

ORIX Modaraba | ORIX



HALF
YEARLY
REPORT
DECEMBER 31,
2017

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Modaraba Information

Modaraba Company

ORIX Services Pakistan (Pvt) Limited

Directors of Modaraba Company

Mr. Shaheen Amin
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Mr. Ramon Alfrey
Director

Mr. 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. Nausherwan Adil
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)
Bank Alfalah Limited (Islamic banking)
Allied Bank Limited (Islamic banking)

Legal Advisors

Fazle Ghani Advocates
Haider Ali Khan
Partner, Advocate High Court

Registered and Head Office:

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

Lahore Branch:

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

Islamabad Branch:

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

Registrars & Share Registration Office

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

Directors' Review

For the period ended December 31, 2017

The Board of Directors of ORIX Services Pakistan (Private) Limited, the management company of ORIX Modaraba is pleased to present the unaudited accounts for the six months period ended December 31, 2017.

1. Economic Outlook

While economic growth has been accelerating and inflation remains subdued, Pakistan is facing important near-term economic challenges. Surging imports have led to a decline in international reserves despite higher external financing. The increase in the fiscal deficit last year has added to these trends. Intercompany arrears in the power sector continue to accumulate and need to be addressed decisively. While the authorities have taken steps to address these challenges, greater efforts are required to prevent a further build-up of vulnerabilities and preserve Pakistan's hard-won macroeconomic stability.

In this context, the move by the State Bank of Pakistan (SBP) to allow adjustment of the exchange rate in recent days is welcome. Continued exchange rate flexibility in the period ahead will be important to facilitate external adjustment in support of exports and economic growth. Alongside, fiscal discipline and an adequately tight monetary policy stance are needed to reverse the widening of external imbalances.

A strong reform effort is needed to maintain external stability, ensure debt sustainability, and support higher and more inclusive growth in the medium term. This includes pursuing medium-term fiscal consolidation driven by accelerated efforts to broaden the tax base, strengthening the monetary policy framework and autonomy of the SBP, careful phasing in of new external liabilities to contain external stability risks, eliminating the losses of public sector enterprises, improving the business climate, and continued strengthening of the financial sector. In parallel, continuing to strengthen mechanisms for protecting the most vulnerable will be critical to support inclusive growth. In this context, continued expansion of the Benazir Income Support Program will be important.

Subsequent to December 31, 2017, The State Bank of Pakistan (SBP) increased the policy rate by 25 basis points to six per cent. The depreciation in rupee by around 5pc in last quarter, increase in oil prices, upward adjustment of policy rates by central banks of different countries adversely affecting the rupee interest-rate differentials vis-à-vis their currencies and increase in demand pressure led to this upward rate adjustment by SBP.

2. Financial Highlights

Financial results are summarized as under:

Balance Sheet

	December 31, 2017	June 30, 2017
	----- (PKR '000') -----	
Certificate capital	453,835	453,835
Total equity	1,077,281	1,150,119
Investment in Ijarah finance and Ijarah Assets	4,178,883	4,451,385
Investments in Diminishing Musharika and Sukuks	1,457,295	997,672
Redeemable capital	3,035,430	2,750,750

Profit and Loss

	Half yearended December 31, 2017	Half yearended December 31, 2016
	----- (PKR '000') -----	
Revenue (net of Ijarah assets depreciation)	229,206	222,736
Financial charges	108,446	102,106
Reversal of provisions net	1,898	10,333
Operating expenses	65,486	62,995
Profit before modaraba management company's remuneration	57,172	67,969
Net profit	49,697	69,135

3. Review of Operations

During the period under review inspite of reduction in spreads and stiff competition with Islamic banks, the Modaraba's gross revenue increased by 5.30% from Rs. 953.38 million to Rs. 1,003.93 million compared to corresponding period of last year. This was achieved mainly due to increase in disbursements especially in travel & transport, printing & packaging, chemicals and logistics sectors. Due to increase in Ijarah assets depreciation of Ijarah assets increased by 6.03% from Rs. 730.64 million to Rs. 774.72 million. Financial charges increased by 6.21% from Rs. 102.11 million to Rs. 108.45 million. Administrative and operating expenses were increased by 3.95% from Rs. 63.00 million to Rs. 65.49 million mainly due to increase in staff cost in line with the market. Net profit decreased by 28.12% from Rs. 69.14 million to Rs. 49.70 million as compared to corresponding period of last year as last year a one off recovery of nonperforming assets and reversal of provision for workers' welfare fund happened during the corresponding period of last year.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 5,636 million compared to Rs. 5,449 million as at June 30, 2017, showing an increase of 3.43% within the six months period. During the period under review, the Modaraba booked fresh disbursements to the tune of Rs. 1,868 million as compared to Rs. 1,468 million during the corresponding period last year showing an increase of 27.24%.

