

ORIX Modaraba
(Formerly Standard Chartered Modaraba)



3rd Quarterly Report

March 31, 2017

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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. Nadim D. Khan
Independent Director

Mian Faysal Riaz
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Nadim D. Khan
Chairman

Mr. Ramon Alfrey
Member

Mian Faysal Riaz
Member

Human Resource and Remuneration (HR&R) Committee

Mr. Nadim D. Khan
Chairman

Mr. Shaheen Amin
Member

Mr. Raheel Qamar Ahmad
Member

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)

Legal Advisors

Hyder Ali Khan
Partner, Advocate High Court
Fazle Ghani Advocates

Registered and Head Office:

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

Lahore Branch:

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

Islamabad Branch:

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

Registrars & Share Registration Office

Famco Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery,
Block 6, P.E.C.H.S., Shahra-e-Faisal,
Karachi.
Tel: (92-21) 34380101-5
Fax: (92-21) 34380106
Email: info.shares@famco.com.pk

Directors' Review

For the Nine Months Period Ended March 31, 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 (Formerly Standard Chartered Modaraba) is pleased to present the unaudited accounts for the nine months period ended March 31, 2017.

1. Economic Outlook

Pakistan's domestic economic activity is on upward trend from the start of this year supported by better agricultural output, increase in key large-scale manufacturing sectors, and a healthy uptake in the credit to private sector. This expansion is helped by a range of factors including low cost of inputs, upbeat economic sentiments, improved energy supplies and CPEC related investments. As a result, GDP growth is expected to further improve in FY17.

However, Pakistan's current account deficit is widening significantly due to increase in imports, which along with lack of any sustained improvement in exports and a small decline in remittances has pushed the current account deficit to US\$ 5.5 billion during Jul-Feb FY17. While net financial flows remained higher, these were not sufficient to finance the current account deficit.

Market interest rates were fairly low and stable during quarter ended March 31, 2017, which together with improved liquidity in the banking sector boosted private sector borrowings from commercial lenders. Accordingly, private sector credit increased by PKR 349 billion during Jul-Feb FY17 as compared to PKR 267 billion in the same period last year. Encouragingly, fixed investment category led the rise in private sector businesses loans by posting PKR 159 billion uptick during this period, compared to PKR 102 billion last year. Similarly, consumer financing also continued the uptrend in the first eight months of the current fiscal year

2. Financial Highlights

Financial results are summarized as under:

	March 31, 2017	June 30, 2016
	----- (PKR '000') -----	
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,120,479	1,176,182
Investment in Ijarah finance and Ijarah Assets	4,166,554	3,638,416
Investments in Diminishing Musharika and Sukuks	1,010,613	1,199,347
Redeemable capital	3,026,130	2,793,605
	Nine Months ended March 31, 2017	Nine Months ended March 31, 2016
	----- (PKR '000') -----	
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	342,344	369,462
Financial charges	155,527	167,743
Reversal of provisions-net	11,066	10,295
Operating expenses	96,017	73,262
Profit before Modaraba management company's remuneration	101,866	138,752
Net profit	98,601	120,475

3. Review of Operations

During the period under review the Modaraba's net profit decreased by 18.16% from PKR. 120.48 million to PKR. 98.60 million as compared to the corresponding period last year mainly due to reduction in margins between lending rate and borrowing rate and the fact that last year there was a one off recovery of an overdue debt. Gross revenue reduced by 7.34% from PKR 369.46 million to PKR 342.34 million, whereas, financial charges decreased by 7.28% from PKR 167.74 million to PKR 155.53 million. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 5,177 million compared to PKR. 4,838 million as at June 30, 2016 showing an increase of 7.02% within the nine months period. Your Modaraba continued focusing on raisings funds from the general public through Certificates of Musharika (CoMs). Thus, the balance of CoMs has increased by 8.32% to PKR. 3,026 million, as at March 31, 2017 as compared to PKR. 2,794 million as at June 30, 2016. The asset portfolio was also selectively enhanced and has a good mix of multi-nationals, large and medium sized local corporates and SME relationships.

