



QUARTERLY REPORT

SEPTEMBER 2021

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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 Mortgage Refinance Company Limited

Legal Advisors

Haider Ali Khan

Advocate High Court, Partner, Fazle Ghani Advocates

Registered and Head Office:

Office No. 601, 6th Floor,
Syedna Tahir Saifuddin 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

DIRECTORS' REVIEW

For the period ended September 30, 2021

The Board of Directors of ORIX Services Pakistan (Private) Limited, the management company of ORIX Modaraba is pleased to present the unaudited accounts for the three months period ended September 30, 2021.

1. Economic Outlook

Pakistan's economy is currently on a higher growth path. For long term sustainable economic growth, the expansion of domestic production stands vital, which is being managed by appropriate structural reforms introduced by the Government. However, there are some downside risks to the outlook of Pakistan's economy associated with rising international commodity prices, new variants of virus and geopolitical dynamics especially post August 15 scenario in Afghanistan.

The State Bank of Pakistan has also raised its key policy rate by 25 bps to 7.25% on September 20th, 2021, the first hike since a 625bps cut in 2020 and signaled borrowing costs could be raised further, depending on emerging economic data. The committee added that the pace of the economic recovery has exceeded expectations, noting the country's COVID situation was improving and domestic demand quickening.

The current account deficit rose to \$0.8 billion in July and \$1.5bn in August, reflecting both vigorous domestic demand and high global commodity prices, according to the central bank. It added that remittances remained strong, growing by 10.4pc during July-August and exports also performed "reasonably well" (averaging \$2.3b per month), as they were outstripped by imports. As a result, the rupee depreciated by 4.1pc since the last MPC meeting. The MPC noted that many other currencies have also depreciated recently as expectations of tapering by the Federal Reserve have been brought forward

The Consumer Price Index (CPI) is recorded at 8.4 percent during Jul-Aug FY2021 as compared to 8.7 percent last year. Food price inflation remained high due to supply chain disruptions, increased prices for wheat and sugarcane, and an extended wet monsoon. The risks that could raise inflation include higher trend in global commodity prices, especially food and energy items. However, the government is taking all possible measures to control inflationary pressures and provide relief to the masses in order to mitigate the impact of price hike.

2. Financial Highlights

Financial results are summarized as under:

	Note	September 30, 2021	June 30, 2021
Balance Sheet			
		(Rupees)	
Certificate capital		453,835	453,835
Total equity		1,058,926	1,158,672
Total assets		6,434,788	6,750,293
Investment in Ijarah finance and Ijarah Assets		2,214,032	2,244,264
Investments in Diminishing Musharika and Sukuks		3,285,856	3,326,029
Redeemable capital		3,039,555	3,250,705

Profit and Loss

	Three months ended September 30, 2021	Three months ended September 30, 2020
	(Rupees)	
Revenue (net of Ijarah assets depreciation)	166,668	176,058
Financial charges	81,275	85,917
Provision / (reversal) of provisions– net	(5,402)	15,440
Operating expenses	46,628	43,436
Profit before modaraba management company's remuneration	44,168	31,266
Profit before taxation	38,393	27,178
Net profit	31,866	27,178

3. Review of Operations

By the Grace of Allah, your Modaraba's performance during the period under review continued to be very strong in spite of economy slowdown due to COVID 19 and other factors. The Modaraba's net profit for the three months period ended September 30, 2021 has increased by 17.25% from PKR 27.178 million to PKR 31.866 million compared to corresponding period of last year. During current period income tax is now also applicable on Modarabas effective from July 1, 2021 due to withdrawal of exemption through Tax Laws (second) amendment Ordinance, 2021. Profit before taxation increased by 41.27% from PKR 27.178 million to PKR 38.393 million compared to corresponding period of last year. Gross revenue(net of Ijarah assets depreciation and including other income) for the three months period decreased by 5.33% from PKR 176.058 million to PKR 166.668 million compared to corresponding period of last year mainly due to substantial reduction in KIBOR during period from March 2020 to June 2020. It took almost six months to be translated this substantial reduction in KIBOR into profit on assets as almost all our portfolio is on floating basis with repricing on biannually basis. Consequently, gross revenue of corresponding period of last year is higher compared to current period revenue. Similarly, financial charges also decreased by 5.40% from PKR 85.817 million to PKR 81.275 million compared to corresponding period of last year. Due to recovery of some doubtful finances, there is reversal in provision amounting to PKR 5.42 million compared to charge of PKR 15.440 million during corresponding period of last year. Administrative and operating expenses increased by 7.35% from PKR 43.436 million to PKR 46.628 million mainly due to staff cost in line with the market.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 5,500 million compared to PKR 5,570 million as at June 30, 2021, showing a decrease of 1.26% during three months period mainly due to slow down in economy resulted in low disbursement amount during the period. During the period under review, the Modaraba booked fresh disbursements to the tune of Rs. 542 million as compared to Rs. 392 million during the corresponding period last.

