

ORIX Modaraba  
(Formerly Standard Chartered Modaraba)



ANNUAL  
REPORT  
**2017**

کھول آنکھ زمین دیکھ، فلک دیکھ، فضا دیکھ

مشرق سے اُبھرتے ہوئے سورج کو ذرا دیکھ  
( اقبالؒ )

## **Vision**

**To be preferred provider of Islamic financial products in the market.**

## **Mission**

**To create exceptional value for our clients, investors and staff; through market leadership in providing innovative Shariah compliant products and solutions, and by adopting and living our core values.**

## **Values**

### **Courageous**

we stand up for what we believe is right. We accept accountability and take calculated risks.

### **Responsive**

we deliver thoughtful, timely, high quality solutions. We listen to our customers and colleagues and build strong relationships based on mutual respect. We work quickly, thoughtfully and effectively to deliver the best solution.

### **International**

we value our diversity and collaborate as one team. We share standards and global best practices.

### **Creative**

we continuously improve the way we work, making it simpler, better and faster.

### **Trustworthy**

we are reliable, open and honest so that we deliver on our promises and work to high standards.



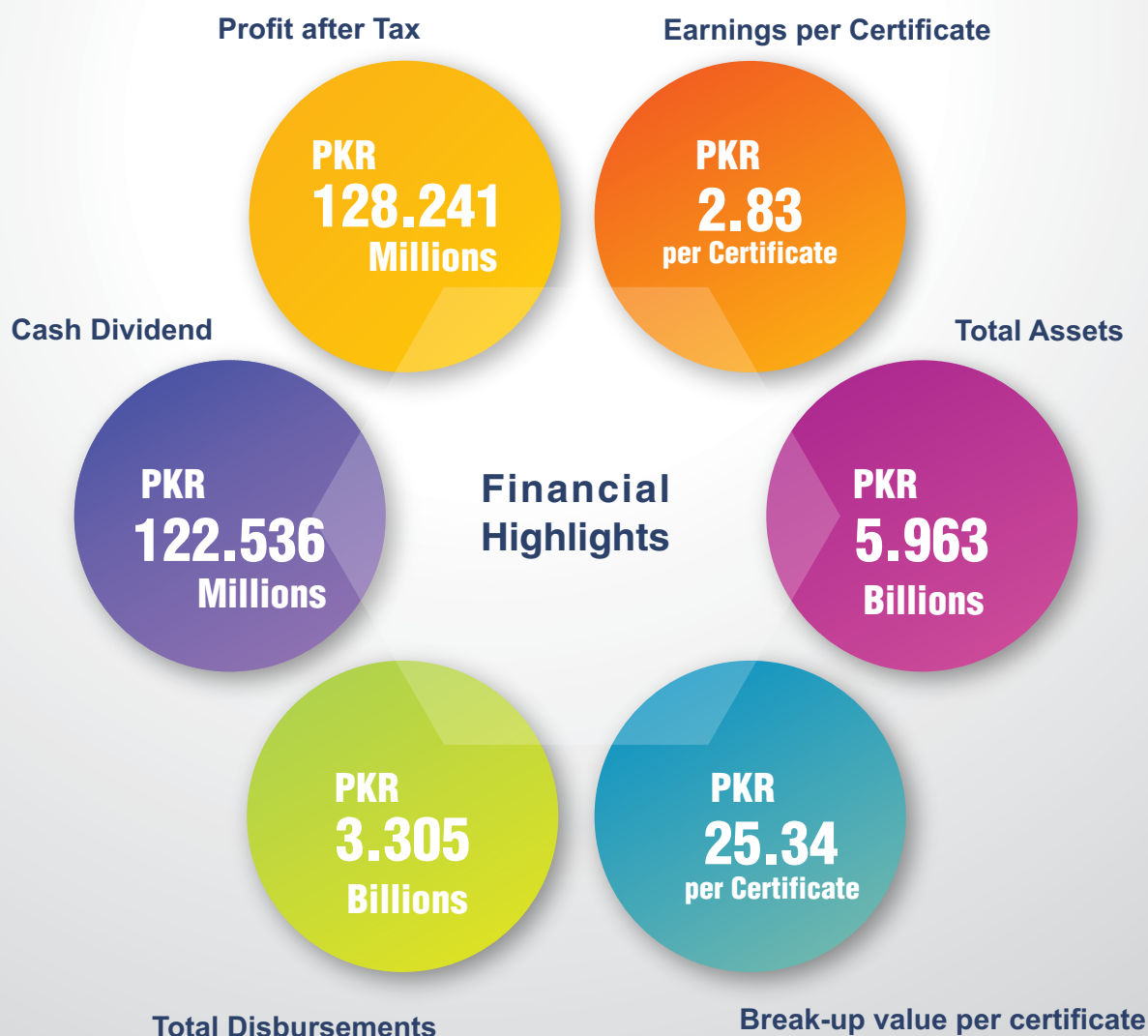
## Modaraba at a Glance

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

ORIXM offers Ijarah, Diminishing Musharika (DM), House Finance under DM structure, Sukuk, Murabaha, Salam to Corporates, SME and individuals. The funds to finance the assets comes from a mix of Certificate of Musharika that is offered to individuals and corporates, bank financing, equity and operational inflows. Our total assets balance is PKR 5.96 billion as at June 30, 2017. This is the 2nd highest book size in the Financial Services Modarabas sector. ORIXM manages and monitors risk exposure very prudently. Only PKR 139 Million of assets financing was impaired in thirty years of operations which represents 0.36 percent of the total disbursements since inception. Consequently, the Modaraba has been able to distribute an average dividend payout of 23.33% with the minimum of 16% and maximum of 40% in 30 years.

ORIXM is managed by ORIX Services Pakistan (Private) Limited which owns 10% certificates capital in ORIXM. ORIX Leasing Pakistan Limited holds another 10% stake in ORIXM. The rest 80% is held by the general public. ORIXM is regulated by Securities and Exchange Commission of Pakistan and employs 33 permanent and 13 contractual staff members. It has branch offices in Lahore and Islamabad with the Head office in Karachi.

The Pakistan Credit Rating Agency (PACRA) has assigned ORIXM Long-Term Ratings of "AA" (Double A) while the Short-Term Rating of the Modaraba is already at the highest level of "A1+" (A One plus). These ratings indicate low expectation of credit risk and a very strong capacity for timely payment of financial commitments.





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# Modaraba Information

## Modaraba Company

ORIX Services Pakistan (Pvt) Limited  
(Formerly Standard Chartered Services of Pakistan (Pvt) Limited.)

## Directors of Modaraba Company

Mr. Shaheen Amin  
Chairman

Mr. Raheel Qamar Ahmad  
Managing Director/ Chief Executive

Mr. Ramon Alfrey  
Director

Mr. Hiroshi Nishio  
Director

Mr. Nausherwan Adil  
Independent Director

Mian Faysal Riaz  
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. Shaheen Amin  
Chairman

Mr. Nausherwan Adil  
Member

Mr. Raheel Qamar Ahmad  
Member

## Shariah Advisor

Mufti Faisal Ahmed

## 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)

## Legal Advisors

Hyder Ali Khan  
Partner, Advocate High Court  
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  
Web: www.orixmodaraba.com

## Lahore Branch:

Office No. 602-B,  
6th Floor, City Towers,  
Gulberg-II,  
Lahore.  
Phone: (021) 35930000

## Islamabad Branch:

Ground Floor, Phase 1,  
State Life Building No. 5,  
Nazimuddin Road,  
Blue Area,  
Islamabad.  
Phone: (021) 35930000

## 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



# Board of Directors



**Shaheen Amin**

Director/ Chairman since June 2016

- HR&R Committee (Chairman)

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



**Raheel Qamar Ahmad**

Managing Director / CEO since June 2011

- HR&R Committee (Member)

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



**Ramon Alfrey**

Director since June 2016

- Audit Committee (Member)

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



**Hiroshi Nishio**

Director since June 2016

Mr. Nishio graduated from Seikei University, Japan and joined ORIX Corporation in January 1991. Mr. Nishio has served in various senior capacities within ORIX Corporation, Japan and other ORIX Group Companies. Currently he is serving as an Executive Officer / Deputy Head of Global Business, ORIX Corporation, Japan and as a Non Executive Director on the Board of ORIX Leasing Pakistan Limited. Mr. Nishio also serves as Director on the Board of other overseas ORIX Group Companies.



**Mian Faysal Riaz**

Director since June 2016

- Audit Committee (Member)

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



**Nausherwan Adil**

Independent Director since July 2017

- Audit Committee (Chairman)
- HR&R Committee (Member)

Mr. Nausherwan Adil is an MBA from Fairleigh Dickinson University New-Jersey, USA. He has over 30 years of prolific banking experience and has held various senior positions. He has twice served as Group Chief Operations National Bank of Pakistan. During his tenure with NBP, he has also served as Senior Executive Vice President & Regional Chief Executive - Europe Region where he was responsible for NBP Europe Operations in France and Germany. He contributed materially to overall institutional policy debate and strategy formulation.

## Group Profile

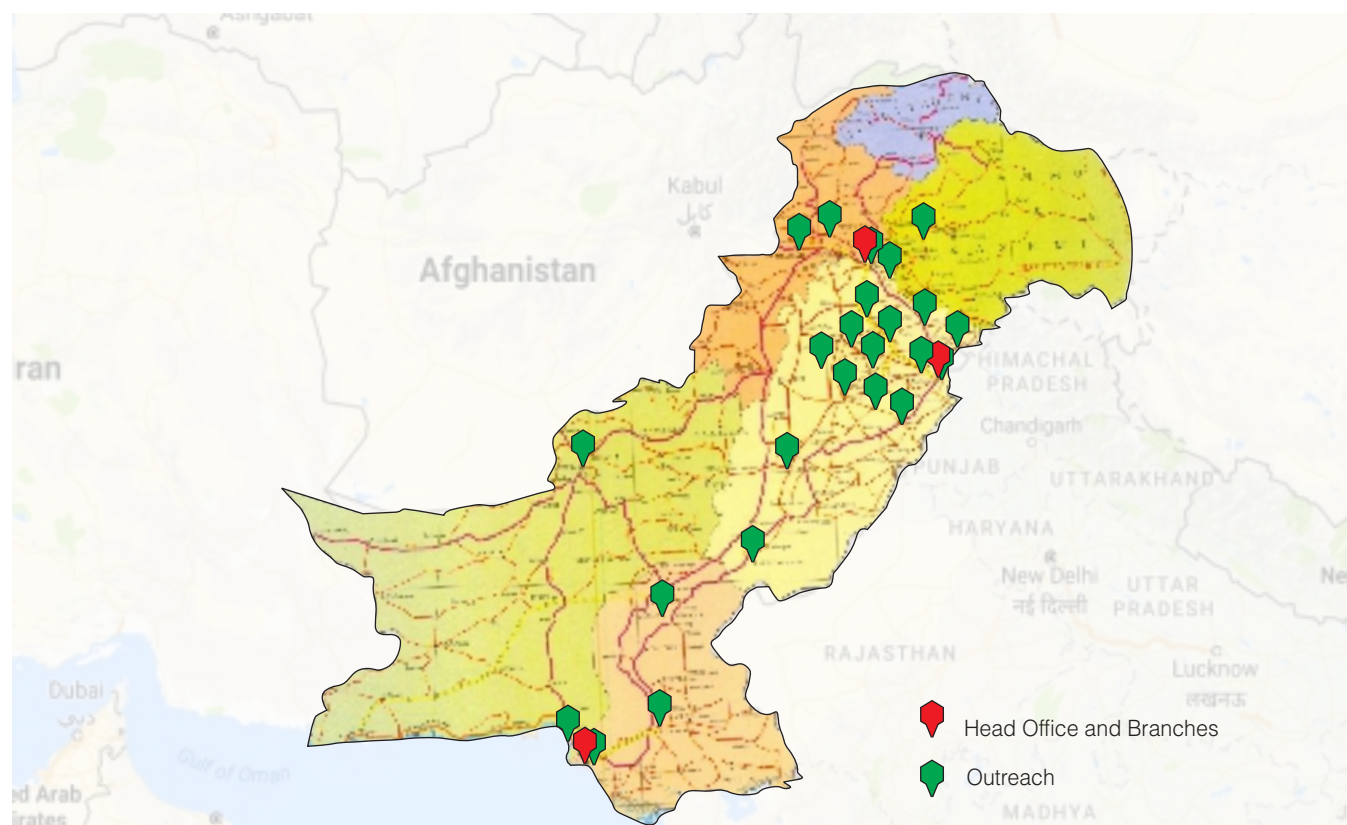
ORIX Corporation (ORIX) was established in April 1964 with leasing operations in Japan since then, ORIX has expanded into a wide range of Innovative Financial products and services to clients in Japan and 36 different countries/ regions across the world. ORIX have more than 50 years of continuous profitability and a longstanding reputation. ORIX is listed on Tokyo and New York Stock Exchanges. ORIX Shareholders' Equity as at March 31, 2017 was ¥2.5 Trillion. It employs 34,835 employees and has over 2,000 business locations across the globe.

### ORIX Corporation, Japan – Financial Highlights:

Billions of yen, unless otherwise stated

Years Ended March 31	2017	2016	2015	2014	2013
Total revenues	<b>2,678.70</b>	2,369.20	2,174.30	1,375.30	1,052.50
Total expenses	<b>2,349.40</b>	2,081.50	1,917.50	1,172.20	901.6
Income before income taxes, discontinued operations and extraordinary gain	<b>425</b>	391.3	344	286.3	172.6
Net income attributable to ORIX Corporation Shareholders	<b>273.2</b>	260.2	234.9	187.4	111.9
ORIX Corporation shareholders' equity	<b>2,507.70</b>	2,310.40	2,152.20	1,919.30	1,643.60
Total Assets	<b>11,231.90</b>	10,992.90	11,439.90	9,063.50	8,435.20
ROE (%)	<b>11.3</b>	11.7	11.5	10.5	7.4
ROA (%)	<b>2.46</b>	2.32	2.29	2.14	1.33
ORIX Corporation shareholders' equity per share (yen)	<b>1,925.17</b>	1,764.34	1,644.60	1,465.77	1,345.63
Cash dividends (yen) per share	<b>52.25</b>	45.75	36	23	13
Number of Employees	<b>34,835</b>	33,333	31,035	25,977	19,043

## Geographical Presence ORIXM





## Notice of Annual Review Meeting

Notice is hereby given that the Eighteenth Annual Review Meeting of certificate-holders of ORIX Modaraba (ORIXM) will be held on Friday, October 27, 2017 at 12:00 p.m. at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to review the performance of the Modaraba for the year ended June 30, 2017.

On behalf of the Board.

Muhammad Siddique  
Company Secretary  
ORIX Services Pakistan (Pvt.) Ltd (Formerly Standard Chartered Services of Pakistan (Pvt.) Ltd)  
Managers of ORIX Modaraba (Formerly Standard Chartered Modaraba)  
August 30, 2017

Notes:

1. The certificate transfer books shall remain closed from Friday, October 20, 2017 to Friday, October 27, 2017 (both days inclusive). Transfers received in order at the office of the Registrar of ORIXM viz. FAMCO Associates (Pvt.) Ltd., before the close of business hours on Thursday, October 19, 2017 will be treated as in time for the purpose of entitlement to attend the meeting.
2. Members are requested to notify change in their address, if any, to the Share Registrars, FAMCO Associates (Pvt.) Ltd, at their address mentioned below.
3. For attending the Meeting:
  - a. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
  - b. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (1)/2014, the Annual report for the year ended June 30, 2017 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.

### 5. Deduction of withholding tax on the amount of Dividend

The Government of Pakistan through Finance Act, 2017 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The withholding tax rates for tax year 2017-2018 are as under:

- (i) For filers of income tax returns: 15%
- (ii) For non-filers of income tax returns: 20%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the certificate holders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the start of closed period (referred above) otherwise tax on their cash dividend will be deducted @20% instead @15%.

For any query/problem/information, the Certificate holders may contact the Share Registrar at below mentioned address.

The corporate certificate holders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical certificate holders should send a copy of their NTN certificate to the Modaraba or its Share Registrar. The certificate holders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

6. As per the directives issued by the Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O.787(1)2014 dated 08 September 2014, companies are allowed the circulation of Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at ORIXM website) and return it to our Share Registrar at the address mentioned below.

### CERTIFICATE HOLDERS AWARENESS ON CNIC REQUIREMENT & ELECTRONIC CREDIT MANDATE

Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), CNIC number is mandatorily required to be mentioned on dividend warrants, members' register and other statutory returns. Those certificate-holders who have not submitted a copy of their CNIC to the Modaraba are once again requested to submit a copy of their CNIC, otherwise the Modaraba will be constrained under section 243(2) (a) of the Companies Act, 2017 to withhold dividends to such certificate-holders

Please also note that in accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company/modaraba to pay cash dividend to certificate holders only through electronic mode directly into the bank account designated by the entitled certificate holders. In this regard, the Securities and Exchange Commission of Pakistan vide its circular no. 18 of 2017 dated August 01, 2017, has granted listed companies/modarabas one time relaxation from the aforementioned requirement for payment of cash dividend till October 31, 2017.

In order to receive your dividend directly into your Bank account, please complete the particulars as mentioned in Electronic Credit Mandate Form on page 95 of this annual report and return the same duly signed along with a copy of your CNIC to the Registrar of the Modaraba.

FAMCO ASSOCIATES (PVT.) LIMITED: 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

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

In case of non-communication of bank account details, the Modaraba would be constrained to act in accordance with the provisions of law, for withholding the amount of dividend which may be payable by the Modaraba on or after November 01, 2017.

CDC certificate-holders are requested to submit their Dividend Mandate and CNIC directly to their broker (participant)/CDC.

## Overall Strategic Objectives



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

### ORIX Modaraba's Strengths and Strategy

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

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

### Focus on Growth and Profitability

Our strategy is geared towards generating growth over the next few years. We will continue with our strength in Corporates, high end SMEs, and HNW individuals. We will also expand into mid tier SME and Employees of products. The cornerstones of our strategy are:

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

## ORIXM's Significant Resources

### Liquidity Resources

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

### Cashflows and Financing Resources

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

### Human Resources

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

### Capital Risk Management

ORIXM has a stable equity base that helps maintain market confidence and grow the business. The Board of the management company monitors the return on capital and approve the dividend to certificate holders. The average dividend payout in the last five years is 29%. The Modaraba monitors capital on the basis of gearing ratio. The same is calculated as net debt divided by total equity and stands at 74% as on 30 June 2017 as compared to 71% in 2016. Modaraba is not subject to externally imposed capital requirement.

There was no change in the approach to manage liquidity, cash flows, human resources and capital during the year.





## ORIXM Prospects and Targets

ORIXM was formed in 1987 and during the last 30 years, Modaraba's financial performance indicators have been growing steadily. In comparative terms, it has been delivering exceptional results despite the challenging and difficult operating environment due to high competition from Islamic banks and slow growth in the industrial sector in many of the last years.

During the last 30 years, Modaraba has been operated with focus on financing i.e., by way of extending Ijarah and Diminishing Musharakah facilities to its predominantly corporate clients in order to provide enhanced returns to its certificate holders. These and similar products are currently being offered by other banks, DFIs and other financial institutions. The situation calls for additional venues of incomes.

In order to enhance the returns and revenues, the management of ORIXM is considering new initiatives to enhance the returns of certificate holders through sectoral focus, initiatives and an average of twenty new bookings in the last five years. There is a mechanism of inter departmental Service Level Agreements whereby turnaround time is monitored and escalated at relevant fora in case of delays. This leads to service excellence which is Unique Selling proposition for the Modaraba.

## Liquidity Strategy

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

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

## Critical Performance Indicators

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

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

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

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

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

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

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

The same will continue to be applicable in the future.

## Investor Grievance Handling

Communication with investors is an important element for sustained business growth. The Board is committed to ensure that we continue to engage effectively with our investors. The potential investors and certificate holders of ORIXM have full access to obtain information relating to Modaraba's operations in addition to the queries raised specifically relating to their investment, dividend distribution and circulation of statutory notices and reports. The Modaraba endeavors for prompt resolution of their queries and provision of required information in accordance with provisions of the law.

Investor grievances are managed essentially by the Modaraba Secretariat through an efficient and effective system of grievance resolution. The initial contact point for complaint resolution is the Modaraba's Secretariat which may be approached at [askus@orixmodaraba.com](mailto:askus@orixmodaraba.com) and the Share Registrar. Investor Relations section on the website of the Modaraba includes mailing address of ORIXM for written correspondence in addition to the various notices/ announcements updated from time to time.

### Issues raised at last ARM

The Modaraba is working to safeguard the interests of the certificate holders and maximize their wealth by value creation. The Annual Review Meeting (ARM) is an effective way of engaging certificate holders. In addition to ARM, the queries and concerns of certificate holders are highlighted and addressed appropriately from time to time. The certificate holders appreciated the performance of the Modaraba at last ARM held on October 31, 2016 and raised some queries which were satisfactorily responded.

### Investor Relations Section on Website

The Modaraba strongly believes in the promotion of its corporate outlook. The website of ORIXM ([www.orixmodaraba.com](http://www.orixmodaraba.com)) is one such medium to generate awareness and provide reliable information to the investors. Detailed Modaraba information is provided on the website which includes but not limited to financial reports, investors notices/announcements, pattern of certificate holding, dividend declarations etc. The investor relations section is comprehensively covered on the website of ORIXM which is regularly updated.

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

## Forward Looking Statement

Our strategy remains maintaining the growth momentum, asset quality, increasing profitability and product mix. We aim to target new market segments and plan to enhance our exposure in high and mid-tier SME under Diminishing Musharika structure and consumer market under an assurance based model or with High Net Worth individuals. We understand that the change is the only constant and adapting to the change is the way forward. In line with the same, ORIXM has also set up a Principals



Committee and Strategic Initiatives Unit to synchronize with the ever changing operating environment. Amongst other things, ORIXM focuses on IT and system's transactional capability reach and easy to use efficient processes ensuring client's satisfaction by reducing turnaround time without compromising on the control environment. As the focus is to grow, acquiring and retaining the right quality of human resource will be critical. Accordingly, ORIXM will continue to invest in learning and development of its staff i.e. on the job learning, learning from others and formal training. We believe that Islamic financing has a bright future in Pakistan. CPEC has provided us with more sectoral avenues. We intend to contribute a fair share to the growth of Islamic financing in the country. We are widely regarded for maintaining our thought leader status in the sector and to grow to be largest and most profitable Modaraba in Pakistan.

## CODE – An overview of the Code

### Do the right thing

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

### Act responsibly and within authority

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

### Use good judgment

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

### Speaking Up

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

### Comply with laws, regulations and standards

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

### Combat financial crime

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

### Reject bribery and corruption

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

### Treat clients fairly

A focus on building long-term relationships helps to increase our business by improving our reputation.

This includes having well-designed products and services, which:

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

### Manage conflicts of interest

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

### Do not engage in or support insider dealing

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

### Protect confidential information

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

### Compete fairly in the market place

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

### Treat colleagues fairly and with respect

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

### Be open and co-operate with regulators

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

### Respect our communities and the environment

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



## ORIXM Policies and Quality Assurance of Products and Services

### Environment and Social Risk Policy

We recognize our primary impact on the natural environment and on social issues is through our Financing decisions, therefore:

- All financing proposals will include consideration of environmental and social issues.
- All financing proposals will take account of locally / internationally acceptable environmental and social standards or local laws and regulations.
- The risks associated with both environmental and social issues will be properly recognised, evaluated and mitigated.

### Speak Up Policy

We maintain a culture of integrity, transparency and trust by encouraging staff to Speak Up when they suspect or believe any actual, planned or potential wrong doing i.e. breach of Rule(s), Regulation(s) or internal policy.

Staff may speak up through Line Manager or on their own or may raise concerns in an appropriate manner directly with a regulator or external auditor in accordance with law or regulation.

We have a mechanism in place to record, review and independent investigation of all speaking up disclosures, keeping in mind confidentiality propriety.

Head of Compliance is responsible for oversight and implementation of this policy to reduce the risk of financial and reputational loss caused by misconduct.

During the year, no such incidence was reported.

### Communications with Regulator's Policy

Our core principal is to maintain positive and constructive relationships with our regulators.

There is a Regulatory relationship plan in place to set out the interaction with the regulator and also to identify areas that require further development.

We aim to develop and maintain excellent relationships with all levels of the regulators hierarchy to ensure common understanding of each other's needs, and facilitate good access to appropriate personnel in the regulators organization.

CEO is responsible for maintaining and implementing the Regulatory Relationship Plan; and for apportioning responsibility for leading the relationship with the various regulators to reduce the risk of regulatory, financial and reputational loss.

### Quality Assurance of Products & Services

ORIXM has world class processes for quality assurance of its products and service levels. A Process Improvement Committee is constituted to oversee the process flows of different products and Departmental Operating Instructions. The aim is to have a leaner and efficient process that would serve the customer in the best possible way with due regard to controls. Further, there is a Customer Experience Forum that meets on a monthly basis and reviews internal and external service quality levels and turnaround times. In addition, management has also put in place an inter-departmental Service Level Agreement endorsed by all relevant departments. Governance mechanism is in place to ensure oversight of these committees and escalation of breaches or incidents to Senior Management Committees constituted by the Board. Moreover, ORIXM also has departmental Control Sample Tests which are sample test of designed controls put in place by the management and are performed by the departments on a periodic basis to assess its operating effectiveness. In addition, controls are also subject to spot checks and audit. The above narrated measures ensure product's service quality and delivery.

## Review Report by the Chairman

The Board has adopted a board evaluation mechanism in accordance with the requirement of Code of Corporate Governance.

In order to ascertain common issues and identify themes in relation to Board's Performance, a questionnaire was developed based on the category below:

- (a) The Board's composition, size, structure and diversity of the board and board committees and the overall effectiveness of the Board;
- (b) Functions, terms of reference and role of the board and board committees;
- (c) Appointment and succession planning of directors;
- (d) Induction, training and development for directors (including relevant laws, regulations, governance principles, and minority Certificate holder issues);
- (e) Understanding of Modaraba strategy, and alignment with priorities and strategic direction of the Modaraba, oversight of corporate governance, internal controls and risk management;
- (f) Conduct of board and board committee meetings;
- (g) Agenda, board and board committee processes and board support;
- (h) Board and board committee papers, information, presentations and communication;
- (i) Performance of the Chairman of the Board, the Chairmen of Board Committees and CEO; and
- (j) Personal perspectives of directors and suggestions for improvement.

### The Board evaluates its performance on annual basis.

For the financial year ended June 30, 2017, the Board's overall performance and effectiveness has been Satisfactory. I say this based on the appropriateness of Board composition, understanding of roles, responsibilities and fiduciary duties by the Board members, Board's knowledge and understanding of the Modaraba's strategy and business. Participation by the Board members in the proceedings of the meetings was good especially in decisions on key risk areas.

The Board of Directors of your Modaraba, received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The Board received appropriate and adequate various management reports for their discussion and decisions. Further, Board members openly and freely exchanged their views on different matters presented to the Board in their meetings.

I would like to thank all the Board members for the cooperation and support.