Your Modaraba maintains a well diversified asset portfolio comprising of plant & machinery, motor vehicles and equipment. Moreover, the sector wise exposure is closely monitored. During the period under review, the Modaraba booked fresh disbursements to the tune of PKR 2,273 million as compared to PKR 1,719 million during the corresponding period last year.

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

4. Credit Rating

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

5. Acknowledgement

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



Shaheen Amin
Chairman
Karachi: April 24, 2017

ڈائریکٹرز کا جائزہ

۳۱ مارچ ۲۰۱۷ کو اختتام پذیر مدت کے لیے

اوریکس سروسز پاکستان (پرائیویٹ) لمیٹڈ (سابقہ اسٹینڈرڈ چارٹرڈ سروسز پاکستان (پرائیویٹ) لمیٹڈ) کے بورڈ آف ڈائریکٹرز، جو کہ اوریکس مضاربہ (سابقہ اسٹینڈرڈ چارٹرڈ مضاربہ) کی انتظامی کمپنی ہے، ۳۱ مارچ ۲۰۱۷ کو اختتام پذیر ۹ ماہ کی مدت کے غیر آڈٹ شدہ اکاؤنٹس (گوشوارے) پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

۱۔ اقتصادی منظر نامہ

سال کے آغاز سے ہی پاکستان کی ملکی معاشی سرگرمیوں میں اضافے کا رجحان رہا جس کی اعانت بہتر زرعی پیداوار، بڑے پیداواری شعبے میں اضافہ اور نجی شعبے کے قرضہ جات کی فراہمی میں بہتری سے ہوئی۔ اس توسیع میں پیداواری خام مال کی کم لاگت، معیشت کے بارے میں محسوس ہوتی ہوئی بہتری، توانائی کی بہتر فراہمی اور CPEC سے متعلق سرمایہ کاری جیسے بہت سے عناصر نے معاونت کی۔ اس کے نتیجے میں سال ۲۰۱۷ میں مجموعی قومی پیداوار کی شرح نمو میں اضافے کی توقع ہے۔

تاہم، جولائی-فروری ۲۰۱۷ کے دوران درآمد میں اضافے، برآمدات میں مسلسل کمی، تزیل زر میں معمولی کمی جیسی وجوہات سے کرنٹ اکاؤنٹ کا خسارہ بڑھا ہے جس کی مالیت ۵.۵ بلین امریکی ڈالر پہنچ گئی ہے۔ خالص مالی بہاؤ بلند رہنے کے باوجود کرنٹ اکاؤنٹ کے خسارے کو پورا کرنے کے لیے ناکافی رہا۔

بینکاری شعبے کی بہتر لیکویڈٹی اور گزشتہ تین ماہ کے دوران کم مارک اپ ریٹس کی وجہ سے نجی شعبے کو قرضوں کی فراہمی میں اضافہ ہوا۔ جس کی وجہ سے نجی شعبے کے قرضہ جات میں جولائی تا فروری ۲۰۱۷ کے دوران ۳۳۹ بلین روپے کا اضافہ ہوا۔ جبکہ گزشتہ سال اسی عرصے میں ۲۶۷ بلین کا اضافہ ہوا تھا۔ اس اضافے میں حوصلہ افزا طور پر ایک بڑی وجہ فکسڈ سرمایہ کاری کی کیسنگری میں ۱۵۹ بلین روپے کا اضافہ رہا جو کہ پچھلے سال ۱۰۲ بلین روپے تھا۔ اس طرح جاری مالی سال کے پہلے آٹھ ماہ میں صارفین کی سرمایہ کاری میں اضافہ کا رجحان جاری رہا۔

۲۔ عملی نتائج اور کاروباری جائزہ:

