rupees)							
Rentals receivable	1,521,351,076	290,887,387	-	1,812,238,463	1,379,981,706	1,458,986,646	-	2,838,968,352
Residual value	254,671,873	335,883,775	-	590,555,648	216,528,857	388,540,798	-	605,069,655
Total future Ijarah payments receivable	1,776,022,949	626,771,162	-	2,402,794,111	1,596,510,563	1,847,527,444	-	3,444,038,007

10.7 Ijarah includes Rs 66.81 million (2020: Rs 164.2 million) which have been placed under non-performing status. The details of category of classification of these assets are given in note 27.2.2 to these financial statements.

10.8 The Modaraba has availed the benefit of forced sale value of assets held as collateral against non-performing Ijarah as allowed under the Modaraba Regulations, 2021 issued by the SECP. Had the benefit not been taken by the Modaraba, the specific provision against non-performing Ijarah would have been higher by Rs. 27.97 million (2020: Rs. 24.43 million).

	Note	June 30, 2021	June 30, 2020
		(Rupees)	
11 FIXED ASSETS IN OWN USE			
Tangible assets	11.1	4,124,742	5,375,451
Intangible assets	11.1	121,323	413,582
		4,246,065	5,789,033

11.1 The following is a statement of tangible and intangible assets:

	June 30, 2021					
	Tangible assets					Intangible assets
	Lease hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles	Total	Computer software
	(Rupees)					
At July 1, 2020						
Cost	11,210,008	6,479,502	19,423,187	2,594,300	39,706,997	30,887,067
Accumulated depreciation / amortisation	(9,154,915)	(6,479,502)	(16,197,513)	(2,499,616)	(34,331,546)	(30,473,485)
Net book value	2,055,093	-	3,225,674	94,684	5,375,451	413,582
Additions	67,500	466,740	2,473,280	-	3,007,520	-
Disposals						
Cost	-	-	-	-	-	-
Depreciation / amortisation	-	-	-	-	-	-
	-	-	-	-	-	-
Depreciation / amortisation charge for the year	(2,057,343)	(38,895)	(2,067,307)	(94,684)	(4,258,229)	(292,259)
Closing net book value	65,250	427,845	3,631,647	-	4,124,742	121,323
At June 30, 2021						
Cost	11,277,508	6,946,242	21,896,467	2,594,300	42,714,517	30,887,067
Accumulated depreciation / amortisation	(11,212,258)	(6,518,397)	(18,264,820)	(2,594,300)	(38,589,775)	(30,765,744)
Net book value	65,250	427,845	3,631,647	-	4,124,742	121,323
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%

	June 30, 2020					
	Tangible assets					Intangible assets
	Lease hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles	Total	Computer software
	(Rupees)					
At July 1, 2019						
Cost	11,210,008	6,479,502	17,427,806	2,594,300	37,711,616	30,887,067
Accumulated depreciation / amortisation	(6,912,895)	(6,479,502)	(14,924,912)	(1,634,848)	(29,952,157)	(30,169,393)
Net book value	4,297,113	-	2,502,894	959,452	7,759,459	717,674
Additions	-	-	2,293,219	-	2,293,219	-
Disposals						
Cost	-	-	(297,838)	-	(297,838)	-
Depreciation / amortisation	-	-	297,838	-	297,838	-
	-	-	-	-	-	-
Depreciation / amortisation charge for the year	(2,242,020)	-	(1,570,439)	(864,768)	(4,677,227)	(304,092)
Closing net book value	2,055,093	-	3,225,674	94,684	5,375,451	413,582
At June 30, 2020						
Cost	11,210,008	6,479,502	19,423,187	2,594,300	39,706,997	30,887,067
Accumulated depreciation / amortisation	(9,154,915)	(6,479,502)	(16,197,513)	(2,499,616)	(34,331,546)	(30,473,485)
Net book value	2,055,093	-	3,225,674	94,684	5,375,451	413,582
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
12 TERM FINANCE ARRANGEMENTS			
Musharika / wakala finance	12.1, 12.2 & 12.3	1,397,550,316	1,240,070,504
Less: current portion of term finance arrangements		(385,438,066)	(519,255,299)
Long-term portion of term finance arrangements		1,012,112,250	720,815,205

12.1 Musharika / Wakala Finance

Name of bank	Facility limit		Profit rate (per rupee one thousand per day)		Frequency of profit payment	Tenor		Balance outstanding	
	2021	2020	2021	2020		2021	2020	2021	2020
	(Rupees)							(Rupees)	
Meezan Bank limited	-	100,000,000	-	0.3236-0.3975	Quarterly	-	3-5 years	-	100,000,000
Bank Alfalah Limited	350,000,000	30,550,000	0.2151-0.23232	0.3208-0.3962	Quarterly	3 years	3 years	350,000,000	30,550,000
Allied Bank Limited	800,000,000	800,000,000	0.2151-0.2216	0.3126-0.3962	Quarterly	3-5 years	3-5 years	649,841,035	659,520,504
Pakistan Mortgage Refinance Company Limited	397,709,281	450,000,000	0.1644-0.1786	0.1644	Quarterly	5 years	5 years	397,709,281	450,000,000
								1,397,550,316	1,240,070,504

12.2 The aforementioned facilities are secured against exclusive hypothecation over specific movable Ijarah and diminishing musharika assets and the rentals / installments receivable in respect of such assets.