Your Modaraba maintains a well diversified asset portfolio comprising of plant & machinery, equipment, motor vehicles and house finance. Moreover, the sector wise exposure is closely monitored. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships.

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

4. Credit Rating

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

5. 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: February 21, 2018

ڈائریکٹر زکا جائزہ

31 دسمبر ۲۰۱۷ کو اختتام پذیر مدت کے لیے

اور کس مضاربہ کی انتظامی کمپنی اور کس سروسز پاکستان (پرائیوٹ) لمیٹڈ کے بورڈ آف ڈائریکٹر ز ۳۱ دسمبر ۲۰۱۷ کو اختتام پذیر چھ ماہ کی غیر مختب شدہ (unaudited) مالیاتی دستاویزات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

۱. معاشی منظر نامہ

جبکہ معاشی ترقی کی رفتار میں اضافہ ہوا ہے اور افراط زر میں کمی آئی ہے اور پاکستان اہم قریبی مدت معاشی مسائل کا سامنا کر رہا ہے۔ زیادہ بیرونی سرمایہ کاری کے باوجود درآمدات میں اچانک اضافے کا نتیجہ بین الاقوامی (غیر ملکی زر مبادلہ کے) ذخائر کم ہوئے ہیں۔ گزشتہ سال کے مالیاتی خسارے نے ان رجحانات میں اضافہ کیا ہے۔ توانائی کے شعبے میں بقایا جات کا کمپنیوں کے درمیان جمع ہوتا رہنا جاری رہا جس کا تدارک فیصلہ کن طریقے سے کیا جانا ضروری ہے۔ اگرچہ مجاز ادارے نے ان آزمائشوں کو حل کرنے کے لیے اقدامات کیے ہیں، لیکن ان میں مزید اضافے کے تدارک کے لیے زیادہ کوششیں درکار ہیں تاکہ خطرات میں رہنے کی کیفیات (vulnerabilities) کو بڑھنے سے روکا جاسکے اور پاکستان کے سخت کاوشوں سے حاصل کی معیشت (macroeconomic) کے استحکام کو محفوظ کیا جاسکے۔

اس حوالے سے، بینک دولت پاکستان (SBP) کے حالیہ مبادلہ کے نرخ میں رد و بدل کے عمل کو خوش آمدید کہتے ہیں۔ مبادلہ نرخ میں جاری چلک مستقبل میں بیرونی رد و بدل برآمدات کی معاونت اور معاشی نمو میں سہولت پہنچائے گی۔ اس کے ساتھ ساتھ مالیاتی انتظام اور سخت مالیاتی پالیسی کے لیے ایک مناسب موقف کی ضرورت ہے تاکہ بڑھتے ہوئے بیرونی عدم توازن کے رخ کو بدلا جاسکے۔

درمیانی مدت میں، بیرونی استحکام برقرار رکھنے، قرضہ جاتی عمل کے تسلسل کی پائیداری کو یقینی بنانے اور بلند تر اور زیادہ چیزوں کا احاطہ کرتی ہوئی نمو کے لیے مضبوط اصلاحات کی کوششوں کی ضرورت ہے۔ اس میں؛ درمیانی مدت کا مالیاتی استحکام کے لیے جستجو جس کا محرک وسیع بنیاد ٹیکس کی بنیاد، مالیاتی پالیسی کے ڈھانچے کی مضبوطی، SBP کی خود مختاری، مرحلہ وار محتاط بیرونی مالیاتی ذمہ داریوں کا حصول تاکہ بیرونی استحکام کے خطرات کو قابو رکھا جاسکے، عوامی شعبے کے اداروں کے نقصانات کو ختم کیا جاسکے، کاروبار کے لیے ماحول کو بہتر بنایا جائے اور مالیاتی شعبے میں مسلسل استحکام شامل ہیں۔ مجموعی نمو کی معاونت کے لیے معاشرے کے عدم تحفظ کے شکار طبقے کے تحفظ کے لیے جاری متوازی میکلیزم کا استحکام اہم ہے۔ اس حوالے سے بینظیر انکم سپورٹ پروگرام میں مسلسل توسیع اہم ہوگی۔

