



عقابی روح جب بیدار ہوتی ہے جوانوں میں
نظر آتی ہے ان کو اپنی منزل آسمانوں میں



Award

- 2018 - 34th Corporate Excellence Award in Modaraba Sector Category
- 2017 - 33rd Corporate Excellence Award in Modaraba Sector Category
- 2013 - 29th Corporate Excellence Award in Equity Investment Instrument Sector Category
- 2012 - 28th Corporate Excellence Award in Equity Investment Instrument Sector Category
- 2008 - 24th Corporate Excellence Award in financial category
- 2006 - 23rd Corporate Excellence Award in Non banking financial Institution scetor category
- 2004 - 22nd Corporate Excellence Award in financial sector category.



2017



2016



2015



2003



2004



2005



2014



2013



2012



2008



2009



2010

CREDIT RATINGS - BY PACRA

AA
LONG TERM

A1+
SHORT TERM



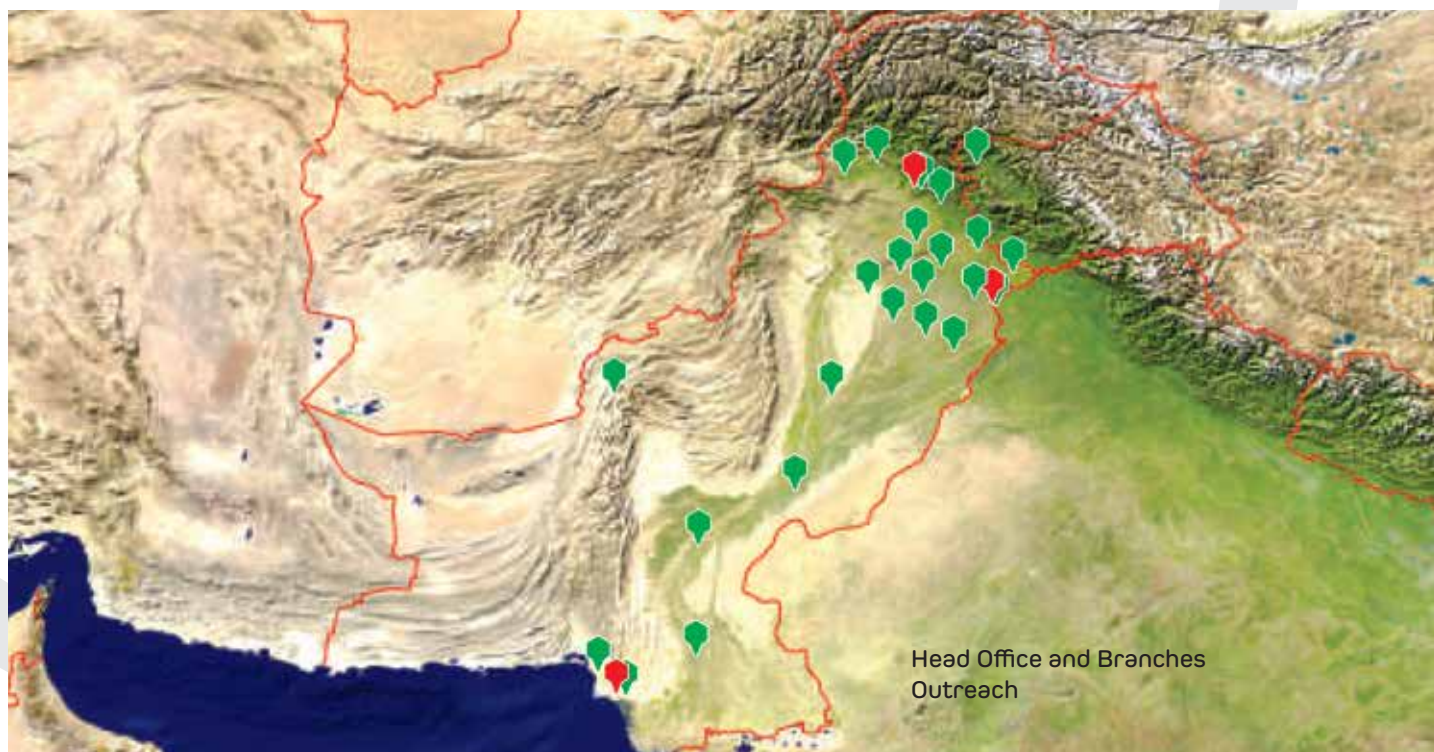
Group Profile

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 37 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, 2019 was ¥2.9 Trillion. It employs 32,411 employees and has over 2,000 business locations across the globe.

ORIX Corporation, Japan – Financial Highlights:

Years Ended March 31	2019	2018	2017	2016	2015
Total revenues	2,434.86	2,862.80	2,678.70	2,369.20	2,174.30
Total expenses	2,105.43	2,526.60	2,349.40	2,081.50	1,917.50
Income before income taxes, discontinued operations and extraordinary gain	395.73	435.5	425	391.3	344
Net income attributable to ORIX Corporation Shareholders	323.75	313.1	273.2	260.2	234.9
ORIX Corporation shareholders' equity	2,897.07	2,682.40	2,507.70	2,310.40	2,152.20
Total Assets ROE (%)	12,175.00	11,426.00	11,231.90	10,992.90	11,439.90
ROE (%)	11.6	12.1	11.3	11.7	11.5
ROA (%)	2.74	2.76	2.46	2.32	2.29
ORIX Corporation shareholders' equity per share (yen)	2,263.41	2,095.64	1,925.17	1,764.34	1,644.60
Cash dividends (yen) per share	76	66	52.25	45.75	36
Number of Employees	32,411	31,890	34,835	33,333	31,035

Geographical Presence ORIXM



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INTRODUCTORY

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. Nausherwan Adil
Independent Director

Mian Faysal Raiz
Director

Ms. Maryam Aziz
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

Email: askus@orixmodaraba.com

Lahore Branch:

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

Islamabad Branch:

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

Registrars & Share Registration Office

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

Tel: (92-21) 34380101-5

Fax: (92-21) 34380106

Email: info.shares@famco.com.pk

NOTICE OF TWENTIETH ANNUAL REVIEW MEETING



At the meeting held on September 04, 2019, the Board of Directors of the ORIX Services Pakistan (Private) Limited was pleased to announce a net profit for ORIXM of PKR 126.057 million for the year ended June 30, 2019. The Board also approved a cash dividend @ 25.00% (PKR 2.50 per certificate of PKR 10/ each) for the year ended June 30, 2019 after transferring a sum of PKR 6.303 million to statutory reserve.

Twentieth Annual Review Meeting (ARM) of certificate-holders of ORIXM will be held on Friday, October 25, 2019 at 11:15 a.m. at NBFI & Modaraba Association of Pakistan, Office no. 602, Progressive Centre 30-A, Block-6, P.E.C.H.S., Shahr-e-Faisal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2019.

For the purpose of ascertaining entitlement of the aforementioned dividend and to attend Annual Review Meeting, the certificate transfer books will remain closed from Friday, October 18, 2019 to Friday, October 25, 2019 (both days inclusive). Transfers received in order at the office of our Registrar, **FAMCO Associates (Pvt.) Ltd. 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahr-e-Faisal, Karachi**, before the close of business hours on Thursday, October 17, 2019 will be treated as in time for the purpose of entitlement to dividend and to attend Annual Review Meeting respectively.

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

Please also note that in accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a Modaraba to pay cash dividend to certificate holders only through electronic mode directly into the bank account designated by the entitled certificate holders. In order to receive your dividend directly into your Bank account, please complete the particulars as mentioned in Electronic Credit Mandate Form and return the same duly signed along with a copy of your CNIC to our Registrar.

You can find the Electronic Credit Mandate Form on Notices and Announcements Section at ORIXM website 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 for this purpose.

INTRODUCTORY

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.

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

On behalf of the Board

October 03, 2019

MUHAMMAD SIDDIQUE
Company Secretary

Note:

1. In case of individuals the account holder and/or person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting, (CDC account holders are also requested to bring their participant ID no. and account no. in CDS).
2. In case of corporate entity the board of directors' resolution! power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
3. Pursuant to the directives of FBR and Finance Act, 2019, Above dividend is subject to withholding of income tax as per rates mentioned below and on the basis of your status as on September 17, 2019 :

a).	Persons whose names appear on Active Taxpayers List (ATL)	15%
b).	Persons whose names do not appear on Active Taxpayers List (ATL)	30%

To enable the company to make tax deduction on the amount of cash dividend @15% instead of 30% all the shareholders whose names are not entered into the active tax-payer 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 date for approval of the cash dividend i.e. October 17, 2019, otherwise tax on their cash dividend will be deducted @30% instead of 15%.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas, corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. M/s. FAMCO Associate (Pvt.) Limited. The shareholders while sending NTN or NTN Certificates, as the case may be, must quote Company name and their respective folio numbers.

Unclaimed Dividends/ Certificates

The Certificate holders are hereby informed that in accordance with Section 24 of the Companies Act, 2017 and the Unclaimed shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the Modaraba is required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are unclaimed / un-collected for a period of three (3) years from the date it is due and payable. The notices to this fact have already been dispatched to the relevant certificate holders.

Certificate holders who have not yet collected/ received their dividends/share are advised to contact our Share registrar for details.



VISION

ORIXM vision is to be the leading Shari'ah 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 that we deliver on our promises and work to high standards.

Forward Looking

Our strategy remains maintaining growth momentum and asset quality, increasing profitability and refining the product mix. We aim to target profitable 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.



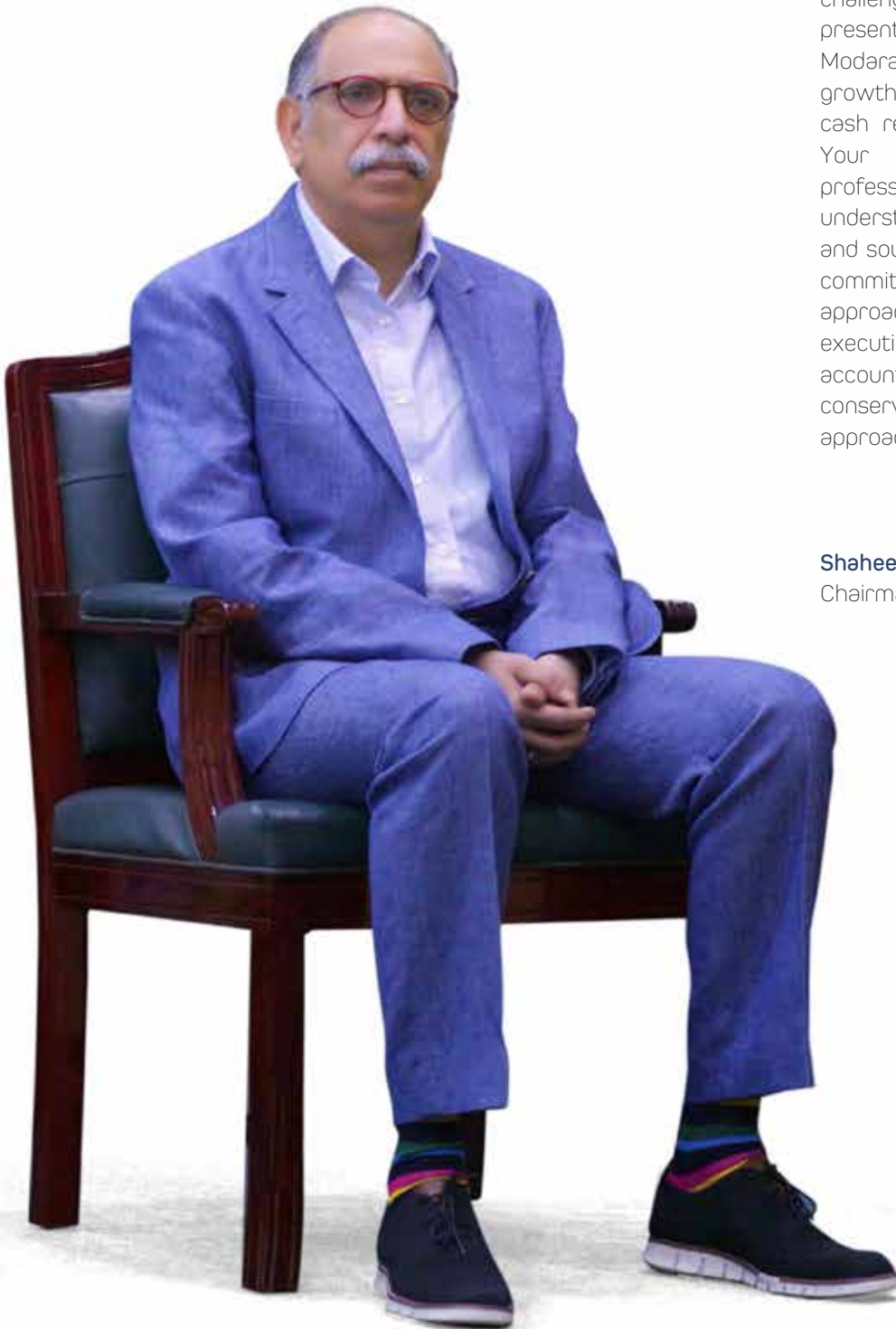
Key Performance Indicators 2018	Performance made in 2019
Maintaining Growth momentum	Being resilient ORIXM has maintained its total asset with general increase of 0.18%.
Increase in profitability	There is an increase in Profit before management fee by 4.8% for the year
Exposure in high and mid-tier SME under Diminishing Musharika/ Product mix	There is an increase in DM Assets by 24% as at June 30, 2019 compare to June 30, 2018
New Market Segment	We targeted new clients in plant in machinery, motor vehicle & publishing sector during the year
Contribute a fair share to the growth of Islamic Financing in the Country	During the year ORIXM booked fresh disbursement of PKR. 2,682 billion
Compliance with applicable laws & regulations	ORIXM in compliance of SECP, SRO 245 (AML) has successfully perform Annual Risk Assessment

MAJOR CALENDER EVENT (QUARTER WISE)





THE BOARD



Chairman Message

Given the current economic challenges, It gives me pleasure to present a strong performance by the Modaraba with concrete underlying growth, cost discipline and continued cash return to Certificate Holders. Your Modaraba comprises of professionals with a profound understanding of the Financial Sector and sound business acumen and are committed to continue with an approach to focus on our values and executing strategies created taking in account the fluid environment and a conservative risk management approach.

Shaheen Amin
Chairman

CEO Message

As 2019 comes to a close, I remain confident about the future. Despite a challenging business environment both internationally and locally, our company has delivered better results compared to last year. The Modarabas Net Profit has shown an increase by 4.79% from PKR 120.30 to PKR 126.06 Million of previous year. The total assets of Modaraba has reached to PKR 6.966 Billion with a contribution in the Pakistan economy aggregating to PKR 2.682 Billion.

Raheel Qamar Ahmad
Chief Executive



Left to right:

Ms. Maryam Aziz

Mr. Nausherwan Adil

Mr. Raheel Qamar Ahmad



Left to right

Mr. Shaheen Amin
Mian Faysal Riaz
Mr. Ramon Alfrey



Board of Director



Mr. Shaheen Amin — Chairman

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

Mr. Raheel Qamar Ahmad — Managing Director

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. 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 Mashreq Bank'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 the Chairman of the NBF and Modaraba Association of Pakistan.



Mr. Ramon Alfrey — Director

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.



Mr. Nausherwan Adil — Independent Director

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.