**SHAHEEN AMIN**

CHAIRMAN

Date: 30 August 2017

## چیرمین کی جائزہ رپورٹ

بورڈ نے ادارتی نظم و ضبط کے ضابطے کی تعمیل کرتے ہوئے بورڈ کی قدر پذیری کا طریقہ کار اختیار کر چکا ہے۔

بورڈ کی کارکردگی کے حوالے سے عمومی معاملات اور موضوع بحث کا تعین کرنے کے لیے، مندرجہ ذیل کمیٹری کی بنیاد پر، ایک سوالنامہ تیار کیا ہے:

(a) بورڈ کی ساخت، ڈھانچہ، تنوع اور بورڈ کمیٹیوں اور بورڈ کی مجموعی کارکردگی۔

(b) بورڈ اور بورڈ کمیٹیوں کے فرائض منصبی، شرائط و ضوابط اور ان کا کردار۔

(c) ڈائریکٹرز کا انتخاب اور جانشینی کی منصوبہ بندی

(d) ڈائریکٹرز کا تقرر، تربیت اور ترقی (بشمول متعلقہ قوانین، ضوابط، نظم و ضبط کے اصول اور اقلیت حصص کنندگان کے مسائل)۔

(e) مضاربہ کی حکمت عملی کو سمجھنا، اس کی سمت اور ترجیحات سے ہم آہنگ ہونا، ادارتی نظم و ضبط، اندرونی نگرانی اور نقصان کے اندیشے سے نمٹنے کے انتظام مضاربہ کی نگرانی کرتے رہنا۔

(f) بورڈ کا طرز عمل، بورڈ کمیٹی کے اجلاس، لائحہ عمل کے نکات، بورڈ اور بورڈ کمیٹیوں کے طریق عمل اور بورڈ کے تعاون کا طریقہ کار۔

(g) بورڈ اور بورڈ کمیٹیوں کے کاغذات، معلومات، کسی معاملے پر اظہار خیال اور خط و کتابت۔

(h) بورڈ کے چیرمین اور بورڈ کمیٹیوں کے چیرمین حضرات اور CEO کی کارکردگی۔

(i) ڈائریکٹرز کا ذاتی نقطہ نظر اور بہتری کے مشورے۔

بورڈ اپنی کارکردگی کی قدر پیمائی سالانہ بنیاد پر کرتا ہے۔

۳۰ جون ۲۰۱۷ء اختتام پذیر مالیاتی سال میں بورڈ کی مجموعی کارکردگی اور اس کا مؤثر ہونا اطمینان بخش رہا۔ میں کہتا ہوں کہ اس اطمینان کی بنیاد بورڈ کی ساخت، بورڈ کے ارکان کی اپنے منصبی کردار، ذمہ داریاں اور مالی اور دیگر ذمہ داریوں کی نگہبانی کی سمجھ، بورڈ کی مضاربہ کے کاروبار اور حکمت عملی کے بارے میں معلومات اور سمجھ ہے۔ بورڈ کے ارکان کی اجلاس کی کاروائیوں میں خصوصی طور پر کاروباری نقصان کے اندیشوں کے معاملات میں حصہ لینا اچھا رہا۔

آپ کے مضاربہ کے بورڈ کے ڈائریکٹرز کو بورڈ اور بورڈ کمیٹیوں کے اجلاس کے انعقاد سے مناسب وقت پہلے اجلاس کے لائحہ عمل کے نکات، معاونت کا تحریری مواد بشمول اجلاس میں کیے جانے والے فیصلوں کی پیروی کے لیے مواد موصول کیا تھا۔ بورڈ کو مناسب اور کافی متعدد انتظامی رپورٹس موصول ہوئیں تاکہ وہ ان پر بحث و مباحثہ اور فیصلے کر سکیں۔ مزید یہ کہ بورڈ کے ارکان بورڈ کے اجلاس میں پیش کیے جانے والے معاملات پر کھلے دل اور آزادی سے اپنی رائے کا اظہار کرتے ہیں۔

میں بورڈ کے ارکان کا ان کے تعاون اور حمایت کا شکریہ ادا کرنا چاہوں گا۔



شاہین امین

چیرمین

تاریخ: ۳۰ اگست ۲۰۱۷



## Leadership

### The Board

The Board as a whole continues to take ownership of effective leadership and the long-term success of the Modaraba. The management and governance framework, which the Board has implemented to support the Modaraba's overall strategic objectives, is set out on page 09. The diverse range of skills and leadership experience offered by the Non-Executive Directors means that they are well qualified to scrutinize performance, assess the Modaraba's risk management and control processes, provide constructive challenge and to support the Chief Executive. The profile of each of the Directors are set out on page 06 of this annual report.

The Board has five scheduled meetings planned during the year; additional meetings may be arranged if required. The Board committee meetings are scheduled around the regular Board meetings.

### Decision making

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

Governance	Strategy and direction	Risk management, accountability and control
<ul style="list-style-type: none"> <li>Review of governance structure and composition;</li> <li>Appointments to and removals from the Board; and</li> <li>Terms of reference for and membership of Board committees</li> </ul>	<ul style="list-style-type: none"> <li>Approval of long term strategy and annual budgets;</li> <li>Authorization of to enter into new business or geographic areas; and</li> <li>Affirmation of risk management strategies and risk appetite.</li> </ul>	<ul style="list-style-type: none"> <li>Approval of financial statements, other updates to the market and recommendations on dividends;</li> <li>Approval of authority levels, financing and funding limits;</li> <li>Review of internal control and risk management; and</li> <li>Approval of HR, Health and Safety policies.</li> </ul>

### Conflicts of interest

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

### Division of responsibilities

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

### Chairman

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

### Chief Executive

- Responsible for providing effective leadership to

the Modaraba Team;

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

### **Induction and development**

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

The Directors are also encouraged to update their skills and knowledge regularly, including in relation to environmental, sustainability and governance matters, and where necessary, the Company Secretary of the Modaraba Company is notified by Directors of their requirements in this respect. In pursuit of best practice, the Board reviews presentations on compliance with governance and regulatory matters. During the year, Two Directors attended Directors Training Program organized by Pakistan Institute of Corporate Governance.

### **Information and support**

The Board is provided with regular and timely information on the financial performance of the Modaraba, together with reports on financial matters, markets, Health and Safety, sustainability and other relevant issues.

All Directors have access to the Company Secretary, who is responsible to the Board for ensuring that agreed procedures and applicable rules and regulations are observed. The Board approves the appointment and removal of the Company Secretary. Any Director may, in furtherance of his duties, take independent professional advice when necessary, at the expense of the Modaraba.

### **Board and Committee performance evaluation**

The Board of Directors sets the Modaraba's strategic direction and ensures that the organization stays true to this direction - enabling it to achieve its overall objectives while ensuring regulatory compliance. To discharge its fiduciary responsibility of safeguarding the stakeholders' interests, the Board of Directors has developed criteria for its performance evaluation which reflect the Modaraba's overall performance.

The Board of Directors discusses strategic objectives, budgetary expenses and projected national and international macroeconomic indicators to ensure that the Modaraba's business strategy stays aligned with the macroeconomic indicators. The Board of Directors and its subcommittees are competent and experienced, representing diversified educational and vocational backgrounds which are invaluable in determining the overall direction of the organization.

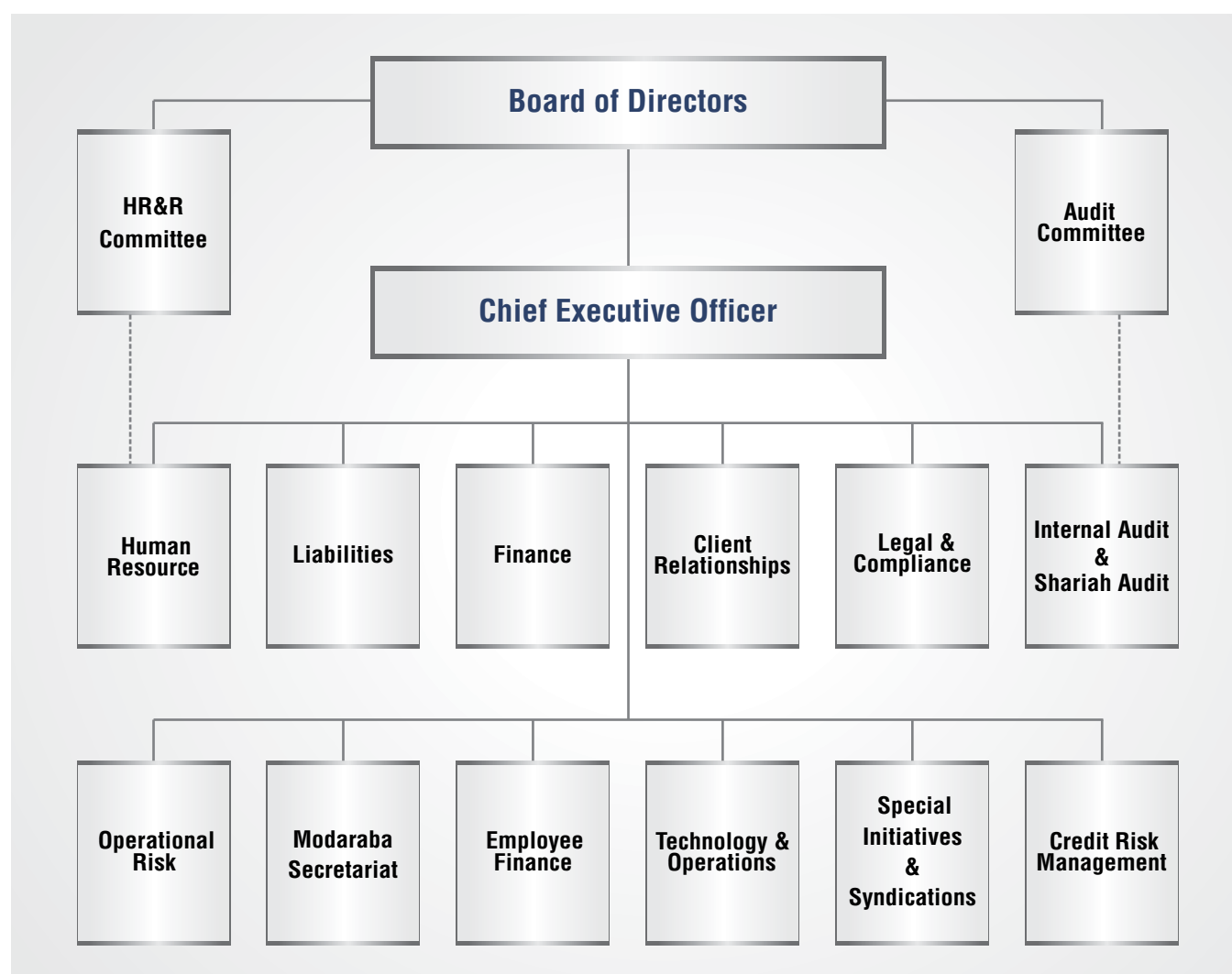
The Board of Directors is keen to ensure that it reviews the effectiveness of its performance periodically. To that end, all individual Board members answer a comprehensive questionnaire focused on evaluating, from various angles, whether the Board has discharged its duties diligently and with foresight. Company secretary of the modaraba company is designated to collate individual responses and present them to the Board for deliberation and discussion.

This exercise in critical self-assessment allows the Board to evaluate its performance and overall effectiveness in setting strategies, devising control processes, reading market trends by monitoring micro and macroeconomic factors, and responding to adverse unforeseen situations to further the cause of a learning organization. This process also ensures that the Board is constantly growing intellectually and the responsibility of steering the Modaraba to new heights of success is discharged effectively and efficiently.

The key priorities for the Board in 2017 were identified as follows:

- Continue to oversee the development of the Modaraba's strategy for future growth
- Maintain ongoing focus on Board succession and development of the senior management team.

## Organizational Chart



### Shariah Mechanism

ORIXM has put in place proper mechanism for Shariah Governance. It includes having a Shariah Advisor who reviews that the business conducted, the transactions carried out and the investment made by ORIXM are in accordance with Shariah principles and are in line with its prospectus duly approved by Religious Board of SECP. Every product offered by the Modaraba has a product program which is reviewed and signed off by the Shariah Advisor. All process flows of products are also approved by the Shariah Advisor. In addition, ORIXM has a Shariah Internal Advisor who reviews the transactions on a regular basis to validate ORIXM's compliance to Islamic principles.

### Shariah Advisor's Profile

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



## Board Committees and their Terms of Reference

### 1. Board Audit Committee

#### Composition

The Committee is appointed by the Board and at the year-end comprised of three Non-Executive Directors. The Committee is chaired by Independent Director.

Mr. Nausherwan Adil	Chairman
Mr. Ramon Alfrey	Member
Mian Faysal Riaz	Member

Mr. Ramon Alfrey is a fellow member of ICAP. He represents senior financial expertise on the Board Audit Committee. He has held senior finance positions at ORIX Pakistan and UAE

The Head of Internal Audit reports to this Committee and also functions as the Secretary to the Committee.

#### Charter of the Committee

The salient features of Board Audit Committee are stated below:

- To recommend to the Board the appointment, resignation and removal of external auditors;
- To review, monitor and recommend to the Board quarterly, half-yearly and annual financial statements;
- To review the internal control systems;
- assess the role and effectiveness of internal audit function and to consider the internal audit report and its findings;
- To give due consideration to laws, regulations and the requirements of the Code of Corporate Governance and Listing Rules as appropriate;

#### Meeting during 2016-17

The Audit Committee met five times during the year. The attendance of the members at these meetings is stated in the Directors' Report. The Chief Financial Officer and the Head of Internal Audit attended all meetings. The external auditors attended one meeting during the year when matters pertaining to external audit came up for consideration.

#### Role of the Committee

The Audit Committee assists the Board to effectively carry out its supervisory oversight responsibilities on financial reporting and compliance, internal controls and risks, internal and external audit functions of ORIXM.

The Committee has concluded its annual review of the operations of Modaraba for the year ended June 30, 2017 and reports that:

- The Committee reviewed and approved the annual financial statements of the Modaraba and recommended them for approval of the Board;
- Appropriate accounting policies have been consistently applied and all applicable accounting standards were followed in preparation of the financial statements for the year ended June 30, 2017, which present fairly the state of affairs, results of operations, profits, cash flows, and changes in equity of the Modaraba;
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Modaraba. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting and compliance with regulations and applicable accounting standards;
- Accounting estimates are based on reasonable and prudent judgment;
- Proper, accurate and adequate accounting records have been maintained by the Modaraba;

- The system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy;
- The Audit Committee has reviewed and recommended all related party transactions for approval of the Board;
- No cases of complaints regarding accounting, internal accounting controls or audit matters, or speak up were received by the Committee;
- Closed periods were duly determined and announced by the Modaraba prior to each Board meeting involving announcement of interim / final results, distribution to Certificate holders or any other business decision which could materially affect the certificate price.

### Internal Control Framework

- The Board has effectively implemented the internal control framework.
- The CEO has responsibility for mitigation of risks. For Operational Risk, Country Operational Risk Committee reviews and reports the operational risk.
- The Committee reviews the findings and observation of the internal audit and provides appropriate guidance to the management.

### External Audit

- The statutory auditors of the Modaraba are KPMG Taseer Hadi & Co., Chartered Accountants;
- The Audit Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in absence of the management;
- The external auditors have direct access to the Audit Committee and Internal Audit Department, hereby ensuring the effectiveness, independence and objectivity of the audit process;
- The performance, cost and independence of the external auditors is reviewed annually by the Audit Committee. Being eligible for reappointment under the listing regulations, the Committee has recommended to the Board the reappointment KPMG Taseer Hadi & Co., Chartered Accountants for the year 2017.

## 2. Human Resource & Remuneration (HR&R) Committee

### Composition

The Committee is appointed by the Board and comprised of three Directors and chaired by Non-Executive Director:

Mr. Shaheen Amin	Chairman
Mr. Raheel Qamar Ahmad	Member
Mr. Nausherwan Adil	Member

### Salient Features and Terms Reference of HR&R Committee

These are as follows:

- To recommend Human Resources related policies to the Board, to the extent required.
- To make recommendations to the Board on the selection, evaluation and compensation of Chief Financial Officer, Head of Internal Audit, and Company Secretary and for key management positions reporting to CEO.
- To review and recommend selection, evaluation, compensation and succession planning of the CEO.
- To review the ongoing appropriateness and relevance of remuneration related policies, ensuring that they are consistent with effective risk management.
- To make recommendations to the Board on appointment of a new committee member in case a member resigns from the committee.

### Meeting during 2016-17

The Committee met once during the year to finalize the recommendation for the yearly staff compensation amounts. The meeting was attended by all Committee members.

## THIRTY FIRST REPORT OF THE DIRECTORS OF MODARABA COMPANY

FOR THE YEAR ENDED JUNE 30, 2017

The Board of Directors of ORIX Services Pakistan (Private) Limited (formerly Standard Chartered Services of Pakistan (Private) Limited, the Management Company of ORIX Modaraba- ORIXM (Formerly Standard Chartered Modaraba), is pleased to present the thirty first Directors' report of ORIXM, together with audited financial statements and auditors' report thereon for the year ended June 30, 2017.

### 1. Economy

The official growth target of Pakistan's economy is 5.7 percent in FY17. Although there are upside risks from strong domestic demand, the official growth target is unlikely to be met given sustained export weakness. On the demand side, the outlook for near-term growth will primarily be supported by public and private consumption, supported by a moderate increase in investment. Pakistan's low investment-to-GDP ratio is expected to improve marginally in FY17 due to CPEC-related infrastructure projects and other public investment. These projects are also expected to contribute to the domestic construction industry and expand electricity generation. Improved electricity availability may, in turn, support growth in the industry and services sectors.

Pakistan is currently going through a transformation phase. The US\$51bn investment in CPEC will open new doors for energy with and limelight towards infrastructural development. CPEC is a 3,000-km network of roads, railways and pipelines to transport oil and gas from Gwadar Port to Kashgar city in north western China's Xinjiang region. The project will act as a bridge for the new Maritime Silk Route that envisages linking three billion people in Asia, Africa and Europe. The project links China's strategy to develop its western region with Pakistan. Pakistan's focus is on boosting its economy through infrastructure development, including the construction of the Gwadar Port, together with some energy cooperation and investment programs.

Growth is expected to continue to accelerate, reaching 5.8 percent in FY19. Such continued growth will rely upon sustained progress on structural reforms and further strengthening of the international economy. Despite declining remittances, low oil prices continue to benefit Pakistan however; a sharp increase in international oil prices would worsen the trade deficit and present fiscal risks in the form of an increase in energy subsidies.

### 2. Operating Results and Business Overview

	30 June 2017	30 June 2016
	----- (PKR '000') -----	
<b>Balance Sheet</b>		
Certificate capital	453,835	453,835
Total equity	1,150,119	1,176,182
Investment in Ijarah finance and Ijarah Assets	4,451,385	3,638,416
Investments in Diminishing Musharika and Sukuks	997,672	1,199,347
Redeemable capital	2,750,750	2,793,605
<b>Profit and Loss</b>		
Revenue (net of Ijarah assets depreciation)	458,319	495,548
Financial charges	203,578	223,016
Reversal of provisions & Impairments	11,587	33,404
Operating expenses	130,365	106,551
Profit before management company's remuneration	135,964	199,386
Net profit	128,241	173,123

## Appropriations

Net profit for the year  
Add: Un appropriated profit brought forward  
Profit available for appropriation

Profit distribution @ 27% (2016 @34%)

Statutory reserve

Unappropriated profit carried forward

Earnings per certificate

30 June 2017	30 June 2016
(PKR '000')	
128,241	173,123
33,900	23,736
162,141	196,859
122,536	154,303
6,412	8,656
128,948	162,959
33,193	33,900
2.83	3.81

By the Grace of Allah, your Modaraba's performance during the year continued to be very strong despite challenging and difficult operating environment due to lower spreads and slow growth in industrial sector. The Modaraba's net profit decreased by 25.93% to Rs. 128.24 million as compared to Rs. 173.12 million during the last year. The major difference in the profit was the one off recovery of nonperforming assets during last year. Whilst gross revenue decreased by 7.51%, financial charges also decreased by 8.72%. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 5,449 million compared to Rs. 4,838 million as at June 30, 2016 showing an increase of 12.64%. Total assets have increased by 12.97% to Rs. 5,962 million as against Rs. 5,278 million last year. Modaraba continued focusing on raisings funds from the general public through Certificates of Musharika (CoMs). CoMs balance has marginally decreased by 1.53% to Rs. 2,751 million, as at June 30, 2017 as compared to Rs. 2,794 million as at June 30, 2016.

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.

### 3. Outlook

Your Modaraba, while remaining cautious and prudent during the prevailing economic uncertainty, is focused to take benefit of good opportunities that add value of all stake holders. Our sensible and proactive risk management approach has always helped us to maintain a leading position in the Modaraba sector. We will continue to place emphasis on customer service with a focus on quality clients.

### 4. Profit Distribution

The Board in its meeting held on August 30, 2017 has approved the distribution of profit of Rs. 2.70 (27%) per certificate of Rs.10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2017.



An amount of Rs. 6.412 million has been transferred to statutory reserve in compliance with the Prudential Regulations for Modarabas which require that not less than 20% and not more than 50% of the Modaraba's after tax profit be transferred to such reserve till such time as the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

## **5. External Annual Audit**

The financial statements of ORIXM have been audited without any qualification by the auditors namely M/s KPMG Taseer Hadi & Co., Chartered Accountants.

## **6. Entity Ratings**

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

## **7. Social Responsibility**

Sustainability is embedded in how we do our business and is at the core of our values. Your Modaraba believes in being responsible and transparent. Detailed policies and procedures are in place to enable us to meet the legal, ethical, commercial and public expectations of the communities in which we operate. Our objective is to benefit all of our stakeholders including our certificate-holders, clients, staff and the communities in which we operate. Your Modaraba strongly supports the trend towards delivering value to our certificate-holders in a socially, ethically and environmentally responsible manner.

Through our sustainability efforts, we seek to create a strong bond between our business, community, regulator, government and clients. ORIXM intends to further this position in the communities where we conduct our business.

In line with our belief, ORIXM continues to provide financial assistance to various charitable and non-profit organizations. We support a range of fund raising events and projects, which focus on children, health and education in under privileged members of society. Apart from funding, staff are encouraged to take part in activities to support the community.

ORIXM's commitment to a clean environment is also extended to its clients. All activities of clients must comply with our environmental & social risk policies and an Environmental and Social Risk Assessment is performed for all our corporate clients before facilities are granted to them.

## **8. Corporate and Financial Reporting Framework**

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, Accounting estimates used are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- The system of internal control, which is in place is sound in design and has been effectively implemented and monitored.
- There is no doubt upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2017 except for those disclosed in the financial statements.
- The value of investments made by staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2017 is as follows:

• Provident Fund	Rs. 22.923 million
• Gratuity Fund	Rs. 7.660 million

- During the year, five (05) meetings of the Board of Directors were held. No Board meeting was held outside Pakistan. Attendance by each director was as follows:

Name of Director	No. of Meetings Attended
Shaheen Amin	03
Raheel Qamar Ahmad	05
Hiroshi Nishio	04
Ramon Alfrey	05
Nadim D. Khan (resigned on June 12, 2017)	05
Mian Faysal Riaz	05
Nausherwan Adil*	N/A

\* Appointed after the year ended June 30, 2017 as member of Board of Directors.  
Leave of absence was granted to directors who could not attend some of the board meetings.

- During the year, five (05) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Member	No. of Meetings Attended
Ramon Alfrey	04
Nadim D. Khan	04
Mian Faysal Riaz	04
Nausherwan Adil*	n/a

\* Appointed after the year ended June 30, 2017 as member of Board Audit Committee  
Leave of absence was granted to directors who could not attend some of the board/ audit committee meetings.

- During the year, one meeting was held by Human Resource and Remuneration Committee to finalize the recommendation for the yearly staff compensation amounts which was attended by all members.
- Mr. Ramon Alfrey and Mian Faysal Riaz attended the PICG Directors' Training Program duly approved by Securities and Exchange Commission of Pakistan held in 2017.
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO/ Company Secretary, Head of Internal Audit and their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year.

## 9. The Board of Directors

The following changes have taken place in board of directors of the ORIX Services Pakistan (Private) Limited (formerly Standard Chartered Services of Pakistan (Private) Limited) (the Company), the management company of ORIX Modaraba (formerly Standard Chartered Modaraba) since the Directors' report for the year ended June 30, 2016:

Consequent upon the expiry of the term of directors of the Company, fresh elections were held on May 09, 2017. Accordingly, six persons have been duly elected / re-elected as the directors whose consent were

received by the Company namely Messrs. Shaheen Amin, Raheel Q. Ahmad, Hiroshi Nishio, Ramon Alfrey, Nadim D. Khan and Mian Faysal Riaz. Mr. Shaheen Amin has been subsequently appointed as the Chairman and Mr. Raheel Q. Ahmad was appointed as the Chief Executive Officer / Managing Director of the Company for a period of three years on May 11, 2017.

Mr. Nadim D. Khan resigned from the office of Director and Chairman & member of Audit committee and Human Resource and Remuneration Committee on June 12, 2017. Mr. Nausherwan Adil was appointed in his place on July 10, 2017.

The Board wishes to place on record its appreciation and gratitude for the valuable contributions made to the outgoing director and extends a warm welcome and cooperation to the newly appointed director in performing their fiduciary responsibility.

## 10. Our People

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

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

## 11. Auditors

On the recommendation of Audit Committee, the Board has approved the appointment of the Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, as auditors for the year ending June 30, 2018, subject to approval by the Registrar of Modaraba Companies and Modarabas.