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

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

4. Credit Rating

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

5. Acknowledgement

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



Raheel Qamar Ahmad
Managing Director/CEO
Karachi: October 25, 2021



Ramon Alfrey
Director

4- قرضہ جاتی ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے ORIX مضاربہ کی ریٹنگ کو بیٹور AA (ڈبل اے) اور A1+ (اے ون پلس) بالترتیب طویل و قلیل مدت کے لئے برقرار رکھا ہے۔ ان ریٹنگز سے قرضہ جاتی خطرات کی کم توقعات اور مالیاتی واجبات کی بروقت ادائیگی کی مضبوط صلاحیت کی نشاندہی ہوتی ہے۔

5- اعتراف

یورڈنگز اس اداروں، پیپٹیکٹ ہولڈرز، گاہکوں اور کاروباری شراکت داروں کے تعاون کا اعتراف کرتا ہے اور امید کرتا ہے مستقبل میں بھی ان کا تعاون جاری رہے گا۔



رامین قمر احمد
مینجنگ ڈائریکٹر/سی ای او



رامین القمری
ڈائریکٹر

کراچی: ۲۵ اکتوبر ۲۰۲۱

سہ ماہی تختہ 30 ستمبر 2020	سہ ماہی تختہ 30 ستمبر 2021
روپے (ہزار) میں	روپے (ہزار) میں

176,058	166,668
85,917	81,275
15,440	(5,402)
43,436	46,628
31,266	44,168
27,178	38,393
27,178	31,866

منافع و خسارہ

آمدن (اجارہ اثاثوں پر فرسودگی نکالنے کے بعد)

مالیاتی اخراجات

اختصاص / (اختصاص کی مکھوں) - خالص

کاروباری اخراجات

منتظم کمپنی کا معاوضہ سے قبل منافع

قبل از ٹیکس منافع

خالص منافع

3- کاروباری جائزہ

اللہ رب العزت کی رحمت سے COVID-19 اور دیگر عوامل کے نتیجے میں سست روی کے باوجود آپ کی مضاربہ کی کارکردگی زیر جائزہ سال کے دوران تسلسل کے ساتھ بہت مستحکم رہی۔ سہ ماہی مدت تختہ 30 ستمبر 2021 میں مضاربہ کے خالص منافع میں 17.25 فیصد اضافہ ہوا جو کہ گزشتہ سال اسی مدت کے 27.178 ملین روپے سے بڑھ کر 31.866 ملین روپے ہو گیا۔ ٹیکس قوانین (دوسرا) ترمیمی آرڈیننس 2021 کے ذریعے استثناء کی واپسی کے نتیجے میں موجودہ مدت کے دوران مضاربہ پر اکم ٹیکس لاگو ہو گیا ہے جو کہ یکم جولائی 2021 سے نافذ ہے۔ قبل از ٹیکس منافع میں 41.27 فیصد اضافہ ہوا جو کہ گزشتہ سال کے 27.178 ملین روپے سے بڑھ کر 38.393 ملین روپے ہو گیا۔ خام ریونیو (اجارہ اثاثوں سے فرسودگی نکالنے کے بعد اور دیگر آمدن شامل کرنے کے بعد) میں 5.33 فیصد کمی ہوئی جو کہ گزشتہ سال اسی مدت کے 176.058 ملین روپے سے کم ہو کر 166.668 ملین روپے ہو گیا جس کی بنیادی وجہ مارچ 2020 سے جون 2020 کے دوران KIBOR میں قابل ذکر کمی تھی۔ اثاثوں پر منافع میں KIBOR میں قابل ذکر کمی کے اثرات کی عکاسی میں تقریباً چھ ماہ لگے جس کی وجہ یہ ہے کہ ہمارا تمام پورٹ فولیو متزلزل ہے جس کی قیمت ششماہی بنیاد پر تبدیل ہوتی ہے۔ جس کے نتیجے میں گزشتہ سال اسی مدت کا خام ریونیو موجودہ مدت سے بلند رہا۔ اسی طرح مالیاتی اخراجات میں 5.40 فیصد کمی ہوئی جو کہ گزشتہ سال اسی مدت کے 85.817 ملین روپے سے کم ہو کر 81.275 ملین روپے رہ گئے۔ کچھ مشکوک سرمایہ کار یوں کی بازیابی کی وجہ سے 5.42 ملین روپے کے اختصاص کو معکوس کر دیا گیا جو کہ گزشتہ سال اسی مدت میں 15.440 ملین روپے تھا۔ انتظامی اور کاروباری اخراجات میں 7.35 فیصد اضافہ ہوا جو کہ 43.436 ملین روپے سے بڑھ کر 46.628 ملین روپے ہو گئے جس کی بنیادی وجہ مارکیٹ سے ہم آہنگ مملکتی لاگتیں تھیں۔

اجارہ فنانس، ہسٹوک میں سرمایہ کاری اور ڈیٹا شئنگ مشارک فنانس میں سرمایہ کاری 5,500 ملین روپے رہی جو کہ گزشتہ 30 جون 2021 کو 5,570 ملین روپے تھی جس سے 1.26 فیصد کمی کی عکاسی ہوتی ہے جس کی بنیادی معاشی سرگرمیوں میں سست روی کے نتیجے میں نئی سرمایہ کاری میں کمی تھی۔ زیر جائزہ سہ ماہی کے دوران مضاربہ کی نئی سرمایہ کاری 542 ملین روپے تک پہنچ گئیں جو کہ گزشتہ سال اسی مدت میں 392 ملین روپے تھیں۔