بیلنس شیٹ

۳۰ جون ۲۰۱۶

۳۱ مارچ ۲۰۱۷

روپے ہزار میں

۴۵۳،۸۳۵

۱،۱۶۹،۱۸۲

۳،۶۳۸،۴۱۶

۱،۱۹۹،۳۳۷

۲،۷۹۳،۶۰۵

۴۵۳،۸۳۵

۱،۱۲۰،۴۷۹

۴،۱۶۶،۵۵۳

۱،۰۱۰،۶۱۳

۳،۰۲۶،۱۳۰

سرٹیفیکٹ سرمایہ
کل حصص

اجارہ فنانس اور اجارہ اثاثہ میں سرمایہ کاری
مشارکہ متناقصہ اور شکوک میں سرمایہ کاری
قابل بازیابی سرمایہ

۳۱ مارچ کو اختتام پذیر ماہ کی مدت

۳۱ مارچ ۲۰۱۶	۳۱ مارچ ۲۰۱۷
روپے ہزار میں	
۳۶۹,۴۶۲	۳۴۲,۳۴۴
۱۶۷,۷۴۳	۱۵۵,۵۲۷
۱۰,۲۹۵	۱۱,۰۶۶
۷۳,۲۶۲	۹۶,۰۱۷
۱۳۸,۷۵۲	۱۰۱,۸۶۶
۱۲۰,۴۷۵	۹۸,۶۰۱

نفع و نقصان:

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

۳۔ آپریشن کا جائزہ

گذشتہ سال مضاربہ کا اسی مدت کے دوران خالص منافع ۱۲۰ اعشاریہ ۲۸ ملین روپے تھا جو کہ ۱۸ اعشاریہ ۱۶ فیصد کمی کے ساتھ زیر غور مدت میں ۱۹۸ اعشاریہ ۶۰ ملین روپے رہا جس کی اہم وجہ مارجنز میں کمی اور گذشتہ سال کے غیر کارکردگی دکھانے والے اثاثہ جات کی وصولیاتی تھا۔ مجموعی آمدنی ۷ اعشاریہ ۳۴ فیصد کمی کے ساتھ ۱۳۶۹ اعشاریہ ۴۶ ملین روپے سے کم ہو کر ۱۳۴۲ اعشاریہ ۳۴ ملین روپے رہی، جبکہ مالیاتی چارجز ۷ اعشاریہ ۲۸ فیصد کمی کے ساتھ ۱۶۷ اعشاریہ ۷۴ ملین روپے سے کم ہو کر ۱۵۵ اعشاریہ ۵۳ ملین روپے رہے۔ اجارہ فنانس، سکوک انوسٹمنٹ اور مشارکہ متناقصہ کا پورٹ فولیو ۳۰ جون ۲۰۱۶ کے اختتام پر ۸۳۸,۴ ملین روپے کے مقابلے میں ۷۵۱,۷ ملین روپے رہا جو یہ ظاہر کر رہا ہے کہ نوماہ کی مدت میں سات اعشاریہ ۰۲ فیصد کا اضافہ ہوا۔ آپ کا مضاربہ عوام الناس سے مشارکہ سرٹیفیکٹ کی صورت میں ڈیپازٹ لینے کو اہمیت دیتا ہے۔ جس کی وجہ سے مشارکہ سرٹیفیکٹ کا بلینس ۸ اعشاریہ ۳۲ فیصد سے بڑھ کر ۳۱ مارچ ۲۰۱۷ کو ۳,۰۲۶ ملین روپے ہو گیا ہے جو کہ ۳۰ جون ۲۰۱۶ کو ۲,۷۹۴ ملین روپے تھا۔ اثاثہ جات کے پورٹ فولیو میں ملٹی نیشنلز، بڑی اور درمیانی سائز کے مقامی ادارے اور منتخب ایس ایم ایز سے تعلقات کا ایک مرکب ہے۔