۳۱ دسمبر ۲۰۱۷ کے بعد، بینک دولت پاکستان نے پالیسی نرخ میں ۲۵ پوائنٹ کے اضافے کے بعد ۶ فیصد مقرر کیا ہے۔ آخری سہ ماہی میں روپے کی تقریباً ۵۵ فیصد قدر کمی کی، آئل کی قیمتوں میں اضافہ، مختلف ممالک کے مرکزی بینکوں کی جانب بڑھتے ہوئے پالیسی نرخ میں رد و بدل نے روپے کے سودی - نرخ کی تفریق کو متاثر کر رہا ہے یعنی ان کے سکے رائج الوقت اور طلب میں دباؤ کا نتیجہ SBP کا بڑھتا ہوا پالیسی نرخ میں رد و بدل ہے۔

۲۔ عملی نتائج اور کاروباری جائزہ:

بیلنس شیٹ

۳۰ جون ۲۰۱۷

۳۱ دسمبر ۲۰۱۷

۲۵۳,۸۳۵

۲۵۳,۸۳۵

۱,۱۵۰,۱۱۹

۱,۰۷۷,۲۸۱

۴,۴۵۱,۳۸۵

۴,۱۷۸,۸۸۳

۹۹۷,۶۷۲

۱,۴۵۷,۲۹۵

۲,۷۵۰,۷۵۰

۳,۰۳۵,۴۳۰

سرٹیفیکٹ سرمایہ
کل حصصاجارہ فنانس اور اجارہ اثاثہ جات میں سرمایہ کاری
مشاور کہ متناقصہ اور شکوک میں سرمایہ کاری
قابل بازیابی سرمایہ

۳۱ دسمبر ۲۰۱۶

۳۱ دسمبر ۲۰۱۷

۲۲۲,۷۳۶

۲۲۹,۲۰۶

۱۰۲,۱۰۶

۱۰۸,۴۴۶

۱۰,۳۳۳

۱,۸۹۸

۶۲,۹۹۵

۶۵,۴۸۶

۶۷,۹۶۹

۵۷,۱۷۲

۶۹,۱۳۵

۴۹,۶۹۷

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

مالیاتی چارجز

(ریورسل) / دفعات اور نقص

کاروبار چلانے کے اخراجات (آپریٹنگ اخراجات)

منافع قبل از انتظامی فیس

خالص منافع

۳۔ آپریشن کا جائزہ

زیر غور مدت میں اسپرڈ میں کمی اور اسلامی بینکوں سے سخت مقابلے کے باوجود، مضاربہ کی گذشتہ سال کی اسی مدت کی مجموعی آمدنی ۹۵۳ء ۳۸ ملین روپے میں ۵۳۰ فیصد اضافے کے ساتھ ۹۳ء ۱۰۰ ملین روپے رہی۔ اس کا حصول خاص طور پر سفری اور نقل و حمل کے ذرائع، پرنٹنگ اور پیکجنگ، کیمیکل اور لاجسٹک سیکٹر میں زیادہ سرمایہ کاری ہے۔ اجارہ اثاثہ جات میں اضافے کی وجہ سے اجارہ اثاثہ جات کی فرسودگی میں گذشتہ سال کی اسی مدت کی مالیت ۶۴ء ۳۰ ملین روپے میں ۶۰۳ فیصد اضافے کے ساتھ ۷۲ء ۷۲ ملین روپے رہی۔ مالیاتی اخراجات کی مالیت ۱۱ء ۱۰ ملین روپے میں ۲۱ فیصد اضافے کے ساتھ ۱۰۸ء ۱۰ ملین روپے رہے۔ انتظامی اور آپریٹنگ اخراجات کی مالیت ۲۳ء ۶۵ ملین روپے میں ۳۹ فیصد اضافے کے ساتھ ۳۹ ملین روپے رہے جس کی بنیادی وجہ عملے کی لاگت میں اضافہ ہے جو مارکیٹ کی مناسبت سے ہے۔ خالص منافع میں گذشتہ سال کی اسی مدت کے ۱۲ء ۶۹ ملین روپے میں ۱۲ء ۲۸ فیصد کمی کے ساتھ ۷۷ء ۴۹ ملین روپے رہا۔ کمی کی بنیادی وجہ گذشتہ سال اسی مدت میں ایک ناکارہ اثاثہ کی وصولی اور ملازمین کے لیے "فلاح و بہبود فنڈ" کی واپسی (reversal) ہے۔