منتخب شدہ کلائنٹس کے ساتھ تعلقات مضبوط بناتے ہوئے اور اچھی سہاکہ کے حامل ناموں کے ساتھ تعلقات کا آغاز کرتے ہوئے کاروبار کو آگے بڑھایا گیا۔ اثاثوں کے پورٹ فولیو کا مرکب کئی اثیرا اقتصادی اداروں، بڑے اور درمیانے سائز کے مقامی اداروں اور منتخب SME تعلقات پر مشتمل ہے۔

ORIX مضاربہ پر خطرات کا انتظام اور گمرانی انتہائی پارک بینی سے کرتی ہے۔ قرض خواہ کے قرضہ جاتی تعارف اور واپس ادائیگی کی صلاحیت کی تفتیش قرضہ کی سہولت منظور کرتے وقت کی جاتی ہے اور باقاعدگی سے اس کی گمرانی کی جاتی ہے۔ مزید برآں پورٹ فولیو کے انتظام اور ابتداء میں خبردار کرنے والی کمپنیاں موجود ہیں جو کہ پورٹ فولیو کی گمرانی اور بروقت تنبیہ کی یقینی بناتی ہیں تاکہ کسی ناموافق منظر نامہ سے بچا جاسکے۔

ڈائریکٹر ان کا جائزہ

برائے مختصر مدت ۳۰ ستمبر ۲۰۲۱

اورکس مضاربہ ORIXM کی منتظم کمپنی اورکس سروسز پاکستان (پرائیویٹ) لمیٹڈ کا بورڈ آف ڈائریکٹرز ORIXM غیر آڈٹ شدہ مالیاتی گوشوارے برائے سہ ماہی مدت مختصر ۳۰ ستمبر ۲۰۲۱ پیش کرتے ہوئے اظہار مسرت کرتا ہے۔

1- معاشی منظر نامہ

پاکستان کی معیشت اس وقت بلند نمو کی سمت میں گامزن ہے۔ طویل مدتی پائیدار معاشی نمو کیلئے مقامی پیداوار میں اضافہ بنیادی حیثیت رکھتا ہے جو کہ حکومت کی مناسب ساخت بندی اصلاحات کے ذریعے جاری ہے۔ تاہم پاکستان کی معیشت میں کچھ زیریں جانب خطرات ہیں جن میں عالمی سطح پر ایشیائے صرف کی بڑھتی ہوئی قیمتیں، وائرس کی نئی اقسام اور جغرافیائی و سیاسی پہلو شامل ہیں خاص طور پر 15 اگست کے بعد کا منظر نامہ جو افغانستان میں الجھرا۔

اسٹیٹ بینک آف پاکستان نے 20 ستمبر 2021 کو پالیسی نرخ میں 25 پی پی ایس کا اضافہ کر کے 7.25 فیصد کر دیا یعنی 2020 میں 625 پی پی ایس کی کے بعد پہلی مرتبہ اضافہ ہوا اور اشارہ دیا گیا کہ قرضہ جاتی لائسنس مزید بڑھ سکتی ہیں جن کا انحصار معاشی اعداد و شمار پر ہوگا۔ ملک میں COVID کی صورتحال میں بہتری اور مقامی طلب میں اضافہ کو مد نظر رکھتے ہوئے کمپنی نے یہ بھی بتایا کہ معاشی بحالی کی رفتار قریب سے زیادہ تیز ہے۔

مرکزی بینک کے مطابق رواں کھاتے کے خسارے میں جولائی میں 0.8 بلین ڈالر کا اضافہ ہوا اور اگست میں 1.5 بلین ڈالر کا اضافہ ہوا، جس سے شدید مقامی طلب اور ایشیائے صرف کی بلند قیمتوں کی عکاسی ہوتی ہے۔ مزید بتایا کہ بیرون ملک ترسیلات زر مستحکم رہیں جن میں جولائی تا اگست کے دوران 10.4 فیصد اضافہ ہوا اور برآمدات کی کارکردگی بھی بس ”موزوں طور پر اچھی“ رہی (وسطاً 2.3 بلین ڈالر ماہانہ) کیونکہ درآمدات ان پر حاوی آگئی تھیں۔ MPC میں نوٹ کیا گیا حال میں کئی کرنسیوں میں فرسودگی آئی کیونکہ وفاقی ذخائر سے رقومات آگے لانے کی توقعات تھیں۔

FY2021 میں جولائی تا اگست کے دوران کنزرویٹو پرائس انڈیکس (CPI) 8.4 فیصد ریکارڈ کر گزشتہ سال اسی مدت میں 8.7 فیصد تھا۔ غذائی افراط زر کی رسد میں رکاوٹوں کی وجہ سے بلند رہا، جس کی وجوہات میں اندم اندم آگے کی قیمتوں میں اضافہ اور طویل برساتی مونسون شامل ہیں۔ خطرات جن کی وجہ سے افراط زر بلند ہو سکتا ہے ان میں عالمی سطح پر ایشیائے صرف خاص طور پر غذائی اشیاء اور توانائی میں قیمتوں میں اضافہ کا رجحان ہے۔ تاہم حکومت نے افراط زر کے دباؤ کو قابو کرنے اور عام عوام کو ریلیف فراہم کرنے کے لئے قیمتوں میں اضافہ کے اثرات کو کم کرنے کے لئے تمام ممکنہ اقدامات کر رہی ہے۔