آپ کے مضاربہ نے متنوع اثاثہ جات کے پورٹ فولیو کو برقرار رکھا جو پلانٹ اور مشینری، گاڑیاں اور ایکو پمنٹ (آلات) پر مشتمل ہے، اور اس میں سیکٹر ہونے والی تبدیلی کی باریک بینی سے نگرانی کی جاتی ہے۔ مضاربہ نے گذشتہ سال اسی مدت کے دوران ۱۹,۷ ملین روپے کے مقابلے میں اس سال زیر غور مدت کے دوران ۲,۷۴۳ ملین روپے کی ادائیگیاں کی ہیں۔

آپ کے مضاربہ کی محتاط اور چوکنار ہوتے ہوئے توجہ مواقعوں سے فائدہ اٹھانے پر مرکوز ہے جو کہ تمام اسٹیک ہولڈرز (شرکاء مفاد) کے فائدے میں قابل قدر اضافہ کرے گی۔

۴۔ کریڈٹ درجہ بندی (ریٹنگ)

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آر اے) نے آپ کے مضاربہ کی طویل مدتی درجہ بندی (ریٹنگ) اے اے اور مختصر مدتی درجہ بندی (ریٹنگ) اے اے پلس مقرر کی ہے۔ یہ درجہ بندیاں (ریٹنگس) کم متوقع قرضہ جاتی خطرات (کریڈٹ رسک) اور مالیاتی ادائیگی کے وعدوں کی بروقت غیر معمولی صلاحیت ظاہر کرتی ہیں۔

۵۔ اعتراف

بورڈ ریگولیٹری اتھارٹیز، حامل سرٹیفکیٹ (سرٹیفکیٹ ہولڈرز)، گاہکوں اور شراکت داروں کی حمایت کو سراہتا ہے اور مستقبل میں ان کی حمایت کی توقع کرتا ہے۔

شاہین امین

چیئرمین

کراچی: ۲۴ اپریل ۲۰۱۷

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2017

	Note	(Un-audited) March 31, 2017	(Audited) June 30, 2016
ASSETS			
(Rupees)			
Current assets			
Cash and bank balances	5	216,896,016	266,801,857
Ijarah rentals receivable	6	89,230,137	91,936,767
Advances, deposits, prepayments and other receivables		105,674,512	38,780,481
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharika	8	166,029,330	169,798,936
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		10,633,567	2,386,666
Total current assets		588,833,562	570,074,707
Non-current assets			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharika	8	844,583,440	1,029,547,745
Ijarah assets	9	4,166,183,999	3,638,045,852
Fixed assets in own use	10	26,896,506	40,184,137
Total non-current assets		5,037,663,945	4,707,777,734
TOTAL ASSETS		5,626,497,507	5,277,852,441
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	11	73,874,049	9,662,350
Current maturity of Musharika term finance arrangements	12	99,999,999	168,545,829
Current maturity of security deposits		236,066,436	194,110,409
Creditors, accrued and other liabilities		372,997,802	227,841,618
Advance Ijarah rentals received		40,240,299	54,604,114
Current portion of redeemable capital		2,701,935,000	2,110,325,000
Unclaimed profit distribution		45,778,619	39,524,051
Total current liabilities		3,570,892,204	2,804,613,371
Non-current liabilities			
Long-term portion of Musharika term finance arrangements	12	74,999,996	150,000,000
Long-term portion of security deposits		535,931,495	463,776,888
Long-term portion of redeemable capital		324,195,000	683,280,000
Total non-current liabilities		935,126,491	1,297,056,888
TOTAL LIABILITIES		4,506,018,695	4,101,670,259
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (June 30, 2016: 50,000,000) certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 30, 2016: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (June 30, 2016: 16,883,530) bonus certificates of Rs. 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		127,570,517	188,203,919
Other reserves		539,072,995	534,142,963
		1,120,478,812	1,176,182,182
TOTAL LIABILITIES AND EQUITY		5,626,497,507	5,277,852,441

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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


