

ORIX Modaraba | ORIX



ANNUAL  
REPORT  
2018



خدا کرے کہ میری ارضِ پاک پر اترے  
وہ فصل گل جسے اندیشہ زوال نہ ہو

# Awards and Achievements



**Corporate Excellence Award**  
Received from  
**Management Association of  
Pakistan (MAP)**  
for the year  
2017



**Best Performance Award**  
Received from  
**NBFI & Modaraba Association  
of Pakistan**  
for the year  
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. 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)

Bank Al Habib Limited (Islamic banking)

### Legal Advisors

Fazle Ghani Advocates

Haider Ali Khan

Partner, Advocate High Court

### Registered and Head Office:

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

### Lahore Branch:

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

### Islamabad Branch:

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

### Registrars & Share Registration Office

Famco Associates (Private) Limited  
8-F, Next to Hotel Faran, Nursery,  
Block 6, P.E.C.H.S., Shakra-e-Faisal,  
Karachi.

Tel: (92-21) 34380101-5

Fax: (92-21) 34380106

Email: info.shares@famco.com.pk

## Notice of Annual Review Meeting

Notice is hereby given that the Eighteenth Annual Review Meeting of certificate-holders of ORIX Modaraba (ORIXM) will be held on Friday, October 19, 2018 at 09:00 a.m. at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to review the performance of the Modaraba for the year ended June 30, 2018.

On behalf of the Board.

Muhammad Siddique

Company Secretary

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

Managers of ORIX Modaraba (Formerly Standard Chartered Modaraba)

August 28, 2018

Notes:

1. The certificate transfer books shall remain closed from Friday, October 12, 2018 to Friday, October 19, 2018 (both days inclusive). Transfers received in order at the office of the Registrar of ORIXM viz. FAMCO Associates (Pvt.) Ltd., before the close of business hours on Thursday, October 11, 2018 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
2. Members are requested to notify change in their address, if any, to the Share Registrars, FAMCO Associates (Pvt.) Ltd, at their address mentioned below.
3. For attending the Meeting:
  - a. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
  - b. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (1)/2014, the Annual report for the year ended June 30, 2018 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.

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

The Government of Pakistan through Finance Act, 2018, has maintained the rates prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The withholding tax rates for tax year 2018-2019 are as under:

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

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

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

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

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

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

## Vision

ORIXM vision is to be the leading Shariah compliant financial services entity by constantly anticipating market needs with the aim to create value for stakeholders.

## Mission

Our mission is to meet the client needs by ensuring service quality, care for the environment, providing growth opportunities to our employees and creating value for our certificate holders.

## Values

### Courageous

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

### Responsive

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

### International

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

### Creative

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

### Trustworthy

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

## Modaraba at a Glance

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

ORIXM offers Ijarah, Diminishing Musharika (DM), House Finance under DM structure, Sukuk, Murabaha, Salam to Corporates, SME and individuals. The funds to finance the assets comes from a mix of Certificate of Musharika that is offered to individuals and corporates, bank financing, equity and operational inflows. Our total assets balance is PKR 6.95 billion as at June 30, 2018. This is the highest book size in the Financial Services Modarabas sector. ORIXM manages and monitors risk exposure very prudently. Only PKR 137 Million of assets financing was impaired in thirty one years of operations which represents 0.32 percent of the total disbursements since inception. Consequently, the Modaraba has been able to distribute an average dividend payout of 24.06% with the minimum of 16% and maximum of 40% in 31 years.

ORIXM is managed by ORIX Services Pakistan (Private) Limited which owns 10% certificates capital in ORIXM. ORIX Leasing Pakistan Limited holds another 10% stake in ORIXM. The rest 80% is held by the general public. ORIXM is regulated by Securities and Exchange Commission of Pakistan and employs 35 permanent and 13 contractual staff members. It has branch offices in Lahore and Islamabad with the Head office in Karachi.

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



## ORGANIZATIONAL OVERVIEW & EXTERNAL ENVIRONMENT

### Group Profile

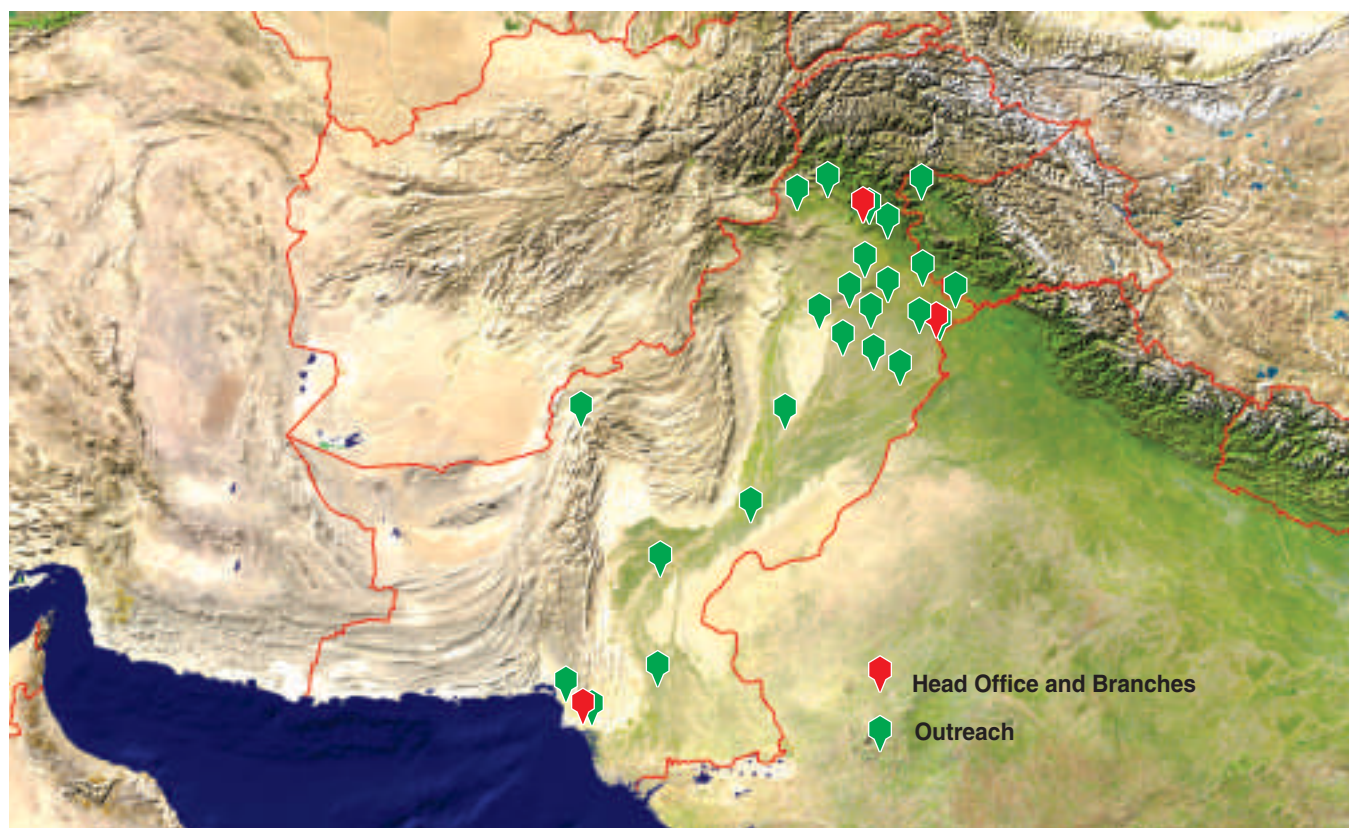
ORIX Corporation (ORIX) was established in April 1964 with leasing operations in Japan. Since then, ORIX has set up a number of specialized leasing companies to tap new market potential by providing a wide range of Innovative Financial products and services to clients in Japan and 38 different countries/regions across the world. This has also enabled the Corporation to maintain a strong reputation with continuous profit. The Corporation is listed on Tokyo and New York Stock Exchanges. ORIX Shareholders' Equity as at March 31, 2018 was ¥2.7 Trillion. It employs 31,890 employees and has over 2,000 business locations across the globe.

### ORIX Corporation, Japan – Financial Highlights:

Billions of yen, unless otherwise stated

Years Ended March 31	2018	2017	2016	2015	2014
Total revenues	<b>2,862.80</b>	2,678.70	2,369.20	2,174.30	1,375.30
Total expenses	<b>2,526.60</b>	2,349.40	2,081.50	1,917.50	1,172.20
Income before income taxes, discontinued operations and extraordinary gain	<b>435.50</b>	425	391.3	344	286.3
Net income attributable to ORIX Corporation Shareholders	<b>313.10</b>	273.2	260.2	234.9	187.4
ORIX Corporation shareholders' equity	<b>2,682.40</b>	2,507.70	2,310.40	2,152.20	1,919.30
Total Assets	<b>11,426.00</b>	11,231.90	10,992.90	11,439.90	9,063.50
ROE (%)	<b>12.10</b>	11.3	11.7	11.5	10.5
ROA (%)	<b>2.76</b>	2.46	2.32	2.29	2.14
ORIX Corporation shareholders' equity per share (yen)	<b>2,095.64</b>	1,925.17	1,764.34	1,644.60	1,465.77
Cash dividends (yen) per share	<b>66.00</b>	52.25	45.75	36	23
Number of Employees	<b>31,890</b>	34,835	33,333	31,035	25,977

### Geographical Presence ORIXM



## Our Core Products and Services



ORIX Modaraba (formerly Standard Chartered Modaraba) - ORIXM offers both Consumer and Corporate Shariah compliant products. These include; Ijarah/ Leasing, Diminishing Musharakah, Murabaha, Salam, Istisna and Certificates of Musharakah. ORIXM also offers Syndicate Financing Facility to the customers that require large amount of financing.

### PRODUCTS

#### CERTIFICATES OF MUSHARAKAH

ORIXM's Certificate of Musharakah is a profit & loss-sharing instrument whereby investors have an opportunity to earn low-risk income. It offers the most secure and rewarding return to its investors given ORIXM's AA Rating assigned by Pakistan Credit Rating Agency Limited (PACRA). This strong credit rating assigned to ORIXM indicates low expectation of credit risk and strong capacity for timely payment of financial commitments. Launched in the year 2000, this Shariah compliant Deposit Scheme has been formulated under the "Guidelines for issued of Certificate of Mushraka of Modaraba's" by SECP under the Modaraba Ordinance. ORIXM's Certificate of Musharakah is an Islamic investment avenue available to Individuals, Corporates, Provident Funds & Gratuity Funds. ORIXM has tailor-made this product keeping in consideration Islamic Principles and its valued customers' convenience.

#### MURABAHA FINANCE

ORIX Modaraba also offers Murabaha (selling a commodity as per the purchasing price with an agreed profit). Murabaha refers to the sale of commodity on pre-defined price and profit. Murabaha is completed in two stages. In the first stage, the ORIXM purchases a commodity that the client is desirous of acquiring. In the second stage, the client agrees to a payment schedule for repurchasing the goods.

#### IJARAH

ORIXM Offers Its Clients Sharia-compliant Integrated Financial Leasing Services.

At ORIXM, we pride ourselves on our Sharia-based values in offering asset rental solutions with ownership promise that is Ijarah Financing. Ijarah is the best solution as it fulfils the needs and aspirations of all clients, in a flexible timeframe that perfectly fits clients' needs. We offer financing services to our clients in a way that answers their needs and goes hand in hand with their expectations.

One of the most important fields of work at ORIXM is the leasing of assets which includes Plant & Machinery, Motor Vehicles, Office and Computer Equipment. We are proud to say that we have experience and an in-depth knowledge in this field in Pakistan; our specialization in the field has allowed us to present the best in terms of financial leasing services. Our Client Relationship team assists the customers throughout the process.

## Our Core Products And Services

### **DIMINISHING MUSHARAKAH (DM)**

DM arrangements allow equity participation and sharing of profits on a pro-rata basis. Under this product, possession of the asset is with the client. The financing is made by ORIXM and the client jointly in accordance with an agreed share. The share of the Modaraba in an asset reduces with every periodical payment, ultimately transferring ownership of the asset to the client. The client also pays rent for the use of Modaraba's share in the asset.

The clients may approach ORIXM for the acquisition of Plant and Machinery, Motor Vehicles, Office and Computer Equipment using DM financing. The asset remains under the charge of ORIXM until settlement.

### **HOUSE FINANCE DIMINISHING MUSHARAKAH (HFDM)**

HFDM is based on the concept of mortgage. The clients can avail HFDM facility for the acquisition, construction and renovation of property of their choice. Under this product, ownership and possession of the property is with the client. The financing is done by ORIXM and the client jointly in accordance with an agreed percentage. The property remains mortgaged in favor of ORIXM and original property documents are held by us till the contract is matured or terminated and settled.

### **SALAM**

Salam or Bai-Al Salam, is a contract of sale where the Seller undertakes to supply some specific commodity to the Buyer at a future date in exchange for a price fully paid in advance. Hence, the price is paid in cash whereas delivery of the purchased Goods is deferred.

Client may approach ORIXM for this product to manage its working capital requirements. This may include both core and overheads expenses pertaining to business operations of our esteemed clients.

### **ISTISNA**

The word Istisna is a derivative from the root word 'Sa na'a', which means to manufacture or to construct something. Istisna is a contract of sale of specified items to be manufactured or constructed with an obligation on the part of the seller to deliver them to the purchaser upon completion.

A client who intends to purchase certain assets to be manufactured or constructed may approach the Modaraba. At this point, Modaraba acting as a seller and the client as purchaser would execute an Istisna contract. Once the asset is complete and in useable condition, the Modaraba would deliver the assets to the client on agreed delivery schedule. The Client would make the payment to the Modaraba pursuant to the terms agreed upon in the Istisna contract either in various instalments or, as the case may be, at the delivery of the asset.

### **SYNDICATE FINANCING**

ORIX Modaraba also arranges Syndicate Financing facilities for clients (clients that can be Large Corporates, Local Corporates, Medium Enterprises or SMEs).

A traditional syndicated facility, is a facility arranged / offered by a group of Financial Institutions - referred to as a syndicate - who work together to provide funds for a single client.

Such a facility is suitable for clients that are looking for a single contact point solution for their relatively larger financial facility requirements.

ORIX Modaraba can arrange the following types of facilities for its clients:

- Syndicated Ijara Facility (Direct and sale & lease back Ijarah).
- Syndicated Diminishing Musharika Facility (For new & existing assets).

## **CODE** – An overview of the Code

### **Do the right thing**

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

### **Act responsibly and within authority**

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

### **Use good judgment**

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

### **Speaking Up**

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

### **Comply with laws, regulations and standards**

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

### **Combat financial crime**

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

### **Reject bribery and corruption**

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

### **Treat clients fairly**

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

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

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

### **Manage conflicts of interest**

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

### **Do not engage in or support insider dealing**

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

### **Protect confidential information**

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

### **Compete fairly in the market place**

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

### **Treat colleagues fairly and with respect**

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

### **Be open and co-operate with regulators**

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

### **Respect our communities and the environment**

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

## Significant factors effecting the external environment & ORIXM Response

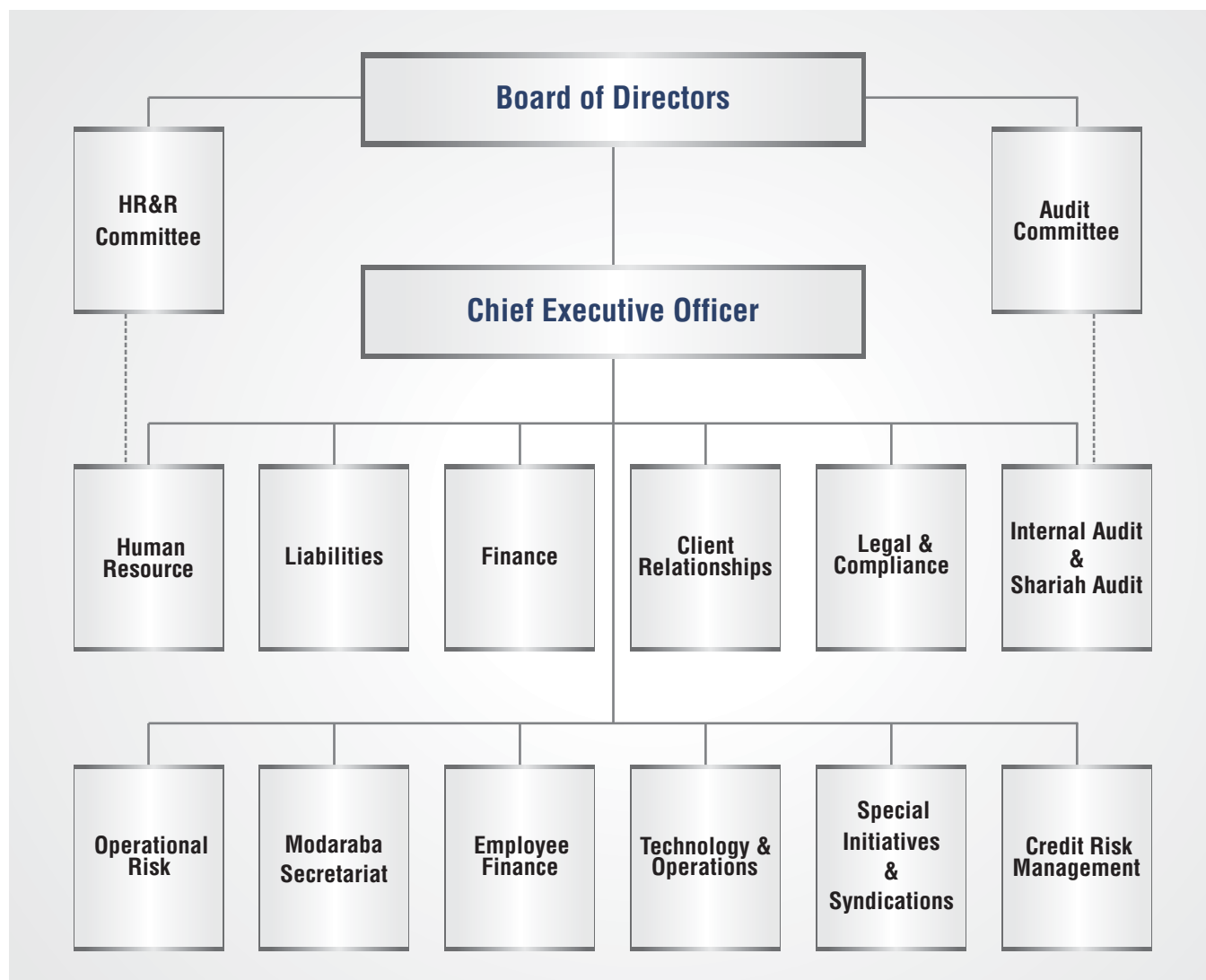
ORIXM was formed in 1987 and during the last 31 years, Modaraba’s financial performance indicators have been growing steadily. In comparative terms, it has been delivering exceptional results despite the challenging and difficult operating environment due to high competition from Islamic banks and slow growth in the industrial sector in many of the last years.

During the last 31 years, Modaraba has been operated with focus on financing i.e., by way of extending Ijarah and Diminishing Musharakah facilities to its predominantly corporate clients in order to provide enhanced returns to its certificate holders. These and similar products are currently being offered by other banks, DFIs and other financial institutions. The situation calls for additional venues of incomes.

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

During the year, Anti Money Laundering Regulations, 2018 were issued by SECP to comply the risk associated with such transaction, However, Modaraba is in compliance of these regulations.

## Organogram



# Board of Directors



## Shaheen Amin

Director/ Chairman since June 2016

- HR&R Committee (Member)

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



## Raheel Qamar Ahmad

Managing Director / CEO since June 2011

- HR&R Committee (Member)

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



## Ramon Alfrey

Director since June 2016

- Audit Committee (Member)

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



## Hideaki Yokoyama

Director since March 2018

Mr. Yokoyama is a graduate in economics from Keio University, Japan. He is appointed as director of ORIX services Pakistan Pvt Limited in March 2018. He has started his association with ORIX Corporation in April 1992, since then he has served in various senior capacities within ORIX Corporation, Japan and other ORIX Group Companies. Besides this He is also serving as in-charge of new business developments in MENA and monitoring all joint venture companies within ORIX group in MENA as Director.



## Mian Faysal Riaz

Director since June 2016

- Audit Committee (Member)

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



## Nausherwan Adil

Independent Director since July 2017

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

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

## STRATEGY AND RESOURCE ALLOCATION

### ORIXM Overall Strategy

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

### ORIX Modaraba's Strengths and Strategy

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

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

### Focus on Growth and Profitability

our strategy is geared towards generating growth over the next few years. We will be continue with

our strength in Corporates, high end SMEs, and HNW individuals. We will also expand into mid-tier SME and Employees of products. The cornerstones of our strategy are

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

### Significant Decision, Changes in Objectives and Strategies from Prior Years:

ORIXM is on its way to achieve the overall objectives set by its Board of Directors. There are no significant changes in objectives & strategies of ORIXM as compare to last years. Furthermore, there are no significant plans and decisions including corporate restructuring, business expansion and discontinuance of operations, etc, in the light of ORIXM's existing objectives & strategies.

## ORIXM Significant Resource

### Liquidity Resources

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

### Cashflows and Financing Resources

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

### Human Resources

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

## Critical Performance Indicators

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

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

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

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

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

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

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

The same will continue to be applicable in the future.

### Liquidity Strategy:

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

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

- ORIXM has Asset Liability Committee (ALCO) in place which regularly meets to ensure effective liquidity management. ORIXM-ALCO holds the ownership of Liquidity Contingency Plan which ensures that all financial liabilities that are falling due are either re-invested or re-financed with other feasible sources.
- The main source of fund to ORIXM for extending Islamic financings is issuance of Certificate of Musharaka (COMs). Since COMs are the most economical source of funds available to Modaraba, ORIXM focused on COMs to manage its financial cost efficiently.
- ORIXM Effectively markets the COMs in a way that maturing COMs are replenished with new issue of COMs.

Considering frequent changes in discount rate, COM customer prefers to invest in short term maturity period. Consequently, almost all COMs have maturity upto one year; although there is substantial contractual maturity mismatch however there is nominal behaviour maturity mismatch as most of the CoMs were re-invested after maturity.

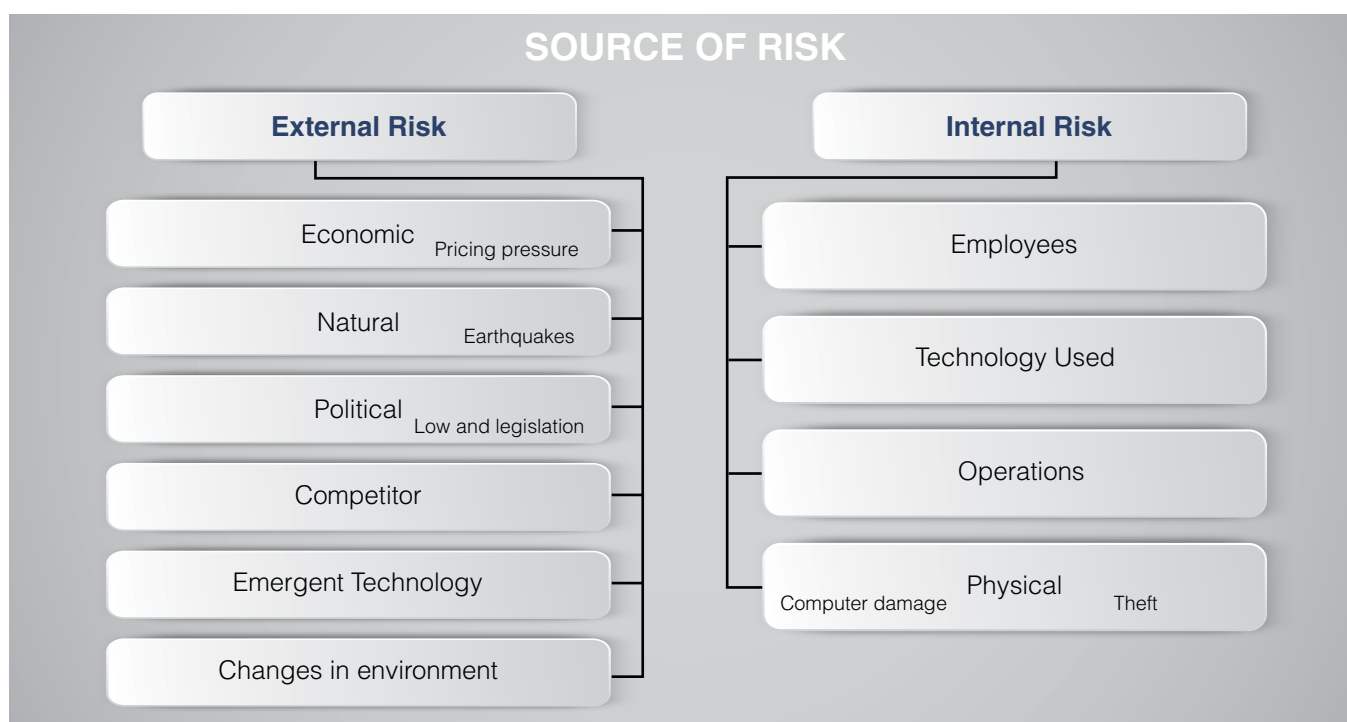
On the asset side, ORIXM portfolio includes Ijarah and Diminishing Musharaka products with maturity period of more than 1 year. ORIXM avails long term finance facilities from Islamic banks and Islamic windows of conventional banks to reduce contractual maturity mismatch. Hold unutilised financing facilities from Islamic Banks with the help of which ORIXM manages the remaining mismatch



## RISK & OPPORTUNITY REPORT

RISKS	EXTENUATING FACTORS / ACTIONS IN PLACE
	<b>MACRO-ECONOMIC / POLITICAL SITUATION - 1</b>
The country's overall liquidity situation (which could be possible due to adverse changes in Macro Economic / Political scenario) may affect the business of ORIXM clients, possibly resulting in overdues and defaults.	ORIXM carries out extensive Credit & Due Diligence (decision making related) reviews both at the time of booking a new client and at every annual review of all relationships. Annually a detailed exercise is carried out to formalize & review the Business Underwriting Standards (on which the entire business is run). A detailed mechanism of reportings and CSTs is also in place to ensure that any initial signs of deterioration in client's performance is highlighted. Based on the foregoing, during last many decades, ORIXM has been able to keep its client base selected and monitored such there have been very low rate of infection through the years.
	<b>MACRO-ECONOMIC / POLITICAL SITUATION - 2</b>
Country's overall Liquidity position (non availability of liquidity / funding) may adversely affect ORIXM's own business capability.	ORIXM with its entity ratings of AA for Long Term & A1+ for Short Term, manages a highly developed scheme for raising primary liquidity for its business operations, namely "Certificates of Musharikas" / COMs. The COMs clients have proven to be very loyal to the brand and scheme, therefore, a smooth in-flow of funds is witnessed is last many decades, hence becoming a strength for the Modaraba. Moreover, ORIXM has sound banking (borrowing) relationships with many leading Banks in Pakistan, guaranteeing all time availability of funds for business. The above shows that in a usual economic downturn, ORIXM's business capability doesn't get affected.
	<b>COST / EXPENSE / PRICING</b>
Sensitivity in cost of borrowing and lending pricing may lead to decrease of margins and influence the operations.	ORIXM has always focused pricing on both sides of 1) booking clients that increase the overall income and 2) borrowing at low rates. It is pertinent to mention that only during last year (ending Jun-2018) ORIXM's overall spread on the deployed assets increased by a 14 bps.
	<b>SHORT TERM INVESTMENT RISK</b>
Decrease in discounts rate by State Bank of Pakistan may affect the mark-up income of Term Deposits.	To keep this risk mitigated, ORIXM actively manages a treasury operation so that there are no major surplus un-utilized funds, but when there is a need to invest, ORIXM invests any of its surplus funds only with top rated banks and actively manages its deposits / placements portfolio to match the required risk profiles.