12.3 These carry profit at the rates ranging between 6.52% to 8.48% (2020: 6% to 14.10%) per annum.

13 SECURITY DEPOSITS

	June 30, 2021			June 30, 2020		
	Finance lease	Ijarah assets	Total	Finance lease	Ijarah assets	Total
	---------- (Rupees) ----------					
Security deposits (note 13.1)	370,000	576,022,172	576,392,172	370,000	576,639,147	577,009,147
Less: repayable / adjustable after one year	-	334,024,954	334,024,954	-	375,075,859	375,075,859
Current portion	370,000	241,997,218	242,367,218	370,000	201,563,288	201,933,288

13.1 These represent amounts received under Ijarah finance repayable / adjustable at the expiry of the lease period.

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
14 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Remuneration payable to the Management Company	14.1	**17,545,831**	13,645,879
Profit payable on:			
- Redeemable capital	14.2	**31,485,687**	53,211,653
- Term finance arrangements		**17,610,800**	25,282,381
Accrued expenses		**25,812,926**	20,539,784
Amounts refundable to lessees		**131,159,978**	108,660,242
Commission payable on certificates of musharika		**10,377,881**	18,918,200
Provision for Workers' Welfare Fund	14.3	**17,200,922**	21,271,377
Charity payable	14.4	**348,032**	2,116,935
Others		**48,818,107**	38,277,447
		300,360,164	301,923,898

14.1 Amounts due to ORIX Services Pakistan (Private) Limited as at June 30, 2021 aggregated to Rs. 17.546 million (2020: Rs. 13.646 million).

14.2 This includes profit payable to key management personnel amounting to Rs. 0.356 million (2020: Rs. 0.280 million) and to mutual funds managed by AWT Investments Limited (a related party) amounting to Rs. Nil (2020: Rs. 2.811 million).

14.3 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 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 the Modaraba was instructed to deposit the SWWF liability either with SRB or Nazir as appointed by the Court. During the current year, the Modaraba has deposited the SWWF amounting to Rs 7.183 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 June 30, 2021 in these financial statements on a prudent basis.

14.4 During the current year, donations paid out of the charity payable account include donation to Layton Rahmatulla Benevolent Trust Hospital amounting to Rs. 1 million (2020: Rs. 0.5 million), where one of the directors of ORIX Services Pakistan (Private) Limited is a trustee. In addition, an amount of Rs. 1 million (2020: Nil) was donated to Pakistan Education Foundation. During the prior year an amount of Rs. 1.5 million was donated to Family Educational Services Foundation.

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
15 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED			
Certificates of musharika (COM)	15.1	**3,250,705,000**	3,871,505,000
Less: current portion of redeemable capital	15.2	**(2,907,255,000)**	(3,832,405,000)
		343,450,000	39,100,000

15.1 These carry estimated share of profit ranging between Re. 0.1781 to Re. 0.2151 per thousand per day (6.50% to 7.75% per annum) (2020: Re 0.2148 to Re 0.3093 per thousand per day (7% to 14% per annum)) and are due to mature latest by May 18, 2024 (2020: June 22, 2023).

15.1.1 This includes COM issued to key management personnel amounting to Rs. 7.050 million (2020: Rs. 4.550 million) at the rate of 6.75% (2020: 8.90%) per annum and to mutual fund managed by AWT Investments Limited (a related party) amounting to Rs. Nil (2020: Rs. 29 million).

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
15.2 Current portion of redeemable capital			
Current portion of certificates of musharika		**2,699,950,000**	3,664,000,000
Payable to holders of matured certificates of musharika	15.2.1	**207,305,000**	168,405,000
		2,907,255,000	3,832,405,000

15.2.1 These represent amounts with respect to already matured certificates against which respective customer's request for encashment along with original certificates are pending.

16 CERTIFICATE CAPITAL

June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
(Number of certificates)			---------- (Rupees) ----------	
Authorised certificate capital				
50,000,000	50,000,000	Modaraba certificates of Rs. 10 each	500,000,000	500,000,000
Issued, subscribed and paid-up capital				
28,500,000	28,500,000	Modaraba certificates of Rs. 10 each fully paid in cash	285,000,000	285,000,000
16,883,530	16,883,530	Modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	168,835,300	168,835,300
45,383,530	45,383,530		453,835,300	453,835,300

16.1 Ordinary shares of the Modaraba held by related parties as at year end are as follows:

	2021		2020	
	(Percentage of holding)	(Number of certificates)	(Percentage of holding)	(Number of certificates)
ORIX Services Pakistan (Private) Limited (the Management Company)	10.00%	4,538,353	10.00%	4,538,353
ORIX Leasing Pakistan Limited (the Holding Company)	10.00%	4,538,353	10.00%	4,538,353
Mr. Shaheen Amin (the Chairman of the Board of the Management Company)	0.22%	100,000	0.22%	100,000
Mr. Nadim D. Khan (a director of the Management Company)	0.01%	6,049	0.01%	6,049

16.2 There are no agreements with certificate holders for voting rights, board selection, rights of first refusal, and block voting.

17 CAPITAL RESERVES

Capital reserves include statutory reserves which represent profits set aside by the Modaraba to comply with the requirement of the Modaraba Regulations, 2021 issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time that reserves equal the amount of the paid up capital. Thereafter, a sum not less than 5% and not more than 20% of the after tax profits is to be transferred.

During the current year, the Modaraba has transferred an amount of Rs. 7.626 million (2020: Rs. 6.373 million) which represents 5% (2020: 5%) of the profit after taxation for the year.

18 CONTINGENCIES AND COMMITMENTS

18.1 There were no contingencies outstanding as at June 30, 2021 and June 30, 2020.

18.2 Commitments

The Modaraba has issued letters of comfort to various commercial banks on behalf of its customers as at year end for guaranteeing the payment against import of plant and machinery which will ultimately be given by the Modaraba to the customers against diminishing musharika or Ijarah arrangements. The customer wise details are mentioned below:

Customer Name	June 30, 2021	
	Amount (Rupees)	Name of Financial Institutions
Rototec (Private) Limited	13,850,000	Meezan Bank Limited
Micro Tech Limited	7,100,000	Bank Al Habib Limited
Hussain Sugar Mills Limited	36,546,000	Meezan Bank Limited
	57,496,000	

Customer Name	June 30, 2020	
	Amount (Rupees)	Name of Financial Institutions
Equity Textiles Limited	31,520,000	Habib Metropolitan Bank Limited
Siddiqsons Industries (Private) Limited	7,800,000	JS Bank Limited
Maqsood Faisal Printing Press (Smc-Private) Limited	68,400,000	Habib Metropolitan Bank Limited
	107,720,000	