Chairman


Chief Executive


Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

Note	Nine months period ended March 31, 2017	Nine months period ended March 31, 2016	Three months period ended March 31, 2017	Three months period ended March 31, 2016
	(Rupees)			
Ijarah rentals earned	1,326,409,741	1,277,108,770	452,601,353	423,579,409
Income on Diminishing Musharika arrangements	76,198,768	98,038,428	22,454,100	33,791,280
Income on deposits with banks	10,385,521	11,543,751	4,077,744	4,299,036
	1,412,994,030	1,386,690,949	479,133,197	461,669,725
Financial charges	(155,527,488)	(167,742,929)	(53,421,835)	(55,619,050)
Depreciation on assets under Ijarah arrangements	(1,110,488,809)	(1,040,640,423)	(379,845,925)	(349,913,304)
	146,977,733	178,307,597	45,865,437	56,137,371
Reversal of provision in respect of Ijarah finances - net	11,066,062	7,936,610	733,357	881,668
Reversal of provision in respect of Diminishing Musharika	-	2,358,391	-	1,123,010
	158,043,795	188,602,598	46,598,794	58,142,049
Other income	39,838,887	23,411,040	20,320,472	4,674,903
Administrative and operating expenses	(96,017,020)	(73,261,871)	(33,022,238)	(25,262,518)
	101,865,662	138,751,767	33,897,028	37,554,434
Management Company's remuneration	(10,186,566)	(13,875,177)	(3,389,703)	(3,755,444)
Provision for services sales tax on Management Company's remuneration	(1,324,254)	(1,942,525)	(440,662)	(525,762)
Reversal / (Provision) for Workers' Welfare Fund	8,245,790	(2,458,681)	(601,333)	(665,464)
Profit for the period before taxation	98,600,632	120,475,384	29,465,330	32,607,764
Taxation	-	-	-	-
Profit for the period after taxation	98,600,632	120,475,384	29,465,330	32,607,764
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	98,600,632	120,475,384	29,465,330	32,607,764
Earnings per certificate - basic and diluted	2.17	2.65	0.65	0.72

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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


Chairman


Chief Executive


Director

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

	Reserves					
	Paid-up certificate capital	Premium on modaraba certificates	Statutory reserve	Unappropriated profit	Sub-total	Total
	(Rupees)					
Balance as at June 30, 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 period						
- Profit for the nine months period ended March 31, 2016.	-	-	-	120,475,384	120,475,384	120,475,384
- Other comprehensive income for the nine months period	-	-	-	-	-	-
	-	-	-	120,475,384	120,475,384	120,475,384
Profit distribution for the year ended June 30, 2015 @ Rs. 3.3 per certificate	-	-	-	(149,765,649)	(149,765,649)	(149,765,649)
Transfer to statutory reserve	-	-	6,023,769	(6,023,769)	-	-
Balance as at March 31, 2016	<u>453,835,300</u>	<u>55,384,700</u>	<u>476,125,867</u>	<u>138,188,397</u>	<u>669,698,964</u>	<u>1,123,534,264</u>
Balance as at June 30, 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 period						
- Profit for the nine months period ended March 31, 2017.	-	-	-	98,600,632	98,600,632	98,600,632
- Other comprehensive income for the nine months period	-	-	-	-	-	-
	-	-	-	98,600,632	98,600,632	98,600,632
Profit distribution for the year ended June 30, 2016 @ Rs. 3.4 per certificate	-	-	-	(154,304,002)	(154,304,002)	(154,304,002)
Transfer to statutory reserve	-	-	4,930,032	(4,930,032)	-	-
Balance as at March 31, 2017	<u>453,835,300</u>	<u>55,384,700</u>	<u>483,688,295</u>	<u>127,570,517</u>	<u>666,643,512</u>	<u>1,120,478,812</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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


Chairman


Chief Executive


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 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

2.1 Statement of compliance

- a) 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 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 disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended June 30, 2016.

The comparative balance sheet presented in this condensed interim financial information as at March 31, 2017 has been extracted from the audited financial statements of the Modaraba for the year ended June 30, 2016, whereas the comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity have been extracted from the condensed interim financial information for the period ended March 31, 2016.

