



Contents

MODARABA INFORMATION	02
DIRECTORS' REVIEW	03
AUDITORS' REVIEW REPORT	08
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	09
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UNAUDITED)	10
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)	11
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	12
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)	13

Modaraba Information

Modaraba Company

ORIX Services Pakistan (Pvt) Limited

Directors of Modaraba Company

Mr. Shaheen Amin
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Mr. Ramon Alfrey
Director

Mr. Nausherwan Adil
Independent Director

Mian Faysal Raiz
Director

Ms. Maryam Aziz*
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Nausherwan Adil
Chairman

Mr. Ramon Alfrey
Member

Mian Faysal Riaz
Member

Human Resource and Remuneration (HR&R) Committee

Mr. Nausherwan Adil
Chairman

Mr. Shaheen Amin
Member

Mr. Raheel Qamar Ahmad
Member

Shariah Advisor

Mufti Faisal Ahmed

*Subject to Regulatory approval

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Bankers/ Financial Institutions

Standard Chartered Bank (Pakistan) Limited
(Saadiq)
Meezan Bank Limited
United Bank Limited (UBL Ameen)
Bank Alfalah Limited (Islamic banking)
Allied Bank Limited (Islamic banking)
Bank Al Habib Limited (Islamic banking)

Legal Advisors

Fazle Ghani Advocates
Haider Ali Khan
Partner, Advocate High Court

Registered and Head Office:

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

Lahore Branch:

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

Islamabad Branch:

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

Registrars & Share Registration Office

Famco Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery,
Block 6, P.E.C.H.S., 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 December 31, 2018

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 six months period ended December 31, 2018.

1. Economic Outlook

Pakistan's macroeconomic indicators show cause for concern for the near-term economic outlook as the GDP growth of the country is projected to 3.7 percent in fiscal year 2018-19, with financial conditions tightening to help counter rising inflation and external vulnerabilities. According to the World Bank, the economic imbalances weigh on growth outlook in Pakistan and is expected to face financing needs due to large current account and fiscal deficits combined with low international reserves.

Foreign investment in Pakistan from July-December 2018, stood at \$899 million as compared to \$ 3,950 million July-December 2017(Revised) showing a decrease of \$3,050 million a decrease of 77%, whereas the Foreign exchange reserves were down to \$ 13 billion (18%) as compared to last years' (end of June 2018) \$ 16 billion.

The new government has taken some steps to offset the negative outlook of economy and external pressure. This includes managing critical dollar inflows from friendly nations and getting China to agree to double its imports from Pakistan. The fiscal austerity program and FDI growth based on a favourable exchange is expected to correct some of the issues in the near term. Further the State Bank of Pakistan (SBP) has also taken steps which includes currency depreciation and import restrictions. The currency has been depreciated by around 26% since December 2017. After maintaining the policy rate at 5.75% for four years, the SBP increased the discount rates in quick succession from January 2018 and now it stands at 10.5%. All these mitigations are expected to reduce the economic imbalance of the country in the medium term.

2. Financial Highlights

Financial results are summarized as under:

Balance Sheet

Certificate capital

Total equity

Investment in Ijarah finance and Ijarah Assets

Investments in Diminishing Musharika and Sukuks

Redeemable capital

**December 31,
2018
(PKR '000')**

June 30,
2018
(PKR '000')

453,835

453,835

1,076,640

1,147,880

4,069,071

3,833,125

2,688,621

2,493,963

3,126,440

3,127,115

**Half year ended
December 31,
2018
(PKR '000')**

Half year ended
December 31,
2017
(PKR '000')

Profit and Loss

Revenue (net of Ijarah assets depreciation)

Financial charges

Reversal of provisions – net

Operating expenses

Profit before modaraba management
company's remuneration

Net profit

307,958

229,206

189,780

108,446

3,132

1,898

72,742

65,486

48,568

57,172

42,218

49,697

3. Review of Operations

Your Modaraba remains a key player in Pakistan's Islamic financing sector (specially NBFIs) and even with pressure on spreads and stiff competition with Islamic banks, the Modaraba's gross revenue (net of Ijarah assets depreciation and including other income) increased by 34.36% from PKR 229.21 million to PKR 307.96 million compared to the corresponding period of last year. The main reason behind this was increased disbursements and better mix of portfolio resulting in better profit rates. Our challenge during this period was the rapid and large movement of the SBP's discount rate which promoted immediate increase in deposit rates and financial charges but which will take almost six months to be translated into profit on assets. Financial charges increased from PKR 108.45 million to PKR 189.78 million. Profit after

financial charges and before other income and administrative & operating expenses increased by 14.12% from PKR 93.05 million to PKR 106.18 million. Process alignment for compliance of new regulations prompted an increase in Administrative & operating expenses by 11.08% from PKR 65.49 million to PKR. 72.74 million, which reduced the Net profit by 15.05% from PKR 49.70 million to PKR 42.22 million as compared to corresponding period of last year.

The portfolio of Ijarah ,Sukuk investment and Diminishing Musharika finances stood at PKR 6,758 million compared to PKR 6,327 million as at June 30, 2018, showing an increase of 6.81% within the six months period. During the period under review, the Modaraba booked fresh disbursements to the tune of PKR 1,633 million as compared to PKR 1,868 million during the corresponding period last year.