2- مالیاتی جھلکیاں

مالیاتی نتائج کا خلاصہ درج ذیل رہا:

30 ستمبر 2021	30 جون 2021
روپے (ہزار) میں	روپے (ہزار) میں
453,835	453,835
1,058,926	1,158,672
6,434,788	6,750,293
2,214,032	2,244,264
3,285,856	3,326,029
3,039,555	3,250,705

سرٹیفیکٹ کا سرمایہ

کل ایکویٹی

کل اثاثے

اجارہ فنانس میں سرمایہ کاری اور اجارہ اثاثے

ڈمٹنگ مشا کر اور سکلوس میں سرمایہ کاریاں

قابل خلاصی سرمایہ

CONDENSED INTERIM BALANCE SHEET

As At September 30, 2021

As At September 30, 2021	Note	(Un-audited) September 30, 2021	(Audited) June 30, 2021
ASSETS		(Rupees)	
Current assets			
Cash and bank balances	5	480,405,769	769,029,312
Ijarah rentals receivable	6	111,148,668	113,500,031
Advances, deposits, prepayments and other receivables		330,912,586	282,263,341
Current portion of investment in sukuk certificates	7	-	-
Current portion of diminishing musharaka	8	1,306,088,919	1,327,392,382
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		7,922,641	10,960,822
Total current assets		2,236,848,583	2,503,515,888
Non-current assets			
Long-term portion of investment in sukuk certificates	7	-	-
Long-term portion of diminishing musharaka	8	1,979,767,506	1,998,636,555
Ijarah assets	9	2,213,662,197	2,243,894,173
Fixed assets in own use	10	4,509,775	4,246,065
Total non-current assets		4,197,939,478	4,246,776,793
TOTAL ASSETS		6,434,788,061	6,750,292,681
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of term finance arrangements	11	383,663,273	385,438,066
Current portion of security deposits		255,009,128	242,367,218
Creditors, accrued and other liabilities		294,618,808	300,360,164
Advance Ijarah rentals received		10,923,602	9,196,642
Current portion of redeemable capital		2,671,805,000	2,907,255,000
Profit distribution payable	12	189,028,523	57,416,286
Total current liabilities		3,805,048,334	3,902,033,376
Non-current liabilities			
Long-term portion of term finance arrangements	11	872,562,760	1,012,112,250
Long-term portion of security deposits		330,500,741	334,024,954
Long-term portion of redeemable capital		367,750,000	343,450,000
Total non-current liabilities		1,570,813,501	1,689,587,204
TOTAL LIABILITIES		5,375,861,835	5,591,620,580
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (June 30, 2021: 50,000,000) certificates of Rs. 10 each amounting to Rs 500,000,000 (June 30, 2021: Rs 500,000,000)			
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 30, 2021: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (June 30, 2021: 16,883,530) bonus certificates of Rs. 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Revenue reserve		36,626,060	137,965,253
Capital reserves		568,464,866	566,871,548
		1,058,926,226	1,158,672,101
TOTAL LIABILITIES AND EQUITY		6,434,788,061	6,750,292,681

CONTINGENCIES AND COMMITMENTS

13

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

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


Chairman


Chief Executive


Director


Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

	Note	Three months period ended September 30, 2021	Three months period ended September 30, 2020
		(Rupees) -----	
Ijarah rentals earned		265,889,834	320,679,467
Income on Diminishing Musharaka arrangements		92,554,764	89,959,901
Income on deposits with banks		9,194,944	14,536,538
		367,639,542	425,175,906
Financial and other charges		(81,275,409)	(85,916,511)
Depreciation on assets under Ijarah arrangements		(211,436,698)	(254,423,399)
		74,927,435	84,835,996
Reversal of provision /(provision) in respect of Ijarah finances - net		9,841,180	(5,799,935)
Provision in respect of Diminishing Musharaka		(4,438,903)	(9,639,770)
		80,329,712	69,396,291
Other income		10,465,530	5,305,363
Administrative and operating expenses		(46,627,551)	(43,436,064)
		44,167,691	31,265,590
Management Company's remuneration		(4,416,769)	(3,126,559)
Provision for services sales tax on Management Company's remuneration	14	(574,180)	(406,453)
Provision for Workers' Welfare Fund	15	(783,535)	(554,652)
Profit for the period before taxation		38,393,207	27,177,926
Taxation	16	(6,526,845)	-
Profit for the period after taxation		31,866,362	27,177,926
Other comprehensive income for the period		-	-
Total comprehensive income for the period		31,866,362	27,177,926
Earnings per certificate - basic and diluted	17	0.70	0.60