## 12. Acknowledgment

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

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

On behalf of the Board



Shaheen Amin  
Chairman  
August 30, 2017

## مضاربہ کمپنی کے ڈائریکٹرز کی ۳۱ ویں رپورٹ برائے اختتام سال ۲۰۱۷ء

۳۰ جون ۲۰۱۷ء کو اختتام پذیر سال کے لیے اور کس سر و سز پاکستان (پرائیویٹ) لمیٹڈ {سابقہ: اسٹینڈرڈ چارٹرڈ سروسز آف پاکستان (پرائیویٹ) لمیٹڈ}، جو اور کس مضاربہ (سابقہ: اسٹینڈرڈ چارٹرڈ مضاربہ) کی انتظامی کمپنی ہے، کے بورڈ آف ڈائریکٹرز کی ۳۱ ویں سالانہ رپورٹ جمع محتسب شدہ (audited) مالیاتی دستاویزات اور محتسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### 1. معیشت

سال ۲۰۱۷ء کے لیے پاکستان کی معیشت کی نمو کا ہدف ۵.۷ فیصد ہے۔ اگرچہ مستحکم اندرونی طلب سے اوپری سطح کے خطرات موجود ہیں لیکن تسلسل کے ساتھ کمزور برآمدات کے تناظر میں معیشت کی نمو کے سرکاری ہدف کا حصول ممکن نظر نہیں آتا۔ طلب کا معاملہ کا قلیل المدت معاشی نمو کے منظر نامہ بنیادی طور پر عوامی اور نجی استعمال کے رجحان پر انحصار کرتا ہے جس کی معاونت سرمایہ کاری میں معتدل اضافہ کرے۔ پاکستان کے کم سرمایہ کاری کا مجموعی قومی پیداوار کے ساتھ تناسب میں سال ۲۰۱۷ء میں CPEC سے متعلق ڈھانچائی منصوبوں اور دیگر عوامی مفاد کی سرمایہ کاری سے معمولی اضافے کی توقع ہے۔ ان منصوبوں سے توقع ہے کہ یہ ملکی تعمیرات کی صنعت اور توانائی کی پیداوار میں اضافہ کریں۔ توانائی میں بہتری سے صنعت اور خدمات کے شعبے کی معاونت ہوگی۔

پاکستان اس وقت تغیر کے مرحلے سے گزر رہا ہے۔ CPEC کے سلسلے میں ۵۱ بلین امریکی ڈالر کی سرمایہ کاری توانائی کی نئی راہیں کھولنے کے ساتھ اور ڈھانچائی ترقی میں دلچسپی بڑھائے گی۔ CPEC ایک ۳۰۰۰ کلومیٹر سڑکوں، ریل اور پائپ لائن کا جال ہے جس کے ذریعے سے گوادریورٹ سے تیل اور گیس کی ترسیل چین کے زنجیان علاقے کے شمال مغربی شہر کاشغر تک کی جائے گی۔ یہ منصوبہ، ساحل سمندر سے ایک نئی شاہراہ اور ریشم، ایشیاء، افریقہ اور یورپ کے تین ارب افراد کے درمیان رابطے کے پل کا کردار ادا کرے گا۔ یہ منصوبہ چین کے مغربی علاقے کی ترقی کی حکمت عملی کی وجہ سے پاکستان سے منسلک کر دے گا۔ پاکستان کی توجہ اپنی معیشت کو ڈھانچائی ترقی بشمول گوادریورٹ کی تعمیر کے ساتھ کچھ توانائی میں تعاون اور سرمایہ کاری کے پروگراموں پر ہے۔

توقع ہے کہ ترقی کی رفتار میں اضافہ جاری رہے گا اور سال ۲۰۱۹ء تک ۸.۵ فیصد تک پہنچ جائے گا۔ اسی تسلسل کے ساتھ ترقی کا انحصار جاری رہنے والی ڈھانچائی اصلاحات اور مزید مستحکم ہوتی ہوئی بین الاقوامی معیشت پر ہے۔ کم ہونی ہوئی ترسیل زر، تیل کی کم قیمتوں نے پاکستان کے لیے فائدہ مند رہیں تاہم تیزی سے تیل کی بین الاقوامی قیمتوں میں اضافہ کی وجہ سے تجارتی خسارہ مزید بڑھے گا اور مالیاتی خطرات پیش کرے گا جو توانائی کے شعبے میں دی جانے والی اعانت سے بڑھے گا۔

### 2. عملداری کے نتائج اور کاروبار کا سرسری جائزہ

۳۰ جون ۲۰۱۶ء

۳۰ جون ۲۰۱۷ء

روپیہ ہزاروں میں

۴۵۳،۸۳۵

۴۵۳،۸۳۵

۱،۱۷۶،۱۸۲

۱،۱۵۰،۱۱۹

۳،۶۳۸،۴۱۶

۴،۴۵۱،۳۸۵

۱،۱۹۹،۳۴۷

۹۹۷،۶۷۲

۲،۷۹۳،۶۰۵

۲،۷۵۰،۷۵۰

بیلنس شیٹ

سرٹیفیکیٹس کا سرمایہ

کل حصص

اجارہ فنانس اور اجارہ اثاثہ میں سرمایہ کاری

مشارکہ متناقصہ اور شکوک میں سرمایہ کاری

قابل بازیابی سرمایہ

نفع اور نقصان

۴۹۵،۵۴۸

۴۵۸،۳۱۹

۲۲۳،۰۱۶

۲۰۳،۵۷۸

۳۳،۴۰۴

۱۱،۵۸۷

۱۰۶،۵۵۱

۱۳۰،۳۶۵

۱۹۹،۳۸۶

۱۳۵،۹۶۵

۱۷۳،۱۲۳

۱۲۸،۲۴۱

ریونیو (محاصل) اجارہ کے اثاثہ جات کی فرسودگی کا کل۔

مالیاتی چارجز

(ریورسل) / دفعات اور نقائص

کاروبار چلانے کے اخراجات (آپریٹنگ اخراجات)

منافع قبل از انتظامی فیس

خالص منافع



۳۰ جون ۲۰۱۶

۳۰ جون ۲۰۱۷

روپیہ ہزاروں میں

تخصیصات

۱۷۳،۱۲۳	۱۲۸،۲۴۱	سال کا خالص منافع
۲۳،۷۳۶	۳۳،۹۰۰	جمع: آگے لایا گیا غیر وقف شدہ منافع
۱۹۶،۸۵۹	۱۹۲،۱۴۱	وقف کے لئے دستیاب منافع
۱۵۴،۳۰۳	۱۲۲،۵۳۶	منافع کی تقسیم @ ۲۷ فیصد (۲۰۱۶ میں @ ۳۴ فیصد)
۸،۶۵۶	۶،۴۱۲	قانونی ذخائر
۱۶۲،۹۵۹	۱۲۸،۹۴۸	
۳۳،۹۰۰	۳۳،۱۹۳	آگے لایا گیا غیر وقف شدہ منافع
۳،۸۱	۲،۸۳	فی سٹیفیکٹ کمائی (ارنگ فی سٹیفیکٹ)

اللہ تعالیٰ کی مہربانی سے، صنعتی شعبے کا کم پھیلاؤ اور آہستہ نمو کی وجہ سے درپیش پر آزمائش اور مشکل کام کرنے کے ماحول کے باوجود، سال کے دوران آپ کے مضاربہ کی انتہائی بہتر کارکردگی جاری رہی۔ مضاربہ کا گزشتہ سال کے ۱۲،۷۳۷ ملین روپے کے مقابلے میں ۲۵،۹۳۳ فیصد کمی کے ساتھ ۱۲،۷۳۷ ملین روپے رہا۔

گزشتہ سال کے منافع کا بڑا فرق ناکار کردگی دکھانے والے اثاثہ جات میں سے ایک کی وصولیابی تھی۔ جبکہ مجموعی آمدنی میں ۵۱ فیصد کمی ہوئی، مالیاتی کاموں سے متعلق اخراجات بھی ۸۷،۷۳۷ فیصد کم ہوئے۔ اجارہ پورٹ فولیو سرمایہ کاری، سکوک سرمایہ کاری اور کھٹتا ہوا مشارکہ سرمایہ کاری، ۳۰ جون ۲۰۱۶ کے ۸،۸۳۸ ملین روپے کے مقابلے میں ۴،۹۲۲ ملین روپے رہا۔ مضاربہ نے اپنی توجہ عوام سے سٹیفیکٹ آف مشارکہ (CoMs) کے ذریعے سے فنڈز میں اضافے پر رکھے ہوئے ہے۔ CoMs کے بقایا جات ۳۰ جون ۲۰۱۶ کے ۲،۷۹۲ ملین روپے کے مقابلے میں ۳۰ جون ۲۰۱۷ کو ۱،۵۳۷ فیصد کمی کے ساتھ ۲،۷۹۲ ملین روپے رہے۔

کاروبار کا محرک بنیادی طور پر مخصوص گاہکوں سے گہرے تعلقات اور اچھے ناموں سے تعلقات کا آغاز کرنے سے ہے۔ اثاثہ جات پورٹ فولیو کثیر القومی، بڑے اور درمیانی سائز کے مقامی اداروں اور کچھ منتخب SME سے تعلقات کا آمیزہ ہے۔

اوریکس مضاربہ بہت محتاط طریقے سے درپیش خطرات کا انتظام اور نگرانی کرتا ہے۔ قرضہ کے طلب گار کی قرضہ لینے کے لیے پروفائل بشمول اس کی قرضہ واپس کرنے کی استعداد کی قدر پذیری مالیات کی منظوری کے وقت کی جاتی ہے اور اس کے بعد متواتر جائزہ لیا جاتا ہے۔ مزید، یہاں پورٹ فولیو مینجمنٹ اور چوکنائز کرنے کی کمیٹیاں ہیں جن کی ذمہ داری ہے کہ وہ پورٹ فولیو کی نگرانی کو یقینی بنائیں اور کسی ناموافق منظر نامی کی بروقت اطلاع دیں۔

### 3. امید مستقبل

موجودہ معاشی غیر یقینی صورتحال کے دوران بیدار اور محتاط رہتے ہوئے، آپ کے مضاربہ کی توجہ اچھے کاروباری مواقع کا فائدہ اٹھانے جو اس کے تمام شرکاء مفاد کی قدر میں اضافہ کرے۔ ہماری خطرے سے نمٹنے کی مینجمنٹ کا شعوری اور مستعد نقطہ نظر نے ہمیشہ ہمیں مضاربہ کے شعبے میں ممتاز مقام برقرار رکھنے میں معاونت کی ہے۔

### 4. منافع کی تقسیم (منقسمہ منافع)

بورڈ اپنے اجلاس منعقدہ ۳۰ اگست ۲۰۱۷ کو ۳۰ جون ۲۰۱۷ کو اختتام پذیر سال کے لیے ۱۰ روپے کے ہر سٹیفیکٹ پر ۲۷ روپے (۲۷ فیصد) منافع کی تقسیم کی منظوری دے چکا ہے جو، جہاں لاگو ہوگا، وہاں ماخذ سے زکوٰۃ اور محصول کی کٹوتی سے مشروط ہے۔

مضاربہ کے لیے پروڈینشل ضوابط کے مطابق مضاربہ کے بعد از منافع، جو ۲۰ فیصد سے کم نہ ہو اور ۵۰ فیصد سے زیادہ نہ ہو، کو دستور ذی خائر میں منتقل کرنا ضروری ہے تاوقتیکہ ذخائر کی مالیات ۱۰۰ فیصد ادائیہ سرمایہ کے مساوی نہ ہو جائے۔ اس کے بعد از منافع جو ۵۰ فیصد سے کم نہ ہو دستور ذی خائر میں جمع کرتے رہنا ہوگا۔ اس ضابطے کی تعمیل کرتے ہوئے ۲۷،۹۲۲ ملین روپے کی رقم دستور ذی خائر میں جمع کروائے جا چکے ہیں۔

## 5. سالانہ بیرونی آڈٹ

ORIXM کی مالیاتی دستاویزات کا آڈٹ، میسرز KPMG تاشیر ہادی اینڈ کمپنی کے ذریعے کروایا جا چکا ہے جس نے بغیر تحفظات کے اپنی رائے کا اظہار کیا۔

## 6. بینشیٹی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے اوریکس مضاربہ طویل المدت اور قلیل المدت کی درجہ بندی بالترتیب ”AA“ اور ”A1+“ تفویض کی 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۔

## 7. سماجی ذمہ داری

تسلل اس بات سے جڑا ہے کہ ہم اپنا کاروبار کس طرح سے کرتے ہیں اور یہ ہماری اقدار کی بنیاد ہے۔ آپ کا مضاربہ ذمہ دار اور شفاف ہونے پر یقین رکھتا ہے۔ تفصیلی پالیسیاں اور طریقہ کار موجود ہیں جو ہمیں اس قابل کرتی ہیں کہ جن سماجی گروہوں کے ساتھ کام کرتے ہیں ان کی قانونی، اخلاقی، تجارتی اور عوام الناس کی توقعات کو پورا کر سکیں۔ ہمارا مقصد ہے کہ ہم اپنے تمام شرکاء مفاد بشمول ہمارے سرٹیفیکیٹس کنندگان، گاہک، عملہ اور سماجی گروہ جس میں ہم کام کرتے ہیں۔ آپ کا مضاربہ اپنے سرٹیفیکیٹس کنندگان کو سماجی، اخلاقی اور ماحولیاتی طور پر قدر فراہم کرنے کے رجحان کی، ذمہ دار طریقے سے بہت حمایت کرتا ہے۔

ہم اپنی مسلسل کوششوں کے ذریعے، ہم اپنے کاروبار، سماجی گروہوں، ضابطہ کار، حکومت اور گاہکوں کے درمیان مضبوط بندھن پیدا کرنے کی کوشش کرتے ہیں۔ ORIXM کا ارادہ ہے کہ اس صورتحال کو اپنے سماجی گروہوں جہاں وہ کاروبار کرتے ہیں کو بڑھائے۔

اپنے کاروبار کے اعتقاد کے تسلسل میں ORIXM متعدد خیراتی اور غیر منافع بخش اداروں کی مالی اعانت جاری رکھے ہوئے ہے۔ ہم بہت سے فنڈز کے اکٹھا کرنے کے پروگرامز اور منصوبوں کی سرپرستی کرتے ہیں جو معاشرے کے پسماندہ بچوں، صحت اور ان کی تعلیم کے لیے کام کرتے ہیں۔ فنڈنگ سے ہٹ کر، عملہ کی حوصلہ افزائی کی جاتی ہے کہ وہ ایسی سرگرمیوں میں حصہ لیں جو سماج کی مدد کرتی ہیں۔

ORIXM کا صاف ماحول کے عزم کی توسیع گاہکوں تک بھی کی جاتی ہے۔ اداراتی گاہکوں کو سہولیات فراہمی کی منظوری دی جانے سے پہلے ان کی تمام سرگرمیاں کا اپنی ماحولیاتی اور سماجی خطرات کی پالیسیوں کے تناظر میں اس کا تجزیہ کیا جاتا ہے۔

## 8. اداراتی اور مالیاتی رپورٹنگ ڈھانچہ

- مضاربہ کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکیت (ایکویٹی) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب عملی یکساں طور پر اپنائی گئی ہے۔ اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط رہی۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کا نظام کامیاب ہے اور اس کا ڈیزائن مضبوط ہے اور اس کی موثر نفاذ اور نگرانی کی گئی ہے۔
- مضاربہ کے ایک جاری رہنے والے ادارے کے طور پر چلتے رہنے میں کوئی شبہ نہیں ہے۔
- لسٹنگ کے تفصیلی درج شدہ ضوابط اداراتی نظم و ضبط کا پر عمل کرنے کے بہترین طریقہ کار سے کوئی انحراف نہیں کیا گیا ہے۔
- اس سالانہ رپورٹ میں گذشتہ چھ سالوں کا اہم عملی اور مالیاتی اعداد و شمار خلاصہ شامل ہے۔
- یہاں محصولات، ڈیویڈنڈ، لیویز اور تنجیل شدہ کاموں کی ۳۰ جون ۲۰۱۷ تک دستور و واجب الادا ادائیگیاں نہیں ہیں ماسوائے ان کے جن کو مالیاتی دستاویزات میں ظاہر کیا گیا ہے۔
- ۳۰ جون ۲۰۱۷ پر عملے کی بعد از اختتام ملازمت کے فوائد کے غیر آڈٹ شدہ کھاتے کی تفصیلات درج ذیل ہے۔

پروویڈنٹ فنڈ ۲۲.۹۲۳ ملین روپے

گریجویٹ فنڈ ۷۶۰ ملین روپے

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ (۵) اجلاس منعقد ہوئے۔ بورڈ کا کوئی اجلاس ملک سے باہر نہیں ہوا۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
شاہد امین	۳
راجیل قمر احمد	۵
ہیروشی نیشیو	۴
ریمن الفیری	۵
ندیم ڈی خان (۱۲ جون ۲۰۱۷ کو مستعفی ہوئے)	۵
میاں فیصل ریاض	۵
نوشیر وان عادل*	ان پر لاگو نہیں ہوتا

\* ان کو بورڈ آف ڈائریکٹرز میں ۳۰ جون ۲۰۱۷ کے بعد ممبر منتخب کیا گیا۔

وہ بورڈ ممبران جو اجلاس میں شرکت نہ کر سکے ان کی غیر حاضری کی درخواست کی منظوری دے دی گئی تھی۔

سال کے دوران آڈٹ کمیٹی کے پانچ (۵) اجلاس منعقد ہوئے۔ ہر رکن کی حاضری کی تفصیل درج ذیل ہے

کمیٹی کے رکن کا نام	اجلاس میں شرکت کی تعداد
ریمن الفیری	۴
ندیم ڈی خان	۴
میاں فیصل ریاض	۴
نوشیر وان عادل*	ان پر لاگو نہیں ہوتا

\* ان کو آڈٹ کمیٹی میں ۳۰ جون ۲۰۱۷ کے بعد ممبر منتخب کیا گیا۔

وہ کمیٹی ممبران جو اجلاس میں شرکت نہ کر سکے ان کی غیر حاضری کی درخواست کی منظوری دے دی گئی تھی۔

- سال کے دوران انسانی وسائل اور مشاہرہ کمیٹی کا ایک اجلاس منعقد ہوا جس میں تمام ممبران نے شرکت فرمائی تھی تاکہ عملے کے سالانہ معاوضے کی رقوم میں اضافے کی تجاویز کو حتمی شکل دی جاسکے۔
- جناب ریمن الفیری اور میاں فیصل ریاض نے SECP سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا ۲۰۱۷ کا باضابطہ منظور شدہ PICG کے ڈائریکٹر کے تربیتی پروگرام میں حصہ لیا۔
- سرٹیفیکیٹس کے رکھنے کے رجحان اس سالانہ رپورٹ میں شامل ہے
- سال کے دوران ڈائریکٹرز، سی ای او، سی ایف او/کمپنی سیکریٹری، سربراہ انٹرئل آڈٹ اور ان کے شرکاء حیات اور ان کے نابالغ بچوں نے مضاربہ کے سرٹیفیکیٹس کا کوئی لین دین نہیں کیا۔

## 9. بورڈ آف ڈائریکٹرز

۳۰ جون ۲۰۱۶ کو اختتام پذیر سال سے اور کس سرسبز پاکستان (پرائیوٹ) لمیٹڈ {سابقہ: اسٹینڈرڈ چارٹرڈ سرسبز آف پاکستان (پرائیوٹ) لمیٹڈ}، جو اور کس مضاربہ (سابقہ: اسٹینڈرڈ چارٹرڈ مضاربہ) کی مینجمنٹ کمپنی (کمپنی) ہے اس میں مندرجہ ذیل تبدیلیاں آچکی ہیں۔

- کمپنی کے ڈائریکٹرز کی مدت کی تکمیل کے نتیجے میں، ۹ مئی ۲۰۱۷ کو نئے انتخاب کا انعقاد ہوا۔ اس طرح سے چھ ڈائریکٹرز کا باضابطہ انتخاب / دوبارہ انتخاب جن کی آمدگی کمپنی کو موصول ہو گئی تھی، ان کے نام ہیں جناب شاہین امین، جناب راحیل قمر احمد، جناب ہیروشی نیشیو، جناب ربیع الفیری، جناب ندیم ڈی خان اور میاں فیصل ریاض۔ بعد ازاں ۱۱ مئی ۲۰۱۷ کو جناب شاہین امین کو بطور چیرمین منتخب کیا گیا اور جناب راحیل قمر احمد کو بطور کمپنی کا چیف ایگزیکٹو آفیسر / مینجنگ ڈائریکٹر کو تین سال کے لیے منتخب کیا گیا۔
- جناب ندیم ڈی خان ۱۲ جون ۲۰۱۷ کو ڈائریکٹر کے آفس سے اور آڈٹ کمیٹی اور انسانی وسائل اور مشاہرہ کمیٹی کے چیرمین شپ اور رکنیت سے مستعفی ہو گئے ہیں۔ ۱۰ جولائی ۲۰۱۷ کو ان کی جگہ جناب نوشیر وان عادل کا انتخاب کیا گیا تھا۔
- بورڈ جانے والے ڈائریکٹر کی قابل قدر خدمات کو سراہتا ہے اور اپنی ممنونیت کا اظہار کارڈ پر لانا چاہتا ہے۔ اور نو منتخب ڈائریکٹر کا گرم جوشی سے استقبال کرتا ہے اور ان کو آنے والوں کو امانت داری کی ذمہ داری نبھانے کے تعاون پیش کرتے ہیں۔

## 10. ہمارے لوگ

اوریکس مضاربہ میں موجود لوگ اس کے جاری رہنے والے کاروباری ماڈل کی فراہمی کے لیے بہت اہمیت رکھتے ہیں۔ ہماری مسلسل کوشش ہے ORIXM کو ایک کام کرنے کے ایک عظیم جگہ بنائیں، اور اس کی توجہ تمام کام کی جگہوں کے لیے بہترین صلاحیت کے لوگوں کو متوجہ کرنے اور اپنے ملازمین کو مشغول رکھنے پر ہے۔ اوریکس مضاربہ میں ہم یقین رکھتے ہیں کہ زیادہ منافع کے حصول کے لیے صرف اچھی کارکردگی کافی نہیں بلکہ اپنی اقدار کے ساتھ رہنا ہے۔

بورڈ، مضاربہ کے معاملات کے دیکھنے والے ذمہ دار عملے کے ارکان کی خدمات کے اعتراف کو کارڈ پر لانا چاہتا ہے۔ مضاربہ کی غیر معمولی کامیابیاں ہر ملازم کی کوششوں کے بغیر ممکن نہیں ہو سکتی تھیں۔ یہ ان میں سے ہر ایک کا خلوص اور سخت محنت ہے جس نے ORIXM کو آج اس مقام پر پہنچایا ہے جہاں وہ اس وقت ہے۔ ہم انسانی وسائل میں سرمایہ کاری جاری رکھیں گے۔

## 11. آڈیٹرز

آڈٹ کمیٹی کی سفارش پر بورڈ میسرز KPMG کا شیرہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی بطور آڈیٹرز کی تقرری کی منظوری دے چکا ہے جو مضاربہ اور مضاربہ کمپنیز کے رجسٹرار کی منظوری سے مشروط ہے۔

## 12. اعتراف

بورڈ SECP کا اس کی مسلسل رہنمائی اور حمایت کا شکریہ ادا کرنا چاہتا ہے۔ بورڈ اپنے معزز گاہکوں اور سرمایہ کاروں کی مسلسل اعتماد اور حمایت کا بھی شکریہ ادا کرنا چاہتا ہے۔

بورڈ کی جانب سے



شاہین امین

چیرمین

کراچی: ۳۰ اگست ۲۰۱۷



## Sustainability

Sustainability is embedded in how we do our business and is at the core of our values. ORIXM believes in being responsible and transparent. Detailed policies and procedures are in place to enable us to meet the legal, ethical, commercial and public expectations of the communities in which we operate. Our objective is to benefit all of our stakeholders including our certificate-holders, clients, staff and the communities in which we operate. ORIXM strongly supports the trend towards delivering value to our certificate-holders in a socially, ethically and environmentally responsible manner.

Through our sustainability efforts, we seek to create a strong bond between our business, community, regulator, government and clients. ORIXM intends to further this position in the communities where we conduct our business.

In line with our belief, ORIXM continues to provide financial assistance to various charitable and non-profit organizations. We support a range of fund raising events and projects, which focus on children, health and education in under privileged members of society. Apart from funding, staff are encouraged to take part in activities to support the community. Further, ORIXM is an equal opportunity employer and employs disabled staff as well depending on role suitability. Moreover, ORIXM has a policy on Anti Bribery and Corruption (ABC). A training was also imparted during the year on ABC.

ORIXM continues to support environmental projects. To mark our environmental commitment and to raise awareness among staff, clients and the community, we regularly organise tree plantation and preserving tree campaigns, energy conservation drive and beach cleaning activities to protect the environment. In this respect, ORIXM also has a Carbon Reduction Initiative. The purpose of this Initiative is to reduce the Carbon Footprint and paper usage in order to have a healthy impact on our surroundings. It suggests ways to reduce Carbon emission and plan employee volunteering activities that would help in reducing carbon footprint. Log of paper usage is maintained and employees with less usage are encouraged and rewarded.

ORIXM's commitment to a clean environment is also extended to its clients. All activities of clients must comply with our environmental & social risk policies and an Environmental and Social Risk Assessment is performed for all our corporate clients before facilities are granted to them.

In addition, we regularly organise Education and Health related volunteering activities. Our volunteering activities are frequently carried out at The Citizens Foundation (TCF) that provides education to the underprivileged in the country, Layton Rahmatulla Benevolent Trust Hospital (LRBT), a trust that provides free eye care, The Kidney Centre, a hospital providing facilities in relation to kidney disease.

Client care e-mail address is provided at ORIXM's website & printed on annual accounts to obtain client feedback. In addition a client experience forum review client's experiences on monthly basis and grievances if any are escalated to the forum.

Health and safety measures are taken at ORIXM. There is a medical first aid box which is refilled at regular intervals at all ORIXM offices. In addition, Manual and Automatic Fire extinguishers are kept and refilled at regular intervals. There is designated Fire Marshall and Fire warden at each ORIXM office with necessary supplies and apparatus. Moreover, Drills are conducted to measure and improve upon the evacuation time in case of any disaster or emergency. Health and safety incidents, if any, are escalated to the monthly Country Operational Risk Committee meetings.

ORIXM since its inception has made its contribution to the economic development of the country. The entity has disbursed PKR 38.8 Billion which have been used to foster the growth in various sectors critical to the country's development. ORIXM vows to continue being partner to the development of the country.



## IT Governance

ORIX Modaraba governs its information and systems using the measures set out below.

### Risk management

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

### Business ownership of risk

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

### Access control

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

### Use of information and systems

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

### Classification of information

Staff is provided with guidance on how to identify sensitive and/or Confidential Information and how to handle it appropriately. Breaches, based on the severity, to data confidentiality guidelines are dealt with under disciplinary procedures.

### Physical protection of information

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

### Personnel management

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

### Monitoring of usage

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

### Appropriate use

Use of information and systems must be consistent with the entity's business objectives. Accesses are given to staff on a need basis having relevant job description and based on role suitability.

## Disaster Recovery and Business Continuity Plan



ORIXM recognizes that data availability, integrity and confidentiality is integral to the entity. Modaraba believes that business disruptions can constitute serious risks to the reputation of an organization and its ability to operate effectively. The Board of Directors has approved a comprehensive Business Continuity Management Policy to ensure that ORIX Modaraba can continue critical operations in the event of a disaster, thereby reducing the risk of severe disruption to business, financial and reputational damage.

In the light of Business Continuity Management Policy, Disaster Recovery and Business Continuity Plan has been devised at ORIXM that provides the framework to be adopted if a major incident causes serious disruption to pre-defined critical services. The plan caters for the following scenarios/assumptions:

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

At ORIXM, a Business Impact Analysis (BIA) is done and then alternate IT infrastructure and services are set up including the arrangement of alternate communication. This is done with a view to have more resilient IT service capability in line with the entity's requirements. Resultantly, ORIXM has availability of system and transactional capability at all times.

## Stakeholder Engagement

ORIXM maintains sound collaborative relationships with its stakeholders. Stakeholder engagement promotes improved risk management, compliance with regulatory requirements, market awareness and provides a medium for clear, effective and consistent communication with all its stakeholders. This helps to promote the reputation of the Modaraba and its management. Dialogues with investors, analysts and other stakeholders are also encouraged.

Frequency of engagements is based on specific corporate requirements under the Code of Corporate Governance and with the objective to establish, promote and enhance the image of Modaraba.

Group of stakeholders includes but not limited to the following.

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

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

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

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

**Regulators:** ORIXM maintains a regulatory relationship plan. The same is used to liaise with the regulators in terms of matters relating to the entity. ORIXM also represents the industry as thought leaders at different fora. Various statutory reporting are periodically submitted in addition to the information required by regulators from time to time.

## Safety of Records of the Modaraba

The Modaraba has an established process for safety of records of the Modaraba and has effectively implemented procedures to ensure the same. Records include the books of accounts, documents pertaining to secretarial, legal and taxation matters etc. Documents are preserved keeping in view to meet different legal, contractual, administrative and other requirements of the Modaraba. The key records have been archived in a manner to protect them from deterioration, accidental fire and damage. Documents in physical form are stored at a specifically designed premises which is a secured facility with proper staffed and has adequate safety features. A paperless environment is also being promoted and documents are also archived electronically to safeguard the records of the Modaraba as well optimizing storage spaces.