Your Modaraba maintains a well diversified asset portfolio comprising of plant & machinery, equipment, motor vehicles and house finance. Moreover, the sector wise exposure is closely monitored. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships. Your Modaraba, while remaining cautious and prudent, is focused to take benefit of good opportunities that add value to all stake holders. Our prudent and proactive risk management approach has always helped us to maintain a leading position in the Modaraba sector with a very low non performing portfolio. We will continue to place emphasis on customer service with focus on quality clientele.

4. Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 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. The Board of Directors

Mr. Hideaki Yokoyama resigned from the office of Director on September 13, 2018 which was accepted by the Board on October 22, 2018. The Board appointed Ms. Maryam Aziz as director of ORIX Services Pakistan (Private) Limited on January 19, 2019 subject to approval from SECP. However, approval from SECP is awaited. The Board wishes to place on record its appreciation and gratitude for the valuable contributions made by Mr. Hideaki Yokoyama during his association with ORIX Modaraba and its management company and extends a warm welcome and cooperation to Ms. Maryam Aziz in performing her fiduciary responsibility.

6. Acknowledgement

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

For & on behalf of the board of directors



Raheel Qamar Ahmed
Managing Director/CEO

Karachi: February 19, 2019



Mr. Ramon Alfrey
Director

ڈائریکٹرز کا جائزہ

۳۱ ستمبر ۲۰۱۸ کو اختتام پذیر چھ ماہ کے مدت کے لیے

اور کس مضاربہ کی انتظامی کمپنی اور کس سروسز پاکستان (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز ۳۱ دسمبر ۲۰۱۸ کو اختتام پذیر چھ ماہ کی غیر محتسب شدہ مالیاتی دستاویزات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

۱. معیشت منظر نامہ

پاکستان کے میکرو اکانومی اشارے قریبی اقتصادی معاشی نقطہ نظر کے بارے میں تشویش کا باعث ہیں کیونکہ مالیاتی سال ۱۹-۲۰۱۸ میں ملک کی جی ڈی پی کی ترقی ۷.۳ فیصد متوقع ہے، جبکہ مشکل مالیاتی حالات کے باعث بڑھتی ہوئی افراط زر اور بیرونی خطرات سے نمٹنے میں مدد ملے گی۔ ورلڈ بینک کے مطابق، پاکستان میں ترقی کا انحصار اقتصادی توازن پر ہے اور اس سے ٹھورے بین الاقوامی ذخائر، کرنٹ اکاؤنٹ اور مالی خسارے کی وجہ سے مالیاتی ضروریات کا سامنا کرنا پڑ سکتا ہے۔

جولائی - دسمبر ۲۰۱۸ میں پاکستان میں غیر ملکی سرمایہ کاری ۸۹۹ ملین ڈالر تھی جو کہ جولائی، دسمبر ۲۰۱۷ (نظر ثانی شدہ) ۹۵۰، ۳ ملین ڈالر کے مقابلے میں ۳۰۵۰ ملین ڈالر کی کمی ظاہر کرتی ہے جو کہ ۷.۷ فیصد ہے، جبکہ غیر ملکی کرنسی کے ذخائر ۱۳ ارب ڈالر (۱۸٪) تھے گزشتہ سال کے مقابلے میں (جون ۲۰۱۸ کے آخر میں) ۱۶ بلین ڈالر تھے۔

نئی حکومت نے معیشت کے منفی نقطہ نظر اور بیرونی دباؤ کو ختم کرنے کے لئے کچھ اقدامات کیے ہیں۔ اس میں دوست ممالک سے ڈالر کی ترسیل کا انتظام اور چین کو پاکستان سے درآمدات دگنی کرنے پر آمادہ کرنے پر مشتمل ہیں۔ مالی سادگی کے پروگرام اور غیر ملکی براہ راست سرمایہ کاری (ایف ڈی ای) جو کہ سازگار کرنسی کے تبادلے پر منحصر ہے کی وجہ سے قریبی مدت میں کچھ مسائل کے حل ہونے کی توقع کی ہے۔ مزید اسٹیٹ بینک آف پاکستان (ایس بی پی) نے بھی اقدامات کئے ہیں جن میں کرنسی کی قیمتوں میں اضافے اور کچھ درآمدات پر پابندیاں شامل ہیں۔ دسمبر ۲۰۱۷ کے بعد کرنسی کی قیمت میں تقریباً ۲۶ فی صدے زائد کی ہوئی ہے۔ گزشتہ چار سال ۵.۷۵ فیصد کی پالیسی شرح کو برقرار رکھنے کے بعد، ایس بی پی نے جنوری ۲۰۱۸ سے تیزی سے ڈسکاؤنٹ کی شرح میں مسلسل اضافہ کیا جس کی وجہ سے یہ اب ۱۰ فیصد ہے۔ ان تمام اقدامات کے بدولت درمیانی مدت میں ملکی معاشی عدم توازن کم ہونے کی توقع ہے۔

۳۰ جون ۲۰۱۸

۳۱ ستمبر ۲۰۱۸

۲ مالیاتی نتائج کا خلاصہ درج ذیل ہے

بیلنس شیٹ

سرٹیفیکیٹس کا سرمایہ

کل ملکی سرمایہ (Equity)