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

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


Chairman


Chief Executive


Director


Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

	Note	Three months period ended September 30, 2021	Three months period ended September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		38,393,207	27,177,926
Adjustments for non-cash and other items:			
Depreciation / amortisation on fixed assets in own use		585,720	1,202,313
Depreciation on Ijarah assets		211,436,698	254,423,399
Gain on disposal of Ijarah assets		(5,403,174)	(1,996,804)
(Reversal of provision) / provision in respect of Ijarah finances - net		(9,841,180)	5,799,935
Provision in respect of diminishing musharika		4,438,903	9,639,770
Income on bank deposits		(9,194,944)	(14,536,538)
Profit on:			
- Redeemable capital		50,120,223	57,391,511
- Term finance arrangements		24,825,657	19,937,160
Provision for services sales tax on the Management Company's remuneration		574,180	554,652
Provision for Workers' Welfare Fund - net		783,535	406,453
		268,325,618	332,821,851
		306,718,825	359,999,777
Increase in assets			
Advances, deposits, prepayments and other receivables		(49,513,540)	(18,481,545)
Ijarah rentals receivable		12,192,543	30,334,595
Diminishing musharika		35,733,609	79,392,289
Purchase of assets under Ijarah arrangements		(234,487,227)	(224,908,442)
Proceeds from disposal of assets under Ijarah arrangements		58,685,679	73,280,738
		(177,388,936)	(60,382,365)
Increase / (decrease) in liabilities			
Creditors, accrued and other liabilities		1,611,648	45,595,889
Advance Ijarah rentals received		1,726,960	17,049,835
Security deposits		9,117,697	7,066,574
		12,456,305	69,712,298
		141,786,194	369,329,710
Profit paid on			
- Redeemable capital		(46,030,973)	(53,533,742)
- Term finance arrangements		(37,625,626)	(28,964,247)
		(83,656,599)	(82,497,989)
Taxes paid		(3,488,664)	-
Net cash generated from operating activities		54,640,931	286,831,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(849,430)	(307,476)
Income received on bank deposits		10,059,239	2,114,384
Net cash generated from investing activities		9,209,809	1,806,908
CASH FLOWS FROM FINANCING ACTIVITIES			
Redeemable capital less repayments		(211,150,000)	(242,300,000)
Term finance less repayments		(141,324,283)	(156,942,474)
Profit paid to certificate holders		-	(506,624)
Net cash used in financing activities		(352,474,283)	(399,749,098)
Net decrease in cash and cash equivalents during the period		(288,623,543)	(111,110,469)
Cash and cash equivalents at the beginning of the period		769,029,312	1,038,077,150
Cash and cash equivalents at the end of the period	5	480,405,769	926,966,681

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

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


Chairman


Chief Executive


Director


Chief Financial Officer

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

For The Three Months Period Ended September 30, 2021

	Issued, subscribed and paid-up certificate capital	Premium on issue of modaraba certificates	Capital reserve Statutory reserve	Sub-total	Revenue reserve Unappropri ated profit	Sub-total	Total
	(Rupees)						
Balance as at June 30, 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 policies - Impact of IFRS 9					(54,858,500)	(54,858,500)	(54,858,500)
Balance as at June 30, 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 period							
- Profit for the three months period ended September 30, 2020	-	-	-	-	27,177,926	27,177,926	27,177,926
- Other comprehensive income for the nine months period ended September 30, 2020	-	-	-	-	-	-	-
	-	-	-	-	27,177,926	27,177,926	27,177,926
Transactions with owners							
Profit distribution for the year ended June 30, 2020 @ Rs. 2.5 per certificate declared subsequent to the year ended June 30, 2020	-	-	-	-	(113,458,825)	(113,458,825)	(113,458,825)
Transfer to statutory reserve	-	-	1,358,896	1,358,896	(1,358,896)	-	-
Balance as at September 30, 2020 - restated	<u>453,835,300</u>	<u>55,384,700</u>	<u>505,219,799</u>	<u>560,604,499</u>	<u>18,893,607</u>	<u>579,498,106</u>	<u>1,033,333,406</u>
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
Total comprehensive income for the period							
- Profit for the three months period ended September 30, 2021	-	-	-	-	31,866,362	31,866,362	31,866,362
- Other comprehensive income for the nine months period ended September 30, 2021	-	-	-	-	-	-	-
	-	-	-	-	31,866,362	31,866,362	31,866,362
Transactions with owners							
Profit distribution for the year ended June 30, 2021 @ Rs.2.9 per certificate declared subsequent to the year ended June 30, 2021	-	-	-	-	(131,612,237)	(131,612,237)	(131,612,237)
Transfer to statutory reserve	-	-	1,593,318	1,593,318	(1,593,318)	-	-
Balance as at September 30, 2021	<u>453,835,300</u>	<u>55,384,700</u>	<u>513,080,166</u>	<u>568,464,866</u>	<u>36,626,060</u>	<u>605,090,926</u>	<u>1,058,926,226</u>

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

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


Chairman


Chief Executive


Director


Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 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. The Lahore branch is situated at 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 (June 2021: AA) and short term rating of A1+ (June 2021: A1+) to the Modaraba on March 04, 2021 (2020: March 24, 2020).