اجارہ سرمایہ کاری، سکو سرمایہ کاری اور گھٹنا ہوا مشارکہ کی سرمایہ کاری کا پورٹ فولیو ۳۰ جون ۲۰۱۷ء کے ۵،۴۴۹ ملین روپے کے مقابلے میں ۶۳۶،۵ ملین روپے رہا جو چھ ماہ کی مدت میں ۳۴۳ فیصد کا اضافہ دکھا رہا ہے۔ زیر غور مدت میں مضاربہ نے گزشتہ سال کی اسی مدت میں ۱،۴۶۸ ملین روپے کی مالیت میں ۲۷۲ فیصد اضافے کے ساتھ ۸۶۸،۱ ملین روپے کی نئی سرمایہ کاری کی۔

آپ کے مضاربہ نے پلانٹ اور مشینری، آلات، گاڑیاں اور مکان کے لیے سرمایہ کی فراہمی کا ایک بہتر اور متفرق پورٹ فولیو برقرار رکھا ہے۔ مزید یہ کہ کے سیکٹر جاتی کارکردگی کی قریب سے نگرانی کی جاتی ہے۔ اثاثہ جات کا پورٹ فولیو کثیر الملکی، بڑے اور درمیانی ادارے اور منتخب SME سے تعلقات کی ایک اچھا آمیزہ ہے۔ آپ کے مضاربہ کی توجہ، چونکا اور محتاط رہتے ہوئے، تمام شرکاء مفاد (stakeholders) کی قدر میں اضافہ کرنے والے اچھے مواقعوں سے فائدہ اٹھائے۔ ہماری محتاط اور فعال خطرات سے انتظام کا طرز عمل نے ہمیں مضاربہ سیکٹر میں قائدانہ مقام کو برقرار رکھنے میں مدد کی ہے۔ ہماری توجہ گاہکوں کی خدمت اور معیاری گاہکوں کے انتخاب پر رہے گی۔

۴۔ کریڈٹ درجہ بندی (ریٹنگ)

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے آپ کے مضاربہ کی طویل المدت اور قلیل المدت 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 غیر معمولی صلاحیت ظاہر کرتی ہیں۔

۵۔ اعتراف

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

بورڈ کی جانب سے

شاہین امین

چیئرمین

کراچی: ۲۱ فروری، ۲۰۱۸

Auditors' Review Report

For the period ended December 31, 2017

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of ORIX Modaraba ("the Modaraba") as at 31 December 2017, the related condensed interim profit and loss account and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). The Modaraba Management Company [ORIX Services Pakistan (Private) Limited] is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matters

The figures for the quarter period ended 31 December 2017 in the condensed interim profit and loss account and other comprehensive income have not been reviewed and we do not express a conclusion on them

Date: February 21, 2018

Karachi.

**KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq**

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2017

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
ASSETS			
	Note	(Rupees)	
Current assets			
Cash and bank balances	5	312,658,942	367,303,155
Ijarah rentals receivable	6	114,821,182	91,089,736
Advances, deposits, prepayments and other receivables		28,755,256	21,232,314
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharika	8	268,386,773	102,085,412
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		8,731,640	8,728,486
Total current assets		733,723,793	590,809,103
Non-current assets			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharika	8	1,188,907,743	895,586,920
Ijarah assets	9	4,178,512,624	4,451,014,738
Fixed assets in own use	10	22,322,134	24,880,350
Total non-current assets		5,389,742,501	5,371,482,008
TOTAL ASSETS		6,123,466,294	5,962,291,111
LIABILITIES AND EQUITY			
Current liabilities			
Current maturity of Musharika term finance arrangements	11	303,653,330	200,000,000
Current maturity of security deposits		182,761,624	232,944,591
Creditors, accrued and other liabilities		202,391,503	198,718,280
Advance Ijarah rentals received		45,034,413	39,856,039
Current portion of redeemable capital		3,028,630,000	2,750,550,000
Unclaimed profit distribution	12	71,733,633	45,495,028
Total current liabilities		3,834,204,503	3,467,563,938
Non-current liabilities			
Long-term portion of Musharika term finance arrangements	11	594,659,064	747,000,000
Long-term portion of security deposits		610,522,090	597,408,179
Long-term portion of redeemable capital		6,800,000	200,000
Total non-current liabilities		1,211,981,154	1,344,608,179
TOTAL LIABILITIES		5,046,185,657	4,812,172,117
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (June 30, 2017: 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, 2017: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (June 30, 2017: 16,883,530) bonus certificates of Rs. 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		80,405,474	155,728,690
Other reserves		543,039,863	540,555,004
		1,077,280,637	1,150,118,994
TOTAL LIABILITIES AND EQUITY		6,123,466,294	5,962,291,111