اجارہ فنانس اور اجارہ اثاثہ جات میں سرمایہ کاری

گھٹتے ہوئے مشارکہ اور سکوک میں سرمایہ کاری

قابل تلافی سرمایہ

۸۳۵، ۵۳

۸۳۵، ۵۳

۸۸۰، ۱۴

۹۴۰، ۷۶

۱۲۵، ۸۳۳

۷۱، ۶۹

۹۶۳، ۴۹۳

۶۲۱، ۴۸۸

۱۱۵، ۱۲

۴۴۰، ۲۶

چھ ماہ کی مدت
۳۱ دسمبر ۲۰۱۷

چھ ماہ کی مدت
۳۱ دسمبر ۲۰۱۸

نفع اور نقصان

روپے ہزار میں

۲۲۹,۲۰۶

۳۰۷,۹۵۸

مالگذاری / آمدن (اجارہ اثاثہ جات کی فرسودگی کا خالص)

۱۰۸,۲۳۶

۱۸۹,۷۸۰

مالیاتی کاموں کی فیس

۱,۸۹۸

۳,۱۳۲

محضات (provisions) کی واپسی۔ خالص

۶۵,۴۸۶

۷۲,۷۴۲

عملدراری کے اخراجات

۵۷,۱۷۲

۴۸,۵۶۸

منافع قبل از مضاربہ مینجمنٹ فیس

کمپنی کا مشاہرہ / تنخواہ کا خرچ

۴۹,۶۹۷

۴۲,۲۱۸

خالص منافع

۳. آپریشن کا جائزہ

آپ کا مضاربہ پاکستان کے اسلامی مالیاتی شعبے کا ایک اہم رکن ہے (بالخصوص این بی ایف آئی شعبے کا) اور اسلامی بینکوں کے ساتھ سخت مقابلے اور اسپرڈ پر دباؤ کے باوجود مضاربہ کی مجموعی آمدنی (اجارہ اثاثہ جات کی فرسودگی کے بعد اور بشمول دیگر آمدنی) ۳۴,۳۶۶ فیصد اضافے کے ساتھ گزشتہ سال کی اسی مدت کے ۲۲,۹۶۱ ملین روپے سے بڑھ کر ۳۰,۷۹۶ ملین روپے رہی۔ اس کا بنیادی سبب نئی سرمایہ کاری میں اضافہ اور پورٹ فولیو کا بہترین مرکب ہے، جس کے نتیجے میں منافع کی بہترین شرح حاصل ہوئی۔ اس مدت کے دوران ہمارے لئے سب سے بڑا چیلنج ایس بی پی ٹی ڈس کاؤنٹ کی شرح میں تیزی کے ساتھ اضافہ تھا۔ جس کی وجہ سے ڈپازٹ کی شرح اور مالی اخراجات میں فوری اضافہ ہوا جبکہ اثاثوں کے منافع پر اثر ہونے میں تقریباً چھ ماہ لگے۔ مالی اخراجات ۱۰,۸۴۵ ملین روپے سے اضافے کے بعد ۱۸,۷۸۰ ملین روپے ہو گئے۔ مالی اخراجات کے بعد اور دیگر آمدنی اور آپرٹنگ اخراجات سے پہلے منافع ۱۴,۱۲ فیصد اضافے کے ساتھ ۹۳,۰۵ ملین روپے سے بڑھ کر ۱۰۶,۱۸ ملین روپے رہا۔ نئے قوانین پر عمل درآمد کے متعلق اخراجات کی وجہ سے آپرٹنگ اخراجات ۱۱,۰۸ فیصد کے اضافے کے ساتھ ۶۵,۴۸۶ ملین روپے سے بڑھ کر ۷۲,۷۴۲ ملین روپے رہے، جس وجہ سے خالص منافع ۱۵,۰۵ فیصد کمی کے بعد گزشتہ سال کی اسی مدت کے ۴۹,۶۹۷ ملین سے کم ہو کر ۴۲,۲۱۸ ملین روپے رہا۔

۳۰ جون ۲۰۱۸ پر اجارہ پورٹ فولیو فنانس، سکوک سرمایہ کاری اور گھٹتا ہوا مشارکہ فنانس کی مالیت ۶,۳۳۷ ملین پاکستانی روپے کے مقابلے میں اس کی مالیت ۶,۷۵۸ ملین پاکستانی روپے رہی جو چھ ماہ کی مدت میں ۶,۸۱۱ فیصد اضافہ دکھارہا ہے۔ زیر جائزہ مدت کے دوران، مضاربہ نے ۶,۳۳۳ ملین روپے مالیت کے نئی سرمایہ کاری کی، جبکہ گزشتہ سال کی اسی مدت کے دوران ۸,۶۲۸ ملین روپے کی نئی سرمایہ کاری ہوئی۔

آپ کے مضاربہ نے پلانٹ، اور مشینری، آلات، گاڑیاں اور گھروں کی فنانس پر مشتمل متنوع اثاثہ جات کے پورٹ فولیو کو برقرار رکھا۔ مزید یہ کہ سیکٹر جاتی ایکسپوزر (exposure) کی بغور نگرانی کی جاتی ہے۔ اثاثہ جات کا پورٹ بین الاقوامی کمپنیاں، بڑی اور درمیانی حجم کی مقامی ادارے، اور منتخب SME سے تعلقات کا ایک اچھا آمیزہ (mix) ہے۔ آپ کے مضاربہ کی توجہ، چونکہ اور محتاط رہتے ہوئے، تمام شریک مفاد (stakeholders) کے فائدہ کی قدر میں اضافہ کرنے والے اچھے کاروباری مواقعوں سے فائدہ اٹھانے پر مرکوز ہے۔ ہماری محتاط اور فعال (proactive) خطرے کی مینجمنٹ کا طریقہ کار (approach) نے مضاربہ سیکٹر میں آپ کے مضاربہ کو ہمیشہ اپنی قائمانہ مقام کو برقرار رکھنے میں مدد کی ہے۔ ہم گاہکوں کی خدمت کے ساتھ معیاری گاہکوں کے حصول پر توجہ دیتے رہنا جاری رکھیں گے۔