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the Modaraba Regulations, 2021;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

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

- 2.2** IFRS 9: "Financial Instruments" has become applicable effective for accounting periods beginning on or after July 1, 2018. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach.

During 2019, the Modaraba Association of Pakistan informed its members that the SECP has deferred the applicability of IFRS 9 to the extent of provision against financings made by the modaraba and required the modaraba to follow all other requirements of IFRS 9. The aforementioned communication by the Modaraba Association of Pakistan to its members was based on the clarification given by the SECP to the Modaraba Association of Pakistan. Accordingly, the Modaraba had adopted all requirements of IFRS 9 and had determined the provision against financings (Ijarah and Diminishing 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 year ended June 30, 2021 using modified retrospective restatement approach which has been detailed in note 2.6 to financial statements for the year ended June 30, 2021.

- 2.3** 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.

Till June 30, 2021, 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. This exemption has been withdrawn with effect from July 1, 2021.

- 2.4** The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34: 'Interim financial Reporting'. These condensed interim financial statements do not include all the information and disclosures required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2021.

- 2.5** These condensed interim financial statements are unaudited.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

2.6 Functional and presentation currency

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

2.7 Critical accounting estimates and judgments

The preparation of these condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Modaraba's accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the annual published audited financial statements for the year ended June 30, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those that were applied in the preparation of the annual published audited financial statements of the Modaraba for the year ended June 30, 2021.

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

There are certain amendments to the published approved accounting standards that are mandatory for the Modaraba's accounting period beginning on July 1, 2021. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these condensed interim financial statements.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these condensed interim financial statements.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual published audited financial statements of the Modaraba for the year ended June 30, 2021.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

		(Un-audited) September 30, 2021	(Audited) June 30, 2021
5. CASH AND BANK BALANCES	Note	(Rupees)	
Balances with banks			
- in current accounts		137,654,774	252,639,769
- in deposit accounts	5.1	292,547,276	466,185,824
- in term deposit receipts	5.2	50,000,000	50,000,000
Balance with the State Bank of Pakistan		128,719	128,719
Cash in hand		75,000	75,000
		480,405,769	769,029,312

5.1 These carry profit at rates ranging from 4.11% - 6% (June 30, 2021: 3.25% - 6.00%) per annum.

5.2 Term deposit receipts carry profit at the rate of 6% ((June 30, 2021: 6%) per annum and are due to mature on October 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.

		(Un-audited) September 30, 2021	(Audited) June 30, 2021
6. IJARAH RENTALS RECEIVABLE	Note	(Rupees)	
Ijarah rentals receivable - considered good		100,344,892	113,500,031
Ijarah rentals receivable - considered bad or doubtful	6.1	38,399,319	36,266,892
Less: Allowance for potential Ijarah losses	6.2	(6,678,896)	(16,520,076)
Less: Profit held in suspense	6.3	(20,916,647)	(19,746,816)
		10,803,776	-
		111,148,668	113,500,031

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

6.2 Allowance for potential Ijarah losses

Opening balance	16,520,076	5,505,480
Effect of change in accounting policies	-	26,718,922
	16,520,076	32,224,402
Reversal for the period / year - net	(9,841,180)	(15,704,326)
	6,678,896	16,520,076

6.3 Profit held in suspense

Opening balance	19,746,816	25,951,777
Income suspended / reversal during the period / year - net	1,169,831	(6,204,961)
Closing balance	20,916,647	19,746,816

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

		(Un-audited) September 30, 2021	(Audited) June 30, 2021
7. INVESTMENT IN SUKUK CERTIFICATES	Note	----- (Rupees) -----	
At amortised cost			
Investment in sukuk certificates		57,701,835	57,701,835
Less: Provision in respect of sukuk certificates		(57,701,835)	(57,701,835)
		-	-
8. DIMINISHING MUSHARAKA			
Staff - considered good			
- Housing finance		74,121,249	76,252,324
- Motor vehicles		24,059,195	27,000,932
- Others		3,006,879	3,345,441
8.1		101,187,323	106,598,697
Others - considered good			
- Housing finance		373,467,581	382,961,380
- Motor vehicles		1,296,372,109	1,379,317,981
- Plant, machinery and equipment		1,415,938,546	1,419,942,196
		3,085,778,236	3,182,221,557
Others - considered bad or doubtful			
- Housing finance		2,101,221	-
- Motor vehicles		95,611,046	33,469,658
- Plant, machinery and equipment		93,769,810	91,891,333
8.3		191,482,077	125,360,991
Less: Provision in respect of diminishing Musharakah	8.2	(92,591,211)	(88,152,308)
		3,184,669,102	3,219,430,240
		3,285,856,425	3,326,028,937
Less: current portion of diminishing Musharakah - net		(1,306,088,919)	(1,327,392,382)
		1,979,767,506	1,998,636,555

- 8.1** 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. 22.596 million (June 2021: Rs. 23.680 million), Rs. 9.760 million (June 2021: Rs 10.465 million) and Rs. 0.818 million (June 2021: Rs. 0.725 million) respectively. These are secured against diminishing musharika assets.