CONTINGENCIES AND COMMITMENTS

13

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

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


 Chairman


 Chief Executive


 Director

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

	Note	Six months period ended December 31, 2017	Six months period ended December 31, 2016	Three months period ended December 31, 2017	Three months period ended December 31, 2016
(Rupees)					
Ijarah rentals earned		919,607,301	873,808,388	450,637,392	434,850,058
Income on Diminishing Musharika arrangements		49,782,504	53,744,668	26,950,219	26,971,298
Income on deposits with banks		4,927,977	6,307,777	2,759,499	2,836,685
		974,317,782	933,860,833	480,347,110	464,658,041
Financial charges		(108,446,417)	(102,105,653)	(57,081,705)	(49,288,259)
Depreciation on assets under Ijarah arrangements		(774,724,096)	(730,642,884)	(381,574,440)	(369,771,129)
		91,147,269	101,112,296	41,690,965	45,598,653
Reversal of provision in respect of Ijarah finances - net		1,898,208	10,332,705	1,503,075	8,631,354
		93,045,477	111,445,001	43,194,040	54,230,007
Other income		29,612,018	19,518,415	17,194,084	10,306,826
Administrative and operating expenses		(65,485,677)	(62,994,782)	(33,356,638)	(31,313,286)
		57,171,818	67,968,634	27,031,486	33,223,547
Management Company's remuneration		(5,717,182)	(6,796,863)	(2,703,149)	(3,322,354)
Provision for services sales tax on Management Company's remuneration	14	(743,234)	(883,592)	(351,410)	(431,906)
(Provision) / reversal for Workers' Welfare Fund	15	(1,014,228)	8,847,123	(479,539)	9,463,501
Profit for the period before taxation		49,697,174	69,135,302	23,497,388	38,932,788
Taxation	16	-	-	-	-
Profit for the period after taxation		49,697,174	69,135,302	23,497,388	38,932,788
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		49,697,174	69,135,302	23,497,388	38,932,788
Earnings per certificate - basic and diluted		1.10	1.52	0.52	0.86

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

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

Chairman


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

	Six months period ended December 31, 2017	Six months period ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	49,697,174	69,135,302
Adjustments for non-cash and other items:		
Depreciation / amortisation on fixed assets in own use	5,158,452	8,858,478
Depreciation on Ijarah assets	774,724,096	730,642,884
Gain on disposal of Ijarah assets	(21,462,402)	(15,727,756)
(Reversal of provision) in respect of Ijarah finances - net	(1,898,208)	(10,332,705)
(Reversal of provision) in respect of Diminishing Musharika	-	-
Income on deposits with bank	(4,927,977)	(6,307,777)
Profit on:		
- Redeemable capital	70,438,809	77,548,403
- Musharika finance	-	49,334
- Musharika term finance arrangements	30,825,611	8,209,091
Provision for services sales tax on Management Company's remuneration	743,234	883,592
Provision / (reversal) for Workers' Welfare Fund	1,014,228	(8,847,123)
	854,615,843	784,976,421
	904,313,017	854,111,723
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	(7,506,736)	(8,281,339)
Ijarah rentals receivable	(21,833,238)	10,381,841
Diminishing Musharika	(459,622,184)	(20,377,455)
Purchase of assets under Ijarah arrangements	(1,205,160,444)	(1,265,447,771)
Proceeds from disposal of assets under Ijarah arrangements	724,400,864	191,743,280
	(969,721,738)	(1,091,981,444)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	1,846,018	316,386,396
Advance Ijarah rentals received	5,178,374	(9,303,320)
Security deposits	(37,069,056)	102,589,479
	(30,044,664)	409,672,555
	(95,453,385)	171,802,834
Profit paid on		
- Redeemable capital	(78,472,689)	(69,874,108)
- Musharika finances	-	(9,201)
- Musharika term finance arrangements	(22,721,988)	(9,060,248)
	(101,194,677)	(78,943,557)
Taxes paid	(3,154)	(1,111)
Net cash (used) / generated from operating activities	(196,651,216)	92,858,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,600,236)	-
Income on deposits with bank	4,911,771	785,323
Net cash generated / (used) from investing activities	2,311,535	785,323
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	284,680,000	47,100,000
Musharika term finance less repayments	(48,687,606)	(118,545,834)
Profit paid to certificate holders	(96,296,926)	(118,510,449)
Net increase / (decrease) in cash and cash equivalents	139,695,468	(189,956,283)
(Decrease) / increase in cash and cash equivalents	(54,644,213)	(96,312,794)
Cash and cash equivalents at the beginning of period	367,303,155	257,139,507
Cash and cash equivalents at end of the period	312,658,942	160,826,713