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
19 FINANCIAL AND OTHER CHARGES		
Profit on redeemable capital	211,979,773	364,767,807
Profit on term finance arrangements	85,610,377	208,348,873
Commission	31,064,935	25,469,895
Bank charges	254,758	351,670
	328,909,843	598,938,245
20 OTHER INCOME		
Gain on disposal of Ijarah assets	51,854,146	43,839,957
Documentation fee	20,216,195	20,854,994
Gain on disposal of tangible fixed assets in own use	-	41,751
	72,070,341	64,736,702

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
21 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other staff benefits	21.1 & 26	**141,143,091**	134,518,084
Depreciation / amortisation on fixed assets in own use	11.1	**4,550,488**	4,981,319
Rent		**1,820,761**	1,722,437
Advertising, travelling and entertainment		**1,324,417**	1,780,680
Postage		**759,556**	1,302,393
Telecommunication		**4,607,870**	4,747,381
Printing and stationery		**2,982,855**	2,663,052
Legal and professional		**5,739,192**	5,203,041
Repairs and maintenance		**13,793,502**	9,553,738
Charges by holding company	21.2	**608,052**	496,686
Subscriptions		**2,373,482**	1,928,868
Auditors' remuneration	21.3	**2,290,804**	957,671
Certificate of Musharika trustee fee		**905,196**	944,076
Insurance - own assets		**235,159**	311,301
Sundry expenses		**5,249,792**	4,602,229
		188,384,217	175,712,956

21.1 Salaries and other staff benefits include Rs. 5.129 million and Rs. 3.986 million (2020: Rs. 4.715 million and Rs. 3.928 million) on account of the Modaraba's contribution to the staff provident fund and staff gratuity fund respectively.

21.2 This represents expense allocated by ORIX Leasing Pakistan Limited (OLPL) (Holding Company of the Management Company) on account of usage of OLPL's space, furniture, fixtures and office equipment in Islamabad by the Modaraba.

	June 30, 2021	June 30, 2020
21.3 Auditors' remuneration	---------- (Rupees) ----------	
Statutory audit fee	**606,375**	595,350
Half yearly review fee	**173,250**	170,100
Fee for review of compliance with the Code of Corporate Governance	**57,750**	52,500
Fee for other certifications	**200,000**	30,000
Fee for assistance in application of IFRS 9	**1,000,000**	-
Out of pocket expenses	**83,740**	38,782
	2,121,115	886,732
Sindh sales tax on services	**169,689**	70,939
	2,290,804	957,671

22 MANAGEMENT COMPANY'S REMUNERATION

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended June 30, 2021 has been recognised at 10% (2020: 10%) of the profit for the year before charging such remuneration.

23 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 the 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.

24 TAXATION

The income of non-trading Modarabas is exempt from income tax provided that not less than 90% of their profits are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (second) amendment Ordinance, 2021. Based on the advice of the tax advisor, the management is of the view that the said exemption is valid for the entire year ended June 30, 2021 and its withdrawal will be effective from July 1, 2021. Accordingly, no provision for taxation has been made in the financial statements for the current year.

As a result of withdrawal of tax exemption, there are implications of deferred tax which have been assessed by the management as at June 30, 2021 in consultation with its tax advisor. The management and the tax advisor are of the view that since the income of the Modaraba would be chargeable to tax for the first time in the tax year 2022, potential differences may arise in practice which are not yet envisaged. Therefore, the management has prudently decided not to recognise the deferred tax asset in these financial statements.

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	

25 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Basic

Profit for the year after taxation	152,518,893	127,458,456
	---------- (Number) ----------	
Weighted average number of certificates outstanding during the year	45,383,530	45,383,530
	---------- (Rupees) ----------	
Earnings per certificate	3.36	2.81

Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2021 and June 30, 2020 which would have any effect on the earnings per certificate if the option to convert is exercised.

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	

26 REMUNERATION OF OFFICERS AND EXECUTIVES

Remuneration and staff retirement benefits		137,385,327	131,680,404
Medical expenses		474,450	-
Other benefits		3,283,314	2,837,680
	26.1 & 26.2	141,143,091	134,518,084

	June 30, 2021	June 30, 2020
	---------- (Number) ----------	
Number of employees at the end of the year		
- Permanent	40	42
- On contractual basis	14	10
	54	52
Average number of employees*	41	40

* Represents the average number of employees at the end of each month in the year.

26.1 It includes remuneration paid to all employees other than the Chief Executive Officer, who is an employee of the Management Company of the Modaraba. Remuneration to the Chief Executive Officer is recognised in the financial statements of the Management Company of the Modaraba.

	June 30, 2021	June 30, 2020
26.2 The remuneration paid to the executives is as follows:	---------- (Rupees) ----------	
Basic salary	**32,439,660**	29,382,732
House rent allowance	**12,975,864**	11,753,088
Medical allowance	**3,243,966**	2,938,296
Other allowances	**3,679,758**	4,877,517
Bonus	**11,435,000**	8,200,000
Contribution to provident fund	**3,243,966**	2,938,273
Contribution to gratuity fund	**2,702,224**	2,447,565
	69,720,438	62,537,471
	---------- (Number) ----------	
Number of executives at the end of the year	**15**	14

27 FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Board of Directors of the Management Company have overall responsibility for the establishment and oversight of Modaraba risk framework. The Board of Directors of the Management Company is also responsible for developing and monitoring the Modaraba's risk management policies.

The Modaraba's risk management policies are discussed below:

27.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

Market risk comprises three types of risk: currency risk, profit rate risk and price risk.