- b) During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the Securities and Exchange Commission of Pakistan vide an SRO 431(1)/2007 dated 5 May 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

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

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

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

2.2 Functional and presentation currency

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

2.3 Significant accounting estimates and judgements

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the year ended June 30, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Modaraba as at and for the year ended June 30, 2016. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Modaraba's operations and did not have any impact on the accounting policies of the Modaraba.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual financial statements as at and for the year ended June 30, 2016.

5. CASH AND BANK BALANCES

Balances with banks

- in current accounts
- in deposit accounts

Cash in hand

Note	(Un-audited) March 31, 2017	(Audited) June 30, 2016
	----- (Rupees) -----	
	127,646	50,057,157
5.1	216,734,634	216,694,700
	33,736	50,000
	<u>216,896,016</u>	<u>266,801,857</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

5.1 These include balances maintained with Standard Chartered Bank (Pakistan) Limited (holding Company of the Management Company till June 20, 2016) amounting to Rs. 157.05 million (June 2016: Rs. 61.800 million) and carry profit at rate ranging between 2.93% - 5.25% per annum (June 30, 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. These deposit accounts are under profit and loss sharing arrangements, permissible under Shariah.

	Note	(Un-audited) March 31, 2017	(Audited) June 30, 2016
6. IJARAH RENTALS RECEIVABLE			
----- (Rupees) -----			
Ijarah rentals receivable - considered good	6.1	82,699,037	91,936,767
Ijarah rentals receivable - considered bad or doubtful		38,272,125	42,428,120
Less: allowance for potential Ijarah losses	6.2	(12,419,303)	(23,485,365)
Less: profit held in suspense	6.3	(19,321,722)	(18,942,755)
		6,531,100	-
		89,230,137	91,936,767

6.1 This includes an amount due from key management personnel aggregated to Rs. 140,870 (June 30, 2016: Rs.75,737).

6.2 Allowance for potential Ijarah losses

Opening balance	23,485,365	37,267,892
(Reversal) for the period / year	(11,066,062)	(9,181,468)
Amount written off during the period / year	-	(4,601,059)
Closing balance	12,419,303	23,485,365

6.3 Profit held in suspense

Opening balance	18,942,755	16,683,689
Income (reversed) / suspended during the period / year - net	378,967	2,416,278
Income write off during the period / year	-	(157,212)
Closing balance	19,321,722	18,942,755

7. INVESTMENT IN SUKUK CERTIFICATES

Held-to-maturity investments

Investment in Sukuk certificates	57,701,835	57,701,835
Less: Provision in respect of Sukuk certificates	(57,701,835)	(57,701,835)
	-	-
Less: Current portion of investment in Sukuk Certificates	-	-
	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

	Note	(Un-audited) March 31, 2017	(Audited) June 30, 2016
8. DIMINISHING MUSHARIKA			
----- (Rupees) -----			
- Staff			
Housing finance		89,100,170	55,254,422
Others		2,148,055	1,903,057
	8.1	91,248,225	57,157,479
- Other Customers			
Housing finance		645,900,263	676,804,655
Others		273,464,282	465,384,547
		919,364,545	1,142,189,202
		1,010,612,770	1,199,346,681
		(166,029,330)	(169,798,936)
Less: current portion of Diminishing Musharika		844,583,440	1,029,547,745

8.1 This includes diminishing musharika facility availed by key management personnel with respect to housing finance and personal finance amounted to Rs. 60.257 million (June 2016: Rs. 33.411 million) and Rs. 1.033 million (June 2016: Rs. 1.118 million) respectively.