۴. درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے آپ کے مضاربہ کی طویل المدت اور قلیل المدت کی درجہ بندی بالترتیب ”AA+ اور A1+ برقرار رکھی ہیں۔ یہ درجہ بندیاں قرضہ جاتی خطرات کی کم توقعات اور مالیاتی ادائیگی کے وعدوں کی بروقت ادائیگی کی غیر معمولی صلاحیت ظاہر کرتی ہیں۔

۵. بورڈ آف ڈائریکٹرز

مسٹر ہنڈیکی یو کو یاما نے ۱۳ ستمبر ۲۰۱۸ کو ڈائریکٹر کے عہدہ سے استعفیٰ دے دیا جسے بورڈ آف ڈائریکٹرز نے ۲۲ اکتوبر ۲۰۱۸ کو منظور کیا۔ بورڈ مس مریم عزیز کو بشرطیکہ ایس ای سی پی کی منظوری کے ۱۹ جنوری ۲۰۱۹ کو اور کس سر ویسز پاکستان (پرائیویٹ) لمیٹڈ کا ڈائریکٹر منتخب کیا۔ بورڈ مسٹر ہنڈیکی کی قابل قدر خدمات جو کہ انہوں نے اور کس مضاربہ اور اس کی مینجمنٹ کمپنی کو فراہم کی کو سہرا اٹاتا ہے اور مس مریم عزیز کو خوش آمدید کہتے ہوئے اُن کو قانونی ذمہ داریوں کی ادائیگی کے سلسلے میں اپنا مکمل تعاون کا یقین دلاتا ہے

۶. اعتراف

بورڈ، ریگولیٹری اداروں، سرٹیفیکیٹس کنندگان، گاہکوں اور کاروباری شرکاء کی حمایت کو سراہتا ہے اور مستقبل میں ان کی حمایت کی امید رکھتا ہے۔

بورڈ کی جانب سے



رہین الفری
ڈائریکٹر



راجیل قمر احمد
چینجنگ ڈائریکٹر / سی ای او

کراچی: ۱۹ فروری ۲۰۱۹

Auditors' Review Report

For the period ended December 31, 2018

Independent Auditors' Review Report to the Certificate holders on Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of ORIX Modaraba as at 31 December 2018 and the related condensed interim profit and loss account and other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). The Modaraba Management Company [ORIX Services Pakistan (Private) Limited] is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the quarter ended 31 December 2018 and 31 December 2017 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is Muhammad Taufiq.

Date: February 19, 2019
Karachi.



KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	227,975,633	409,085,082
Ijarah rentals receivable	6	104,273,970	101,827,754
Advances, deposits, prepayments and other receivables		128,290,477	89,359,494
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharaka	8	723,140,909	564,568,486
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		8,731,640	8,731,640
Total current assets		1,192,782,629	1,173,942,456
Non-current assets			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharaka	8	1,965,479,915	1,929,394,797
Ijarah assets	9	4,068,700,519	3,832,755,196
Fixed assets in own use	10	13,153,929	17,344,567
Total non-current assets		6,047,334,363	5,779,494,560
TOTAL ASSETS		7,240,116,992	6,953,437,016
LIABILITIES AND EQUITY			
Current liabilities			
Current maturity of Term finance arrangements	11	721,698,474	598,989,520
Current maturity of security deposits		158,600,548	167,820,317
Creditors, accrued and other liabilities		266,252,148	228,643,874
Advance Ijarah rentals received		54,943,512	41,275,011
Current portion of redeemable capital		3,114,890,000	3,118,915,000
Unclaimed profit distribution		58,086,384	50,525,989
Total current liabilities		4,374,471,066	4,206,169,711
Non-current liabilities			
Long-term portion of Term finance arrangements	11	1,142,870,259	1,037,380,808
Long-term portion of security deposits		634,585,893	553,806,134
Long-term portion of redeemable capital		11,550,000	8,200,000
Total non-current liabilities		1,789,006,152	1,599,386,942
TOTAL LIABILITIES		6,163,477,218	5,805,556,653
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
<i>Authorised certificate capital</i>			
50,000,000 (June 30, 2018: 50,000,000) certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 30, 2018: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (June 30, 2018: 16,883,530) bonus certificates of Rs. 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		74,123,713	147,475,214
Other reserves		548,680,761	546,569,849
		1,076,639,774	1,147,880,363
TOTAL LIABILITIES AND EQUITY		7,240,116,992	6,953,437,016

CONTINGENCIES AND COMMITMENTS

12

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

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


 Chairman


 Chief Executive


 Director


 Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months period ended December 31, 2018