		(Un-audited) September 30, 2021	(Audited) June 30, 2021
8.2 Movement in Provision against diminishing Musharakah	Note	----- (Rupees) -----	
Opening balance		88,152,308	10,323,395
Effect of change in accounting policies		-	28,139,578
		88,152,308	38,462,973
Charge for the period / year		4,438,903	49,689,335
Closing balance		92,591,211	88,152,308

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

8.2.1 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. 18.75 million (June 2021: Rs. 19.3 million).

8.3 Diminishing musharika includes Rs 191.48 million (June 2021: Rs125.36 million) which have been placed under non-performing status.

9. IJARAH ASSETS

(Un-audited)
September 30,
2021
(Audited)
June 30,
2021
Note ----- (Rupees) -----

Ijarah contracts commencing on or after July 1, 2008

- accounted for under IFAS 2

9.1, 9.2 & 9.3 2,213,662,197 2,243,894,173

Ijarah contracts prior to July 1, 2008

- accounted for as finance leases

Less: Current portion of net investment in Ijarah finance

370,000 370,000

(370,000) (370,000)

- -

9.1 During the three months period ended September 30, 2021, additions amounting to Rs 234 million (September 30, 2020: Rs 225 million) and disposals amounting to Rs 242 million (September 30, 2020 : Rs 209 million) were made to the assets under Ijarah arrangements.

Ijarah Assets

(Un-audited)
September 30,
2021
(Un-audited)
September 30,
2020
----- (Rupees) -----

Additions at cost during the period

- Plant, machinery and equipments

- Motor vehicles

210,740,227 173,093,633

23,747,000 51,814,809

234,487,227 224,908,442

Disposals at cost during the period

- Plant, machinery and equipments

- Motor vehicles

80,336,919 59,255,496

161,243,116 149,978,789

241,580,035 209,234,285

9.2 Ijarah includes Rs 60.07 million (June 2021: Rs 66.81 million) which have been placed under non-performing status.

9.3 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 (June 2021: Rs. 27.97 million).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

10. FIXED ASSETS IN OWN USE

	(Un-audited) September 30, 2021	(Audited) June 30, 2021
Tangible assets	4,461,244	4,124,742
Intangible assets	48,531	121,323
	4,509,775	4,246,065

- 10.1 During the three months period ended September 30, 2021, additions amounting to Rs. 0.849 million (September 30, 2020 : Rs. 0.307 million) were made to the tangible fixed assets in own use.

	(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
Additions at cost during the period		
- Office equipment, appliances and computer systems	849,430	307,476
	849,430	307,476

11. TERM FINANCE ARRANGEMENTS

	(Un-audited) September 30, 2021	(Audited) June 30, 2021
Note		

Musharika / wakala finance	11.1 & 11.2	1,256,226,033	1,397,550,316
Less: current portion of term finance arrangements		(383,663,273)	(385,438,066)
Long-term portion of term finance arrangements		872,562,760	1,012,112,250

11.1 Musharaka / Wakala Finance

Name of bank	Facility limit		Profit rate (per rupee one thousand per day)		Frequency of mark-up payment	Tenor		Balance outstanding	
	As at September 30, 2021 (Un-audited)	As at June 30, 2021 (Audited)	During the period ended September 30, 2021 (Un-audited)	During the year ended June 30, 2021 (Audited)		September 30, 2021 (Un-audited)	June 30, 2021 (Audited)	As at September 30, 2021 (Un-audited)	As at June 30, 2021 (Audited)
	(Rupees)							(Rupees)	
Bank Alfalah Limited	350,000,000	350,000,000	0.2178	0.2151-0.2216	Quarterly	3 years	3 years	350,000,000	350,000,000
Allied Bank Limited	800,000,000	800,000,000	0.2178-0.2205	0.2151-0.2323	Quarterly	3-5 years	3-5 years	523,713,983	649,841,035
Pakistan Mortgage Refinance Company Limited	382,512,050	387,709,281	0.1786	0.1644-0.1786	Quarterly	5 years	5 years	382,512,050	397,709,281
								1,256,226,033	1,397,550,316

- 11.2 These carry profit at the rates ranging between 6.52% to 8.05% (June 30, 2021: 6.52% to 8.48%) per annum.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

		(Un-audited) September 30, 2021	(Audited) June 30, 2021
12. PROFIT DISTRIBUTION PAYABLE	Note	(Rupees)	
Profit distribution payable for the year ended June 30, 2021	11.1 & 11.2	131,612,237	-
Unclaimed profit distribution		57,416,286	57,416,286
		189,028,523	57,416,286

12.1 The Board of Directors of the Management Company in their meeting held on September 22, 2021 approved a cash distribution of Rs. 2.9 per certificate for the year ended June 30, 2021. Payment of the dividend is in process.

12.2 This includes dividend payable to ORIX Leasing Pakistan Limited (holding company) and ORIX Services Pakistan (Private) Limited - Management company amounting to Rs 13.161 million and Rs. 13.161 million respectively

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

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

13.2 Commitments

Outstanding letter of comfort at September 30, 2021 amounts to Rs. 36.55 million (June 30, 2021: Rs. 57.50 million).