27.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Modaraba is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

27.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk. The profit rate profile of the Modaraba's significant profit bearing financial instruments and the periods in which these will mature are as follows:

	June 30, 2021							
	Effective yield / profit rate %	Total	Exposed to yield / profit rate risk					Not exposed to yield / profit rate risk
			Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	
	(Rupees)							
On-balance sheet financial instruments								
Financial assets								
Cash and bank balances	3.25% - 6%	769,029,312	516,185,824	-	-	-	-	252,843,488
Ijarah rentals receivable	-	113,500,031	-	-	-	-	-	113,500,031
Advances, deposits and other receivables	-	260,746,838	-	-	-	-	-	260,746,838
Diminishing Musharika	8.94% - 13.56%	3,326,028,937	406,576,960	1,136,093,718	1,769,544,769	-	-	13,813,490
Net investment in Ijarah finance	-	370,000	-	-	-	-	-	370,000
		4,469,675,118	922,762,784	1,136,093,718	1,769,544,769	-	-	641,273,847
Financial liabilities								
Term finance arrangements	6.52% - 8.48%	1,397,550,316	-	999,841,035	397,709,281	-	-	-
Security deposits	-	576,392,172	-	-	-	-	-	576,392,172
Creditors, accrued and other liabilities	-	283,159,242	-	-	-	-	-	283,159,242
Advance Ijarah rentals received	-	9,196,642	-	-	-	-	-	9,196,642
Redeemable capital	6.50% - 7.75%	3,250,705,000	209,500,000	391,100,000	2,138,250,000	343,450,000	-	168,405,000
Unclaimed profit distribution	-	57,416,286	-	-	-	-	-	57,416,286
		5,574,419,658	209,500,000	1,390,941,035	2,535,959,281	343,450,000	-	1,094,569,342
On-balance sheet gap		(1,104,744,540)	713,262,784	(254,847,317)	(766,414,512)	(343,450,000)	-	(453,295,495)

	June 30, 2020							
			Exposed to yield / profit rate risk					
	Effective yield / profit rate %	Total	Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / profit rate risk
	(Rupees)							
On-balance sheet financial instruments								
Financial assets								
Cash and bank balances	4.50% - 7.35%	1,038,077,150	931,556,697	-	-	-	-	106,520,453
Ijarah rentals receivable	-	180,028,517	-	-	-	-	-	180,028,517
Advances, deposits and other receivables	-	124,143,434	-	-	-	-	-	124,143,434
Diminishing Musharika	9.03% - 18.98%	3,230,795,565	610,470,026	863,986,662	1,731,483,017	-	-	24,855,860
Net investment in Ijarah finance	-	370,000	-	-	-	-	-	370,000
		4,573,414,666	1,542,026,723	863,986,662	1,731,483,017	-	-	435,918,264
Financial liabilities								
Term finance arrangements	6% - 14.10%	1,240,070,504	-	790,070,504	450,000,000	-	-	-
Security deposits	-	577,009,147	-	-	-	-	-	577,009,147
Creditors, accrued and other liabilities	-	280,652,521	-	-	-	-	-	280,652,521
Advance Ijarah rentals received	-	23,266,400	-	-	-	-	-	23,266,400
Redeemable capital	7% - 14%	3,871,505,000	137,200,000	393,750,000	3,133,050,000	39,100,000	-	168,405,000
Unclaimed profit distribution	-	58,119,424	-	-	-	-	-	58,119,424
		6,050,622,996	137,200,000	1,183,820,504	3,583,050,000	39,100,000	-	1,107,452,492
On-balance sheet gap		(1,477,208,330)	1,404,826,723	(319,833,842)	(1,851,566,983)	(39,100,000)	-	(671,534,228)
Off-balance sheet financial instrument								
Off-balance sheet financial instrument gap (b)			-	-	-	-	-	
Total interest rate sensitivity gap (a+b)			1,404,826,723	(319,833,842)	(1,851,566,983)	(39,100,000)	-	
Cumulative interest rate sensitivity gap			1,404,826,723	1,084,992,881	(766,574,102)	(805,674,102)	(805,674,102)	

Sensitivity analysis for variable rate instrument

As at reporting date, variable rate instruments of the Modaraba represent cash and bank balances, Diminishing Musharika and Ijarah financing, term finance arrangements and redeemable capital. In case of 100 basis points increase / decrease in profit rates on the last repricing date of variable rate instruments with all other variables held constant, the following will be the impact on the profit and loss account and the equity of the Modaraba:

	June 30, 2021		June 30, 2020	
	Increase of 100 basis points	Decrease of 100 basis points	Increase of 100 basis points	Decrease of 100 basis points
	(Rupees)			
Variable rate financial assets	61,482,943	(61,482,943)	62,162,036	(62,162,036)
Variable rate financial liabilities	(45,970,982)	45,970,982	(48,004,645)	48,004,645
Net effect on profit and loss	15,511,961	(15,511,961)	14,157,391	(14,157,391)

Sensitivity analysis for fixed rate instrument

There are no fixed rate financial instruments as at June 30, 2021 and June 30, 2020.

The composition of the Modaraba's portfolio of financial instruments and profit rates are expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

27.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2021 and June 30, 2020, the Modaraba did not hold any instruments which exposes it to price risk.

27.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Modaraba rules and regulations. The carrying amount of financial assets represents the maximum credit exposure at the reporting date.

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
Financial Assets		
Cash and bank balances	**768,954,312**	1,038,027,390
Ijarah rentals receivable	**113,500,031**	180,028,517
Advances, deposits and other receivables	**260,746,838**	124,143,434
Diminishing Musharika	**3,326,028,937**	3,230,795,565
Net investment in Ijarah finance	**370,000**	370,000
	4,469,600,118	4,573,364,906

As at June 30, 2021 and June 30, 2020, Ijarah rental receivables are pledged as collateral against musharika / wakala term finance.

27.2.1 Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management polices and the requirements of the Modaraba Regulations, 2021 issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of its Ijarah and diminishing musharika arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The outstanding amount of Modaraba's Ijarah finance are secured against leased assets. In few cases, additional collateral is also obtained in the form of mortgage of property. The Modaraba is entitled to repossess and sell these assets in case of default by the customers. During the current year, the Modaraba has not repossessed any assets.