Note	Six months period ended December 31, 2018	Six months period ended December 31, 2017	Three months period ended December 31, 2018	Three months period ended December 31, 2017
	(Rupees)			
Ijarah rentals earned	830,203,003	919,607,301	434,858,097	450,637,392
Income on Diminishing Musharaka arrangements	141,429,489	49,782,504	76,989,395	26,950,219
Income on deposits with banks	8,879,876	4,927,977	4,575,216	2,759,499
	<u>980,512,368</u>	<u>974,317,782</u>	<u>516,422,708</u>	<u>480,347,110</u>
Financial charges	(189,779,513)	(108,446,417)	(104,646,359)	(57,081,705)
Depreciation on assets under Ijarah arrangements	<u>(687,681,435)</u>	<u>(774,724,096)</u>	<u>(358,150,732)</u>	<u>(381,574,440)</u>
	<u>103,051,420</u>	<u>91,147,269</u>	<u>53,625,617</u>	<u>41,690,965</u>
Reversal of provision in respect of Ijarah finances - net	1,646,267	1,898,208	446,267	1,503,075
Reversal of provision in respect of Diminishing Musharaka	<u>1,485,402</u>	<u>-</u>	<u>18,707</u>	<u>-</u>
	<u>106,183,089</u>	<u>93,045,477</u>	<u>54,090,591</u>	<u>43,194,040</u>
Other income	15,126,910	29,612,018	10,060,136	17,194,084
Administrative and operating expenses	<u>(72,741,980)</u>	<u>(65,485,677)</u>	<u>(39,031,074)</u>	<u>(33,356,638)</u>
	<u>48,568,019</u>	<u>57,171,818</u>	<u>25,119,653</u>	<u>27,031,486</u>
Management Company's remuneration	(4,856,802)	(5,717,182)	(2,511,965)	(2,703,149)
Provision for services sales tax on Management Company's remuneration	13 (631,384)	(743,234)	(326,555)	(351,410)
Provision for Workers' Welfare Fund	14 (861,597)	(1,014,228)	(445,623)	(479,539)
Profit for the period before taxation	42,218,236	49,697,174	21,835,510	23,497,388
Taxation	15 -	-	-	-
Profit for the period after taxation	42,218,236	49,697,174	21,835,510	23,497,388
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	42,218,236	49,697,174	21,835,510	23,497,388
Earnings per certificate - basic and diluted	<u>0.93</u>	<u>1.10</u>	<u>0.48</u>	<u>0.52</u>

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

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

Chairman


Chief Executive


Director


Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the six months period ended December 31, 2018

Note

Six months
period ended
December 31,
2018Six months
period ended
December 31,
2017**CASH FLOWS FROM OPERATING ACTIVITIES**

(Rupees)

Profit for the period before taxation

42,218,236

49,697,174

Adjustments for non-cash and other items:

Depreciation / amortisation on fixed assets in own use

5,349,006

5,158,452

Depreciation on Ijarah assets

687,681,435

774,724,096

Gain on disposal of Ijarah assets

(5,027,429)

(21,462,402)

Reversal of provision in respect of Ijarah finances - net

(1,646,267)

(1,898,208)

Reversal of provision in respect of Diminishing Musharaka

(1,485,402)

-

Income on deposits with bank

(8,879,876)

(4,927,977)

Profit on:

- Redeemable capital

110,912,786

70,438,809

- Term finance arrangements

70,061,306

30,825,611

Provision for services sales tax on Management Company's remuneration

631,384

743,234

Provision for Workers' Welfare Fund

861,597

1,014,228

858,458,540

854,615,843

900,676,776

904,313,017

(Increase) / decrease in assets

Advances, deposits, prepayments and other receivables

(40,202,855)

(7,506,736)

Ijarah rentals receivable

(799,949)

(21,833,238)

Diminishing Musharaka

(193,172,139)

(459,622,184)

Purchase of assets under Ijarah arrangements

(1,083,001,966)

(1,205,160,444)

Proceeds from disposal of assets under Ijarah arrangements

164,402,637

724,400,864

(1,152,774,272)

(969,721,738)

Increase / (decrease) in liabilities

Creditors, accrued and other liabilities

(3,278,934)

1,846,018

Advance Ijarah rentals received

13,668,501

5,178,374

Security deposits

71,559,990

(37,069,056)

81,949,557

(30,044,664)

(170,147,939)

(95,453,385)

Profit paid on

- Redeemable capital

(80,558,363)

(78,472,689)

- Term finance arrangements

(61,754,728)

(22,721,988)

(142,313,091)

(101,194,677)

Taxes paid

-

(3,154)

Net cash used in operating activities

(312,461,030)

(196,651,216)

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure

(1,158,368)

(2,600,236)

Income on deposits with bank

10,151,748

4,911,771

Net cash generated from investing activities

8,993,380

2,311,535

CASH FLOWS FROM FINANCING ACTIVITIES

Redeemable capital less repayments

(675,000)

284,680,000

Term finance less repayments

228,198,405

(48,687,606)

Profit paid to certificate holders

(105,165,204)

(96,296,926)

Net cash generated from financing activities

122,358,201

139,695,468

Net Decrease in cash and cash equivalents

(181,109,449)

(54,644,213)