14. 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

15 PROVISION FOR WORKERS' WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay 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 year ended June 30, 2021, 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 September 30, 2021 in these financial statements on a prudent basis.

16. TAXATION

		(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
	Note	(Rupees)	
Current tax		6,526,845	-
Deferred tax	16.1	-	-
		<u>6,526,845</u>	<u>-</u>

- 16.1** Till June 30, 2021, 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. As a result of withdrawal of tax exemption, there are implications of deferred tax which have been assessed. The management is 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 interim financial statements.

17. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

18. RELATED PARTY TRANSACTIONS

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

	(Un-audited) Three months period ended September 30, 2021	(Un-audited) Three months period ended September 30, 2020
	----- (Rupees) -----	
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Dividend	13,161,224	11,345,883
Allocated cost to the Modaraba for Islamabad office	147,240	147,534
Staff retirement benefits funds		
Contribution made to ORIX Modaraba - Staff Provident Fund	1,323,620	1,211,049
Contribution made to ORIX Modaraba - Staff Gratuity Fund	1,082,256	1,008,790
Refund received from ORIX Modaraba - Staff Gratuity Fund	-	-
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration	4,416,769	3,126,559
Dividend	13,161,224	11,345,838
AWT Investments Limited (AWTIL)		
Profit on Certificate of Musharaka issued to mutual funds managed by AWTIL	-	457,835
Layton Rahmatulla Benevolent Trust Hospital		
Donation paid by the Modaraba	-	1,000,000
Key Management Personnel		
Salaries and benefits	19,336,711	9,426,940
Contribution to the staff provident fund	520,063	461,535
Contribution to the staff gratuity fund	404,536	384,456
Income earned on diminishing Musharakah finances to Key management personnel	900,994	1,553,108
Profit on redeemable capital	99,152	126,721
Number of persons	7	7

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

	(Un-audited) September 30, 2021	(Audited) June 30, 2021
----- (Rupees) -----		
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Certificate capital (Certificates held : 4,538,353, June 30, 2021: 4,538,353)	45,383,530	45,383,530
Rent payable for Islamabad office	147,240	-
ORIX Services Pakistan (Private) Limited - Management Company		
Certificate capital (Certificates held : 4,538,353, June 30, 2021: 4,538,353)	45,383,530	45,383,530
Remuneration payable to the Management company	4,417,288	17,545,831
Directors of the Management Company		
Certificate Capital		
Mr. Shaheen Amin (Certificates held: 100,000, June 30, 2021: 100,000)	1,000,000	1,000,000
Mr. Nadim D. Khan (Certificates held: 6,049, June 30, 2021: 6,049)	60,490	60,490
Key Management Personnel		
Accrued profit on finances under diminishing Musharakah	47,656	45,072
Profit payable on redeemable capital	196,893	355,912
Redeemable capital	6,050,000	7,050,000

19 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.

19.1 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 September 30, 2021 and June 30, 2021, there were no financial instruments which were measured at fair values in these condensed interim financial statements.

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

Note	As at September 30, 2021 (Un-audited)						
	Carrying value			Fair value			
	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)						
Financial assets not measured at fair value							
19.1.1							
Cash and bank balances	480,405,769	-	480,405,769	-	-	-	-
Ijarah rentals receivable	111,148,668	-	111,148,668	-	-	-	-
Advances, deposits and other receivables	306,252,504	-	306,252,504	-	-	-	-
Diminishing Musharaka	3,285,856,425	-	3,285,856,425	-	-	-	-
Net investment in Ijarah finance	370,000	-	370,000	-	-	-	-
Total	4,184,033,366	-	4,184,033,366	-	-	-	-
Financial liabilities not measured at fair value							
19.1.1							
Term finance arrangements	-	1,256,226,033	1,256,226,033	-	-	-	-
Security deposits	-	585,509,869	585,509,869	-	-	-	-
Creditors, accrued and other liabilities	-	276,634,351	276,634,351	-	-	-	-
Redeemable capital	-	3,039,555,000	3,039,555,000	-	-	-	-
Profit distribution payable	-	189,028,523	189,028,523	-	-	-	-
Advance Ijarah rentals received	-	10,923,602	10,923,602	-	-	-	-
Total	-	5,357,877,378	5,357,877,378	-	-	-	-
Note	As at June 30, 2021 (Audited)						
	Carrying value			Fair value			
	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)						
Financial assets not measured at fair value							
19.1.1							
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 Musharaka	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							
19.1.1							
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	-	-	-	-
Redeemable capital	-	3,250,705,000	3,250,705,000	-	-	-	-
Unclaimed profit distribution	-	57,416,286	57,416,286	-	-	-	-
Advance Ijarah rentals received	-	9,196,642	9,196,642	-	-	-	-
Total	-	5,574,419,658	5,574,419,658	-	-	-	-

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

20. 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For The Three Months Period Ended September 30, 2021

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 September 30, 2021, there were only two (June 30, 2021: two) certificate holders who individually hold equal to or more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (June 30, 2021: 10% and 10%) respectively.

21. CORRESPONDING FIGURES

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

22. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on **October 25, 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