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



## Assessment of Likelihood

Type of Risk	Likelihood Y/N	Assessment (Reasoning)
Economic	N	There is no likelihood. An in-depth ""Portfolio Management"" exercise is carried out on quarterly intervals, wherein all possible business related angles (in terms of economic condition, Sectoral and asset type exposures, market trends, rate fluctuations etc etc ) are kept under constant review. This way smooth and profitable business operations are ensured at ORIX Modaraba.
Natural / (Natural Disasters)	N	There is no likelihood. We have elaborate back-up and Disaster Recovery arrangements in place, to protect all our confidential data and all our business systems. There is a separate mechanism of maintaining back ups at different locations. This way it is ensured that in case of a natural disaster or any other major break down, ORIX Modaraba's function will continue without any break.
Political (Law & Order)	N	There is no likelihood. Periodic ""Security Briefings"" and ""Security Expert's Presentations"" are conducted at ORIX Modaraba, to ensure that the entire modaraba team remains updated with any and all possible adverse Law & Order situations.
Competitor (Market competition)	N	There is no likelihood. It remains a fact that there is fierce competition in the financial (lending / borrowing) market, especially from the Commercial Banks. However, ORIXM does not get truly affected by the phenomenon as our Asset side business teams continuously strive to create newer clientele, where ORIXM is able to extract required spreads and incomes from the business activities. On the other hand ORIX Modaraba's Liability teams ensure raising funds at relatively lower rates. Both teams have expertise with respect to continuously changing the client mix, in order to achieve better returns.
Changes in Business Environment	N	There is no likelihood. Change in Business Environment is a continuous phenomenon. Over time ORIX Modaraba's management has displayed exceptional skills to manage with the changing environments.
Internal Operations	N	There is no likelihood. Internal Operations have always been the strong side for ORIX Modaraba. It is only due to very capable internal operations support that our clients get delivered with the best financial facilities in a swift manner. There is a proper system of Back-ups (staff and systems) for all operations.

### Default in payment of any Debts :

It is pertinent to mention here that the ORIXM has never defaulted in payment of any debts since its inception in Aug 1987.

### Capital Risk Management

ORIXM has a stable equity base that helps maintain market confidence and grow the business. The Board of the management company monitors the return on capital and approve the dividend to certificate holders. The average dividend payout in the last five years is 29.8%. The Modaraba monitors capital on the basis of gearing ratio. The same is calculated as net debt divided by total Capital and stands at 79% as on 30 June 2018 as compared to 74% in 2017. Modaraba is not subject to externally imposed capital requirement.

## GOVERNANCE

### Review Report by the Chairman

It is my privilege to write to you once more and I welcome this opportunity to share with you our 2018 performance and talk about how we are aligning internally and externally as a company to deliver a more valuable Orix Modaraba (ORIXM) to you. By the grace of Allah, Your Modaraba has had another successful year with an increase in gross revenue by 3.3% from PKR 1,891 million to PKR 1,953 million compared to corresponding last year. The Net profit however, decreased by 6.19% as last year had a one off recovery of nonperforming assets and a onetime reversal of provision for Workers Welfare Fund. Our dividend pay-out continues to be strong: 25% cash, amongst the highest in the sector.

For the past two years, I have been entrusted with the responsibility to serve as Chairman of the Board, and during this period I have endeavoured to increase focus on what we are as an entity. A performing, sustainable thought leader in its category endeavouring to serve our country, community, and people, both clients and employees. We also care deeply about environment impact and ensure our transactions do not affect the environment or the society in a negative way and within Shariah complaint structures. .

We also believe that the role of the Board is as important as the Management and each have their part to play in the leadership of the organization. The Board needs to be far –sighted in its role, while the Managements responsibility is to deliver results. It is my privilege to share that the composition current Board includes Directors with competencies in developing vision, leadership, dignity, innovation, risk assessment and effective governance framework.

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

The Board also carried out the annual review of its effectiveness and performance on a self-assessment basis. The assessment is based on a well-defined questionnaire that encompasses the basic principles of fairness, integrity and accountability with prime focus to enhance the Modaraba performance. For the Financial year ended June 30, 2018, the overall performance of the Board has been satisfactory. Moreover, the Overall performance of the Modaraba is a manifestation of service to the stakeholders and society, and every Director has made a valuable contribution toward this end.

On behalf of the Board, it is a distinct pleasure for me to express my gratitude to you for the enduring trust and confidence reposed in us for many years.



Shaheen Amin  
CHAIRMAN  
Date : 28-August-2018

## چیرمین کی جائزہ رپورٹ

یہ میرے لیے اعزاز کی بات ہے میں ایک بار پھر آپ لوگوں سے مخاطب ہوں اور میں موقع کو خوش آمدید کرتے ہوئے آپ کو مضاربہ کی ۲۰۱۸ کی کارکردگی کے بارے میں بتانا چاہتا ہوں اور ہم نے بطور کمپنی اندرونی اور بیرونی طور پر کس طرح سے اپنے آپ کو ہم آہنگ کیا تاکہ اور یکس مضاربہ اور آپ کے فوائد کیسے بڑھائیں۔ اللہ تعالیٰ کی مہربانی سے، آپ کے مضاربہ کے لیے ایک اور کامیاب سال رہا جس میں مجموعی مالگذاری (revenue) (بشمول دیگر آمدنیاں) میں 3.3 فیصد اضافے سے گذشتہ سال کی 1,891 ملین روپے سے بڑھ کر 1,953 ملین روپے ہو گئی۔ تاہم، خالص منافع میں 6.19 فیصد کمی ہوئی جیسا کہ گذشتہ سال نا کاردگی دیکھانے والے اثنا جات کی وسولی اور ایک مرتبہ ورکرز ویلفیئر فنڈ میں مختص رقم کی واپسی تھی۔ منقسمہ منافع (dividend) کی ادائیگی مستحکم رہی جو کے تمام: مضاربہ سیلٹر میں بلند ترین ۲۵ فیصد نقد۔

گذشتہ دو سالوں میں، مجھے بطور چیرمین خدمت سرانجام دینے کی ذمہ داری دے کر مجھ پر اعتماد کا اظہار کیا گیا ہے اور اس مدت میں میں نے کوشش کی کہ میں اپنی توجہ اس بات پر مرکوز رہی کہ ہم بطور ایک ادارے کے کیا کر رہے ہیں۔ اس حیثیت میں ایک کارکردگی دکھانے والا اور تسلسل سے سوچ بچار کرنے والا قائد کوشش کر رہا ہے کی وہ اپنے ملک، عوام اور گاہکوں اور ملازمین کی خدمت کرے۔ ہم ماحول کے اثرات کے بارے میں بھی سنجیدگی سے سوچتے ہیں اور اس بات کو یقینی بناتے ہیں ہمارے لین دین (transactions) ماحول یا سوسائٹی کو منفی انداز میں متاثر نہ کریں اور وہ شریعہ کی تعمیل کے ڈھانچے میں رہیں۔

ہم اس بات پر بھی یقین رکھتے ہیں کہ بورڈ اتنا ہی اہم ہے جیسا کہ انتظامیہ ہے اور ہر ایک کا ادارے کی قیادت میں کردار ادا کرنے کا حصہ ہے۔ بورڈ کو اپنے کردار میں دور اندیش ہونا چاہیے، جبکہ انتظامیہ کی ذمہ داری نتائج دینا ہے۔ میرے لیے یہ اعزاز کی بات ہے کہ میں آپ کے علم میں لاؤں کہ موجودہ بورڈ میں وہ ڈائریکٹرز شامل افراد ہیں جو ادارے میں بصیرت، قیادت، وقار، جدت، کاروباری خطرے کے تخمینہ اور موثر نظم و ضبط میں اضافہ کرنے کی اہلیت رکھتے ہیں۔

میں توثیق کرتا ہوں کہ آپ کے مضاربہ کے بورڈ آف ڈائریکٹرز کے اہم کاموں کی فہرست (agendas) اور معاونت کے لیے تحریری مواد بشمول کاموں کی پیش رفت کا مواد بورڈ اور اس کمیٹیوں کے اجلاس سے مناسبت وقت سے میہا کیا گیا۔ بورڈ کو بحث و مباحثہ اور فیصلے کرنے کے لیے متعدد مناسب رپورٹس میہا کی گئی ہیں۔ بورڈ کے ارکان، بورڈ کو پیش کیے جانے والے مختلف معاملات پر اپنے اجلاسوں میں کھلم کھلا اور آزادانہ تبادلہ خیال کرتے ہیں۔

بورڈ اپنی کارکردگی اور موثر پن کا سالانہ جائزہ لیتا ہے۔ یہ تخمینہ اچھی طرح سے متعین کئے گئے سوالنامے کی ذریعے سے ہوتا ہے جس کا بنیادی اصول غیر جانبداری، دیانت داری اور احتساب کا احاطہ کرتے ہوئے بنیادی مقصد مضاربہ کی کارکردگی کو بڑھانا ہے۔ ۳۰ جون ۲۰۱۸ کو اختتام پذیر سال میں، بورڈ کی مجموعی کارکردگی اطمینان بخش رہی۔ مزید یہ کہ مضاربہ کی مجموعی کارکردگی شرکاء مفاد اور سوسائٹی کے لیے خدمت کا مظہر ہے، اور اس سلسلے میں ہر ڈائریکٹر نے اپنا قابل قدر حصہ ڈالا ہے۔

بورڈ کی جانب سے، میرے لیے یہ ایک منفرد خوشی کا مقام ہے کہ میں آپ سے ہم پر کئی سالوں سے اعتماد اور بھروسہ کرنے پر شکر یہ ادا کروں



شاہین امین

چیرمین

تاریخ: ۲۸ اگست ۲۰۱۸

## THIRTY SECOND REPORT OF THE DIRECTORS OF MODARABA COMPANY

FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors of ORIX Services Pakistan (Private) Limited, the Management Company of ORIX Modaraba- ORIXM, is pleased to present the thirty second Directors' report of ORIXM, together with audited financial statements and auditors' report thereon for the year ended June 30, 2018.

### 1. Economy

Pakistan has made great strides in improving its economic outcomes and reducing its macroeconomic vulnerability in the recent years. As a result economic growth has continued to gain traction, albeit at varying speeds across the sectors, founded on the government's commitment to higher growth and low inflation from 4.1% of FY 2017 to 3.8% of FY 2018. GDP continued to grow above 5 percent in each of the last 2 years reaching 5.79 percent highest in 13 years in the outgoing fiscal year FY2018 and 4 percent in each of the three preceding years. This achievement is remarkable as it has been accomplished in the face of global head winds. This year's strong economic growth has been underpinned by supportive macroeconomic supply and demand policies, renewed confidence in the private sector and fiscal discipline. Major international institutions anticipate that global economic growth will increase from previously subdued levels, which is a welcome development for a broadly favourable future outlook in Pakistan.

Apart from these positive developments, risks/challenges remain on domestic and external fronts, particularly the unfavourable balance of payment BOP position due to a widening Current Account Deficit (CAD) along with less than expected foreign inflows and a decline in exports in the last two to three years. Slow global growth in international trade flows was an external factor that contributed to the low export growth. However, this declining trend has started to fade out due, on the one hand, to government's supportive initiatives for export growth along with efforts to limit the import of luxury goods and a recovery of the global economy on the other.

### 2. Operating Results and Business Overview

	<b>30 June 2018</b>	<b>30 June 2017</b>
	----- (PKR '000') -----	
<b>Balance Sheet</b>		
Certificate capital	<b>453,835</b>	453,835
Total equity	<b>1,147,880</b>	1,150,119
Investment in Ijarah finance and Ijarah Assets	<b>3,833,125</b>	4,451,385
Investments in Diminishing Musharika and Sukuk	<b>2,493,963</b>	997,672
Redeemable capital	<b>3,127,115</b>	2,750,750
<b>Profit and Loss</b>		
Revenue (net of Ijarah assets depreciation)	<b>522,077</b>	458,319
Financial charges	<b>245,934</b>	203,578
Reversal of provisions & Impairments - net	<b>1,951</b>	11,587
Operating expenses	<b>139,705</b>	130,365
Profit before management fee	<b>138,390</b>	135,964
Net profit	<b>120,297</b>	128,241

	<b>30 June 2018</b>	<b>30 June 2017</b>
	----- (PKR '000') -----	
<b>Appropriations</b>		
Net profit for the year	<b>120,297</b>	128,241
Add: Un appropriated profit brought forward	<b>33,193</b>	33,900
Profit available for appropriation	<b>153,490</b>	162,141
Profit distribution @ 25% (2017 @ 27%)	<b>113,459</b>	122,536
Statutory reserve	<b>6,015</b>	6,412
	<b>119,474</b>	128,948
Unappropriated profit carried forward	<b>34,016</b>	33,193
Earnings per certificate	<b>2.65</b>	2.83

By the Grace of Allah, your Modaraba's performance during the year continued to be very strong under review in spite of reduction in industry spreads and stiff competition with Islamic banks, The Modaraba's gross revenue increased by 3.3% from PKR 1,891 million to PKR 1,953 million compared to corresponding last year. This was achieved mainly due to increase in disbursements and some portfolio alignment. The increase in Ijarah assets also led to higher depreciation by 2.06% from PKR 1,491 million to PKR 1,521 million, in line with IFAS 2 accounting. Financial charges increased by 20.81% from PKR 204 million to PKR 246 million. Administrative and operating expenses increased by 7.16% from PKR 130 million to PKR 140 million mainly due to increase in staff cost in line with the market. There is an increase of profit before Management Company's remuneration and of provision for workers' welfare fund by 1.78% from PKR 136 million to PKR 138 million. Net profit however, decreased by 6.19% from PKR 128 to PKR 120 million as compared to corresponding 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 6,327 million compared to PKR 5,449 million as at June 30, 2017, showing an increase of 16.11%. During the year under review, the Modaraba booked fresh disbursements to the tune of Rs. 3.742 million as compared to Rs. 3,305 million during the corresponding period last year showing an increase of 13.2%.

The business has been driven mainly by deepening relationships with selective clientele and initiating relationships with good names. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships.

ORIX Modaraba manages and monitors risk exposure very prudently. The evaluation of borrower's credit profile including repayment ability is made at the time of grant of facility and regular oversight thereon. Further, there are Portfolio Management and Early Alert committees which are responsible to ensure portfolio monitoring and timely alerts for possible untoward scenarios.

### 3. Outlook

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

#### **4. Profit Distribution**

The Board in its meeting held on August 28, 2018 has approved the distribution of profit of Rs. 2.50 (25%) per certificate of Rs.10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2018.

An amount of Rs. 6,015 million has been transferred to statutory reserve in compliance with the Prudential Regulations for Modarabas which require that not less than 20% and not more than 50% of the Modaraba's after tax profit be transferred to such reserve till such time as the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

#### **5. External Annual Audit**

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

#### **6. Entity Ratings**

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

#### **7. Social Responsibility**

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

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

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

In addition to this Your Modaraba has embarked on a carbon emission reduction initiative. To support this initiative, mangrove trees were planted at the WWF Westland Centre and staff was strongly encouraged to plant trees. Other mandatory policies on recycling and reduction of energy usage was also put in place. The staff and management also contributed various salary deductions to the SBP account for the construction of Diamer Basha Dam.

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

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, Accounting estimates used are based on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- The system of internal control, which is in place is sound in design and has been effectively implemented and monitored.
- There is no doubt upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2018 except for those disclosed in the financial statements.
- The value of investments made by staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2018 is as follows:

Provident Fund	Rs. 23.010 million
Gratuity Fund	Rs. 7.752 million

- During the year, four (04) meetings of the Board of Directors were held. No Board meeting was held outside Pakistan. Attendance by each director was as follows:

Name of Director	No. of Meetings Attended
Shaheen Amin	04
Raheel Qamar Ahmad	04
Hiroshi Nishio* (resigned on Feb 28, 2018)	02
Hideaki Yokoyama (appointed on Mar 21, 2018)	01
Ramon Alfrey	04
Mian Faysal Riaz	04
Nausherwan Adil	04

\*Leave of absence was granted to Mr. Hiroshi Nishio who could not attend one board meeting.

- During the year, four (04) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Member	No. of Meetings Attended
Ramon Alfrey	04
Mian Faysal Riaz	04
Nausherwan Adil	04

- During the year, one meeting was held by Human Resource and Remuneration Committee to finalize the recommendation for the yearly staff compensation amounts which was attended by all members.
- Four Directors has obtained training under the Director Training Program.
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO/ Company Secretary, Head of Internal Audit and their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year.

## 9. The Board of Directors

The following changes have taken place in board of directors of the ORIX Services Pakistan (Private) Limited (the Company), the management company of ORIX Modaraba since the Directors' report for the year ended June 30, 2017:

- Mr. Hiroshi Hishio resigned from the office of Director on February 28, 2018. Mr. Hideaki Yokoyama was appointed in his place on March 21, 2018.

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

## 10. Structure of Board

The composition of the board is as follows:

Category	Names	Male/ Female
Independent Director	Mr. Nausherwan Adil	Male
Executive Director	Mr. Raheel Q. Ahmad	Male
Non-Executive Directors	Mr. Shaheen Amin	Male
	Mr. Hideaki Yokoyama	Male
	Mr. Ramon Alfrey	Male
	Mian Faysal Riaz	Male

The remuneration of the Executive Directors and Independent Director were paid by Modaraba management Company.

## 11. Our People

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

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

## 12. Auditors

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

## 13. Entity Risk assessment

Whilst ORIXM follows global best practices in AML and CTF, recently issued regulations by the SECP regarding Anti Money Laundering and Countering Financing of Terrorism required the determination of overall entity level risk based on assessment. Accordingly ORIXM prepared a risk assessment questionnaire for the identification of entity level risk which was presented to the Board of Directors who were also presented with Operational Risk Framework, Modaraba's Entity Risk assessment, Operational Risk Profile and Process Universe Diagram.

The Board principally agreed and approved the mechanism and entity level risk of ORIXM as “Low”. However, some directors suggested to discuss the matter in further detail in the upcoming Board Meeting.

**14. Acknowledgment**

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

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Raheel Qamar Ahmad', with a stylized flourish at the end.

Raheel Qamar Ahmad  
Managing Director / CEO  
August 28, 2018

## مضارہ کمپنی کے ڈائریکٹرز کی بتیسویں رپورٹ

برائے اختتام سال ۲۰۱۸ جون ۳۰

اور کس سرورسز پاکستان (پرائیویٹ) لمیٹڈ، جو اور کس مضارہ ORIXM کی انتظامی کمپنی ہے، کے بورڈ آف ڈائریکٹرز، ۳۰ جون ۲۰۱۸ کو اختتام سال کی مدت کے لیے ORIXM کی بتیسویں مختص شدہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### ۱. معیشت

حالیہ چند سالوں میں پاکستان نے معیشت میں بہتری اور اقتصادی کمزوریوں کو کم کرنے کے لیے بہت سے اقدام اٹھائے ہیں۔ اس کے نتیجے میں معاشی نمو میں اضافہ ہوتا رہا، گو کہ تمام شعبہ جات میں اس کی رفتار مختلف رہی، جس کی بنیاد حکومت کا بلند تر نمو اور کم افراط زر جو سال ۲۰۱۷ کے ۴.۱ فیصد کے مقابلے میں سال ۲۰۱۸ میں گھٹ کر ۳.۸ فیصد ہو گیا۔ گذشتہ دو سالوں میں ہر سال مجموعی قومی پیداوار (GDP) 5 فیصد سے اوپر رہی اور گذرنے والے سال ۲۰۱۸ میں ۵.۷۹ فیصد پر پہنچ گئی جو ۱۳ سالوں کی بلند ترین سطح ہے اور اس سے گذشتہ تین سالوں کے ہر سال میں ۴ فیصد رہی۔ یہ ایک غیر معمولی کارنامہ ہے جو کہ مشکل عالمی حالات میں حاصل کیا گیا ہے۔ اس سال کی مستحکم معاشی نمو طلب و رسد کی معاون پالیسیوں، نجی شعبے کے اعتماد کی بحالی اور مالیات نظم و ضبط پر منحصر ہے۔ بڑی بین الاقوامی اداروں کا اندازہ ہے کہ عالمی معیشت میں گذشتہ معمولی سطح کے مقابلے میں اس سال اضافہ ہو گا جو پاکستان کے مستقبل کے حوالے سے خوش کن پیش رفت ہے۔

ان مثبت پیش رفتوں سے ہٹ کر، اندرونی اور بیرونی سطح پر خطرات / مسائل رہیں گے، خاص طور پر ناموافق ادا نیگیوں کا توازن (BOP) کی صورتحال جس کی وجہ بڑھتا ہوا اجاری کھاتے کا خسارے (CAD) کے ساتھ ساتھ توقعات سے کم بیرونی زر مبادلہ کی ترسیل اور گذشتہ دو سے تین سالوں میں برآمدات میں کمی ہیں۔ برآمدات میں کمی کے بیرونی عوامل میں سے ایک عالمی تجارت میں کمی ہے۔ تاہم، اس گراؤٹ کاربحان ختم ہونا شروع ہو گیا ہے جس کی ایک وجہ تو حکومت کی برآمدات میں اضافے کے لیے معاونت کے اقدام اور پرعیش اشیاء کی درآمدات میں کمی اور دوسری جانب عالمی معیشت کی بحالی ہے۔

### ۲. مالیاتی نتائج اور کاروبار کا جائزہ

۲۰۱۷ جون ۳۰

۲۰۱۸ جون ۳۰

روپیہ ہزاروں میں

۲۵۳،۸۳۵	۲۵۳،۸۳۵
۱،۱۵۰،۱۱۹	۱،۱۳۷،۸۸۰
۴،۴۵۱،۳۸۵	۳،۸۳۳،۱۲۵
۹۹۷،۶۷۲	۲،۴۹۳،۹۶۳
۲،۷۵۰،۷۵۰	۳،۱۲۷،۱۵۵

#### بیلنس شیٹ

سرٹیفیکیٹس کا سرمایہ

کل ملکی سرمایہ (Equity)

اجارہ فنانس اور اجارہ اثاثہ جات میں سرمایہ کاری

مشارکہ متناقصہ اور سکوک میں سرمایہ کاری

قابل بازیابی سرمایہ

#### نفع اور نقصان

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

مالیاتی چارجز

مختصات (provisions) کی واپسی

کاروبار چلانے کے اخراجات

منافع قبل از مینجمنٹ فیس

خالص منافع

۴۵۸،۳۱۹	۵۲۲،۰۷۷
۲۰۳،۵۷۸	۲۴۵،۹۳۴
۱۱،۵۸۷	۱،۹۵۱
۱۳۰،۳۶۵	۱۳۹،۷۰۵
۱۳۵،۹۶۲	۱۳۸،۳۹۰
۱۲۸،۲۲۱	۱۲۰،۲۹۷

۲۰۱۷ جون ۳۰

۲۰۱۸ جون ۳۰

روپیہ ہزاروں میں

۱۲۸،۲۳۱	۱۲۰،۲۹۷
۳۳،۹۰۰	۳۳،۱۹۳
۱۶۲،۱۳۱	۱۵۳،۴۹۰
۱۲۲،۵۳۶	۱۱۳،۴۵۹
۶،۴۱۲	۶،۰۱۵
۱۲۸،۹۴۸	۱۱۹،۴۷۴
۳۳،۱۹۳	۳۳،۰۱۶
۲،۸۳	۲،۶۵

مختصات

سال کا خالص منافع

جمع: آگے لایا گیا غیر مختص شدہ منافع

مختص کرنے کے لیے دستیاب منافع

منافع کی تقسیم ۲۵ فیصد کی شرح سے (۲۰۱۷ میں ۲۷ فیصد کی شرح سے)

قانونی ذخائر

غیر مختص شدہ منافع جو آگے لایا گیا

منافع فی سرٹیفکیٹ

اللہ تعالیٰ کی مہربانی سے، زیر غور سال میں صنعتی شعبے کے کم پھیلاؤ اور اسلامی بینکوں سے شدید مسابقت کے باوجود مضاربہ کی کارکردگی انتہائی شاندار رہی۔ مضاربہ کا مجموعی مالگذاری (gross revenue) بشمول دیگر آمدنی میں گزشتہ سال کے ۹۵۳،۱ ملین روپے کے مقابلے میں ۳۳،۳۳ فیصد اضافے کے ساتھ ۸۹۱،۱ ملین روپے رہی۔ اس کی بنیادی وجہ سرمایہ کاری میں اضافہ اور کچھ پورٹ فولیو کی ہم آہنگی ہے۔ اجارہ اثاثہ جات میں اضافہ کی وجہ سے اجارہ اثاثہ جات کی فرسودگی (depreciation) میں ۲،۰۶ فیصد اضافہ ہوا جو-IFAS 2 کاؤٹنگ کے مطابق ۴۹۱،۱ ملین روپے سے بڑھ کر ۵۲۱،۱ ملین روپے ہو گیا۔ مالیاتی چارجز میں ۲۰،۸۱ فیصد اضافے سے ۲۰۴،۲ ملین روپے سے بڑھ کر ۲۴۶،۲ ملین روپے ہو گیا۔ انتظامی اور عملدرآمدی (operating) اخراجات میں ۱۶،۷ فیصد اضافے سے ۱۳۰،۱ ملین روپے سے بڑھ کر ۱۴۰،۱ ملین روپے ہو گئے جس کی وجہ عملے کی لاگت میں مارکیٹ کی مناسبت سے اضافہ ہے۔ یہاں انتظامی کمیٹی کی فیس اور کارکن کی فلاح کے فنڈ کی مختصات سے قبل کے منافع میں ۷،۸ فیصد اضافے سے ۱۳۶،۱ ملین روپے سے بڑھ کر ۱۳۸،۱ ملین روپے ہو گیا۔ تاہم خالص منافع گزشتہ سال اسی مدت کے ۱۲۸،۱ ملین روپے میں ۱۹،۶ فیصد کمی کے ساتھ ۱۲۰،۱ ملین روپے رہ گئی جس کی اصل وجہ گزشتہ سال میں ناکارکردگی دکھانے والے اثاثہ جات کی وصولی اور کارکنوں کی فلاح و بہبود کے فنڈ کے مختصات کی واپسی ہے۔

اجارہ اثاثہ جات، سسکو سرمایہ کاری اور مشارکہ متناقصہ ۳۰ جون ۲۰۱۷ پر ۵،۴۴۹،۲ ملین روپے کے مقابلے میں ۶،۳۲،۶ ملین روپے رہے جو ۱۱،۱ فیصد اضافہ دکھارہے ہیں۔ مضاربہ نے گزشتہ سال اسی مدت میں ۳،۳۰۵ ملین روپے کے نئی سرمایہ کاری کے مقابلے میں زیر جائزہ سال کے دوران ۴۲،۷ ملین کی نئی سرمایہ کاری کی گئی جو ۲،۱۳ فیصد کا اضافہ دکھارہا ہے۔

کاروبار کا محرک بنیادی طور پر منتخب گاہکوں سے گہرے تعلقات اور اچھے ناموں کے اداروں کے ساتھ تعلقات کا آغاز ہیں۔ اثاثہ جات پورٹ فولیو، بین الاقوامی کمپنیاں، بڑی اور درمیانے مقامی اداروں اور منتخب SME اداروں سے تعلقات ہیں۔

اور یکس مضاربہ بہت محتاط طریقے سے درپیش کاروباری خطرے کا انتظام اور نگرانی کرتا ہے۔ قرض لینے والے کے قرضہ لینے کے پروفائل بشمول اس کی واپس ادائیگی کا تجزیہ سہولت کی منظوری سے پہلے کیا جاتا ہے اور اس کا مسلسل جائزہ لیا جاتا ہے۔ مزید یہ کہ یہاں پورٹ فولیو مینجمنٹ اور پیٹرننگی چوکنا کرنے کی کمیٹیاں ہیں جن کی ذمہ داری ہے کہ وہ پورٹ فولیو کی نگرانی کریں اور کسی ناگہانی صورتحال کے بارے میں بروقت چوکنا کریں

مستقبل کا منظر نامہ

۳

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

### ۴. منافع کی تقسیم (منقسمہ منافع)

بورڈ اپنے اجلاس منعقدہ ۲۸ اگست ۲۰۱۸ کو ۳۰ جون ۲۰۱۸ کو اختتام پذیر سال کے لیے ۱۰ روپے کے ہر سٹیفیکٹ پر ۲۵ روپے (۲۵ فیصد) منافع کی تقسیم کی منظوری دے چکا ہے جو، جہاں لاگو ہو گا، وہاں ماخذ سے زکوٰۃ اور محصول کی کٹوتی سے مسرور ہے۔