Cash and cash equivalents at the beginning of period

409,085,082

367,303,155

Cash and cash equivalents at end of the period

227,975,633

312,658,942

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

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

Chairman


Chief Executive


Director


Chief Financial Officer

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

For the six months period ended December 31, 2018

	Paid-up certificate capital	Premium on modaraba certificates	Statutory reserve	Reserves Unappropriated profit	Sub-total	Total
	(Rupees)					
Balance as at June 30, 2017	453,835,300	55,384,700	485,170,304	155,728,690	696,283,694	1,150,118,994
Total comprehensive income for the period						
- Profit for the six months priod ended December 31, 2017	-	-	-	49,697,174	49,697,174	49,697,174
- Other comprehensive income for the six months period	-	-	-	-	-	-
	-	-	-	49,697,174	49,697,174	49,697,174
Profit distribution for the year ended June 30, 2017 @ Rs. 2.7 per certificate	-	-	-	(122,535,531)	(122,535,531)	(122,535,531)
Transfer to statutory reserve	-	-	2,484,859	(2,484,859)	-	-
Balance as at December 31, 2017	453,835,300	55,384,700	487,655,163	80,405,474	623,445,337	1,077,280,637
Balance as at June 30, 2018	453,835,300	55,384,700	491,185,149	147,475,214	694,045,063	1,147,880,363
Total comprehensive income for the period						
- Profit for the six months priod ended December 31, 2018	-	-	-	42,218,236	42,218,236	42,218,236
- Other comprehensive income for the six months period	-	-	-	-	-	-
	-	-	-	42,218,236	42,218,236	42,218,236
Profit distribution for the year ended June 30, 2018 @ Rs. 2.5 per certificate	-	-	-	(113,458,825)	(113,458,825)	(113,458,825)
Transfer to statutory reserve	-	-	2,110,912	(2,110,912)	-	-
Balance as at December 31, 2018	453,835,300	55,384,700	493,296,061	74,123,713	622,804,474	1,076,639,774

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

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


Chairman


Chief Executive


Director


Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

1. STATUS AND NATURE OF BUSINESS

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

The Modaraba is operated through a head office in Karachi and two branches which are located in Lahore and Islamabad. The head office is placed separately within the premises of the Management Company. In Lahore, the branch office is situated at 602-B, 6th Floor, City Towers, Gulberg-II whereas in Islamabad, the branch address is Ground Floor, Phase 1, State Life Building No. 5, Nazimuddin Road, Blue Area.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA and short term rating of A1+ to the Modaraba on November 05, 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

- a) The condensed interim financial statements of the Modaraba for the six months period ended on December 31, 2018 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
 - International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directions issued under the Companies Act, 2017;
 - Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas; and
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

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

- b) During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the Securities and Exchange Commission of Pakistan vide an SRO 431(1)/2007 dated May 05, 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

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

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

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

2.2 Functional and presentation currency

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

2.3 Significant accounting estimates and judgements

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the year ended June 30, 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Modaraba as at and for the year ended June 30, 2018 except for the adoption of new standards effective as of July 01, 2018 as referred to in note 3.4 to these condensed interim financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

The Modaraba has initially adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from July 01, 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from July 01, 2018 but they do not have a material effect on the Modaraba's condensed interim financial statements.

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

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

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Modaraba's condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

- IFRS 16 'Leases' (effective for annual period beginning on or after January 01, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Modaraba is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 01, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Modaraba's condensed interim financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 01, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Modaraba's condensed interim financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of materiality in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019 and are not likely to have an impact on Modaraba's financial statements.

3.4 Changes in accounting policies

The below explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Modaraba's condensed interim financial information and also discloses the new accounting policies that have been applied from July 01, 2018, where these are different to those applied in prior periods.

3.4.1 IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, the Modaraba classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Modaraba has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Gain and losses for financial instruments designated as amortised cost is recognised in profit and loss account.

The classification and measurement under IFRS 9 does not have any impact on Modaraba's accounting policy. There has been no major change resulted in accounting treatment for the financial instruments that have been accounted for in these condensed interim financial statements except for the calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modarabas as issued by SECP prevails. Except to that of Ijarah financing, financings extended on the basis of Diminishing Musharaka, Investments in Sukuk

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

Certificates, other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified as amortised cost. These were initially measured at transaction price and subsequently measured at amortised cost using the effective interest method, net of impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.

3.4.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Modaraba has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for 2018 has not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The revenue recognition of the Modaraba is based on the following policies:

- The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to 1 July 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. Gains / losses on termination of Ijarah contracts are recognised as income on receipt basis. 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 1 July 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.
- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.
- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account when these are realised.
- Profit on Diminishing Musharaka 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.
- Other income is recognised on an accrual basis.

The above is generally consistent with the timing and amounts of revenue the Modaraba recognised in accordance with the previous standard, IAS 18, except for Ijarah transactions executed on or after July 01, 2008 in accordance with the requirements of IFRS 15. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Modaraba.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Modaraba for the reasons described above. Accordingly there were no adjustments to retained earnings on application of IFRS 15 at July 01, 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual financial statements as at and for the year ended June 30, 2018.

5. CASH AND BANK BALANCES

Balances with banks

- in current accounts

- in deposit accounts

Cash in hand

Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
	(Rupees)	
	55,778,353	23,218,993
5.1	172,146,529	385,852,889
	50,751	13,200
	227,975,633	409,085,082

5.1 These carry profit at rate ranging between 3.59% - 9.25% per annum (June 30, 2018: 2.48% - 6.20%). The balances with banks in deposit accounts have been kept in order to comply with the requirement of guidelines issued by the Securities and Exchange Commission of Pakistan (SECP) with respect to the maintenance of prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

6. IJARAH RENTALS RECEIVABLE

Ijarah rentals receivable - considered good

Ijarah rentals receivable - considered bad or doubtful

Less: allowance for potential Ijarah losses

Less: profit held in suspense

Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
	(Rupees)	
6.1	104,273,970	101,827,754
	24,793,349	26,649,883
6.2	(6,351,962)	(7,998,229)
6.3	(18,441,387)	(18,651,654)
	-	-
	104,273,970	101,827,754

6.1 This includes an amount due from key management personnel aggregated to Rs. 156,147 (June 30, 2018: Rs. 131,144) given as per terms of employment. These are secured against Ijarah assets.