## Human Resource Management

ORIXM believes that achievement of its strategy depends on having committed people with excellent capabilities. Creating a workforce, based on equal opportunity, diversity and inclusion, is critical to our success. HR policies of ORIXM aim to attract and retain talented and capable workforce, staff learning and development with a view to broaden their skills and a performance based reward mechanism that focuses not merely on revenue and profitability targets but also on the adherence to controls and having an effective control environment. In addition, HR management involves staff engagements that are essential to the success of our business.

### Succession Planning:

Succession plan is an active, first port of call for internal or external resourcing the right names against the right roles. Identification of successors is being done only for the critical and senior roles/ positions to correctly reflect the individuals and the business' aspirations.

A successors can be identified as 'H' (High), 'M' (Medium) and 'L' (Low):

H – Person has capability for role without further development

M – Person has some development gaps

L – Person has significant development gaps

## Carbon Reduction Initiative

ORIXM intends to be a carbon neutral Modaraba by 2025; ORIXM has taken various initiatives for the implementation of carbon footprint reduction:

- By tracking and encouraging reduction in paper usage through the allotted printer codes for every employee.
- Placement of recycle bins in the office for organized disposal and recycling of waste material.
- Replacing regular stationery material with recyclable alternatives wherever possible.
- Ensure efficient usage of electricity by installing separate controls for the lights and other electrical outlets and monitoring its usage.
- A Green hour is scheduled on regular basis to highlight the initiative and raise awareness.
- Regulating the air conditioning system through temperature controls and switching between alternate air-conditioners.
- Process flows has been revised for the online approvals rather than on paper wherever possible.
- Plantation of greenery within office premises.
- Encourage ORIXM staff to car pool to and from work.
- Organizing group EV's where employees could plant trees in parks, gardens, government institutions and clean-up of targeted areas and so on to think beyond the office space.



## RISK & OPPORTUNITY REPORT

Identification of strategic, business and financial risks (with a clear understanding that is not a thorough list, the major risks and challenges faced are listed below)

RISKS / CHALLENGES	EXTENUATING FACTORS
<b>MACRO-ECONOMIC / POLITICAL</b>	
<p>The overall liquidity position (due to adverse changes in Macro Economic / Political scenario) may affect the business of ORIXM clients, possibly resulting in overdues and defaults.</p>	<p>ORIXM carries out extensive Credit &amp; Due Diligence (decision making related) reviews both at the time of booking every new client and at annual review of each relationship. Annually a detailed exercise is carried out to formalize &amp; review the Business Underwriting Standards (on which the entire business is run). A wide-ranging mechanism of reporting and CSTs is also in place to ensure any initial signs of deterioration in client's performance is highlighted.</p> <p>Based on the foregoing, during many decades, ORIXM has been able to keep its client base selected and monitored in a way that the delinquency ratio has remained very low.</p>
<p>Country's overall Liquidity position (non-availability of liquidity / funding) may adversely affect ORIXM's own business capability.</p>	<p>ORIXM with its entity ratings of AA &amp; A1+, manages a highly developed deposits scheme for raising primary liquidity for its business operations, namely "Certificates of Musharikas" / COMs. The COMs clients have been loyal to the brand and scheme, therefore, a smooth in-flow of funds has been witnessed is last many decades, hence becoming a strength for the Modaraba.</p> <p>Moreover, ORIXM has sound banking Lines and relationships with many of leading Banks in Pakistan, guaranteeing all time availability of funds for business.</p> <p>The above shows that in a usual economic decline, ORIXM's business capability would not get affected.</p>
<b>COST / EXPENSE / PRICING</b>	
<p>Sensitivity in financing cost may lead to decrease of margins and influence the operations.</p>	<p>ORIXM has always focused pricing on both sides of:</p> <ol style="list-style-type: none"> <li>1) booking clients that increase the overall income; and</li> <li>2) obtaining finance at low rates.</li> </ol> <p>It is evident from the financial results also that the Net Income has gradually been either maintained or has been on the increase. It is pertinent to mention that only during last year (ending Jun-2017) ORIXM's overall return on the deployed assets increased by 43 basis points.</p>
<b>SHORT TERM INVESTMENT RISK</b>	
<p>Decrease in discounts rate by State Bank of Pakistan may affect the profit on Term Deposits.</p>	<p>To keep this risk mitigated, ORIXM actively manages an effective treasury operation so that there are no major surplus / un-utilized funds, but when there is a need to invest, ORIXM invests its funds only with top rated companies and actively manages its deposits / placements portfolio to match the required risk profiles.</p>

<b>FOREIGN CURRENCY RISK</b>	
Exchange rate fluctuations may have an impact on financial results due to reliance on imports of Assets & Equipment.	This is not a relevant risk to ORIXM, however, in few cases where any imported assets are being financed, ORIXM covers its risk by way of agreeing with the client to finance a pre-agreed (conservative) PKR/Rupee denominated amount. Therefore an FX loss is not possible.
<b>CREDIT RISK (FINANCIAL LOSS)</b>	
Credit risk is the risk of loss to the Modaraba if a customer, intermediate party or any counterparty to a financial instrument fails to meet their contractual & mutually agreed obligations.	<p>As explained earlier, ORIXM has in place an extensive process for on-boarding / approval of every new client.</p> <p>The process entails risk grading of each and every transaction and client, along-with review and commentary on the client's management, financials, repayment behavior history with other FIs, business sector etc. A client is booked only after a detailed BCA and CDD (Client's Due Diligence) has been approved.</p> <p>Furthermore, a state of the art financial system (AIB) is in place to record and maintain all transactions.</p>
<b>SAFETY AND SECURITY</b>	
There is a risk that ORIXM's assets may be lost or damaged, due to theft, fire or any other unforeseen events that will adversely affect operations.	<p>ORIXM has designed and applied very high quality standards for safety and security of all of its offices as well as business operations. All owned and financed assets are compulsorily covered through Takaful / Insurance companies of sound standing. In case of an even of theft or fire or any other such incident, ORIXM is fully covered through valid insurance mechanism.</p> <p>It is evident from the Modaraba's history that during last many decades not a single instance of loss due to non-insurance of assets took place.</p>

## Strategy to Address Environmental Risk

ORIXM, being an Islamic Financial institution, is involved in financing activities for its clients primarily. Therefore, its business does not directly create any industrial effluents.

To ensure that any financing done by ORIXM does not create or enhance any environmental or social risk, ORIXM follows a comprehensive "Environmental and Social Risk Assessment" mechanism. Through this tool, each and every corporate client is required to confirm that their business related activities do not pose an environmental threat, including any legal claims related to Environment and safety are there, confirmation that an Environmental and Social Management System is in place, confirmation about labour practices, Health & Safety practices, confirmation regarding negative media reports or protests against the client, confirmation regarding Green House Gas emissions.

Based on the above confirmations, the client is assessed and categorized as either Green, Amber or Red. This ensures that none of the ORIXM financing has any adverse impact on the environment.



## Pattern of holding of Certificates by the Certificate-holders as at 30 June 2017

Number of Certificate holders	Certificate holding		Total Certificates held
	From	To	
1,487	1	50	27,853
615	51	100	44,798
3,616	101	500	1,087,201
1,084	501	1,000	841,074
1,253	1,001	5,000	2,808,045
219	5,001	10,000	1,622,572
340	10,001	375,000,000	38,951,987
<b>8,614</b>			<b>45,383,530</b>

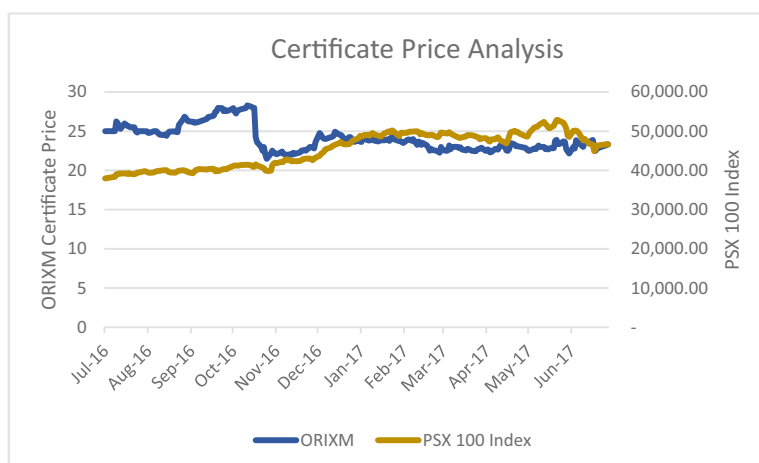
Certificate-holders Category	Number of Certificate-holders	Number of Certificate Held	Percentage %
Individual	8,516	23,227,519	51.18
Financial Institutions *	11	8,227,729	18.13
Investment Companies	1	350	0.00
Insurance Companies	11	5,702,144	12.56
Modarabas / Modaraba Management Companies**	9	4,687,901	10.33
Joint Stock Companies	40	2,187,758	4.82
<u>Others:</u>			
Trusts and Provident Funds	18	1,225,357	2.70
Foreign Companies	2	86,872	0.19
Others	6	37,900	0.09
	<b>8,614</b>	<b>45,383,530</b>	<b>100.00</b>

\* Includes ORIX Leasing Pakistan Limited (4,538,353 certificates)

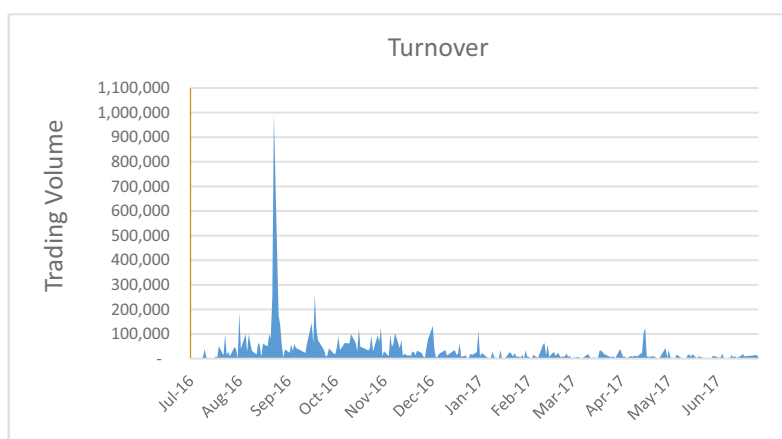
\*\* Includes ORIX Services Pakistan (Private) Limited (4,538,353 certificates)

Categories of Certificate-holders	Number	Certificates held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>			
Orix Leasing Pakistan Limited		4,538,353	10.00
Orix Services Pakistan (Pvt.) Limited		4,538,353	10.00
	<b>2</b>	<b>9,076,706</b>	<b>20.00</b>
<b>Mutual Funds</b>			
CDC - Trustee National Investment (Unit) Trust	<b>1</b>	<b>3,677,560</b>	<b>8.10</b>
<b>Directors, CEO &amp; their Spouse and Minor Children</b>	-	-	-
<b>Executives</b>	-	-	-
<b>Public Sector Companies and Corporations</b>	<b>4</b>	<b>4,114,975</b>	<b>9.07</b>
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas</b>	<b>22</b>	<b>1,729,087</b>	<b>3.81</b>
<b>Certificate-holders holding five percent or more certificates in the Modaraba (other than those reported above)</b>	-	-	-

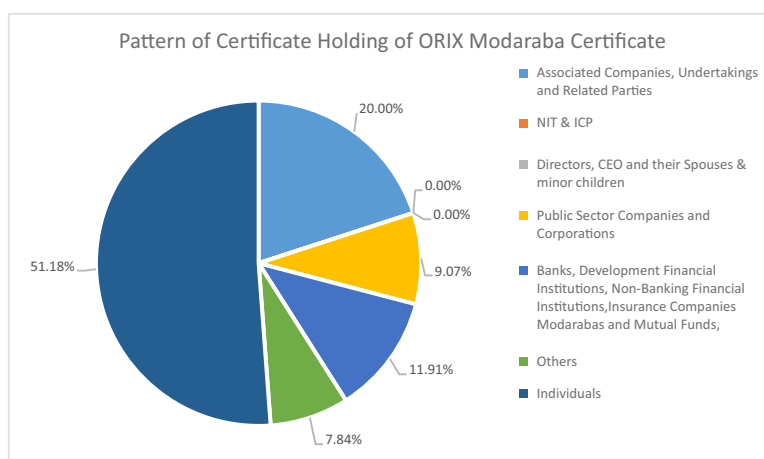
## Certificate Price Sensitivity Analysis



On June 30, 2017, there were 8,614 members on the record of the Modaraba's Register of Members. Modaraba's Market capitalization as at 30 June 2017 was recorded at Rs. 1.059 billion (2016: Rs. 1.135 billion) with the price per Certificate fluctuating from a high of Rs. 28.29 to a low of 21.47 and closing the year at Rs. 23.33.



Trading volumes for the Modaraba's Certificates remain on lower side during most of the year. However, on fifteen (15) different dates, more than 100,000 certificates were traded in a day. Total 8.450 million certificates were traded during the year ended June 30, 2017 on Pakistan Stock Exchange. Closely held shares (i.e. those held by the sponsors), investment companies, financial institutions and other corporate bodies represent 49% of the total Modaraba capital whereas other 51% Modaraba Certificates are owned by Individuals.



## **Review Report to the Certificate holders on the Statement of Compliance with the best practices of the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of ORIX Services Pakistan (Private) Limited (formerly Standard Chartered Services of Pakistan (Private) Limited), the management Company of ORIX Modaraba (formerly Standard Chartered Modaraba) for the year ended 30 June 2017 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange Limited where the Modaraba is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended 30 June 2017.

Date: 30 August 2017  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Karachi



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24. of listing regulations of the Pakistan Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Regardless of the fact that ORIX Services Pakistan (Private) Limited [formerly Standard Chartered Services of Pakistan (Private) Limited], the Management Company of ORIX Modaraba (formerly Standard Chartered Modaraba), is a private limited company, the Board of Directors of the Management Company are pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

The Modaraba Management Company (hereafter referred to as the Company) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Nausherwan Adil
Executive Director	Mr. Raheel Q. Ahmad
Non-Executive Directors	Mr. Shaheen Amin Mr. Hiroshi Nishio Mr. Ramon Alfrey Mian Faysal Riaz

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on June 12, 2017 was filled up by the directors within 90 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. The Modaraba has also developed significant policies which were approved by the Board of Directors after due consideration. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer of the Company have been taken by the board. The terms of appointment and remuneration package of non-executive directors are not approved by the Board as they are nominees of ORIX Leasing Pakistan Limited which is the Holding Company of Management Company.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Two Directors attended Director Training Program organized by Pakistan Institute of Corporate Governance.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three Members, of whom all are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the Committee is a non-executive director.
18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Modaraba has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board



SHÁHEEN AMIN  
Chairman  
August 30, 2017

## KEY FINANCIAL DATA (Rupees in Million)

	Jun-17	Jun-16	Jun-15	Jun-14	Jun-13	Jun-12
Total assets	5,962	5,278	5,180	6,035	6,840	6,132
Portfolio (other than staff finances)	5,351	4,789	4,671	5,515	5,861	5,539
Total disbursements	3,305	2,412	1,893	2,176	2,556	3,630
Current assets	591	570	752	824	1,214	693
Total liabilities	4,812	4,102	4,027	4,942	5,837	5,171
Current liabilities	3,474	2,805	1,700	2,513	5,102	4,485
Financing from financial institutions	947	328	478	1,041	514	1,025
Redeemable capital and deposits	3,581	3,451	3,270	3,580	4,926	3,857
Certificate-holders' fund (cum dividend)	610	642	627	607	553	535
Reserves	541	534	525	486	450	426
Certificate-holders' equity	1,151	1,176	1,152	1,093	1,003	961
Revenues from operations (net off depreciation)	458	496	653	690	696	556
Financial charges	204	223	313	386	439	348
Impairment loss / (reversal) against doubtful debts	(12)	(33)	18	6	34	26
Net Profit	128	173	195	182	121	101
Dividend	123	154	150	136	91	79

## SUMMARY OF CASH FLOW (Rupees in Million)

Cash and cash equivalents at beginning of the year	257	245	(141)	637	(334)	(364)
Net cash generated from / (used in) operating activities	(340)	201	877	447	61	(1,587)
Net cash generated from / (used in) investing activities	14	(18)	32	7	8	25
Net cash generated from / (used in) financing activities	437	(171)	(523)	(1,232)	902	1,592
Net Increase / (decrease) in cash and cash equivalents	111	12	386	(778)	971	30
Cash and cash equivalents at end year	368	257	245	(141)	637	(334)

## Profitability Ratios

Profit before/ after tax ratio	%	36.96	33.32	27.74	18.55	19.20	22.19
Gross Yield on Earning Assets	%	8.03	10.53	13.37	13.40	11.34	10.74
Gross Spread ratio	%	50.87	47.61	53.40	58.89	67.14	66.27
Cost/ Income ratio	%	48.95	34.83	29.83	29.50	36.84	37.04
Return on Equity	%	11.03	14.87	17.40	17.34	12.36	10.63
Return on Capital employed	%	2.80	4.02	4.24	3.43	2.24	2.36

## Liquidity Ratios

Advances to deposits ratio		1.98	1.73	1.75	2.00	1.42	1.76
Current / Quick ratio		0.17	0.20	0.44	0.33	0.24	0.15
Cash to Current Liabilities	%	10.57	9.51	15.75	5.73	12.49	3.57

## Investment / Market Ratios

Earnings per Certificate (EPC) basic and diluted	Rs.	2.83	3.81	4.31	4.00	2.67	2.22
Price Earnings ratio		8.26	6.55	6.97	5.56	5.20	5.17
Price to Book ratio		0.18	0.22	0.26	0.17	0.09	0.09
Dividend Yield ratio	%	11.57	13.60	11.00	13.48	14.39	15.23
Dividend Payout ratio	%	95.55	89.13	76.62	74.93	74.83	78.70
Cash Dividend per certificate	%	27.00	34.00	33.00	30.00	20.00	17.50
Cash Dividend per certificate	Rs.	2.70	3.40	3.30	3.00	2.00	1.75
Market value per certificate at the end of the year and high/ low during the year	Rs.	23.33	25.00	30.00	22.25	13.90	11.49
Market value per certificate - low	Rs.	21.47	24.25	21.60	13.70	11.00	9.35
Market value per certificate - high	Rs.	28.29	32.24	32.98	23.83	15.00	11.93
Dividend Cover ratio		1.05	1.12	1.31	1.33	1.34	1.27
Break-up Value per certificate	Rs.	25.34	25.92	25.40	24.09	22.09	21.17

## Capital Structure Ratios

Earning assets to total assets ratio	%	97.55	96.72	96.01	94.31	95.52	91.16
Weighted Average cost of deposit	%	5.69	5.93	9.02	7.83	9.02	11.84
Net assets per certificate	Rs.	25.34	25.92	25.40	24.09	22.09	21.17
Financial leverage ratio		3.22	2.65	2.74	3.49	4.66	4.36
Weighted average cost of debt	%	5.97	7.10	8.98	9.09	9.91	10.44
Debt to Equity ratio		1.30	1.39	1.90	2.22	0.43	0.10
Financial Charges Cover ratio		1.63	1.78	1.62	1.47	1.28	1.29

## Horizontal Analysis

### Balance Sheet (%)

#### ASSETS

##### Current assets

Cash and bank balances	37.67
Loans and receivable - Term deposit receipts	-
Ijarah rentals receivable	(0.92)
Advances, deposits, prepayments and other receivables	(45.25)
Current portion of investment in Sukuk certificates	-
Current portion of Diminishing Musharika	(39.88)
Current portion of net investment in Ijarah finance	-
Taxation recoverable	265.72
<b>Total current assets</b>	<b>3.64</b>

##### Non - current assets

Loans and advances to employees	-
Long-term portion of investment in Sukuk certificates	-
Long-term portion of Diminishing Musharika	(13.01)
Long-term portion of net investment in Ijarah finance	-
Ijarah assets	22.35
Fixed assets in own use	(38.08)
<b>Total non-current assets</b>	<b>14.10</b>
<b>TOTAL ASSETS</b>	<b>12.97</b>

#### LIABILITIES AND EQUITY

##### Current liabilities

Musharika finance	(100.00)
Murabaha finance	-
Current maturity of security deposits	23.20
Current maturity of Musharika term finance	-
Creditors, accrued and other liabilities	(12.78)
Advance Ijarah rentals received	(27.01)
Current portion of redeemable capital	30.34
Deferred Murabaha income	-
Unclaimed profit distribution	15.11
<b>Total current liabilities</b>	<b>23.86</b>

##### Non - current liabilities

Long-term portion of security deposits	27.48
Long-term portion of Musharika term finance	398.00
Long-term portion of redeemable capital	(99.97)
<b>Total non - current liabilities</b>	<b>3.19</b>
<b>TOTAL LIABILITIES</b>	<b>17.32</b>

#### CERTIFICATE HOLDERS' EQUITY

##### Authorised certificate capital

50,000,000 certificates of Rs 10 each

##### Certificate capital

##### Issued, subscribed and paid-up certificate capital

28,500,000 certificates of Rs. 10 each

issued as fully paid in cash

16,883,530 certificates of Rs. 10 each

issued as fully paid bonus certificates

##### Reserves

Unappropriated profit

#### TOTAL LIABILITIES AND EQUITY

### Profit & Loss

Ijarah finance income	-
Ijarah rentals earned	5.43
Profit on Sukuk certificates	-
Income on Diminishing Musharika arrangements	(31.08)
Income on deposits with bank	(26.58)
	2.31

##### Financial charges

Depreciation on assets under Ijarah arrangements	8.03
Impairment against Ijarah assets	-
	(19.87)

##### Provision in respect of Ijarah finances - net

Provision in respect of Diminishing Musharika	(100.00)
Provision in respect of Sukuk certificates and other receivable	(100.00)
	(25.32)

##### Other income

Administrative and operating expenses

##### Management Company's remuneration

Provision for services sales tax on Management Company's remuneration	(36.68)
Provision for workers' welfare fund	(316.26)
<b>Profit before taxation</b>	<b>(25.93)</b>

##### Taxation

##### Profit after taxation

Other comprehensive income for the year

Total comprehensive income for the year

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	37.67	(0.40)	86.15	(77.41)	6,075.90	(53.91)
Loans and receivable - Term deposit receipts	-	-	-	-	(100.00)	114.29
Ijarah rentals receivable	(0.92)	(0.71)	(29.63)	8.13	(9.92)	100.53
Advances, deposits, prepayments and other receivables	(45.25)	(58.60)	(47.69)	11.13	(32.61)	9.92
Current portion of investment in Sukuk certificates	-	-	-	(100.00)	-	(51.85)
Current portion of Diminishing Musharika	(39.88)	(41.67)	(18.89)	31.96	384.59	(30.70)
Current portion of net investment in Ijarah finance	-	-	-	(94.89)	(91.48)	(71.22)
Taxation recoverable	265.72	(59.68)	(40.26)	(27.21)	(15.39)	(11.51)
<b>Total current assets</b>	<b>3.64</b>	<b>(24.14)</b>	<b>(8.77)</b>	<b>(32.13)</b>	<b>75.19</b>	<b>(10.50)</b>
<b>Non - current assets</b>						
Loans and advances to employees	-	-	-	-	(100.00)	(47.55)
Long-term portion of investment in Sukuk certificates	-	-	-	(100.00)	(12.00)	(17.46)
Long-term portion of Diminishing Musharika	(13.01)	17.58	(11.92)	(19.56)	12.84	215.70
Long-term portion of net investment in Ijarah finance	-	-	-	-	(100.00)	(99.76)
Ijarah assets	22.35	2.81	(15.63)	(4.12)	0.92	46.16
Fixed assets in own use	(38.08)	176.92	(37.10)	129.77	509.90	(29.70)
<b>Total non-current assets</b>	<b>14.10</b>	<b>6.30</b>	<b>(15.02)</b>	<b>(7.37)</b>	<b>3.45</b>	<b>60.58</b>
<b>TOTAL ASSETS</b>	<b>12.97</b>	<b>1.88</b>	<b>(14.17)</b>	<b>(11.76)</b>	<b>11.55</b>	<b>47.36</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Musharika finance	(100.00)	(57.10)	(92.09)	100.00	(100.00)	8.29
Murabaha finance	-	-	-	(100.00)	(74.57)	100.00
Current maturity of security deposits	23.20	13.91	(27.15)	48.17	119.29	(38.18)
Current maturity of Musharika term finance	-	-	-	-	-	-
Creditors, accrued and other liabilities	(12.78)	9.16	(19.15)	(20.53)	46.51	56.29
Advance Ijarah rentals received	(27.01)	47.63	14.35	(27.59)	7.15	(61.54)
Current portion of redeemable capital	30.34	150.99	(25.17)	(72.81)	33.34	55.11
Deferred Murabaha income	-	-	-	-	-	-
Unclaimed profit distribution	15.11	16.78	12.59	8.86	8.38	8.25
<b>Total current liabilities</b>	<b>23.86</b>	<b>64.94</b>	<b>(32.35)</b>	<b>(50.73)</b>	<b>13.74</b>	<b>57.67</b>
<b>Non - current liabilities</b>						
Long-term portion of security deposits	27.48	11.66	(27.37)	(6.03)	(2.04)	77.20
Long-term portion of Musharika term finance	398.00	118.83	(66.67)	105.64	100.00	-
Long-term portion of redeemable capital	(99.97)	(62.93)	11.65	5,967.03	(57.80)	132.51
<b>Total non - current liabilities</b>	<b>3.19</b>	<b>(44.26)</b>	<b>(4.17)</b>	<b>230.02</b>	<b>7.30</b>	<b>81.25</b>
<b>TOTAL LIABILITIES</b>	<b>17.32</b>	<b>1.84</b>	<b>(18.50)</b>	<b>(15.34)</b>	<b>12.89</b>	<b>60.44</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>						
<b>Authorised certificate capital</b>						
50,000,000 certificates of Rs 10 each	-	-	-	-	-	-
<b>Certificate capital</b>						
<b>Issued, subscribed and paid-up certificate capital</b>						
28,500,000 certificates of Rs. 10 each	-	-	-	-	-	-
issued as fully paid in cash	-	-	-	-	-	-
16,883,530 certificates of Rs. 10 each	-	-	-	-	-	-
issued as fully paid bonus certificates	-	-	-	-	-	-
<b>Reserves</b>	<b>1.20</b>	<b>1.65</b>	<b>8.04</b>	<b>8.07</b>	<b>5.70</b>	<b>4.98</b>
Unappropriated profit	(17.26)	8.47	13.20	55.33	21.73	3.11
	(2.22)	2.03	5.42	9.07	4.36	2.41
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>12.97</b>	<b>1.88</b>	<b>(14.17)</b>	<b>(11.76)</b>	<b>11.55</b>	<b>47.36</b>
<b>Profit &amp; Loss</b>						
Ijarah finance income	-	-	-	(100.00)	(87.21)	(71.81)
Ijarah rentals earned	5.43	(10.29)	(11.28)	5.43	28.89	56.60
Profit on Sukuk certificates	-	-	-	-	-	(100.00)
Income on Diminishing Musharika arrangements	(31.08)	(3.42)	(12.18)	5.70	113.34	111.73
Income on deposits with bank	(26.58)	(46.28)	69.44	4.21	(22.34)	46.45
	2.31	(10.36)	(10.68)	5.32	30.50	49.72
<b>Financial charges</b>	<b>(8.72)</b>	<b>(28.82)</b>	<b>(18.77)</b>	<b>(12.13)</b>	<b>26.04</b>	<b>55.35</b>
Depreciation on assets under Ijarah arrangements	8.03	(6.45)	(10.79)	7.50	33.27	57.77
Impairment against Ijarah assets	-	(100.00)	100.00	-	-	(100.00)
	(19.87)	(4.17)	(4.88)	25.33	21.18	8.73
<b>Provision in respect of Ijarah finances - net</b>	<b>10.55</b>	<b>(638.57)</b>	<b>124.44</b>	<b>(97.46)</b>	<b>2,543.52</b>	<b>(151.72)</b>
Provision in respect of Diminishing Musharika	(100.00)	1,958.25	149.50	29.91	(101.38)	-
Provision in respect of Sukuk certificates and other receivable	(100.00)	100.00	(100.00)	(3,033.35)	(67.84)	(102.29)
	(25.32)	9.23	(2.89)	45.07	19.52	9.90
<b>Other income</b>	<b>114.11</b>	<b>(58.84)</b>	<b>90.29</b>	<b>(18.81)</b>	<b>41.65</b>	<b>122.16</b>
Administrative and operating expenses	22.35	11.20	9.19	6.39	22.52	26.27
	(31.81)	(11.53)	7.45	48.34	23.58	16.52
Management Company's remuneration	(31.81)	(11.53)	7.45	48.34	23.58	16.52
Provision for services sales tax on Management Company's remuneration	(36.68)	(17.43)	0.74	(3.64)	100.00	-
Provision for workers' welfare fund	(316.26)	(11.43)	7.58	49.80	20.20	16.52
<b>Profit before taxation</b>	<b>(25.93)</b>	<b>(11.43)</b>	<b>7.58</b>	<b>49.80</b>	<b>20.20</b>	<b>16.52</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit after taxation</b>	<b>(25.93)</b>	<b>(11.43)</b>	<b>7.58</b>	<b>49.80</b>	<b>20.20</b>	<b>16.52</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>(25.93)</b>	<b>(11.43)</b>	<b>7.58</b>	<b>49.80</b>	<b>20.20</b>	<b>16.52</b>