Mian Faysal Riaz — Director

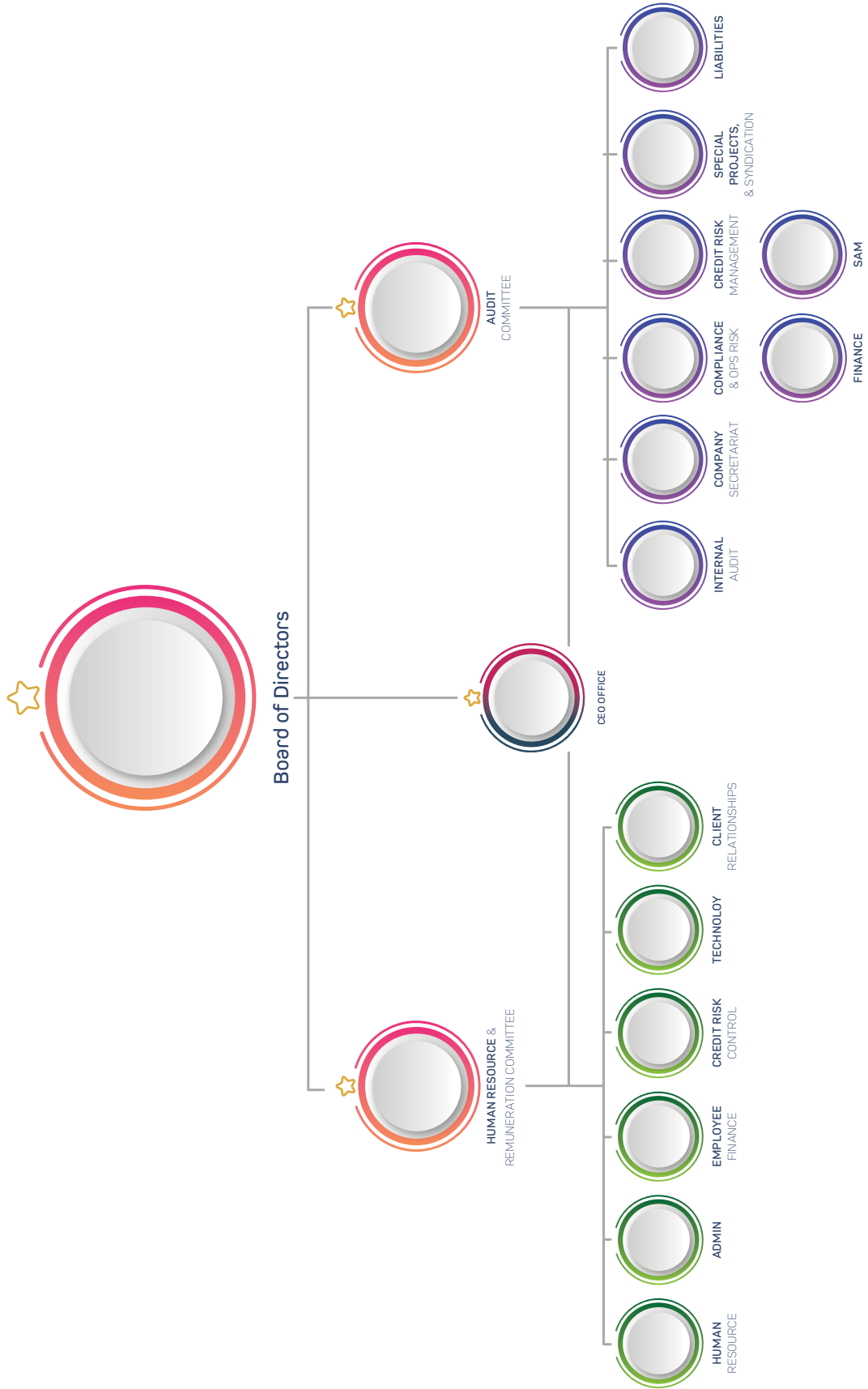
Mian Faysal Riaz is currently serving as Group General Manager - North, ORIX Leasing Pakistan Limited (OLP). He graduated from Forman Christian College in 1989 and started his professional career with OLP's Lahore office in 1991. Mr. Riaz has served in various capacities at OLP's including postings as 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.

Ms. Maryam Aziz — Director

Ms. Maryam Aziz is a Fellow Chartered Accountant and has been associated with ORIX Leasing Pakistan Limited (OLP) since April 2002 and has 20 years of professional experience. She was deputed to SK Leasing, Kazakhstan in July, 2005 as Finance Director. She returned to Pakistan in January, 2011 and was elevated as Head of Risk Management & Internal Audit Department. Ms. Maryam is currently serving in the capacity of Chief Financial Officer since February 2016. She has attended various courses including Pakistan Institute of Corporate Governance - Directors Training Program Certification, IFC Certification for Environment Management, Managing Change, Strategic Management, and Corporate Governance.



ORIXM ORGANOGRAM





ORGANIZATION

OVERVIEW &

EXTERNAL ENVIRONMENT

ORGANIZATION

overview & External Environment

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, High net worth individuals and employees of selected Corporate Clients under Assurance Model. The funds to finance the assets comes from a mix of Certificate of Musharakah, bank financing, equity and operational inflows. Our total assets balance is PKR 6.97 billion as at June 30, 2019. This is the highest book size in the Financial Services Modarabas sector. ORIXM manages and monitors risk exposure very prudently. Only PKR 133 Million of assets financing was impaired in (32) thirty two years of operations which represents 0.29 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 32 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 37 permanent and 12 contractual staff members. It has branch offices in Lahore and Islamabad with the Head office in Karachi.



FINANCIAL HIGHLIGHTS

PKR 126.057 MILLIONS PROFIT AFTER TAX	PKR 2.78 PER CERTIFICATE EARNINGS	PKR 113.459 MILLIONS CASH DIVIDEND
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PKR
6.966 BILLIONS
TOTAL ASSETS

PKR
2.682 BILLIONS
TOTAL
DISBURSEMENTS

PKR
25.57 PER CERTIFICATE
BREAK-UP VALUE PER
CERTIFICATE

ORGANIZATION

overview & External Environment

ORIXM PRODUCTS

ORIX Modaraba (formerly Standard Chartered Modaraba) - ORIXM offers both Consumer and Wholesale Shari'ah 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.

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 Shari'ah compliant Deposit Scheme has been formulated under the guidelines issued by SECP Religious Board formed under the Modaraba Ordinance. ORIXM's Certificate of Musharakah is an Islamic investment avenue available to Individuals, Corporates, Provident Funds, Gratuity Funds, mutual Fund, and high net work individuals. 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 Shari'ah-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.

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

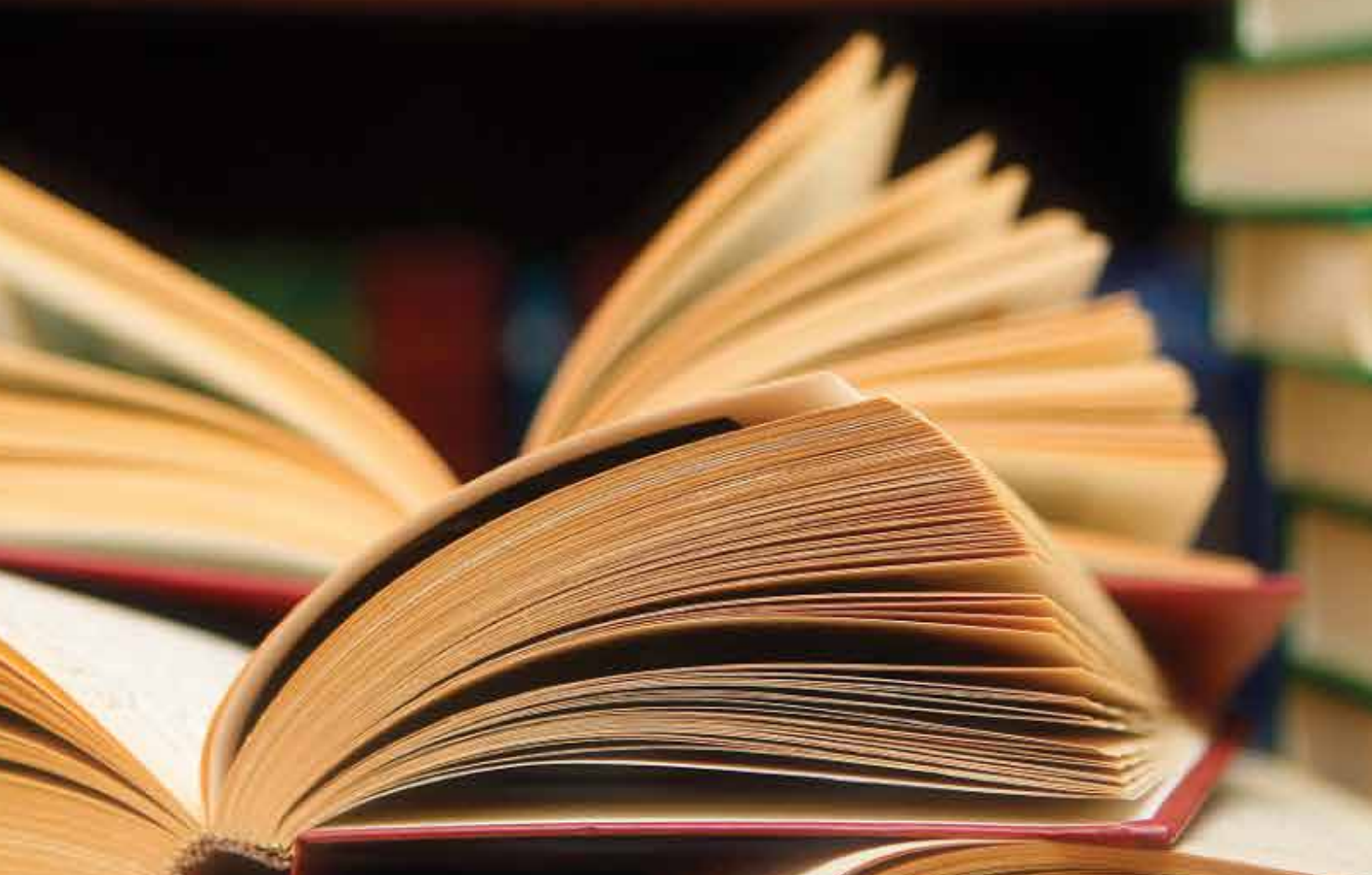
ORIX Modaraba also arranges Syndicate Financing facilities for clients (clients that can be Large Corporates, Local Corporates, Medium Enterprises or SMEs).

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 of Conduct

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 32 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 32 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.

In February 2019, SECP vide its notification S.R.O 245(1) 2019 requires or Modaraba Companies to conduct self - risk assessment related to Anti money laundering and countering financing of terrorism. ORIXM in compliance of above SECP, SRO has successfully perform Annual Risk Assessment for 12 month period ended May 31, 2019

A close-up photograph of several interlocking wooden puzzle pieces. The wood has a natural, light brown grain. The pieces are arranged in a way that some are in sharp focus while others are blurred in the background, creating a sense of depth. The lighting is warm and soft, highlighting the texture of the wood.

STRATEGY AND
RESOURCE
ALLOCATION

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 continue with our strength in Corporates, high end SMEs, and HNWI individuals. We will also expand into midtier SME and Employees of selected Corporate Client under Assurance Model. 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 the Chief Executive. 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.

Cash flows and Financing Resources

The main sources of funding are Operational inflows, Certificate of Musharakah 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. Certificate of Musharakah 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 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 are appropriately structured to effectively achieve its underlying goals and objectives, and its key functions are also clear and well defined.



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 minimum three (03) years. 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

RISK & OPPORTUNITY

RISKS

EXTENUATING FACTORS / ACTIONS IN PLACE

MACRO-ECONOMIC / POLITICAL SITUATION - 1

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 are highlighted. Based on the foregoing, during last decade, ORIXM has been able to keep its client base selected and monitored such there have been very low rate of infection through the years.

MACRO-ECONOMIC / POLITICAL SITUATION - 2

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 two 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.

COST / EXPENSE / PRICING

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-2019) ORIXM's overall spread on the deployed assets increased by a staggering 14 bps.

SHORT TERM INVESTMENT RISK

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 companies and actively manages its deposits / placements portfolio to match the required risk profiles.

RISKS

EXTENUATING FACTORS / ACTIONS IN PLACE

FOREIGN CURRENCY RISK

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.

CREDIT RISK (FINANCIAL LOSS)

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.

SAFETY AND SECURITY OF ASSETS

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 from many decades not a single instance of loss due to non-insurance of assets took place.

SOURCES OF RISK

Internal Risk

Employees

Technology used

Operation

Physical | Computer Damage | Theft

External Risk

Economic | Pricing Pressure

Natural | Earthquakes

Political | Law and Legislation

Competitor

Emergent Technology

Changes in Environment

SOURCES OF RISK

S.NO.	TYPE OF RISK	LIKELIHOOD Y/N	ASSESSMENT (REASONING)
1	Economic	N	<p>There is no likelihood.</p> <p>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.</p>
2	Natural / (Natural Disasters)	N	<p>There is no likelihood.</p> <p>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 location. 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.</p>
3	Political (Law & Order)	N	<p>There is no likelihood.</p> <p>Periodic "Security Briefings" and "Security Expert's Presentations" are conducted at ORIX Modaraba, to ensure that modaraba executive committee remains updated with any and all possible adverse Law & Order situations across the country.</p>
4	Competitor (Market competition)	N	<p>There is no likelihood.</p> <p>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 effected 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 form 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.</p>
5	Changes in Business Environment	N	<p>There is no likelihood.</p> <p>Change in Business Environment is a continuous phenomenon. Over time ORIX Modaraba's management has displayed exceptional skills to manage with the changing environments.</p>
6	Internal Operations	N	<p>There is no likelihood.</p> <p>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.</p>



GOVERNANCE

Chairman Review Report



Shaheen Amin
Chairman

It gives me great pleasure to present a Review Report of ORIX Modaraba (ORIXM) under the requirement of section 192 of the Companies Act, 2017.

Given the current economic challenges, I am pleased to report a strong performance by the Modaraba with concrete underlying growth, cost discipline and continued cash return to Certificate Holders. ORIXM is committed to continue with an approach to focus on our values and executing

strategies created taking in account the fluid environment and a conservative risk management approach.

Review of Overall Performance of the Board.

The ORIXM Board of Directors, which comprises of professionals with a profound understanding of the Financial Sector and sound business acumen, are committed to operate at the highest standards of corporate governance. The Board and its associated Committees during the year ensured compliance with all statutory and regulatory requirements applicable upon the Modaraba and its Management Company. As per requirement of the Companies Act 2017 and Code of Corporate Governance Regulation 2017, the Directors have performed their duties diligently and effectively in the best interest of the Modaraba. This includes oversight of the Modaraba's strategic objectives by active participation in monitoring performance against the defined strategic goals and targets.

Moreover the SECP Listed Companies Code of Corporate governance Regulation 2017, requires Board of Directors to conduct an annual evaluation of the Board own performance. Over the years, ORIXM had conducted annual evaluation of Board's performance on "Board Self Evaluation, however in order to get an independent perspective, the Board entrusted M/s FAMCO Associates (Pvt.) Ltd. to carry out Board Evaluation exercise for Board members and Board

Committee members for the year ending June 30, 2019. The result of the independent evaluation reveals that the Board members are generally satisfied with the Board's performance and high level of consensus prevails amongst the Board Members in all the areas covered in the questionnaire. The Board members were also found satisfied with performance of CEO.

Financial Reporting

With strong oversight on the reporting front, the Board has a responsibility to provide clear visibility of financial reports to Certificate holders in accordance with the Financial Reporting framework applicable in Pakistan. During the year the ORIXM has incorporated the new accounting requirement of the IFRS standards that have applicability date in the ensuing financial year. The impact of the adoption of these Standards and the change in accounting policies have been adequately disclosed in note 4.1 to the Financial Statements.

Culture

At ORIXM, our aspiration is to achieve high-performance culture while remaining true to our values. Accordingly, we focused to institutional learning in an enabling environment where talent is identified and nurtured, as this will contribute to the Modaraba's ambition to be competitive

Board Member

Ms. Maryam Aziz was appointed as a Director on February 28, 2019. She replaced Mr. Hideaki Yokoyama who resigned from his position. On behalf of the Board, I would like to thank and appreciate Mr. Hideaki Yokoyama's valuable contribution and extends a warm welcome and cooperation to Ms. Maryam Aziz – director in performing her duties.

Acknowledgment

Finally, I would like to thank all our Board Members for their commitment and contribution in the overall performance of Modaraba. I would also like to thank our employees for their hard work and continuous support in year ended June 30, 2019 and I look forward to continue working with them to attain success in 2020.