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

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

Chairman


Chief Executive


Director

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

	Paid-up certificate capital	Premium on modaraba certificates	Reserves			Total
			Statutory reserve	Unappropriated profit	Sub-total	
			(Rupees)			
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 six months period ended December 31, 2016.	-	-	-	69,135,302	69,135,302	69,135,302
- Other comprehensive income for the six months period	-	-	-	-	-	-
				69,135,302	69,135,302	69,135,302
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	-	-	3,456,765	(3,456,765)	-	-
Balance as at December 31, 2016	<u>453,835,300</u>	<u>55,384,700</u>	<u>482,215,028</u>	<u>99,578,454</u>	<u>637,178,182</u>	<u>1,091,013,482</u>
Balance as at June 30, 2017	453,835,300	55,384,700	485,170,304	155,728,690	696,283,694	1,150,118,994
Total comprehensive income for the period						
- Profit for the six months period ended December 31, 2017.	-	-	-	49,697,174	49,697,174	49,697,174
- Other comprehensive income for the six months period	-	-	-	-	-	-
				49,697,174	49,697,174	49,697,174
Profit distribution for the year ended June 30, 2017 @ Rs. 2.7 per certificate	-	-	-	(122,535,531)	(122,535,531)	(122,535,531)
Transfer to statutory reserve	-	-	2,484,859	(2,484,859)	-	-
Balance as at December 31, 2017	<u>453,835,300</u>	<u>55,384,700</u>	<u>487,655,163</u>	<u>80,405,474</u>	<u>623,445,337</u>	<u>1,077,280,637</u>

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

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

Chairman


Chief Executive


Director

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

1. STATUS AND NATURE OF BUSINESS

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

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) The condensed interim financial information of the Modaraba for six month period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, Modaraba Companies and Modarabas (Floating and Control) Ordinance 1980, Modaraba Companies and Modarabas Rules, 1981 and Prudential Regulations for Modaraba have been followed.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular no.23/2017 dated 04 October 2017, further clarification issued by the Institute of Chartered Accountants of Pakistan vide its circular no.17/2017 dated 06 October 2017 this condensed interim unconsolidated financial information have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

The comparative balance sheet presented in this condensed interim financial information as at December 31, 2017 has been extracted from the audited financial statements of the Modaraba for the year ended June 30, 2017, 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 December 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.

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

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

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, 2017.

3. SIGNIFICANT POLICIES, ESTIMATES, ASSUMPTIONS AND CHANGES THEREIN

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, 2017. 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.

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

3.1.1 Certain new amendments to approved accounting standards have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2017 but are considered not to be relevant or to have any significant effect on this unconsolidated condensed interim financial information.

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

The following revised standards, amendments and interpretations of approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 2 - Share-based Payment - (Amendments)	January 01, 2018
IAS 28 - Investments in associates and joint ventures - (Amendments)	January 01, 2019
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 01, 2018

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

The Company expects that the adoption of above amendments and interpretations will not affect its financial statements in the period of initial application except certain additional disclosures.

The following new standards have been issued by the IASB and have been notified by the SECP for application in Pakistan.

Standard or Interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 15 - Revenue from contracts with customers	July 01, 2018
IFRS 9 - Financial Instruments: Classification and Measurement	July 01, 2018

- The Company is currently in the process of analyzing the potential impact of changes in policies on adoption of the above standards.
- The Companies Act, 2017 applicable for the period beginning January 01, 2018 requires additional disclosures. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 - 'Property, Plant and Equipment'. Accordingly, surplus on revaluation of fixed assets will be part of equity.