Credit risk ratings

The Modaraba maintains balances with banks having reasonably high credit ratings which are summarized as follows:

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
Bank balances		
AAA	716,807,621	1,033,032,770
AA+	52,017,464	4,942,563
A+	508	508
The State Bank of Pakistan	128,719	51,549
	768,954,312	1,038,027,390

Impairment losses and past due balances

An analysis of the age of significant unimpaired financial assets are as under:

	June 30, 2021			June 30, 2020		
	Not Past Due Amount	Past Due Amount	Total outstanding amount	Not Past Due Amount	Past Due Amount	Total outstanding amount
	---------- (Rupees) ----------					
Net investment in Ijarah finance	-	-	-	-	-	-
Ijarah rentals receivable	42,438,712	71,061,319	113,500,031	68,425,831	75,306,220	143,732,051

27.2.2 An analysis of the portfolio of the Modaraba that is classified as non-performing as per the requirements of the Modaraba Regulations, 2021 issued by the SECP is as follows:

	June 30, 2021				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	---------- (Rupees) ----------				
Ijarah rentals receivable (being principal outstanding)	-	-	-	65,674,246	65,674,246
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Diminishing Musharika	14,625,000	-	8,574,284	102,161,707	125,360,991
Sukuk certificates	-	-	-	57,701,835	57,701,835
	14,625,000	-	8,574,284	226,672,231	249,871,515

	June 30, 2020				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	---------- (Rupees) ----------				
Ijarah rentals receivable (being principal outstanding)	85,676,283	-	48,850,000	28,541,518	163,067,801
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Diminishing Musharika	240,860,185	16,208,906	76,159,823	-	333,228,914
Sukuk certificates	-	-	-	57,701,835	57,701,835
	326,536,468	16,208,906	125,009,823	87,377,796	555,132,993

Impairment is recognised by the Modaraba based on the provisioning requirements as disclosed in note 4.2.1.2 to these financial statements. The Modaraba also performs a subjective evaluation of performing and non-performing advances / loans / lease portfolio based on past experience, repayment patterns and consideration of financial positions of counter parties and has the option to downgrade the category of classification determined on the basis of the Modaraba Regulations, 2021.

27.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect the groups of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure.

The Modaraba manages credit risks and its concentration through diversification of activities to avoid undue concentration of risk with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

Details of the sector wise analysis of gross ijarah assets, sukuk certificates and diminishing musharika are as follows:

Sectors	June 30, 2021		June 30, 2020	
	(Rupees)	%	(Rupees)	%
Confectionery	189,273,192	3.67%	114,453,192	2.13%
Fast Moving Consumer Goods (FMCGs) / Food and Allied	384,037,189	7.44%	265,700,278	4.95%
Services	768,610,784	14.90%	882,780,155	16.43%
Chemicals	140,262,681	2.72%	113,483,700	2.11%
Sugar	125,282,532	2.43%	148,926,382	2.77%
Textile	473,334,029	9.18%	485,412,673	9.04%
Travel, transport, storage	218,814,056	4.24%	247,361,182	4.60%
Printing, publishing and packages	351,084,298	6.81%	436,663,786	8.13%
Individuals	628,984,323	12.19%	787,419,985	14.66%
Automobile	101,586,770	1.97%	97,183,598	1.81%
Financial institutions	33,562,381	0.65%	76,551,799	1.43%

Sectors	June 30, 2021 (Rupees)	June 30, 2021 %	June 30, 2020 (Rupees)	June 30, 2020 %
Power, energy, water	39,670,845	0.77%	7,354,109	0.14%
Gas	50,798,302	0.98%	73,216,261	1.36%
Pharmaceuticals	183,092,226	3.55%	128,752,488	2.40%
Steel	171,454,976	3.32%	215,688,508	4.02%
Engineering	410,964,726	7.97%	432,437,815	8.05%
Plastic	120,978,835	2.35%	100,910,692	1.88%
Distribution	386,470	0.01%	1,693,845	0.03%
Dairy, farming and allied	59,755,891	1.16%	74,879,994	1.39%
Leather / tyre and rubber	68,269,677	1.32%	56,527,294	1.05%
Poultry / poultry feeds	75,031,948	1.45%	92,950,645	1.73%
Petroleum and allied	96,317,536	1.87%	13,390,622	0.25%
Others	467,259,349	9.06%	518,173,899	9.64%
	5,158,813,016	100.00%	5,371,912,902	100.00%

Reconciliation of the sector wise analysis of gross ijarah assets, sukuk certificates and diminishing musharika with the notes to the financial statements is as follows:

	Note	June 30, 2021	June 30, 2020
		---------- (Rupees) ----------	
Investment in Ijarah finance / assets under Ijarah arrangements	10	2,244,264,173	2,632,313,089
Less: security deposits held	13	(576,392,172)	(577,009,147)
Add: impairment against Ijarah assets	10.1	17,793,336	16,523,566
Add: allowance for potential Ijarah losses	10.4	1,134,443	1,134,443
Add: mark-up held in suspense	10.5	130,156	130,156
		1,686,929,936	2,073,092,107
Investment in Sukuk certificates	8	-	-
Add: provision in respect of sukuk certificates	8	57,701,835	57,701,835
		57,701,835	57,701,835
Investment in diminishing musharika	9	3,326,028,937	3,230,795,565
Add: provision in respect of diminishing musharika	9	88,152,308	10,323,395
		3,414,181,245	3,241,118,960
		5,158,813,016	5,371,912,902

The Modaraba controls the credit quality of receivables through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Modaraba has established exposure limits for single lessees and industrial sectors. The Modaraba has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease, instalment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and other loan portfolios that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history.