Shaheen Amin
Chairman

Date: September 4, 2019

بورڈ ممبر

مس مریم عزیز کو 28 فروری 2019 سے ڈائریکٹر کے عہدے پر مقرر کیا گیا ہے۔ وہ جناب ہیدا کی یو کا ہامہ کی جگہ پر آئی ہیں جنہوں نے اپنے عہدے سے استعفیٰ دے دیا تھا۔ بورڈ کی جانب سے میں جناب ہیدا کی یو کو ہامہ کے گرانقدر تعاون پر انہیں ستائش پیش کرتا ہے اور مس مریم عزیز کو گرمجوشی سے خوش آمدید کہتا ہوں اور ان کے فرائض کی ادائیگی میں تعاون کا یقین دلاتا ہوں۔

اعتراف

آخر میں، میں مضاربہ کی مجموعی کارکردگی میں تمام بورڈ ممبران کے عزم اور تعاون پر ان کا شکریہ ادا کرتا ہوں۔ ختم ہوئے سال 30 جون 2019 میں تمام ملازمین کی انتھک محنت اور مسلسل تعاون پر ان کا مشکورہ اور امید کرتا ہوں کہ وہ تسلسل کے ساتھ اپنے کام کو برقرار رکھتے ہوئے 2020 کو بھی ایک کامیاب سال بنائیں گے۔

شاہین امین

چیئرمین

تاریخ: ۴ ستمبر ۲۰۱۹

چیرمین کی جائزہ رپورٹ

کمپنیز ایکٹ 2017 کی دفعہ 192 کے تحت میں اور کس مضاربہ (ORIXM) کی جائزہ رپورٹ پیش کرتے ہوئے انتہائی مسرت محسوس کرتا ہوں۔ میں یہ بتاتے ہوئے مسرت کا اظہار کرتا ہوں کہ جاری معاشی چیلنجز کے باوجود مضاربہ کی کارکردگی مضبوط رہی یعنی اس کی نمو مستحکم رہی، لاگت کو قابو کیا گیا اور تسلسل کے ساتھ سرٹیفکیٹ ہولڈرز کو نقد منفعت فراہم کی گئی۔ ORIXM تسلسل کے ساتھ چکدار ماحولیاتی اور قدامت پسند خرابی انتظام کے نظام کو اختیار کر کے اپنی اقدار اور حکمت عملیوں کی تکمیل پر توجہ مرکوز رکھے گی۔

بورڈ کی مجموعی کارکردگی کا جائزہ

ORIXM کا بورڈ آف ڈائریکٹرز پیشہ ور ماہرین پر مشتمل ہے، ان کے پاس مالیاتی شعبہ کی بہترین سمجھ بوجھ ہے اور انہیں کاروبار کی بہتر فراہم حاصل ہے جسے ادارتی نظم و نسق کے اعلیٰ معیارات کے مطابق چلایا جاتا ہے۔ بورڈ اور اس کی ملحقہ کمیٹیوں نے سال کے دوران مضاربہ اور اس کی منتظم کمپنی پر لاگو آئینی اور ضابطہ کی ضروریات کی پاسداری کی۔ کمپنیز ایکٹ 2017 اور کوڈ آف کارپوریٹ گورننس ریگولیشن 2017 کے تحت ڈائریکٹران نے اپنے فرائض جانفشانی اور موثر انداز میں مضاربہ کے بہترین مفاد میں انجام دیئے۔ کارکردگی کی متحرک نگرانی کرتے ہوئے طے شدہ کلیدی اہداف اور مقاصد حاصل کئے گئے۔

مزید برآں SECP کے لیکچرر بورڈ آف کارپوریٹ گورننس ریگولیشن 2017 کے تحت بورڈ آف ڈائریکٹرز کے لئے ضروری ہے کہ وہ اپنی کارکردگی کی خود تفتیش کرے۔ پچھلے کئی سال سے بورڈ کی کارکردگی کی تفتیش بورڈ کے ”از خود تفتیشی“ نظام کے تحت کی جا رہی ہے تاہم آزادانہ تناظر کے حصول کے لئے 30 جون 2019 کو ختم ہونے والے مالیاتی سال میں بورڈ اور بورڈ کی کمیٹیوں کے ممبران کی تفتیشی مشق کے لئے بورڈ نے میسرز فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کی خدمات حاصل کیں۔ آزادانہ تفتیش سے انکشاف ہوا کہ بورڈ کے ممبران عمومی طور پر بورڈ کی کارکردگی سے مطمئن ہیں اور سوالنامہ میں دیئے گئے شعبوں میں بورڈ کے ممبران کے مابین اعلیٰ سطح کی ہم آہنگی پائی جاتی ہے۔ بورڈ کے ممبران CEO کی کارکردگی سے بھی مطمئن پائے گئے۔

مالیاتی رپورٹنگ

رپورٹنگ کے محاذ پر مضبوط نگرانی بورڈ کی ذمہ داری ہے تاکہ وہ سرٹیفکیٹ ہولڈرز کو پاکستان میں لاگو مالیاتی رپورٹنگ کے فریم ورک کے عین مطابق واضح شفاف مالیاتی رپورٹ فراہم کرے۔ سال کے دوران کمپنی نے IFRS معیارات کے مطابق نئی حساباتی ضروریات کو رائج کیا۔ ان معیارات کو اختیار کرنے کے اثرات اور حساباتی پالیسیوں میں تبدیلیوں کو مالیاتی گوشواروں کے نوٹ 4.1 میں منکشف کیا گیا ہے۔

ثقافت

ORIXM میں اپنی اقدار کو درست انداز میں اپناتے ہوئے اعلیٰ کارکردگی کی ثقافت کو پروان چڑھایا جاتا ہے۔ لہذا ادراہ میں سیکھنے کے عمل کی نگرانی کی جاتی ہے جس سے نہ صرف صلاحیت کی نشاندہی بلکہ یہ پروان چڑھتی ہے، کیونکہ یہی چیز مضاربہ کو مسابقت پذیر رہنے میں معاونت فراہم کرتی ہے۔

Thirty Third Report of the Directors of Modaraba Company

For the year ended June 30, 2019

The Board of Directors of ORIX Services Pakistan (Private) Limited, the Management Company of ORIX Modaraba-ORIXM, is pleased to present the thirty third Directors' report of ORIXM, together with audited financial statements and auditors' report thereon for the year ended June 30, 2019.

Economy

Pakistan's economy today is at a critical juncture. In the past, misaligned economic policies, including large fiscal deficits, loose monetary policy, and defense of an overvalued exchange rate, fueled consumption and short-term growth in recent years, but steadily eroded macroeconomic buffers, increased external and public debt, and depleted international reserves. Structural weaknesses remained largely unaddressed, including a chronically weak tax administration, a difficult business environment, inefficient and loss making SOEs, amid a large informal economy. Without urgent policy action, economic and financial stability could be at risk, and growth prospects will be insufficient to meet the needs of a rapidly growing population.

The macroeconomic vulnerabilities have rapidly increased on the back of weak policies supporting a consumption- and import-driven growth model. In particular, procyclical fiscal policies led to a surge in the FY 2019 fiscal deficit to 8.9 percent of GDP, 2.5 percent of GDP higher than budgeted, pushing public debt to 75 percent of GDP. The fiscal stimulus, together with an accommodative monetary policy and, crucially, the defense of an overvalued exchange rate, fueled the current account deficit to 6.3 percent of GDP last year.

Despite the adoption of two supplementary budgets, the overall fiscal deficit (excluding grants) is expected to widen to over 7 percent of GDP against a budget target of 5.1 percent in FY 2019.

To tackle this, the government has signed a 39-month Extended Fund Facility (EFF) with the IMF, and developed a comprehensive program to stabilize the economy and lay the



foundation for robust and balanced growth. Key elements include:

- 1). Decisive fiscal consolidation to reduce public debt and build resilience, starting with the adoption of an ambitious FY 2020 budget.
- 2). A flexible, market-determined exchange rate to restore competitiveness, rebuild official reserves, and provide a buffer against external shocks
- 3). Energy sector reforms to eliminate quasi-fiscal losses and encourage investment, including by depoliticizing gas and power tariff setting and adjusting tariffs to cost recovery
- 4). Expanding social spending, including through the strengthening and broadening of safety nets to support the most vulnerable and
- 5). Structural reforms through strengthening institutions, increasing governance and transparency, and promoting an investment-friendly environment necessary to improve productivity, entrench lasting reforms, and ensure sustainable growth.

Although it is too early to assess the results of this program, yet some early indicators provide some encouragement. The current account deficit has reduced to USD 3,242 million in the second quarter of 2019 compared to USD 6,321 in the second quarter of 2018, which shows a reduction in non-essential imports.

Operating Results and Business Overview

	30 June 2019	30 June 2018
	(Rupees)	
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,160,475	1,147,880
Investment in Ijarah finance and Ijarah Assets	3,139,888	3,833,125
Investments in Diminishing Musharika and Sukuk	3,084,690	2,493,963
Redeemable capital	2,785,705	3,127,115
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	741,534	522,077
Financial charges	447,545	245,934
Reversal of provisions & Impairments	3,978	1,951
Operating expenses	152,951	139,705
Profit before management fee	145,016	138,390
Net profit	126,057	120,297
Appropriations		
Net profit for the year	126,057	120,297
Add: Un appropriated profit brought forward	34,014	33,193
Profit available for appropriation	160,071	153,490
Profit distribution @ 25% (2018 @25%)	113,459	113,461
Statutory reserve	6,303	6,015
	119,762	119,476
Unappropriated profit carried forward	40,309	34,014
Earnings per certificate	2.78	2.65

By the Grace of Allah, your Modaraba's performance during the year under review continued to be very strong in spite of economy slowdown, reduction in industry spreads due to rapid and large movement of the SBP's discount rate, which promoted immediate increase in deposit rates and financial charges but which has a six month lag to be translated into profit on assets and stiff competition with Islamic banks. The Modaraba's gross revenue increased by 3.6% from PKR 1,953 million to PKR 2,027 million compared to corresponding last year. Revenue (net of Ijarah assets depreciation and including other income) increased by 42.04% from PKR 522.08 million to PKR 741.53 million compared to the corresponding last year. Whereas revenue net of financial charges increased by 6.46% from PKR 276.14 million to PKR 293.99 million compared to the corresponding last year. This was achieved mainly due to upward movement in discount rate and better mix of portfolio resulting in better profit rates. Administrative

and operating expenses increased by 9.48% from PKR 139.71 million to PKR. 152.95 million mainly due to cost associated with the process alignment for compliance of new regulations. Net profit however, increased by 4.79% from PKR 120.30 to PKR 126.06 million.

The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at PKR 6,225 million compared to PKR 6,327 million as at June 30, 2018, showing a marginal decrease of 1.62%. During the year under review, the Modaraba booked fresh disbursements to the tune of Rs. 2,682 million consisting of PKR 1,492 million (56%) Plant and Machinery PKR 1,057 million (39%) Motor Vehicle and PKR 133 million (5%) others.

On the liability side Certificates of Musharika was decreased by 10.92% from PKR 3,127 million to PKR 2,786 million whereas bank financing increased by 18.17% from PKR 1,636 million to PKR 1,934 million compared to the corresponding last year in line with our strategy to replace short term Certificates of Musharika with long term bank financing.

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.

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.

Pattern of Shareholding

The company certificates are traded on the Pakistan Stock Exchange Limited. The certificate holding information as of June 30, 2019 is provided in the relevant section of 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 except already disclosed to the regulatory bodies and included in the pattern of shareholding.

Profit Distribution

The Board in its meeting held on September 04, 2019 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, 2019.

An amount of Rs. 6,303 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.

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, 2019 except for those disclosed in the financial statements.

The Board of Directors' Meetings and Attendance

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	4
Raheel Qamar Ahmad	4
Hideaki Yokoyama*	1
Ramon Alfrey	4
Mian Faysal Riaz	4
Nausherwan Adil	4
Maryam Aziz**	2

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, 2018:

*Mr. Hideaki Yokoyama resigned from the office of Director on October 22, 2018.

**Ms. Maryam Aziz appointed in his place on February 28, 2019.

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.

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

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

GOVERNANCE

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

Current Structure of Board and its Committees

The composition of the board and its committees are as follows:

Names of Board Members	Member in Committees	Category
Mr. Nausherwan Adil	Chairman Audit and HR&R Committee	Independent Director
Mr. Raheel Q. Ahmad	Member HR&R Committee	Executive Director
Mr. Shaheen Amin	Member HR&R Committee	Non-Executive Director
Mr. Ramon Alfrey	Member Audit Committee	Non-Executive Director
Mian Faysal Riaz	Member Audit Committee	Non-Executive Director
Ms. Maryam Aziz	-	Non-Executive Director

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

All Directors have completed their training under the Director Training Program.



Evaluation of Board and its sub Committees

Over the years, ORIXM had conducted annual evaluation of Board's performance on "Board Self Evaluation, however in order get an independent perspective, the Board entrusted M/s FAMCO Associates (Pvt.) Ltd. to carry out Board Evaluation exercise for Board members and Board Committee members for the year ending June 30, 2019. The following persons from M/s Famco associate (Pvt.) Ltd. performed the evaluation exercise:

Name	Qualification
Mr. Ovais Khan	Chartered Accountant
Mr. Ahmar Nasim	Master in Finance

The major terms of appointment are:

- Famco will evaluate the Board performance measure against several questions tied to 7-8 categories / areas such as composition of Board functions and performance of the Board, Governance structure and practices and company performance monitoring system
- During the evaluation process, meeting will be conducted with the Managing Director/ Chief Executive and couple of Board members.
- Separate sections will also be provided in the questionnaire to evaluate the performance of each of the Board Sub committees etc.

The result of the independent evaluation reveals that the Board members are generally satisfied with the Board's performance and high level of consensus prevails amongst the Board Members in all the areas covered in the questionnaire. The Board members were also found satisfied with performance of CEO.

Management Committee

The Management Committee comprises of eight senior members who meet and discuss major business plans, issue and progress updates of their respective functions. The major matters to be put forth in the Board for consideration and approvals.

Social Responsibility

ORIXM is committed to conducting business responsibly and investing in communities for their sustainable development. Corporate Social Responsibility is, therefore, an integral part of ORIXM's ways of working. At ORIXM, we believe in building long term relationships with neighbouring communities, stakeholders and embrace transparency in all 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.

This year, ORIXM collaborated with The Indus Hospital for the "Blood Donation Drive" at the Company premises.

ORIXM under the supervision of professionals, organised "Medical Camp" in collaboration with Essa Lab for employees in office premises. In this camp employees were provided basic tests free of cost, other medical test on discounted rate and free medical consultation from General Physician.

ORIXM had conducted a Breast Cancer Awareness Session. Showing its solidarity to the cause, ORIXM staff members wore pink ribbon and dressed up in the shades of white & pink.

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. Moreover, ORIXM had also volunteered to join hands with WWF for "Tree Plantation Drive" in what comes as a significant move to respond to the growing environmental challenges and improving ecological standards in Pakistan. With the support of WWF's representatives, 200 mangroves tree saplings were planted at WWF Westland Centre and plants were also distributed among staff in order to encourage them to plant more trees that is helpful in reducing global warming.

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.



Environmental Protection Measures

At ORIXM, It is our resolve to ensure sustainability in our portfolio and in our practices. In order to protect an environment which is a global cause, we have formed a "Carbon Footprint Reduction Committee". 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. The Company strongly discourages un-necessary or wasteful use of resources and encourages re-cycling for internal office use.

Consumer Protection and Anti-Corruption Measures

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 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 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, ensure the highest level of governance.

GOVERNANCE

External Audit

The financial statements of ORIXM have been audited without any qualification by the auditors namely M/s KPMG Taseer Hadi & Co., Chartered Accountants for the year ended June 30, 2019.

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.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants, retired. As per requirement of clause 34 of Listed Companies (Code of Corporate Governance) Regulations, 2017, Modarabas have to change their external auditors every five year. As KPMG Taseer Hadi & Co., Chartered Accountants has been appointed as auditors of the Modaraba since last five years, consequently on the recommendation of Audit Committee, the Board has approved the appointment of the Messrs. A. F. Ferguson & Co., Chartered Accountants, as auditors for the year ending June 30, 2020, subject to approval by the Registrar of Modaraba Companies and Modarabas

Entity Risk assessment

Whilst ORIXM follows global best practices in AML and CTF, recently Securities and Exchange Commission of Pakistan vide its Notification/ Directives S.R.O. 245(1)2019 requires all Modaraba Companies to conduct self- risk assessment related to Anti Money Laundering and Countering Financing of Terrorism Risk and provide the risk assessment information to the commission by 30th June of each financial year (FY) which should cover the process/ methodology adopted for risk identification emanating from customer, products, geography and delivery channels along with elaborated risk tolerance level and assess residual risk after implementation of mitigation measures. In this respect, ORIXM has prepared Compliance / risk assessment data for the twelve months period ended May 31, 2019 which was reviewed and approved by the Board of Directors. Accordingly overall entity level AML/CFT risk assessment rating of ORIX Modaraba was assigned as 'Moderate'.

Value of Investment of Provident, Gratuity Funds

The company maintains retirement benefit plans for its employees. The value of investments made by staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2019 is as follows:

Provident Fund	Rs. 7.474 million
Gratuity Fund	Rs. 4.975 million

Subsequent Events

No. material changes or commitments affecting the financial position of the company have occurred between the end of the financial year of the company and the date of this report.

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.



Ramon Alfrey
Director



Raheel Qamar Ahmad
Managing Director/ CEO

Karachi: September 04, 2019

۱۸- ادارے کی خطراتی تشخیص

جبکہ AML اور CTF کے بہترین عالمی طور طریقوں ORIXM اپناتی ہے، حال ہی میں سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے نوٹیفیکیشن/ ہدایات S.R.O.2019 (1)245 کے تحت تمام مضار کمپنیز کو پابند کیا ہے کہ وہ انسداد منی لانڈرنگ اور دہشت گردی میں سرمایہ کاری کے خطرے کے لئے از خود خطراتی تشخیص کریں اور یہ تشخیصی معلومات ہر سال 30 جون تک کمیشن کو فراہم کر دیں جس میں ان طریق عمل/ طریقہ کار کا احاطہ کیا گیا جن کے تحت کسٹمر، مصنوعات، محل وقوع اور ترسیلی چینلز کے ساتھ مکمل طور پر خطرے کو برداشت کرنے کی سطح موجود ہو اور خطرات میں کمی کے اقدامات کے نفاذ کے بعد باقی ماندہ کی تشخیص کی جاسکے۔ اس سلسلے میں ORIXM نے بارہ ماہ مدت مختتمہ 31 مئی 2019 کی ایک پاسداری/ خطراتی تشخیص کا ڈیٹا تیار کیا ہے جس کا جائزہ اور منظوری بورڈ آف ڈائریکٹرز نے کی ہے۔ لہذا اور کس مضار پہ کو مجموعی ادارتی سطح پر AML/CFT خطراتی تشخیص کی ”مناسب“ ریٹنگ تفویض کی گئی ہے۔

۱۹- پروویڈنٹ، گریجویٹ فنڈز سے سرمایہ کاری کی مالیت

کمپنی کے پاس اپنے ملازمین کے لئے ریٹائرمنٹ فونڈ کے منصوبے ہیں۔ 30 جون 2019 کو اسٹاف ریٹائرمنٹ بینفٹ فنڈز کے غیر آڈٹ شدہ حسابات کے مطابق فنڈز سے کی گئی سرمایہ کاری کی مالیت درج ذیل ہے:

پروویڈنٹ فنڈ	7.474 ملین روپے
گریجویٹ فنڈ	4.975 ملین روپے

۲۰- بعد از واقعات

کوئی اہم تبدیلیاں یا وعدے جن سے کمپنی کی مالیاتی پوزیشن متاثر ہو کمپنی کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران رونما نہیں ہوئے۔

اعتراف

بورڈ اس موقع پر SECPR کی مسلسل رہنمائی اور تعاون پر اس کا مشکور ہے۔
بورڈ اپنے قابل قدر گاہکوں اور سرمایہ کاروں کے مسلسل اعتماد اور تعاون پر بھی ان کا مشکور ہے۔

راجیل قمر احمد
مینجنگ ڈائریکٹر/ سی ای او

ربین الفیری
ڈائریکٹر

کراچی: 4 ستمبر 2019

۱۲- ہمارے لوگ

اور کس مضاربہ کے پائیدار کاروباری ماڈل کے لئے اس کے لوگ بنیادی اہمیت کے حامل ہیں۔ ہم تسلسل کے ساتھ ORIXM کو بہترین کام کی جگہ بنانے کے لئے کوشاں ہیں جس کے ذریعے ہم ملازمین کے کام اور نقش قدم میں بہترین باصلاحیت لوگوں کو کشش کرتے ہیں۔ ORIXM میں ہم اس بات پر یقین رکھتے ہیں کہ اعلیٰ کارکردگی سے مراد اعلیٰ منافع حاصل کرنا نہیں بلکہ سب سے اہم اپنی اقدار پر چلنا ہے۔

بورڈ اس موقع پر مضاربہ کے معاملات میں مصروف ملازمین کی خدمات کے لئے ستائش ریکارڈ پر لانا چاہتا ہے۔ مضاربہ کی یہ کامیابیاں ملازمین کی کوششوں کے بغیر ممکن نہیں تھیں۔ بے شک یہ ہمارے ہر ملازم کی انتھک محنت اور جدوجہد کا نتیجہ ہے جس کی وجہ سے ORIXM آج اس مقام پر کھڑی ہے۔ ہم تسلسل کے ساتھ اپنے انسانی وسائل میں سرمایہ کاری کریں گے۔

۱۳- ماحولیاتی تحفظ کے اقدامات

ORIXM میں ہمارا عزم ہے کہ ہم قدرتی وسائل کو کم سے کم خرچ کریں اور کم سے کم دھواں اور فضلہ خارج ہو۔ ماحول کا تحفظ جو کہ ایک عالمی نصب العین بن چکا ہے، کے لئے ہم نے ایک ”کاربن کمیٹی“ تشکیل دی ہے۔ ہم کاربن کمیٹی کے ذریعے تسلسل کے ساتھ کاربن کے اخراج کو کم کرنے کے لئے نئی راہوں کی جدوجہد اور تلاش کرتے ہیں اور ایسے طور طریقے اپناتے ہیں جو کہ ماحول دوست ہوں۔ کمپنی سختی کے ساتھ کاغذ کے غیر ضروری استعمال کی حوصلہ شکنی کرتی ہے اور دفتر کے اندر کاغذ کے دوبارہ استعمال کی حوصلہ افزائی کرتی ہے۔

۱۴- صارفین کا تحفظ اور انسداد بدعنوانی کے اقدامات

ORIXM میں کاروباری اخلاقیات، انسداد بدعنوانی اور صارفین کی پوشیدہ معلومات کے تحفظ کے لئے سنجیدہ اقدامات کئے جاتے ہیں کیونکہ ہم اس بات پر یقین رکھتے ہیں کہ ملازمین کی اخلاقیات ادارے کی سادھ کی ترقی اور پائیداری میں بنیادی کردار ادا کرتی ہے۔ ایک جانب کسٹمرز کے ساتھ ہمارے تعلقات باہمی اعتماد کی بنیاد پر ہیں ہے اور اس اعتماد کو برقرار رکھنے کے لئے ہم کسٹمرز کے مفادات کو مقدم رکھتے ہیں جس کے تحت تمام کسٹمرز کو شفافیت اور ذمہ داری کے ساتھ اعلیٰ معیاری خدمات فراہم کی جاتی ہیں۔ جبکہ دوسری جانب ہمارے طریق عمل ایسے ہیں جن سے اعتماد کو ٹھیس نہ پہنچنے کو یقینی بنایا جاتا ہے۔ انسداد رشوت ستانی اور بدعنوانی (ABC) کی پالیسی کی پاسداری کے لئے ملازمین کو باقاعدگی کے ساتھ تربیت فراہم کی جاتی ہے اور محدود معلومات کو صرف ضرورت کی بنیاد پر فراہم کیا جاتا ہے جس میں ڈیٹا کا ایک اپ اور ایک مضبوط طریق عمل اختیار کیا جاتا ہے جس کے تحت تمام لاگو قوانین اور ضوابط کی پاسداری کرتے ہوئے شریعہ کے مطابق نظم و نسق اور اعلیٰ سطح کے نظم و نسق کی یقین دہانی کی جاتی ہے۔

۱۵- سالانہ خارجی آڈٹ

آڈیٹرز بنام میسرز KPMG تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے ORIXM کے مالیاتی گوشواروں کا آڈٹ کیا ہے جس میں انہوں نے بغیر تحفظات کے اپنی رائے کا اظہار کیا۔

۱۶- ادارے کی ریٹنگ

پاکستان کرپڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے ORIXM مضاربہ کی ریٹنگ کو لپو اور AA (ڈبل اے) اور A1+ (اے ون پلس) بالترتیب طویل و قلیل مدت کے لئے برقرار رکھا ہے۔ ان ریٹنگز سے فرضہ جاتی خطرات کی کم توقعات اور مالیاتی واجبات کی بروقت ادائیگی کی مضبوط صلاحیت کی نشاندہی ہوتی ہے۔

۱۷- آڈیٹرز

موجودہ آڈیٹرز KPMG تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس سبڈوش ہو چکے ہیں۔ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے تحت مضاربہ کو ہر پانچ سال بعد خارجی آڈیٹرز کو تبدیل کرنا ضروری ہوتا ہے۔ چونکہ KPMG تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس مسلسل پانچ سال سے مضاربہ کے آڈیٹرز رہے ہیں، لہذا آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز A.F. فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو سال 30 جون 2020 کے لئے آڈیٹرز مقرر کیا ہے جس کی منظوری رجسٹرار آف مضاربہ کمپنیز اینڈ مضاربہ باز سے لی جائے گی۔

تقرری میں شامل بڑی ذمہ داریاں درج ذیل ہیں:

(الف) فیکو بورڈ کی کارکردگی کی پیمائش مختلف درجوں/مختلف شعبوں سے متعلق مختلف سوالات کرے گی جیسے کہ بورڈ کے افعال کے مشتملات اور بورڈ کی کارکردگی، نظم و نسق کا ڈھانچا اور طریقے اور کمپنی کی کارکردگی کی نگرانی کا نظام

(ب) تشخیصی عمل کے دوران مینجنگ ڈائریکٹر/چیف ایگزیکٹو اور دیگر ممبران کے ساتھ مینٹنگ کی جائے گی۔

(ج) سوالنامہ میں فراہم کردہ علیحدہ علیحدہ مختلف حصوں کے ذریعے بورڈ کی ہر کمیٹی کی کارکردگی کی تشخیص کی جائے گی

آزادانہ تشخیص کے نتائج سے منکشف ہوا کہ بورڈ کے ممبران عمومی طور پر بورڈ کی کارکردگی سے مطمئن ہیں اور بورڈ کے ممبران کے مابین ہر سوالنامہ کے احاطہ کردہ شعبہ میں اعلیٰ کی کارکردگی سے بھی مطمئن پائے گئے۔

۱۰۔ انتظامی کمیٹی

انتظامی کمیٹی 8 سینیئر ممبران پر مشتمل ہے جو کہ اپنے اجلاس میں بڑے کاروباری منصوبوں، مسائل اور کارکردگی سے متعلقہ افعال پر گفت و شنید کرتے ہیں۔ بڑے معاملات بورڈ کو غور و خوص اور منظوری کے لئے پیش کئے جاتے ہیں۔

۱۱۔ سماجی ذمہ داری

ORIXM کاروبار کو ذمہ داری سے انجام دینے کے لئے پرعزم ہے اور پائیدار ترقی کے لئے سماجی کاموں میں عطیات فراہم کرتی ہے۔ لہذا ادارتی سماجی ذمہ داری ORIXM کے کام کرنے کے طریقہ کار کا امتیازی حصہ ہے۔ ORIXM میں ہم پڑوسی مقامی برادریوں اور مستفیدان کے ساتھ طویل مدتی تعلقات قائم کرنے پر یقین رکھتے ہیں اور اپنے تمام عملی کاموں میں شفافیت کو یقینی بناتے ہیں۔ مفصل پالیسیاں اور طریقہ کار موجود ہیں جن کی مدد سے اپنی برادریوں میں قانونی، اخلاقی، تجارتی اور عوامی توقعات پر پورا اترتے ہیں۔

اس سال ORIXM نے دی اینڈس ہاسپٹل کے تعاون سے کمپنی کے اندر ”خون عطیہ کرنے کی مہم“ منعقد کی۔

پیشہ ور ماہرین کی نگرانی میں ORIXM نے عیسلی لیب کے تعاون سے ملازمین کے لئے دفتری حدود میں ایک ”طبی کیمپ“ منعقد کیا۔ اس کیمپ میں ملازمین کے بنیادی ٹیسٹ مفت کئے گئے جبکہ دیگر ٹیسٹ رعایتی نرخ پر کئے گئے اور طبی معالج نے مفت طبی مشاورت فراہم کی۔

ORIXM نے چھاتی کے کینسر سے متعلق آگاہی نشست منعقد کی۔ اس کام سے بچہتی کے لئے ORIX کے ملازمین نے گلابی ربن باندھی اور سفید اور گلابی رنگ کے کپڑے پہنے۔

ORIXM کلائنٹس کو صاف ستھرا ماحول فراہم کرنے کے لئے کوشاں ہے۔ کلائنٹس سے متعلق تمام سرگرمیوں کے دوران لازمی طور پر ماحولیاتی اور سماجی خطرات کی پالیسیوں کی پاسداری کی جاتی ہے اور تمام کا پوریٹ کلائنٹس کو سرمایہ کاری سہولت کی منظوری سے قبل ان ماحولیاتی اور سماجی خطرات کی تشخیص کی جاتی ہے۔ مزید برآں ORIXM نے WWF کے ساتھ مل کر ”شجر کاری مہم“ میں حصہ لیا ہے جس کا مقصد پاکستان میں بڑھتے ہوئے ماحولیاتی چیلنجز کا مقابلہ اور ماحولیاتی معیار کو بہتر بنانا ہے۔ WWF کے نمائندگان کے تعاون سے 200 مینگروو کے پودے WWF کے ویسٹ لینڈ سینٹر میں لگائے گئے اور ملازمین میں پودے تقسیم کئے گئے تاکہ شجر کاری کی حوصلہ افزائی ہو جس کے نتیجے میں عالمی گرمی کو کم کیا جاسکے۔

سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ جن میں ہر ممبر کی حاضری درج ذیل رہی:

ممبر کا نام	حاضر اجلاسوں کی تعداد
جناب نوشیروان عادل	04
جناب فیصل ریاض	04
جناب ریمن الفیرے	04

سال کے دوران انسانی وسائل اور معاوضہ کمیٹی کا ایک اجلاس ہوا جس میں ملازمین کے معاوضہ کی رقومات کو حتمی شکل دی گئی جس میں تمام ممبران حاضر ہوئے۔

۸- بورڈ اور اس کی کمیٹیوں کا موجودہ ڈھانچہ

بورڈ اور اس کی کمیٹیوں کی تشکیل درج ذیل رہی:

بورڈ ممبران کے نام	کمیٹی کے ممبر	عہدہ
نوشیروان عادل	چیرمین آڈٹ اینڈ ایچ آر اینڈ آر کمیٹی	اینڈ پیپنٹ ڈائریکٹر
جناب راجیل کیوا احمد	ممبر ایچ آر اینڈ آر کمیٹی	ایگزیکٹو ڈائریکٹر
شاپین امین	ممبر ایچ آر اینڈ آر کمیٹی	نان ایگزیکٹو ڈائریکٹر
جناب ریمن الفیرے	ممبر آڈٹ کمیٹی	نان ایگزیکٹو ڈائریکٹر
میاں فیصل ریاض	ممبر آڈٹ کمیٹی	نان ایگزیکٹو ڈائریکٹر
مس مریم عزیز	-	نان ایگزیکٹو ڈائریکٹر

ایگزیکٹو ڈائریکٹران اور آڈٹ ڈائریکٹران کے معاوضہ کی ادائیگی مضاربہ کی منتظم کمپنی نے کی۔

تمام ڈائریکٹران نے ڈائریکٹرز تریٹی پروگرام کے تحت اپنی تربیت مکمل کر لی ہے۔

۹- بورڈ اور اس کی ذیل کمیٹیوں کی تشکیلیں

کئی سالوں سے ORIXM میں بورڈ کی کارکردگی کی تشکیلیں 'بورڈ کے از خود تشکیلیں' طریقہ کار کے مطابق انجام دی جاتی تھی تاہم آزادانہ تناظر کے حصول کے لئے بورڈ نے فیملو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کی خدمات حاصل کیں تاکہ وہ سال 30 جون 2019 کے لئے بورڈ ممبران اور بورڈ کی کمیٹیوں کے لئے بورڈ کی تشکیلیں کی مشق انجام دے۔ فیملو ایسوسی ایٹس کے مندرجہ ذیل افراد نے تشکیلیں مشق انجام دی۔

نام	تعلیمی قابلیت
جناب اولیس خان	چارٹرڈ اکاؤنٹینٹ
جناب احمر نسیم	ماسٹران فنانس

۶- ادارتی اور مالیاتی رپورٹنگ کا فریم ورک

- ☆ مضاربہ کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ٹیکسٹی سرمایہ (ایکویٹی) میں تبدیلیوں کی شفافیت کے ساتھ پیش کرتے ہیں۔
- ☆ مضاربہ میں حسابات کی کتابیں مناسب انداز میں رکھی گئی ہیں۔
- ☆ درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
- ☆ مالیاتی گوشواری کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں ملحوظ خاطر رکھا گیا ہے۔
- ☆ اندرونی نگرانی کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔
- ☆ مضاربہ کی چلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک و شبہ نہیں ہے۔
- ☆ لسٹنگ ریگولیشنز میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی بھی بڑا انحراف نہیں کیا گیا ہے۔
- ☆ گزشتہ چھ سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار اس سالانہ رپورٹ میں شامل کئے گئے ہیں۔
- ☆ ٹیکسوں، ڈیوٹیوں، محصولات اور اخراجات کی مد میں کوئی آئینی ادائیگی 30 جون 2019 کو واجب الادا نہیں تھی سوائے جنہیں مالیاتی گوشواروں میں منکشف کیا گیا ہے۔

۷- بورڈ آف ڈائریکٹرز کے اجلاس اور حاضری

سال کے دوران بورڈ آف ڈائریکٹرز کے چار (04) اجلاس ہوئے۔ بورڈ کا کوئی بھی اجلاس پاکستان سے باہر نہیں ہوا۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	حاضر اجلاسوں کی تعداد
شاپین امین	04
راحیل قمر احمد	04
ہاندیکی یوکو ہاما*	01
ریمن الفیری	04
میاں فیصل ریاض	04
نوشیروان عادل	04
مس مریم عزیز**	02

اور کس مضاربہ کی منتظم کمپنی اور کس سرورسز پاکستان (پرائیویٹ) لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز میں ڈائریکٹرز رپورٹ مختتمہ 30 جون 2018 کے بعد سے مندرجہ ذیل تبدیلیاں ہوئی ہیں:

* جناب ہیدا کی یوکو ہاما نے ڈائریکٹر کے عہدے سے 22 اکتوبر 2018 کو استعفیٰ دے دیا تھا۔

** 28 فروری 2019 کو ان کی جگہ پر مس مریم عزیز کی تقرری کی گئی تھی۔

بورڈ اس موقع پر سبکدوش ہونے والے ڈائریکٹر کی گرانقدر خدمات پر ان کا مشکور ہے اور ان کے لئے ستائش ریکارڈ پر لا رہا ہے اور نئے ڈائریکٹر کو خوش آمدید کہتا ہے اور انہیں اپنی ذمہ داریوں سے عہدہ برآں ہونے میں اپنے تعاون کی یقین دہانی کراتا ہے۔

انتظامی اور کاروباری اخراجات میں 9.48 فیصد اضافہ ہوا جو کہ گزشتہ سال کے 139.71 ملین روپے کے مقابلے میں موجودہ سال 152.95 ملین روپے ہو گئے جس کی بنیادی وجہ نئے قواعد کی پاسداری پر عملدرآمد تھا۔ تاہم خالص منافع میں 4.79 فیصد اضافہ ہوا جو کہ گزشتہ سال کے 120.30 ملین روپے کے مقابلے میں بڑھ کر 126.06 ملین روپے ہو گیا۔