مضاربہ کے لیے پروڈیوشنل ضوابط کے مطابق مضاربہ کے بعد از منافع، جو ۲۰ فیصد سے کم نہ ہو اور ۵۰ فیصد سے زیادہ نہ ہو، کو قانونی ذخائر میں منتقل کرنا ضروری ہے تا وقتیکہ ذخائر کی مالیات ۱۰۰ فیصد ادا شدہ سرمایہ کے مساوی نہ ہو جائے۔ اس کے بعد از منافع جو ۵۰ فیصد سے کم نہ ہو قانونی ذخائر میں جمع کرتے رہنا ہو گا۔ اس ضابطے کی تعمیل کرتے ہوئے ۶،۰۱۵ ملین روپے کی رقم کے قانونی ذخائر میں منتقل کئے جا چکے ہیں۔

### ۵. سالانہ بیرونی آڈٹ

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

### ۶. اینٹی ٹیڈی درجہ بندی

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

### ۷. سماجی ذمہ داری

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

ORIXM ماحولیاتی منصوبوں کی حمایت جاری رکھے ہوئے ہے۔ اس نے اپنے ماحول کو پاک رکھنے کے لئے اپنے عزم کی توسیع اپنے تمام گاہکوں تک کر دی ہے۔ گاہکوں کی تمام سرگرمیوں ہمارے ماحولیاتی اور سماجی خطرے کی پالیسیوں کی لازمی تعمیل کرے گی اور اپنے اداراتی گاہکوں کو مالی سہولیات کی فراہمی سے پہلے ایک ماحولیاتی اور سماجی خطرے کا اندازہ لگایا جاتا ہے۔

اپنے عقائد کے مطابق، ORIXM نے متعدد خیراتی اور غیر منافع بخش اداروں کی مالی معاونت جاری رکھی ہے۔ ہم چندہ جمع کرنے کے کام اور منصوبوں جن کی توجہ کامرکز معاشرے کے سماجی طور پر پس ماندہ بچے، صحت اور تعلیم ہیں ان کی معاونت کرتے ہیں۔ سرمایہ کی فراہمی کے علاوہ، ہم اپنے عملے کی حوصلہ افزائی کرتے ہیں کہ وہ معاشرے کی معاونت کرنے والی سرگرمیوں میں حصہ لیں۔ گذشتہ سال کے دوران ہماری توجہ صحت پر تھی اس لیے زیادہ تر سرمایہ کی فراہمی "لائٹن رحمت اللہ بینوولینٹ ٹرسٹ کو ہوئی۔

اس کے علاوہ، آپ کے مضاربہ نے ماحول میں کاربن کے اخراج کی کمی کی مہم کا بھی آغاز کیا ہے۔ اس پیش قدمی کا کی حمایت کرتے ہوئے WWF ویسٹ لینڈ سینٹر پر مینگروو (mangrove) کے درخت لگائے اور عملے کی بھی بہت حوصلہ افزائی کی ہے تاکہ وہ درخت لگائیں۔ دیگر چیزوں کے دوبارہ استعمال اور توانائی کے استعمال میں کمی کی لازمی پالیسیاں بھی موجود ہیں۔ عملے اور انتظامیہ نے تنخواہوں میں کٹوتیوں کے ذریعے سے دیامیر بھاشا ڈیم کی تعمیر کے لیے SBP کے لیے مختص اکاؤنٹ میں رقم جمع کروائیں۔

### ۸. اداراتی اور مالیاتی رپورٹنگ ڈھانچہ

- مضاربہ کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش کا بہاؤ اور ملکیتی سرمایہ (equity) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- مضاربہ نے موزوں گوشواروں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب عملی پالیسیاں یکساں طور پر اپنائی گئی ہے۔ اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط رہی۔
- مضاربہ پر پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی دستاویزات تیار کئے گئے ہیں اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی نگرانی (internal control) کا نظام موجود ہے اور اس کا ڈیزائن مضبوط ہے اور اس کا موثر نفاذ اور نگرانی کی گئی ہے۔
- مضاربہ کے ایک جاری رہنے والے ادارے کے طور پر چلتے رہنے میں کوئی شبہ نہیں ہے۔

- اداراتی نظم و ضبط (governance) کے ضوابط میں دی گئی تفصیلات میں دیے گئے بہترین طریقہ کار سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- اس سالانہ رپورٹ میں گذشتہ چھ سالوں کا اہم عملی اور مالیاتی اعداد و شمار کا خلاصہ شامل ہے۔
- یہاں محصولات، ڈیوٹی، لیویز اور تکمیل شدہ کاموں کی ۳۰ جون ۲۰۱۸ تک دستوری واجب الادا ادائیگیاں نہیں ہیں ماسوائے ان کے جن کو مالیاتی دستاویزات میں ظاہر کیا گیا ہے۔
- ۳۰ جون ۲۰۱۸ پر عملے کی بعد از اختتام ملازمت کے فوائد کے غیر آڈٹ شدہ کھاتے کی تفصیلات درج ذیل ہے؛

پراویڈینٹ فنڈ ۲۳۷.۰۱ ملین روپے

گریجویٹ فنڈ ۷۷.۵۲ ملین روپے

- سال کے دوران بورڈ آف ڈائریکٹرز چار (۰۴) اجلاس منعقد ہوئے۔ بورڈ کا کوئی اجلاس ملک سے باہر نہیں ہوا۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
شاہد امین	۰۴
راجیل قمر احمد	۰۴
ہیروشی نیشیو (۲۸ فروری ۲۰۱۸ کو مستعفی ہو گئے)	۰۲
ہائندیکی یوکیاما (۲۱ مارچ ۲۰۱۸ کو منتخب ہوئے)	۰۱
ریمن الفیری	۰۴
میاں فیصل ریاض	۰۴
نوشیر وان عادل	۰۴

ہیروشی نیشیو جو ایک اجلاس میں شرکت نہ کر سکے ان کی غیر حاضری کی درخواست کی منظوری دے دی گئی تھی۔

- سال کے دوران آڈٹ کمیٹی کے چار (۰۴) اجلاس منعقد ہوئے۔ ہر رکن کی حاضری کی تفصیل درج ذیل ہے

رکن کا نام	اجلاس میں شرکت کی تعداد
ریمن الفیری	۰۴
میاں فیصل ریاض	۰۴
نوشیر وان عادل	۰۴

- سال کے دوران انسانی وسائل اور مشاہرہ کمیٹی کا ایک اجلاس منعقد ہوا تاکہ عملے کے سالانہ معاوضے کی رقوم میں اضافے کی تجاویز کو حتمی شکل دی جاسکے۔

- چار ڈائریکٹرز نے پہلے سے ڈائریکٹر کے ترقیتی پروگرام میں تربیت حاصل کی ہوئی ہے

- سرٹیفیکیٹس کے رکھنے کا رجحان اس سالانہ رپورٹ میں شامل ہے

- سال کے دوران ڈائریکٹرز، سی ای او، سی ایف او / کمپنی سیکریٹری اور ان کے شرکاء حیات اور ان کے نابالغ بچوں نے مضاربہ کے سرٹیفیکیٹس کا کوئی لین دین نہیں کیا۔

## 9. بورڈ آف ڈائریکٹرز

- ۳۰ جون ۲۰۱۷ کو اختتام پذیر سال سے اور کس سر و سزپاکستان (پرائیویٹ) لمیٹڈ، جو اور کس مضاربہ کی مینجمنٹ کمپنی (کمپنی) ہے اس میں مندرجہ ذیل تبدیلیاں آچکی ہیں۔

- جناب ہیروشی نیشیو ۲۸ فروری ۲۰۱۸ کو ڈائریکٹر کے دفتر سے مستعفی ہو گئے۔ ان کی جگہ ۲۱ مارچ کو جناب ہائندیکی یوکیاما منتخب ہو گئے۔

- بورڈ جانے والے ڈائریکٹر کی قابل قدر خدمات کو سراہتا ہے اور اپنی ممنونیت کا اظہار رکارڈ پر لانا چاہتا ہے۔ اور نوبت ڈائریکٹر کا گرم جوشی سے استقبال کرتا ہے اور ان کو آنے والوں کو امانت داری کی ذمہ داری نبھانے کے تعاون پیش کرتے ہیں۔

## ۱۰. بورڈ کی ساخت

بورڈ کی ساخت درج ذیل ہے

جنس (مرد/عورت)	نام	زمرہ
مرد	جناب نوشیر وان عادل	آزاد ڈائریکٹر
مرد	جناب راجیل قمر احمد	ایگزیکٹو ڈائریکٹر
مرد	جناب شاہین امین	غیر ایگزیکٹو ڈائریکٹر
مرد	ہاندیکی پوکویاما	
مرد	ریمن الفیرے	
مرد	میام فیصل ریاض	

ایگزیکٹو ڈائریکٹر زاہر آزاد ڈائریکٹر کا مشاہرہ مضاربہ مینجمنٹ کمپنی نے ادا کیا ہے

## ۱۱. ہمارے لوگ

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

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

## ۱۲. آڈیٹرز

آڈٹ کمیٹی کی سفارش پر ۳۰ جون ۲۰۱۸ کو، بورڈ میسرز KPMG تا شیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی بطور آڈیٹرز کی تقرری کی منظوری دے چکا ہے جو مضاربہ اور مضاربہ کمپنیز کے رجسٹرار کی منظوری سے مشروط ہے۔

## ۱۳. ادارتی خطرات کی جانچ پڑتال

ORIXM رقم کی غیر قانونی ترسیل (AML) اور انسداد دہشت گردی کی مالی امداد کے بہترین عالمی طریقوں کی پیروی کرتا ہے۔ SECP کے حال ہی میں جاری کردہ رقم کی غیر قانونی ترسیل اور انسداد دہشت گردی کی مالی امداد کے قواعد و ضوابط کی رو سے ادارے کی سطح پر خطرات کے تعین کرنے کی ضرورت ہے۔ اس کے مطابق ORIXM نے ادارے کی سطح پر خطرات کی شناخت کے لئے ایک شخصی سوالنامہ تیار کیا جو بورڈ اور ڈائریکٹرز کو پیش کیا گیا۔ اس کے علاوہ بورڈ کو آپریشنل رسک فریم ورک، مضاربہ کا ادارے کی سطح پر خطرات کا شخصی جانچ پڑتال، آپریشنل رسک پروفائل اور پروسس یونیورس کا پروگرام بھی پیش کیا۔

بورڈ نے بنیادی طور پر ORIXM کے ادارے کی سطح پر تشکیک کے طریقہ کار اور اس کو 'LOW' رکھنے کی منظوری دے دی البتہ کچھ ڈائریکٹر صاحبان نے آئیندہ بورڈ کے اجلاس میں مزید تفصیل سے معاملے پر تبادلہ خیال کرنے کا اظہار کیا۔

## ۱۳. ستائش

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

بورڈ کی جانب سے



راجیل قمر احمد  
مینجنگ ڈائریکٹر / سی ای او  
کراچی: ۲۸ اگست ۲۰۱۸

## Composition of Board Committees

The Board of Directors comprises of six (06) Directors out of which five (05) are Non-Executive including one (01) is Independent Director. The Chairman of the Board is a Non-Executive Director. The roles of Chairman and the CEO have been segregated and responsibilities have been clearly defined. The CEO is responsible for operations of the company, whereas the Board, under the Chairman, performs oversight.

The Board has established following committees:

- 1) Board Audit Committee
- 2) Human Resource & Remuneration (HR&R) Committee

### Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its responsibilities related to the financial reporting process, the system of internal control over financial reporting, risk management and internal controls assessment and the Modaraba process for monitoring compliance with laws and regulations.

#### Composition:

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

#### Role of Committee:

1. to review, monitor and recommend for approval the statutory accounts of the Modaraba, published financial statements of Modaraba for issuance to its certificate holders and other stakeholders including Stock Exchange and regulatory authorities, including appropriateness and completeness of significant financial reporting judgements contained in them. In particular:
  - (a) to consider the quality, application and acceptability of the accounting policies and practices, the adequacy of accounting records and financial and governance reporting disclosures and changes thereto;
  - (b) to consider recommendations of management in respect of provisions for bad and doubtful debts and for any other provisions for losses and charges;
  - (c) significant adjustments resulting from the audit;
  - (d) going concern assumption;
  - (e) any changes in accounting policies and practices;
  - (f) compliance with applicable accounting standards;
  - (g) compliance with these regulations and other statutory and regulatory requirements; and
  - (h) all related party transactions.
2. to keep under review the appropriateness of the accounting policies and to consider changes to these;
3. to review the preliminary announcements of results prior to external communication and publication;
4. to ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

5. to review of the Modaraba statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
6. to institute special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
7. to review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
8. to review details of all related party transactions (than those involving Directors which will be placed before Board of Directors) and recommend the same to Board of Directors for review and approval.
9. in relation to the accounting and financial reporting function:
  - (a) to ensure that the accounting and financial reporting function is adequately resourced; and
  - (b) to review the qualifications and experience of reporting accountants appointed and their training programmes and budget.
10. in relation to Internal audit function
  - (a) to review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed;
  - (b) to review and monitor management's responsiveness to the internal auditor's findings and recommendations;
  - (c) to monitor and assess the role and effectiveness of the internal audit function and to receive reports from the Head of Internal Audit on these matters;
  - (d) to consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto; and
  - (e) to consider the appointment, resignation or removal of the Head of Internal Audit.
11. in relation to the External auditors
  - (a) to consider and make recommendations to the Board, on their appointment, re-appointment, resignation or removal which will be put to shareholders for approval in general meeting and in the case of Modaraba, for approval in the meeting of the Board;
  - (b) to approve the terms of engagement or delegate the same for approval by the CEO, nature and scope of their audit and the effectiveness of the audit process;
  - (c) to review any representation letter(s) requested by the external auditor before they are signed by management or delegate this matter to the CEO;
  - (d) to review the management letter and management's response to the auditor's findings and recommendations;
  - (e) to review the independence and objectivity of the external auditors and to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;

- (f) agree the adequacy of the employment with Modaraba of former employees of the external auditor;
  - (g) to ensure coordination between the internal and external auditors;
  - (h) to review the findings of their audit including any major issues that arose during the course of the audit that have subsequently been resolved and any unresolved audit issues. To consider key accounting and audit judgements, the level of errors identified during the audit, obtain explanations from management and, where necessary, the external auditors as to why audit differences remain unadjusted; and
  - (i) to review and monitor the cost effectiveness of the audit taking into consideration relevant professional and regulatory requirements and to recommend the approval of audit fee.
12. to consider the adequacy of disclosures in the annual report including:
    - (a) the role of the Committee, its activities and how it has discharged its responsibilities, membership of the Committee, number of Committee meetings, attendance over the course of the year and whether or not external advice was taken and its source;
    - (b) the explanation in the annual report on how auditors' independence and objectivity has been safeguarded in the event of the external auditors providing non-audit services, if required under the local laws; and
    - (c) any findings and other matters arising from the external auditors' half yearly and final audits.
  13. to consider the annual report and discuss any findings and other matters arising from the external auditors' interim and final audits;
  14. to determine appropriate measures to safeguard the company's assets;
  15. to review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee shall ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
  16. to consider reports, review and approve impairment provisioning on a case to case basis;
  17. to review reports from the Head of Compliance and Assurance on the arrangements established by management for ensuring adherence to internal compliance policies, procedures and codes and relevant regulatory and legal requirements and identification of significant violations thereof;
  18. to report to the Board on its consideration of the above matters, identifying those areas where action or improvement is needed, and making recommendations as appropriate;
  19. generally to consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and to make recommendations or reports to the Board as appropriate;
  20. to report any unresolved issues between the Committee and the Board as part of its disclosure on its responsibilities in the annual report;
  21. for the Chairman of the Committee to attend the Annual Review Meeting of Modaraba and answer any questions, through the Chairman of the Board, on the Committee's activities and its responsibilities;

22. to give due consideration to laws, regulations and the requirements of the Code of Corporate Governance and Listing Rules as appropriate;
23. to review these Terms of Reference once in two years and recommend any changes to it.

### **Human Resource & Remuneration (HR&R) Committee**

This Committee assists the Board in fulfilling its responsibilities in the formulation and implementation of Human Resource Policies and in the appointment, remuneration and succession of CEO, CFO, Company Secretary, Chief Internal Auditor and other senior positions reporting directly to the CEO.

#### **Composition**

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

#### **Role of Committee:**

- I. Recommend Human Resources related policies to the OSPL Board, to the extent required.
- II. Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management)
- III. Make recommendations to the OSPL Board on the selection, evaluation and compensation (including salary, performance award and end of service benefits) of Chief Operating Officer, Chief Financial Officer, Head of Internal Audit, and Company Secretary and for key management positions reporting to CEO.
- IV. Review and recommend selection, evaluation, compensation (including performance ratings, pay, performance awards and end of service benefits) and succession planning of the CEO recommended by his / her line manager.
- V. Ensure that Committee members do not participate in discussions or be a part of approvals pertaining to their own remuneration.
- VI. Review the ongoing appropriateness and relevance of remuneration related policies, ensuring that they are consistent with effective risk management.
- VII. Review the terms of reference of the Committee at least every three years and propose any changes it considers necessary to the OSPL Board for approval.
- VIII. Make recommendations to the OSPL Board on appointment of a new committee member in case a member resigns from the committee. However, it will be sole discretion of the Board to appoint any new member.
- IX. Where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the OSPL.
- X. Undertake annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment.

## **Review Report to the Certificate Holders on the Statement of Compliance with the best practices of the Code of Corporate Governance Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of ORIX Services Pakistan (Private) Limited, the Modaraba Management Company of ORIX Modaraba (the Modaraba) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended 30 June 2018.

*KPM Taseer Hadi & Co*

KPMG Taseer Hadi & Co.

Chartered Accountants

Date: 28 August 2018 Karachi

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017. Regardless of the fact that ORIX Services Pakistan (Private) Limited, the Management Company of ORIX Modaraba (the Modaraba), is a private limited company, the Board of Directors of the Management Company are pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

ORIX Services Pakistan (Private) Limited ('the Management Company') has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are six as per the following:
  - a. Male: 6
  - b. Female: Nil
2. The composition of board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
5. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board of Directors of the Management Company / certificate holders of the Modaraba (where applicable), as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Four directors of the company have already obtained the required training in previous years, therefore the board has not arrange any training program during the year.

10. The Board has approved appointment of Head of Internal Audit and have also approved the remuneration of CFO/ Company Secretary and Head of Internal Audit, including term and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

**Audit Committee**

- a) Mr. Nausherwan Adil – Chairman
- b) Mr. Ramon Alfrey
- c) Mr. Mian Faysal Riaz

**HR and Remuneration Committee**

- a) Mr. Nausherwan Adil – Chairman
- b) Mr. Shaheen Amin
- c) Mr. Raheel Qamar Ahmad

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committees were as per following:
 

Audit Committee	Quarterly
HR and Remuneration Committee	Annually
15. The Board has set up an effective internal audit function.
16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Management Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with the repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.
19. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board



SHAHEEN AMIN  
Chairman  
August 28, 2018

## CORPORATE GOVERNANCE FRAME WORK

### The Board

The Board as a whole continues to take ownership of effective leadership and the long-term success of the Modaraba. The management and governance framework, which the Board has implemented to support the Modaraba's long-term growth objectives, is set out on page 12. The diverse range of skills and leadership experience offered by the Non-Executive Directors means that they are well qualified to scrutinize performance, assess the Modaraba's risk management and control processes, provide constructive challenge and to support the Chief Executive. Details for each of the Directors together with their Board responsibilities are set out on page 11.

The Board has (04) scheduled meetings during the year; additional meetings are arranged if required. The Board committee meetings are scheduled around the regular Board meetings.



### Composition of the Board

Category	Number
Independent Director	01
Executive Director *	01
Non-Executive Directors	04
Female Director	-

\* Executive director of the Modaraba does not hold any directorship in any other company/ Modaraba.

The independent Director has provided the annual declaration of his independence as required by Listed Companies (Code of Corporate Governance) Regulations, 2017. The declaration states that:

- a) He has not been an employee of the Company or any of its subsidiaries or holding company within the last three years;
- b) He has not been the CEO of Company's subsidiaries, associated company, associated undertaking or holding company in the last three years;
- c) He has not been within the last three years, in a material business relationship with the Company either directly, or indirectly as a partner, major shareholder or director of a body that has such relationship with the Company;
- d) He has not received remuneration in the three years preceding my appointment as a director nor received any additional remuneration, apart from director's fee or have not participated in the Company's share option or a performance -related pay scheme;
- e) He has not a close relative of the Company's promoters , directors or a major shareholders ;
- f) He has not hold cross-directorships nor have significant links with others directors through involvement in other companies or bodies;
- g) He has not served on the Board for more than three consecutive terms from the date of my first appointment.

### Female Director

The Board has planned to appoint female director in its upcoming fresh election in the year 2020.

## Decision taken by Board or delegated to management

### The Board

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

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

### The Management:

The Management is responsible to manage the daily business affairs of the Modaraba in an effective and ethical manner in conformity with the strategies and goals approved by the Board and to identify and manage the principal risks and opportunities which could impact the Modaraba in carrying out its business.

### Board performance Evaluation:

The Board of Directors sets the Modaraba's strategic direction and ensures that the organization stays true to this direction - enabling it to achieve its long-term objectives while ensuring regulatory compliance. To discharge its fiduciary responsibility of safeguarding the stakeholders' interests, and to remain compliant with all the requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees, the Board of Directors has developed criteria for its performance evaluation which reflect the Modaraba's overall performance.

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

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

This exercise in critical self-assessment allows the Board to evaluate its performance and overall effectiveness in setting strategies, devising control processes, reading market trends by monitoring micro and macroeconomic

factors, and responding to adverse unforeseen situations to further the cause of a learning organization. This process also ensures that the Board is constantly growing intellectually and the responsibility of steering the Modaraba to new heights of success is discharged effectively and efficiently.

The key priorities for the Board in 2018 were identified as follows:

- Introduce new business areas with focus on niche product & innovation;
- Promote active participation by the directors and encourage interactive discussions at Board level;
- Corporate Governance to be maintained at highest level, and
- Creating higher group synergy.

#### **External Consultant for Board Performance Evaluation:**

The Board of Directors in their last board meeting held on August 28, 2018 has planned to conduct a Board Performance Evaluation from external consultants once in every three year.

#### **Formal Orientation Course:**

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

The Directors are also encouraged to update their skills and knowledge regularly, including in relation to environmental, sustainability and governance matters, and where necessary, the Company Secretary is notified by Directors of their requirements in this respect. In pursuit of best practice, the Board reviews presentations on compliance with governance and regulatory matters.

#### **Directors Training:**

Presently, four (04) directors of the Modaraba has acquired the prescribed certification under the Director training program offered by Pakistan Institute of Corporate Governance. The certification of remaining two directors will be planned in near future.

#### **Policy for Remuneration to Non-Executive Directors**

The Board of Directors has approved a 'Remuneration Policy for Directors and its committees'; the salient features of which are:

- The Modaraba will not pay any remuneration to its nonexecutive directors except as meeting fee for attending the Board and its Committee meetings as approved by the Board.
- The Modaraba will not pay any remuneration to the Chief Executive and other Directors for attending the meeting, who work whole time on remuneration for the company.
- The Remuneration of an Independent Director for performing additional responsibilities shall be determined by the Board.

#### **Foreign Director:**

The Modaraba as a matter of policy has a practice that a person qualifying the Fit & Proper criteria of SECP shall be appointed as director of Modaraba. Moreover in case of appointment of any foreign director, the appointment is based on the clearance from Ministry of Interior of Pakistan.

### **Governance practice addition to Legal requirements:**

In addition to the compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017, the Modaraba has developed various issue based committees which are as follows:

#### **Carbon Reduction committee:**

To highlight the importance of Carbon Footprint Reduction as how it can have a healthy impact on our surroundings and to formulate and manage the reduction of greenhouse gas emissions.

#### **Customer Experience Forum:**

To analyze, discuss and find solutions to issues that might impact, or have impacted, the client from having a WOW experience at ORIXM during the Client Life Cycle.

#### **Principals committee:**

A select group of leaders who analyze effects of all decision making across the Modaraba.

#### **Country Operation Risk Committee - CORC**

To ensure the effective management of Operational Risk throughout ORIXM in support of entity's strategy and in accordance with the Risk Management Framework and related Operational Risk Policies and Procedures.

#### **Portfolio Management Committee - PMC**

To manage and direct as appropriate the management of the credit portfolio in ORIXM to ensure that systems and controls are in place and operating effectively such that earnings from the portfolio meet expectations.

#### **Diversity and dignity at work:**

The Modaraba has set a policy to ensure fair, diversified and gender inclusive provision of opportunities for employees to fulfill their potential within an appropriate and fair working environment and become a well-known equal opportunity employer in the market.

#### **Related Party Transactions:**

All related party transactions, during the year 2018, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly reviewed by the Audit Committee and approved by the Board in their respective meetings. All these transactions were in line with the transfer pricing methods and the policy with related parties approved by the Board previously. The Modaraba also maintains a full record of all such transactions, along with the terms and conditions. For further details please refer note 29 to the financial statements.

#### **Statement on the Management's responsibility towards the preparation and presentation of the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Approved Accounting Standards as applicable in Pakistan which include keeping proper books of account of the Modaraba as required by Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. The balance sheet, profit and loss account and the statement of comprehensive income together with the notes thereon of the Modaraba have been drawn up in conformity with the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981.

#### **Conflicts of interest**

In addition to the compliance of regulatory requirements, a formal Code of conduct is in place for avoidance of known or perceived conflicts of interest among board of directors' members and employees. Under the Modaraba Management Company's Articles of Association, to the extent permitted by the Companies Act 2017,

permit the Board to consider and, if it sees fit, to authorize situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Modaraba. The Board has in place procedures to deal with Directors' conflicts of interest arising under Section 213 of Companies Act 2017 and these procedures are considered to be effective. Furthermore, Board members exercise their due rights of participation in proceedings of Board meetings. The minutes of the proceedings are comprehensively prepared and any reservation of the Board members are appropriately documented, for further evaluation as to qualification for conflict of interest.

### **Investor Grievance Handling**

At ORIX Modaraba we value our relationships the most and believe in nurturing the bonds formed at all levels. We have earned the trust of our investors and are fully committed to sustain it. The Board is committed to ensure that we continue to engage effectively with our investors. The potential investors and certificate holders of ORIXM have full access to obtain information relating to Modaraba's operations in addition to the queries raised specifically relating to their investment, dividend distribution and circulation of statutory notices and reports. The Modaraba endeavors for prompt resolution of the queries and provision of required information in accordance with provisions of the law.

The Modaraba has established a mechanism for investor services and grievances handling and has hired the services of an independent Share Registrar in addition to having a dedicated section (Corporate secretariat) to resolve all issues of the investors. The initial contact point for complaint resolution is the Modaraba's Secretariat who may be approached us at "askus@orixmodaraba.com" and the Share Registrar. Investor Relations section on the website of the Modaraba includes mailing address of ORIXM for written correspondence in addition to the various notices/ announcements updated from time to time.

### **Safety of Records of the Modaraba**

The Modaraba encourage paperless environment and documents are archived electronically to safeguard the records as well optimizing storage spaces. However, the Modaraba has also established process for safety of records extends beyond the regulatory requirements and the Modaraba makes a conscious effort for the safety of all its records. The records include books of accounts, documentation pertaining to secretarial, legal, contractual, taxation and other matters. The process for Safety of Records consists of the following points:

- The creation, maintenance, confidentiality and disposal of any official document should adhere to SOPs mentioned in the departmental manuals.
- Real-time back up of data at on and off-site locations.
- Maintenance of a fire-proof vault for the safekeeping of legal documents and other confidential data.
- To ensure back-up of all the relevant Legal, Administrative, Operational and other documents, intellectual property and records in case of any hazard.
- Ensure and Maintain Digital backup of all the records,

### **Whistle Blowing Policy**

In view of our commitment to create an atmosphere where people can freely communicate their concerns or raise an alert against possibility of occupational fraud, non-compliance with Modaraba's policies, Code of Conduct and regulatory framework, an effective Whistle Blowing Mechanism has been implemented. This policy is designed to enable all officers and employees of the Modaraba to raise complaints at designated platform. The Modaraba is committed to achieving and maintaining the highest standards of openness, integrity, ethical values and accountability. Hence it expects all of its employees to do the same. In the interest of the Modaraba, it is the responsibility of every employee to ensure that any inappropriate event does not occur and if occurred, the same is reported at relevant forum in the Modaraba.

All those who come in the ambit of Whistle Blowing Policy are encouraged to participate without fear of reprisal or repercussions, in confidentiality, under defined reporting channels. Such communications are investigated independently and reported at the highest level.

An inappropriate event could be any behavior, action or incident that compromises the interests of shareholders, investors, client or any other stakeholder. It is also mission-critical to maintain a good corporate image, thus raising standards of corporate governance

### **ORIXM RISK TOLERANCE APPROACH**

The Risk Management Framework defines Risk Tolerances (RT) as boundaries that determine the maximum level of risk the entity is ordinarily willing to take in pursuit of its strategy, in accordance with its Risk Management Principles. RTs must constrain risk to the levels where the potential for any financial or reputational damage is consistent with the sustained pursuit of strategy and in line with the reasonable expectations of stakeholders.

In the context of Operational Risk (OR), the Entity's RT statement is as follows:

"The ORIXM aim's to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Entity."

In order to comply with this statement the OR management approach includes the following requirements:

- The ORIXM will systematically identify Top Risks and emerging risks with the involvement of Senior Management and the Board, and define the appropriate treatment which may include business restrictions;
- All processes will be mapped and owned with appropriate key control standards defined to mitigate risks;
- The ORIXM will not miss any opportunity to learn lessons from internal or external events and will implement relevant mitigation actions; and
- The ORIXM will systematically test internal capital adequacy through scenario analysis and stress testing.

### **HUMAN RESOURCE MANAGEMENT POLICIES AND SUCCESSION PLAN**

HR management policies are essential for sustaining viable businesses. HR policies assist organizations in establishing & maintaining consistent practices in the workplace, it is the way of communication with employees and managers in regard of desired performance and behavior. ORIXM have the following HR management policies.

- Day Care Policy
- Employee Discipline Policy
- Employee Equal Opportunity, Diversity and Dignity at Work Policy
- Leave Policy
- Speak Up Policy
- Employee Grievance Policy
- Educational Assistance Policy
- Sexual Harassment Policy
- Local Relocation Policy
- Subsidy Policy
- Hospitalization Insurance / Takaful Policy

All the HR policies mentioned above are available in writing, approved by Board of Directors, implemented and shared with all staff of ORIXM. In addition to this succession planning is also executed at ORIXM.

### **SUCCESSION PLAN**

Succession planning ensures smooth replacement of critical positions at management and technical level in ORIX Modaraba (ORIXM). The purpose of succession planning is to identify and prepare candidates to take over key positions at all levels that becomes vacant due to resignation, retirement or death of an employee. ORIXM perform succession planning session after every three years. Identify successors for all critical roles. In this way it provides continuity to leadership and can avoid extended and costly vacancies for key position. Sourcing of successors is first performed within ORIXM and in the event no potential candidate is available an external recruitment effort is conducted. Successors which are identified in the session is equipped with all necessary trainings and assignments to make him/ her to take over the role.

## Environmental and Social Risk Policy

### Purpose and Scope

As public awareness of the need to protect the natural environment and to set appropriate social standards grows, financial institutions are increasingly being called upon to address these issues in their business decisions. This policy covers all Financing decisions where there are environmental or social risks.

### Responsibility

All staff involved with the management and approval of Financing products are expected to be able to use the tools at their disposal to recognize the issues associated with transactions involving such risks. Business will ensure that appropriate procedures are designed to meet these policy requirements.

### Policy Statement

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

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

### Business Continuity Plan:

“In the event of any untoward and unexpected situation, our businesses are fully equipped to initiate their BCP response protocols; therefore, ensuring the continuity of important operations at the very least and restoration of key operations.”

ORIXM believes that business disruptions can constitute serious risks to the reputation of an organization and its ability to operate effectively. Therefore, the Board of Directors of Modaraba has approved a comprehensive BCP to ensure that the Modaraba has an updated Business Continuity and Disaster Recovery plan for the continuity of its critical operations in case of any extra ordinary circumstances. The plan caters for the following scenarios/assumptions:

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

A Business Impact Analysis (BIA) was carried out by the BIA team with an effective oversight of ORIXM senior management which had members from all departments. The whole process focused on key functions & processes in the ORIXM and ranks them according to criticality. Keeping in view of the business continuity needs, ORIXM has a redundant hot site having all critical services present. ORIXM IT conducts BCP exercise twice a year with complete or partial failover. This is done with a view to have more resilient IT service capability in line with the entity's requirements. Resultantly, ORIXM has availability of system and transactional capability at all times.



### **The Chairman and CEO Role:**

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

#### **Chairman:**

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Modaraba. He is responsible for the management of the Board in all respects in the most efficient and competent manner. This involves (but not limited to) the responsibility to

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

#### **Chief Executive:**

The CEO is responsible for putting the strategy defined by the Board into practice and managing the company's operations. He is the ultimate responsible for all day-to-day management decisions and for implementing the Company's long and short term goals and plans. The main responsibilities are as follows:

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

## Report of the Audit Committee

Dear Certificate holder,

I am pleased to present the report of the Audit Committee for the financial year ended June 30, 2018. During 2017-2018, the Committee has continued to review and report to the Board on ORIXM's financial reporting, internal control and risk management processes and the performance, independence and effectiveness of the auditor, KPMG Taseer Hadi & Co., Chartered Accountants. This report describes the Committee's major areas of focus.

There were no changes to the composition of the Committee in 2018. The Committee continued to comprise of the three members of whom two are non-executive directors and chaired by an Independent director. The diverse set of skills and the depth of experience contributed by Committee members is detailed on pages 13 of the Annual Report. The Board considers that one Committee member (Mr. Ramon Alfrey) possesses recent and relevant financial experience and he thus qualifies as financially literate in compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (The Code). The Committee as a whole has competence relevant to the key segments of ORIXM's business activities.

In order to ensure ongoing compliance with regulatory developments, the Committee's terms of reference were reviewed during the year. The requirements introduced under the Code related to the Board Audit Committee were incorporated into the Committee's terms of reference in 2018. As a part of this review, the Committee incorporated the following requirements into the Committee's formal terms of reference:

- Chairman of the Audit Committee now needs to be an independent director mandatorily;
- Audit Committee meetings to be held prior to the approval of interim results of the Modaraba by its board of directors and after completion of external audit;
- Attendance of CEO and CFO in audit committee meetings is now by invitation;
- Audit Committee to now consider all related party transactions instead of only those that are significant; and
- Audit Committee now authorized to arrange confidential reporting of potential wrongdoing from staff or management to itself directly.

The Committee is authorised by the Board to seek any information necessary to fulfil its duties, call any member of staff to be questioned at a meeting of the Committee, as and when required, and obtain independent legal, accounting or other professional advice, at the Modaraba's expense, which might be necessary for the fulfilment of its duties.

### Main activities of the Audit Committee in relation to the year ended June 30, 2018:

The terms of reference of Board audit committee are mentioned on page number 33 of the Annual Report. The Committee met on four occasions in 2017-18 once in each quarter. Following are the main agenda items covered at the Committee's meetings held during 2017-18:

#### Financial reporting and significant financial judgements

- Full-year results and associated announcements;
- Half-year results and associated announcements;
- Discussion on significant issues related to the Financial Statements; and
- Going concern statement.

#### External audit

- Audit Strategy;
- Matter arising from External auditor's Report;
- Review and consideration of the Audit Memorandum;
- Evaluation of auditor and recommendation on reappointment to the Board; and
- Fee for next year audit.

#### Internal audit

- Audit reports;
- Evaluation of internal audit function;
- Review of performance of Head of Internal Audit; and
- Annual Internal Audit plan.

#### Other

- Review of ORIXM's overall risk management and internal controls;
- Review of whistleblowing and fraud related matters to the Committee, if any;
- Annual review of terms of reference;
- Annual evaluation of the Committee; and
- Compliance with the Code.

In addition to the above, the Committee also reviewed and approved annual financial statements of ORIX Services Pakistan (Private) Limited – Modaraba Management Company.

#### Financial reporting and significant judgements

The Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the financial

statements. As part of its review the Committee considers the clarity and completeness of disclosures in the financial statements to assess whether these have been set appropriately in the context. The Committee also keeps under review the impact of any actual or expected changes to accounting standards applicable to ORIXM and provides general oversight in relation to the financial policies.

### External audit

The Committee is responsible for reviewing the scope and results of ORIXM's external audit process and its effectiveness. During 2017-2018, the Committee continued to monitor the independence and objectivity of the external auditor to ensure that the services provided continued to represent a healthy balance between objectivity and value for money. Proposed audit fee for the year ending 2019 was also reviewed by the Committee prior to their recommendation to the Board for approval. KPMG are expected to report to the Committee on any material issues identified in relation to ORIXM's reported performance or any significant breakdown in controls identified during the audit process. In addition, in the interests of efficiency and effectiveness, the Committee also ensured that activities undertaken by the internal and external audit functions complemented each other.

### Auditor reappointment

Having considered the results of the 2018 external audit, the Committee concluded that KPMG continued to act as an independent, robust and cost effective auditor and recommended their appointment as External Auditors for ORIXM for another one year ending in 2019. The Code requires all Financial Institutions to rotate their auditors once in five years. KPMG is in office since 2015 and is eligible to hold office till 2019. Therefore, KPMG has confirmed its willingness to continue in office and a resolution to reappoint KPMG as auditor has also been approved by the Board of Directors subject to its approval by the Registrar of Modarabas - SECP.

### Internal audit

The Committee is responsible for reviewing the role and effectiveness of the internal audit function by monitoring the results of its work and the responses of management to its recommendations. In the interests of increased efficiency and effectiveness, the Committee also ensures that the work undertaken by the internal audit function complements the scope agreed for the external audit.

The Committee reviewed and approved the 2017-2018 internal audit plan at its meeting in Aug 2017 and continued to monitor progress against this plan during the year. Internal Audit performed risk based audits of ORIXM's business operations and functions along with regular quarterly Shariah audit of ORIXM's operations. Results and management actions arising from the reviews undertaken in 2017-2018 were also discussed in detail. The Head of Internal Audit attended all of the Committee's meetings during 2017-2018 and held

discussions with the Committee in the absence of Executive management. The Committee also undertook an evaluation of the effectiveness of the internal audit function with reference to robustness of audits, quality of delivery and quality of people and service. Based on its review, the Committee is satisfied with the effectiveness of the internal audit function.

### Review of risk management and internal controls

The Board is ultimately responsible for ORIXM's system of internal control. This responsibility includes clearly determining the control environment and reviewing annually the effectiveness of the internal control system. As part of its terms of reference, the Committee is responsible for reviewing the ORIXM's internal control and risk management systems on behalf of the Board. Key risks and uncertainties together with the associated mitigating controls relating to the ORIXM'S business are summarised on pages 17 to 18 of the Risk and Opportunity report in ORIXM Annual Report 2018.

During the year, the Audit Committee monitored and reviewed the effectiveness of ORIXM's internal control systems, including its risk management procedures and reported thereon to the Board. Based on the Committee's report, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks (both financial and non-financial and including Corporate Social Responsibility risks) faced by the ORIXM. The process has been in place for the year under review and up to the date of approval of the Financial Statements of the Modaraba and has been regularly reviewed by the Committee.

### Annual evaluation of Committee performance

As part of the overall Board evaluation process, the Committee reviewed its performance for the year 2017-2018. This evaluation considered areas such as the Committee's processes and support, its time management and composition, its effectiveness in reviewing the work undertaken by internal and external audit and its effectiveness in reviewing internal control systems, the quality of reporting and management of risk, and confirmed that the Committee continues to be highly effective in undertaking its responsibilities. Future priorities highlighted by this evaluation include:

- Continue to closely monitor the impact of future accounting standards on the Modaraba's financial statements;
- Continue to focus on monitoring key judgements and internal control and risk management processes.

I will be available to answer any questions about the work of the Committee at the ARM on Friday, October 19, 2018.

Nausherwan Adil  
Chairman of the Audit Committee  
Date: August 28, 2018

## **IT Governance**

Recognizing IT Governance as a critical part of overall corporate governance, the Modaraba has aligned itself to efficient use of Information Technology resources in achieving its operational and strategic objectives while increasing certificate holders' value. ORIX Modaraba governs its information and systems using the measures set out below.

### **Risk management.**

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

### **Business ownership of risk.**

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

### **Access control.**

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

### **Use of information and systems.**

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

### **Classification of information.**

Data classification is provided through role based access control and need to know basis.. Breaches, based on the severity, to data confidentiality guidelines are dealt with under disciplinary procedures.

### **Physical protection of information.**

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

### **Personnel management.**

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

### **Monitoring of usage.**

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

### **Appropriate use.**

Acceptable use policy is shared with staff upon hiring and a signed copy of the same is placed in their file which is provided and maintained by HR Department.



## Shariah Mechanism

A fundamental requirement of an Islamic financial institution is that its whole business practices and operations are based on Shariah rules and principles. Islamic finance derives its value proposition from the application of Shariah contracts in financial transactions that provide for different risks and return profile. Adherence to Shariah principles under such distinct contract preserves the validity and sanctity of any Islamic financial transactions.

In order to uphold these principles, ORIXM follows a proper mechanism for Shariah Governance. This mainly includes:

1. A Shariah Internal Advisor who reviews the transactions on a regular basis to validate ORIXM's compliance to Islamic principles.
2. Appointment of a Shariah Advisor who reviews & ensures that the business conducted, the transactions carried out and the investment made by ORIXM are in accordance with Shariah principles and are in line with its prospectus duly approved by Religious Board of SECP.
3. Developed product program of each of its product offered, which are duly reviewed and signed by the Shariah Advisor including issuance of relevant Fatwas.
4. Approval of all process flows of products by the Shariah Advisor.
5. Comprehensive Certified sharia training programs for all personals including top management.
6. Frequently held Internal Refresher training sessions.
7. Consultancy with renowned Market practitioners and Sharia advisors.

## Shariah Advisor Profile

Mufti Faisal Ahmed is the Shariah advisor of ORIX Modaraba. He is a competent Mufti with a degree of MBA finance and currently completing the last year of LLB. He has over 15 years of experience as a teacher of Fiqh, Hadith and Ifta in Jamia tur Rasheed and as a visiting faculty for PIS, project appraisal, financial management and Journalism at different Universities and institutions. He is a frequent speaker on Islamic topics including Riba Free Banking, Zakat, Economic systems, Zakat, etc. at different forums. In addition to his primary responsibility of being an associate Mufti from 2004 to 2009 and being a Mufti from 2009 till date, he was also assigned responsibility of Administration, Consultancy and delivering Fatawa at SCS (Shariah Consultancy for trade and finance) under supervision of Dar-UI-Ifta Jamiat-ur-Rasheed from 2009 to 2015.



## Shariah Advisor's Report

I have conducted the Shariah review of ORIX Modaraba (managed by ORIX Services Pakistan (Private) Limited, Modaraba Management Company for the year ended June 30, 2018 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

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

### Observations

1. The Modaraba has its major portfolio of assets insured through commercial insurance companies. However, it was noted that the Modaraba is encouraging its customers to get the assets insured through Takaful and resultantly there is movement into Takaful for the purposes of assets insurance. This is also evident from the documentation and communication reviewed by me.
2. I appreciate the management of Modaraba for its professional approach while adopting Islamic guidelines for their business. The senior management and staff are well intentioned and cooperative in observing Shariah compliance in its true spirit.
3. During the year, a course on Islamic Finance Practitioner was conducted by Modaraba from March 15, 2018 to March 28, 2018, in collaboration with Sharia Consultancy Service (a division of Jamia-Tur-Rasheed Karachi). The training contributes a positive impact that enhances in exposure of Modaraba staff in rendering the daily operations.

### Recommendation

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

### Conclusion

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

And Allah Taala knows Better & Perfect

Mufti Faisal Ahmed  
Shariah Advisor  
28-August-2018



Signature

Stamp of the Shariah Advisor

## PERFORMANCE AND POSITION

### Pattern of holding of certificates by the certificate-holders as at June 30, 2018

Number of Certificate Holders	Certificate holding		Total Certificates held
	From	To	
1,489	1	50	27,882
614	51	100	44,747
3,610	101	500	1,084,948
1,082	501	1,000	842,168
1,252	1,001	5,000	2,820,400
211	5,001	10,000	1,580,461
346	10,001	375,000,000	38,982,924
<b>8,604</b>			<b>45,383,530</b>

Certificate-holders Category	Number of Certificate-holders	Number of Certificate Held	Percentage %
INDIVIDUAL	8,508	23,242,621	51.21
FINANCIAL INSTITUTIONS *	11	8,227,729	18.13
INVESTMENT COMPANIES	-	-	-
INSURANCE COMPANIES	11	5,704,144	12.57
MODARABAS / MODARABA MANAGEMENT COMPANIES**	9	4,663,401	10.28
JOINT STOCK COMPANIES	38	2,170,156	4.78
OTHERS	27	1,375,479	3.03
	<b>8,604</b>	<b>45,383,530</b>	<b>100.00</b>

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

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

#### Additional Information as at June 30, 2018

Categories of Certificate-holders	Number	Certificates held	Percentage
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#### Associated Companies, Undertakings and Related Parties

ORIX LEASING PAKISTAN LIMITED		4,538,353	10.00
ORIX SERVICES PAKISTAN (PVT.) LIMITED		4,538,353	10.00
	<b>2</b>	<b>9,076,706</b>	<b>20.00</b>

#### Mutual Funds

CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	3,677,560	8.10
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#### Directors, CEO & their Spouse and Minor Children

-	-	-
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#### Executives

-	-	-
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#### Public Sector Companies and Corporations

4	4,114,975	9.07
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#### Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas

22	5,383,797	11.86
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#### Certificate-holders holding five percent or more certificates in the Modaraba (other than those reported above)

-	-	-
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## Financial Ratios

### KEY FINANCIAL DATA (Rupees in Million)

	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14	Jun-13
Total assets	6,953	5,962	5,278	5,180	6,035	6,840
Portfolio	6,327	5,449	4,838	4,706	5,548	5,897
Total disbursements	3,742	3,305	2,412	1,893	2,176	2,556
Current assets	1,174	591	570	752	824	1,214
Total liabilities	5,806	4,812	4,102	4,027	4,942	5,837
Current liabilities	4,206	3,468	2,805	1,700	2,513	5,102
Financing from financial institutions	1,636	947	328	478	1,041	514
Redeemable capital and deposits	3,849	3,581	3,451	3,270	3,580	4,926
Certificate-holders' fund (cum dividend)	601	610	642	627	607	553
Reserves	547	541	534	525	486	450
Certificate-holders' equity	1,148	1,151	1,176	1,152	1,093	1,003
Revenues from operations (net off depreciation)	522	458	496	653	690	696
Financial charges	246	204	223	313	386	439
Impairment loss / (reversal) against doubtful debts	(2)	(12)	(33)	18	6	34
Net Profit	120	128	173	195	182	121
Dividend including Bonus certificates	113	123	154	150	136	91

### SUMMARY OF CASH FLOW

Cash and cash equivalents at beginning of the year	368	257	245	(141)	637	(334)
Net cash generated from / (used in) operating activities	(916)	(340)	201	877	447	61
Net cash generated from / (used in) investing activities	9	14	(18)	32	7	8
Net cash generated from / (used in) financing activities	948	437	(171)	(523)	(1,232)	902
Net Increase / (decrease) in cash and cash equivalents	41	111	12	386	(778)	971
Cash and cash equivalents at end year	409	368	257	245	(141)	637

### Profitability Ratios

Profit before tax ratio	%	32.04	36.96	33.32	27.74	18.55	19.20
Gross Yield on Earning Assets	%	7.18	8.03	10.53	13.37	13.40	11.34
Gross Spread ratio	%	56.96	50.87	47.61	53.40	58.89	67.14
Cost/Income ratio	%	50.24	48.95	34.83	29.83	29.50	36.84
Return on Equity	%	10.47	11.03	14.87	17.40	17.34	12.36
Return on Capital employed	%	2.24	2.80	4.02	4.24	3.43	2.24

### Liquidity Ratios

Advances to deposits ratio		2.02	1.98	1.73	1.75	2.00	1.42
Current / Quick ratio		0.28	0.17	0.20	0.44	0.33	0.24
Cash to Current Liabilities	%	9.73	10.59	9.51	15.75	5.73	12.49

### Investment /Market Ratios

Earnings per Certificate (EPC) basic and diluted	Rs.	2.65	2.83	3.81	4.31	4.00	2.67
Price Earnings ratio		6.27	8.26	5.80	6.97	5.56	5.20
Price to Book ratio		0.11	0.18	0.22	0.26	0.17	0.09
Dividend Yield ratio	%	15.05	11.57	13.60	11.00	13.48	14.39
Dividend Payout ratio	%	94.32	95.55	89.13	76.62	74.93	74.83
Cash Dividend per share	%	25.00	27.00	34.00	33.00	30.00	20.00
Cash Dividend per certificate	Rs.	2.50	2.70	3.40	3.30	3.00	2.00
Market value per certificate at the end of the year and high/low during the year	Rs.	16.61	23.33	25.00	30.00	22.25	13.90
Market value per certificate - low	Rs.	16.37	21.47	24.25	21.60	13.70	11.00
Market value per certificate - high	Rs.	24.49	28.29	32.24	32.98	23.83	15.00
Dividend Cover ratio		1.06	1.05	1.27	1.31	1.33	1.34
Break-up Value per share	Rs.	25.29	25.34	25.92	25.40	24.09	22.09

### Capital Structure Ratios

Earning assets to total assets ratio	%	96.88	97.55	96.72	96.01	94.31	95.52
Weighted Average cost of deposit	%	5.39	5.69	5.93	9.02	7.83	9.02
Net assets per share	Rs.	25.29	25.34	25.92	25.40	24.09	22.09
Financial leverage ratio		4.15	3.22	2.65	2.74	3.49	4.66
Weighted average cost of debt	%	5.81	5.97	7.10	8.98	9.09	9.91
Debt to Equity ratio		1.47	1.30	1.24	1.42	2.01	2.42
Financial Charges Cover ratio		1.49	1.63	1.78	1.62	1.47	1.28

## Financial Ratios

Revenue from Ijarah transaction is calculated on the basis rental income net off related depreciation for above ratios

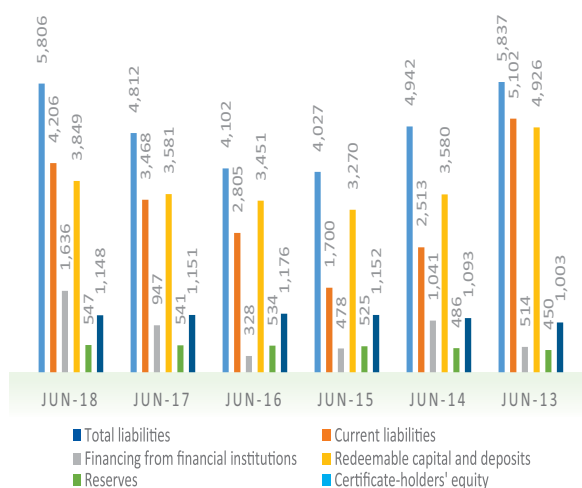
Non performing portfolio:

	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14	Jun-13
Ijarah	32.17	35.61	41.38	66.76	95.54	73.28
Diminishing Musharaka	-	-	-	115.42	121.02	123.27
Housing Finance	7.43	-	-	-	-	-
Sukuks	57.70	57.70	57.70	57.70	57.70	58.72
Total	97.30	93.31	99.08	239.88	274.27	255.26

## Graphs

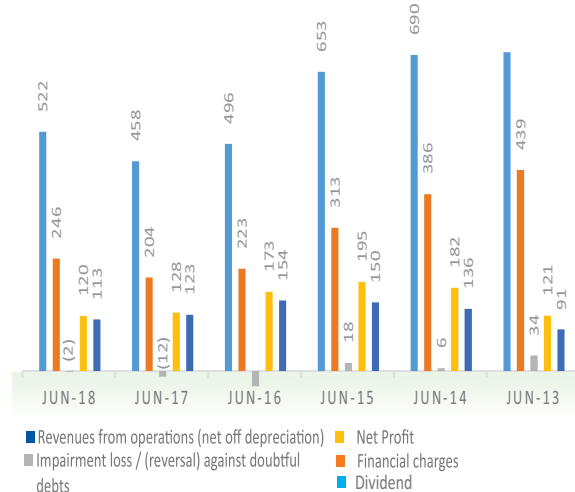
### EQUITY & LIABILITIES

(Rupees in Millions)



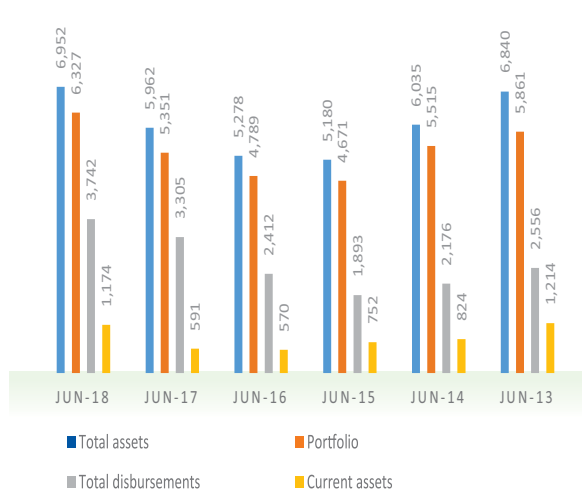
### PROFIT & LOSS

(Rupees in Millions)



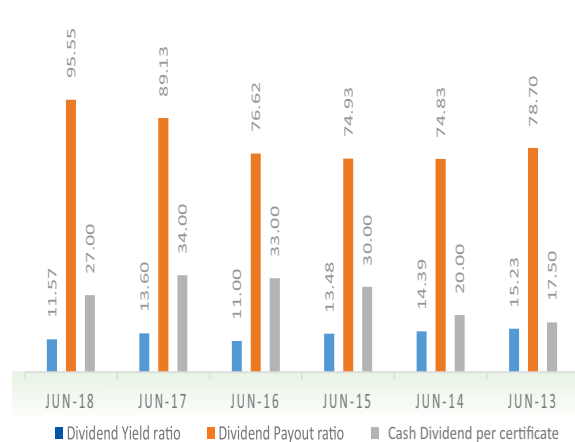
### ASSETS

(Rupees in Millions)



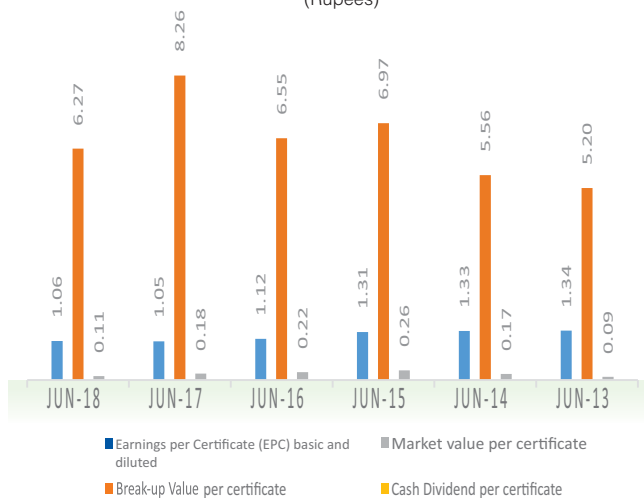
### INVESTMENT / MARKET RATIOS

(%)

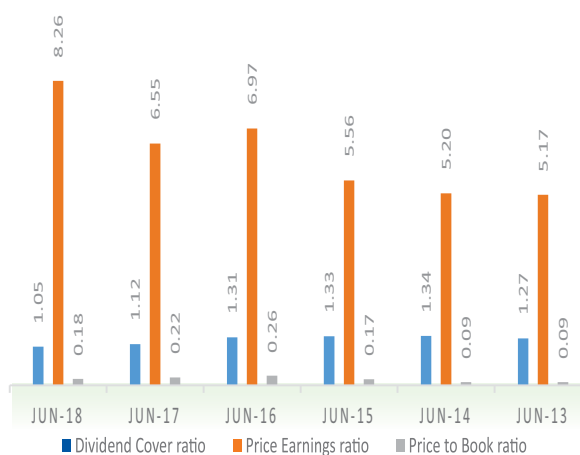


**INVESTMENT /MARKET RATIOS**

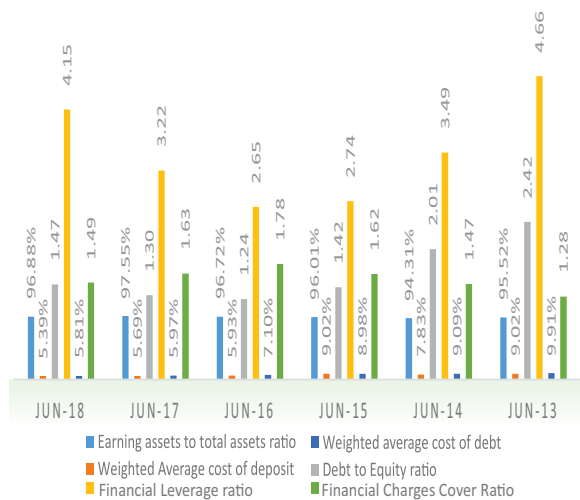
(Rupees)



**INVESTMENT /MARKET RATIOS**

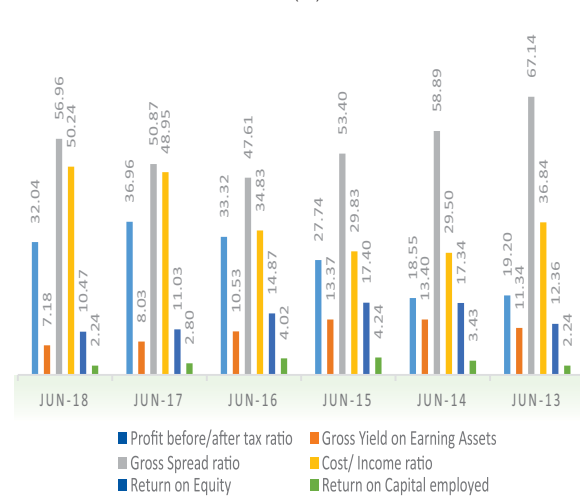


**CAPITAL STRUCTURE RATIOS**

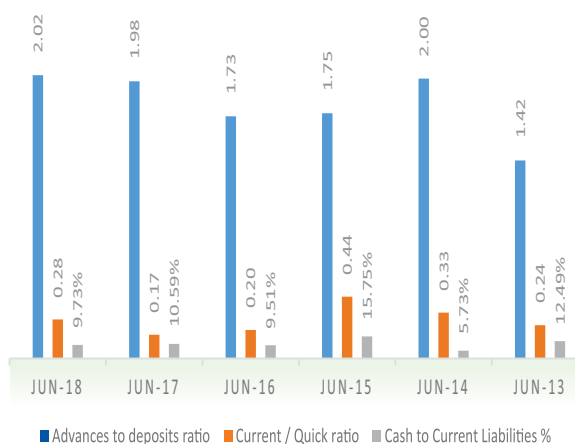


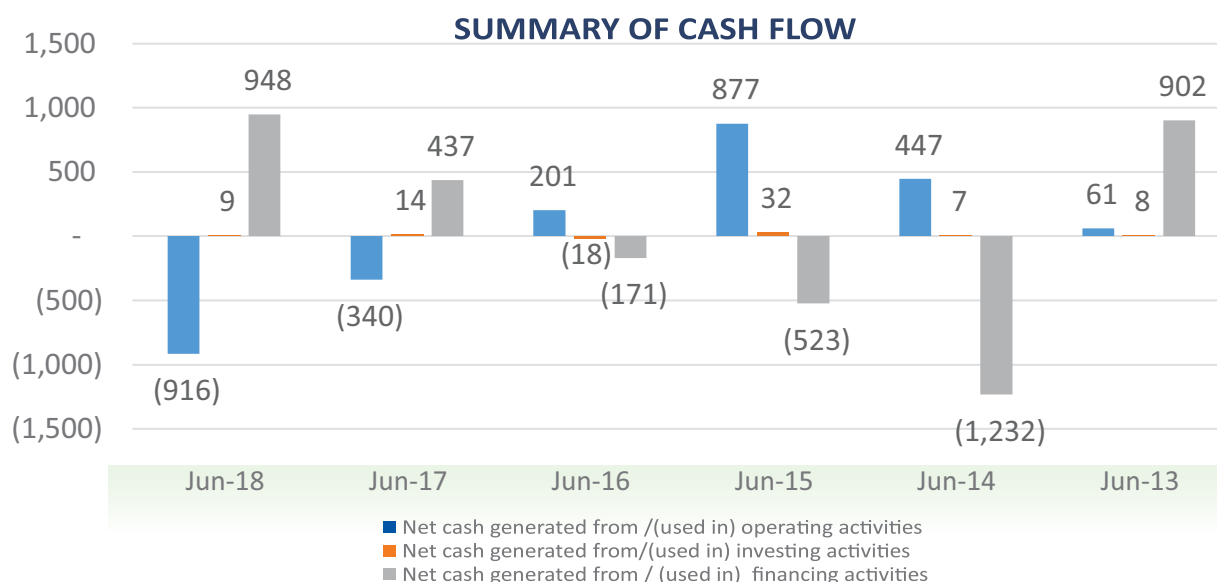
**PROFITABILITY RATIOS**

(%)



**LIQUIDITY RATIOS**





## Comments on Key Financial Data & Ratios

Total assets were increased by 11.6% during the year 2012-13. In September 2014, Standard Chartered Bank (Pakistan) Limited (“SCBPL”) entered into a non-binding Memorandum of Understanding (“MOU”) with ORIX Leasing Pakistan Limited (“OLPL”) with regard to a divestment of its stake in the Modaraba which resulted in slowdown in business activities. Consequently there was decreasing trend in the total assets, portfolio and disbursements during the years from 2014-15 till the culmination of the transaction in June 2016. Subsequently business growth resumed and during the year 2016-17 and 2017-2018 total assets increased by 13% and 17% respectively.

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

As Modaraba is required to distribute 90% of total profit (after appropriation of statutory reserves) in order to avail tax exemption, accumulation of reserves on a large scale does not take place. Thus Certificate-holders’ equity increased by 14.46% during the last six years despite historical net profit PKR 195 million during the year ended June 30, 2015.

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

### Profitability Ratios

Profit before tax ratio and Gross Yield on Earning Assets ratios were declined due to the one off recovery of non performing assets and reversal of provision for WWF included in last year income.

Gross Spread ratio improved as margin over KIBOR is increased for new disbursements

Cost to income ratio increased mainly due to hiring of new staff.

Return on Equity and Return on Capital employed ratios were declined mainly due to the one off recovery of non performing assets and reversal of provision for WWF included in last year income as stated above.

### Liquidity Ratios

Historically the current ratio in Financial Services Modarabas is always less than 1 as Ijarah finances were classified as longer assets. Current ratio improved from 0.15 to 0.28 compared to last year mainly focusing on DM transaction on assets side. For liability side long term financing from banks were availed replacing the short

term COMs. The reason behind investment of customers in short term COMs is the expectation of movement of discount rate upward movement in the near future.

Cash as a percentage of Current Liabilities ratio declined mainly increase of liabilities to finance increased assets.

### **Investment /Market Ratios**

There is a decline in the following ratios mainly due to decreased of net profit during the current year compared to last year as these ratios are directly related to the net profit. This decrease of profit already discussed above.

Earnings per Certificate (EPC) basic and diluted

Price Earnings ratio

Price to Book ratio

Dividend Yield ratio

Dividend Pay-out ratio

Cash Dividend per share

Cash Dividend per certificate

### **Capital Structure Ratios**

Earning assets to total assets ratio is declined due to increase of rental receivable balance during the current year.

Weighted Average cost of deposit is decreased mainly due to efficient management of financial charges.

Net assets per share decreased as due to lower net profit during the current period compared to dividend amount paid for the year 2017.

Financial leverage ratio increased due to increased financing from Islamic banks and Islamic branches of conventional banks.

Weighted average cost of debt is also decreased due to efficient management of financial charges

Debt to Equity ratio increased due to increased financing from Islamic banks and Islamic branches of conventional banks.

### **Non performing portfolio**

Non performing portfolio increased by 4.3% compared to last year due to subjectively classification of one House Finance facility.

Maturity analysis of assets and liabilities in included in Note # 26.3

### **Methods and Assumptions used in Compiling the Indicators.**

The ratios has been calculated using criteria mention by ICAP and ICMAP jointly for the Best Corporate Reports Award for the year 2018.

### **Business Rationale of Major Capital Expenditure**

During the year under review, no major capital expenditure was incurred. Furthermore, no such expenditure is planned for next year.

## Horizontal Analysis

### Balance Sheet (%)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	11.38	37.67	(0.40)	86.15	(77.41)	6,075.90
Loans and receivable - Term deposit receipts	-	-	-	-	-	(100.00)
Ijarah rentals receivable	11.28	(0.92)	(0.71)	(29.63)	8.13	(9.92)
Advances, deposits, prepayments and other receivables	312.71	(45.25)	(58.60)	(47.69)	11.13	(32.61)
Current portion of investment in Sukuk certificates	-	-	-	-	(100.00)	-
Current portion of Diminishing Musharika	454.49	(39.88)	(41.67)	(18.89)	31.96	384.59
Current portion of net investment in Ijarah finance	-	-	-	-	(94.89)	(91.48)
Taxation recoverable	0.04	265.72	(59.68)	(40.26)	(27.21)	(15.39)
<b>Total current assets</b>	<b>98.58</b>	<b>3.64</b>	<b>(24.14)</b>	<b>(8.77)</b>	<b>(32.13)</b>	<b>75.19</b>
<b>Non - current assets</b>						
Loans and advances to employees	-	-	-	-	(100.00)	-
Long-term portion of investment in Sukuk certificates	-	-	-	-	(100.00)	(12.00)
Long-term portion of Diminishing Musharika	115.27	(13.01)	17.58	(11.92)	(19.56)	12.84
Long-term portion of net investment in Ijarah finance	-	-	-	-	-	(100.00)
Ijarah assets	(13.88)	22.35	2.81	(15.63)	(4.12)	0.92
Fixed assets in own use	(30.29)	(38.08)	176.92	(37.10)	129.77	509.90
<b>Total non-current assets</b>	<b>7.58</b>	<b>14.10</b>	<b>6.30</b>	<b>(15.02)</b>	<b>(7.37)</b>	<b>3.45</b>
<b>TOTAL ASSETS</b>	<b>16.59</b>	<b>12.97</b>	<b>1.88</b>	<b>(14.17)</b>	<b>(11.76)</b>	<b>11.55</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Musharika finance	-	(100.00)	(57.10)	(92.09)	100.00	(100.00)
Murabaha finance	-	-	-	-	(100.00)	(74.57)
Current maturity of security deposits	(27.96)	20.01	13.91	(27.15)	48.17	119.29
Current maturity of Musharika term finance	-	-	-	-	-	-
Creditors, accrued and other liabilities	14.19	(12.78)	9.16	(19.15)	(20.53)	46.51
Advance Ijarah rentals received	3.56	(27.01)	47.63	14.35	(27.59)	7.15
Current portion of redeemable capital	13.39	30.34	150.99	(25.17)	(72.81)	33.34
Deferred Murabaha income	-	-	-	-	-	-
Unclaimed profit distribution	11.06	15.11	16.78	12.59	8.86	8.38
<b>Total current liabilities</b>	<b>21.25</b>	<b>23.64</b>	<b>64.94</b>	<b>(32.35)</b>	<b>(50.73)</b>	<b>13.74</b>
<b>Non - current liabilities</b>						
Long-term portion of security deposits	(7.30)	28.81	11.66	(27.37)	(6.03)	(2.04)
Long-term portion of Musharika term finance	38.87	398.00	118.83	(66.67)	105.64	100.00
Long-term portion of redeemable capital	4,000.00	(99.97)	(62.93)	11.65	5,967.03	(57.80)
<b>Total non - current liabilities</b>	<b>18.95</b>	<b>3.67</b>	<b>(44.26)</b>	<b>(4.17)</b>	<b>230.02</b>	<b>7.30</b>
<b>TOTAL LIABILITIES</b>	<b>20.61</b>	<b>17.32</b>	<b>1.84</b>	<b>(18.50)</b>	<b>(15.34)</b>	<b>12.89</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>						
<b>Authorised certificate capital</b>						
50,000,000 (2010: 50,000,000) certificates of Rs 10 each	-	-	-	-	-	-
<b>Certificate capital</b>						
<b>Issued, subscribed and paid-up certificate capital</b>						
28,500,000 (2010: 28,500,000) certificates of Rs. 10 each issued as fully paid in cash	-	-	-	-	-	-
16,883,530 (2010: 16,883,530) certificates of Rs. 10 each issued as fully paid bonus certificates	-	-	-	-	-	-
Reserves	1.11	1.20	1.65	8.04	8.07	5.70
Unappropriated profit	(5.30)	(17.26)	8.47	13.20	55.33	21.73
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16.59</b>	<b>12.97</b>	<b>1.88</b>	<b>(14.17)</b>	<b>(11.76)</b>	<b>11.55</b>
<b>Profit &amp; Loss</b>						
Ijarah finance income	-	-	-	-	(100.00)	(87.21)
Ijarah rentals earned	1.37	5.43	(10.29)	(11.28)	5.43	28.89
Profit on Sukuk certificates	-	-	-	-	-	-
Income on Diminishing Musharika arrangements	37.99	(31.08)	(3.42)	(12.18)	5.70	113.34
Income on deposits with bank	4.71	(26.58)	(46.28)	69.44	4.21	(22.34)
Financial charges	3.30	2.31	(10.36)	(10.68)	5.32	30.50
Depreciation on assets under Ijarah arrangements	20.81	(8.72)	(28.82)	(18.77)	(12.13)	26.04
Impairment against Ijarah assets	-	-	(100.00)	-	-	-
Reversal of provision in respect of Ijarah finances - net	(5.48)	(19.87)	(4.17)	(4.88)	25.33	21.18
Provision in respect of Diminishing Musharika	(70.34)	10.55	(638.57)	124.44	(97.46)	2,543.52
Reversal / (Provision) in respect of Sukuk certificates	-	(100.00)	1,958.25	149.50	29.91	(101.38)
Other income	(9.80)	(25.32)	9.23	(2.89)	45.07	19.52
Administrative and operating expenses	55.35	114.11	(58.84)	90.29	(18.81)	41.65
Management Company's remuneration	7.16	22.35	11.20	9.19	6.39	22.52
Provision for services sales tax on Management Company's remuneration	1.78	(31.81)	(11.53)	7.45	48.34	23.58
Provision for workers' welfare fund	1.78	(31.81)	(11.53)	7.45	48.34	23.58
Profit before taxation	(132.13)	(316.26)	(11.43)	7.58	49.80	20.20
Taxation	(6.19)	(25.93)	(11.43)	7.58	49.80	20.20
Profit after taxation	-	-	-	-	-	-
Other comprehensive income for the year	(6.19)	(25.93)	(11.43)	7.58	49.80	20.20
Total comprehensive income for the year	(6.19)	(25.93)	(11.43)	7.58	49.80	20.20

## Vertical Analysis

### Balance Sheet (%)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>ASSETS</b>						
Current assets						
Cash and bank balances	5.88	6.16	5.06	5.17	2.38	9.31
Loans and receivable - Term deposit receipts	-	-	-	-	-	-
Ijarah rentals receivable	1.46	1.53	1.74	1.79	2.18	1.78
Advances, deposits, prepayments and other receivables	1.26	0.36	0.73	1.81	2.97	2.36
Current portion of investment in Sukuk certificates	-	-	-	-	-	0.01
Current portion of Diminishing Musharika	8.14	1.71	3.22	5.62	5.95	3.98
Current portion of net investment in Ijarah finance	0.01	0.01	0.01	0.01	0.01	0.11
Taxation recoverable	0.13	0.15	0.05	0.11	0.16	0.20
Total current assets	16.88	9.91	10.80	14.51	13.65	17.74
Non - current assets						
Loans and advances to employees	-	-	-	-	-	-
Long-term portion of investment in Sukuk certificates	-	-	-	-	-	0.09
Long-term portion of Diminishing Musharika	27.73	15.02	19.51	16.90	16.47	18.07
Long-term portion of net investment in Ijarah finance	-	-	-	-	-	-
Ijarah assets	55.14	74.65	68.93	68.31	69.50	63.95
Fixed assets in own use	0.25	0.42	0.76	0.28	0.38	0.15
Total non-current assets	83.12	90.09	89.20	85.49	86.35	82.26
<b>TOTAL ASSETS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>LIABILITIES AND EQUITY</b>						
Current liabilities						
Musharika finance	-	-	0.18	0.43	4.72	-
Murabaha finance	-	-	-	-	-	1.97
Current maturity of security deposits	2.41	3.91	3.68	3.29	3.88	2.31
Current maturity of Musharika term finance	-	-	-	-	-	-
Creditors, accrued and other liabilities	3.26	3.33	4.32	4.03	4.28	4.75
Advance Ijarah rentals received	0.59	0.67	1.03	0.71	0.54	0.65
Current portion of redeemable capital	44.87	46.13	39.98	16.23	18.62	60.41
Deferred Murabaha income	-	-	-	-	-	-
Unclaimed profit distribution	0.73	0.76	0.75	0.65	0.50	0.40
Total current liabilities	60.48	58.16	53.14	32.82	41.65	74.59
Non - current liabilities						
Long-term portion of security deposits	7.97	10.02	8.79	8.02	9.48	8.90
Long-term portion of Musharika term finance	14.92	12.53	2.84	1.32	3.41	1.46
Long-term portion of redeemable capital	0.12	0.00	12.95	35.58	27.35	0.40
Total non - current liabilities	23.01	22.55	24.58	44.92	40.24	10.76
<b>TOTAL LIABILITIES</b>	<b>83.49</b>	<b>80.71</b>	<b>77.71</b>	<b>77.75</b>	<b>81.88</b>	<b>85.34</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>						
Authorised certificate capital 50,000,000 (2010: 50,000,000) certificates of Rs 10 each	7.19	8.39	9.47	9.65	8.28	7.31
Certificate capital						
Issued, subscribed and paid-up certificate capital 28,500,000 (2010: 28,500,000) certificates of Rs. 10 each issued as fully paid in cash	4.10	4.78	5.40	5.50	4.72	4.17
16,883,530 (2010: 16,883,530) certificates of Rs. 10 each issued as fully paid bonus certificates	2.43	2.83	3.20	3.26	2.80	2.47
Reserves	6.53	7.61	8.60	8.76	7.52	6.63
Unappropriated profit	2.12	2.61	3.57	3.35	2.54	1.44
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Profit &amp; Loss</b>						
Ijarah finance income	-	-	-	-	-	0.12
Ijarah rentals earned	92.37	94.12	91.34	91.27	91.88	91.78
Profit on Sukuk certificates	-	-	-	-	-	-
Income on Diminishing Musharika arrangements	6.96	5.21	7.73	7.17	7.30	7.27
Income on deposits with bank	0.68	0.67	0.93	1.56	0.82	0.83
	100.00	100.00	100.00	100.00	100.00	100.00
Financial charges	(12.59)	(10.77)	(12.07)	(15.20)	(16.71)	(20.03)
Depreciation on assets under Ijarah arrangements	(77.89)	(78.84)	(74.66)	(71.54)	(71.63)	(70.17)
Impairment against Ijarah assets	-	-	-	(0.84)	-	-
	9.51	10.40	13.28	12.42	11.66	9.80
Reversal of provision in respect of Ijarah finances - net	0.18	0.61	0.57	(0.09)	(0.04)	(1.56)
Provision in respect of Diminishing Musharika	(0.08)	-	1.25	0.05	0.02	0.02
Reversal / (Provision) in respect of Sukuk certificates	-	-	(0.01)	-	(0.26)	0.01
	9.61	11.01	15.08	12.38	11.39	8.27
Other income	4.62	3.07	1.47	3.20	1.50	1.95
Administrative and operating expenses	(7.15)	(6.89)	(5.76)	(4.65)	(3.80)	(3.76)
	7.09	7.19	10.79	10.93	9.09	6.45
Management Company's remuneration	(0.71)	(0.72)	(1.08)	(1.09)	(0.91)	(0.65)
Provision for services sales tax on Management Company's remuneration	0.09	0.09	0.15	0.16	0.15	0.16
Provision for workers' welfare fund	(0.13)	0.40	(0.19)	(0.19)	(0.16)	(0.11)
Profit before taxation	6.16	6.78	9.37	9.48	7.87	5.53
Taxation	-	-	-	-	-	-
Profit after taxation	6.16	6.78	9.37	9.48	7.87	5.53
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	6.16	6.78	9.37	9.48	7.87	5.53

## Cash Flow for the year ended June 30 2018 (By Direct Method)

	Rupees
Ijarah Rental Collection	1,805,607,699
Diminishing Musharaka's repayment proceeds	373,434,305
Diminishing Musharaka's profit receipts	126,496,889
Ijarah Disbursements (net off security deposits)	(2,217,719,173)
Diminishing Musharaka disbursements	(1,168,889,588)
Net proceeds from Ijarah assets disposals	515,693,002
Financial charges paid	(233,027,083)
Management remuneration to management company	(13,596,384)
Salaries & staff benefits	(99,482,201)
Documentation fee & others from customers	22,323,860
Payments for operating expenses	(28,213,479)
Taxes, duties, charity & advance payments	1,953,059
<b>Net cash used in operating Activities</b>	<b>(915,419,094)</b>
<b>Net cash generated from investing activities</b>	<b>8,970,263</b>
<b>Net cash generated from financing activities</b>	<b>948,230,758</b>
Net Cash generated	41,781,927
Cash & cash Equivalent at beginning of the year	367,303,155
<b>Cash &amp; cash Equivalent at end of the year</b>	<b>409,085,082</b>

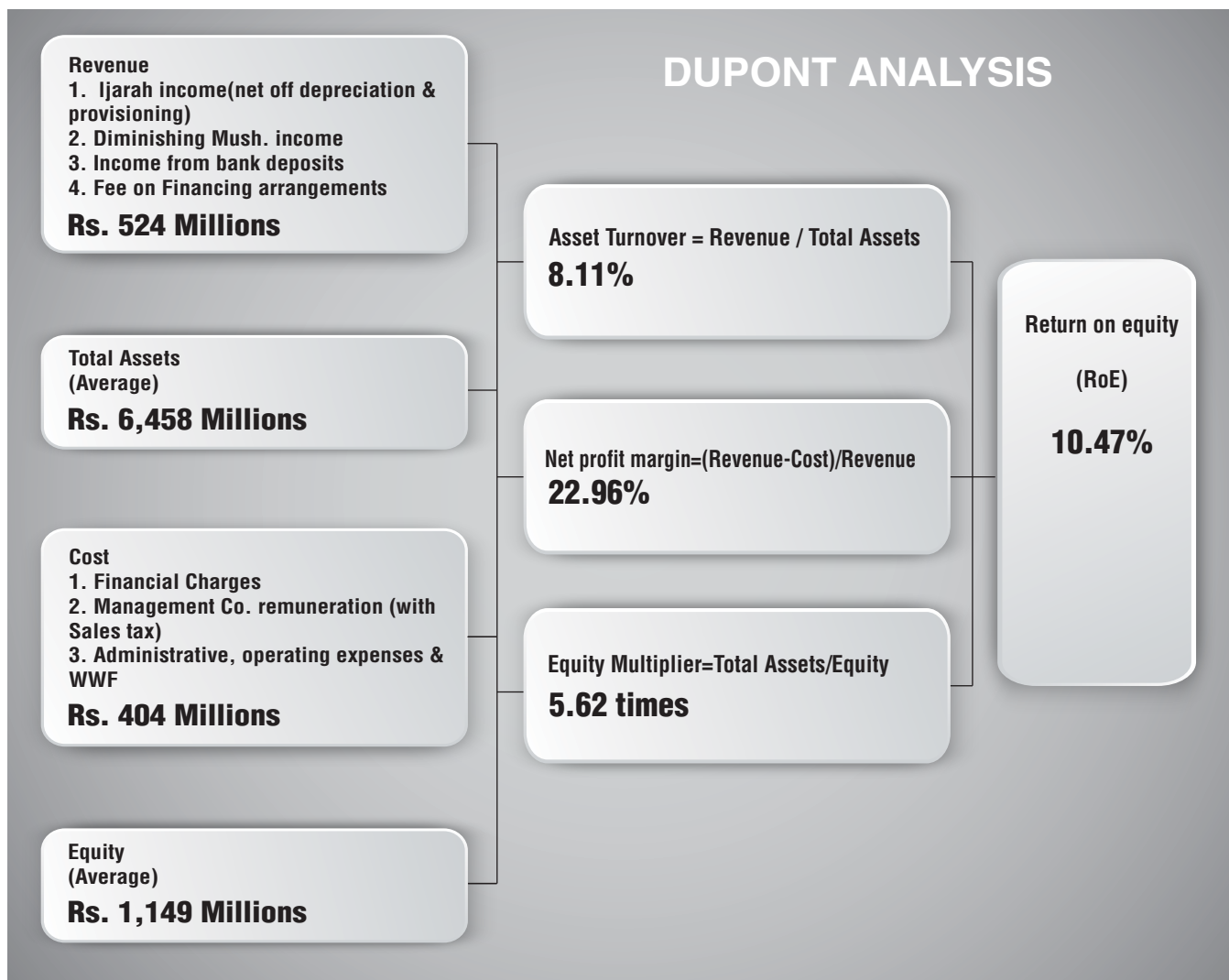
## CALENDAR OF MAJOR EVENTS

### Notable Events for the Financial Year

BOD Meeting for first quarter ended September 30, 2017	20-Oct-17
Annual Review Meeting 2017	27-Oct-17
2nd Position in Best Performance Award by NBF & Modaraba Association of Pakistan	14-Feb-18
BOD Meeting for second quarter ended December 31, 2017	21-Feb-18
Corporate Excellence Award by Management Association of Pakistan (MAP)	27-Feb-18
Appointment of New Director	21-Mar-18
BOD Meeting for third quarter ended March 31, 2018	23-Apr-18
BOD Meeting for fourth quarter and year ended June 30, 2018	28-Aug-18

### Tentative dates for next Financial Year

Annual Review Meeting 2018	19-Oct-18
BOD Meeting for first quarter ending September 30, 2018	25-Oct-18
BOD Meeting for second quarter ending December 31, 2018	21-Feb-19
BOD Meeting for third quarter ending March 31, 2019	23-Apr-19
BOD Meeting for fourth quarter and year ending June 30, 2019	29-Aug-19



## FREE CASH FLOWS

ORIXM is a financing Modaraba providing Islamic financing to Corporates, SME's and households in diversified business sectors from the funding provided by our deposit-holders (inform of Certificates of Musharaka) which includes both Corporate as well as Retail deposits. In addition, ORIXM maintains and utilises Bank funding lines so that a proper mix of all funding sources including equity that ensure effective liquidity management. Hence for ORIXM, levered Free cash flows (FCF) are relevant given as below, showing ORIXM capacity to accommodate early repayments of high value deposits besides day to day deposit encashment, bank repayments, dividends etc.

	2018	2017
	Rupess	
Net Cashflow Used in Operating Activities	<b>(915,419,094)</b>	(341,089,052)
Net funds from bank financing	<b>376,365,000</b>	(42,855,000)
Net movement in deposits	<b>689,370,328</b>	628,454,171
Fixed Capital expenditure	<b>(2,879,786)</b>	(375,000)
	<b>147,436,448</b>	244,135,119

## Summary of Cash Flow Statement of Last six years

The six year cash flow statement is available in the relevant section of Key Financial Data in this annual report.

## SEGMENT ANALYSIS OF GROSS INCOME & PROFIT BEFORE TAX

As given in detail in Note 3.18 to the financial statements, ORIXM's operations are strategised, managed and controlled under a single integrated investment strategy according to which financial and other resources are allocated to maintain and manage financing Portfolios under different Islamic financing products (approved for Modarabas by SECP) and placements of surplus funds with banks to ensure optimum liquidity position at all times. However, analysis / reconciliation of Profitability from different product portfolios and placements in banks may be drawn as under:-

	2018				
	Finance lease	Diminishing musharaka	Ijarah (under IFAS-2)	Placements with Banks	Total
	----- Rupees -----				
Total segment revenue	-	143,102,927	365,705,778	13,268,070	522,076,775
less : segment costs	-	67,411,165	172,272,176	6,250,159	245,933,501
Finance cost	-	42,579,941	108,814,897	3,947,883	155,342,721
Administrative and general expenses	-	-	-	-	-
Direct cost	-	1,485,402	(3,436,788)	-	(1,951,386)
(Reversal) / Provision-net	-	111,476,508	277,650,286	10,198,042	399,324,836
Total segment cost	-	31,626,419	88,055,492	3,070,028	122,751,939
Segment results					
Provision for Workers' Welfare Fund	-	632,528	1,761,110	61,401	2,455,039
Provision for taxation	-	-	-	-	-
Profit for the year	-	30,993,891	86,294,382	3,008,627	120,296,900
Other information	370,000	2,493,963,283	3,934,582,945	409,085,082	6,838,001,310
Segment assets					115,435,706
Unallocated assets					6,953,437,016
Total assets					
Segment liabilities	257,749	1,772,747,997	3,559,664,376	284,976,662	5,617,646,785
Unallocated liabilities					187,909,868
Total liabilities					5,805,556,653

## Share Price Analysis

On June 30, 2018, there were 8,604 members on the record of the Modaraba's Register of Members. Modaraba's Market capitalization as at June 30, 2018 was recorded at Rs. 0.678 billion (2017: Rs. 1.059 billion) with the price per Certificate fluctuating from a high of Rs. 24.49 to a low of 16.37 and closed the year at Rs. 16.61.

Trading volumes for the Modaraba's Certificates remain on lower side during most of the year. However, in the month of April 2018, on three occasions more than 100,000 certificates were traded in a day. Total 2.355 million certificates (2016: 8.450 million certificates) were traded during the year ended June 30, 2018 on Pakistan Stock Exchange. Closely held shares (i.e. those held by the sponsors), investment companies, financial institutions and other corporate bodies represent 49% of the total Modaraba capital whereas other 51% Modaraba Certificates are still owned by Individuals.

## FORWARD LOOKING STATEMENT



Our strategy remains maintaining the growth momentum, asset quality, increasing profitability and product mix. We aim to target new market segments and plan to enhance our exposure in high and mid-tier SME under Diminishing Musharika structure and consumer market under an assurance based model or with High Net Worth individuals. We understand that the change is the only constant and adapting to the change is the way forward. In line with the same, ORIXM has also set up a Principals Committee and Strategic Initiatives Unit to synchronize with the ever changing operating environment. Amongst other things, ORIXM focuses on IT and system's transactional capability

reach and easy to use efficient processes ensuring client's satisfaction by reducing turnaround time without compromising on the control environment. As the focus is to grow, acquiring and retaining the right quality of human resource will be critical. Accordingly, ORIXM will continue to invest in learning and development of its staff i.e. on the job learning, learning from others and formal training. We believe that Islamic financing has a bright future in Pakistan. We intend to contribute a fair share to the growth of Islamic financing in the country. We also look to maintain our thought leader status in the sector and to grow to be largest and most profitable Modaraba in Pakistan.

Key Performance Indicators 2017	Performance made in 2018
Maintaining Growth momentum	During the year 2017-18, total assets increased by 16.11%.
Improvement in Asset quality	There is a reversal of net provisioning amounting to Rs. 2 million during the year despite increase in disbursement by 13.2%.
Increase in profitability	There is an increase in Profit before management fee by 1.78% for the year.
Exposure in high and mid-tier SME under Diminishing Musharika/ Product mix	There is an increase in DM Assets by 150% as at June 30, 2018 compare to June 30, 2017.
New Market Segment	We targeted new clients in travel transport storage and printing & publishing sector during the year.
Invest in learning and development of its staff	Shariah related training was provided to all ORIXM staff in all the offices during the year ended June 30, 2018.
Contribute a fair share to the growth of Islamic financing in the country.	ORIXM disbursed PKR 42.56 Billion during last 31 years which have been used to foster the growth in various sectors critical to the country's development.

## STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

### Stakeholders

“The main philosophy of business, followed by the ORIX Modaraba, has been to create value for all stakeholders through fair business practices. This translates into policies approved by the Board of Directors that ensures that systems and controls are in place so that Clients are treated fairly and full regard is taken of their interests as required by the entity’s regulators.”



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

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

Group of stakeholders includes but is not limited to the following.

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

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

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

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

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

## Encouragement of Minority Shareholders to Attend the Annual Review Meetings

The Modaraba encourages its shareholders to attend the Annual Review Meetings. It circulates the notice of review meetings well within regulatory timeframe. Moreover, advertisement is published in Urdu and English newspapers in all four provinces having largest readership within each province.

The Company timely updates its website with respect to all notices of annual review meetings.



## Investor Relations Section on Website

We are continuously exploring new opportunities to create further value for our certificate holders and investors to give them a better return on their investments. The website of ORIXM ([www.orixmodaraba.com](http://www.orixmodaraba.com)) is one such medium to generate awareness and provide reliable information to the investors. Detailed Modaraba information is provided on the website which includes but not limited to financial reports, investors notices/announcements, pattern of certificate holding, dividend declarations etc. The investor relations section is comprehensively covered on the website of ORIXM which is regularly updated.

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

## Issues raised at last ARM

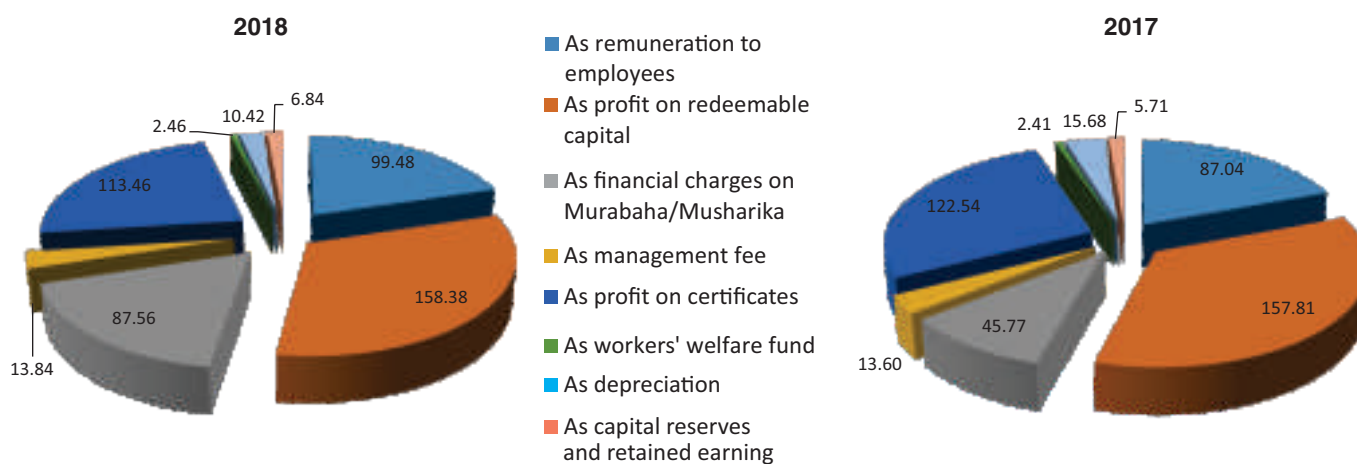
The Chairman of the meeting started the Annual Review Meeting by welcoming all the certificate holders of the Modaraba. The MD/ CEO briefed the holders about the Modaraba's performance for the last financial year and also provided updates on how the management is working to safeguard the interests of the certificate holders and maximize their wealth by value creation. In addition to brief financial performance overview, the queries and concerns of certificate holders were also addressed appropriately in a question and answer session. The certificate holders appreciated the performance of the Modaraba. The Meeting was attended by CEO, some directors, CFO, Company Secretary, Head of CRC, Head of Compliance and Legal & Head of internal Audit. External Audit representatives also attended the meeting.

## Summary of the analyst briefing, if any, taken place during the year

No analyst briefing was given during the year.

## Statement of Value added

	2018 Rupees	%	2017 Rupees	%
Revenue from operations (net of depreciation of Ijarah assets)	431,780,359		400,195,334	
Other Income/ charges/reversal of provision for WWF	92,247,802		79,763,894	
	<b>524,028,161</b>		<b>479,959,228</b>	
Operating expenses	29,806,880		27,641,269	
Provision for services sales tax on management company's remuneration	1,799,070		1,767,530	
<b>Value Added</b>	<b>492,422,211</b>	<b>100.00</b>	<b>450,550,429</b>	<b>100.00</b>
Distributed as follows:				
<b>To Employees</b>				
As remuneration	99,482,201	20.20	87,044,834	19.32
<b>To finance providers</b>				
As profit on redeemable capital	158,376,149	32.16	157,810,191	35.03
As financial charges on Murabaha/Musharika	87,557,352	17.78	45,767,415	10.16
<b>To Modarib</b>				
As management company's remuneration	13,839,001	2.81	13,596,384	3.02
<b>To Certificate-holders</b>				
As profit on certificates	113,458,825	23.04	122,535,531	27.20
<b>To Revenue Authorities</b>				
As workers' welfare fund	2,455,039	0.50	2,411,999	0.54
<b>Retained in Business</b>				
As depreciation	10,415,569	2.12	15,678,787	3.48
As capital reserves and retained earning	6,838,075	1.39	5,705,288	1.27
	<b>492,422,211</b>	<b>100</b>	<b>450,550,429</b>	<b>100</b>



## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

Sustainability is embedded in how we do our business and is at the core of our values. At ORIXM, we believe that CSR is not an expense or charity. CSR is strategic, building long term relationships with neighboring communities and stakeholders. ORIXM believes in being responsible and transparent in all the work processes. Detailed policies and procedures are in place to enable us to meet the legal, ethical, commercial and public expectations of the communities in which we operate. Through our sustainability efforts, we seek to create a strong bond between our business, community, regulator, government and clients. ORIXM being a socially responsible corporate entity, has been a regular contributor to the society and communities. It has been our primary concern to ensure that contributing to community development should be continuously carried out and ORIXM fulfills this responsibility by engaging in wide range of activities which are as follows.



- Energy conservation is promoted by restricting unnecessary usage of lighting and reducing the wastage of water as to save scarce resources of the planet.
- ORIXM continues to provide financial assistance to various charitable and non-profit organizations. We support a range of fund raising events and projects, which focus on children's health and education in under privileged members of society such as The Citizens Foundation (TCF) that provides education to the underprivileged in the country, Layton Rahmatulla Benevolent Trust Hospital (LRBT), a trust that provides free eye care, The Kidney Centre, a hospital providing facilities in relation to kidney diseases, Sindh Institute of Urology and Transplantation(SIUT) which focuses on urological diseases for the poor, and Professional Education Network, a trust providing professional education to the underprivileged .
- Staff members participate in activities which are beneficial for better environment at large such as beach cleaning by the staff of ORIXM
- To mark our commitment of environmental protection ORIXM in collaboration with WWF conducted tree plantation drive and planted more than 200 Mangrove trees. In addition to this, plants were also distributed among staff with a pledge to plant more trees in order to reduce global warming. This is also in line with our carbon reduction initiative.

Health and safety of employees and clients is also an utmost concern of t ORIXM. There is a medical first aid box which is refilled at regular intervals at all ORIXM offices. In addition, Manual and Automatic Fire extinguishers are kept and refilled at regular intervals. There is designated Fire Marshall and Fire warden at each ORIXM office

with necessary supplies and apparatus. Moreover, Drills are conducted to measure and improve upon the evacuation time in case of any disaster or emergency. Health and safety incidents, if any, are escalated to the monthly Country Operational Risk Committee meetings. We always encourage staff members for better life style and also adopt safety and preventive measures such as tobacco control law and no smoking zones to minimize occupational injuries and illnesses. We believe that healthy employees will remain quality and productive assets of the institution. Regular health camps and tests are conducted at ORIXM. The latest of which was in collaboration with ESSA Labs . Thalassemia awareness session was also held at ORIXM by Kashif Iqbal thalassemia care center (KITCC)

It is our resolve to consume minimum natural resources and create low emission and waste. We discourage and do not work with those customers whose businesses are not environment friendly as per our environmental policy. ORIXM also has a Carbon Reduction Initiative, to reduce impact on our surroundings. We through our carbon committee continuously strive and find new ways to reduce carbon emissions and to implement that business practices which are environmental friendly. One key focus is to minimize use of paper and energy such as printing on both sides of paper, papers which are printed on one side can be collected and used as note pads , Customers' correspondences being sent via emails, all the communication with the customers are web based, switching off the lights in break time and constantly raise staff awareness for paperless office concept and discourage unnecessary printing of documents.

- As per SECP guidelines regarding CSR and keep the essence of CSR intact with strategic goals of organization, ORIXM staff contributed to the funding of DIAMER BASHA DAM.
- The entity has disbursed PKR.42 billion in total which have been used to foster the growth in various sectors critical to the country's development. ORIXM vows to continue being partner to the development of the country.
- Amicable staff relations, recognition of merit and performance of employees by giving them both monetary and non-monetary incentives such as excellence awards and annual performance bonus. Providing on-going opportunities for learning and growth of staff, both on-the-job and through formal training programs such as training on Islamic Financing, Takaful & Anti – Gender Harassment etc. are all practiced at ORIXM.
- ORIXM is an equal opportunity employer and does not discriminate on the basis of gender, language, race, religion and disability. The responsibility of HR to is to ensure transparency in regard of suitable recruitment and compensation on the basis of merit, experience and qualification.
- Business ethics, anti-corruption and customer confidentiality protection measures are taken seriously at ORIXM as we believe, that ethics of employees play a vital role in the development of institutional reputation and sustainability.. On the one hand our relationship with customers rely on mutual trust, and to retain this trust we set out customer's interest first while ensuring to provide highest standard of service, treating all customers fairly with transparency and responsibility, whilst on the other hand our processes are such that ensure that that trust is not violated. Adherence to a policy on Anti Bribery and Corruption (ABC), for which the employees are trained regularly and restriction of information to a need basis only with adequate back up of data and a closed process complying with all applicable laws & regulations, including Shariah governance , ensures the highest levels of governance.

## Investor Grievance Handling

The Modaraba has established a mechanism for investor services and grievances handling and has hired the services of an independent Share Registrar in addition to having a dedicated section (Corporate secretariat) to resolve all issues of the investors. The initial contact point for complaint resolution is the Modaraba's Secretariat who may be approached us at "askus@orixmodaraba.com" and the Share Registrar. Investor Relations section on the website of the Modaraba includes mailing address of ORIXM for written correspondence in addition to the various notices/ announcements updated from time to time.

## Auditor's Report to the Certificate Holders

We have audited the annexed statement of financial position of ORIX Modaraba as at 30 June 2018 and the related profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of ORIX Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i) the statement of financial position, profit and loss account and other comprehensive income together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2018 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

*KPM Taseer Hadi & Co.*

KPMG Taseer Hadi & Co.

Chartered Accountants

Engagement Partner: **Mohammad Taufiq**

Dated: 28 August 2018

Karachi

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 June 2018	30 June 2017
(Rupees)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	409,085,082	367,303,155
Ijarah rentals receivable	5	101,827,754	91,089,736
Advances, deposits, prepayments and other receivables	6	89,359,494	21,232,314
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharika	8	564,568,486	102,085,412
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		8,731,640	8,728,486
<b>Total current assets</b>		<b>1,173,942,456</b>	<b>590,809,103</b>
<b>Non-current assets</b>			
Long-term portion of investment in Sukuk certificates	7	-	-
Long-term portion of Diminishing Musharika	8	1,929,394,797	895,586,920
Ijarah assets	9	3,832,755,196	4,451,014,738
Fixed assets in own use	10	17,344,567	24,880,350
<b>Total non-current assets</b>		<b>5,779,494,560</b>	<b>5,371,482,008</b>
<b>TOTAL ASSETS</b>		<b>6,953,437,016</b>	<b>5,962,291,111</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Current maturity of term finance arrangements	11	598,989,520	200,000,000
Current maturity of security deposits	12	167,820,317	232,944,591
Creditors, accrued and other liabilities	13	228,643,874	198,718,280
Advance Ijarah rentals received		41,275,011	39,856,039
Current portion of redeemable capital	14	3,118,915,000	2,750,550,000
Unclaimed profit distribution		50,525,989	45,495,028
<b>Total current liabilities</b>		<b>4,206,169,711</b>	<b>3,467,563,938</b>
<b>Non-current liabilities</b>			
Long-term portion of term finance arrangements	11	1,037,380,808	747,000,000
Long-term portion of security deposits	12	553,806,134	597,408,179
Long-term portion of redeemable capital	14	8,200,000	200,000
<b>Total non-current liabilities</b>		<b>1,599,386,942</b>	<b>1,344,608,179</b>
<b>TOTAL LIABILITIES</b>		<b>5,805,556,653</b>	<b>4,812,172,117</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>			
50,000,000 (2017: 50,000,000) certificates of Rs. 10 each	15	500,000,000	500,000,000
<b>Issued, subscribed and paid-up certificate capital</b>			
28,500,000 (2017: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (2017: 16,883,530) bonus certificates of Rs. 10 each	15	168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		147,475,214	155,728,690
Other reserves	16	546,569,849	540,555,004
		1,147,880,363	1,150,118,994
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,953,437,016</b>	<b>5,962,291,111</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	17		

The annexed notes 1 to 36 form an integral part of these financial statements.

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



Chairman



Chief Executive



Director



CFO

**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018	30 June 2017
(Rupees)			
Ijarah rentals earned		<b>1,804,106,356</b>	1,779,762,549
Income on Diminishing Musharika arrangements		<b>135,856,222</b>	98,456,108
Income on deposits with banks		<b>13,268,070</b>	12,671,226
		<b>1,953,230,648</b>	1,890,889,883
Financial charges	18	<b>(245,933,502)</b>	(203,577,607)
Depreciation on assets under Ijarah arrangements	9.1	<b>(1,521,450,289)</b>	(1,490,694,549)
Impairment on assets under Ijarah arrangements	9.1	<b>(462,984)</b>	-
		<b>185,383,873</b>	196,617,727
Reversal of provision in respect of Ijarah finances	5.3	<b>3,899,772</b>	11,587,364
Provision in respect of Diminishing Musharika	8.3	<b>(1,485,402)</b>	-
		<b>187,798,243</b>	208,205,091
Other income	19	<b>90,296,417</b>	58,123,639
Administrative and operating expenses	20	<b>(139,704,650)</b>	(130,364,890)
		<b>138,390,010</b>	135,963,840
Management Company's remuneration	21	<b>(13,839,001)</b>	(13,596,384)
Provision for services sales tax on Management Company's remuneration	22	<b>(1,799,070)</b>	(1,767,530)
(Provision) / Reversal for Workers' Welfare Fund - net	13.3	<b>(2,455,039)</b>	7,640,888
<b>Profit for the year before taxation</b>		<b>120,296,900</b>	128,240,814
Taxation	23	-	-
<b>Profit for the year after taxation</b>		<b>120,296,900</b>	128,240,814
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>120,296,900</b>	128,240,814
<b>Earnings per certificate - basic and diluted</b>	24	<b>2.65</b>	2.83

The annexed notes 1 to 36 form an integral part of these financial statements.

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



Chairman



Chief Executive



Director



CFO

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

Note	30 June 2018	30 June 2017
	(Rupees)	
	<b>120,296,900</b>	128,240,814
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation		
<b>Adjustments for non-cash and other items:</b>		
Depreciation / amortisation on fixed assets in own use	20 10,415,569	15,678,787
Depreciation on Ijarah assets	9.1 1,521,450,289	1,490,694,549
Gain on disposal of Ijarah assets	19 (67,972,557)	(44,214,568)
Gain on disposal of fixed assets	-	(1,052,500)
Impairment on assets under Ijarah arrangements	9.1 462,984	-
Reversal of provision in respect of Ijarah finances - net	(3,899,772)	(11,587,364)
Provision in respect of Diminishing Musharika	1,485,402	-
Income on deposits with bank	(13,268,070)	(12,671,226)
Profit on:		
- Redeemable capital	18 158,376,150	157,810,192
- Musharika finance	18 -	49,671
- Term finance arrangements	18 71,665,221	16,484,696
Provision for services sales tax on Management Company's remuneration	1,799,070	1,767,530
Provision / (Reversal) for Workers' Welfare Fund - net	2,455,039	(7,640,888)
	<b>1,682,969,325</b>	1,605,318,879
	<b>1,803,266,225</b>	1,733,559,693
<b>(Increase) / decrease in assets</b>		
Advances, deposits, prepayments and other receivables	(66,709,159)	16,910,339
Ijarah rentals receivable	(6,838,246)	12,434,395
Diminishing Musharika	(775,642,091)	201,674,349
Purchase of assets under Ijarah arrangements	9.1 (2,537,301,416)	(2,882,110,879)
Proceeds from disposal of assets under Ijarah arrangements	979,485,980	622,662,012
	<b>(2,407,004,932)</b>	(2,028,429,784)
<b>(Decrease) / increase in liabilities</b>		
Creditors, accrued and other liabilities	12,414,951	(13,510,274)
Advance Ijarah rentals received	1,418,972	(14,748,075)
Security deposits	(108,726,319)	172,465,473
	<b>(94,892,396)</b>	144,207,124
	<b>(698,631,103)</b>	(150,662,967)
Profit paid on:		
- Redeemable capital	(157,254,356)	(175,485,263)
- Musharika finances	-	(58,586)
- Term finance arrangements	(59,530,481)	(14,881,124)
	<b>(216,784,837)</b>	(190,424,973)
Taxes paid	(3,154)	(1,112)
<b>Net cash used in operating activities</b>	<b>(915,419,094)</b>	(341,089,052)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(2,879,786)	(375,000)
Proceeds from disposal of fixed assets	-	1,052,500
Income on deposits with bank	11,850,049	13,309,054
Net cash generated from investing activities	<b>8,970,263</b>	13,986,554
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redeemable capital less repayments	376,365,000	(42,855,000)
Term finance less repayments	689,370,328	628,454,171
Profit paid to certificate holders	(117,504,570)	(148,333,025)
<b>Net cash generated from financing activities</b>	<b>948,230,758</b>	437,266,146
<b>Net increase in cash and cash equivalents</b>	<b>41,781,927</b>	110,163,648
<b>Cash and cash equivalents at the beginning of year</b>	<b>367,303,155</b>	257,139,507
<b>Cash and cash equivalents at the end of the year</b>	<b>409,085,082</b>	367,303,155

The annexed notes 1 to 36 form an integral part of these financial statements.

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



Chairman



Chief Executive



Director



CFO

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2018

	Paid-up certificate capital	Premium on issue of modaraba certificates	Reserves			Total
			Statutory reserve	Unappropriated profit	Sub-total	
(Rupees)						
Balance as at 1 July 2016	453,835,300	55,384,700	478,758,263	188,203,919	722,346,882	1,176,182,182
<b>Total comprehensive income for the year</b>						
- Profit for the year ended 30 June 2017	-	-	-	128,240,814	128,240,814	128,240,814
- Other comprehensive income for the year	-	-	-	-	-	-
	-	-	-	128,240,814	128,240,814	128,240,814
<b>Transactions with owners</b>						
Profit distribution for the year ended 30 June 2016 @ Rs 3.4 per certificate	-	-	-	(154,304,002)	(154,304,002)	(154,304,002)
Transfer to statutory reserve	-	-	6,412,041	(6,412,041)	-	-
Balance as at 30 June 2017	453,835,300	55,384,700	485,170,304	155,728,690	696,283,694	1,150,118,994
<b>Total comprehensive income for the year</b>						
- Profit for the year ended 30 June 2018	-	-	-	120,296,900	120,296,900	120,296,900
- Other comprehensive income for the year	-	-	-	-	-	-
	-	-	-	120,296,900	120,296,900	120,296,900
<b>Transactions with owners</b>						
Profit distribution for the year ended 30 June 2017 @ Rs 2.70 per certificate	-	-	-	(122,535,531)	(122,535,531)	(122,535,531)
Transfer to statutory reserve	-	-	6,014,845	(6,014,845)	-	-
<b>Balance as at 30 June 2018</b>	<b>453,835,300</b>	<b>55,384,700</b>	<b>491,185,149</b>	<b>147,475,214</b>	<b>694,045,063</b>	<b>1,147,880,363</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

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



Chairman



Chief Executive



Director



CFO

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## 1 STATUS AND NATURE OF BUSINESS

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

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA and short term rating of A1+ to the Modaraba on 19 April 2018.

## 2 BASIS OF PREPARATION AND MEASUREMENT

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) differ from the IFRS Standards, the provision of and directives issues under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) have been followed.

### 2.2 Accounting convention

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

### 2.3 Change in accounting standards, interpretations and amendments to published approved accounting standards

#### 2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

activities. The amendment is part of IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The relevant disclosure have been made in these financial statements.

- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Modaraba. These changes also include change in respect of recognition criteria of revaluation surplus on fixed assets, change in nomenclature of primary statements etc. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements; and incorporation of significant additional disclosures which have been included in these financial statements. However, there was no change in the reported amounts of profit or loss account and other comprehensive income or the amounts presented in the statement of financial position except for presentation.

### 2.3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Modaraba's financial reporting and therefore have not been detailed in these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017, and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Modaraba's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Modaraba's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to

## NOTES TO THE FINANCIAL STATEMENTS

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measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Modaraba's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Modaraba's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Modaraba's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Modaraba is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease

## NOTES TO THE FINANCIAL STATEMENTS

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liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Modaraba is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Modaraba's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan. The application of amendments is not likely to have an impact on the Modaraba's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. The Modaraba remeasures its previously held interest in a joint operation when it obtains control of the business. The Modaraba does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Modaraba's financial statements.

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

SECP vide its circular no. 10 of 2004 dated 13 February 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

assets subject to finance lease, and assets obtained on finance lease) entered into by the Modaraba upto 30 June 2008. From 1 July 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained hereunder.

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

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

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before 1 July 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after 1 July 2008 in accordance with the requirements of IFAS 2.

### 2.5 Critical accounting estimates and judgments

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

- i) estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets (notes 3.6, 9.1 and 10.1);
- ii) provision against non-performing leasing portfolio, diminishing musharika, investments, trade debts and other receivables (notes 3.2.1.2, 5, 6.3, 6.4, 7.1.3, 8.3, 9.1 and 9.4); and
- iii) provision for taxation (note 3.8 and 23).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements:

#### 3.1 Cash and cash equivalents

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

#### 3.2 Financial instruments

##### 3.2.1 Financial assets

##### 3.2.1.1 Classification, initial recognition and subsequent measurement

Financial assets are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. The management determines the appropriate classification of the financial assets of the Modaraba in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Modaraba are categorised as follows:

##### a) Financial assets at 'fair value through profit or loss'

Investments are designated at 'fair value through profit or loss' if the Modaraba manages such investments and makes purchase and sale decisions based on their fair values. These are initially recognised at fair value and transaction costs associated with these investments are taken directly to the profit and loss account. Investments at 'fair value through profit or loss' are marked to market using the closing market rates and are carried on the statement of financial position at fair values. Net gains and losses arising on changes in the fair value of these investments are taken to the profit and loss account.

##### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise of loans, finances, other receivables and cash and cash equivalents. Net gains and losses arising on changes in loans and receivables are taken to the profit and loss account.

##### c) Held-to-maturity

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Modaraba has the positive intent and ability to hold till maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity are recognised initially at cost plus attributable transaction costs. Subsequently, these are measured at amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Gains and losses are recognised in income when the investments are derecognised or impaired. Premium and discount on held-to-maturity investments are amortised using the effective interest rate method and are recognised in the profit and loss account.

### d) Available-for-sale

Financial assets not covered in any of the above categories are classified as being available-for-sale. These are initially recognised at cost, being the fair value of the consideration given including acquisition charges.

After initial recognition, financial assets which are classified as 'available-for-sale' are remeasured at fair value. Gains or losses on 'available-for-sale' investments are recognised directly in equity through other comprehensive income until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the profit and loss account.

For financial assets that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the reporting date.

### 3.2.1.2 Impairment

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

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

### 3.2.1.3 Derecognition

Financial assets are derecognised when the Modaraba loses control of the contractual rights that comprise the financial assets. Any gain or loss on derecognition is taken to income in the current year.

### 3.2.2 Financial liabilities

Financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition is taken to income in the current year.

### 3.2.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

statements only when the Modaraba has a legally enforceable right to set off and the Modaraba intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the approved accounting standards as applicable in Pakistan.

### 3.2.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on settlement date, i.e. the date on which the asset is delivered to or by the Modaraba.

### 3.3 Redeemable Capital

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

As per requirements of the Guidelines, the scheme of COM is based on the concept of "Musharika", hence it is classified as Redeemable Capital. The salient features of the COM are as follows:

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

### 3.4 Net investment in Ijarah finance

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

### 3.5 Murabaha transactions

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 3.6 Fixed assets

#### 3.6.1 Tangible fixed assets

##### Owned assets

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

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

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

##### Ijarah assets

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

#### 3.6.2 Intangible assets

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

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

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

#### 3.6.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of tangible / intangible assets as and when the assets are available for intended use.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 3.7 Loans, advances and other receivables

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

### 3.8 Taxation

#### Current

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

#### Deferred

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

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

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

### 3.9 Impairment of non-financial assets

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

### 3.10 Creditors, accrued and other liabilities

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

### 3.11 Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 3.12 Staff retirement benefits

The Modaraba operates:

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

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

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

### 3.13 Revenue recognition

- The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to 1 July 2008 and accounted for as finance leases. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessor).
- For Ijarah arrangements commencing on or after 1 July 2008 Ijarah rentals are recognised as income on accrual basis, as and when rentals become due. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.
- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.
- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account when these are realised.
- Profit on Diminishing Musharika arrangements is recognised under the effective mark-up rate method based on the amount outstanding.
- Profit / return on deposits / investments is recognised on accrual basis using the effective profit rate method.
- Income from Shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.
- Other income is recognised on an accrual basis.

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

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

### 3.15 Earnings per certificate

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

### 3.16 Functional and presentational currency

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

### 3.17 Foreign currency transactions

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

### 3.18 Segment reporting

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

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

4 CASH AND BANK BALANCES	Note	30 June 2018	30 June 2017
(Rupees)			
Balances with banks:			
- in current accounts		23,218,993	143,741
- in deposit accounts	4.1	385,852,889	367,120,881
Cash in hand		13,200	38,533
		<b>409,085,082</b>	<b>367,303,155</b>

4.1 These carry profit at rate ranging between 2.48% - 6.20% (2017: 3.14% - 5.25%) per annum. The balances with banks in deposit accounts are maintained with Islamic banks and have been kept in order to comply with the requirement of guidelines issued by the SECP with respect to the maintenance of prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

4.2 As at 30 June 2018, Modaraba has accounts maintained with State Bank of Pakistan and eight other banks, out of which two are Islamic banks and six are conventional banks with Islamic window operations.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018	30 June 2017
(Rupees)			
<b>5 IJARAH RENTALS RECEIVABLE</b>			
Ijarah rentals receivable - considered good	5.1	101,827,754	91,089,736
Ijarah rentals receivable - considered bad or doubtful	5.2	26,649,883	31,293,120
Less: Allowance for potential Ijarah losses	5.3	(7,998,229)	(11,898,001)
Less: Profit held in suspense	5.4	(18,651,654)	(19,395,119)
		-	-
		<b>101,827,754</b>	<b>91,089,736</b>

5.1 This includes an amounts due from key management personnel as at 30 June 2018 aggregated to Rs. 131,144 (2017: Rs. 152,711) given as per terms of employment. These are secured against Ijarah assets.

5.2 This is netted-off with the related security deposits held as at statement of financial position date.

	Note	30 June 2018	30 June 2017
(Rupees)			
5.3 Allowance for potential Ijarah losses			
Opening balance		11,898,001	23,485,365
Reversal for the year - net		(3,899,772)	(11,587,364)
Amount written off during the year		-	-
Closing balance		<b>7,998,229</b>	<b>11,898,001</b>
5.4 Profit held in suspense			
Opening balance		19,395,119	18,942,755
Income suspended during the year		62,312	452,364
Suspended income reversed during the year		(805,777)	-
Closing balance		<b>18,651,654</b>	<b>19,395,119</b>

	Note	30 June 2018	30 June 2017
(Rupees)			
<b>6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to suppliers and others		-	14,994
Deposits to Central Depository Company (CDC)		550,000	550,000
Prepayments	6.1	12,547,960	13,045,566
Accrued profit on savings and term deposits		1,942,955	524,934
Accrued profit on Diminishing Musharika	6.2	12,742,544	3,383,211
Advance against assets under Ijarah arrangements		37,834,416	2,350,000
Advance against assets under DM arrangements		19,813,192	-
Others	6.3, 6.4 & 6.5	3,928,427	1,363,609
		<b>89,359,494</b>	<b>21,232,314</b>

6.1 This includes Rs. 8.476 million (2017: Rs. 6.395 million) payable in respect of commission for the sale of Certificate of Musharika.

6.2 This includes accrued profit from diminishing musharika related to key management personnel amounting to Rs. 0.271 million (2017: Rs. 0.218 million).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	30 June 2018	30 June 2017
6.3	(Rupees)	
Accrued profit on Diminishing Musharika is as follows:		
Accrued profit on Diminishing Musharika	13,238,007	3,383,211
Less: Profit held in suspense	(495,463)	-
Closing balance	<u>12,742,544</u>	<u>3,383,211</u>

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

	30 June 2018	30 June 2017
	(Rupees)	
Opening balance	160,000	160,000
Provision for the year	-	-
Closing balance	<u>160,000</u>	<u>160,000</u>

6.5 This also includes receivable from provident and gratuity funds of Modaraba amounting to Rs. Nil (2017: Rs. 0.8 million) and Rs. 0.026 million (2017: Rs. 0.031 million) respectively.

## 7 INVESTMENT IN SUKUK CERTIFICATES

### Held-to-maturity investments

	30 June 2018	30 June 2017
	(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	-	-
	-	-

### 7.1 Particulars of Investment in Sukuk Certificates

Name of the Investee Company	Number of certificates			Profit / mark-up rate	Tenor	Security	Principal amount outstanding as at 30 June 2018	Provision held as at 30 June 2018	Carrying amount as at 30 June 2018	
	As at 1 July 2017	Purchased during the year	Sold during the year							As at 30 June 2018
<b>Sukuk certificates of Rs. 5,000 each unless stated otherwise</b>										
Security Leasing Corporation Limited (note 7.1.1)	5,000	-	-	5,000	-	10 years	First charge over specific leased assets and associated lease receivables with 25% security margin	7,701,835	(7,701,835)	-
Shahraj Fabrics (Private) Limited (note 7.1.2)	10,000	-	-	10,000	11.52%	5 years	First pari passu charge over all present and future plant and machinery of the Company, equivalent to the Facility amount with a 25% margin	50,000,000	(50,000,000)	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

- 7.1.1 On 18 March 2010, the terms of the redemption of principal outstanding balance and payment of profit thereon were restructured. Under the revised terms, principal redemptions were to commence from April 2010 in 48 equal monthly installments payable in arrears, and profit was to be payable at the rate of 6% for the first eighteen months commencing from the date of restructuring and at the rate of 1 month KIBOR thereafter. The revised agreement was restructured with effect from 19 March 2011 under which, all future profit payments as per the first restructuring agreement were waived and the redemptions of the outstanding principal balance were to be continued to be made as per the original restructuring agreement. During the year ended 30 June 2012, the terms of the agreement were revised for the third time, whereby, the remaining principal became payable in 120 equal monthly installments commencing from 19 February 2012. The outstanding balance has been fully provided as on 30 June 2018.
- 7.1.2 As per the terms of the Sukuk agreement, the principal was to be repaid in 14 equal quarterly installments beginning from the 21st month following the date of disbursement, whereas, profit was payable semi-annually in arrears. However, principal payments have been overdue since 2008 and, accordingly, the sukuk has been classified under the 'loss' category of non-performing assets as per the requirements of the Prudential Regulations for Modarabas. Consequently, the management has retained a provision at the rate of 100 percent in respect of the said investment and has suspended the accrued profit upto 30 June 2018.

	<b>30 June 2018</b>	<b>30 June 2017</b>
7.1.3 Movement in provision against Sukuk certificates	----- (Rupees) -----	
Opening balance	<b>57,701,835</b>	57,701,835
Provision for the year	-	-
Closing balance	<b>57,701,835</b>	<b>57,701,835</b>

	<i>Note</i>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>8 DIMINISHING MUSHARIKA</b>		----- (Rupees) -----	
Staff			
- Housing finance		<b>75,533,608</b>	95,389,320
- Others		<b>3,235,364</b>	2,760,819
	8.1 & 8.2	<b>78,768,972</b>	98,150,139
Others			
- Housing finance		<b>620,947,927</b>	620,937,375
- Motor Vehicles		<b>762,464,519</b>	126,964,389
- Plant, machinery and equipments		<b>1,033,267,267</b>	151,620,429
Less: Provision in respect of Diminishing Musharika	8.3	<b>(1,485,402)</b>	-
		<b>2,415,194,311</b>	899,522,193
		<b>2,493,963,283</b>	997,672,332
Less: Current portion of Diminishing Musharika		<b>(564,568,486)</b>	(102,085,412)
		<b>1,929,394,797</b>	<b>895,586,920</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

- 8.1 These represent finance provided to employees and officers of the Modaraba under Diminishing Musharika arrangement for renovation, construction and purchase of house and other consumer durables. These carry profit at rates ranging between 8.56% and 10.04% (2017: 8.14% and 9.36%) per annum and are repayable on monthly basis over a maximum period of 20 years (2017: 20 years). The maximum aggregate amounts due from officers and employees at the end of any month during the year was Rs. 103.320 million (2017: Rs. 98.681 million).

This includes Diminishing Musharika facility availed by key management personnel as per employment terms, with respect to housing finance and personal finance amounted to Rs. 48.144 million (2017: Rs. 66.937 million) and Rs. 1.620 million (2017: Rs. 1.717 million) respectively. These are secured against Diminishing Musharika assets.

8.2 Reconciliation of carrying amounts of finance provided to employees and officers under Diminishing Musharika arrangement	Note	30 June 2018	30 June 2017
		(Rupees)	
Opening balance		98,150,139	57,157,479
Disbursements during the year		9,202,322	49,593,020
Receipts during the year		(12,983,477)	(8,600,360)
Transfer from Staff to Others		(15,600,012)	-
Closing balance		<u>78,768,972</u>	<u>98,150,139</u>

8.3 Movement in provision against Diminishing Musharika	Note	30 June 2018	30 June 2017
		(Rupees)	
Opening balance		-	-
Provision during the year		<u>1,485,402</u>	-
Closing balance		<u>1,485,402</u>	-

## 9 IJARAH FINANCE

		30 June 2018	30 June 2017
		(Rupees)	
Ijarah contracts commencing on or after 1 July 2008 - accounted for under IFAS 2	9.1 & 9.2	<u>3,832,755,196</u>	<u>4,451,014,738</u>
Ijarah contracts prior to 1 July 2008 - accounted for as finance leases		<u>370,000</u>	370,000
Less: Current portion of net investment in Ijarah finance	9.3	<u>(370,000)</u>	<u>(370,000)</u>
		<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 9.1 Assets under Ijarah arrangements

	Year ended 30 June 2018		
	Ijarah assets		
	Plant, machinery and equipment	Motor vehicles	Total
	----- (Rupees) -----		
<b>The following is a statement of Ijarah assets:</b>			
<b>At 01 July 2017</b>			
Cost	3,775,823,280	3,911,844,985	7,687,668,265
Accumulated depreciation	(1,668,668,971)	(1,551,923,974)	(3,220,592,945)
Impairment against Ijarah assets	(16,060,582)	-	(16,060,582)
Net book value	<u>2,091,093,727</u>	<u>2,359,921,011</u>	<u>4,451,014,738</u>
Additions	1,248,940,847	1,288,360,569	2,537,301,416
Disposals			
Cost	(2,030,987,292)	(1,926,615,261)	(3,957,602,553)
Depreciation	<u>1,254,514,547</u>	<u>1,069,440,321</u>	<u>2,323,954,868</u>
	(776,472,745)	(857,174,940)	(1,633,647,685)
Depreciation charge for the year	(711,696,633)	(809,753,656)	(1,521,450,289)
Impairment during the year	-	(462,984)	(462,984)
Closing net book value	<u>1,851,865,196</u>	<u>1,980,890,000</u>	<u>3,832,755,196</u>
<b>At 30 June 2018</b>			
Cost	2,993,776,835	3,273,590,293	6,267,367,128
Accumulated depreciation	(1,125,851,057)	(1,292,237,309)	(2,418,088,366)
Impairment against Ijarah assets	(16,060,582)	(462,984)	(16,523,566)
Net book value	<u>1,851,865,196</u>	<u>1,980,890,000</u>	<u>3,832,755,196</u>
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	
<b>Year ended 30 June 2017</b>			
Ijarah assets			
	Plant, machinery and equipment	Motor vehicles	Total
	----- (Rupees) -----		
<b>At 01 July 2016</b>			
Cost	3,324,054,731	3,200,334,999	6,524,389,730
Accumulated depreciation	(1,580,629,405)	(1,289,653,891)	(2,870,283,296)
Impairment against Ijarah assets	(16,060,582)	-	(16,060,582)
Net book value	<u>1,727,364,744</u>	<u>1,910,681,108</u>	<u>3,638,045,852</u>
Additions	1,399,631,537	1,482,479,342	2,882,110,879
Disposals			
Cost	(947,862,986)	(770,969,356)	(1,718,832,342)
Depreciation	<u>654,148,953</u>	<u>486,235,945</u>	<u>1,140,384,898</u>
	(293,714,033)	(284,733,411)	(578,447,444)
Depreciation charge for the year	(742,188,521)	(748,506,028)	(1,490,694,549)
Closing net book value	<u>2,091,093,727</u>	<u>2,359,921,011</u>	<u>4,451,014,738</u>
<b>At 30 June 2017</b>			
Cost	3,775,823,280	3,911,844,985	7,687,668,265
Accumulated depreciation	(1,668,668,971)	(1,551,923,974)	(3,220,592,945)
Impairment against Ijarah assets	(16,060,582)	-	(16,060,582)
Net book value	<u>2,091,093,727</u>	<u>2,359,921,011</u>	<u>4,451,014,738</u>
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

- 9.2 The Modaraba has entered into various Ijarah agreements for periods ranging from 2 to 6 years (2017: 2 to 6 years). Security deposits ranging between 0% and 55% (2017: 0% and 50%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah finance ranges between 7.55% and 14.14% (2017: 7.47% and 12.16%) per annum.

This includes Assets under Ijarah under Ijarah facility availed by key management personnel as per employment terms amounting to Rs. 11.244 million (2017: Rs. 10.409 million).

- 9.3 Net investment in Ijarah finance

	As at 30 June 2018			As at 30 June 2017		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
	(Rupees)					
Minimum Ijarah payments receivable	1,264,599	-	1,264,599	1,264,599	-	1,264,599
Add: Residual value	370,000	-	370,000	370,000	-	370,000
Gross investment in Ijarah finance	1,634,599	-	1,634,599	1,634,599	-	1,634,599
Less: Unearned finance income						
Allowance for potential Ijarah losses	9.4 1,134,443	-	1,134,443	1,134,443	-	1,134,443
Suspended income	9.5 130,156	-	130,156	130,156	-	130,156
Net Investment in Ijarah finance	370,000	-	370,000	370,000	-	370,000

- 9.4 Allowance for potential Ijarah losses

	30 June 2018			30 June 2017		
	Specific	General	Total	Specific	General	Total
	(Rupees)					
Opening balance	1,134,443	-	1,134,443	1,134,443	-	1,134,443
Charge for the year	-	-	-	-	-	-
Reversal during the year	1,134,443	-	1,134,443	1,134,443	-	1,134,443
Closing balance						

As at 30 June 2018, Ijarah with outstanding principal amounting to Rs. 1.134 million (2017: Rs. 1.134 million) has been classified as non-performing as per the requirements of the Prudential Regulations for Modarabas issued by the SECP.

- 9.5 Suspended income - Net Investment in Ijarah finance

	30 June 2018	30 June 2017
	(Rupees)	
Balance at the beginning of the year	130,156	130,156
Income suspended during the year	-	-
Reversals during the year	-	-
	130,156	130,156

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

	As at 30 June 2018				As at 30 June 2017			
	Not later than one year	Later than one and not later than five years	Later than five years	Total	Not later than one year	Later than one and not later than five years	Later than five years	Total
	(Rupees)							
Rentals receivable	1,531,841,275	2,254,300,390	157,963	3,786,299,628	1,702,615,693	2,622,841,594	226,376	4,325,683,663
Residual value	188,236,574	586,178,686	2,266,925	776,682,185	280,689,635	641,950,234	150,000	922,789,869
Total future Ijarah payments receivable	1,720,077,849	2,840,479,076	2,424,888	4,562,981,813	1,983,305,328	3,264,791,828	376,376	5,248,473,532

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 10 FIXED ASSETS IN OWN USE

	Note	30 June 2018	30 June 2017
		(Rupees)	
Tangible assets	10.1	<b>16,341,796</b>	22,839,962
Intangible assets	10.1	<b>1,002,771</b>	2,040,388
		<b>17,344,567</b>	<b>24,880,350</b>

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

	Year ended 30 June 2018					
	Tangible assets				Total	Intangible assets
	Lease hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		Computer software
(Rupees)						
<b>At 01 July 2017</b>						
Cost	11,210,008	6,479,502	16,609,563	-	34,299,073	29,974,763
Accumulated depreciation / amortisation	(2,242,020)	(2,593,256)	(6,623,835)	-	(11,459,111)	(27,934,375)
<b>Net book value</b>	<b>8,967,988</b>	<b>3,886,246</b>	<b>9,985,728</b>	<b>-</b>	<b>22,839,962</b>	<b>2,040,388</b>
<b>Additions</b>	-	-	246,700	2,594,300	2,841,000	38,786
<b>Disposals</b>						
Cost	-	-	-	-	-	-
Depreciation / amortisation	-	-	-	-	-	-
Depreciation / amortisation charge for the year	(2,428,855)	(1,938,330)	(4,201,901)	(770,080)	(9,339,166)	(1,076,403)
<b>Closing net book value</b>	<b>6,539,133</b>	<b>1,947,916</b>	<b>6,030,527</b>	<b>1,824,220</b>	<b>16,341,796</b>	<b>1,002,771</b>
<b>At 30 June 2018</b>						
Cost	11,210,008	6,479,502	16,856,263	2,594,300	37,140,073	30,013,549
Accumulated depreciation / amortisation	(4,670,875)	(4,531,586)	(10,825,736)	(770,080)	(20,798,277)	(29,010,778)
<b>Net book value</b>	<b>6,539,133</b>	<b>1,947,916</b>	<b>6,030,527</b>	<b>1,824,220</b>	<b>16,341,796</b>	<b>1,002,771</b>
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%
Year ended 30 June 2017						
	Tangible assets				Total	Intangible assets
	Lease hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		Computer software
(Rupees)						
<b>At 01 July 2016</b>						
Cost	11,210,008	6,479,502	16,405,553	353,500	34,448,563	29,974,763
Accumulated depreciation / amortisation	(186,835)	(281,257)	(2,722,777)	(353,500)	(3,544,369)	(20,694,820)
<b>Net book value</b>	<b>11,023,173</b>	<b>6,198,245</b>	<b>13,682,776</b>	<b>-</b>	<b>30,904,194</b>	<b>9,279,943</b>
<b>Additions</b>	-	-	375,000	-	375,000	-
<b>Disposals</b>						
Cost	-	-	(170,990)	(353,500)	(524,490)	-
Depreciation / amortisation	-	-	170,990	353,500	524,490	-
Depreciation / amortisation charge for the year	(2,055,185)	(2,311,999)	(4,072,048)	-	(8,439,232)	(7,239,555)
<b>Closing net book value</b>	<b>8,967,988</b>	<b>3,886,246</b>	<b>9,985,728</b>	<b>-</b>	<b>22,839,962</b>	<b>2,040,388</b>
<b>At 30 June 2017</b>						
Cost	11,210,008	6,479,502	16,609,563	-	34,299,073	29,974,763
Accumulated depreciation / amortisation	(2,242,020)	(2,593,256)	(6,623,835)	-	(11,459,111)	(27,934,375)
<b>Net book value</b>	<b>8,967,988</b>	<b>3,886,246</b>	<b>9,985,728</b>	<b>-</b>	<b>22,839,962</b>	<b>2,040,388</b>
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

10.2 During the year ended 30 June 2018, there was no disposal of fixed assets.

11	TERM FINANCE ARRANGEMENTS	Note	30 June	30 June
			2018	2017
			(Rupees)	
	Musharika / Wakala Finance	11.1 & 11.2	<b>1,636,370,328</b>	947,000,000
	Less: Current portion of Musharika / Wakala Finance		<b>(598,989,520)</b>	(200,000,000)
			<b><u>1,037,380,808</u></b>	<b><u>747,000,000</u></b>

### 11.1 Musharika / Wakala Finance

Bank	Limit in Rupees	Profit rate (per rupee one thousand per day)	Frequency of mark-up payment	Tenor	30 June 2018	30 June 2017
					(Rupees)	
Meezan Bank limited	625,000,000	0.1723-0.1934	Quarterly	3-5 years	<b>625,000,000</b>	450,000,000
Bank Alfalah Limited	500,000,000	0.1844-0.1921	Quarterly	3 years	<b>497,000,000</b>	497,000,000
Allied Bank Limited	500,000,000	0.1849-0.1934	Quarterly	3 years	<b>264,370,328</b>	-
Bank AL Habib Limited	500,000,000	0.2052	Quarterly	3-5 years	<b>250,000,000</b>	-
					<b><u>1,636,370,328</u></b>	<b><u>947,000,000</u></b>

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

## 12 SECURITY DEPOSITS

	As on 30 June 2018			As on 30 June 2017		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
(Rupees)						
Security deposits (note 12.1)	<b>370,000</b>	<b>721,256,451</b>	<b>721,626,451</b>	370,000	829,982,770	830,352,770
Less: Repayable / adjustable after one year	-	<b>553,806,134</b>	<b>553,806,134</b>	-	597,408,179	597,408,179
Current portion	<b>370,000</b>	<b>167,450,317</b>	<b>167,820,317</b>	370,000	232,574,591	232,944,591

12.1 This represents amounts received under Ijarah finance repayable / adjustable at the expiry of the lease period. This includes amounts due to key management personnel as at 30 June 2018 aggregated to Rs. 665,436 (2017: Rs. 936,986).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 13 CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to Management Company for:

- Remuneration for management
- Reimbursement of rent

Profit payable on:

- Redeemable Capital
- Musharika / Wakala finance arrangements

Accrued expenses

Amounts refundable to lessees

Amount received against Certificates of Musharika

Penalty payable to charity

Commission payable on Certificate of Musharika

Provision for Workers' Welfare Fund

Others

Note	30 June 2018	30 June 2017
(Rupees)		
13.1	13,839,001	13,596,384
	-	962,661
	<b>13,839,001</b>	14,559,045
13.2	<b>26,023,099</b>	24,901,305
	<b>15,375,882</b>	3,241,142
	<b>16,376,477</b>	16,398,803
	<b>91,259,997</b>	84,339,380
	<b>9,574,502</b>	1,580,159
	<b>63,284</b>	363,284
	<b>3,654,000</b>	1,923,333
13.3	<b>16,097,600</b>	13,642,561
13.4	<b>36,380,032</b>	37,769,268
	<b>228,643,874</b>	198,718,280

13.1 Amounts due to ORIX Services Pakistan (Private) Limited as at 30 June 2018 aggregated to Rs. 13.84 million (2017: Rs. 14.56 million).

13.2 This includes profit payable to key management personnel amounting to Rs. 0.012 million (2017 : Rs. 0.024 million).

13.3 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 understands 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 and foreseeing the expected WWF demand along with penal actions from SRB, the Modaraba had filed an appeal with the Honorable Sindh High Court. During the year, the Court has restrained the SRB from levy of WWF under the SWWF Act. The management has accrued for WWF liability for the period from 2014 to 2018 in these financial statements considering it as prudent.

13.4 This includes payable to provident funds of Modaraba amounting to Rs. 0.057 million (2017: Rs. Nil).

### 14 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED

Certificates of Musharika

Less: Current portion of Redeemable Capital

Note	30 June 2018	30 June 2017
(Rupees)		
14.1	<b>3,127,115,000</b>	2,750,750,000
	<b>(3,118,915,000)</b>	(2,750,550,000)
	<b>8,200,000</b>	200,000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

14.1 These carry estimated share of profit payable ranging between Re. 0.1438 to Re. 0.1882 (2017: Re. 0.1438 to Re. 0.1726) per thousand per day and are due to mature latest by 15 May 2021 (2017: 18 October 2018).

This includes COM issued to key management personnel amounting to Rs. 0.5 million (2017: Rs. 1 million).

14.2 During the year profit allocated to different categories / tiers of the COM holders ranges from Re. 0.1096 to Re. 0.1882 (2017: Re. 0.0411 to Re. 0.1726) per thousand per day.

### 15 CERTIFICATE CAPITAL

#### Authorised certificate capital

<b>30 June 2018</b>	30 June 2017		<b>30 June 2018</b>	30 June 2017
Number of certificates			(Rupees)	
<b><u>50,000,000</u></b>	<u>50,000,000</u>	Modaraba certificates of Rs. 10 each	<b><u>500,000,000</u></b>	<u>500,000,000</u>

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

<b>28,500,000</b>	28,500,000	Modaraba certificates of Rs. 10 each fully paid in cash	<b>285,000,000</b>	285,000,000
<b>16,883,530</b>	16,883,530	Modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	<b>168,835,300</b>	168,835,300
<b><u>45,383,530</u></b>	<u>45,383,530</u>		<b><u>453,835,300</u></b>	<u>453,835,300</u>

15.1 Ordinary shares of the Modaraba held by related parties as at year end are as follows:

	2018		2017	
	(Percentage of holding)	(Number of certificates)	(Percentage of holding)	(Number of certificates)
ORIX Services Pakistan (Private) Limited (the Management Company)	10.00%	4,538,353	10.00%	4,538,353
ORIX Leasing Pakistan Limited (the Holding Company)	10.00%	4,538,353	10.00%	4,538,353

15.2 There are no agreements with certificate holders for voting rights, board selection, rights of first refusal, and block voting.

### 16 RESERVES

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

During the current year, the Modaraba has transferred an amount of Rs. 6.015 million (2017: Rs. 6.412 million) which represents 5% (2017: 5%) of the profit after taxation for the year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 17 CONTINGENCIES AND COMMITMENTS

#### 17.1 Commitments

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

<b>30 June 2018</b>		
<b>Customer Name</b>	<b>Amount (Rupees)</b>	<b>Name of Financial Institutions</b>
Rototec (Private) Limited	<b>38,824,800</b>	Faysal Bank Limited
Hyeworth Renault Petersen Pakistan (Private) Limited	<b>31,454,200</b>	Faysal Bank Limited
Lakhani Glass (Private) Limited	<b>25,000,000</b>	Habib Metropolitan Bank Limited
Maqsood Faisal Printing Press (Private) Limited	<b>62,693,000</b>	Habib Metropolitan Bank Limited
Kingcrete Builders	<b>28,813,900</b>	Habib Metropolitan Bank Limited
	<b><u>186,785,900</u></b>	
<b>30 June 2017</b>		
<b>Customer Name</b>	<b>Amount (Rupees)</b>	<b>Name of Financial Institutions</b>
Le Topical	37,000,000	Habib Metropolitan Bank Limited
Safina Foods (Private) Limited	27,241,440	Bank Islami Pakistan Limited
Hussain Can (Private) Limited	1,536,650	Standard Chartered Bank (Pakistan) Limited
	<b><u>65,778,090</u></b>	

Note

**30 June  
2018**

**30 June  
2017**

(Rupees)

### 18 FINANCIAL CHARGES

Profit on Redeemable Capital	<b>158,376,150</b>	157,810,192
Profit on term finance arrangements	<b>71,665,221</b>	16,484,696
Profit on Musharika finance	-	49,671
Commission and Others	<b>15,562,371</b>	29,065,660
Bank charges	<b>329,760</b>	167,388
	<b><u>245,933,502</u></b>	<u>203,577,607</u>

### 19 OTHER INCOME

Gain on disposal of Ijarah assets	<b>67,972,557</b>	44,214,568
Documentation fee	<b>21,991,197</b>	12,357,483
Gain on disposal of fixed assets	-	1,052,500
Others	<b>332,663</b>	499,088
	<b><u>90,296,417</u></b>	<u>58,123,639</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018	30 June 2017
(Rupees)			
<b>20 ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries and other staff benefits	20.1 & 25	99,482,201	87,044,834
Depreciation / amortisation on fixed assets in own use	10.1	10,415,569	15,678,787
Rent		1,060,633	962,661
Advertising, travelling and entertainment		1,665,340	1,416,805
Postage		985,152	1,187,607
Telecommunication		4,131,296	3,540,130
Printing and stationery		1,954,116	2,229,687
Legal and professional		5,242,655	4,738,985
Repairs and maintenance		6,556,504	7,608,446
Charges by holding company	20.2	953,420	-
Subscriptions		1,313,824	1,054,327
Auditors' remuneration	20.3	979,550	931,000
Certificate of Musharika trustee fee		796,785	741,594
Insurance - own assets		244,589	227,124
Sundry expenses		3,923,016	3,002,903
		<b>139,704,650</b>	<b>130,364,890</b>

20.1 Salaries and other staff benefits include Rs. 3.727 million and Rs. 3.101 million (2017: Rs. 3.051 million and Rs. 2.532 million) on account of the Modaraba's contribution to the staff provident fund and staff gratuity fund respectively.

20.2 This represents a charge allocation from ORIX Leasing Pakistan Limited (OLPL) (Holding Company of the Management Company) on account of the Modaraba's usage of OLPL's space, furniture, fixtures and office equipments in Islamabad.

	30 June 2018	30 June 2017
(Rupees)		
20.3 Auditors' remuneration		
Statutory audit fee	595,350	595,350
Half yearly review fee	170,100	170,100
Fee for review of compliance with the Code of Corporate Governance	56,700	56,700
Fee for other certifications	32,400	37,800
Out of pocket expenses	125,000	71,050
	<b>979,550</b>	<b>931,000</b>

### 21 MANAGEMENT COMPANY'S REMUNERATION

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended 30 June 2018 has been recognised at 10% (2017: 10%) of the profit for the year before charging such remuneration.

### 22 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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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.

### 23 TAXATION

The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 34, no provision for taxation has been made in these financial statements during the current year.

### 24 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Basic

Profit for the year after taxation

30 June 2018	30 June 2017
(Rupees)	

<b>120,296,900</b>	128,240,814
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(Number)

Weighted average number of certificates outstanding during the year

<b>45,383,530</b>	45,383,530
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(Rupees)

Earnings per certificate

<b>2.65</b>	2.83
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#### Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at 30 June 2018 and 30 June 2017 which would have any effect on the earnings per certificate if the option to convert is exercised.

### 25 REMUNERATION OF OFFICERS AND EXECUTIVES

Remuneration and staff retirement benefits

Medical expenses

Other benefits

Note

30 June 2018	30 June 2017
(Rupees)	

<b>96,885,004</b>	84,581,290
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-	660,872
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<b>2,597,197</b>	1,802,672
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25.1 & 25.2

<b>99,482,201</b>	87,044,834
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(Number)

Number of employees at the end of the year

- Permanent

- On contractual basis

<b>35</b>	33
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<b>13</b>	13
-----------	----

<b>48</b>	46
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Average number of permanent employees\*

<b>35</b>	30
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\* Represents the average number of permanent employees at the end of each month in the year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

25.1 It includes remuneration paid to all employees other than Chief Executive, who is an employee of the Management Company of Modaraba.

25.2 The remuneration paid to executives are as follows:	Note	<b>30 June 2018</b>	<b>30 June 2017</b>
		(Rupees)	
Basic Salary		<b>18,161,469</b>	14,950,656
House Rent Allowance		<b>7,264,588</b>	5,980,262
Medical Allowance		<b>1,816,147</b>	1,495,066
Other Allowances		<b>13,551,282</b>	11,340,095
Bonus		<b>6,495,000</b>	6,500,000
Contribution to Provident Fund		<b>1,816,156</b>	1,495,078
Contribution to Gratuity Fund		<b>1,512,845</b>	1,245,393
		<b>50,617,487</b>	43,006,550
		(Number)	
Number of executives at the end of the year		<b>9</b>	8

## 26 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

### 26.1 Market risk

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

#### 26.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at 30 June 2018 financial liabilities of Rs. Nil (2017: Rs Nil) are payable in US dollars which are exposed to foreign currency risk.

As at 30 June 2018, if the Pakistani rupee had weakened / strengthened by 5% against foreign currencies with all other variables held constant, there would not have been a significant impact on profit for the year after taxation.

#### 26.1.2 Profit rate risk

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

As at 30 June 2018

Effective yield / profit rate %	Total	Exposed to yield / profit rate risk					Not exposed to yield / profit rate risk
		Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	

(Rupees)

### On-balance sheet variable rate financial instruments

#### Financial assets

Cash and bank balances	2.48% - 6.20%	409,085,082	385,852,889	-	-	-	-	23,232,193
Ijarah rentals receivable	-	101,827,754	-	-	-	-	-	101,827,754
Advances, deposits and other receivables	-	76,811,534	-	-	-	-	-	76,811,534
Diminishing Musharika	7.95%-15.06%	2,493,963,283	46,894,914	83,753,573	433,920,011	1,389,602,283	539,792,502	-
Investment in Sukuk certificates	-	-	-	-	-	-	-	-
Taxation recoverable	-	8,731,640	-	-	-	-	-	8,731,640
		<b>3,090,419,293</b>	<b>432,747,803</b>	<b>83,753,573</b>	<b>433,920,011</b>	<b>1,389,602,283</b>	<b>539,792,502</b>	<b>210,603,121</b>

#### Financial liabilities

Term finance arrangements	6.29% - 7.49%	1,636,370,328	18,084,849	75,000,000	505,904,670	1,037,380,809	-	-
Security deposits	-	721,626,451	-	-	-	-	-	721,626,451
Creditors, accrued and other liabilities	-	212,546,274	-	-	-	-	-	212,546,274
Redeemable capital	4.00% - 6.30%	3,127,115,000	149,300,000	143,950,000	2,736,885,000	8,200,000	-	88,780,000
Unclaimed profit distribution	-	50,525,989	-	-	-	-	-	50,525,989
Advance Ijarah rentals received	-	41,275,011	-	-	-	-	-	41,275,011
		<b>5,789,459,053</b>	<b>167,384,849</b>	<b>218,950,000</b>	<b>3,242,789,670</b>	<b>1,045,580,809</b>	<b>-</b>	<b>1,114,753,725</b>

### On-balance sheet gap

	<b>(2,699,039,760)</b>	<b>265,362,954</b>	<b>(135,196,427)</b>	<b>(2,808,869,659)</b>	<b>344,021,474</b>	<b>539,792,502</b>	<b>(904,150,604)</b>
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As at 30 June 2017

Effective yield / profit rate %	Total	Exposed to yield / profit rate risk					Not exposed to yield / profit rate risk
		Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	

(Rupees)

### On-balance sheet financial instruments

#### Financial assets

Cash and bank balances	3.14% - 5.25%	367,303,155	367,120,881	-	-	-	-	182,274
Ijarah rentals receivable	-	91,089,736	-	-	-	-	-	91,089,736
Advances, deposits and other receivables	-	8,186,748	-	-	-	-	-	8,186,748
Diminishing Musharika	7.60%-9.75%	997,672,332	13,068,087	6,579,569	82,437,756	329,735,354	565,851,566	-
Investment in Sukuk certificates	-	-	-	-	-	-	-	-
Taxation recoverable	-	8,728,486	-	-	-	-	-	8,728,486
		<b>1,472,980,457</b>	<b>380,188,968</b>	<b>6,579,569</b>	<b>82,437,756</b>	<b>329,735,354</b>	<b>565,851,566</b>	<b>108,187,244</b>

#### Financial liabilities

Term finance arrangements	6.16% - 6.73%	947,000,000	-	50,000,000	150,000,000	747,000,000	-	-
Security deposits	-	830,352,770	-	-	-	-	-	830,352,770
Creditors, accrued and other liabilities	-	185,075,719	-	-	-	-	-	185,075,719
Redeemable capital	5.25% - 6.30%	2,750,750,000	94,000,000	249,850,000	1,934,195,000	200,000	-	472,505,000
Unclaimed profit distribution	-	45,495,028	-	-	-	-	-	45,495,028
Advance Ijarah rentals received	-	39,856,039	-	-	-	-	-	39,856,039
		<b>4,798,529,556</b>	<b>94,000,000</b>	<b>299,850,000</b>	<b>2,084,195,000</b>	<b>747,200,000</b>	<b>-</b>	<b>1,573,284,556</b>

### On-balance sheet gap

	<b>(3,325,549,099)</b>	<b>286,188,968</b>	<b>(293,270,431)</b>	<b>(2,001,757,244)</b>	<b>(417,464,646)</b>	<b>565,851,566</b>	<b>(1,465,097,312)</b>
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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### Cash flow sensitivity analysis for variable rate instruments

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

	As at 30 June 2018		As at 30 June 2017	
	Increase of 100 basis points (Rupees)	Decrease of 100 basis points (Rupees)	Increase of 100 basis points (Rupees)	Decrease of 100 basis points (Rupees)
Variable rate financial assets	<b>53,821,883</b>	<b>(53,821,883)</b>	46,435,442	(46,435,442)
Variable rate financial liabilities	<b>(39,158,765)</b>	<b>39,158,765</b>	(31,808,805)	31,808,805
Net effect on profit and loss	<b>14,663,118</b>	<b>(14,663,118)</b>	14,626,637	(14,626,637)

The composition of the Modaraba's portfolio of financial instruments and profit rates are expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2018 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

There are no fixed rate financial instruments at 30 June 2018 and 30 June 2017.

#### 26.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As on 30 June 2018 and 30 June 2017, the Modaraba did not hold any instruments which exposed it to price risk.

#### 26.2 Credit risk

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

	Note	30 June 2018	30 June 2017
		(Rupees)	
<b>Financial Assets</b>			
Cash and bank balances		<b>409,071,882</b>	367,264,622
Ijarah rentals receivable	26.2.1	<b>101,827,754</b>	91,089,736
Advances, deposits and other receivables		<b>76,811,534</b>	8,186,748
Diminishing Musharika		<b>2,493,963,283</b>	997,672,332
		<b>3,081,674,453</b>	1,464,213,438

26.2.1 As at 30 June 2018 and 30 June 2017, Ijarah rental receivables are pledged as collateral against musharika / wakala term finance.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### Management of credit risk

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

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

### Credit risk ratings

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

	Note	30 June 2018	30 June 2017
		(Rupees)	
<b>Bank balances</b>			
AAA		403,103,984	367,121,426
AA+		22,880,848	112,600
AA		13	16
A+		508	-
A1+		-	508

### Impairment losses and past due balances

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

	As at 30 June 2018			As at 30 June 2017		
	Not Past Due Amount	Past Due Amount (1-179 Days)	Total outstanding amount	Not Past Due Amount	Past Due Amount (1-179 Days)	Total outstanding amount
	(Rupees)			(Rupees)		
Ijarah rentals receivable	59,132,102	42,695,652	101,827,754	71,749,882	19,339,854	91,089,736

26.2.2 An analysis of the portfolio of the Modaraba that is classified as non-performing as per the requirements of the Prudential Regulations for Modarabas is as follows:

	As at 30 June 2018				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	(Rupees)				
Ijarah rentals receivable (being principal outstanding)	-	-	-	30,612,521	30,612,521
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Diminishing Musharika	-	7,427,012	-	-	7,427,012
Sukuk certificates	-	-	-	57,701,835	57,701,835

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

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

### 26.2.3 Concentration of credit risk

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

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

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

Sectors	30 June 2018		30 June 2017	
	(Rupees)	%	(Rupees)	%
Confectionery	-	0.00%	4,430,449	0.09%
Fast Moving Consumer Goods (FMCGs) / Food and Allied	350,099,686	6.16%	251,455,436	5.36%
Services	647,037,001	11.39%	654,040,886	13.93%
Fertilizers	19,812,837	0.35%	36,460,272	0.78%
Chemicals	172,553,031	3.04%	126,757,429	2.70%
Sugar	151,446,352	2.66%	120,565,440	2.57%
Bottlers	4,435,025	0.08%	10,395,508	0.22%
Textile	346,381,667	6.09%	215,706,647	4.60%
Travel, transport, storage	442,399,726	7.78%	144,601,475	3.08%
Printing, publishing and packages	515,018,050	9.06%	286,618,493	6.11%
Individuals	1,102,169,604	19.40%	1,196,915,121	25.50%
Automobile	42,039,495	0.74%	35,216,719	0.75%
Financial institutions	182,443,645	3.21%	172,104,724	3.67%
Power, energy, water	44,005,731	0.77%	94,895,890	2.02%
Gas	141,256,458	2.49%	90,390,778	1.93%
Pharmaceuticals	215,744,942	3.80%	147,334,523	3.14%
Steel	147,198,412	2.59%	146,518,051	3.12%
Engineering	280,785,441	4.94%	308,033,540	6.56%
Plastic	124,362,616	2.19%	169,205,397	3.60%
Distribution	4,896,660	0.09%	1,856,770	0.04%
Dairy, Farming and Allied	-	0.00%	5,005,607	0.11%
Leather / Tyre and Rubber	139,840,649	2.46%	88,655,027	1.89%
Poultry / Poultry Feeds	97,633,296	1.72%	100,854,996	2.15%
Petroleum and Allied	49,802,199	0.88%	73,745,903	1.57%
Others	461,074,907	8.11%	211,966,235	4.52%
	<b>5,682,437,430</b>	<b>100%</b>	<b>4,693,731,316</b>	<b>100%</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018	30 June 2017
(Rupees)			
Investment in Ijarah finance / assets under Ijarah arrangements	9	3,833,125,196	4,451,384,738
Less: Security deposits held	12	(721,626,451)	(830,352,770)
Add: Impairment against Ijarah assets	9.1	16,523,566	16,060,582
Add: Allowance for potential Ijarah losses	9.4	1,134,443	1,134,443
Add: Mark-up held in suspense	9.5	130,156	130,156
		<b>3,129,286,910</b>	<b>3,638,357,149</b>
Investment in Sukuk certificates	7	-	-
Add: Provision in respect of Sukuk certificates	7	57,701,835	57,701,835
		<b>57,701,835</b>	<b>57,701,835</b>
Investment in Diminishing Musharika	8	2,493,963,283	997,672,332
Add: Provision in respect of Diminishing Musharika	8	1,485,402	-
		<b>2,495,448,685</b>	<b>997,672,332</b>
		<b>5,682,437,430</b>	<b>4,693,731,316</b>

### 26.3 Liquidity risk

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

The following are the contractual maturities of financial liabilities:

As at 30 June 2018							
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
Financial liabilities	----- (Rupees) -----						
Term finance arrangements	1,636,370,328	(1,636,370,328)	(18,084,849)	(75,000,000)	(505,904,670)	(1,037,380,809)	-
Security deposits	721,626,451	(721,626,451)	(95,001,481)	(7,276,379)	(65,542,456)	(551,539,209)	(2,266,926)
Creditors, accrued and other liabilities	228,643,874	(212,546,274)	(212,546,274)	-	-	-	-
Redeemable Capital	3,127,115,000	(3,127,115,000)	(238,080,000)	(143,950,000)	(2,736,885,000)	(8,200,000)	-
Unclaimed profit distribution	50,525,989	(50,525,989)	(50,525,989)	-	-	-	-
Advance Ijarah rentals received	41,275,011	(41,275,011)	(41,275,011)	-	-	-	-
		<b>(5,789,459,053)</b>	<b>(655,513,604)</b>	<b>(226,226,379)</b>	<b>(3,308,332,126)</b>	<b>(1,597,120,018)</b>	<b>(2,266,926)</b>

As at 30 June 2017							
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
Financial liabilities	----- (Rupees) -----						
Term finance arrangements	947,000,000	(947,000,000)	-	(50,000,000)	(150,000,000)	(747,000,000)	-
Security deposits	830,352,770	(830,352,770)	(109,537,110)	(25,381,849)	(98,025,633)	(597,258,178)	(150,000)
Creditors, accrued and other liabilities	198,718,280	(185,075,719)	(185,075,719)	-	-	-	-
Redeemable Capital	2,750,750,000	(2,750,750,000)	(566,505,000)	(249,850,000)	(1,934,195,000)	(200,000)	-
Unclaimed profit distribution	45,495,028	(45,495,028)	(45,495,028)	-	-	-	-
Advance Ijarah rentals received	39,856,039	(39,856,039)	(39,856,039)	-	-	-	-
		<b>(4,798,529,556)</b>	<b>(946,468,896)</b>	<b>(325,231,849)</b>	<b>(2,182,220,633)</b>	<b>(1,344,458,178)</b>	<b>(150,000)</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 27 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2018		
	Loans and receivables	Held to maturity	Total
<b>ASSETS</b>	<b>(Rupees)</b>		
Cash and bank balances	409,085,082	-	409,085,082
Ijarah rentals receivable	101,827,754	-	101,827,754
Advances, deposits and other receivables	76,811,534	-	76,811,534
Diminishing Musharika	2,493,963,283	-	2,493,963,283
Taxation recoverable	8,731,640	-	8,731,640
Investment in Sukuk certificates	-	-	-
	<u>3,090,419,293</u>	<u>-</u>	<u>3,090,419,293</u>

	As at 30 June 2018		
	At fair value through profit or loss	Other financial liabilities	Total
<b>LIABILITIES</b>	<b>(Rupees)</b>		
Term finance	-	1,636,370,328	1,636,370,328
Security deposits	-	721,626,451	721,626,451
Creditors, accrued and other liabilities	-	212,546,274	212,546,274
Redeemable Capital	-	3,127,115,000	3,127,115,000
Unclaimed profit distribution	-	50,525,989	50,525,989
Advance Ijarah rentals received	-	41,275,011	41,275,011
	<u>-</u>	<u>5,789,459,053</u>	<u>5,789,459,053</u>

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

	As at 30 June 2017		
	At fair value through profit or loss	Other financial liabilities	Total
<b>LIABILITIES</b>	<b>(Rupees)</b>		
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
	<u>-</u>	<u>4,798,529,556</u>	<u>4,798,529,556</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

As at 30 June 2018 and 30 June 2017, there were no financial instruments which were measured at fair values in the financial statements.

28.1 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 30 June 2018									
		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)									
<b>Financial assets not measured at fair value</b>											
Cash and bank balances	28.2	-	-	409,085,082	-	-	409,085,082				
Ijarah rentals receivable	28.2	-	-	101,827,754	-	-	101,827,754				
Advances, deposits and other receivables	28.2	-	-	76,811,534	-	-	76,811,534				
Diminishing Musharika	28.2	-	-	2,493,963,283	-	-	2,493,963,283				
Taxation recoverable	28.2	-	-	8,731,640	-	-	8,731,640				
Investment in Sukuk certificates	28.2	-	-	-	-	-	-				
Total		-	-	3,090,419,293	-	-	3,090,419,293				
<b>Financial liabilities not measured at fair value</b>											
Term finance	28.2	-	-	-	-	1,636,370,328	1,636,370,328				
Security deposits	28.2	-	-	-	-	721,626,451	721,626,451				
Creditors, accrued and other liabilities	28.2	-	-	-	-	212,546,274	212,546,274				
Redeemable Capital	28.2	-	-	-	-	3,127,115,000	3,127,115,000				
Unclaimed profit distribution	28.2	-	-	-	-	50,525,989	50,525,989				
Advance Ijarah rentals received	28.2	-	-	-	-	41,275,011	41,275,011				
Total		-	-	-	-	5,789,459,053	5,789,459,053				

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

		As at 30 June 2017									
		Carrying value					Fair value				
		Held for trading	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees)									
<b>Financial assets not measured at fair value</b>											
Cash and bank balances	28.2	-	-	367,303,155	-	-	367,303,155				
Ijarah rentals receivable	28.2	-	-	91,089,736	-	-	91,089,736				
Advances, deposits and other receivables	28.2	-	-	8,186,748	-	-	8,186,748				
Diminishing Musharika	28.2	-	-	997,672,332	-	-	997,672,332				
Taxation recoverable	28.2	-	-	8,728,486	-	-	8,728,486				
Investment in Sukuk certificates	28.2	-	-	-	-	-	-				
Total		-	-	1,472,980,457	-	-	1,472,980,457				
<b>Financial liabilities not measured at fair value</b>											
Term finance	28.2	-	-	-	-	947,000,000	947,000,000				
Security deposits	28.2	-	-	-	-	830,352,770	830,352,770				
Creditors, accrued and other liabilities	28.2	-	-	-	-	185,075,719	185,075,719				
Redeemable Capital	28.2	-	-	-	-	2,750,750,000	2,750,750,000				
Unclaimed profit distribution	28.2	-	-	-	-	45,495,028	45,495,028				
Advance Ijarah rentals received	28.2	-	-	-	-	39,856,039	39,856,039				
Total		-	-	-	-	4,798,529,556	4,798,529,556				

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

## 29 CAPITAL RISK MANAGEMENT

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

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

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

	30 June 2018	30 June 2017
	(Rupees)	
Total borrowings	4,763,485,328	3,697,750,000
Less: Cash and bank balances	409,085,082	367,303,155
Net debt	4,354,400,246	3,330,446,845
Total equity	1,147,880,363	1,150,118,994
Total capital	5,502,280,609	4,480,565,839
Gearing ratio	79.14%	74.33%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 30 SEGMENT INFORMATION

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

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

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

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

The Modaraba also has a diversified certificate holder population. As at 30 June 2018, there were only two (2017: two) certificate holders who each held equal to or more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (2017: 10% and 10%) respectively.

### 31 RELATED PARTY TRANSACTIONS

31.1 The related parties of the Modaraba comprise of the management company and its holding company, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties other than those which have been specifically disclosed elsewhere in the financial statements and remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction	30 June 2018	30 June 2017
				(Rupees)	
ORIX Leasing Pakistan Limited	Holding Company of the Management Company	100% Holding in Management Company; 10% Holding in Modaraba	Dividend	<u>12,253,553</u>	<u>15,430,400</u>
			Allocated cost to Modaraba for Islamabad Office	<u>953,420</u>	<u>-</u>
ORIX Services Pakistan (Private) Limited	Management Company	10% Holding in Modaraba	Management Company's remuneration	<u>13,839,001</u>	<u>13,596,384</u>
			Dividend	<u>12,253,553</u>	<u>15,430,400</u>
			Rent reimbursement	<u>300,726</u>	<u>962,661</u>
ORIX Modaraba - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made by the Modaraba	<u>3,726,761</u>	<u>3,050,638</u>
ORIX Modaraba - Staff Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made by the Modaraba	<u>3,100,571</u>	<u>2,531,845</u>
			Refund received from the Modaraba	<u>1,192,695</u>	<u>-</u>
Key management personnel	Employees	Members of the Management Committee	Salaries and benefits	<u>39,127,747</u>	<u>35,835,863</u>
			Contributions to the staff provident fund	<u>1,512,867</u>	<u>1,368,008</u>
			Contributions to the staff gratuity fund	<u>1,260,211</u>	<u>1,133,294</u>
			Income earned on DM finances	<u>5,345,972</u>	<u>4,167,863</u>
			Ijarah rental earned on Ijarah finances	<u>3,313,445</u>	<u>2,794,578</u>
			Financial charges on Redeemable Capital	<u>35,938</u>	<u>55,000</u>
			Number of persons	<u>8</u>	<u>8</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

- 31.2 Details of the Diminishing Musharika finances given and receivables (as disclosed under Current assets) from Key management personnel are as follows:

### For Year ended 30 June 2018

	Balances at Year-end			Total (1+2+3)	Maximum Aggregate Balance during the year
	Diminishing Musharika Finance (1)	Accrued Profit / Markup Receivable from Diminishing Musharika Finance (2)	Ijarah Rental Receivable (3)		
Muhammad Siddique	14,488,816	67,342	40,581	14,596,739	15,354,208
Mohammad Arif Daya	6,655,975	52,714	14,240	6,722,929	7,573,458
Nadir Shah	6,351,079	47,746	25,214	6,424,039	7,426,041
Muhammad Asim	17,119,335	92,878	-	17,212,213	17,780,226
Salwat Ahmad	-	-	10,917	10,917	10,917
Farhat Ansari	5,149,978	10,216	10,494	5,170,688	6,004,182
Muhammad Ahsan	-	-	29,700	29,700	3,886,406
	<u>49,765,183</u>	<u>270,896</u>	<u>131,146</u>	<u>50,167,225</u>	

### For Year ended 30 June 2017

Muhammad Siddique	14,696,571	64,299	37,793	14,798,663	15,451,239
Mohammad Arif Daya	7,255,659	1,110	24,500	7,281,269	8,284,050
Nadir Shah	6,873,171	201	24,353	6,897,725	7,534,189
Muhammad Asim	17,645,970	86,307	-	17,732,277	17,948,381
Farhat Ansari	5,948,837	6,067	10,113	5,965,017	6,486,984
Syed Haris Ali	7,685,405	33,769	30,400	7,749,574	7,848,343
Salman Muslim	8,547,808	25,795	25,552	8,599,155	8,690,320
	<u>68,653,421</u>	<u>217,548</u>	<u>152,711</u>	<u>69,023,680</u>	

- 31.2.1 Under Diminishing Musharika arrangements, housing and personal finances are provided to Key management personnel for a tenor of maximum 20 years and 5 years respectively under the approved human resource policies. The limit for housing finance is lower of eighty-five multiples of monthly basic salary or Rs. 20 million whereas for personal finance the same is granted as lower of three multiples of monthly basic salaries or Rs. 0.5 million. These carry mark-up at the rate of six month Karachi Interbank Offering rate (KIBOR) + 3%. Finances provided for housing are secured by way of registered mortgages over the respective property created in favour of the Modaraba whereas Personal finances are unsecured. All the above balances are not due at the statement of financial position date. Markup receivable represents profit on Diminishing Musharika finances accrued from the respective last paid installments till the statement of financial position date and disclosed under Note 6 to these financial statements under current assets.

- 31.2.2 Ijarah rental receivables represent accrued Ijarah rentals from the last paid respective Ijarah rentals till statement of financial position date as disclosed in Note 5 to these financial statements under current assets for the Ijarah assets provided to Key management personnel under Ijarah agreement entered into with them by the Modaraba.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 32 CASH AND CASH EQUIVALENTS

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

	30 June 2018	30 June 2017
	----- (Rupees) -----	
Cash and bank balances	409,085,082	367,303,155

#### 32.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Term Finance arrangement	Redeemable Capital	Dividend Payable	Total
	----- (Rupees) -----			
<b>Opening balance as at 1 July 2017</b>	947,000,000	2,750,750,000	45,495,028	3,743,245,028
Dividend declared	-	-	122,535,531	122,535,531
	-	-	122,535,531	122,535,531
Proceeds from term finance	915,686,110	-	-	915,686,110
Repayment of term finance	(226,315,782)	-	-	(226,315,782)
Proceeds from issuance of Redeemable Capital	-	4,883,235,000	-	4,883,235,000
Repayment of Redeemable Capital	-	(4,506,870,000)	-	(4,506,870,000)
Dividend paid	-	-	(117,504,570)	(117,504,570)
	689,370,328	376,365,000	(117,504,570)	948,230,758
<b>Closing balance as at 30 June 2018</b>	<b>1,636,370,328</b>	<b>3,127,115,000</b>	<b>50,525,989</b>	<b>4,814,011,317</b>

### 33 CORRESPONDING FIGURES

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

In Note 8, the Diminishing musharika finances for Motor Vehicles and Plant, Machinery and equipment provided to corporate customers were previously reported on combined basis under the caption as finance to corporate customers. In the current year, relevant finances for Motor Vehicles and Plant, Machinery and equipments are separately being reported for better presentation. Accordingly, the comparatives are now being reported for Diminishing Musharika finances for Motor Vehicle and Plant, Machinery and equipments as separate line items.

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

The Board of Directors of the Management Company in their meeting held on August 28, 2018 approved a cash distribution of Rs. 2.5 (2017: Rs. 2.7) per certificate. The financial statements of the Modaraba for the year ended 30 June 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending 30 June 2019.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

### 35 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **28 August,2018** by the Board of Directors of the Management Company.

### 36 GENERAL

- 36.1 Figures have been rounded off to the nearest rupee unless otherwise stated.
- 36.2 The Modaraba has set up provident fund for its permanent employees and the contributions are made by the Modaraba to the fund. The total contribution made to the provident fund for the year ended 30 June 2018 was Rs. 3.726 million (2017: Rs. 3.051 million). The audit of the provident fund for the year ended 30 June 2018 is in progress. The net assets based on audited financial statements of provident fund as at 30 June 2017 was Rs. 35.874 million out of which 64% was invested in different financial instruments categories. Currently all assets of the fund are valued at amortised cost. The cost and fair value as at 30 June 2018 of investments amount to Rs. 14.671 million and Rs. 23.010 million respectively.

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



Chairman



Chief Executive



Director



CFO

## Glossary / List of Abbreviations

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

Dear Certificate holder,

**ELECTRONIC CREDIT MANDATE (Mandatory)**

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

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

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

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

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

Yours faithfully,

Company Secretary  
ORIX MODARABA



**CERTIFICATE- HOLDER SECTION:**

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

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

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

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

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

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



To  
The Share Registrar

*FAMCO ASSOCIATES (PVT) LTD.*








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







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## ORIX Modaraba

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E-mail: [askus@orixmodaraba.com](mailto:askus@orixmodaraba.com)

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

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