	(Un-audited) March 31, 2017	(Audited) June 30, 2016
9. NET INVESTMENT IN IJARAH FINANCE		
----- (Rupees) -----		
Ijarah contracts commencing on or after July 1, 2008		
- accounted for under IFAS 2	4,166,183,999	3,638,045,852
Ijarah contracts prior to July 1, 2008		
- accounted for as finance leases	370,000	370,000
Less: Current portion of net investment in Ijarah finance	(370,000)	(370,000)
	-	-

Ijarah Assets

	(Un-audited) March 31, 2017	(Un-audited) March 31, 2016
----- (Rupees) -----		
Additions at cost during the period		
- Plant, machinery and equipments	978,965,761	551,060,140
- Motor vehicles	1,072,074,891	596,673,856
	2,051,040,652	1,147,733,996
Disposals at cost during the period		
- Plant, machinery and equipments	743,862,985	509,729,160
- Motor vehicles	578,293,917	758,613,715
	1,322,156,902	1,268,342,875

9.1 Ijarah facility extended to key management personnel as per HR policies having net book value amounting to Rs. 10.418 million (June 2016: Rs. 4.103 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

	(Un-audited) March 31, 2017	(Audited) June 30, 2016
10. FIXED ASSETS IN OWN USE		
	(Rupees)	
Tangible assets	24,776,814	30,904,194
Intangible assets	2,119,692	9,279,943
	26,896,506	40,184,137

	(Un-audited) March 31, 2017	(Audited) June 30, 2016
11. MUSHARIKA FINANCE		
	(Rupees)	
Musharika with:		
- Standard Chartered Bank (Pakistan) Limited - secured	73,874,049	9,662,350

	(Un-audited) March 31, 2017	(Audited) June 30, 2016
12. MUSHARIKA TERM FINANCE		
	(Rupees)	
Musharika with other banks	174,999,995	318,545,829
Less: Current portion of musharika term finance	(99,999,999)	(168,545,829)
	74,999,996	150,000,000

13. CONTINGENCIES AND COMMITMENTS

13.1 Commitments

The Modaraba has issued letters of comfort to Silk Bank Limited, Habib Metropolitan Bank Limited and Bank Islami Pakistan Limited equal to an amount of Rs. 53 million, Rs. 21.925 million and 27.241 million on behalf of Omar Jibran Engineering Industries Limited, Maqsood Faisal Printing Press (SMC-Pvt.) Limited and Safina Foods (Pvt) Limited respectively.

14. 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 April 22, 2013, the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at applicable rates with effect from November 1, 2011. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order. The Appellate Tribunal SRB through its order dated February 19, 2016 allowed the appeal and set aside the order-in-original and order-in-appeal. The company filed an appeal before the Honorable Sindh High Court on October 13, 2016.

15. PROVISION FOR WORKERS' WELFARE FUND

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.

The provision against Federal Workers' Welfare Fund for the period 2008 to 2013 has been reversed, based on the Supreme Court's Judgement dated November 10, 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

16. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2017. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

17. CASH AND CASH EQUIVALENTS

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

	Note	(Un-audited) March 31, 2017	(Un-audited) March 31, 2016
		----- (Rupees) -----	
Cash and bank balances	5	216,896,016	484,951,776
Musharika finance	11	(73,874,049)	(68,276,945)
		<u>143,021,967</u>	<u>416,674,831</u>

18. RELATED PARTIES TRANSACTIONS

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

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

	Nine months period ended March 31, 2017	Nine months period ended March 31, 2016
	----- (Rupees) -----	
Standard Chartered Bank (Pakistan) Limited		
- Holding Company of the Management Company till June 20, 2016.		
Profit on Musharika finance	-	39,230
Profit on Musharika term finance	-	-
Profit on deposit account	-	1,133,667
Bank charges and commission	-	20,643,594
Charge for reimbursement of miscellaneous expenses	-	4,205,763
Dividend	-	14,976,565
ORIX Leasing Pakistan Limited		
- Holding Company of the Management Company		
Dividend	15,430,400	-
Staff retirement benefits funds		
Contribution to the staff provident fund	2,263,522	1,855,849
Contribution to the staff gratuity fund	1,882,425	1,526,752

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

	Nine months period ended March 31, 2017	Nine months period ended March 31, 2016
	----- (Rupees) -----	
ORIX Services Pakistan (Private) Limited (Formerly Standard Chartered Services of Pakistan (Private) Limited)		
- Management Company		
Management company's remuneration	10,186,566	13,875,177
Dividend	15,430,400	14,976,565
Key Management Personnel		
Salaries and benefits	27,931,625	22,318,877
Contribution to the staff provident fund	1,039,746	802,670
Contribution to the staff gratuity fund	866,096	668,616
Income earned on DM finances to Key management personnel	2,525,555	1,824,835
Ijarah rental earned on Ijarah finances to Key management personnel	1,600,979	1,026,890
Profit on Redeemable Capital	41,287	125,289
Number of persons	8	6

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

	(Un-audited) March 31, 2017	(Audited) June 30, 2016
	----- (Rupees) -----	
Standard Chartered Bank (Pakistan) Limited		
- Holding Company of the Management Company till June 20, 2016.		
Advances, deposits, prepayments and other receivables	-	30,790,393
Creditors, accrued and other liabilities	-	1,802,763

ORIX Services Pakistan (Private) Limited (Formerly Standard Chartered Services of Pakistan (Private) Limited)		
- Management Company		
Management company's remuneration payable	10,186,566	13,875,177
Staff retirement benefits funds		
Receivable from staff provident fund	403,552	403,552
Receivable from staff gratuity fund	181,461	181,461

19. 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

- 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 March 31, 2017 and June 30, 2016, there were no financial instruments which were measured at fair values in the financial statements.

19.1 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:

		As at March 31, 2017					Fair value				
		Carrying value									
		Held for trading	Available for	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees)									
Financial assets not measured at fair value	19.2										
Cash and bank balances		-	-	216,896,016	-	-	216,896,016	-	-	-	-
Ijarah rentals receivable		-	-	89,230,137	-	-	89,230,137	-	-	-	-
Advances, deposits and other receivables		-	-	90,273,465	-	-	90,273,465	-	-	-	-
Diminishing Musharika		-	-	1,010,612,770	-	-	1,010,612,770	-	-	-	-
Taxation recoverable		-	-	10,633,567	-	-	10,633,567	-	-	-	-
Investment in Sukuk certificates		-	-	-	-	-	-	-	-	-	-
Total		-	-	1,417,645,955	-	-	1,417,645,955	-	-	-	-
Financial liabilities not measured at fair value	19.2										
Musharika finance		-	-	-	-	73,874,049	73,874,049	-	-	-	-
Musharika term finance		-	-	-	-	174,999,995	174,999,995	-	-	-	-
Security deposits		-	-	-	-	771,997,931	771,997,931	-	-	-	-
Creditors, accrued and other liabilities		-	-	-	-	372,997,802	372,997,802	-	-	-	-
Redeemable capital		-	-	-	-	3,026,130,000	3,026,130,000	-	-	-	-
Unclaimed profit distribution		-	-	-	-	45,778,619	45,778,619	-	-	-	-
Advance Ijarah rentals received		-	-	-	-	40,240,299	40,240,299	-	-	-	-
Total		-	-	-	-	4,506,018,695	4,506,018,695	-	-	-	-
30 June 2016											
		Carrying value					Fair value				
		Held for trading	Available for	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees)									
Financial assets not measured at fair value	19.2										
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		-	-	2,386,666	-	-	2,386,666	-	-	-	-
Investment in Sukuk certificates		-	-	-	-	-	-	-	-	-	-
Total		-	-	1,570,319,817	-	-	1,570,319,817	-	-	-	-
Financial liabilities not measured at fair value	19.2										
Murabaha finance		-	-	-	-	9,662,350	9,662,350	-	-	-	-
Musharika 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	-	-	-	-
Total		-	-	-	-	4,101,670,259	4,101,670,259	-	-	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

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

20. SEGMENT INFORMATION

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

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

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

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

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

The Modaraba also has a diversified certificate holder population. As at March 31, 2017, there were only two (June 30, 2016: two) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (June 30, 2016: 10% and 10%) respectively.

21. CORRESPONDING FIGURES

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

22. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 24, 2017 by the Board of Directors of the Management Company.

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



Chairman



Chief Executive



Director



ORIX Modaraba

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