اجارہ سرمایہ کاری پورٹ فولیو سکوک میں سرمایہ کاری اور مشارکہ منافع میں سرمایہ کاری 6,225 ملین روپے رہی جو کہ گزشتہ سال 30 جون 2018 کو 6,327 ملین روپے تھی جس سے 1.62 فیصد کمی کی عکاسی ہوتی ہے۔ جائزہ سال کے دوران، مضاربہ میں نئی سرمایہ کاریاں 2,682 ملین روپے رہیں جس میں 1,492 ملین روپے (56 فیصد) پلانٹ اور مشینری میں، 1,057 ملین روپے (39 فیصد) موٹر وہیکل میں اور 133 ملین روپے (5 فیصد) دیگر سرمایہ کاریوں میں رہے۔

واجبات میں مشارکہ سرفیکلیٹس میں 10.92 فیصد کمی ہوئی جو کہ 3,127 ملین روپے سے کم ہو کر 2,786 ملین روپے رہ گئیں جبکہ بینکوں میں سرمایہ کاری میں 18.17 فیصد اضافہ ہوا جو کہ گزشتہ سال کے 1,636 ملین روپے سے بڑھ کر 1,934 ملین روپے ہو گئیں جس کی بنیادی وجہ ہماری حکمت عملی قلیل مدتی مشارکہ سرفیکلیٹس کے بجائے طویل مدتی بینک سرمایہ کی طرف مائل رہی۔

کاروبار میں موجودہ منتخب کلائنٹس کے ساتھ تعلقات کو مزید مستحکم کیا گیا اور اچھی ساکھ کے حامل نئے کلائنٹس کے ساتھ تعلقات استوار کئے گئے۔ اثاثوں کا پورٹ فولیو کثیر القومی، بڑے اور درمیانی سائز کے مقامی اداروں کے لئے مصنوعات کا بہتر مرکب پیش کیا گیا اور منتخب SME سے تعلقات قائم کئے گئے۔

اور کس مضاربہ باریک بینی سے خطرات کی نگرانی اور تدارک کرتی ہے۔ قرض خواہ کی قرضہ جاتی پروفائل بشمول واپس ادائیگی کی صلاحیت کی تشخیص سرمایہ کاری سہولت کی منظوری کے وقت کی جاتی ہے اور باقاعدگی سے نگرانی کی جاتی ہے۔ مزید برآں پورٹ فولیو کے انتظام اور قبل از وقت ہوشیار کرنے والی کمیٹیاں موجود ہیں جو کہ پورٹ فولیو کی نگرانی کرتی ہیں اور کسی بھی ممکنہ ناخوشگوار منظر نامہ سے بروقت ہوشیار کرتی ہیں۔

۳- منظر نامہ

آپ کی مضاربہ نے جاری معاشی عدم استحکام میں احتیاط اور باریک بینی سے کام لیا جس کے نتیجے میں نئے مواقعوں سے فائدہ اٹھاتے ہوئے تمام مستفیدان کو بہتر منفعت فراہم کی گئی۔ ہماری حساس اور خطرات سے تیز تر نمٹنے کی رسائی نے مضاربہ سیکٹر میں کمپنی کو قائم ماندہ کردار ادا کرنے میں مدد فراہم کی۔ ہم تسلسل کے ساتھ اپنی معیاری کلائنٹس کے ساتھ توجہ کسٹمر کی خدمات پر مرکوز رکھیں گے۔

۴- حصص داری کی ساخت

کمپنی کے سرفیکلیٹس کی خرید و فروخت پاکستان اسٹاک ایکسچینج لمیٹڈ میں ہوتی ہے۔ 30 جون 2019 کو سرفیکلیٹ کی حصص داری کی معلومات سالانہ رپورٹ کے متعلقہ حصے میں فراہم کی گئی ہے۔ ڈائریکٹران، سی ای او، سی ایف او/کمپنی سیکریٹری، انٹرنل آڈٹ کے سربراہ اور ان کے شریک حیات اور چھوٹے بچوں نے مضاربہ کے سرفیکلیٹس میں سال کے دوران کوئی خرید و فروخت نہیں کی سوائے جسے نگران اداروں کو رپورٹ کیا گیا ہے اور جسے حصص داری کی ساخت میں شامل کیا گیا ہے۔

۵- منافع کی تقسیم

بورڈ نے اپنے اجلاس مورخہ 04 ستمبر 2019 میں سال تختہ 30 جون 2019 کے لئے 10 روپے کے سرفیکلیٹ پر ۲۵ روپے (۲۵ فیصد) کی تقسیم کی منظوری دی ہے جس میں سے زکوٰۃ اور لاگو ٹیکس شرح کے حساب سے کٹوتی کئے جائیں گے۔

مضاربہ کے پروڈینشل ریگولیشنز کی پاسداری کرتے ہوئے 6,303 روپے کی رقم دستور ذی خائر میں منتقل کر دی گئی ہے جس کے تحت کسی بھی مضاربہ کے بعد از ٹیکس منافع کم از کم 20 فیصد اور زیادہ سے زیادہ 50 فیصد ذی خائر میں منتقل کیا جائے گا اس وقت تک جب تک کہ ذی خائر 100 فیصد ادا شدہ سرمائے کے برابر نہ ہو جائیں۔ اس کے بعد ہی بعد از ٹیکس منافع کے 5 فیصد سے کم منتقل نہیں کیا جاسکتا ہے۔

۲- مالیاتی نتائج اور کاروباری جائزہ

جون ۳۰ ۲۰۱۸	جون ۳۰ ۲۰۱۹
(PKR '000')	(PKR '000')
۸۵۳،۸۳۵	۲۵۳،۸۳۵
۱،۱۴۷،۸۸۰	۱،۱۶۰،۴۷۵
۳،۸۳۳،۱۲۵	۳،۱۳۹،۸۸۸
۲،۴۹۳،۹۶۳	۳،۰۸۴،۶۹۰
۳،۱۴۷،۱۱۵	۲،۷۸۵،۷۰۵
۵۲۴،۰۷۷	۷۴۱،۵۳۳
۳۴۵،۹۳۲	۴۴۷،۵۴۵
۱،۹۵۱	۳،۹۷۸
۱۳۹،۷۰۵	۱۵۲،۹۵۱
۱۳۸،۳۹۰	۱۴۵،۰۱۶
۱۳۸،۳۹۷	۱۲۶،۰۵۷
۱۲۰،۲۹۷	۱۲۶،۰۵۷
۳۳،۱۹۳	۳۴،۰۱۴
۱۵۳،۴۹۰	۱۶۰،۷۷۱
۱۱۳،۴۶۱	۱۱۳،۴۵۹
۶،۰۱۵	۴،۳۰۳
۱۱۹،۴۷۶	۱۱۹،۷۶۲
۳۴،۰۱۴	۴،۳۰۹
۲،۶۵	۲،۹۷

میزانیہ سرٹیفکیٹس کا سرمایہ
کل حصصی سرمایہ
اجارہ فنانس اور اجارہ اثاثوں میں سرمایہ کاری
مشارکہ متناقعہ اور سکوکس میں سرمایہ کاری
قابل بازیابی سرمایہ

منافع اور خسارہ
محصولات (اجارہ اثاثوں کی فرسودگی نکالنے کے بعد)
مالیاتی اخراجات
مختلف تخصیص اور فرسودگیوں کی واپسی
کاروباری منافع
منافع قبل از انتظامی فیس
خالص منافع

مصارف منافع
سال کا خالص منافع
جمع: غیر مصرف شدہ منافع پیچھے سے لایا گیا
مصارف کے لئے دستیاب منافع

منافع کی تقسیم بحساب ۲۵ فیصد (۲۰۱۸ میں ۲۵ فیصد)
دستوری ذخائر

غیر مصرف شدہ آگے لے جایا گیا
آمدن فی سرٹیفکیٹ

اللہ رب العزت کی رحمت سے جائزہ سال کے دوران معاشی سست روی، ایس بی پی کے رعایتی نرخ میں تیز ترین اور بڑے پیمانے پر اضافہ، جس کی وجہ سے ڈپازٹ کی شرح اور مالی اخراجات میں فوری اضافہ ہوا جبکہ اثاثوں کے منافع پر اثر ہونے میں تقریباً چھ ماہ لگے، صنعتی پھیلاؤ میں کمی اور اسلامی بینکوں کے مابین سخت مسابقت کے باوجود آپ کے مضاربہ کی کارکردگی بہت مضبوط رہی۔ مضاربہ کے خام محصولات میں ۶.۱ فیصد اضافے کے ساتھ ۲،۰۲۷ ملین روپے ہو گئے جبکہ گزشتہ سال کے ۱،۹۵۳ ملین روپے تھے۔ محصولات (اجارہ اثاثوں کی فرسودگی اور بشمول دیگر آمدن) ۴۲.۰۴ فیصد اضافے کے ساتھ ۷۴۱.۵۳ ملین روپے رہے جبکہ گزشتہ سال ۵۲۲،۰۸ ملین روپے تھے۔ مالیاتی اخراجات نکالنے کے بعد خالص محصولات 6.4 فیصد اضافے کے ساتھ 293.99 ملین روپے رہے جبکہ گزشتہ سال 276.14 ملین تھے۔ جس کی بنیادی وجہ رعایتی نرخوں میں اضافہ کار، حجان اور مصنوعات کا بہتر مرکب تھیں جس کی وجہ سے بہتر شرح منافع حاصل ہوئی۔

مضاربہ کمپنی کے ڈائریکٹران کی تینتیسویں رپورٹ

برائے مختتمہ سال ۲۰۱۹ جون

اورکس مضاربہ ORIXM کی منتظم کمپنی اورکس سرورسز پاکستان (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز ORIXM کی ۳۳ ویں رپورٹ کے ساتھ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز رپورٹ برائے مختتمہ سال ۲۰۱۹ جون پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

۱- معیشت

پاکستان کی معیشت ایک انتہائی تشویشناک دور ہے پر ہے۔ ماضی میں غیر مطابقتی معاشی پالیسیوں کے نتیجے میں بڑا مالیاتی خسارہ، ڈھیلی ڈھالی مالیاتی پالیسی اور حد سے زیادہ قدر بڑھنے کا دفاع سے نہ اشیائے صرف کی قیمتوں میں اضافہ ہوا اور حالیہ سالوں میں قلیل مدتی نمو ہوئی، لیکن اچانک بڑے معاشی اشاریوں کی تباہ حالی، بڑھتے ہوئے بیرونی اور سرکاری قرضے اور زرمبادلہ کے ذخائر میں کمی شامل ہے۔ ڈھانچے میں بڑے پیمانے پر کمزوریاں ختم نہ کی جاسکیں جن میں ٹیکس کا بوسیدہ کمزور انتظامی ڈھانچہ، ایک دشوار گزار کاروبار ماحول، غیر مستعد اور خسارہ میں جانے والی SOEs کے ساتھ معیشت میں بے ضابطگی شامل ہیں۔ ہنگامی بنیاد پر پالیسی میں تبدیلی لائے بغیر مالیاتی استحکام خطرے میں رہے گا اور نمو کے امکانات تیزی سے بڑھتی ہوئی آبادی کی ضروریات پورا کرنے کے لئے ناکافی ہونگے۔

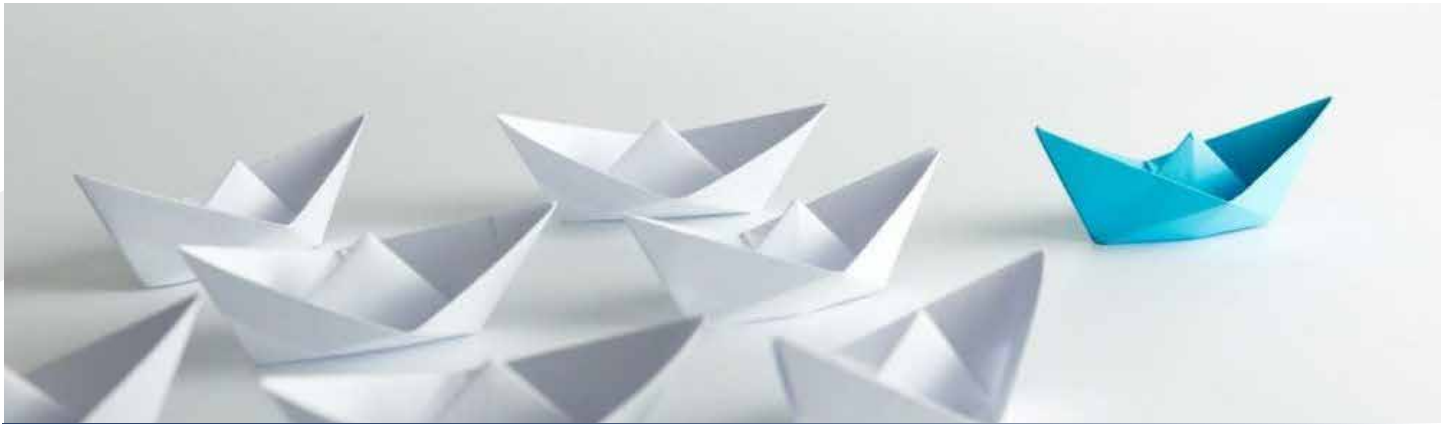
کمزور پالیسیوں کی وجہ سے بڑی معاشی کمزوریوں میں تیزی سے خروچوں میں اضافے اور درآمدی نمو کے ماڈل کی تائید کرتی ہیں۔ خاص طور پر مالیاتی پالیسیوں میں شدید اتار چڑھاؤ کی وجہ سے مالیاتی سال ۲۰۱۹ میں مالیاتی خسارہ GDP کا ۸.۹ فیصد ہو گیا جو کہ بجٹ کے ہدف سے ۵-۲ فیصد زیادہ ہے، جس سے سرکاری قرضہ جی ڈی پی کا ۵۷ فیصد ہو گیا۔ مالیاتی ترغیبات کے ساتھ من پسند مالیاتی پالیسی اور بنیادی طور پر زرمبادلہ کے حد سے زیادہ زخوں کے دفاع کی وجہ سے گزشتہ سال رواں کھاتے کا خسارہ GDP کے ۶.۳ فیصد ہو گیا۔

دو ضمنی بجٹ لانے کے باوجود مجموعی مالیاتی خسارہ (ماسوائے گرانٹس) سے اندازہ ہے کہ مالیاتی سال ۲۰۱۹ کے بجٹ ہدف 5.1 فیصد کے مقابلے میں GDP کے 7 فیصد سے زیادہ رہے گا۔

عدم توازن اور ڈھانچے کے مسائل کے حل کے لئے اٹھارہ نئے ۳۹ ماہی توسیعی سرمایہ سہولت (EEF) کی درخواست کی ہے۔ انہوں نے معیشت کو مضبوط کرنے اور تیز ترین اور متوازن نمو کے لئے ایک جامع پروگرام مرتب کیا ہے جس کے اہم عناصر درج ذیل ہیں:

- ۱) سرکاری قرضے کو کم کرنے اور پلک پیدا کرنے کے لئے فیصلہ کن مالیاتی انجماد جسے مالیاتی سال کے بجٹ ۲۰۲۰ کے آغاز سے ہی اختیار کیا گیا ہے۔
- ۲) ایک پلکار، مارکیٹ پر منحصر زرمبادلہ کا نرخ تاکہ مسابقت کو بحال، زرمبادلہ کے سرکاری ذخائر کی از سر نو تعمیر اور بیرونی جھنگوں کے خلاف ایک بفر
- ۳) توانائی کے شعبے میں اصلاحات کر کے ظاہری خساروں کا خاتمہ اور سرمایہ کاری کی حوصلہ افزائی، بشمول گیس اور بجلی کے نرخ مقرر کرنے کو غیر سیاسی کرنا اور لاگت کی بازیابی کے لئے زخوں میں کمی پیش کرنا۔
- ۴) معاشرے کے کمزور طبقات کو تحفظاتی نیٹ میں توسیع اور مضبوطی کے ذریعے سماجی بہبود کے اخراجات میں اضافہ کر کے تائید فراہم کرنا
- ۵) اداروں کو مضبوط کرتے ہوئے ڈھانچے میں اصلاحات، نظم و نسق اور شفافیت میں اضافہ اور سرمایہ کار دوست ماحول کو پروان چڑھانا جو کہ پیداواریت میں بہتری لائے، دورس اصلاحات کے مورچہ بندی کرے اور پائیدار نمو کو یقینی بنائے۔

اگرچہ کہ اس پروگرام کے نتائج کو تشخیص کرنا قبل از وقت ہوگا تاہم کچھ ابتدائی اشاریے کسی حد تک حوصلہ افزائی فراہم کر رہے ہیں۔ ۲۰۱۹ کی دوسری سہ ماہی میں رواں کھاتے کا خسارہ کم ہو کر ۲۴.۲۲ بلین یو ایس ڈالر رہ گیا جو کہ ۲۰۱۸ کی دوسری سہ ماہی میں ۳۳.۲۱ بلین ڈالر تھا، جس سے پتا چلتا ہے کہ غیر ضروری اشیاء کی درآمدات میں کمی ہوئی ہے۔



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

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:

Name of Directors	Designation
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;

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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.
- 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.

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

Name of Directors	Designation
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.



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Certificate holders of ORIX Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (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 2019 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 a 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 2019.

KPMG Taseer Hadi

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

Karachi

Date: 13 September 2019

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 ORIX Services Pakistan (Private) Limited Year Ended June 30, 2019

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 6 as per the following:
 - a. Male: 5
 - b. Female: 1

2. The composition of board is as follows:

Category	Names
Independent Director	Mr. Nausherwan Adil
Executive Director	Mr. Raheel Q. Ahmad
Non-Executive Director	Mr. Shaheen Amin
Non-Executive Director	Mr. Ramon Alfrey
Non-Executive Director	Mian Faysal Riaz
Non-Executive Director	Ms. Maryam Aziz

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. The company has provided training to its Director Mr. Nausherwan Adil under the Director training program conducted by Institute of Chartered Accountant of Pakistan-ICAP. Hence the entire board of the company has completed the required directors training.
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) 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. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board



SHAHEEN AMIN

Chairman

Dated: September 04, 2019

Report of the Board Audit Committee



Nausherwan Adil
Chairman
Audit Committee

Committee Members	Designation
Nausherwan Adil	Chairman
Ramon Alfrey	Member
Mian Fayçal Riáz	Member
Ahsan Ilyas	Secretary

Dear Certificate holder,

I am pleased to present the report of the Board Audit Committee (BAC) for the financial year ended June 30, 2019. This report outlines the key areas of focus of the Audit Committee and explains how it fulfilled its responsibilities during 2019.

Membership

There were no changes to the composition of the Committee in 2019. The Committee is chaired by Mr. Nausherwan Adil (Independent Non-executive Director) and comprises two other Non-executive Directors of the Company. The Chairman of the Committee is considered to be free of any relationship that would affect his impartiality in carrying out his responsibilities as a member of Board and Chairman of Audit Committee. As the Modaraba is listed on Pakistan Stock Exchange (PSX), the Independent Non-executive Director provided that he remained independent in accordance with the requirement of SECP (Code of Corporate Governance) Regulations, 2017 (Code) throughout the year. The composition of the Committee therefore, complies with the requirement of Code.

Details of the experience of all members of the Committee are included on page 20 to 21 of ORIXM Annual Report 2019. The Committee considers that one Committee member (Mr. Ramon Alfrey) possesses relevant financial experience and he thus qualifies as financially literate in compliance with the requirement of Code.

Four (04) Committee meetings were held in 2018-2019, all of which were held shortly prior to submission of the quarterly financial statements to the Board. During 2018-2019, all members attended the meetings scheduled during the year.

The Chairman of the Committee reports to the subsequent meetings of the Board and the Board receives a report by Chairman Audit Committee on significant matters arising/ raised at the Audit Committee Meetings. The Head of Internal audit acts as the secretary to the Committee.

Meetings of the Committee are normally attended by the CEO and the CFO (who is also the Company Secretary) as well as the Head of Internal Audit and the external auditors (both of whom have direct access to the Chairman of the Committee). At the end of every meeting, the Committee has the opportunity to meet alone with the Head of Internal Audit.

Key areas of responsibility

In accordance with its terms of reference the Board has delegated to the Committee responsibility for overseeing key areas of responsibility which include the following:

—Financial reporting – this area of responsibility includes monitoring the integrity and compliance of the Modaraba’s financial statements and any formal announcements or publications relating to the Modaraba’s financial performance as well as reviewing significant financial reporting issues and judgements made in connection with them.

—Risk management – this area includes reviewing and monitoring the effectiveness of the procedures for the identification, assessment and reporting of risk as well as the nature and extent of the risks that the

Modaraba is facing and should be willing to take in achieving its strategic objectives.

—Compliance – this area includes reviewing the Modaraba’s compliance policies and procedures to ensure that it complies with relevant regulatory and legal requirements including the arrangements in place for the reporting and investigation of concerns identified.

—Internal audit – this area includes monitoring the role and effectiveness of the Internal Audit function including approving the annual plan of internal audit work in line with three year audit plan approved by the Committee last year, monitoring the reports arising from internal audits and the status of actions resulting therefrom and the appointment or removal of the Head of Internal Audit.

—Whistleblowing – reviewing arrangements by which staff may in confidence raise concerns about possible improprieties regarding financial reporting and other matters.

—Internal controls – this area includes reviewing the effectiveness of the Modaraba’s system of internal controls and ensuring timely action is taken by management to address matters arising from the risk and internal audit assessments.

—External audit – this area includes considering and making recommendations to the Board on the appointment of the external auditors (including approving the remuneration and terms of appointment) as well as reviewing the external auditors’ annual audit report and the results therefrom, reviewing the quality and effectiveness of the audit and reviewing and confirming the policy on non-audit services carried out by the external auditors and auditor independence.

The Committee has a planned cycle of activities to ensure that it addresses its responsibilities in the current financial year.

Activities of the Committee during the period under review and following year end

The Committee has addressed its responsibilities primarily by:

—reviewing the Modaraba’s system of controls and its effectiveness using information drawn from a number of different sources including management, compliance and risk management reports, and independent assurance provided by internal audit (through its annual audit plan) and the external auditors;

—approving the policy on non-audit services carried out by the Modaraba’s external auditors;

—reviewing and confirming to the Board that, based on its review of the Annual Report and Accounts and internal controls that support the disclosures, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for the shareholders to assess the Company’s position and performance and its business model and strategy;

—reviewing the accounting issues and significant judgements related to the financial statements;

—reviewing the appropriateness of the Modaraba’s accounting policies;

—reviewing reports regarding risk management, compliance and internal audit including the procedures and plan relating to each area;

—reviewing and approving the risk management framework and risk appetite, the Modaraba’s principal risks and uncertainties;

—recommending to the full Board, which adopted the recommendation, the appointment of A. F. Ferguson & Co. Chartered Accountants - a member firm of PricewaterhouseCoopers (“PwC Pakistan”) as the Modaraba’s external auditors for the year ending June 30, 2020 subject to approval of SECP Registrar Modarabas;

—reviewing arrangements by which staff may in confidence raise concerns about possible improprieties;

—reviewing the ongoing professional development of Committee members; and

—reviewing its terms of reference.

Risk management and internal controls

The Board has delegated to the Committee responsibility for monitoring and reviewing the Modaraba’s risk management framework, the risks that the Modaraba should be willing to take in achieving its strategic objectives, and the controls in place within this framework to ensure that the it has robust procedures for financial reporting and preparing its accounts.

GOVERNANCE

The Committee has reviewed the effectiveness of the Modaraba's risk management and internal controls systems, and reported on such review to the Board. In conducting its review the Committee focused on material risks, including the determination of the nature and extent of the principal risks, and controls in the context of reports it received regarding risk management, compliance and internal audit as well as reports from the Company's external auditors. Details of the Modaraba's principal risks and uncertainties are set out on page 36 to 37 of ORIXM Annual Report 2019 together with information about the management and mitigation of such risks.

Internal audit

The primary objective of the Internal Audit function is to systematically and objectively assess: (i) the effectiveness of the business controls over the Modaraba's operations, financial reporting, risk and compliance areas and (ii) the adequacy of these systems of control to manage business risk and safeguard the Modaraba's assets and resources.

The Committee has reviewed and approved the internal audit role and risk-based internal audit plan for all business and control functions of the modaraba, and received periodic updates on the internal audit activity and engagement results to help form a view on internal audit effectiveness.

The Committee has satisfied itself that the quality, experience and expertise of the Internal Audit function are appropriate for the Modaraba but will continue to review and monitor its effectiveness during 2019-2020.

External audit effectiveness and independence

The Committee is also responsible for managing the relationship with the Modaraba's external auditors, retiring auditors KPMG Taseer Hadi & Co. (KPMG in Pakistan), on behalf of the Board.

Overall effectiveness of the external audit process is dependent upon open communication between the Modaraba and the External auditors, which allows each party to raise potential accounting and financial reporting issues as and when they arise, rather than limiting this exchange to only during regularly scheduled meetings.

External audit appointment and tendering

The Committee has concluded that the external auditors have demonstrated appropriate qualifications and expertise and have remained independent of the ORIX Group. Since

previous auditors KPMG Taseer Hadi & Co. Chartered Accountants (KPMG in Pakistan) have completed five year tenure as external auditors of ORIXM, therefore, in compliance of Code, ORIXM is required to change its auditors going forward. Accordingly, the Committee has recommended to the Board that PwC Pakistan be appointed as the Modaraba's auditors for next year. The Board has accepted this recommendation and an application in this respect has been made to SECP Registrar Modarabas for confirming appointment of PwC Pakistan as external auditors of ORIXM for the year ending June 30, 2020.

The Committee has also reviewed PwC Pakistan Consent letter and determined its remuneration in accordance with its obligations under the Code, such remuneration being considered appropriate by the Committee.

Performance evaluations

The performance of the BAC was evaluated by an external party during the year ended June 30, 2019. The evaluation concluded that the BAC operated effectively during 2019. The Committee was described as thorough and diligent in tackling its agenda. The Board and the BAC have considered and discussed the outcomes of the evaluation and will track progress on the recommendation during 2019-2020.

Evaluations of the External Auditor and Internal Audit function are conducted each year. The 2019 Internal Audit evaluation was conducted by the Committee and the Committee was satisfied with the overall performance of the department, however, few recommendations were highlighted by members where improvements is required. The overall findings were positive and recommendations for improvement are being progressed by Internal Audit and overseen by the BAC. The 2019 evaluation of the External Auditor was conducted internally. It was concluded that the external auditor was operating effectively.

I will be available to answer any questions about the work of the Committee at the ARM on Friday, October 25, 2019.

Nausherwan Adil

Chairman of the Audit Committee

CORPORATE GOVERNANCE FRAME WORK

The Board as a whole continues to take ownership of effective leadership and the long-term success of the Modarabæ. 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 Modarabæ'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	03
Female Director	01

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

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:

- He has not been an employee of the Company or any of its subsidiaries or holding company within the last three years;
- He has not been the CEO of Company's subsidiaries, associated company, associated undertaking or holding company in the last three years;
- 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;
- 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;

- He has not a close relative of the Company's promoters, directors or a major shareholders;
- He has not hold cross-directorships nor have significant links with others directors through involvement in other companies or bodies;
- He has not served on the Board for more than three consecutive terms from the date of my first appointment.

Female Director

The Board in accordance with clause 7 of listed Companies code of Corporate Governance 2017 has appointed Ms. Maryam Aziz as female representative on the Board of ORIX Modarabæ. Her appointment was made on February 28, 2019

Decision taken by Board or delegated to management

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

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

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.

Over the years, ORIXM had conducted annual evaluation of Board's performance on "Board Self Evaluation, however in order get an independent perspective, the Board entrusted M/s FAMCO Associates (Pvt.) Ltd. to carry out Board Evaluation exercise for Board members and Board Committee members for the year ending June 30, 2019. The following persons from M/s Famco associate performed the evaluation exercise:

The result of the independent evaluation reveals that the Board members are generally satisfied with the Board's performance and high level of consensus prevails amongst the Board Members in all the areas covered in the questionnaire. The Board members were also found satisfied with performance of CEO.

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:

During the year, Mr. Nausherwan Adil, an independent director of ORIX Modaraba has obtained the director training program arranged by the Pakistan Institute of Corporate Governance. Currently all directors of the Modaraba have either acquired the prescribed certification under the Director training program offered by Pakistan Institute of Corporate Governance.

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 2019, 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 32 to the financial statements.

GOVERNANCE

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.

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- 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.

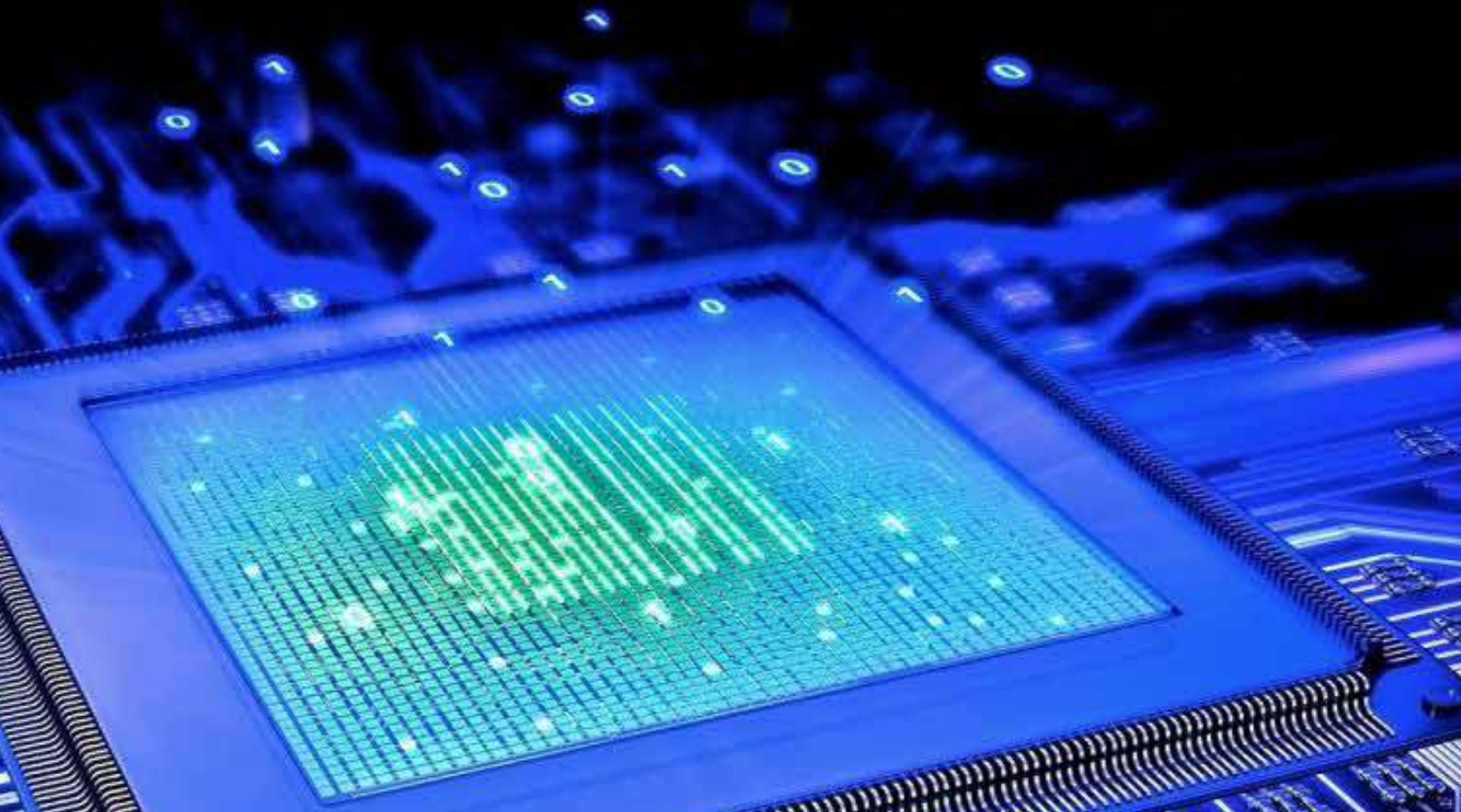
Business Continuity Plan:

"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 ensures 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 what 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.



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 has devised a proper mechanism for Shariah Governance. This mainly includes appointment of a Shariah Advisor who reviews & ensure 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. Moreover ORIXM has developed product program of each of its product offered, where are duly reviewed and signed by the Shariah Advisor. All process flows of products are also approved by the Shariah Advisor. In addition, ORIXM has a Shariah Internal Advisor who reviews the transactions on a regular basis to validate ORIXM's compliance to Islamic principles.

Shariah Advisor Profile

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



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, 2019 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. During the year, ORIXM employees (either individually or collectively as a group) were provided inhouse/ external *Shariah* related learning opportunities in the areas of product programme, process flows, client related documentation, sources of income, etc,
- iii. Several interactive sessions held at ORIXM premises in which *Shariah* Advisor provided guidance on *Shariah* compliance in Modaraba's process flows and other client related documentations to Senior Management Personnel.
- iv. 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
- v. 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.
- vi. Profit sharing ratios, profits relating to deposit raising product conform to the basis and principles of scheme approved by SECP religious board.
- vii. During the period, no earnings were realized from the sources or by means prohibited by *Shariah* and credited to charity account.

Observations

1. 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
2. Most of the heads of departments have good Islamic knowledge about their business and related processes and they have acted in the best way possible to promote *Shariah* compliance in the Modaraba by taking timely advice from me on different *shariah* matters
3. During the year, some of the senior management personnel attended external Islamic workshops/ deliberation sessions related to development in Islamic Financial Accounting Standards and have actively participated in finalization of recommendation of changes in AAOIFI Standards

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
Dated: August 28, 2019



Signature
Stamp of the *Shariah* Advisor



PERFORMANCE

& POSITION

PERFORMANCE & POSITION

ORIX Modaraba
(formerly Standard Chartered Modaraba)

KEY FINANCIAL DATA (Rupees in Million)

	Jun-19	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14
Total assets	6,966	6,953	5,962	5,278	5,180	6,035
Portfolio	6,225	6,327	5,449	4,838	4,706	5,548
Total disbursements	2,682	3,742	3,305	2,412	1,893	2,176
Current assets	1,790	1,174	591	570	752	824
Total liabilities	5,806	5,806	4,812	4,102	4,027	4,942
Current liabilities	4,207	4,206	3,468	2,805	1,700	2,513
Financing from financial institutions	1,934	1,636	947	328	478	1,041
Redeemable capital and deposits	3,435	3,849	3,581	3,451	3,270	3,580
Certificate-holders' fund (cum dividend)	608	601	610	642	627	607
Reserves	553	547	541	534	525	486
Certificate-holders' equity	1,161	1,148	1,151	1,176	1,152	1,093
Revenues from operations (net off depreciation)	742	522	458	496	653	690
Financial charges	448	246	204	223	313	386
Impairment loss / (reversal) against doubtful debts	(4)	(2)	(12)	(33)	18	6
Net Profit	126	120	128	173	195	182
Dividend including Bonus certificates	113	113	123	154	150	136

SUMMARY OF CASH FLOW

Cash and cash equivalents at beginning of the year	409	368	257	245	(141)	637
Net cash generated from / (used in) operating activities	158	(916)	(340)	201	877	447
Net cash generated from / (used in) investing activities	18	9	14	(18)	32	7
Net cash generated from / (used in) financing activities	(152)	948	437	(171)	(523)	(1,232)
Net Increase / (decrease) in cash and cash equivalents	24	41	111	12	386	(778)
Cash and cash equivalents at end year	433	409	368	257	245	(141)

Profitability Ratios

Profit before tax ratio	%	27.86	32.04	36.96	33.32	27.74	18.55
Gross Yield on Earning Assets	%	11.13	7.18	8.03	10.53	13.37	13.40
Gross Spread ratio	%	66.92	56.96	50.87	47.61	53.40	58.89
Cost/Income ratio	%	51.33	50.24	48.95	34.83	29.83	29.50
Return on Equity	%	10.92	10.47	11.03	14.87	17.40	17.34
Return on Capital employed	%	2.14	2.24	2.80	4.02	4.24	3.43

Liquidity Ratios

Advances to deposits ratio		2.23	2.02	1.98	1.73	1.75	2.00
Current / Quick ratio		0.43	0.28	0.17	0.20	0.44	0.33
Cash to Current Liabilities	%	10.28	9.73	10.59	9.51	15.75	5.73
Investment /Market Ratios							
Dividend Yield ratio	%	16.13	15.05	11.57	13.60	11.00	13.48
Dividend Payout ratio	%	90.01	94.32	95.55	78.94	76.62	74.93
Cash Dividend per certificate	%	25.00	25.00	27.00	34.00	33.00	30.00
Cash Dividend per certificate	Rs.	2.50	2.50	2.70	3.40	3.30	3.00
Earnings per Certificate (EPC) basic and diluted	Rs.	2.78	2.65	2.83	4.31	4.31	4.00
Break-up Value per share	Rs.	25.57	25.29	25.34	25.92	25.40	24.09
Market value per certificate at the end of the year and high/low during the year	Rs.	15.50	16.61	23.33	25.00	30.00	22.25
Market value per certificate - low	Rs.	14.65	16.37	21.47	24.25	21.60	13.70
Market value per certificate - high	Rs.	20.25	24.49	28.29	32.24	32.98	23.83
Dividend Cover ratio		1.11	1.06	1.05	1.27	1.31	1.33
Price Earnings ratio		5.58	6.27	8.26	5.80	6.97	5.56
Price to Book ratio		0.10	0.11	0.18	0.22	0.26	0.17

KEY FINANCIAL DATA (Rupees in Million)

Capital Structure Ratios

		Jun-19	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14
Earning assets to total assets ratio	%	95.56	96.88	97.55	96.72	96.01	94.31
Weighted Average cost of deposit	%	8.57	5.39	5.69	5.93	9.02	7.83
Net assets per share	Rs.	25.57	25.29	25.34	25.92	25.40	24.09
Financial leverage ratio		4.07	4.15	3.22	2.65	2.74	3.49
Weighted average cost of debt	%	9.44	5.81	5.97	7.10	8.98	9.09
Debt to Equity ratio		1.72	1.47	1.30	1.24	1.42	2.01
Financial Charges Cover ratio		1.28	1.49	1.63	1.78	1.62	1.47

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

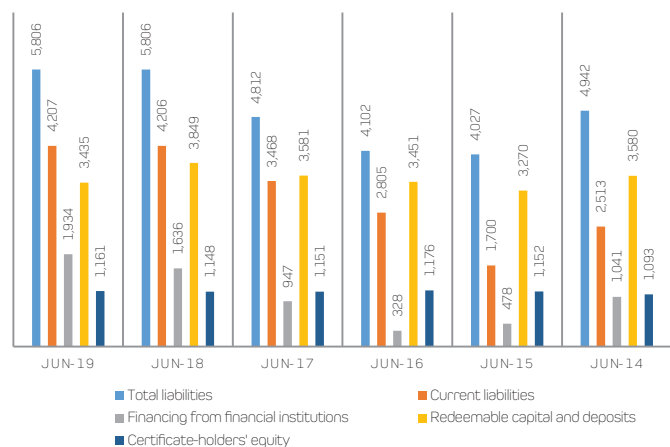
Non performing portfolio

	Jun-19	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14
Ijarah	29.34	31.75	35.61	41.38	66.76	95.54
Diminishing Musharaka	34.97	-	-	-	115.42	121.02
Housing Finance	-	7.43	-	-	-	-
Sukuks	57.70	57.70	57.70	57.70	57.70	57.70
Total	122.02	96.88	93.31	99.08	239.88	274.27

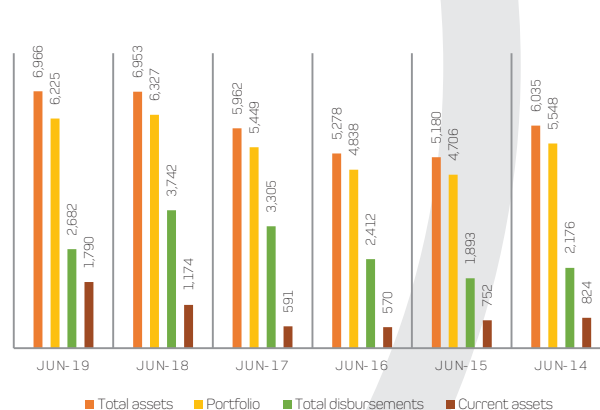
Concentration of assets, liabilities and off Balance Sheet items

GRAPHS

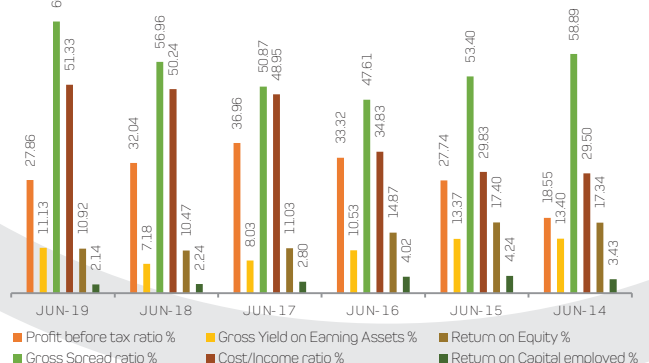
EQUITY & LIABILITIES



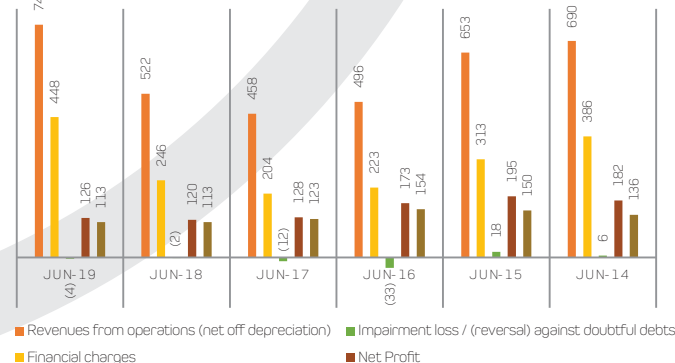
ASSETS



PROFITABILITY RATIOS

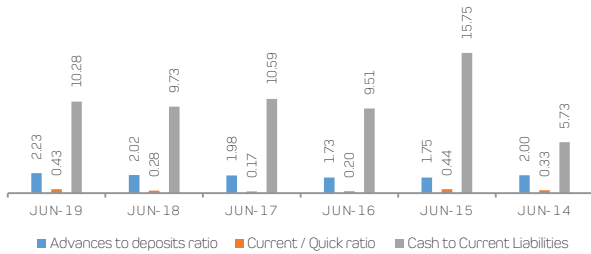


PROFIT & LOSS

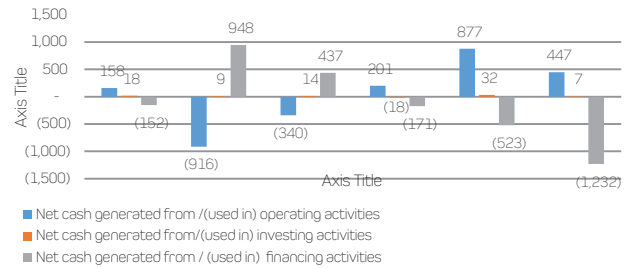


GRAPHS

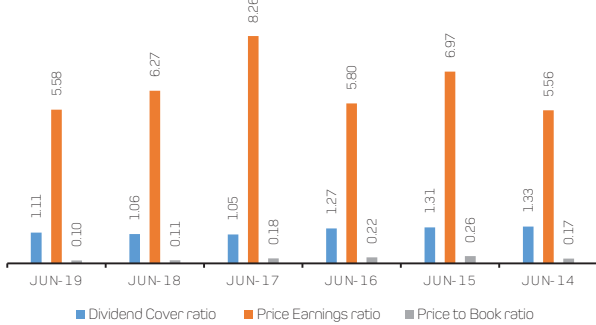
LIQUIDITY RATIOS



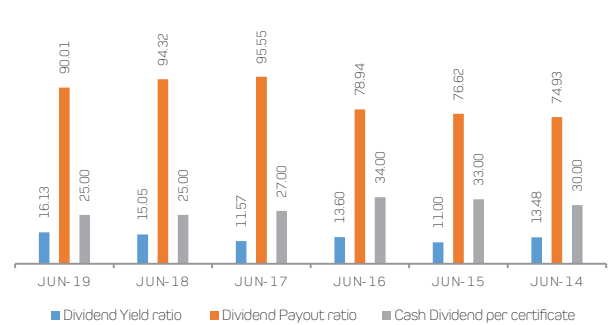
CASH FLOW



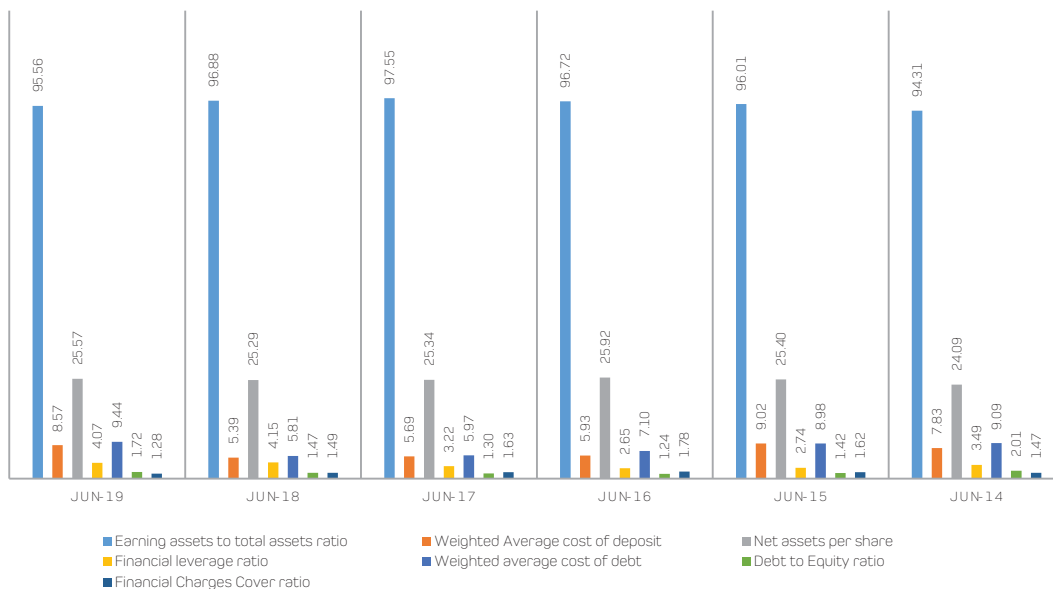
INVESTMENT/ MARKET RATIOS



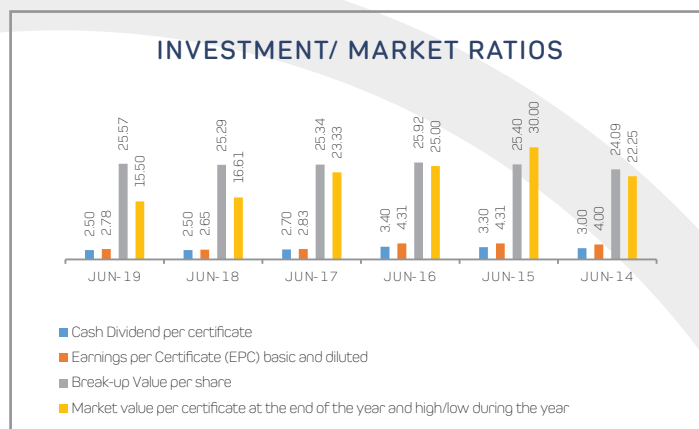
INVESTMENT/ MARKET RATIOS



CAPITAL STRUCTURE RATIO



GRAPHS



Comments on Key Financial Data and Ratios

In the year 2018-19, the economic fundamentals of the country after largely remaining stagnant for the past few years has taken a major correction. With a large devaluation in the exchange rate of the Rupee against dollar, large increases in the discount rates and inflation along with other governmental measures to contract demand and bring the current account deficit under control resulted in increase in the overall cost of doing business. Under these circumstances, ORIXM has preferred to remain focused on the twin strategy of deepening relationships and preventing delinquency or stressed assets. The increase in assets therefore warranted extra caution and therefore the total assets remain at last year's levels. Liabilities profile with respect to main funding sources i.e. redeemable capital and financing from financial institutions has been shifted more towards banking lines which now form 41% of the main funding sources as compared to 34% last year. This was a major step in removing contractual maturity mis-match. Revenues from Operations have increased mainly due to increase in discount rates on regular intervals during the financial year. Overall financial charges have also increased in line with the increases in discount rates. There is however a lag between the increase in deposit cost and the revision done with clients of the financial assets, therefore the net effect on profit was limited to a marginal increase of 4.8% as compared to last year.

Profitability Ratios

Profit before tax ratio has mainly been reduced due to the time lag between the increase in deposit cost and the repricing of the financial assets.

Gross Yield on Earning assets have increased mainly due to the increasing discount rates which in turn has resulted in higher revenue from Ijarah, Diminishing Musharaka and other sources.

Gross spread ratio (financial charges as a percentage of gross revenue net off Ijarah assets depreciation) showed a decline mainly due to repricing (discount rate movements) lags as discussed above. Please refer to the same comments for Cost/Income ratio, Return on Equity and Return on capital Employed.

Liquidity Ratio

Historically the current ratio in Financial Services Modarabas is always less than 1 as Ijarah finances are classified as long term fixed assets. The current ratio this year improved from 0.28 to 0.42 compared to last year as the focus was on DM transactions. For liability, longer term financing from banks was availed replacing the short terms COMs. Cash as a percentage of Current Liability ratio has increased due to management's liquidity strategy and to pay off liabilities due to mature immediate after year end.

PERFORMANCE & POSITION

Investment /Market Ratios

There is a slight increase in overall net profitability as discussed above.

- Due to this a positive trend is reflected in EPC and Dividend pay-out.
- In terms of dividend per. certificate, ORIXM has amount the same dividend which has resulted no change in cash per certificate.
- Due to decline in PSX market capitalization, this year Dividend cover has increased while price to earnings ratio & price to book ratio has deteriorated.

Capital Structure Ratios

Earning assets to total assets ratio is declined due to increase of rental receivables balance and cash in hand at year end.

Weighted Average cost of deposit is increased due to overall strict monetary policy resulted in high financial cost.

Net assets per share has nearly remained constant. Financial leverage ratio increased due to increased financing from Islamic banks and Islamic branches of conventional banks as per our strategy to minimize contractual maturity mis-match.

Weighted average cost of debt is increased due to higher discount rates in money market and due to factors as discussed above.

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

Non Performing Portfolio

Non-performing portfolio has been 26% compared to last year due to classification of one of customers' exposure as Other Assets Especially Mentioned (OAEM). However NPL as a percentage of asset portfolio still less than 2%.

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 2019.