6.2 Allowance for potential Ijarah losses

Opening balance

Reversal for the period

Closing balance

7,998,229	11,898,001
(1,646,267)	(3,899,772)
6,351,962	7,998,229

6.3 Profit held in suspense

Opening balance

Income reversed during the period

Closing balance

18,651,654	19,395,119
(210,267)	(743,465)
18,441,387	18,651,654

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

7. INVESTMENT IN SUKUK CERTIFICATES***Held-to-maturity investments***

Investment in Sukuk certificates

Less: Provision in respect of Sukuk certificates

Less: Current portion of investment in Sukuk Certificates

(Un-audited) December 31, 2018	(Audited) June 30, 2018
(Rupees)	
57,701,835	57,701,835
(57,701,835)	(57,701,835)
-	-
-	-
-	-

8. DIMINISHING MUSHARAKA**- Staff**

Housing finance

Others

- Other Customers

Housing finance

Motor vehicles

Plant, Machinery and equipments

Less: Provision in respect of Diminishing Musharaka

Less: current portion of Diminishing Musharaka

Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
(Rupees)		
	68,938,340	75,533,608
	2,863,494	3,235,364
8.1	71,801,834	78,768,972
	661,300,928	620,947,927
	872,975,561	762,464,519
	1,082,542,501	1,033,267,267
	-	(1,485,402)
	2,616,818,990	2,415,194,311
	2,688,620,824	2,493,963,283
	(723,140,909)	(564,568,486)
	1,965,479,915	1,929,394,797

8.1 This includes diminishing musharaka facility availed by key management personnel with respect to housing finance and personal finance amounted to Rs. 41.889 million (June 30, 2018: Rs. 48.144 million) and Rs. 1.116 million (June 30, 2018: Rs. 1.620 million) respectively.

9. NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing on or after July 1, 2008

- accounted for under IFAS 2

Ijarah contracts prior to July 1, 2008

- accounted for as finance leases

Less: Current portion of net investment in Ijarah finance

Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
(Rupees)		
	4,068,700,519	3,832,755,196
	370,000	370,000
	(370,000)	(370,000)
	-	-

9.1 During the half year ended December 31, 2018, additions amounting to Rs. 1,083 million (December 31, 2017: Rs. 1,205 million) and disposals amounting to Rs. 654 million (December 31, 2017: Rs. 1,933 million) were made to the net investments in Ijarah finance.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	(Un-audited) December 31, 2018	(Un-audited) December 31, 2018
	----- (Rupees) -----	
Additions at cost during the period		
- Plant, machinery and equipments	691,473,769	519,773,526
- Motor vehicles	391,528,197	685,386,918
	<u>1,083,001,966</u>	<u>1,205,160,444</u>
Disposals at cost during the period		
- Plant, machinery and equipments	128,895,531	1,104,943,360
- Motor vehicles	525,131,220	827,701,237
	<u>654,026,751</u>	<u>1,932,644,597</u>

- 9.2 Ijarah facility extended to key management personnel as per terms of employment having net book value amounting to Rs. 11.127 million (June 30, 2018: Rs. 11.244 million).

10. FIXED ASSETS IN OWN USE

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees) -----	
Tangible assets	11,840,644	16,341,796
Intangible assets	1,313,285	1,002,771
	<u>13,153,929</u>	<u>17,344,567</u>

- 10.1 During the half year ended December 31, 2018, additions amounting to Rs. 1.158 million (December 31, 2017 : Nil) were made to the fixed assets in own use.

	(Un-audited) December 31, 2018	(Un-audited) December 31, 2017
	----- (Rupees) -----	
Additions at cost during the period		
- Computer equipment	873,518	-
- Computer software	284,850	-
	<u>1,158,368</u>	<u>-</u>

11. TERM FINANCE ARRANGEMENTS

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees) -----	
Musharaka term finance with other banks	1,864,568,733	1,636,370,328
Less: Current portion of musharaka term finance	(721,698,474)	(598,989,520)
	<u>1,142,870,259</u>	<u>1,037,380,808</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

12. CONTINGENCIES AND COMMITMENTS

12.1 Commitments

The Modaraba has issued letters of comfort in favour of Faysal Bank Limited valuing Rs. 11.05 million, Habib Metropolitan Bank Limited valuing Rs. 73.13 million and Dubai Islamic Bank valuing Rs. 19.35 million on behalf of its customers.

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

Pursuant to Order number SRB-COM-II/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated April 22, 2013, the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at applicable rates with effect from November 01, 2011. The Management Company has 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 08, 2016, the assessing officer issued a fresh notice to the Management Company. Against the notice, the Management Company has filed an appeal before the Honorable Sindh High Court. As an interim relief, the Court vide its Orders dated October 13, 2016 and November 05, 2018 has stopped the assessing authorities to pass any final order till the culmination of its proceedings. The case is pending to date.

14. PROVISION FOR WORKERS' WELFARE FUND

Vide letter no. SRB/DC-A(W)/2017/Rep/4760 dated January 16, 2017, the Sindh Revenue Board (SRB) has advised the Modaraba to pay off all its liabilities falling due under the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act). As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after December 31, 2013. The management considers that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to province of Sindh, no WWF liability to SRB can be paid out. On these grounds, foreseeing the expected WWF demand and penal actions from SRB, the Modaraba has filed a Constitutional Petition (CP) No. CP.D.3879/2017 with the Honorable Sindh High Court which is pending to date. The management has accrued for WWF liability for the period from 2014 to 2018 in these condensed interim financial information considering it as prudent.

15. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2019. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

16. RELATED PARTIES TRANSACTIONS

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Six months period ended December 31, 2018 (Un-audited)	Six months period ended December 31, 2017 (Un-audited)
----- (Rupees) -----		
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Dividend	11,345,883	12,253,553
Rent payable for Islamabad office	257,732	-
Staff retirement benefits funds		
Contribution to the staff provident fund	2,030,115	1,783,764
Contribution to the staff gratuity fund	1,691,069	1,493,213
Reimbursement from staff gratuity fund	525,295	1,058,852
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration	4,856,802	5,717,182
Dividend	11,345,883	12,253,553
Rent reimbursement	-	300,726

	Six months period ended December 31, 2018 (Un-audited)	Six months period ended December 31, 2017 (Un-audited)
----- (Rupees) -----		
Key Management Personnel		
Salaries and benefits	21,871,916	21,450,426
Contribution to the staff provident fund	781,446	731,463
Contribution to the staff gratuity fund	650,940	609,304
Income earned on DM finances to Key management personnel	2,439,598	2,945,459
Ijarah rental earned on Ijarah finances to Key management personnel	1,930,597	1,569,015
Profit on Redeemable Capital	41,575	13,863
Number of persons	8	8

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
----- (Rupees) -----		
ORIX Leasing Pakistan Limited - Holding Company of the Management Company		
Rent payable for Islamabad office	257,732	254,670
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration payable	18,695,803	13,839,001
Staff retirement benefits funds		
Payable to staff provident fund	-	56,500
Receivable from staff gratuity fund	-	25,635
Key Management Personnel		
Accrued profit on finances under diminishing musharaka	206,595	270,896
Profit payable on redeemable capital	41,575	11,979
Security deposits	307,355	665,436
Redeemable capital	3,000,000	500,000

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

As at December 31, 2018 and June 30, 2018, there were no financial instruments which were measured at fair values in the financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

17 FAIR VALUE OF FINANCIAL INSTRUMENTS.....Cont'd

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

December 31, 2018 (Unaudited)							
	Carrying value			Fair value			
	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note	(Rupees)						
Financial assets not measured at fair value	17.2						
Cash and bank balances	227,975,633	-	227,975,633	-	-	-	-
Ijarah rentals receivable	104,273,970	-	104,273,970	-	-	-	-
Advances, deposits and other receivables	120,801,310	-	120,801,310	-	-	-	-
Diminishing Musharaka	2,688,620,824	-	2,688,620,824	-	-	-	-
Taxation recoverable	8,731,640	-	8,731,640	-	-	-	-
Investment in Sukuk certificates	-	-	-	-	-	-	-
	<u>3,150,403,377</u>	<u>-</u>	<u>3,150,403,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value	17.2						
Term finance arrangements	-	1,864,568,733	1,864,568,733	-	-	-	-
Security deposits	-	793,186,441	793,186,441	-	-	-	-
Creditors, accrued and other liabilities	-	249,292,951	249,292,951	-	-	-	-
Redeemable capital	-	3,126,440,000	3,126,440,000	-	-	-	-
Unclaimed profit distribution	-	58,086,384	58,086,384	-	-	-	-
Advance Ijarah rentals received	-	54,943,512	54,943,512	-	-	-	-
	<u>-</u>	<u>6,146,518,021</u>	<u>6,146,518,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2018 (Audited)							
	Carrying value			Fair value			
	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note	(Rupees)						
Financial assets not measured at fair value	17.2						
Cash and bank balances	409,085,082	-	409,085,082	-	-	-	-
Ijarah rentals receivable	101,827,754	-	101,827,754	-	-	-	-
Advances, deposits and other receivables	76,811,534	-	76,811,534	-	-	-	-
Diminishing Musharaka	2,493,963,283	-	2,493,963,283	-	-	-	-
Taxation recoverable	8,731,640	-	8,731,640	-	-	-	-
Investment in Sukuk certificates	-	-	-	-	-	-	-
	<u>3,090,419,293</u>	<u>-</u>	<u>3,090,419,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value	17.2						
Term finance arrangements	-	1,636,370,328	1,636,370,328	-	-	-	-
Security deposits	-	721,626,451	721,626,451	-	-	-	-
Creditors, accrued and other liabilities	-	212,546,274	212,546,274	-	-	-	-
Redeemable capital	-	3,127,115,000	3,127,115,000	-	-	-	-
Unclaimed profit distribution	-	50,525,989	50,525,989	-	-	-	-
Advance Ijarah rentals received	-	41,275,011	41,275,011	-	-	-	-
	<u>-</u>	<u>5,789,459,053</u>	<u>5,789,459,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

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

18. SEGMENT INFORMATION

As per IFRS 8: "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

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

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

The Modaraba also has a diversified certificate holder population. As at December 31, 2018, there were only two (June 30, 2018: two) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (June 30, 2018: 10% and 10%) respectively.

19. CORRESPONDING FIGURES

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

20. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on February 19, 2019 by the Board of Directors of the Management Company.

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


Chairman


Chief Executive


Director


Chief Financial Officer



ORIX Modaraba

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

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















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



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered
-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 [jamapunji.pk](https://www.facebook.com/jamapunji.pk)

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices