

ORIX Modaraba |



ORIX



3RD
QUARTERLY
REPORT
MARCH 31,

2018

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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. Hideaki Yokoyama
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
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Directors' Review

For the period ended March 31, 2018

The Board of Directors of ORIX Services Pakistan (Private) Limited, the management company of ORIX Modaraba is pleased to present the unaudited accounts for the nine months period ended March 31, 2018.

1. Economic Outlook

In the last nine months high economic growth and low inflation outcome has been accompanied by a higher current account deficit. Along with a high fiscal deficit, this could affect medium-term stability of the economy. However recent adjustments stemming from greater exchange rate flexibility, active monetary management as well as visible improvements in exports and remittances are expected to bear fruit for medium term in terms of sustaining the growth momentum without posing a risk to stability.

CPI inflation has remained moderate during January and February FY18, averaging 4.1 percent mainly because of subdued food prices and lower than anticipated increase in house rents. The latter lowered core inflation i.e. non-food non-energy inflation from 5.5 percent YoY in December FY18 to 5.2 percent during January and February FY18.

The agriculture sector, despite some shortfall in cotton production, is projected to post positive growth for the second consecutive year. The industrial sector has managed demand pressures through improved utilisation of existing capacity and continuing additions in installed capacity.

Improved demand from major trade destinations and the government's ongoing export package are generating the momentum of growth for Pakistan's exports. During July-February FY18, exports growth has reached 12.2 percent as compared to the decline of 0.8 percent in the same period last year.

Despite the decline in new labour proceedings abroad, workers remittances have recorded a growth of 3.4 percent in FY18 so far.

However, the growth in imports also remains high. Even with a deceleration during the current year due to higher regulatory duties and exchange rate movements, import growth has remained high during July-February FY18 compared with the same period last year. As a result, the current account deficit has reached USD 10.8 billion during July-February FY18, which is about 50 percent more than it was during the same period in FY17.

The government imposed regulatory duties on some imports to slowdown import growth. In addition, the exchange rate depreciated in December 2017 (by 5pc) and in March 2018 (4pc), and the policy interest rate was raised by 25 bps in January to ease demand pressures. Despite this, official international reserves have declined to \$ 12.2 billion by end-February (2.3 months of imports), compared to \$16.1bn at end-June 2017. To support declining reserves, the government issued international bonds of \$2.5bn in November 2017.

On the monetary front, private sector credit (PSC) has shown sustained growth during Jul-Feb FY18. Given the favorable economic outlook, growth in PSC credit is expected to maintain its momentum throughout FY18 and well into FY19. The driving factors supporting the credit expansion were improved economic conditions and increased inventories & working capital requirement by the Corporate Sector.

2. Financial Highlights

Financial results are summarized as under:

Balance Sheet

	March 31, 2018	June 30, 2017
	----- (PKR '000) -----	
Certificate capital	453,835	453,835
Total equity	1,093,585	1,150,119
Investment in Ijarah finance and Ijarah Assets	4,299,999	4,451,385
Investments in Diminishing Musharika and Sukuks	1,734,325	997,672
Redeemable capital	2,880,280	2,750,750

	Nine months ended March 31, 2018	Nine months ended March 31, 2017
	----- (PKR '000') -----	
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	346,027	342,344
Financial charges	170,257	155,527
Reversal of provisions net	1,898	11,066
Operating expenses	101,740	96,017
Profit before modaraba management company's remuneration	75,928	101,866
Net profit	66,002	98,601

3. Review of Operations

During the period under review in spite of reduction in industry spreads and stiff competition with Islamic banks, the Modaraba's gross revenue (including other income) increased by 3.27% from PKR 1,413 million to PKR 1,459 million compared to corresponding period of last year. This was achieved mainly due to increase in disbursements and some portfolio alignment. The increase in Ijarah assets as compared to corresponding period of last year also led to higher depreciation by 3.73% from PKR 1,110 million to PKR 1,153 million, in line with IFAS 2 accounting. Financial charges increased by 9.47% from PKR 155 million to PKR 170 million. Administrative and operating expenses increased by 5.96% to PKR 102 million mainly due to increase in staff cost in line with the market. Net profit however decreased to PKR 66.00 million as compared to corresponding period of last year mainly as last year included a one off recovery of nonperforming assets and a one off reversal of provision for workers' welfare fund.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 5,636 million compared to PKR 5,449 million as at June 30, 2017, showing an increase of 10.74% within the nine months period. During the period under review, the Modaraba booked fresh disbursements to the tune of Rs. 2,880 million as compared to Rs. 2,273 million during the corresponding period last year showing an increase of 26.71%.

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: April 23, 2018

ڈائریکٹرز کا جائزہ

۳۱ مارچ ۲۰۱۸ کو اختتام پذیر نو ماہ کے مدت کے لیے

اور کس سر و سز پاکستان (پرائیویٹ) لمیٹڈ، جو اور کس مضاربہ کی انتظامی کمپنی ہے، کے بورڈ آف ڈائریکٹرز، ۳۱ مارچ ۲۰۱۸ کو اختتام پذیر نو ماہ کی مدت کے لیے اپنی غیر محتسب شدہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

۱. اقتصادی منظر نامہ

گزشتہ نو ماہ میں بلند معاشی نمو اور کم افراط زر کے نتائج اپنے ساتھ بلند جاری خسارہ لائی ہے۔ بلند مالیاتی خسارہ وسطی مدت کے معاشی استحکام کو متاثر کر سکتا ہے۔ تاہم، مبادلہ کے نرخ میں بڑی چلک، فعال مالیاتی بیجمنٹ کے ساتھ ساتھ برآمدات اور ترسیل زر میں نظر آنے والی بہتری کے نتیجے میں ہونے والی حالیہ ضروری تبدیلیوں سے توقع ہے کہ وسطی مدت میں یہ استحکام کو کوئی خطرہ سے دوچار کیے بغیر نمو کی رفتار میں تیزی (momentum) کو برقرار رکھے گی۔

مالی سال ۲۰۱۸ کی جنوری اور فروری کے دوران CPI افراط زر معتدل رہا، ۴.۱ کی اوسط کی وجہ غذائی اشیاء کی کم قیمتیں اور رہائشی مکانات کے کرائے میں متوقع اضافے سے کم اضافہ تھا۔ ثانی الذکر نے بنیادی افراط زر، یعنی غیر غذائی - غیر توانائی، کو سال بہ سال کی مالی سال ۲۰۱۸ کے دسمبر کے مہینہ میں ۵.۵ فیصد سے کم کر کے مالی سال ۲۰۱۸ کے جنوری اور فروری کے دوران ۵.۲ فیصد کر دیا۔

تخمینہ ہے کہ زر عینی شعبہ، کپاس کی پیداوار میں کچھ کمی کے باوجود، مسلسل دوسرے سال مثبت نمو کا اندراج کرے گا۔ صنعتی شعبے نے موجودہ پیداواری استعداد کے بہتر استعمال اور نصب شدہ پیداواری استعداد میں جاری اضافے سے طلب کے دباؤ کو منظم کیا۔

تجارتی ملکوں سے طلب میں بہتری اور گورنمنٹ کے برآمدات کے جاری پیکج پاکستان کے برآمدات کی نمو کی رفتار میں تیزی (momentum) پیدا کر رہی ہیں۔ مالی سال ۲۰۱۸ جولائی سے فروری کے دوران برآمدات کی نمو ۱۲.۲ فیصد پہنچ چکی ہے جبکہ گذشتہ اسی سال کے دوران اس میں ۸.۰ فیصد کمی تھی۔ مالی سال ۲۰۱۸ میں اب تک سمندر پار پاکستانی کارکنان میں کمی کے باوجود ان کی جانب سے ترسیل زر اس میں ۳.۴ فیصد اضافہ ہوا ہے۔

تاہم، درآمدات کی نمو بھی بلند رہی۔ جاری سال کے دوران بلند تر انضباطی ڈیوٹیز (duties) اور مبادلہ نرخ میں ردوبدل کی وجہ سے درآمدات کی رفتار میں کمی کے باوجود گذشتہ سال کی جنوری - فروری کی نمو کے مقابلے میں مالی سال ۲۰۱۸ جنوری - فروری کے دوران درآمدات کی نمو بلند رہی۔ اس کے نتیجے میں جاری کھاتے کا خسارہ مالی سال ۲۰۱۸ جنوری - فروری میں بڑھ کر ۱۰.۸ ارب امریکی ڈالر ہو گیا جبکہ مالی سال ۲۰۱۷ کی اسی مدت میں کے مقابلے میں ۵.۰ فیصد زیادہ ہے۔

درآمدات کی نمو میں کمی کرنے کے لیے گورنمنٹ نے چند درآمدات پر انضباطی ڈیوٹیز (duties) نافذ کی ہیں۔ اس کے علاوہ، طلب کے دباؤ میں کمی کے لیے کرنسی کی شرح مبادلہ میں دسمبر ۲۰۱۷ میں ۵ (فیصد) اور مارچ ۲۰۱۸ (۴ فیصد) کی اور جنوری ۲۰۱۸ میں پالیسی نرخ میں ۲۵ bps کا اضافہ کیا گیا۔ اس کے باوجود، فروری کے اختتام پر سرکاری طور پر اعلان کردہ غیر ملکی زر مبادلہ کے ذخائر گھٹ کر ۱۱۲.۲ ارب امریکی ڈالر (۳-۲ ماہ کی درآمدات) ہو گئے ہیں جبکہ جون ۲۰۱۷ کے اختتام پر ان کی مالیت ۱۱۶.۱ ارب امریکی ڈالر تھی۔ غیر ملکی زر مبادلہ کم ہوتے ہوئے ذخائر کی اعانت کے لیے گورنمنٹ نے نومبر ۲۰۱۷ میں ۲.۵ ارب امریکی ڈالر کے بین الاقوامی بانڈز کا اجراء کیا۔

مالی سال ۲۰۱۸ کی جولائی-فروری کے دوران مالیاتی محاذ پر نجی شعبے کے قرضہ جات تسلسل سے نمود کھائی ہے۔ سازگار معاشی منظر نامے کے ساتھ، توقع ہے کہ پورے مالی سال ۲۰۱۸ کے ساتھ ساتھ مالی سال ۲۰۱۹ کے دوران نجی شعبے کو قرضہ جات میں نمو کی رفتار میں تیزی کو برقرار رکھے گا۔ قرضہ جات میں توسیع کی اعانت کے محرکات کے عوامل میں بہتر ہوتی ہوئی معاشی صورت حال، اداروں کے بڑھتے ہوئے تجارتی مال کے ذخائر (inventories) اور بڑھتی ہوئے کاروباری معمولات کی ادائیگی کے دستیاب سرمایہ شامل ہیں۔

۲۔ عملی نتائج اور کاروباری جائزہ:

۲۰۱۷ جون ۳۰	۲۰۱۸ مارچ ۳۱	بیلنس شیٹ
روپے ہزار میں		
۴۵۳،۸۳۵	۴۵۳،۸۳۵	سرٹیفیکٹ سرمایہ
۱،۱۵۰،۱۱۹	۱،۰۹۳،۵۸۵	کل حصص
۴،۴۵۱،۳۸۵	۴،۲۹۹،۹۹۹	اجارہ فنانس اور اجارہ اثاثہ جات میں سرمایہ کاری
۹۹۷،۶۷۲	۱،۷۳۲،۳۲۵	مشارکہ متناقصہ اور سٹوک میں سرمایہ کاری
۲،۷۵۰،۷۵۰	۲،۸۸۰،۲۸۰	قابل بازیابی سرمایہ

۲۰۱۷ مارچ ۳۱	۲۰۱۸ مارچ ۳۱	نفع و نقصان:
ماہ اختتام	ماہ اختتام	
روپے ہزار میں		
۳۴۲،۳۴۴	۳۴۶،۰۲۷	ریونیو (محاصل) اجارہ کے اثاثہ جات کی فرسودگی کا کل۔
۱۵۵،۵۲۷	۱۷۰،۲۵۷	مالیاتی چارجز
۱۱،۰۶۶	۱،۸۹۸	(ریورسل) / دفعات اور نقائص
۹۶،۰۱۷	۱۰۱،۷۴۰	کاروبار چلانے کے اخراجات (آپریٹنگ اخراجات)
۱۰۱،۸۶۶	۷۵،۹۲۸	منافع قبل از انتظامی فیس
۹۸،۶۰۱	۶۶،۰۰۲	خالص منافع

۳۔ آپریشن کا جائزہ

زیر جائزہ مدت کے دوران صنعتی پھیلاؤ میں کمی اور اسلامی بینکوں سے شدید مسابقت کے باوجود مضاربہ کا مجموعی مالگذاری (gross revenue) بشمول دیگر آمدنی میں گذشتہ سال کی ۱،۴۱۳ ملین پاکستانی روپے میں ۲۷ فیصد اضافے کے ساتھ بڑھ کر ۱،۴۵۹ ملین پاکستانی روپے ہو گئی۔ اس کے حصول کی بنیادی وجہ نئے سرمایہ کاری میں اضافہ اور پورٹ فولیو کی صف بندی (alignment) ہے۔ اجارہ اثاثہ جات میں گذشتہ سال کی اسی مدت کے مقابلے میں اضافے کی وجہ سے اجارہ اثاثہ جات کی فرسودگی میں ۷۳ فیصد کے بعد ۱۱۰،۱۱۰ ملین روپے سے بڑھ کر ۱،۱۵۳،۱۵۳ ہو گئی جو کہ اسلامی مالیاتی اکاؤنٹنگ اسٹنڈرڈز کے عین مطابق

ہے۔ مالیاتی چارجز میں ۹.۴ فیصد اضافے کے ساتھ ۱۵۵ ملین پاکستانی روپے سے بڑھ کر ۱۷۰ ملین پاکستانی روپے ہو گئی۔ انتظامی اور آپریٹنگ اخراجات میں ۵.۹۶ فیصد اضافے سے ۱۰۲ ملین پاکستانی روپے ہو گئے جس کی وجہ مارکیٹ کے رجحان کے مطابق عملے کے لاگت میں اضافہ ہے۔ تاہم، گذشتہ سال کے اس مدت خالص منافع کے مقابلے میں کم ہو کر ۶۶.۰۰ ملین پاکستانی روپے ہو گیا، جس کی بنیادی وجہ گذشتہ سال کے خالص منافع میں ایک ناکارہ اثاثہ کی وصولی اور ملازمین کے مختص فلاحی و بہبود فنڈ کی واپسی شامل تھی۔

۳۰ جون ۲۰۱۷ پر اجارہ سرمایہ کاری، سکوک سرمایہ کاری اور گھٹنا ہوا مشارکہ سرمایہ کاری کی مالیت ۵،۶۳۶ ملین پاکستانی روپے کے مقابلے میں اس کی مالیت ۵،۴۴۹ ملین پاکستانی روپے رہی جو نو ماہ کی مدت میں ۴.۷۰ فیصد اضافہ دکھا رہا ہے۔ زیر جائزہ مدت کے دوران، مضاربہ نے ۲،۸۸۰ ملین روپے مالیت کے نئے سرمایہ کاری کی فراہمی کی جبکہ گذشتہ سال اس کی مالیت ۲،۲۳۷ ملین پاکستانی روپے تھی جو ۱۷.۷۰ فیصد دکھا رہی ہے۔

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

۴۔ کریڈٹ درجہ بندی (ریٹنگ)

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

۵۔ اعتراف

بورڈ مجاز اداروں، حاملین۔ سرٹیفکیٹ، گاہکوں اور کروہاری شرکاء، کی حمایت کا شکریہ ادا کرنا چاہتا ہے۔ بورڈ اپنے معزز گاہکوں اور مستقبل میں ان کی حمایت کی توقع کرتے ہیں۔

بورڈ کی جانب سے

شاہین امین

چیئرمین

کراچی: ۲۳ اپریل، ۲۰۱۸

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2018

		(Un-audited) March 31, 2018	(Audited) June 30, 2017
	Note	(Rupees) -----	
ASSETS			
Current assets			
Cash and bank balances	5	309,017,913	367,303,155
Ijarah rentals receivable	6	119,800,150	91,089,736
Advances, deposits, prepayments and other receivables		33,358,797	21,232,314
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharika	8	198,620,459	102,085,412
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		8,731,640	8,728,486
Total current assets		669,898,959	590,809,103
Non-current assets			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharika	8	1,535,704,375	895,586,920
Ijarah assets	9	4,299,628,874	4,451,014,738
Fixed assets in own use	10	19,798,310	24,880,350
Total non-current assets		5,855,131,559	5,371,482,008
TOTAL ASSETS		6,525,030,518	5,962,291,111
LIABILITIES AND EQUITY			
Current liabilities			
Current maturity of Musharika term finance arrangements	11	477,732,228	200,000,000
Current maturity of security deposits		198,193,015	232,944,591
Creditors, accrued and other liabilities		313,232,381	198,718,280
Advance Ijarah rentals received		52,274,735	39,856,039
Current portion of redeemable capital		2,873,480,000	2,750,550,000
Unclaimed profit distribution		50,591,857	45,495,028
Total current liabilities		3,965,504,216	3,467,563,938
Non-current liabilities			
Long-term portion of Musharika term finance arrangements	11	810,396,095	747,000,000
Long-term portion of security deposits		648,745,151	597,408,179
Long-term portion of redeemable capital		6,800,000	200,000
Total non-current liabilities		1,465,941,246	1,344,608,179
TOTAL LIABILITIES		5,431,445,462	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		95,894,672	155,728,690
Other reserves		543,855,084	540,555,004
		1,093,585,056	1,150,118,994
TOTAL LIABILITIES AND EQUITY		6,525,030,518	5,962,291,111
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 21 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 NINE MONTHS PERIOD ENDED MARCH 31, 2018

Note	Nine months period ended March 31, 2018	Nine months period ended March 31, 2017	Three months period ended March 31, 2018	Three months period ended March 31, 2017
(Rupees)				
Ijarah rentals earned	1,366,661,027	1,326,409,741	447,053,726	452,601,353
Income on Diminishing Musharika arrangements	85,693,065	76,198,768	35,910,561	22,454,100
Income on deposits with banks	6,787,293	10,385,521	1,859,316	4,077,744
	<u>1,459,141,385</u>	<u>1,412,994,030</u>	<u>484,823,603</u>	<u>479,133,197</u>
Financial charges	(170,256,663)	(155,527,488)	(61,810,246)	(53,421,835)
Depreciation on assets under Ijarah arrangements	(1,153,022,832)	(1,110,488,809)	(378,298,736)	(379,845,925)
	<u>135,861,890</u>	<u>146,977,733</u>	<u>44,714,621</u>	<u>45,865,437</u>
Reversal of provision in respect of Ijarah finances - net	1,898,208	11,066,062	-	733,357
Reversal of provision in respect of Diminishing Musharika	-	-	-	-
	<u>137,760,098</u>	<u>158,043,795</u>	<u>44,714,621</u>	<u>46,598,794</u>
Other income	39,908,031	39,838,887	10,296,013	20,320,472
Administrative and operating expenses	(101,739,647)	(96,017,020)	(36,253,970)	(33,022,238)
	<u>75,928,482</u>	<u>101,865,662</u>	<u>18,756,664</u>	<u>33,897,028</u>
Management Company's remuneration	(7,592,848)	(10,186,566)	(1,875,666)	(3,389,703)
Provision for services sales tax on Management Company's remuneration	(987,070)	(1,324,254)	(243,836)	(440,662)
Reversal / (Provision) for Workers' Welfare Fund	(1,346,971)	8,245,790	(332,743)	(601,333)
Profit for the period before taxation	66,001,593	98,600,632	16,304,419	29,465,330
Taxation	-	-	-	-
Profit for the period after taxation	66,001,593	98,600,632	16,304,419	29,465,330
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	66,001,593	98,600,632	16,304,419	29,465,330
Earnings per certificate - basic and diluted	1.45	2.17	0.36	0.86

The annexed notes 1 to 21 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 NINE MONTHS PERIOD ENDED MARCH 31, 2018

	Nine months period ended March 31, 2018	Nine months period ended March 31, 2017
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	66,001,593	98,600,632
Adjustments for non-cash and other items:		
Depreciation / amortisation on fixed assets in own use	7,779,176	13,287,631
Depreciation on Ijarah assets	1,153,022,832	1,110,488,809
Gain on disposal of Ijarah assets	(26,632,070)	(32,327,599)
(Reversal of provision) in respect of Ijarah finances - net	(1,898,208)	(11,066,062)
(Reversal of provision) in respect of Diminishing Musharika	-	-
Income on deposits with bank	(6,787,293)	(10,385,521)
Profit on:		
- Redeemable capital	113,763,471	120,689,686
- Musharika finance	-	49,671
- Musharika term finance arrangements	46,253,675	11,185,844
Provision for services sales tax on Management Company's remuneration	987,070	1,324,254
Provision for Workers' Welfare Fund	1,346,971	(8,245,790)
	1,287,835,624	1,195,000,923
	1,353,837,217	1,293,601,555
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	(10,250,961)	(67,089,670)
Ijarah rentals receivable	(26,812,206)	13,772,692
Diminishing Musharika	(736,652,502)	188,733,911
Purchase of assets under Ijarah arrangements	(1,828,806,557)	(2,051,040,652)
Proceeds from disposal of assets under Ijarah arrangements	853,801,657	444,741,295
	(1,748,720,569)	(1,470,882,424)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	91,319,275	138,800,281
Advance Ijarah rentals received	12,418,696	(14,363,815)
Security deposits	16,585,396	114,110,634
	120,323,367	238,547,100
	(274,559,985)	61,266,231
Profit paid on		
- Redeemable capital	(101,415,163)	(114,697,458)
- Musharika finances	-	(58,586)
- Musharika term finance arrangements	(37,741,196)	(12,137,508)
	(139,156,359)	(126,893,552)
Taxes paid	(3,154)	(1,111)
Net cash (used) / generated from operating activities	(413,719,498)	(65,628,432)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,697,136)	-
Income on deposits with bank	4,911,771	10,581,160
Net cash generated / (used) from investing activities	2,214,635	10,581,160
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	129,530,000	232,525,000
Musharika term finance less repayments	341,128,323	(143,545,834)
Profit paid to certificate holders	(117,438,702)	(148,049,434)
Net (decrease) / increase in cash and cash equivalents	353,219,621	(59,070,268)
Decrease in cash and cash equivalents	(58,285,242)	(114,117,540)
Cash and cash equivalents at the beginning of period	367,303,155	257,139,507
Cash and cash equivalents at end of the period	309,017,913	143,021,967

The annexed notes 1 to 21 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 NINE MONTHS PERIOD ENDED MARCH 31, 2018

	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 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>
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 nine months period ended March 31, 2018.	-	-	-	66,001,593	66,001,593	66,001,593
- Other comprehensive income for the nine months period	-	-	-	-	-	-
				66,001,593	66,001,593	66,001,593
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	-	-	3,300,080	(3,300,080)	-	-
Balance as at March 31, 2018	<u>453,835,300</u>	<u>55,384,700</u>	<u>488,470,384</u>	<u>95,894,672</u>	<u>639,749,756</u>	<u>1,093,585,056</u>

The annexed notes 1 to 21 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 NINE MONTHS PERIOD ENDED MARCH 31, 2018

1. STATUS AND NATURE OF BUSINESS

ORIX Modaraba ('the Modaraba') was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by ORIX Services Pakistan (Private) Limited ('the Management Company'). The Management Company is a wholly owned subsidiary of ORIX Leasing Pakistan Limited. The registered office is situated at 6th Floor, Syedna Tahir Saif-u-ddin Trust Building, Beaumont Road, Civil 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 statements of the Modaraba for nine months period ended 31 March 2018 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standard as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.;
- provisions of and directives issued under the Companies Act 2017, Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas.;

Where requirements, provisions and directives as given under the Companies Act, 2017, Modaraba Companies and Modarabas (Floating and Control) Ordinance 1980, Modaraba Companies and Modarabas Rules, 1981, Prudential Regulations for Modaraba and Islamic Financial Reporting Standards (IFRS) differ with the requirements of IAS 34, the requirements, provisions and directives given under the Companies Act, 2017, Modaraba Companies and Modarabas (Floating and Control) Ordinance 1980, Modaraba Companies and Modarabas Rules, 1981, Prudential Regulations for Modaraba and Islamic Financial Reporting Standards (IFRS) have been followed.

The comparative balance sheet presented in this condensed interim financial information as at March 31, 2018 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 March 31, 2017.

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:

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

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.

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.

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

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 or 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, 2019

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 analysing 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

		(Un-audited) March 31, 2018	(Audited) June 30, 2017
	Note	(Rupees)	
Balances with banks			
- in current accounts		420,027	143,741
- in deposit accounts	5.1	308,529,151	367,120,881
Cash in hand		68,735	38,533
		<u>309,017,913</u>	<u>367,303,155</u>

- 5.1 These carry profit at rate ranging between 2.97% - 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.

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

		(Un-audited) March 31, 2018	(Audited) June 30, 2017
	Note	(Rupees)	
6. IJARAH RENTALS RECEIVABLE			
Ijarah rentals receivable - considered good	6.1	119,800,150	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)
		-	-
		119,800,150	91,089,736

6.1 This includes an amount due from key management personnel aggregated to Rs. 137,288 (June 30, 2017: Rs.152,711).

		(Un-audited) March 31, 2018	(Audited) June 30, 2017
		(Rupees)	
6.2 Allowance for potential Ijarah losses			
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***

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		93,273,800	95,389,320
Others		3,401,988	2,760,819
	8.1	96,675,788	98,150,139
- Other Customers			
Housing finance		587,875,028	620,937,375
Motor vehicles		400,516,248	126,964,389
Plant, Machinery and equipments		649,257,770	151,620,429
		1,637,649,046	899,522,193
		1,734,324,834	997,672,332
Less: current portion of Diminishing Musharika		(198,620,459)	(102,085,412)
		1,535,704,375	895,586,920

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

- 8.1 This includes diminishing musharika facility availed by key management personnel with respect to housing finance and personal finance amounted to Rs. 48.961 million (June 2017: Rs. 66.937 million) and Rs. 2.046 million (June 2017: Rs. 1.717 million) respectively.

(Un-audited) March 31, 2018	(Audited) June 30, 2017
(Rupees)	

9. NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing on or after July 1, 2008

- accounted for under IFAS 2

4,299,628,874	4,451,014,738
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Ijarah contracts prior to July 1, 2008

- accounted for as finance leases

370,000	370,000
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Less: Current portion of net investment in Ijarah finance

(370,000)	(370,000)
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-	-
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(Un-audited) March 31, 2018	(Un-audited) March 31, 2017
(Rupees)	

Ijarah Assets

Additions at cost during the period

- Plant, machinery and equipments

- Motor vehicles

835,813,109	978,965,761
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992,993,448	1,072,074,891
--------------------	---------------

1,828,806,557	2,051,040,652
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Disposals at cost during the period

- Plant, machinery and equipments

- Motor vehicles

1,203,119,297	743,862,985
----------------------	-------------

1,183,959,329	578,293,917
----------------------	-------------

2,387,078,626	1,322,156,902
----------------------	---------------

- 9.1 Ijarah facility extended to key management personnel as per HR policies having net book value amounting to Rs. 11.968 million (June 2017: Rs. 10.407 million).

(Un-audited) March 31, 2018	(Audited) June 30, 2017
(Rupees)	

10. FIXED ASSETS IN OWN USE

Tangible assets

Intangible assets

18,526,169	22,839,962
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1,272,141	2,040,388
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19,798,310	24,880,350
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11. MUSHARIKA TERM FINANCE

Musharika with other banks

Less: Current portion of musharika term finance

1,288,128,323	947,000,000
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(477,732,228)	(200,000,000)
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810,396,095	747,000,000
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

12. CONTINGENCIES AND COMMITMENTS**12.1 Commitments**

The Modaraba has issued letters of comfort in favour to Faysal Bank Limited having value of Rs. 39 million and Rs. 20 million on behalf of Rototec (Pvt) Limited and Hyeworth Renault Petersen Pakistan (Pvt.) Ltd respectively.

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

Pursuant to Order number SRB-COM-II/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated 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.

14. 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.

15. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2018. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

16. CASH AND CASH EQUIVALENTS

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

		(Un-audited) March 31, 2018	(Un-audited) March 31, 2017
Note	-----	(Rupees)	-----
Cash and bank balances	5	309,017,913	216,896,016
Musharika finance		-	(73,874,049)
		<u>309,017,913</u>	<u>143,021,967</u>

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

17. 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:

	Nine months period ended March 31, 2018 (Un-audited)	Nine months period ended March 31, 2017 (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	2,739,073	2,263,522
Contribution to the staff gratuity fund	2,281,700	1,882,425
Reimbursement from Staff Gratuity Fund	1,134,383	-
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration	7,592,848	10,186,566
Dividend	12,253,553	15,430,400
Rent reimbursement	300,726	-
Key Management Personnel		
Salaries and benefits	30,158,693	27,931,625
Contribution to the staff provident fund	1,110,432	1,039,746
Contribution to the staff gratuity fund	924,984	866,096
Income earned on DM finances to Key management personnel	4,138,045	2,525,555
Ijarah rental earned on Ijarah finances to Key management personnel	2,419,214	1,600,979
Profit on Redeemable Capital	20,644	41,287
Number of persons	8	8

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

	(Un-audited) March 31, 2018	(Audited) June 30, 2017
----- (Rupees) -----		
ORIX Services Pakistan (Private) Limited - Management Company		
Management company's remuneration payable	7,592,848	13,596,384
Rent reimbursement	-	962,661
Staff retirement benefits funds		
(Payable) to / Receivable from staff provident fund	(47,790)	808,633
(Payable) to / Receivable from staff gratuity fund	(25,050)	31,016

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

18. 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 March 31, 2018 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:

18.1 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, 2018					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
	Carrying value					Fair value				
	(Rupees)									
Financial assets not measured at fair value 18.2										
Cash and bank balances	-	-	309,017,913	-	-	309,017,913	-	-	-	-
Ijarah rentals receivable	-	-	119,800,150	-	-	119,800,150	-	-	-	-
Advances, deposits and other receivables	-	-	27,587,502	-	-	27,587,502	-	-	-	-
Diminishing Musharika	-	-	1,734,324,834	-	-	1,734,324,834	-	-	-	-
Taxation recoverable	-	-	8,731,640	-	-	8,731,640	-	-	-	-
Investment in Sukuk certificates	-	-	-	-	-	-	-	-	-	-
Total	-	-	2,199,462,039	-	-	2,199,462,039	-	-	-	-
Financial liabilities not measured at fair value 18.2										
Musharika finance	-	-	-	-	-	-	-	-	-	-
Musharika term finance	-	-	-	-	1,288,128,323	1,288,128,323	-	-	-	-
Security deposits	-	-	-	-	846,938,166	846,938,166	-	-	-	-
Creditors, accrued and other liabilities	-	-	-	-	298,242,849	298,242,849	-	-	-	-
Redeemable capital	-	-	-	-	2,880,280,000	2,880,280,000	-	-	-	-
Unclaimed profit distribution	-	-	-	-	50,591,857	50,591,857	-	-	-	-
Advance Ijarah rentals received	-	-	-	-	52,274,735	52,274,735	-	-	-	-
Total	-	-	-	-	5,416,455,930	5,416,455,930	-	-	-	-

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

Note	30 June 2017						Fair value			
	Carrying value					Total	Level 1	Level 2	Level 3	Total
	Held for trading	Available for sale	Loans and receivables	Other financial	Other financial liabilities					
	(Rupees)									
Financial assets not measured at fair value	18.2									
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	18.2									
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	-	-	-	-

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

19. 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, 2018, 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.

20. 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.

21. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 23, 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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