## Vertical Analysis

### Balance Sheet (%)

#### ASSETS

##### Current assets

Cash and bank balances	6.16
Loans and receivable - Term deposit receipts	-
Ijarah rentals receivable	1.53
Advances, deposits, prepayments and other receivables	0.36
Current portion of investment in Sukuk certificates	-
Current portion of Diminishing Musharika	1.71
Current portion of net investment in Ijarah finance	0.01
Taxation recoverable	0.15
<b>Total current assets</b>	<b>9.91</b>

##### Non - current assets

Loans and advances to employees	-
Long-term portion of investment in Sukuk certificates	-
Long-term portion of Diminishing Musharika	15.02
Long-term portion of net investment in Ijarah finance	-
Ijarah assets	74.65
Fixed assets in own use	0.42
<b>Total non-current assets</b>	<b>90.09</b>
<b>TOTAL ASSETS</b>	<b>100.00</b>

#### LIABILITIES AND EQUITY

##### Current liabilities

Musharika finance	-
Murabaha finance	-
Current maturity of security deposits	4.01
Current maturity of Musharika term finance	-
Creditors, accrued and other liabilities	3.33
Advance Ijarah rentals received	0.67
Current portion of redeemable capital	46.13
Deferred Murabaha income	-
Unclaimed profit distribution	0.76
Total current liabilities	58.26

##### Non - current liabilities

Long-term portion of security deposits	9.92
Long-term portion of Musharika term finance	12.53
Long-term portion of redeemable capital	0.00
<b>Total non - current liabilities</b>	<b>22.45</b>
<b>TOTAL LIABILITIES</b>	<b>80.71</b>

#### CERTIFICATE HOLDERS' EQUITY

##### Authorised certificate capital

50,000,000 certificates of Rs 10 each

##### Certificate capital

##### Issued, subscribed and paid-up certificate capital

28,500,000 certificates of Rs. 10 each

issued as fully paid in cash

16,883,530 certificates of Rs. 10 each

issued as fully paid bonus certificates

Reserves	9.07
Unappropriated profit	2.61
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19.29</b>

#### Profit & Loss

Ijarah finance income	94.12
Ijarah rentals earned	-
Profit on Sukuk certificates	-
Income on Diminishing Musharika arrangements	5.21
Income on deposits with bank	0.67
<b>Total</b>	<b>100.00</b>
Financial charges	(10.77)
Depreciation on assets under Ijarah arrangements	(78.84)
Impairment against Ijarah assets	-
<b>Total</b>	<b>10.40</b>
Provision in respect of Ijarah finances - net	0.61
Provision in respect of Diminishing Musharika	-
Provision in respect of Sukuk certificates	-
<b>Total</b>	<b>11.01</b>
Other income	3.07
Administrative and operating expenses	(6.89)
<b>Total</b>	<b>7.19</b>
Management Company's remuneration	(0.72)
Provision for services sales tax on Management Company's remuneration	(0.09)
Provision for workers' welfare fund	0.40
<b>Profit before taxation</b>	<b>6.78</b>
Taxation	-
<b>Profit after taxation</b>	<b>6.78</b>
Other comprehensive income for the year	-
<b>Total comprehensive income for the year</b>	<b>6.78</b>

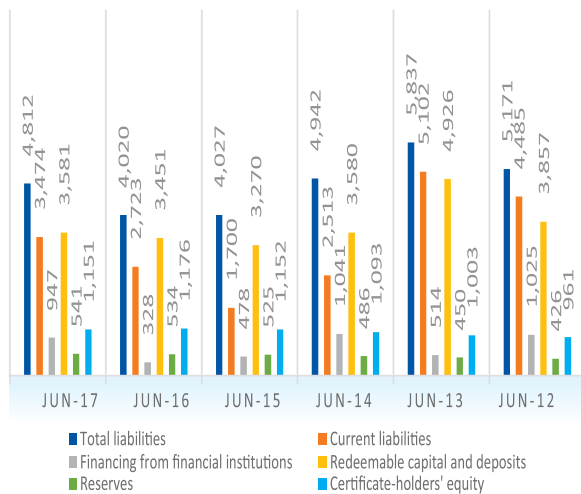
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	6.16	5.06	5.17	2.38	9.31	0.17
Loans and receivable - Term deposit receipts	-	-	-	-	-	2.45
Ijarah rentals receivable	1.53	1.74	1.79	2.18	1.78	2.20
Advances, deposits, prepayments and other receivables	0.36	0.73	1.81	2.97	2.36	3.90
Current portion of investment in Sukuk certificates	-	-	-	-	0.01	0.02
Current portion of Diminishing Musharika	1.71	3.22	5.62	5.95	3.98	0.92
Current portion of net investment in Ijarah finance	0.01	0.01	0.01	0.01	0.11	1.39
Taxation recoverable	0.15	0.05	0.11	0.16	0.20	0.26
<b>Total current assets</b>	<b>9.91</b>	<b>10.80</b>	<b>14.51</b>	<b>13.65</b>	<b>17.74</b>	<b>11.30</b>
<b>Non - current assets</b>						
Loans and advances to employees	-	-	-	-	-	0.01
Long-term portion of investment in Sukuk certificates	-	-	-	-	0.09	0.11
Long-term portion of Diminishing Musharika	15.02	19.51	16.90	16.47	18.07	17.86
Long-term portion of net investment in Ijarah finance	-	-	-	-	-	0.00
Ijarah assets	74.65	68.93	68.31	69.50	63.95	70.69
Fixed assets in own use	0.42	0.76	0.28	0.38	0.15	0.03
<b>Total non-current assets</b>	<b>90.09</b>	<b>89.20</b>	<b>85.49</b>	<b>86.35</b>	<b>82.26</b>	<b>88.70</b>
<b>TOTAL ASSETS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Musharika finance	-	0.18	0.43	4.72	-	8.06
Murabaha finance	-	-	-	-	1.97	8.66
Current maturity of security deposits	4.01	3.68	3.29	3.88	2.31	1.17
Current maturity of Musharika term finance	-	-	-	-	-	-
Creditors, accrued and other liabilities	3.33	4.32	4.03	4.28	4.75	3.62
Advance Ijarah rentals received	0.67	1.03	0.71	0.54	0.65	0.68
Current portion of redeemable capital	46.13	39.98	16.23	18.62	60.41	50.54
Deferred Murabaha income	-	-	-	-	-	-
Unclaimed profit distribution	0.76	0.75	0.65	0.50	0.40	0.42
Total current liabilities	58.26	53.14	32.82	41.65	74.59	73.15
<b>Non - current liabilities</b>						
Long-term portion of security deposits	9.92	8.79	8.02	9.48	8.90	10.13
Long-term portion of Musharika term finance	12.53	2.84	1.32	3.41	1.46	-
Long-term portion of redeemable capital	0.00	12.95	35.58	27.35	0.40	1.05
<b>Total non - current liabilities</b>	<b>22.45</b>	<b>24.58</b>	<b>44.92</b>	<b>40.24</b>	<b>10.76</b>	<b>11.18</b>
<b>TOTAL LIABILITIES</b>	<b>80.71</b>	<b>77.71</b>	<b>77.75</b>	<b>81.88</b>	<b>85.34</b>	<b>84.33</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>						
<b>Authorised certificate capital</b>						
50,000,000 certificates of Rs 10 each	8.39	9.47	9.65	8.28	7.31	8.15
<b>Certificate capital</b>						
<b>Issued, subscribed and paid-up certificate capital</b>						
28,500,000 certificates of Rs. 10 each	4.78	5.40	5.50	4.72	4.17	4.65
issued as fully paid in cash	-	-	-	-	-	-
16,883,530 certificates of Rs. 10 each	2.83	3.20	3.26	2.80	2.47	2.75
issued as fully paid bonus certificates	7.61	8.60	8.76	7.52	6.63	7.40
<b>Reserves</b>	<b>9.07</b>	<b>10.12</b>	<b>10.14</b>	<b>8.06</b>	<b>6.58</b>	<b>6.94</b>
<b>Unappropriated profit</b>	<b>2.61</b>	<b>3.57</b>	<b>3.35</b>	<b>2.54</b>	<b>1.44</b>	<b>1.32</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19.29</b>	<b>22.29</b>	<b>22.25</b>	<b>18.12</b>	<b>14.66</b>	<b>15.67</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Profit &amp; Loss</b>						
Ijarah finance income	-	-	-	-	0.12	1.24
Ijarah rentals earned	94.12	91.34	91.27	91.88	91.78	92.92
Profit on Sukuk certificates	-	-	-	-	-	-
Income on Diminishing Musharika arrangements	5.21	7.73	7.17	7.30	7.27	4.45
Income on deposits with bank	0.67	0.93	1.56	0.82	0.83	1.39
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Financial charges	(10.77)	(12.07)	(15.20)	(16.71)	(20.03)	(20.73)
Depreciation on assets under Ijarah arrangements	(78.84)	(74.66)	(71.54)	(71.63)	(70.17)	(68.71)
Impairment against Ijarah assets	-	-	(0.84)	-	-	-
<b>Total</b>	<b>10.40</b>	<b>13.28</b>	<b>12.42</b>	<b>11.66</b>	<b>9.80</b>	<b>10.55</b>
Provision in respect of Ijarah finances - net	0.61	0.57	(0.09)	(0.04)	(1.56)	(0.08)
Provision in respect of Diminishing Musharika	-	1.25	0.05	0.02	0.02	(1.49)
Provision in respect of Sukuk certificates	-	(0.01)	-	(0.26)	0.01	0.04
<b>Total</b>	<b>11.01</b>	<b>15.08</b>	<b>12.38</b>	<b>11.39</b>	<b>8.27</b>	<b>9.03</b>
Other income	3.07	1.47	3.20	1.50	1.95	1.79
Administrative and operating expenses	(6.89)	(5.76)	(4.65)	(3.80)	(3.76)	(4.01)
<b>Total</b>	<b>7.19</b>	<b>10.79</b>	<b>10.93</b>	<b>9.09</b>	<b>6.45</b>	<b>6.81</b>
Management Company's remuneration	(0.72)	(1.08)	(1.09)	(0.91)	(0.65)	(0.68)
Provision for services sales tax on Management Company's remuneration	(0.09)	(0.15)	(0.16)	(0.15)	(0.16)	-
Provision for workers' welfare fund	0.40	(0.19)	(0.19)	(0.16)	(0.11)	(0.12)
<b>Profit before taxation</b>	<b>6.78</b>	<b>9.37</b>	<b>9.48</b>	<b>7.87</b>	<b>5.53</b>	<b>6.01</b>
Taxation	-	-	-	-	-	-
<b>Profit after taxation</b>	<b>6.78</b>	<b>9.37</b>	<b>9.48</b>	<b>7.87</b>	<b>5.53</b>	<b>6.01</b>
Other comprehensive income for the year	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>6.78</b>	<b>9.37</b>	<b>9.48</b>	<b>7.87</b>	<b>5.53</b>	<b>6.01</b>



## Graphs

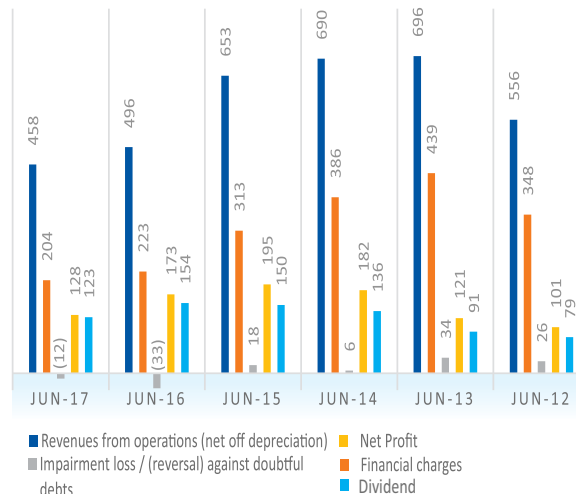
### EQUITY & LIABILITIES

(Rupees in Millions)



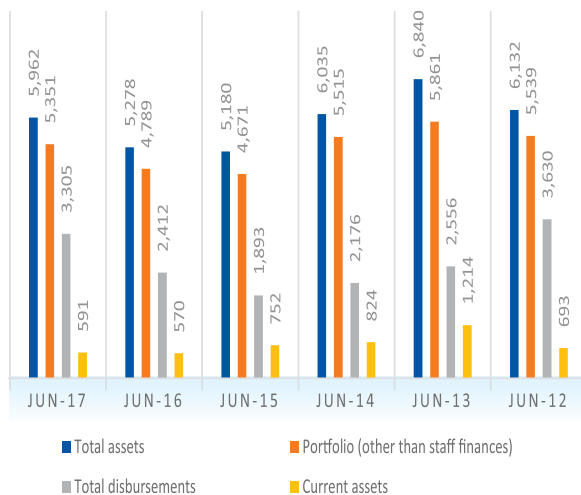
### PROFIT & LOSS

(Rupees in Millions)



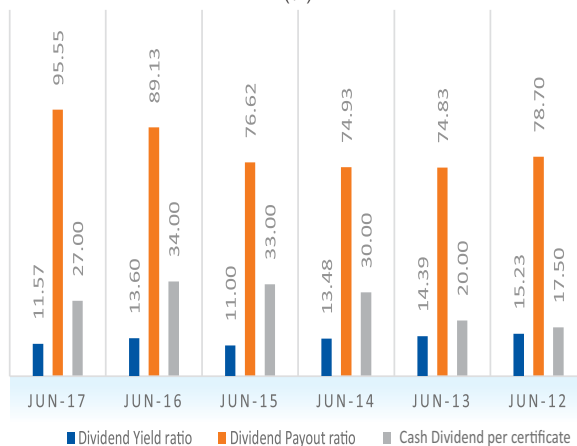
### ASSETS

(Rupees in Millions)



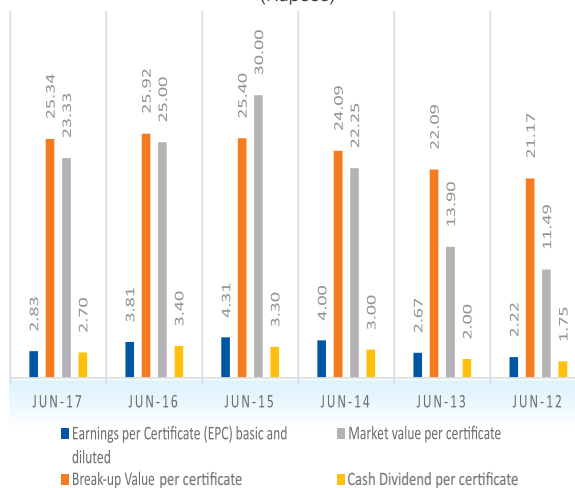
### INVESTMENT / MARKET RATIOS

(%)

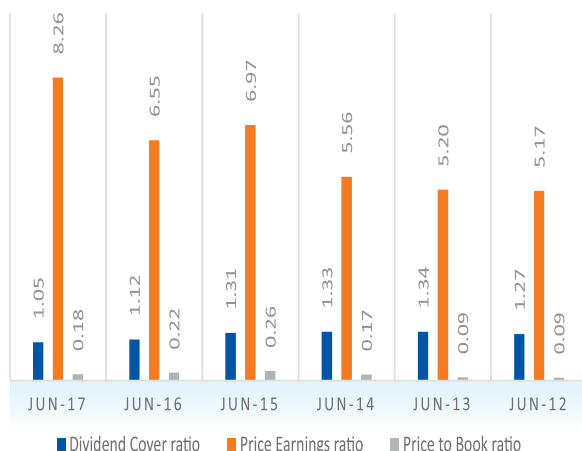


### INVESTMENT / MARKET RATIOS

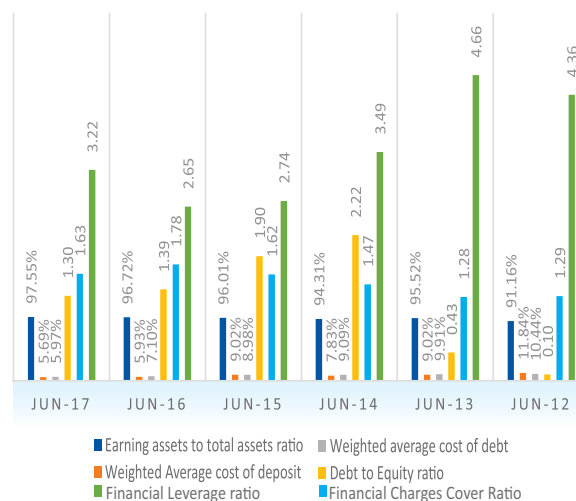
(Rupees)



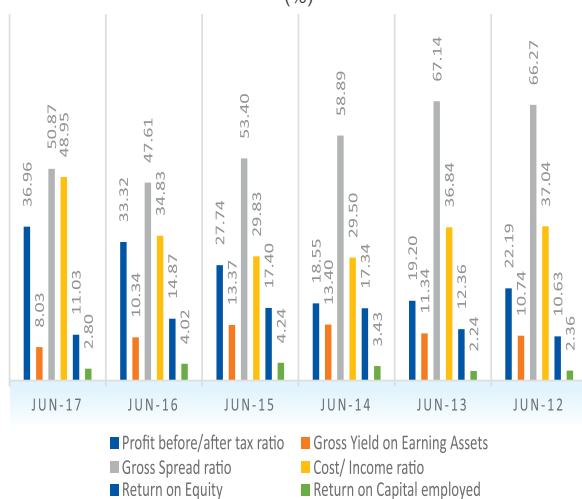
## INVESTMENT /MARKET RATIOS



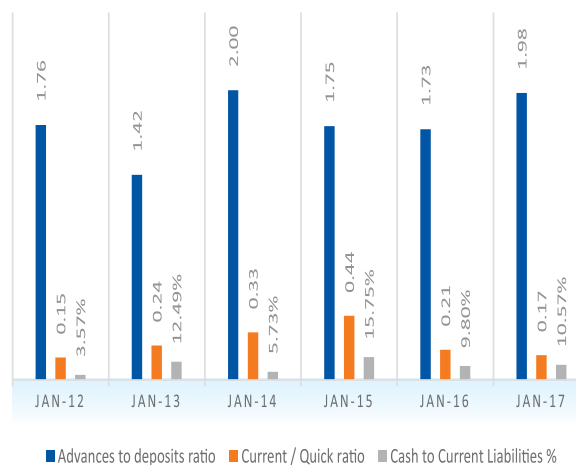
## CAPITAL STRUCTURE RATIOS



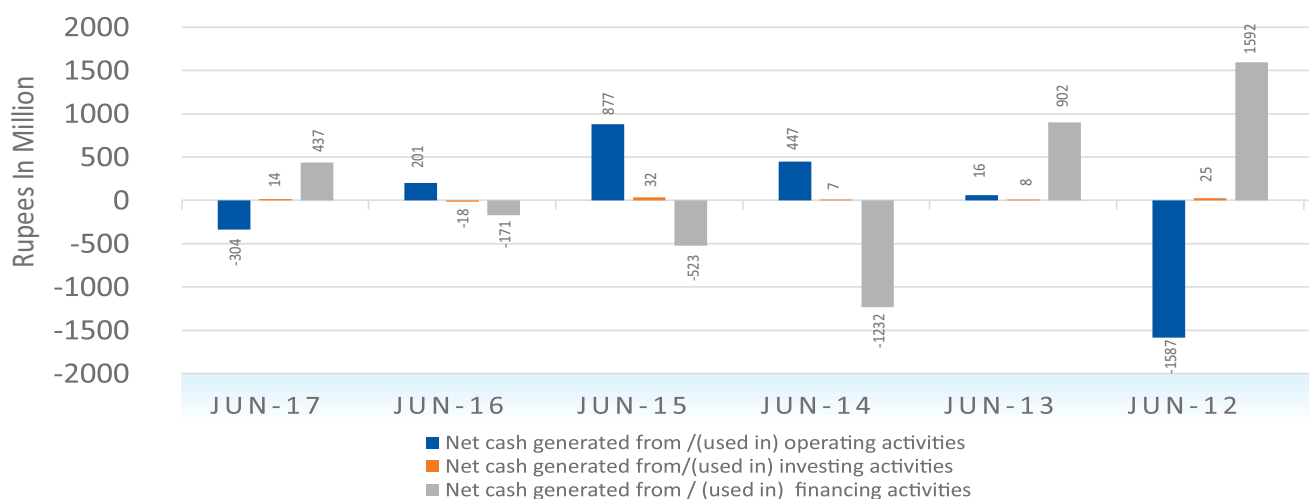
## PROFITABILITY RATIOS (%)



## LIQUIDITY RATIOS



## SUMMARY OF CASH FLOW



## Comments on Key Financial Data & Ratios

Total assets were increased by 11.6% during the year 2012-13. In September 2014, Standard Chartered Bank (Pakistan) Limited ("SCBPL" entered into a non-binding Memorandum of Understanding ("MOU") with ORIX Leasing Pakistan Limited ("OLPL") with regard to a divestment of its stake in the Modaraba which resulted in slowdown in business activities. Consequently there was decreasing trend in the total assets, portfolio and disbursements during the years from 2014-15 till the culmination of the transaction in June 2016. Subsequently business growth resumed and during the year 2016-17 total assets increased by 13%.

The other financial data (total liabilities, current assets, current liabilities, financing from financial institutions, redeemable capital and deposits) also reflect the same trend.

As Modaraba is required to distribute 90% of total profit (after appropriation of statutory reserves) in order to avail tax exemption, accumulation of reserves on a large scale does not take place. Thus Certificate-holders' equity increased by 4.4% during the last six years despite historical net profit PKR 195 million during the year ended June 30, 2015.

Gross revenue and financial charges also decreased mainly due to substantial decrease in the discount rate.

### Profitability Ratios

Profit before taxation ratio improved by 10.9% as compared to last year mainly due to efficient management of financial charges. Decline in Gross Yield on Earning Assets was mainly due the decrease in discount rate.

The return on equity in 2017 has contracted by 28% as compared to last year mainly due to one off recovery of nonperforming assets during last year. In prior years, the Modaraba has managed healthy return on equity and return on capital employed i.e. in the range of 11% to 17% and 2.36% to 4.24% respectively despite difficult economic conditions.

### Liquidity Ratios

Historically the current ratio in Financial Services Modarabas is always less than 1. It moved between 0.15 and 0.44 during the last six years. One key movement of tenor during the last year is the investment in short tenor COMs instead of the larger tenor COMs. The reason behind this is the expectation of movement of key discount rate upwards in the near future. Cash as a percentage of Current Liabilities ratio improved reflecting better management of liquidity.