The carrying value of non performing receivables is as follows:

	June 30, 2021		
	Ijarah Financing	Diminishing Musharika	Total
	(Rupees)		
Within 90 days	-	-	-
91 - 180 days	-	14,625,000	14,625,000
181 - 365 days	41,375,245	-	41,375,245
Over 1 year	25,433,444	110,735,991	136,169,435
	66,808,689	125,360,991	192,169,680
Less: general and specific provision	16,520,076	88,152,308	104,672,384
Net of provision	50,288,613	37,208,683	87,497,296
Coverage ratio	24.73%	70.32%	54.47%

	June 30, 2020		
	Ijarah Financing	Diminishing Musharika	Total
	(Rupees)		
Within 90 days	20,896,852	51,800,685	72,697,537
91 - 180 days	26,871,978	203,152,323	230,024,301
181 - 365 days	48,850,000	78,275,906	127,125,906
Over 1 year	28,541,518	-	28,541,518
	125,160,348	333,228,914	458,389,262
Less: general and specific provision	32,224,402	38,462,973	70,687,375
Net of provision	92,935,946	294,765,941	387,701,887
Coverage ratio	25.75%	11.54%	15.42%

27.2.4 The Modaraba applies the IFRS 9 general approach to measure Expected Credit Losses (ECL) for Ijarah Finance and diminishing musharika. To measure the expected credit losses, such financial assets have been grouped based on days past due. On that basis, the loss allowance as at June 30, 2021 and June 30, 2020 was determined as follows:

Ijarah Finance and Diminishing Musharika

	June 30, 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	---------- (Rupees) ----------		
Not yet due	0.08%	3,655,336,347	3,006,747
1-30 days	0.06%	1,074,757,285	663,688
31-60 days	0.24%	346,627,280	819,850
61-90 days	0.64%	109,178,982	702,496
91-180 days	4.65%	15,337,638	712,637
181-365 days	54.75%	64,495,912	35,312,546
More than 365 days	92.27%	129,359,502	119,354,846
Total			160,572,810

Ijarah Finance and Diminishing Musharika

	June 30, 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	---------- (Rupees) ----------		
Not yet due	0.04%	3,898,833,357	1,406,133
1-30 days	0.10%	755,687,149	750,572
31-60 days	0.96%	143,740,429	1,383,728
61-90 days	2.37%	294,543,890	6,988,647
91-180 days	11.32%	401,454,029	45,450,811
181-365 days	26.34%	143,542,633	37,813,354
More than 365 days	78.41%	30,392,617	23,831,745
Total			117,624,990

For ijarah finance and diminishing musharika, a life time ECL is recorded in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and for financial assets which are credit impaired as on reporting date. A 12 months ECL is recorded for all other financial assets which do not meet the criteria for SICR or "credit impaired" as at reporting date. To assess whether there is a significant increase in credit risk the Modaraba compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Modaraba also considers reasonable and supportive forwarding-looking information in determination of ECL.

27.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay / settle its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The following are the contractual maturities of financial liabilities:

	June 30, 2021						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
	(Rupees)						
Financial liabilities							
Term finance arrangements	1,397,550,316	(1,397,550,316)	-	(999,841,035)	(397,709,281)	-	-
Security deposits	576,392,172	(576,392,172)	(120,507,008)	(18,787,782)	(103,072,429)	(334,024,953)	-
Creditors, accrued and other liabilities	283,159,242	(283,159,242)	(283,159,242)	-	-	-	-
Advance Ijarah rentals	9,196,642	(9,196,642)	(9,196,642)	-	-	-	-
Redeemable capital	3,250,705,000	(3,250,705,000)	(377,905,000)	(391,100,000)	(2,138,250,000)	(343,450,000)	-
Unclaimed profit distribution	57,416,286	(57,416,286)	(57,416,286)	-	-	-	-
	5,574,419,658	(5,574,419,658)	(848,184,178)	(1,409,728,817)	(2,639,031,710)	(677,474,953)	-

	June 30, 2020						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
	(Rupees)						
Financial liabilities							
Term finance arrangements	1,240,070,504	(1,240,070,504)	(131,942,473)	(25,000,000)	(362,312,826)	(720,815,205)	-
Security deposits	577,009,147	(577,009,147)	(85,497,243)	(20,938,461)	(95,497,585)	(375,075,858)	-
Creditors, accrued and other liabilities	280,652,521	(280,652,521)	(280,652,521)	-	-	-	-
Advance Ijarah rentals received	23,266,400	(23,266,400)	(23,266,400)	-	-	-	-
Redeemable capital	3,871,505,000	(3,871,505,000)	(305,605,000)	(393,750,000)	(3,133,050,000)	(39,100,000)	-
Unclaimed profit distribution	58,119,424	(58,119,424)	(58,119,424)	-	-	-	-
	6,050,622,996	(6,050,622,996)	(885,083,061)	(439,688,461)	(3,590,860,411)	(1,134,991,063)	-

27.4 Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes and systems, human error, or from impact of external events (including legal risks). Operational risk is inherent in the Modaraba's activities and, as with the other risk types, is managed through an overall framework with checks and balances that includes recognised ownership of the risk by the businesses, independent risk management oversight and an independent review by the Internal Audit.

The Modaraba considers the overall operational risk by breaking it down into different sub-components / areas called as operational risk sub-types under which operational risks are identified. The overall operational risk management responsibilities lie with the Operational Risk department. For the identified operational risks, operational risk control owners are put in place and made responsible for performance of checks and testing of identified controls in their areas and reporting of the same to the operational risk department which reports any exception or deviation to the Operational Risk Committee where corrective and preventive actions are taken.

28 FINANCIAL INSTRUMENTS BY CATEGORY

	June 30, 2021			
	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
	(Rupees)			
FINANCIAL ASSETS				
Cash and bank balances	769,029,312	-	-	769,029,312
Ijarah rentals receivable	113,500,031	-	-	113,500,031
Advances, deposits and other receivables	260,746,838	-	-	260,746,838
Diminishing musharika	3,326,028,937	-	-	3,326,028,937
Net investment in Ijarah finance	370,000	-	-	370,000
	4,469,675,118	-	-	4,469,675,118

	June 30, 2021		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees)		
FINANCIAL LIABILITIES			
Term finance arrangements	-	1,397,550,316	1,397,550,316
Security deposits	-	576,392,172	576,392,172
Creditors, accrued and other liabilities	-	283,159,242	283,159,242
Advance Ijarah rentals received	-	9,196,642	9,196,642
Redeemable capital	-	3,250,705,000	3,250,705,000
Unclaimed profit distribution	-	57,416,286	57,416,286
	-	5,574,419,658	5,574,419,658

	June 30, 2020			
	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
	(Rupees)			
FINANCIAL ASSETS				
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 musharika	3,230,795,565	-	-	3,230,795,565
Net investment in Ijarah finance	370,000	-	-	370,000
	4,573,414,666	-	-	4,573,414,666

	June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
	---------- (Rupees) ----------		
FINANCIAL LIABILITIES			
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
Advance Ijarah rentals received	-	23,266,400	23,266,400
Redeemable capital	-	3,871,505,000	3,871,505,000
Unclaimed profit distribution	-	58,119,424	58,119,424
	-	6,050,622,996	6,050,622,996

29 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.