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, 2017.

5. CASH AND BANK BALANCES

	Note	(Un-audited) December 31, 2017	(Audited) June 30, 2017
Balances with banks			
- in current accounts		197,129	143,741
- in deposit accounts	5.1	312,426,166	367,120,881
Cash in hand		35,647	38,533
		312,658,942	367,303,155

- 5.1 These carry profit at rate ranging between 2.48% - 5.25% per annum (June 2017: 3.14% - 5.25%). 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.

6. IJARAH RENTALS RECEIVABLE

	Note	(Un-audited) December 31, 2017	(Audited) June 30, 2017
Ijarah rentals receivable - considered good	6.1	114,821,182	91,089,736
Ijarah rentals receivable - considered bad or doubtful		28,887,294	31,293,120
Less: Allowance for potential Ijarah losses	6.2	(9,999,793)	(11,898,001)
Less: Profit held in suspense	6.3	(18,887,501)	(19,395,119)
		-	-
		114,821,182	91,089,736

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

- 6.1 This includes an amount due from key management personnel aggregated to Rs. 159,243 (June 30, 2017: Rs.152,711).

6.2 Allowance for potential Ijarah losses

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
Note	(Rupees)	
Opening balance	11,898,001	23,485,365
(Reversal) for the period / year	(1,898,208)	(11,587,364)
Closing balance	9,999,793	11,898,001

6.3 Profit held in suspense

Opening balance	19,395,119	18,942,755
Income (reversed) / suspended during the period / year - net	(507,618)	452,364
Closing balance	18,887,501	19,395,119

7. INVESTMENT IN SUKUK CERTIFICATES

Held-to-maturity investments

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
Note	(Rupees)	
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	-	-
	-	-

8. DIMINISHING MUSHARIKA

- Staff

Housing finance	97,712,106	95,389,320
Others	2,668,804	2,760,819
	100,380,910	98,150,139

- Other Customers

Housing finance	573,954,660	620,937,375
Others	782,958,946	278,584,818
	1,356,913,606	899,522,193
	1,457,294,516	997,672,332
Less: current portion of Diminishing Musharika	(268,386,773)	(102,085,412)
	1,188,907,743	895,586,920

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

- 8.1 This includes diminishing musharika facility availed by key management personnel with respect to housing finance and personal finance amounted to Rs. 57,963 million (June 2017: Rs. 66,937 million) and Rs. 1.199 million (June 2017: Rs. 1.717 million) respectively.

9. NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing on or after July 1, 2008
- accounted for under IFAS 2

Ijarah contracts prior to July 1, 2008
- accounted for as finance leases

Less: Current portion of net investment in Ijarah finance

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
Note	(Rupees)	
	4,178,512,624	4,451,014,738
	370,000	370,000
	(370,000)	(370,000)
	-	-

Ijarah Assets

Additions at cost during the period

- Plant, machinery and equipments
- Motor vehicles

Disposals at cost during the period

- Plant, machinery and equipments
- Motor vehicles

	(Un-audited) December 31, 2017	(Un-audited) December 31, 2016
Note	(Rupees)	
	519,773,526	620,842,612
	685,386,918	644,605,159
	1,205,160,444	1,265,447,771
	1,104,943,360	290,761,482
	827,701,237	278,625,096
	1,932,644,597	569,386,578

- 9.1 Ijarah facility extended to key management personnel as per HR policies having net book value amounting to Rs. 8,232 million (June 2017: Rs. 10,407 million).

10. FIXED ASSETS IN OWN USE

Tangible assets
Intangible assets

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
Note	(Rupees)	
	20,780,623	22,839,962
	1,541,511	2,040,388
	22,322,134	24,880,350

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
11. MUSHARIKA TERM FINANCE	Note	(Rupees)	
Musharika with other banks		898,312,394	947,000,000
Less: Current portion of musharika term finance		(303,653,330)	(200,000,000)
		<u>594,659,064</u>	<u>747,000,000</u>

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
12. UNCLAIMED PROFIT DISTRIBUTION	Note	(Rupees)	
	12.1	<u>71,733,633</u>	<u>45,495,028</u>

12.1 This includes dividend payable to ORIX Leasing Pakistan Limited (holding company) and ORIX Services Pakistan (Private) Limited - Management company amounting to Rs 12.25 million and Rs. 12.25 million respectively

13. CONTINGENCIES AND COMMITMENTS**13.1 Commitments**

The Modaraba has issued letters of comfort to Habib Metropolitan Bank Limited and Standard Chartered Bank (Pakistan) Limited equal to an amount of Rs. 25.57 million and Rs. 65.54 on behalf of Concrete Concept (Pvt) Limited and Diamond Tyres 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 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.