## CALENDAR OF MAJOR EVENTS

### Notable Events for the Financial Year

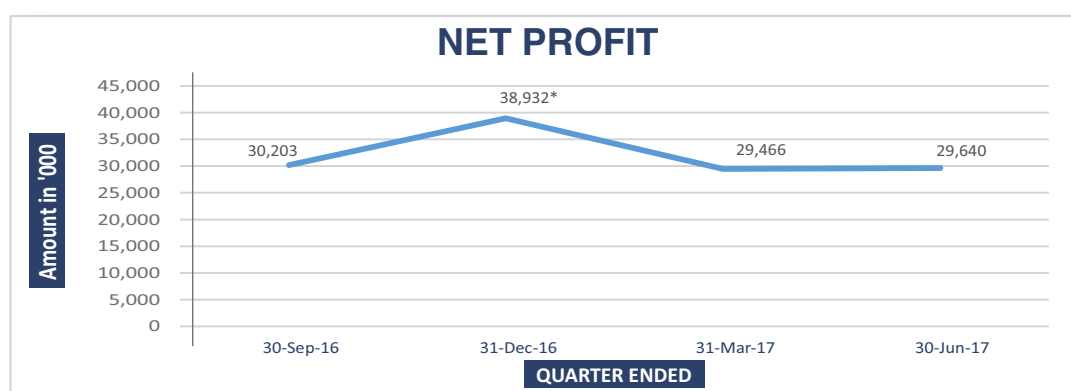
• Change of Name of the Modaraba	5-Aug-16
• Change of Name of the Modaraba Management Company	24-Aug-16
• Board Meeting for first quarter ended September 30, 2016	26-Oct-16
• Annual Review Meeting 2016	31-Oct-16
• Board Meeting for second quarter ended December 31, 2016	22-Feb-17
• Board Meeting for third quarter ended March 31, 2017	24-Apr-17
• Election of the Board of Directors of Modaraba Management Company	9-May-17
• Board Meeting for fourth quarter and year ended June 30, 2017	30-Aug-17
• Annual Review Meeting	27-Oct-17

### Tentative dates for next Financial Year

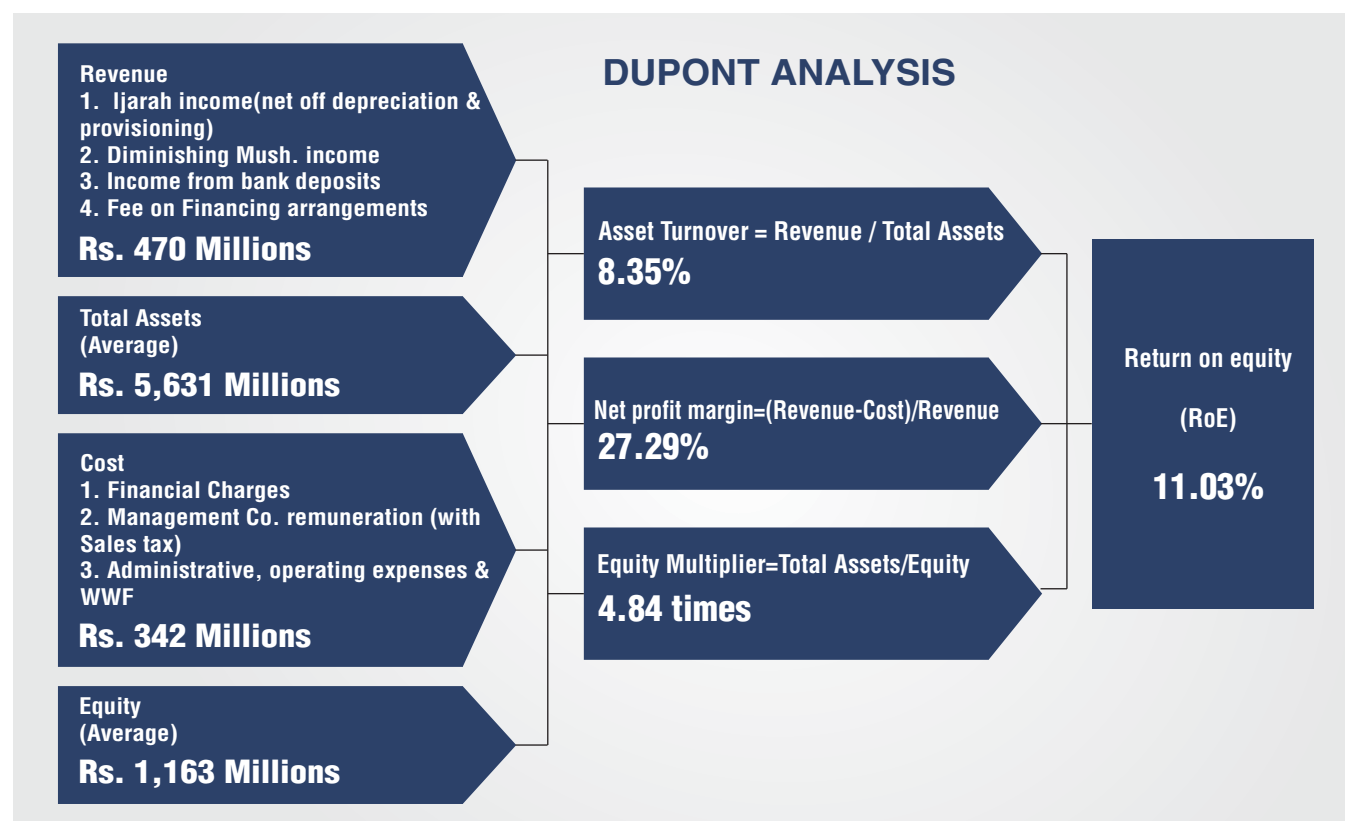
• Board Meeting for first quarter ending September 30, 2017	26-Oct-17
• Board Meeting for second quarter ending December 31, 2017	19-Feb-18
• Board Meeting for third quarter ending March 31, 2018	25-Apr-18
• Board Meeting for fourth quarter and year ending June 30, 2018	27-Aug-18

## Analysis of Variation in Results of Interim Reports & DuPont Analysis

Balance Sheet	QUARTER ENDED				YEAR ENDED
	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Jun-17
Certificate capital	453,835	453,835	453,835	453,835	453,835
Total equity	1,052,081	1,091,013	1,120,479	1,150,119	1,150,119
Investment in Ijarah finance and Ijarah Assets	3,591,195	3,997,205	4,166,554	4,451,385	4,451,385
Investments in Diminishing Musharika and Sukuks	1,281,707	1,219,724	1,010,613	997,672	997,672
Redeemable capital	2,961,765	2,840,705	3,026,130	2,750,750	2,750,750
<b>Profit and Loss</b>					
Revenue (net of Ijarah assets depreciation)	117,543	105,193	119,608	115,975	458,319
Financial charges	52,817	49,289	53,421	48,051	203,578
Reversal of provisions-net	1,701	8,632	733	521	11,587
Operating expenses	31,681	31,314	33,022	34,348	130,365
Profit before Modaraba management company's remuneration	34,745	33,224	33,897	34,098	135,964
Net profit	30,203	38,932	29,466	29,640	128,241



**Comments:** The above depicts same level of profit in three quarters except for quarter ended 31 December 2016 which includes recovery of non-performing assets.



## Cash Flows for the year ended June 30, 2017 (By Direct Method)

	Rupees
Ijarah rentals collection	1,774,462,327
Diminishing Musharaka repayment proceeds	637,234,565
Diminishing Musharaka profit receipts	101,610,284
Ijarah disbursements (net off security deposits)	(2,516,647,336)
Diminishing Musharaka disbursements	(435,560,216)
Net proceeds from Ijarah assets disposals	436,261,163
Financial charges paid	(206,880,014)
Management remuneration paid to management company	(19,938,649)
Payment for salaries and staff benefits	(87,044,834)
Documentation fee proceeds from customers	12,856,571
Payments for operating expenses	(29,588,672)
Taxes, duties, charity & advance payments	(7,854,241)
<b>Net cash used in operating activities</b>	<b>(341,089,052)</b>
<b>Net cash generated from investing activities</b>	<b>13,986,554</b>
<b>Net cash generated from financing activities</b>	<b>437,266,146</b>
<b>Net Cash generated</b>	<b>110,163,648</b>
Cash & cash Equivalents at beginning of the year	257,139,507
<b>Cash &amp; cash Equivalents at end of the year</b>	<b>367,303,155</b>

## Market Share Information and Segmental Business Performance

According to the NBFI and Modaraba association Year Book 2016, ORIXM is the 2nd largest Financial service Modaraba in the sector in terms of assets as on June 30, 2016. ORIXM shares 21.93% assets in financial service modarabas. The Modaraba offers its services to clients in different sectors of the economy. The sector wise portfolio is also closely monitored to avoid undue concentration of risk with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

Details of the sector analysis of gross investment portfolio is available in note no. 28.2.3 of the Financial Statements.

## Statement of Charity Account:

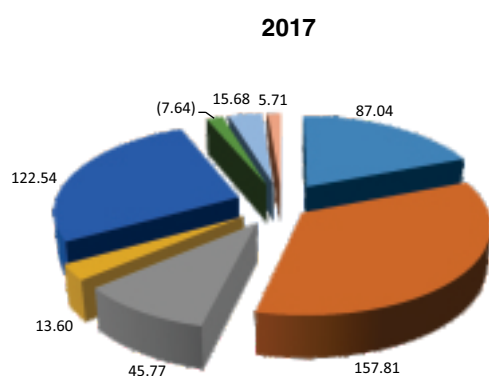
Description	2016-17
Health care	2,000,000
Education	2,300,000
<b>Total</b>	<b>4,300,000</b>

Name of Institutions:	Rupees
Professional Education Foundation	2,000,000
Sindh Institute of Urology and Transplantation	2,000,000
Progressive Education Network	300,000
<b>Total</b>	<b>4,300,000</b>

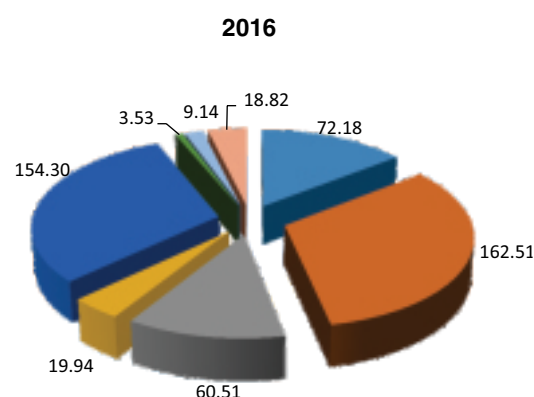


## Statement of Value added

	2017 Rupees	%	2016 Rupees	%
Revenue from operations (net of depreciation of Ijarah assets)	400,195,334		468,401,694	
Other Income/ charges	69,711,007		60,551,216	
	<b>469,906,341</b>		<b>528,952,910</b>	
Operating expenses	27,641,269		25,236,086	
Provision for services sales tax on management company's remuneration	1,767,530		2,791,411	
<b>Value Added</b>	<b>440,497,542</b>	<b>100.00</b>	<b>500,925,413</b>	<b>100.00</b>
Distributed as follows:				
<b>To Employees</b>				
As remuneration	87,044,834	19.76	72,176,710	14.41
<b>To Finance Providers</b>				
As profit on redeemable capital	157,810,191	35.83	162,505,217	32.44
As financial charges on Murabaha/Musharika	45,767,415	10.39	60,510,570	12.08
<b>To Modarib</b>				
As management fee	13,596,384	3.09	19,938,649	3.98
<b>To Certificate-holders</b>				
As profit on certificates	122,535,531	27.82	154,304,002	30.80
<b>To Revenue Authorities</b>				
As workers' welfare fund	(7,640,888)	(1.73)	3,533,129	0.71
<b>Retained in Business</b>				
As depreciation	15,678,787	3.56	9,137,835	1.82
As capital reserves and retained earning	5,705,288	1.30	18,819,301	3.76
	<b>440,497,542</b>	<b>100.00</b>	<b>500,925,413</b>	<b>100.00</b>



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



## Shariah Advisor's Report

I have conducted the Shariah review of ORIX Modaraba (managed by ORIX Services Pakistan (Private) Limited, Modaraba Company) for the year ended June 30, 2017 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles.
- ii. The Modaraba arranged training session on Islamic business model and Shariah compliance of its products, exclusively for its staff members belonging to different cities. Further, some of the staff members were also nominated for external Islamic workshops during the period.
- iii. The agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and the related conditions have been met.
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
- v. Profit sharing ratios, profits relating to deposit raising product conform to the basis and principles of scheme approved by SECP religious board.
- vi. During the period, no earnings were realized from the sources or by means prohibited by Shariah and credited to charity account.

### Observations

1. The Modaraba has its major portfolio of assets insured through commercial insurance companies. However, it was noted that the Modaraba is encouraging its customers to get the assets insured through Takaful and resultantly there is movement into Takaful for the purposes of assets insurance. This is also evident from the documentation and communication reviewed by me.
2. I appreciate the management of Modaraba for its professional approach while adopting Islamic guidelines for their business. The senior management and staff are well intentioned and cooperative in observing Shariah compliance in its true spirit.
3. Most of the heads of departments have good Islamic knowledge about their business. Several times, they pointed out and communicated sharia issues to me with good understanding.
4. The Modaraba has no investment in shares.

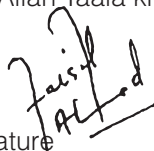
### Recommendation

It has been recommended that the Modaraba insures its assets through Takaful.

### Conclusion

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

And Allah Taala knows Better & Perfect



Signature  
Dated: 18 August 2017

## Auditor's Report to the Certificate Holders

We have audited the annexed balance sheet of ORIX Modaraba (formerly Standard Chartered Modaraba) as at 30 June 2017 and the related profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of ORIX Modaraba (formerly Standard Chartered Modaraba) as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2017 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Engagement Partner: **Mohammad Taufiq**  
Dated: 30 August 2017  
Karachi

## BALANCE SHEET

AS AT 30 JUNE 2017

### ASSETS

#### Current assets

Cash and bank balances  
Ijarah rentals receivable  
Advances, deposits, prepayments and other receivables  
Current portion of investment in Sukuk certificates  
Current portion of Diminishing Musharika  
Net investment in Ijarah finance  
Taxation recoverable

#### Total current assets

#### Non-current assets

Long-term portion of investment in Sukuk certificates  
Long-term portion of Diminishing Musharika  
Ijarah assets  
Fixed assets in own use

#### Total non-current assets

### TOTAL ASSETS

### LIABILITIES AND EQUITY

#### Current liabilities

Musharika finance  
Current maturity of term finance arrangements  
Current maturity of security deposits  
Creditors, accrued and other liabilities  
Advance Ijarah rentals received  
Current portion of redeemable capital  
Unclaimed profit distribution

#### Total current liabilities

#### Non-current liabilities

Long-term portion of term finance arrangements  
Long-term portion of security deposits  
Long-term portion of redeemable capital

#### Total non-current liabilities

### TOTAL LIABILITIES

### CERTIFICATE HOLDERS' EQUITY

#### Certificate capital

##### Authorised certificate capital

50,000,000 (2016: 50,000,000) certificates of Rs. 10 each

##### Issued, subscribed and paid-up certificate capital

28,500,000 (2016: 28,500,000) certificates of Rs.10 each fully paid in cash  
16,883,530 (2016: 16,883,530) bonus certificates of Rs.10 each

Unappropriated profit

Other reserves

### TOTAL LIABILITIES AND EQUITY

### CONTINGENCIES AND COMMITMENTS

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

For ORIX Services Pakistan (Private) Limited  
(formerly Standard Chartered Services of Pakistan (Private) Limited)  
(Management Company)

  
Chairman

  
Chief Executive

  
Director

Note

	30 June 2017	30 June 2016
	(Rupees)	
4	367,303,155	266,801,857
5	91,089,736	91,936,767
6	21,232,314	38,780,481
7	-	-
8	102,085,412	169,798,936
9	370,000	370,000
	8,728,486	23,670,115
	590,809,103	591,358,156
7	-	-
8	895,586,920	1,029,547,745
9	4,451,014,738	3,638,045,852
10	24,880,350	40,184,137
	5,371,482,008	4,707,777,734
	5,962,291,111	5,299,135,890
11	-	9,662,350
12	200,000,000	168,545,829
13	232,944,591	194,110,409
14	198,718,280	249,125,067
	39,856,039	54,604,114
15	2,750,550,000	2,110,325,000
	45,495,028	39,524,051
	3,467,563,938	2,825,896,820
12	747,000,000	150,000,000
13	597,408,179	463,776,888
15	200,000	683,280,000
	1,344,608,179	1,297,056,888
	4,812,172,117	4,122,953,708
16	500,000,000	500,000,000
	285,000,000	285,000,000
	168,835,300	168,835,300
16	453,835,300	453,835,300
	155,728,690	188,203,919
17	540,555,004	534,142,963
	1,150,118,994	1,176,182,182
	5,962,291,111	5,299,135,890
18		

## PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017	30 June 2016
		(Rupees)	
Ijarah rentals earned		1,779,762,549	1,688,173,929
Income on Diminishing Musharika arrangements		98,456,108	142,847,109
Income on deposits with banks		12,671,226	17,259,687
		<b>1,890,889,883</b>	1,848,280,725
Financial charges	19	(203,577,607)	(223,015,786)
Depreciation on assets under Ijarah arrangements	9.1	(1,490,694,549)	(1,379,879,031)
Reversal of impairment on assets under Ijarah arrangements	9.1	-	1,300,000
		<b>196,617,727</b>	246,685,908
Reversal of provision in respect of Ijarah finances		11,587,364	9,181,468
Reversal of provision in respect of Diminishing Musharika		-	23,083,029
Provision for other receivables	6.2	-	(160,000)
		<b>208,205,091</b>	278,790,405
Other income	20	58,123,639	27,146,719
Administrative and operating expenses	21	(130,364,890)	(106,550,633)
		<b>135,963,840</b>	199,386,491
Management Company's remuneration	22	(13,596,384)	(19,938,649)
Provision for services sales tax on Management Company's remuneration	23	(1,767,530)	(2,791,411)
Reversal / (provision) for Workers' Welfare Fund - net	14.2 & 14.3	7,640,888	(3,533,129)
<b>Profit for the year before taxation</b>		<b>128,240,814</b>	173,123,302
Taxation	24	-	-
<b>Profit for the year after taxation</b>		<b>128,240,814</b>	173,123,302
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>128,240,814</b>	173,123,302
<b>Earnings per certificate - basic and diluted</b>	25	<b>2.83</b>	3.81

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

For ORIX Services Pakistan (Private) Limited  
(formerly Standard Chartered Services of Pakistan (Private) Limited)  
(Management Company)

  
Chairman

  
Chief Executive

  
Director



## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

Note

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year before taxation

#### Adjustments for non-cash and other items:

Depreciation / amortisation on fixed assets in own use  
Depreciation on Ijarah assets  
Gain on disposal of Ijarah assets  
Gain on disposal of fixed assets  
Reversal of impairment on assets under Ijarah arrangements  
Reversal of provision in respect of Ijarah finances - net  
Provision in respect of other receivables  
Reversal of provision in respect of Diminishing Musharika  
Income on deposits with bank  
Profit on:  
- Redeemable capital  
- Musharika finance  
- Term finance arrangements  
Provision for services sales tax on Management Company's remuneration  
(Reversal) / provision for Workers' Welfare Fund - net

#### (Increase) / decrease in assets

Advances, deposits, prepayments and other receivables  
Ijarah rentals receivable  
Diminishing Musharika  
Purchase of assets under Ijarah arrangements  
Proceeds from disposal of assets under Ijarah arrangements

#### (Decrease) / increase in liabilities

Creditors, accrued and other liabilities  
Advance Ijarah rentals received  
Security deposits

Profit paid on

- Redeemable capital  
- Musharika finances  
- Term finance arrangements

Taxes paid

**Net cash (used in) / generated from operating activities**

### CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure  
Proceeds from disposal of fixed assets  
Income on deposits with bank

**Net cash generated from / (used in) investing activities**

### CASH FLOWS FROM FINANCING ACTIVITIES

Redeemable capital less repayments  
Term finance less repayments  
Profit paid to certificate holders

**Net cash generated from / (used in) financing activities**

**Net increase in cash and cash equivalents**

Cash and cash equivalents at the beginning of year

**Cash and cash equivalents at the end of the year**

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

**For ORIX Services Pakistan (Private) Limited**  
**(formerly Standard Chartered Services of Pakistan (Private) Limited)**  
**(Management Company)**

  
Chairman

  
Chief Executive

  
Director

**30 June  
2017**

**30 June  
2016**

**(Rupees)**

**128,240,814**

**173,123,302**

21	15,678,787	9,137,835
9.1	1,490,694,549	1,379,879,031
20	(44,214,568)	(21,841,103)
	(1,052,500)	(51,000)
9.1	-	(1,300,000)
	(11,587,364)	(9,181,468)
6	-	160,000
	-	(23,083,029)
	(12,671,226)	(17,259,687)
19	157,810,192	162,505,216
19	49,671	48,153
19	16,484,696	27,738,759
	1,767,530	2,791,411
	(7,640,888)	3,533,129
	1,605,318,879	1,513,077,247
	1,733,559,693	1,686,200,549
	16,910,339	54,985,819
	12,434,395	9,839,584
	201,674,349	(9,599,797)
	(2,882,110,879)	(1,808,237,474)
	622,662,012	352,083,286
	(2,028,429,784)	(1,400,928,582)
	(13,510,274)	17,286,837
	(14,748,075)	17,616,748
	172,465,473	72,121,498
	144,207,124	107,025,083
	(150,662,967)	392,297,050
	(175,485,263)	(161,290,143)
	(58,586)	(39,238)
	(14,881,124)	(29,922,350)
	(190,424,973)	(191,251,731)
	(1,112)	(1,167)
	(341,089,052)	201,044,152
	(375,000)	(34,811,102)
	1,052,500	51,000
	13,309,054	17,009,369
	13,986,554	(17,750,733)
	(42,855,000)	109,660,000
	628,454,171	(137,091,664)
	(148,333,025)	(144,085,086)
	437,266,146	(171,516,750)
	110,163,648	11,776,669
	257,139,507	245,362,838
	367,303,155	257,139,507

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## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Paid-up certificate capital	Premium on issue of modaraba certificates	Reserves		Sub-total	Total
			Statutory reserve	Unappropriated profit		
	(Rupees)					
Balance as at 1 July 2015	453,835,300	55,384,700	470,102,098	173,502,431	698,989,229	1,152,824,529
Total comprehensive income for the year						
- Profit for the year ended 30 June 2016	-	-	-	173,123,302	173,123,302	173,123,302
- Other comprehensive income for the year	-	-	-	-	-	-
	-	-	-	173,123,302	173,123,302	173,123,302
Transactions with owners						
Profit distribution for the year ended 30 June 2015 @ Rs 3.3 per certificate	-	-	-	(149,765,649)	(149,765,649)	(149,765,649)
Transfer to statutory reserve	-	-	8,656,165	(8,656,165)	-	-
Balance as at 30 June 2016	453,835,300	55,384,700	478,758,263	188,203,919	722,346,882	1,176,182,182
Total comprehensive income for the year						
- Profit for the year ended 30 June 2017	-	-	-	128,240,814	128,240,814	128,240,814
- Other comprehensive income for the year	-	-	-	-	-	-
	-	-	-	128,240,814	128,240,814	128,240,814
Transactions with owners						
Profit distribution for the year ended 30 June 2016 @ Rs 3.4 per certificate	-	-	-	(154,304,002)	(154,304,002)	(154,304,002)
Transfer to statutory reserve	-	-	6,412,041	(6,412,041)	-	-
Balance as at 30 June 2017	453,835,300	55,384,700	485,170,304	155,728,690	696,283,694	1,150,118,994

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

For ORIX Services Pakistan (Private) Limited  
(formerly Standard Chartered Services of Pakistan (Private) Limited)  
(Management Company)

  
Chairman

  
Chief Executive

  
Director

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### 1 STATUS AND NATURE OF BUSINESS

ORIX Modaraba (formerly Standard Chartered 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 (formerly Standard Chartered Services of 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 Line, Karachi, Pakistan.

The Modaraba is a perpetual Modaraba and is primarily engaged in leasing / Ijarah of plant, machinery, motor vehicles (both commercial and private) and computer equipment, etc. The Modaraba may also invest in commercial and industrial ventures suitable for the Modaraba. The Modaraba is listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad stock exchanges have merged).

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

### 2 BASIS OF PREPARATION AND MEASUREMENT

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) or the directives issued by the SECP prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated 20 July 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the modarabas having their financial year closure after 30 June 2017. The application of Companies Act, 2017 will require additional disclosures in the financial statements of the Modaraba.

#### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

#### 2.3 New and amended standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Modaraba's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Modaraba's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Modaraba's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 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.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Modaraba's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Modaraba's financial statements.

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

SECP vide its circular no. 10 of 2004 dated 13 February 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease entered into by the Modaraba upto 30 June 2008. From 1 July 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained hereunder.

Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan (the SECP) vide SRO 431(1)/ 2007 dated 22 May 2007. During the year ended 30 June 2009, SECP vide its letter no. SC/M/RW/SC/2009 dated 9 March 2009, directed that the Modaraba Management Companies may apply the accounting treatment of IFAS 2, only to the leasing (Ijarah) transactions entered on or after 1 July 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Mustajir (lessors) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.
- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before 1 July 2008 as finance leases consistent with prior



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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years and has treated the leasing transactions executed on or after 1 July 2008 in accordance with the requirements of IFAS 2.

## 2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards 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 judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets (notes 3.5, 9.1 and 10.1);
- ii) provision against non-performing leasing portfolio, investments, trade debts and other receivables (notes 3.2.1.4, 5, 6.3, 7.1.3, 8.3 and 9.4); and
- iii) provision for taxation (note 3.7 and 24).

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

### 3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. These include cash in hand and balances with banks in current and deposit accounts, musharika finance and other short-term highly liquid investments with original maturities of three months or less.

### 3.2 Financial instruments

#### 3.2.1 Financial assets

##### 3.2.1.1 Classification

The management determines the appropriate classification of the financial assets of the Modaraba in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Modaraba have been classified in the following categories:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Held -to- maturity investments

These are financial assets with fixed or determinable payments and fixed maturity with the Modaraba having positive intent and ability to hold to maturity.

### 3.2.1.2 Initial recognition and measurement

Financial assets are recognised at the time the Modaraba becomes a party to the contractual obligations of the instruments. These are initially recognised at fair value plus transaction costs.

### 3.2.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are carried at amortised cost using the effective interest method.

### 3.2.1.4 Impairment (including provision for potential Ijarah losses and write offs)

The carrying amount of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such an indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

Provision for non-performing leases, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances in net investment in Ijarah finance are written off when there is no realistic prospect of recovery.

### 3.2.2 Financial liabilities

Financial liabilities are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument and include musharika finance, murabaha finance, redeemable capital, creditors, accrued and other liabilities. These are initially recognised at fair values and subsequently stated at amortised cost.

### 3.2.3 Derecognition

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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### 3.2.4 Offsetting of financial assets and liabilities

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

### 3.2.5 Redeemable Capital

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

As per requirements of the Guidelines, the scheme of COM is based on the concept of "Musharika", hence it is classified as redeemable capital in accordance with the provision of the Companies Ordinance, 1984. The salient features of the COM are as follows:

- This is a return based certificate wherein a deposit is placed with the Modaraba for a definite period of time.
- Total Profits after charging all expenses, provisions/impairments and management company's remuneration of the Modaraba are shared by the COM holders and the Modaraba in accordance with ratio declared by the Modaraba and accepted by the COM holders. In the absence of such declaration, the total profits shall be shared between the COM holders and the Modaraba in proportion to their contribution in the Funds.
- The amount of profit allocated to the COM holders shall be shared among different category / tiers of the COM holders on the basis of predetermined weightages announced by the Modaraba at the beginning of each quarter
- In the event of Loss, such loss shall be shared between the COM holders and the Modaraba in proportion to their fund

### 3.3 Net investment in Ijarah finance

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

### 3.4 Murabaha transactions

Under murabaha financing, funds disbursed for the purchase of goods are recorded as 'advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### 3.5 Fixed assets

#### 3.5.1 Tangible fixed assets

##### *Owned assets*

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

Depreciation on all fixed assets is charged to profit or loss account on a straight-line basis in accordance with the rates specified in note 10 to these financial statements and after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

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

##### *Ijarah assets*

Assets leased out under Ijarah on or after 1 July 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is charged to income by applying the straight line method whereby the cost of an asset less salvage value is written off over the lease term, which is considered to be the estimated useful life of the asset.

#### 3.5.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 10 to these financial statements. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

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

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

#### 3.5.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

for capital expenditure. Transfers are made to the relevant category of tangible / intangible assets as and when the assets are available for intended use.

### 3.6 Loans, advances and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

### 3.7 Taxation

#### *Current*

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption by distributing at least 90% of its profits to the certificate holders each year.

#### *Deferred*

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

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

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date. However, the Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits to its certificate holders every year.

### 3.8 Impairment of non-financial assets

The carrying amounts of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit and loss account.

### 3.9 Creditors, accrued and other liabilities

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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### 3.10 Provisions

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

### 3.11 Staff retirement benefits

The Modaraba operates:

- i) a recognised provident fund for all eligible employees; and
- ii) an approved funded defined contribution gratuity scheme for all permanent employees. Gratuity is payable to employees on completion of the prescribed qualifying period of service under the scheme.

Contributions to the provident fund and gratuity fund are made at the rate of 10% and 8.33% respectively, of the basic salaries of employees.

Obligation for contribution to defined contribution plans are recognised as an employee benefit expense in the profit and loss account when these are due.