29.1 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 June 30, 2021 and June 30, 2020, there were no financial instruments which were measured at fair values in these 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.

	Note	June 30, 2021						
		Carrying value			Fair value			
		Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		(Rupees)						
Financial assets not measured at fair value	29.1.1							
Cash and bank balances		769,029,312	-	769,029,312	-	-	-	-
Ijarah rentals receivable		113,500,031	-	113,500,031	-	-	-	-
Advances, deposits and other receivables		260,746,838	-	260,746,838	-	-	-	-
Diminishing musharika		3,326,028,937	-	3,326,028,937	-	-	-	-
Net investment in Ijarah finance		370,000	-	370,000	-	-	-	-
Total		4,469,675,118	-	4,469,675,118	-	-	-	-
Financial liabilities not measured at fair value	29.1.1							
Term finance arrangements		-	1,397,550,316	1,397,550,316	-	-	-	-
Security deposits		-	576,392,172	576,392,172	-	-	-	-
Creditors, accrued and other liabilities		-	283,159,242	283,159,242	-	-	-	-
Advance ijarah rentals received		-	9,196,642	9,196,642	-	-	-	-
Redeemable capital		-	3,250,705,000	3,250,705,000	-	-	-	-
Unclaimed profit distribution		-	57,416,286	57,416,286	-	-	-	-
Total		-	5,574,419,658	5,574,419,658	-	-	-	-

	Note	June 30, 2020						
		Carrying value			Fair value			
		Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		(Rupees)						
Financial assets not measured at fair value	29.1.1							
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 musharika		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	29.1.1							
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	-	-	-	-
Advance ijarah rentals received		-	23,266,400	23,266,400	-	-	-	-
Redeemable capital		-	3,871,505,000	3,871,505,000	-	-	-	-
Unclaimed profit distribution		-	58,119,424	58,119,424	-	-	-	-
Total		-	6,050,622,996	6,050,622,996	-	-	-	-

29.1.1 The majority of these financial assets and liabilities are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

30 CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate holders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profits / distributions paid to certificate holders, issue new certificates or sell assets to reduce debt.

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Certificates of Musharika, Musharika Finance and borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
Total borrowings	4,648,255,316	5,111,575,504
Less: Cash and bank balances	769,029,312	1,038,077,150
Net debt	3,879,226,004	4,073,498,354
Total equity	1,158,672,101	1,174,472,805
Total capital	5,037,898,105	5,247,971,159
Gearing ratio	77.00%	77.62%

As required under the Modaraba Regulations 2021, every Modaraba issuing Certificate of Musharika shall maintain a capital adequacy ratio of 8% for the first two years after the amendment coming into force and thereafter at the rate of 10%. The Modaraba has maintained and complied with the minimum capital adequacy ratio and minimum equity requirement during the current year.

31 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 June 30, 2021, there were only two (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% (2020: 10% and 10%) respectively.

32 RELATED PARTY TRANSACTIONS

32.1 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 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:

Name	Nature of relationship	Basis of relationship	Nature of transaction	30 June 2021	30 June 2020
				--------- (Rupees) ---------	
ORIX Leasing Pakistan Limited	Holding Company of the Management Company	100% Holding in the Management Company, 10% Holding in the Modaraba	Dividend	11,345,883	11,345,883
			Allocated cost to the Modaraba for Islamabad Office	608,052	496,686
ORIX Services Pakistan (Private) Limited	Management Company	10% Holding in the Modaraba	Management Company's remuneration	17,545,831	14,662,869
			Dividend	11,345,883	11,345,883
AWT Investments Limited (AWTIL)	Associated Undertaking	Common directorship	Profit on certificate of musharika issued to mutual funds managed by AWTIL	504,551	3,873,252
Layton Rahmatulla Benevolent Trust Hospital	Associated Undertaking	Trusteeship of a Director	Donation paid by the Modaraba	1,000,000	500,000
ORIX Modaraba - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made by the Modaraba	5,149,606	5,383,776
ORIX Modaraba - Staff Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made by the Modaraba	4,289,591	3,927,610
			Refund received from the Modaraba	301,123	218,555
Mr. Shaheen Amin	Chairman of the Board of Directors of the Management Company	Chairman of the Board of Directors of the Management Company	Dividend paid	250,000	250,000

Name	Nature of relationship	Basis of relationship	Nature of transaction	30 June 2021	30 June 2020
				--------- (Rupees) ---------	
Mr. Nadim D Khan	Director of the Management Company	Director of the Management Company	Dividend paid	15,123	15,123
Key management personnel	Employees	Members of the Management Committee	Salaries and benefits	47,148,775	47,230,243
			Contributions to the staff provident fund	1,937,709	1,825,201
			Contributions to the staff gratuity fund	1,614,087	1,520,382
			Income earned on diminishing musharika finances	12,169,499	7,955,245
			Financial charges on redeemable capital	478,095	505,515
			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 have been disclosed in the respective notes.

32.2 Details of the diminishing musharika finances given and receivables (as disclosed under current assets) from key management personnel are as follows:

	Balances at Year-end			Maximum Aggregate Balance during the year
	Diminishing Musharika Finance (1)	Accrued Profit / Markup Receivable from Diminishing Musharika Finance (2)	Total (1+2+3)	
	---------- (Rupees) ----------			
June 30, 2021				
Muhammad Siddique	3,736,914	13,529	3,750,443	3,997,000
Mohammad Arif Daya	5,505,756	884	5,506,640	5,798,860
Nadir Shah	5,471,816	6,594	5,478,410	6,874,749
Muhammad Asim Javed	-	-	-	17,965,822
Salwat Ahmad	17,596,806	14,788	17,611,594	19,995,626
Muhammad Ahsan Ilyas	2,555,161	9,276	2,564,437	2,564,437
	34,866,453	45,071	34,911,524	

	Balances at Year-end			
	Diminishing Musharika Finance (1)	Accrued Profit / Markup Receivable from Diminishing Musharika Finance (2)	Total (1+2+3)	Maximum Aggregate Balance during the year
	---------- (Rupees) ----------			
June 30, 2020				
Muhammad Siddique	1,573,262	7,428	1,580,690	2,723,242
Mohammad Arif Daya	5,060,363	4,340	5,064,703	6,576,434
Nadir Shah	6,922,826	18,903	6,941,729	8,425,830
Muhammad Asim Javed	18,004,822	174,552	18,179,374	18,356,148
Salwat Ahmad	20,201,058	14,465	20,215,523	21,555,376
Muhammad Ahsan Ilyas	1,767,427	7,311	1,774,738	2,273,748
	53,529,758	226,999	53,756,757	

32.2.1 Under diminishing musharika arrangements, housing, motor vehicle and personal finances are provided to key management personnel. Tenure of maximum twenty years are offered for housing finance whereas for motor vehicles and personal finances the tenure offered is five years under the approved human resource policies. The limit for housing finance is lower of eighty-five multiples of monthly basic salary or Rs. 20 million whereas for personal finance the same is granted as lower of three multiples of monthly basic salaries or Rs. 0.5 million. For limits of motor vehicle financings, the Modaraba sets benchmark on the basis of prices prevalent on the date employee becomes entitled or when entitlement revises of particular models of certain vehicles available in the market. These carry mark-up at the rate of six month Karachi Interbank Offering rate (KIBOR) + 3%. Financing provided for housing is secured by way of registered mortgages over the respective property created in favour of the Modaraba whereas motor vehicles financed by the Modaraba are held by Modaraba in its ownership. Personal finances are unsecured. All the above balances are not due at the balance sheet date. Mark-up receivable represents profit on diminishing musharika finances accrued from the respective last paid installments till the balance sheet date and is disclosed under note 7 to these financial statements under current assets.

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following amounts appearing on the balance sheet:

	June 30, 2021	June 30, 2020
	---------- (Rupees) ----------	
Cash and bank balances	769,029,312	1,038,077,150

33.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Term Finance arrangement	Redeemable Capital	Unclaimed profit distribution	Total
	---------- (Rupees) ----------			
Opening balance as at July 1, 2020	1,240,070,504	3,871,505,000	58,119,424	5,169,694,928
Dividend declared	-	-	113,461,097	113,461,097
	-	-	113,461,097	113,461,097
Proceeds from term finance	705,766,000	-	-	705,766,000
Repayment of term finance	(548,286,188)	-	-	(548,286,188)
Proceeds from issuance of redeemable capital	-	3,178,800,000	-	3,178,800,000
Repayment of redeemable capital	-	(3,799,600,000)	-	(3,799,600,000)
Dividend paid	-	-	(114,164,235)	(114,164,235)
	157,479,812	(620,800,000)	(114,164,235)	(577,484,423)
Closing balance as at June 30, 2021	1,397,550,316	3,250,705,000	57,416,286	4,705,671,602

34 CORRESPONDING FIGURES

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

35 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 22, 2021 approved a cash distribution of Rs. 2.90 (2020: Rs. 2.5) per certificate. The financial statements of the Modaraba for the year ended June 30, 2021 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2022.

36 GENERAL

36.1 Figures have been rounded off to the nearest rupee unless otherwise stated.

36.2 The Modaraba has set up provident fund for its permanent employees and the contributions are made by the Modaraba to the fund. The total contribution made to the provident fund for the year ended June 30, 2021 was Rs. 5.15 million (2020: Rs. 5.384 million). The audit of the provident fund for the year ended June 30, 2021 is in progress. The net assets of the provident fund, based on the audited financial statements as at June 30, 2020 amounted to Rs. 56.148 million, out of which 99.4% was invested in different financial instruments categories including deposits with Banks in remunerative accounts. Currently, all assets of the fund are valued at amortised cost. The cost and fair value as at June 30, 2021 of investments of the provident fund amounted to Rs. 64.738 million (2020: Rs. 55.832 million).

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 22, 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

Glossary / List of Abbreviations

ABC	Anti Bribery & Corruption
AIB	Auto iBanker
ALCO	Asset and Liability Commiittee
ARM	Annual Review Meeting
ATL	Active Tax-payers List
BCA	Business Credit Application
BIA	Business Impact Analysis
Board	Board of Directors
CCG	Code of Corporate Governance
CDC	Central Depository Company of Pakistan Limited
CDD	Client's Due Diligence
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CNIC	Computerised National Identity Card
COM	Certificate of Musharika
CPEC	China-Pakistan Economic Corridor
CST	Control Sample Testing
DFI	Development Finance Institution
DM	Diminishing Musharika
EPC	Earnings per Certificate
EV	Employee Volunteering
FBR	Federal Board of Revenue
FIs	Financial Institutions
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
HNW	High Net Worth
HR	Human Resource
HR&R	Human Resource and Remuneration
ICAP	The Institute of Chartered Accountant of Pakistan
IFAC	International Federation of Accountants
IT	Information Technology
LRBT	Layton Rahmatulla Benevolent Trust Management
MBO	by Objectives
MCO	Maximum Cumulative Outflows
MTFR	Medium Term Funding Ratio
NBFI	Non Banking Financial Institution
NBV	Net Book Value
NTN	National Tax Number
OLPL	ORIX Leasing Pakistan Limited
ORIX	ORIX Corporation
ORIXM	ORIX Modaraba
PACRA	Pakistan Credit Rating Agency Limited
PICG	Pakistan Institute of Corporate Governance Profit
PNL	and Loss Account
PSX	Pakistan Stock Exchange
ROE	Return on Equity
Rs./ PKR	Pakistani Rupees
S.R.O	Statutory Regulatory Order
SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan
SME	Small and Medium Enterprises
TAT	Turnaround time
TCF	The Citizens Foundation
VaR	Value at risk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2021

ORIX

ORIX Modaraba

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