15. PROVISION FOR WORKERS' WELFARE FUND

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 a Constitutional Petition (CP) No. CP.D.3879/2017 with the Honorable Sindh High Court which is pending to date. The management has accrued for WWF liability for the period from 2014 to 2017 in these financial statements considering it as prudent.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 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, 2018. 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:

		(Un-audited) December 31, 2017	(Un-audited) December 31, 2016
Note		(Rupees)	
Cash and bank balances	5	312,658,942	178,738,559
Musharika finance		-	(17,911,846)
		<u>312,658,942</u>	<u>160,826,713</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:

	Six months period ended December 31, 2017 (Un-audited)	Six months period ended December 31, 2016 (Un-audited)
	(Rupees)	
ORIX Leasing Pakistan Limited		
- Holding Company of the Management Company		
Dividend	12,253,553	15,430,400
Staff retirement benefits funds		
Contribution to the staff provident fund	1,783,764	1,502,065
Contribution to the staff gratuity fund	1,493,213	1,251,196
Reimbursement from Staff Gratuity Fund	1,058,852	-
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration	5,717,182	6,796,863
Dividend	12,253,553	15,430,400
Rent reimbursement	300,726	-
Key Management Personnel		
Salaries and benefits	21,450,426	20,502,038
Contribution to the staff provident fund	731,463	699,617
Contribution to the staff gratuity fund	609,304	582,772
Income earned on DM finances to Key management personnel	2,945,459	1,708,470
Ijarah rental earned on Ijarah finances to Key management personnel	1,569,015	988,083
Profit on Redeemable Capital	13,863	27,726
Number of persons	8	8

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

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) December 31, 2017	(Audited) June 30, 2017
Note	(Rupees)	
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration payable	5,711,198	13,596,384
Rent reimbursement	1,263,387	962,661
Staff retirement benefits funds		
Receivable from staff provident fund	1,612,995	808,633
Receivable from staff gratuity fund	1,606,345	31,016

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:

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

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

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

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

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

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 December 31, 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	19.2										
Cash and bank balances		-	-	312,658,942	-	-	312,658,942	-	-	-	-
Ijarah rentals receivable		-	-	114,821,182	-	-	114,821,182	-	-	-	-
Advances, deposits and other receivables		-	-	23,337,103	-	-	23,337,103	-	-	-	-
Diminishing Musharika		-	-	1,457,294,516	-	-	1,457,294,516	-	-	-	-
Taxation recoverable		-	-	8,731,640	-	-	8,731,640	-	-	-	-
Investment in Sukuk certificates		-	-	-	-	-	-	-	-	-	-
Total		-	-	1,916,843,383	-	-	1,916,843,383	-	-	-	-
Financial liabilities not measured at fair value	19.2										
Musharika finance		-	-	-	-	-	-	-	-	-	-
Musharika term finance		-	-	-	-	898,312,394	898,312,394	-	-	-	-
Security deposits		-	-	-	-	793,283,714	793,283,714	-	-	-	-
Creditors, accrued and other liabilities		-	-	-	-	187,734,714	187,734,714	-	-	-	-
Redeemable capital		-	-	-	-	3,035,430,000	3,035,430,000	-	-	-	-
Unclaimed profit distribution		-	-	-	-	71,733,633	71,733,633	-	-	-	-
Advance Ijarah rentals received		-	-	-	-	45,034,413	45,034,413	-	-	-	-
Total		-	-	-	-	5,031,528,868	5,031,528,868	-	-	-	-
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	19.2										
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		-	-	-	-	-	-	-	-	-	-
Total		-	-	1,472,980,457	-	-	1,472,980,457	-	-	-	-
Financial liabilities not measured at fair value	19.2										
Murabaha finance		-	-	-	-	-	-	-	-	-	-
Musharika 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	-	-	-	-
Total		-	-	-	-	4,798,529,556	4,798,529,556	-	-	-	-

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.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

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 December 31, 2017, there were only two (June 30, 2017: two) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (June 30, 2017: 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 February 21, 2018 by the Board of Directors of the Management Company.

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


Chairman


Chief Executive


Director



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