### 3.12 Revenue recognition

- 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 Musharika arrangements is recognised under the effective mark-up rate method based on the amount outstanding.
- Profit / return on deposits / investments is recognised on accrual basis using the effective profit rate method.

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FOR THE YEAR ENDED 30 JUNE 2017

- 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.

### 3.13 Proposed profit distribution to certificate holders and transfers between reserves

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

### 3.14 Earnings per certificate

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

### 3.15 Functional and presentational currency

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

### 3.16 Foreign currency transactions

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

### 3.17 Segment reporting

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

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

## 4 CASH AND BANK BALANCES

Balances with banks:

- in current accounts
- in deposit accounts

Cash in hand

Note	30 June 2017	30 June 2016
	(Rupees)	
	143,741	50,057,157
4.1	367,120,881	216,694,700
	38,533	50,000
	<b>367,303,155</b>	<b>266,801,857</b>

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4.1 These carry profit at rate ranging between 3.14% - 5.25% per annum (2016: 2.94% - 4.2%). 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 Musharika issued by the Modaraba.

4.2 As at 30 June 2017, Modaraba has eight bank accounts out of which two are maintained with Islamic banks and six are with conventional banks with Islamic window operations.

	Note	30 June 2017	30 June 2016
<b>5 IJARAH RENTALS RECEIVABLE</b>			
		<b>(Rupees)</b>	
Ijarah rentals receivable - considered good	5.1	<b>91,089,736</b>	91,936,767
Ijarah rentals receivable - considered bad or doubtful	5.2	<b>31,293,120</b>	42,428,120
Less: Allowance for potential Ijarah losses	5.3	<b>(11,898,001)</b>	(23,485,365)
Less: Profit held in suspense	5.4	<b>(19,395,119)</b>	(18,942,755)
		<b>-</b>	<b>-</b>
		<b>91,089,736</b>	<b>91,936,767</b>

5.1 This includes an amounts due from key management personnel as at 30 June 2017 aggregated to Rs. 152,711 (2016: Rs. 75,737).

5.2 This is netted-off with the related security deposits held as at 30 June 2017.

	Note	30 June 2017	30 June 2016
<b>5.3 Allowance for potential Ijarah losses</b>			
		<b>(Rupees)</b>	
Opening balance		<b>23,485,365</b>	37,267,892
Reversal for the year - net		<b>(11,587,364)</b>	(9,181,468)
Amount written off during the year		<b>-</b>	(4,601,059)
Closing balance		<b>11,898,001</b>	23,485,365
<b>5.4 Profit held in suspense</b>			
Opening balance		<b>18,942,755</b>	16,683,689
Income suspended during the year - net		<b>452,364</b>	2,416,278
Income written off during the year		<b>-</b>	(157,212)
Closing balance		<b>19,395,119</b>	18,942,755

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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### 6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 2017	30 June 2016
		(Rupees)	
Advances to suppliers and others		14,994	22,998
Deposits to Central Depository Company (CDC)		550,000	550,000
Prepayments	6.1	13,045,566	28,932,635
Accrued profit on savings and term deposits		524,934	1,162,762
Accrued profit on Diminishing Musharika		3,383,211	6,537,387
Advance against assets under Ijarah arrangements		2,350,000	-
Others	6.2 & 6.3	1,363,609	1,574,699
		<b>21,232,314</b>	<b>38,780,481</b>

6.1 This includes Rs. 6.395 million (2016: Rs. 25.559 million) paid in respect of commission for the sale of certificate of Musharika.

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

	Note	30 June 2017	30 June 2016
		(Rupees)	
Opening balance		160,000	-
Provision for the year		-	160,000
Closing balance		<b>160,000</b>	<b>160,000</b>

6.3 This also includes receivable from provident and gratuity funds of Modaraba amounting to Rs. 0.8 million (2016: Rs. 0.4 million) and Rs. 0.031 million (2016: Rs. 0.18 million) respectively.

### 7 INVESTMENT IN SUKUK CERTIFICATES

#### Held-to-maturity investments

	Note	30 June 2017	30 June 2016
		(Rupees)	
Investment in Sukuk certificates	7.1	57,701,835	57,701,835
Less: Provision in respect of Sukuk certificates	7.1.3	(57,701,835)	(57,701,835)
		-	-
Less: Current portion of investment in sukuk certificates		-	-
		-	-

#### 7.1 Particulars of Investment in Sukuk Certificates

Name of the Investee Company	Number of certificates				Profit / mark-up rate	Terms	Security	Principal amount outstanding	Provision held	Carrying amount
	As at 1 July 2016	Purchases during the year	Sales during the year	As at 30 June 2017				as at 30 June 2017	as at 30 June 2017	
----- (Rupees) -----										
Sukuk certificates of Rs.5,000 each unless stated otherwise										
Security Leasing Corporation Limited (note 7.1.1)	5,000	-	-	5,000	-	10 years	First charge over specific leased assets and associated lease receivables with 25% security margin	7,701,835	(7,701,835)	-
Shahraj Fabrics (Private) Limited	10,000	-	-	10,000	11.52%	5 years	First pari passu charge over all present and future plant and machinery of the Company, equivalent to the Facility amount with a 25% margin	50,000,000	(50,000,000)	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

**7.1.1** On 18 March 2010, the terms of the redemption of principal outstanding balance and payment of profit thereon were restructured. Under the revised terms, principal redemptions were to commence from April 2010 in 48 equal monthly instalments payable in arrears, and profit was to be payable at the rate of 6% for the first eighteen months commencing from the date of restructuring and at the rate of 1 month KIBOR thereafter. The revised agreement was restructured with effect from 19 March 2011 under which, all future profit payments as per the first restructuring agreement were waived and the redemptions of the outstanding principal balance were to be continued to be made as per the original restructuring agreement. During the year ended 30 June 2012, the terms of the agreement were revised for the third time, whereby, the remaining principal became payable in 120 equal monthly instalments commencing from 19 February 2012. The outstanding balance has been fully provided as on 30 June 2017.

**7.1.2** As per the terms of the sukuk agreement, the principal was to be repaid in 14 equal quarterly instalments beginning from the 21st month following the date of disbursement, whereas, profit was payable semi-annually in arrears. However, principal payments have been overdue since 2008 and, accordingly, the sukuk has been classified under the 'loss' category of non-performing assets as per the requirements of the Prudential Regulations for Modarabas. Consequently, the management has retained a provision at the rate of 100 percent in respect of the said investment and has suspended the accrued profit upto 30 June 2017.

	Note	30 June 2017	30 June 2016
		(Rupees)	
<b>7.1.3</b>	<b>Movement in provision against sukuk certificates</b>		
Opening balance		57,701,835	57,701,835
Provision for the year		-	-
Closing balance		<u>57,701,835</u>	<u>57,701,835</u>

## 8 DIMINISHING MUSHARIKA

	Note	30 June 2017	30 June 2016
		(Rupees)	
Staff			
- Housing finance		95,389,320	55,254,422
- Others		<u>2,760,819</u>	<u>1,903,057</u>
	8.1 & 8.2	<u>98,150,139</u>	<u>57,157,479</u>
Others			
- Housing finance - Other individuals		<u>620,937,375</u>	<u>676,804,655</u>
- Others - corporate customers		<u>278,584,818</u>	<u>465,384,547</u>
		<u>899,522,193</u>	<u>1,142,189,202</u>
		<u>997,672,332</u>	<u>1,199,346,681</u>
Less: Current portion of Diminishing Musharika		<u>(102,085,412)</u>	<u>(169,798,936)</u>
		<u>895,586,920</u>	<u>1,029,547,745</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

- 8.1 These represent finance provided to employees and officers of the Modaraba under Diminishing Musharika arrangement for renovation, construction and purchase of house and other consumer durables. These carry profit at rates ranging between 8.14% and 9.36% (2016: 9.06% and 9.54%) per annum and are repayable on monthly basis over a maximum period of 20 years (2016: 20 years). The maximum aggregate amounts due from officers and employees at the end of any month during the year was Rs. 98.681 million (2016: Rs. 57.838 million).

This includes Diminishing Musharika facility availed by key management personnel with respect to housing finance and personal finance amounted to Rs. 66.937 million (2016: Rs. 33.411 million) and Rs. 1.717 million (2016: Rs. 1.118 million) respectively.

8.2	Reconciliation of carrying amounts of finance provided to employees and officers under diminishing musharika arrangement	Note	30 June 2017	30 June 2016
			(Rupees)	
	Opening balance		57,157,479	34,852,116
	Disbursements during the year		49,593,020	34,412,570
	Receipts during the year		(8,600,360)	(12,107,207)
	Closing balance		98,150,139	57,157,479
8.3 Movement in provision against Diminishing Musharika				
	Opening balance		-	23,083,029
	Reversal of provision during the year		-	(23,083,029)
	Closing balance		-	-

## 9 IJARAH FINANCE

		30 June 2017	30 June 2016
		(Rupees)	
Ijarah contracts commencing on or after 1 July 2008			
- accounted for under IFAS 2	9.1 & 9.2	4,451,014,738	3,638,045,852
Ijarah contracts prior to 1 July 2008			
- accounted for as finance leases		370,000	370,000
Less: Current portion of net investment in Ijarah finance	9.3	(370,000)	(370,000)
		-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### 9.1 Assets under Ijarah arrangements

The following is a statement of Ijarah assets:

#### At 01 July 2016

Cost  
Accumulated depreciation  
Impairment against Ijarah assets  
Net book value

Additions

Disposals

Cost  
Depreciation

Depreciation charge for the year

Closing net book value

#### At 30 June 2017

Cost  
Accumulated depreciation  
Impairment against Ijarah assets  
Net book value

Depreciation rate (% per annum)

#### Year ended 30 June 2017

##### Ijarah assets

Plant, machinery and equipment	Motor vehicles	Total
(Rupees)		
3,324,054,731	3,200,334,999	6,524,389,730
(1,580,629,405)	(1,289,653,891)	(2,870,283,296)
(16,060,582)	-	(16,060,582)
1,727,364,744	1,910,681,108	3,638,045,852
1,399,631,537	1,482,479,342	2,882,110,879
(947,862,986)	(770,969,356)	(1,718,832,342)
654,148,953	486,235,945	1,140,384,898
(293,714,033)	(284,733,411)	(578,447,444)
(742,188,521)	(748,506,028)	(1,490,694,549)
2,091,093,727	2,359,921,011	4,451,014,738
3,775,823,280	3,911,844,985	7,687,668,265
(1,668,668,971)	(1,551,923,974)	(3,220,592,945)
(16,060,582)	-	(16,060,582)
2,091,093,727	2,359,921,011	4,451,014,738
16.67% to 50%	16.67% to 50%	

#### Year ended 30 June 2016

##### Ijarah assets

Plant, machinery and equipment	Motor vehicles	Total
(Rupees)		
At 01 July 2015		
Cost	3,232,582,801	3,199,069,108
Accumulated depreciation	(1,580,582,430)	(1,295,079,305)
Impairment against Ijarah assets	(17,360,582)	-
Net book value	1,634,639,789	1,903,989,803
3,538,629,592		
Additions	881,099,618	927,137,856
1,808,237,474		
Disposals		
Cost	(789,627,688)	(925,871,965)
Depreciation	721,124,322	664,133,148
(68,503,366)	(261,738,817)	(330,242,183)
Depreciation charge for the year	(721,171,297)	(658,707,734)
Reversal of impairment against Ijarah assets	1,300,000	-
Closing net book value	1,727,364,744	1,910,681,108
3,638,045,852		
At 30 June 2016		
Cost	3,324,054,731	3,200,334,999
Accumulated depreciation	(1,580,629,405)	(1,289,653,891)
Impairment against Ijarah assets	(16,060,582)	-
Net book value	1,727,364,744	1,910,681,108
3,638,045,852		
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

- 9.2 The Modaraba has entered into various Ijarah agreements for periods ranging from 2 to 6 years (2016: 2 to 6 years). Security deposits ranging between 0% and 50% (2016: 0% and 50%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah finance ranges between 7.47% and 12.16% (2016: 7.2% and 13.12%) per annum.

### 9.3 Net investment in Ijarah finance

Note	As at 30 June 2017			As at 30 June 2016		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
	(Rupees)					
Minimum Ijarah payments receivable	1,264,599	-	1,264,599	1,264,599	-	1,264,599
Add: Residual value	370,000	-	370,000	370,000	-	370,000
Gross investment in Ijarah finance	1,634,599	-	1,634,599	1,634,599	-	1,634,599
Less: Unearned finance income	-	-	-	-	-	-
Allowance for potential Ijarah losses	9.4 1,134,443	-	1,134,443	1,134,443	-	1,134,443
Suspended income	9.5 130,156	-	130,156	130,156	-	130,156
Net Investment in Ijarah finance	370,000	-	370,000	370,000	-	370,000

### 9.4 Allowance for potential Ijarah losses

	30 June 2017			30 June 2016		
	Specific	General	Total	Specific	General	Total
	(Rupees)					
Opening balance	1,134,443	-	1,134,443	1,134,443	-	1,134,443
Charge for the year	-	-	-	-	-	-
Reversal during the year	-	-	-	-	-	-
Closing balance	1,134,443	-	1,134,443	1,134,443	-	1,134,443

As at 30 June 2017, Ijarahs with outstanding principal amounting to Rs. 1.134 million (2016: Rs. 1.134 million) have been classified as non-performing as per the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

### 9.5 Suspended income - net investment in Ijarah finance

	30 June 2017	30 June 2016
	(Rupees)	
Balance at the beginning of the year	130,156	130,156
Income suspended during the year	-	-
Reversals during the year	-	-
	130,156	130,156

### 9.6 Contractual rentals receivable - Ijarah contracts commencing on or after 1 July 2008

	As at 30 June 2017				As at 30 June 2016			
	Not later than one year	Later than one year and not later than five years	Later than five years	Total	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	(Rupees)							
Rentals receivable	1,702,615,693	2,622,841,594	226,376	4,325,683,663	1,617,511,564	1,927,491,886	91,974	3,545,095,424
Residual value	280,689,635	641,950,234	150,000	922,789,869	212,185,510	549,409,794	113,000	761,708,304
Total future Ijarah payments receivable	1,983,305,328	3,264,791,828	376,376	5,248,473,532	1,829,697,074	2,476,901,680	204,974	4,306,803,728

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017	30 June 2016
<b>10 FIXED ASSETS IN OWN USE</b>			
		<b>(Rupees)</b>	
Tangible assets	10.1	<b>22,839,962</b>	30,904,194
Intangible assets	10.1	<b>2,040,388</b>	9,279,943
		<b>24,880,350</b>	<b>40,184,137</b>

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

	Year ended 30 June 2017					Intangible assets
	Tangible assets				Total	Computer software
	Leased hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		
<b>(Rupees)</b>						
At 01 July 2016						
Cost	11,210,008	6,479,502	16,405,553	353,500	34,448,563	29,974,763
Accumulated depreciation / amortisation	(186,835)	(281,257)	(2,722,777)	(353,500)	(3,544,369)	(20,694,820)
Net book value	11,023,173	6,198,245	13,682,776	-	30,904,194	9,279,943
Additions	-	-	375,000	-	375,000	-
Disposals						
Cost	-	-	(170,990)	(353,500)	(524,490)	-
Depreciation / amortisation	-	-	170,990	353,500	524,490	-
Depreciation / amortisation charge for the year	(2,055,185)	(2,311,999)	(4,072,048)	-	(8,439,232)	(7,239,555)
Closing net book value	8,967,988	3,886,246	9,985,728	-	22,839,962	2,040,388
At 30 June 2017						
Cost	11,210,008	6,479,502	16,609,563	-	34,299,073	29,974,763
Accumulated depreciation / amortisation	(2,242,020)	(2,593,256)	(6,623,835)	-	(11,459,111)	(27,934,375)
Net book value	8,967,988	3,886,246	9,985,728	-	22,839,962	2,040,388
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%
	Year ended 30 June 2016					Intangible assets
	Tangible assets				Total	Computer software
	Leased hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		
<b>(Rupees)</b>						
At 01 July 2015						
Cost	-	1,589,442	5,801,798	353,500	7,744,740	28,133,807
Accumulated depreciation / amortisation	-	(1,589,442)	(5,756,996)	(304,394)	(7,650,832)	(13,716,845)
Net book value	-	-	44,802	49,106	93,908	14,416,962
Additions	11,210,008	6,375,342	14,032,099	-	31,617,449	3,193,653
Disposals						
Cost	-	(1,485,282)	(3,428,344)	-	(4,913,626)	(1,352,697)
Depreciation / amortisation	-	1,485,282	3,428,344	-	4,913,626	1,352,697
Depreciation / amortisation charge for the year	(186,835)	(177,097)	(394,125)	(49,106)	(807,163)	(8,330,672)
Closing net book value	11,023,173	6,198,245	13,682,776	-	30,904,194	9,279,943
At 30 June 2016						
Cost	11,210,008	6,479,502	16,405,553	353,500	34,448,563	29,974,763
Accumulated depreciation / amortisation	(186,835)	(281,257)	(2,722,777)	(353,500)	(3,544,369)	(20,694,820)
Net book value	11,023,173	6,198,245	13,682,776	-	30,904,194	9,279,943
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

10.2 During the years ended 30 June 2017 and 2016, there were no disposals of fixed assets having net book value exceeding 50,000 individually.

### 11 MUSHARIKA FINANCE

	Note	30 June 2017	30 June 2016
		(Rupees)	
Musharika - secured	11.1	-	9,662,350

11.1 The total facility for Musharika finance available from Standard Chartered Bank (Pakistan) Limited (holding Company of the Management Company till 20 June 2016) amounts to Rs. NIL (2016: Rs. 500 million) and carries profit of Rs. NIL (2016: Re. 0.2013) per rupee one thousand per day. The facility is secured against a specific charge over moveable leased out assets of the Modaraba along with the associated receivables and has matured on 31 December 2016. The renewal of the facility is in process.

### 12 TERM FINANCE ARRANGEMENTS

	Note	30 June 2017	30 June 2016
		(Rupees)	
Musharika Term Finance	12.1 & 12.2	947,000,000	318,545,829
Less: Current portion of Musharika Term Finance		(200,000,000)	(168,545,829)
		<u>747,000,000</u>	<u>150,000,000</u>

#### 12.1 Term Finance

Bank	Limit in Rupees	Profit rate (per rupee one thousand per day)	Frequency of mark-up payment	Tenor	30 June 2017	30 June 2016
					(Rupees)	
Meezan Bank limited	475,000,000	0.1688-0.1844	Quarterly	3 years	450,000,000	318,545,829
Bank Al-Falah Limited	500,000,000	0.1849	Quarterly	3 years	497,000,000	-
					<u>947,000,000</u>	<u>318,545,829</u>

12.2 The aforementioned facilities are secured against exclusive hypothecation over specific movable leased out assets and the rentals receivable in respect of such assets.

### 13 SECURITY DEPOSITS

	As on 30 June 2017			As on 30 June 2016		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
	(Rupees)					
Security deposits (note 13.1)	370,000	829,982,770	830,352,770	370,000	657,517,297	657,887,297
Less: Repayable / adjustable after one year	-	597,408,179	597,408,179	-	463,776,888	463,776,888
Current portion	<u>370,000</u>	<u>232,574,591</u>	<u>232,944,591</u>	<u>370,000</u>	<u>193,740,409</u>	<u>194,110,409</u>

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

14 CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	30 June 2017	30 June 2016
		(Rupees)	
Payable to Management Company for:			
- Remuneration for management	14.1	13,596,384	19,938,649
- Reimbursement of rent		962,661	-
		14,559,045	19,938,649
Profit payable on:			
- Redeemable capital		24,901,305	42,576,376
- Musharika finance		-	8,915
- Musharika term finance arrangements		3,241,142	1,637,570
Accrued expenses		16,398,803	16,032,216
Amounts refundable to lessees		84,339,380	93,977,380
Amount received against Certificates of Musharika		1,580,159	3,047,879
Penalty payable to charity		363,284	3,938,489
Commission payable on Certificate of Musharika		1,923,333	8,309,040
Provision for Workers' Welfare Fund	14.2 & 14.3	13,642,561	21,283,449
Others		37,769,268	38,375,104
		198,718,280	249,125,067
14.1 Amounts due to ORIX Services Pakistan (Private) Limited (formerly Standard Chartered Services of Pakistan (Private) Limited) as at 30 June 2017 aggregated to Rs 14.56 million (2016: Rs 19.94 million).			
14.2 Vide letter no. SRB /DC-A(W)/2017/Rep/4760 dated 16 January 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 31 December 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 an appeal with the Honorable Sindh High Court which is pending to date. The management has accrued for WWF liability for the period from 2014 to 2017 in these financial statements considering it as prudent.			
14.3 The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. Accordingly, the provision against Federal Workers' Welfare Fund for the period from 2008 to 2013 has been reversed.			
15 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED	Note	30 June 2017	30 June 2016
		(Rupees)	
Certificates of Musharika	15.1	2,750,750,000	2,793,605,000
Less: Current portion of redeemable capital		(2,750,550,000)	(2,110,325,000)
		200,000	683,280,000

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

15.1 These carry estimated share of profit payable ranging between Re. 0.1438 to Re. 0.1726 (2016: Re. 0.1575 to Re. 0.1863) per thousand per day and are due to mature latest by 15 October 2018 (2016: 18 June 2018).

15.2 During the year profit allocated to different categories / tiers of the COM holders ranges from Re. 0.0411 to Re. 0.1726 (2016: Re. 0.0548 to Re. 0.1863) per thousand per day.

### 16 CERTIFICATE CAPITAL

Authorised certificate capital

30 June 2017	30 June 2016		30 June 2017	30 June 2016
Number of certificates			(Rupees)	
<b>50,000,000</b>	<b>50,000,000</b>	Modaraba certificates of Rs 10 each	<b>500,000,000</b>	500,000,000
Issued, subscribed and paid-up capital				
<b>28,500,000</b>	<b>28,500,000</b>	Modaraba certificates of Rs 10 each fully paid in cash	<b>285,000,000</b>	285,000,000
<b>16,883,530</b>	<b>16,883,530</b>	Modaraba certificates of Rs 10 each issued as fully paid bonus certificates	<b>168,835,300</b>	168,835,300
<b>45,383,530</b>	<b>45,383,530</b>		<b>453,835,300</b>	453,835,300

16.1 As at 30 June 2017, ORIX Services Pakistan (Private) Limited (formerly Standard Chartered Services of Pakistan (Private) Limited) (the Management Company) and ORIX Leasing Pakistan Limited held 4,538,353 and 4,538,353 (2016: 4,538,353) certificates of Rs. 10 each respectively.

### 17 RESERVES

Reserves include statutory reserves which represent profits set aside by the Modaraba to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year, the Modaraba has transferred an amount of Rs. 6.412 million (2016: Rs. 8.656 million) which represents 5% (2016: 5%) of the profit after taxation for the year.

### 18 CONTINGENCIES AND COMMITMENTS

#### 18.1 Commitments

The Modaraba has issued letters of comfort to various commercial banks on behalf of its customers at year end as mentioned below:

30 June 2017		
Customer Name	Amount (Rupees)	Name of Financial Institutions
Letopical	37,000,000	Habib Metropolitan Bank
Safina Foods (Private) Limited	27,241,440	Bank Islami Pakistan Limited
Hussain Can (Private) Limited	1,536,650	Standard Chartered Bank(Pakistan) Limited
	<b>65,778,090</b>	

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

30 June 2016

Customer Name	Amount (Rupees)	Name of Financial Institutions
---------------	--------------------	--------------------------------

Maqsood Faisal Printing Press (Private) Limited 21,915,000 Habib Metropolitan Bank

	Note	30 June 2017	30 June 2016
		(Rupees)	
<b>19 FINANCIAL CHARGES</b>			
Profit on redeemable capital		157,810,192	162,505,216
Profit on term finance arrangements		16,484,696	27,738,759
Profit on Musharika finance		49,671	48,153
Commission and Others		29,065,660	32,657,497
Bank charges		167,388	66,161
		<b>203,577,607</b>	<b>223,015,786</b>
<b>20 OTHER INCOME</b>			
Gain on disposal of Ijarah assets		44,214,568	21,841,103
Documentation fee		12,357,483	4,948,004
Gain on disposal of fixed assets		1,052,500	51,000
Others	20.1	499,088	306,612
		<b>58,123,639</b>	<b>27,146,719</b>

20.1 This includes processing and miscellaneous fees against Ijarah and Diminishing Musharika disbursements.

<b>21 ADMINISTRATIVE AND OPERATING EXPENSES</b>	Note	30 June 2017	30 June 2016
		(Rupees)	
Salaries and other staff benefits	21.1 & 26	87,044,834	72,176,710
Depreciation / amortisation on fixed assets in own use	10.1	15,678,787	9,137,835
Rent		962,661	-
Advertising, travelling and entertainment		1,416,805	1,585,269
Postage		1,187,607	1,102,139
Telecommunication		3,540,130	664,168
Printing and stationery		2,229,687	1,813,077
Legal and professional		4,738,985	3,805,647
Repairs and maintenance		7,608,446	5,688,677
Charges by associated undertaking	21.2	-	5,782,726
Subscriptions		1,054,327	1,109,796
Auditors' remuneration	21.3	931,000	919,400
Certificate of Musharika trustee fee		741,594	860,579
Insurance - own assets		227,124	63,976
Sundry expenses		3,002,903	1,840,634
		<b>130,364,890</b>	<b>106,550,633</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

- 21.1 Salaries and other staff benefits include Rs. 3.051 million and Rs. 2.532 million (2016: Rs. 2.511 million and Rs. 2.070 million) on account of the Modaraba's contribution to the staff provident fund and staff gratuity fund respectively.
- 21.2 This represents information technology related charges, utilities and other general expenses reimbursable to Standard Chartered Bank (holding Company of the Management Company till 20 June 2016) by the Modaraba under a Service Level Agreement. Office space and related expenditure are borne by the Management Company.

	30 June 2017	30 June 2016
<b>21.3 Auditors' remuneration</b>	<b>(Rupees)</b>	
Statutory audit fee	<b>595,350</b>	567,000
Half yearly review fee	<b>170,100</b>	162,000
Fee for review of compliance with the Code of Corporate Governance	<b>56,700</b>	64,800
Fee for other certifications	<b>37,800</b>	32,400
Out of pocket expenses	<b>71,050</b>	93,200
	<b>931,000</b>	919,400

## 22 MANAGEMENT COMPANY'S REMUNERATION

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended 30 June 2017 has been recognised at 10% (2016: 10%) of the profit for the year before charging such remuneration.

## 23 PROVISION FOR SERVICES SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated 22 April 2013, the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at applicable rates with effect from 1 November 2011. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order. The Appellate Tribunal SRB through its order dated 19 February 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 8 April 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 Order dated 13 October 2016 has stopped the assessing authorities to pass any final order till the culmination of its proceedings. The case is pending to date.

## 24 TAXATION

The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 35, no provision for taxation has been made in these financial statements during the current year.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25 EARNINGS PER CERTIFICATE - BASIC AND DILUTED	30 June 2017	30 June 2016
	(Rupees)	
<b>Basic</b>		
Profit for the year after taxation	<b>128,240,814</b>	173,123,302
	(Number)	
Weighted average number of certificates outstanding during the year	<b>45,383,530</b>	45,383,530
	(Rupees)	
Earnings per certificate	<b>2.83</b>	3.81

### Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at 30 June 2017 and 2016 which would have any effect on the earnings per certificate if the option to convert is exercised.

26 REMUNERATION OF OFFICERS	Note	30 June 2017	30 June 2016
		(Rupees)	
Remuneration and staff retirement benefits		<b>84,581,290</b>	70,230,792
Medical expenses		<b>660,872</b>	511,393
Other benefits		<b>1,802,672</b>	1,434,525
	26.1	<b>87,044,834</b>	72,176,710
		(Number)	
Number of employees at the end of the year			
- Permanent		<b>33</b>	31
- On contractual basis		<b>13</b>	14
		<b>46</b>	45

26.1 It includes remuneration paid to all executives other than Chief Executive who is in employment with the Management Company of Modaraba.

## 27 FINANCIAL RISK MANAGEMENT

The Modaraba has exposures to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors of the management company have overall responsibility for the establishment and oversight of Modaraba risk framework. The Board of management company is also responsible for developing and monitoring the modaraba risk management policies.

## FOR THE YEAR ENDED 30 JUNE 2017

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates will effect the Modaraba's income or the value of its holdings of financial instruments.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at 30 June 2017 financial liabilities of Rs. Nil (2016: Rs Nil) are payable in US dollars which are exposed to foreign currency risk.

As at 30 June 2017, if the Pakistani Rupee had weakened / strengthened by 5% against foreign currencies with all other variables held constant, there would not have been a significant impact on profit for the year after taxation.

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

#### On-balance sheet variable rate financial instruments

### Financial assets

### Financial liabilities

On-balance sheet gap	(3,325,549,099)	286,188,968	(293,270,431)	(2,001,757,244)	(417,464,646)	565,851,566	(1,465,097,312)
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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

As at 30 June 2016								
Effective yield / profit rate %	Total	Exposed to yield / profit rate risk					Not exposed to yield / profit rate risk	
		Upto one month	Over one month to three months	Over three months to one year (Rupees)	Over one year to five years	Over five years		
<hr/>								
On-balance sheet financial instruments								
Financial assets								
Cash and bank balances	2.94% - 5.75%	266,801,857	216,694,700	-	-	-	-	50,107,157
Ijarah rentals receivable	-	91,936,767	-	-	-	-	-	91,936,767
Advances, deposits and other receivables	-	9,847,846	-	-	-	-	-	9,847,846
Diminishing Musharika	7.60%-9.75%	1,199,346,681	20,211,167	10,067,844	139,519,925	437,760,763	591,786,982	-
Investment in Sukuk certificates	-	-	-	-	-	-	-	-
Taxation recoverable	-	23,670,115	-	-	-	-	-	23,670,115
Total		1,591,603,266	236,905,867	10,067,844	139,519,925	437,760,763	591,786,982	175,561,885
Financial liabilities								
Musharika finance	7.35%-7.97%	9,662,350	9,662,350	-	-	-	-	-
Term finance arrangements	6.25% - 7.42%	318,545,829	-	59,272,916	109,272,913	150,000,000	-	-
Security deposits	-	657,887,297	-	-	-	-	-	657,887,297
Creditors, accrued and other liabilities	-	227,841,618	-	-	-	-	-	227,841,618
Redeemable capital	5.75% - 6.80%	2,793,605,000	2,400,000	317,340,000	1,790,585,000	599,045,000	-	84,235,000
Unclaimed profit distribution	-	39,524,051	-	-	-	-	-	39,524,051
Advance Ijarah rentals received	-	54,604,114	-	-	-	-	-	54,604,114
Total		4,101,670,259	12,062,350	376,612,916	1,899,857,913	749,045,000	-	1,064,092,080
On-balance sheet gap		(2,510,066,993)	224,843,517	(366,545,072)	(1,760,337,988)	(311,284,237)	591,786,982	(888,530,195)

### Cash flow sensitivity analysis for variable rate instruments

In case of 100 basis points increase / decrease in profit rates on the last repricing date of variable rate instruments (other than savings deposits) with all other variables held constant, the following will be the impact on the profit and loss account and the equity of the Modaraba:

	As at 30 June 2017		As at 30 June 2016	
	Increase of 100 basis points	Decrease of 100 basis points	Increase of 100 basis points	Decrease of 100 basis points
(Rupees)				
Variable rate financial assets	46,435,442	(46,435,442)	45,436,713	(45,436,713)
Variable rate financial liabilities	(31,808,805)	31,808,805	(30,544,280)	30,544,280
Net effect on profit and loss	14,626,637	(14,626,637)	14,892,433	(14,892,433)

The composition of the Modaraba's portfolio of financial instruments and profit rates are expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2017 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

There are no fixed rate financial instruments at 30 June 2017 and 30 June 2016.

#### 27.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As on 30 June 2017 and 30 June 2016, the Modaraba did not hold any instruments which exposed it to price risk.

### 27.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and 'accrued interest thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Modaraba rules and regulations. The carrying amount of financial assets represents the maximum credit exposure at the reporting date.

		30 June 2017	30 June 2016
		(Rupees)	
<b>Financial Assets</b>			
Cash and bank balances		367,264,622	266,751,857
Ijarah rentals receivable	27.2.1	91,089,736	91,936,767
Advances, deposits and other receivables		8,186,748	9,847,846
Diminishing musharika		997,672,332	1,199,346,681
		<b>1,464,213,438</b>	<b>1,567,883,151</b>

27.2.1 As at 30 June 2017 and 30 June 2016, Ijarah rental receivables are pledged as collateral against musharika finance and term finance.

### Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations (PRs) for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of its Ijarah and Diminishing Musharika arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

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

### Credit risk ratings

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

	30 June 2017	30 June 2016
	(Rupees)	
<b>Bank balances</b>		
AAA	367,121,426	61,800,003
AA+	112,600	204,894,836
AA	16	10,702
A+	-	914
A1+	508	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### Impairment losses and past due balances

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

	As at 30 June 2017			As at 30 June 2016		
	Not Past Due Amount	Past Due Amount (1-179 Days)	Total outstanding amount	Not Past Due Amount	Past Due Amount (1-179 Days)	Total outstanding amount
	(Rupees)			(Rupees)		
Ijarah rentals receivable	71,749,882	19,339,854	91,089,736	60,825,152	31,111,615	91,936,767

27.2.2 An analysis of the portfolio of the Modaraba that is classified as non-performing as per the requirements of the PRs for Modarabas is as follows:

	As at 30 June 2017				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	(Rupees)				
Ijarah rentals receivable (being principal outstanding)	-	-	-	34,473,005	34,473,005
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Sukuk Certificates	-	-	-	57,701,835	57,701,835

	As at 30 June 2016				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	(Rupees)				
Ijarah rentals receivable	-	-	-	40,244,418	40,244,418
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Sukuk Certificates	-	-	-	57,701,835	57,701,835

Impairment is recognised by the Modaraba based on the provisioning requirements of the Prudential Regulation for Modarabas issued by the SECP which includes subjective evaluation of the portfolio of the Modaraba on an on-going basis. The Modaraba also performs a subjective evaluation of performing and non-performing advances / loans / lease portfolio based on past experience, repayment patterns and consideration of financial positions of counter parties and has the option of to downgrade the category of classification determined on the basis of PRs. A reconciliation of provision made during the year in respect of financial assets is given in notes 7.1.3, 8.3 and 9.4.

### 27.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modarabas total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Details of the industrial sector analysis of gross investment portfolio including Ijarah assets are as follows:

Sectors	30 June 2017		30 June 2016	
	(Rupees)	%	(Rupees)	%
Confectionery	4,430,449	0.09%	45,468,571	1.07%
Fast Moving Consumer Goods (FMCGs) / Food and Allied	251,455,436	5.36%	147,960,500	3.48%
Services	654,040,886	13.93%	471,367,938	11.08%
Fertilizers	36,460,272	0.78%	61,918,555	1.46%
Chemicals	126,757,429	2.70%	181,658,797	4.27%
Sugar	120,565,440	2.57%	472,674,632	11.11%
Bottlers	10,395,508	0.22%	24,036,370	0.56%
Textile	215,706,647	4.60%	235,796,252	5.54%
Travel, transport, storage	144,601,475	3.08%	107,255,436	2.52%
Printing, publishing and packages	286,618,493	6.11%	126,878,937	2.98%
Individuals	1,196,915,121	25.50%	1,036,815,308	24.37%
Automobile	35,216,719	0.75%	38,990,930	0.92%
Financial institutions	172,104,724	3.67%	19,196,274	0.45%
Power, energy, water	94,895,890	2.02%	161,620,169	3.80%
Gas	90,390,778	1.93%	109,421,005	2.57%
Pharmaceuticals	147,334,523	3.14%	104,893,200	2.47%
Steel	146,518,051	3.12%	19,832,587	0.47%
Engineering	308,033,540	6.56%	19,706,564	0.46%
Plastic	169,205,397	3.60%	291,532,499	6.85%
Distribution	1,856,770	0.04%	4,712,701	0.11%
Dairy, Farming and Allied	5,005,607	0.11%	11,679,755	0.27%
Leather / Tyre and Rubber	88,655,027	1.89%	37,304,085	0.88%
Poultry / Poultry Feeds	100,854,996	2.15%	249,012,290	5.85%
Petroleum and Allied	73,745,903	1.57%	77,629,159	1.82%
Others	211,966,235	4.52%	197,539,738	4.64%
	<b>4,693,731,316</b>	<b>100.00%</b>	<b>4,254,902,252</b>	<b>100.00%</b>

	Note	30 June 2017	30 June 2016
		(Rupees)	
Investment in Ijarah finance / assets under Ijarah arrangements		4,451,384,738	3,638,415,852
Less: Security deposits held	13	(830,352,770)	(657,887,297)
Add: Impairment against Ijarah assets	9.1	16,060,582	16,060,582
Add: Allowance for potential Ijarah losses	9.4	1,134,443	1,134,443
Add: Mark-up held in suspense	9.5	130,156	130,156
		<b>3,638,357,149</b>	<b>2,997,853,736</b>
Investment in Sukuk certificates	7	-	-
Add: Provision in respect of sukuk certificates	7	57,701,835	57,701,835
		<b>57,701,835</b>	<b>57,701,835</b>
Investment in Diminishing Musharika	8	997,672,332	1,199,346,681
Add: Provision in respect of Diminishing Musharika	8	-	-
		<b>997,672,332</b>	<b>1,199,346,681</b>
		<b>4,693,731,316</b>	<b>4,254,902,252</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### 27.3 Liquidity risk

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

The following are the contractual maturities of financial liabilities, including interest payments:

	2017						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
Financial liabilities	(Rupees)						
Musharika finance	-	-	-	-	-	-	-
Term finance arrangements	947,000,000	(947,000,000)	-	50,000,000	150,000,000	747,000,000	-
Security deposits	830,352,770	(830,352,770)	(109,537,110)	(25,381,849)	(98,025,633)	(597,258,178)	(150,000)
Creditors, accrued and other liabilities	198,718,280	(185,075,719)	(185,075,719)	-	-	-	-
Redeemable capital	2,750,750,000	(2,750,750,000)	(566,505,000)	(249,850,000)	(1,934,195,000)	(200,000)	-
Unclaimed profit distribution	45,495,028	(45,495,028)	-	-	-	-	-
Advance Ijarah rentals received	39,856,039	(39,856,039)	-	-	-	-	-
		(4,798,529,556)	(861,117,829)	(225,231,849)	(1,882,220,633)	149,541,822	(150,000)

	2016						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
Financial liabilities	(Rupees)						
Musharika finance	9,662,350	(9,662,350)	(9,662,350)	-	-	-	-
Term finance arrangements	318,545,829	(341,726,968)	-	(64,336,025)	(119,180,327)	(158,210,616)	-
Security deposits	657,887,297	(657,887,297)	(62,814,403)	(15,018,767)	(107,540,838)	(472,230,945)	(113,000)
Creditors, accrued and other liabilities	249,125,067	(227,841,618)	(227,841,618)	-	-	-	-
Redeemable capital	2,793,605,000	(2,968,127,755)	(43,182,272)	(983,633)	(53,007,328)	(2,870,954,522)	-
Unclaimed profit distribution	39,524,051	(39,524,051)	(39,524,051)	-	-	-	-
Advance Ijarah rentals received	54,604,114	(54,604,114)	(54,604,114)	-	-	-	-
		(4,299,374,153)	(437,628,808)	(80,338,425)	(279,728,493)	(3,501,396,083)	(113,000)

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

27.3.1 As disclosed in note 11 and 12, the short term and long term musharika finance is secured that contains certain covenants. A future breach of such covenants may require the Modaraba to repay the finance earlier than indicated above.

The profit payments on musharika finance as above reflect the current market profit rates at reporting date and these may change as the market profit rates change.

## 28 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2017		
	Loans and receivables	Held to maturity	Total
<b>ASSETS</b>	<b>(Rupees)</b>		
Cash and bank balances	367,303,155	-	367,303,155
Ijarah rentals receivable	91,089,736	-	91,089,736
Advances, deposits and other receivables	8,186,748	-	8,186,748
Diminishing musharika	997,672,332	-	997,672,332
Taxation recoverable	8,728,486	-	8,728,486
Investment in sukuk certificates	-	-	-
	<b>1,472,980,457</b>	<b>-</b>	<b>1,472,980,457</b>

	As at 30 June 2017		
	At fair value through profit or loss	Other financial liabilities	Total
<b>LIABILITIES</b>	<b>(Rupees)</b>		
Musharika finance	-	-	-
Term finance	-	947,000,000	947,000,000
Security deposits	-	830,352,770	830,352,770
Creditors, accrued and other liabilities	-	185,075,719	185,075,719
Redeemable capital	-	2,750,750,000	2,750,750,000
Unclaimed profit distribution	-	45,495,028	45,495,028
Advance Ijarah rentals received	-	39,856,039	39,856,039
	<b>-</b>	<b>4,798,529,556</b>	<b>4,798,529,556</b>

	As at 30 June 2016		
	Loans and receivables	Held to maturity	Total
<b>ASSETS</b>	<b>(Rupees)</b>		
Cash and bank balances	266,801,857	-	266,801,857
Ijarah rentals receivable	91,936,767	-	91,936,767
Advances, deposits and other receivables	9,847,846	-	9,847,846
Diminishing musharika	1,199,346,681	-	1,199,346,681
Taxation recoverable	23,670,115	-	23,670,115
Investment in sukuk certificates	-	-	-
	<b>1,591,603,266</b>	<b>-</b>	<b>1,591,603,266</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	As at 30 June 2016		
	At fair value through profit or loss	Other financial liabilities	Total
LIABILITIES	(Rupees)		
Musharika finance	-	9,662,350	9,662,350
Term finance	-	318,545,829	318,545,829
Security deposits	-	657,887,297	657,887,297
Creditors, accrued and other liabilities	-	227,841,618	227,841,618
Redeemable capital	-	2,793,605,000	2,793,605,000
Unclaimed profit distribution	-	39,524,051	39,524,051
Advance Ijarah rentals received	-	54,604,114	54,604,114
	-	4,101,670,259	4,101,670,259

### 29 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 30 June 2017 and 30 June 2016, there were no financial instruments which were measured at fair values in the financial statements.

29.1 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:

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

As at 30 June 2017

		Carrying value					Fair value				
		Held for trading	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees)									
Financial assets not measured at fair value											
Cash and bank balances	29.2	-	-	367,303,155	-	-	367,303,155	-	-	-	-
Ijarah rentals receivable	29.2	-	-	91,089,736	-	-	91,089,736	-	-	-	-
Advances, deposits and other receivables	29.2	-	-	8,186,748	-	-	8,186,748	-	-	-	-
Diminishing Musharika	29.2	-	-	997,672,332	-	-	997,672,332	-	-	-	-
Taxation recoverable	29.2	-	-	8,728,486	-	-	8,728,486	-	-	-	-
Investment in Sukuk certificates	29.2	-	-	-	-	-	-	-	-	-	-
Total		-	-	1,472,980,457	-	-	1,472,980,457				
Financial liabilities not measured at fair value											
Musharika finance	29.2	-	-	-	-	-	-	-	-	-	-
Term finance	29.2	-	-	-	-	947,000,000	947,000,000	-	-	-	-
Security deposits	29.2	-	-	-	-	830,352,770	830,352,770	-	-	-	-
Creditors, accrued and other liabilities	29.2	-	-	-	-	185,075,719	185,075,719	-	-	-	-
Redeemable capital	29.2	-	-	-	-	2,750,750,000	2,750,750,000	-	-	-	-
Unclaimed profit distribution	29.2	-	-	-	-	45,495,028	45,495,028	-	-	-	-
Advance Ijarah rentals received	29.2	-	-	-	-	39,856,039	39,856,039	-	-	-	-
Total		-	-	-	-	4,798,529,556	4,798,529,556				
30 June 2016											
		Carrying value					Fair value				
		Held for trading	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees)									
Financial assets not measured at fair value											
Cash and bank balances	29.2	-	-	266,801,857	-	-	266,801,857	-	-	-	-
Ijarah rentals receivable	29.2	-	-	91,936,767	-	-	91,936,767	-	-	-	-
Advances, deposits and other receivables	29.2	-	-	9,847,846	-	-	9,847,846	-	-	-	-
Diminishing Musharika	29.2	-	-	1,199,346,681	-	-	1,199,346,681	-	-	-	-
Taxation recoverable	29.2	-	-	23,670,115	-	-	23,670,115	-	-	-	-
Investment in Sukuk certificates	29.2	-	-	-	-	-	-	-	-	-	-
Total		-	-	1,591,603,266	-	-	1,591,603,266				
Financial liabilities not measured at fair value											
Musharika finance	29.2	-	-	-	-	9,662,350	9,662,350	-	-	-	-
Term finance	29.2	-	-	-	-	318,545,829	318,545,829	-	-	-	-
Security deposits	29.2	-	-	-	-	657,887,297	657,887,297	-	-	-	-
Creditors, accrued and other liabilities	29.2	-	-	-	-	227,841,618	227,841,618	-	-	-	-
Redeemable capital	29.2	-	-	-	-	2,793,605,000	2,793,605,000	-	-	-	-
Unclaimed profit distribution	29.2	-	-	-	-	39,524,051	39,524,051	-	-	-	-
Advance Ijarah rentals received	29.2	-	-	-	-	54,604,114	54,604,114	-	-	-	-
Total		-	-	-	-	4,101,670,259	4,101,670,259				

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### 30 CAPITAL RISK MANAGEMENT

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

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

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

	30 June 2017	30 June 2016
	(Rupees)	
Total borrowings	3,697,750,000	3,121,813,179
Less: Cash and bank balances	367,303,155	266,801,857
Net debt	3,330,446,845	2,855,011,322
Total equity	1,150,118,994	1,176,182,182
Total capital	4,480,565,839	4,031,193,504
Gearing ratio	74.33%	70.82%

### 31 SEGMENT INFORMATION

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

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

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

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

The Modaraba also has a diversified certificate holder population. As at 30 June 2017, there were only two (2016: two) certificate holders who each held equal to or more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (2016: 10% and 10%) respectively.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### 32 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 the 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:

	30 June 2017	30 June 2016
	(Rupees)	
<b>Standard Chartered Bank (Pakistan) Limited - Holding Company of the Management Company till 20 June 2016</b>		
Profit on Musharika finance	-	48,153
Profit on deposit account	-	2,164,572
Bank charges and commission	-	32,421,455
Service level agreement against rent and IT	-	5,782,726
Dividend	-	14,976,565
<b>ORIX Leasing Pakistan Limited - Holding Company of the Management Company after 20 June 2016</b>		
Dividend	15,430,400	-
<b>ORIX Services Pakistan (Private) Limited (formerly Standard Chartered Services of Pakistan (Private) Limited) - Management Company</b>		
Management Company's remuneration	13,596,384	19,938,649
Dividend	15,430,400	14,976,565
Rent reimbursement	962,661	-
<b>Staff retirement benefits funds</b>		
Contribution to the staff provident fund	3,050,638	2,510,902
Contribution to the staff gratuity fund	2,531,845	2,070,262
<b>Key management personnel</b>		
Salaries and benefits	35,835,863	31,760,298
Contributions to staff provident fund	1,368,008	1,087,137
Contributions to the staff gratuity fund	1,133,294	905,574
Income earned on DM finances to key management personnel	4,167,863	2,546,396
Ijarah rental earned on Ijarah finances to key management personnel	2,794,578	1,342,709
<b>Number of persons</b>	<b>8</b>	<b>8</b>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### 33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following amounts appearing on the balance sheet:

	Note	30 June 2017	30 June 2016
		(Rupees)	
Cash and bank balances	4	367,303,155	266,801,857
Musharika finance	11	-	(9,662,350)
		<b>367,303,155</b>	<b>257,139,507</b>

### 34 CORRESPONDING FIGURES

Following rearrangements / reclassifications have been made in the corresponding figures to these financial statements besides other immaterial rearrangements / reclassifications that is considered necessary for better comparison and understanding.

- Provision for Workers' Welfare Fund previously netted off with Taxation recoverable is now separately reclassified in Creditors, Accrued & Other Liabilities as a separate line item in Note 14.

- In Note 21.3, impact of sales tax on various fee have been rearranged within appropriate fee components.

### 35 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on August 30, 2017 approved a cash distribution of Rs. 2.7 (2016: Rs. 3.4) per certificate. The financial statements of the Modaraba for the year ended 30 June 2017 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending 30 June 2018.

### 36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 30, 2017 by the Board of Directors of the Management Company.

### 37 GENERAL

37.1 Figures have been rounded off to the nearest rupee unless otherwise stated.

37.2 The Modaraba has set up provident fund for its permanent employees and the contributions are made by the Modaraba to the fund. The total contribution made to the provident fund for the year ended 30 June 2017 was Rs.3.051 million (2016: Rs. 2.511 million). The audit of the provident fund for the year ended 30 June 2017 is in progress. The net assets based on audited financial statements of Provident Fund as at 30 June 2016 was Rs. 26.419 million out of which 81.6% was invested in different financial instruments categories. Currently all assets of the fund are valued at amortised cost. The cost and fair value as at 30 June 2017 of investments amount to Rs. 15.196 million and Rs. 22.923 million respectively.

For ORIX Services Pakistan (Private) Limited  
(formerly Standard Chartered Services of Pakistan (Private) Limited)  
(Management Company)

  
Chairman

  
Chief Executive

  
Director

## Glossary / List of Abbreviations

<b>ABC</b>	Anti Bribery & Corruption
<b>AIB</b>	Auto iBanker
<b>ALCO</b>	Asset and Liability Committee
<b>ARM</b>	Annual Review Meeting
<b>ATL</b>	Active Tax-payers List
<b>BCA</b>	Business Credit Application
<b>BIA</b>	Business Impact Analysis
<b>Board</b>	Board of Directors
<b>CCG</b>	Code of Corporate Governance
<b>CDC</b>	Central Depository Company of Pakistan Limited
<b>CDD</b>	Client's Due Diligence
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CNIC</b>	Computerised National Identity Card
<b>COM</b>	Certificate of Musharika
<b>CPEC</b>	China-Pakistan Economic Corridor
<b>CST</b>	Control Sample Testing
<b>DFI</b>	Development Finance Institution
<b>DM</b>	Diminishing Musharika
<b>EPC</b>	Earnings per Certificate
<b>EV</b>	Employee Volunteering
<b>FBR</b>	Federal Board of Revenue
<b>FIs</b>	Financial Institutions
<b>FX</b>	Foreign Exchange
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>HNW</b>	High Net Worth
<b>HR</b>	Human Resource
<b>HR&amp;R</b>	Human Resource and Remuneration
<b>ICAP</b>	The Institute of Chartered Accountant of Pakistan
<b>IFAC</b>	International Federation of Accountants
<b>IT</b>	Information Technology
<b>LRBT</b>	Layton Rahmatulla Benevolent Trust
<b>MBO</b>	Management by Objectives
<b>MCO</b>	Maximum Cumulative Outflows
<b>MTFR</b>	Medium Term Funding Ratio
<b>NBFI</b>	Non Banking Financial Institution
<b>NBV</b>	Net Book Value
<b>NTN</b>	National Tax Number
<b>OLPL</b>	ORIX Leasing Pakistan Limited
<b>ORIX</b>	ORIX Corporation
<b>ORIXM</b>	ORIX Modaraba
<b>PACRA</b>	Pakistan Credit Rating Agency Limited
<b>PICG</b>	Pakistan Institute of Corporate Governance
<b>PNL</b>	Profit and Loss Account
<b>PSX</b>	Pakistan Stock Exchange
<b>ROE</b>	Return on Equity
<b>Rs./ PKR</b>	Pakistani Rupees
<b>S.R.O</b>	Statutory Regulatory Order
<b>SBP</b>	State Bank of Pakistan
<b>SECP</b>	Securities and Exchange Commission of Pakistan
<b>SME</b>	Small and Medium Enterprises
<b>TAT</b>	Turnaround time
<b>TCF</b>	The Citizens Foundation
<b>VaR</b>	Value at risk

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Dear Certificate holder,

### ELECTRONIC CREDIT MANDATE (Mandatory)

We wish to inform you that in accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company/ modaraba to pay cash dividend to certificate holders only through electronic mode directly into the bank account designated by the entitled certificate holders. In this regard, the Securities and Exchange Commission of Pakistan vide its circular no. 18 of 2017 dated August 01, 2017, has granted listed companies/ modarabas **one time relaxation** from the aforementioned requirement for payment of cash dividend till October 31, 2017.

In order to receive your dividends directly into your Bank account, please complete the particulars as mentioned below and return the same duly signed along with a copy of your CNIC to the Registrar of the Modaraba M/s FAMCO Associates (Pvt.) Limited, 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

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

In case of non-communication of bank account details, the Modaraba would be constrained to act in accordance with the provisions of law, for withholding the amount of dividend which may be payable by the Modaraba on or after November 01, 2017.

**CDC certificate-holders are requested to submit their Dividend Mandate and CNIC directly to their broker (participant)/CDC.**

Yours faithfully,

Company Secretary  
ORIX MODARABA

#### CERTIFICATE- HOLDER SECTION:

I hereby communicate to receive my future dividends directly in my Bank account as detailed below:

Name of Certificate-holder :-----  
Folio Number / CDC Account No. :-----Entity: **ORIX MODARABA**  
Contact number of Certificate-holder :-----  
Title of Account :-----  
IBAN Number (see Note below) :-----  
Name of Bank :-----  
Bank branch & full mailing address :-----  
-----  
-----  
CNIC No. (copy attached) :-----  
NTN (in case of corporate entity) :-----

It is stated that the above particulars given by me are correct and to the best of my knowledge; I shall keep the Modaraba informed in case of any changes in the said particulars in future.

\_\_\_\_\_  
Certificate-Holder Signature

**Note:** Please provide complete IBAN Number, after checking with your concerned branch to enable electronic credit directly into your bank account.

The payment of cash dividend will be processed based on the account number alone. Your Modaraba is entitled to rely on the account number as per your instructions. The Modaraba shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and /or due to any event beyond the control of the Modaraba.

To  
The Share Registrar

*FAMCO ASSOCIATES (PVT) LTD.*

Registrars of ORIX Modaraba  
(Formerly Standard Chartered Modaraba)  
Famco Associates (Private) Limited  
8-F, Next to Hotel Faran, Nursery,  
Block 6, P.E.C.H.S., Shahr-e-Faisal,  
Karachi.



## **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](mailto: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.