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 (%)

	Note	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
ASSETS							
Current assets							
Cash and bank balances	3	5.67	11.38	37.67	(0.40)	86.15	(77.41)
Loans and receivable - Term deposit receipts	4	-	-	-	-	-	-
Ijarah rentals receivable	5	4.34	11.79	(0.92)	(0.71)	(29.63)	8.13
Advances, deposits, prepayments and other receivables	6	107.80	320.87	(45.25)	(58.60)	(47.69)	11.13
Current portion of investment in Sukuk certificates	7	-	-	-	-	-	(100.00)
Current portion of Diminishing Musharika	8	87.10	453.04	(39.88)	(41.67)	(18.89)	31.96
Current portion of net investment in Ijarah finance	9	-	-	-	-	-	(94.89)
Taxation recoverable		0.02	0.04	265.72	(59.68)	(40.26)	(27.21)
Total current assets		52.45	98.70	3.64	(24.14)	(8.77)	(32.13)
Non - current assets							
Loans and advances to employees		-	-	-	-	-	-
Long-term portion of investment in Sukuk certificates	7	-	-	-	-	-	(100.00)
Long-term portion of Diminishing Musharika	8	5.13	115.43	(13.01)	17.58	(11.92)	(19.56)
Long-term portion of net investment in Ijarah finance	9	-	-	-	-	-	-
Ijarah assets	9	(18.09)	(13.89)	22.35	2.81	(15.63)	(4.12)
Fixed assets in own use	10	(51.13)	(30.29)	(38.08)	176.92	(37.10)	129.77
Total non-current assets		(10.44)	7.60	14.10	6.30	(15.02)	(7.37)
TOTAL ASSETS		0.18	16.62	12.97	1.88	(14.17)	(11.76)
LIABILITIES AND EQUITY							
Current liabilities							
Musharika finance	11	-	-	(100.00)	(57.10)	(92.09)	100.00
Murabaha finance	12	-	-	-	-	-	(100.00)
Current maturity of security deposits	13	12.28	(27.96)	20.01	13.91	(27.15)	48.17
Current maturity of Musharika term finance							
Creditors, accrued and other liabilities	14	50.98	15.06	(12.78)	9.16	(19.15)	(20.53)
Advance Ijarah rentals received		(11.80)	3.56	(27.01)	47.63	14.35	(27.59)
Current portion of redeemable capital	15	(11.89)	13.39	30.34	150.99	(25.17)	(72.81)
Deferred Murabaha income		-	-	-	-	-	-
Unclaimed profit distribution		10.34	11.06	15.11	16.78	12.59	8.86
Total current liabilities		0.01	21.30	23.64	64.94	(32.35)	(50.73)
Non - current liabilities							
Long-term portion of security deposits	13	(16.87)	(7.30)	28.81	11.66	(27.37)	(6.03)
Long-term portion of Musharika term finance		6.11	38.87	398.00	118.83	(66.67)	105.64
Long-term portion of redeemable capital	15	360.37	4,000.00	(99.97)	(62.93)	11.65	5,967.03
Total non - current liabilities		(0.03)	18.95	3.67	(44.26)	(4.17)	230.02
TOTAL LIABILITIES		(0.00)	20.64	17.32	1.84	(18.50)	(15.34)
CERTIFICATE HOLDERS' EQUITY							
Authorised certificate capital							
50,000,000 (2010: 50,000,000) certificates of Rs 10 each	16	-	-	-	-	-	-
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		-	-	-	-	-	-
16,883,530 (2010: 16,883,530) certificates of Rs. 10 each		-	-	-	-	-	-
issued as fully paid bonus certificates	16	-	-	-	-	-	-
Reserves	17	1.15	1.11	1.20	1.65	8.04	8.07
Unappropriated profit		4.27	(5.30)	(17.26)	8.47	13.20	55.33
		1.10	(0.19)	(2.22)	2.03	5.42	9.07
TOTAL LIABILITIES AND EQUITY		0.18	16.62	12.97	1.88	(14.17)	(11.76)

PERFORMANCE & POSITION

HORIZONTAL ANALYSIS

Profit & Loss

	Note	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Ijarah finance income		-	-	-	-	-	(100.00)
Ijarah rentals earned		(7.51)	1.37	5.43	(10.29)	(11.28)	5.43
Profit on Sukuk certificates		-	-	-	-	-	-
Income on Diminishing Musharika arrangements		149.19	37.99	(31.08)	(3.42)	(12.18)	5.70
Income on deposits with bank		47.26	4.71	(26.58)	(46.28)	69.44	4.21
		3.76	3.30	2.31	(10.36)	(10.68)	5.32
Financial charges		81.98	20.81	(8.72)	(28.82)	(18.77)	(12.13)
Depreciation on assets under Ijarah arrangements		(10.75)	2.06	8.03	(6.45)	(10.79)	7.50
Impairment against Ijarah assets		(100.00)	-	-	(100.00)	-	-
		19.36	(5.71)	(19.87)	(4.17)	(4.88)	25.33
Reversal of provision in respect of Ijarah finances - net		(36.08)	(66.34)	10.55	(638.57)	124.44	(97.46)
Provision in respect of Diminishing Musharika		(200.00)	-	(100.00)	1,958.25	149.50	29.91
Reversal / (Provision) in respect of Sukuk certificates		-	-	(100.00)	-	(100.00)	(3,033.35)
		19.94	(9.80)	(25.32)	9.23	(2.89)	45.07
Other income		(19.47)	55.35	114.11	(58.84)	90.29	(18.81)
Administrative and operating expenses		9.48	7.16	22.35	11.20	9.19	6.39
		4.79	1.78	(31.81)	(11.53)	7.45	48.34
Management Company's remuneration		4.79	1.78	(31.81)	(11.53)	7.45	48.34
Provision for services sales tax on Management Company's remuneration		4.79	1.78	(36.68)	(17.43)	0.74	(3.64)
Provision for workers' welfare fund		4.79	(132.13)	(316.26)	(11.43)	7.58	49.80
Profit before taxation		4.79	(6.19)	(25.93)	(11.43)	7.58	49.80
Taxation		-	-	-	-	-	-
Profit after taxation		4.79	(6.19)	(25.93)	(11.43)	7.58	49.80
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		4.79	(6.19)	(25.93)	(11.43)	7.58	49.80

VERTICAL ANALYSIS
Balance Sheet (%)

Note

ASSETS

Current assets

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Cash and bank balances	6.21	5.88	6.16	5.06	5.17	2.38
Loans and receivable - Term deposit receipts	-	-	-	-	-	-
Ijarah rentals receivable	1.53	1.46	1.53	1.74	1.79	2.18
Advances, deposits, prepayments and other receivables	2.67	1.29	0.36	0.73	1.81	2.97
Current portion of investment in Sukuk certificates	-	-	-	-	-	-
Current portion of Diminishing Musharika	15.16	8.12	1.71	3.22	5.62	5.95
Current portion of net investment in Ijarah finance	0.01	0.01	0.01	0.01	0.01	0.01
Taxation recoverable	0.13	0.13	0.15	0.05	0.11	0.16
Total current assets	25.69	16.88	9.91	10.80	14.51	13.65

Non - current assets

Loans and advances to employees	-	-	-	-	-	-
Long-term portion of investment in Sukuk certificates	-	-	-	-	-	-
Long-term portion of Diminishing Musharika	29.12	27.75	15.02	19.51	16.90	16.47
Long-term portion of net investment in Ijarah finance	-	-	-	-	-	-
Ijarah assets	45.07	55.12	74.65	68.93	68.31	69.50
Fixed assets in own use	0.12	0.25	0.42	0.76	0.28	0.38
Total non-current assets	74.31	83.12	90.09	89.20	85.49	86.35

TOTAL ASSETS

100.00	100.00	100.00	100.00	100.00	100.00	100.00
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LIABILITIES AND EQUITY

Current liabilities

Musharika finance	-	-	-	0.18	0.43	4.72
Murabaha finance	-	-	-	-	-	-
Current maturity of security deposits	2.71	2.41	3.91	3.68	3.29	3.88
Current maturity of Musharika term finance	-	-	-	-	-	-
Creditors, accrued and other liabilities	4.96	3.29	3.33	4.32	4.03	4.28
Advance Ijarah rentals received	0.52	0.59	0.67	1.03	0.71	0.54
Current portion of redeemable capital	39.45	44.85	46.13	39.98	16.23	18.62
Deferred Murabaha income	-	-	-	-	-	-
Unclaimed profit distribution	0.80	0.73	0.76	0.75	0.65	0.50
Total current liabilities	60.39	60.49	58.16	53.14	32.82	41.65

Non - current liabilities

Long-term portion of security deposits	6.61	7.96	10.02	8.79	8.02	9.48
Long-term portion of Musharika term finance	15.80	14.92	12.53	2.84	1.32	3.41
Long-term portion of redeemable capital	0.54	0.12	0.00	12.95	35.58	27.35
Total non - current liabilities	22.95	23.00	22.55	24.58	44.92	40.24

TOTAL LIABILITIES

83.34	83.49	80.71	77.71	77.75	81.88
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CERTIFICATE HOLDERS' EQUITY

Authorised certificate capital

50,000,000 (2010: 50,000,000) certificates of Rs 10 each Certificate capital	7.18	7.19	8.39	9.47	9.65	8.28
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	4.09	4.10	4.78	5.40	5.50	4.72
16,883,530 (2010: 16,883,530) certificates of Rs. 10 each issued as fully paid bonus certificates	-	-	-	-	-	-
	2.42	2.43	2.83	3.20	3.26	2.80
	6.51	6.53	7.61	8.60	8.76	7.52

Reserves

Unappropriated profit	7.94	7.86	9.07	10.12	10.14	8.06
	2.21	2.12	2.61	3.57	3.35	2.54
	16.66	16.51	19.29	22.29	22.25	18.12

TOTAL LIABILITIES AND EQUITY

100.00	100.00	100.00	100.00	100.00	100.00	100.00
---------------	---------------	---------------	---------------	---------------	---------------	---------------

PERFORMANCE & POSITION

VERTICAL ANALYSIS

Profit & Loss

	Note	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Ijarah finance income		-	-	-	-	-	-
Ijarah rentals earned		82.33	92.37	94.12	91.34	91.27	91.88
Profit on Sukuk certificates		-	-	-	-	-	-
Income on Diminishing Musharika arrangements		16.70	6.96	5.21	7.73	7.17	7.30
Income on deposits with bank		0.96	0.68	0.67	0.93	1.56	0.82
		100.00	100.00	100.00	100.00	100.00	100.00
Financial charges	19	(22.08)	(12.59)	(10.77)	(12.07)	(15.20)	(16.71)
Depreciation on assets under Ijarah arrangements	9.1	(67.00)	(77.89)	(78.84)	(74.66)	(71.54)	(71.63)
Impairment against Ijarah assets	9.1	-	(0.02)	-	-	(0.84)	-
		10.92	9.49	10.40	13.28	12.42	11.66
Reversal of provision in respect of Ijarah finances - net		0.12	0.20	0.61	0.57	(0.09)	(0.04)
Provision in respect of Diminishing Musharika		0.07	(0.08)	-	1.25	0.05	0.02
Reversal / (Provision) in respect of Sukuk certificates	7.1.3	-	-	-	(0.01)	-	(0.26)
		11.11	9.61	11.01	15.08	12.38	11.39
Other income	20	3.59	4.62	3.07	1.47	3.20	1.50
Administrative and operating expenses	21	(7.55)	(7.15)	(6.89)	(5.76)	(4.65)	(3.80)
		7.16	7.09	7.19	10.79	10.93	9.09
Management Company's remuneration	22	(0.72)	(0.71)	(0.72)	(1.08)	(1.09)	(0.91)
Provision for services sales tax on Management Company's remuneration		(0.09)	(0.09)	(0.09)	(0.15)	(0.16)	(0.15)
Provision for workers' welfare fund	23	(0.13)	(0.13)	0.40	(0.19)	(0.19)	(0.16)
Profit before taxation		6.22	6.16	6.78	9.37	9.48	7.87
Taxation	2.12	-	-	-	-	-	-
Profit after taxation		6.22	6.16	6.78	9.37	9.48	7.87
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		6.22	6.16	6.78	9.37	9.48	7.87

Cash Flow

For the year ended June 30, 2019 (By Direct Method)

	30 June 2019	30 June 2018
	(Rupees)	
Ijarah Rental Collection	1,711,692,298	1,805,607,699
Diminishing Musharaka's repayment proceeds	845,608,544	373,434,305
Diminishing Musharaka's profit receipts	321,408,080	126,496,889
Ijarah Disbursements (net off security deposits)	(1,474,618,438)	(2,217,719,173)
Diminishing Musharaka disbursements	(989,487,817)	(1,168,889,588)
Net proceeds from Ijarah assets disposals	265,447,102	515,693,002
Financial charges paid	(360,872,570)	(233,027,083)
Management remuneration to management company	(13,839,001)	(13,596,384)
Salaries & staff benefits	(107,918,518)	(99,482,201)
Documentation fee & others from customers	22,634,632	22,323,860
Payments for operating expenses	(38,046,206)	(28,213,479)
Taxes, duties, charity & advance payments received	(24,137,400)	1,953,059
Net cash used in operating Activities	157,870,706	(915,419,094)
Net cash generated from investing activities	17,680,708	8,970,263
Net cash generated from financing activities	(152,343,747)	948,230,758
Net Cash generated	23,207,667	41,781,927
Cash & cash Equivalent at beginning of the year	409,085,082	367,303,155
Cash & cash Equivalent at end of the year	432,292,749	409,085,082

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 (in form 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.

	30 June 2019	30 June 2018
	(Rupees)	
Free Cashflows		
Net cashflow Used in Operating Activities	157,870,706	(915,419,094)
Net funds from bank financing	297,301,549	376,365,000
Net movement in deposits	(341,410,000)	689,370,328
Fixed capital expenditure	(1,445,061)	(2,879,786)
	112,317,194	147,436,448

Summary of Cash Flow Statement of Last six years

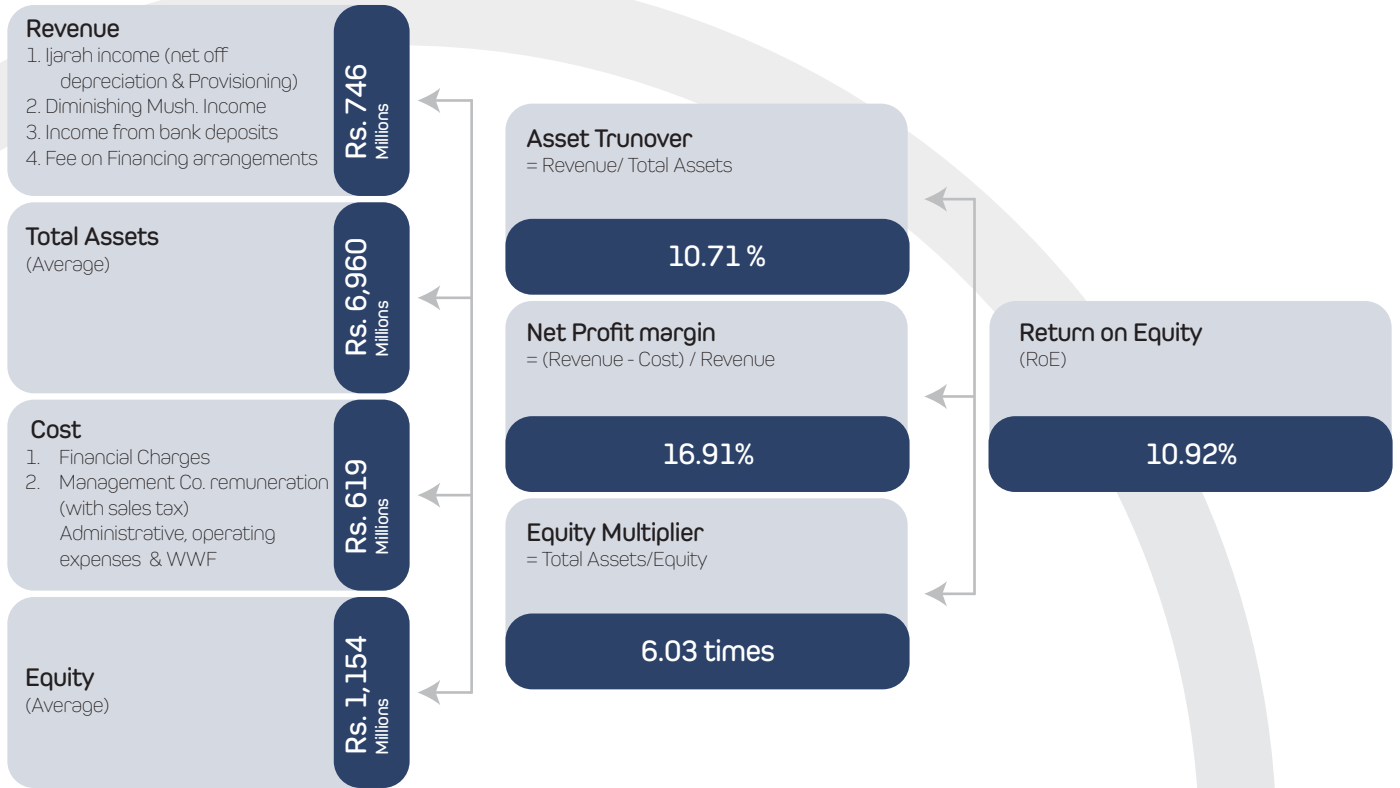
The six year cash flow statement is available in the relevant section of Key Financial Data in this annual report.

PERFORMANCE & POSITION

SEGMENT INFORMATION

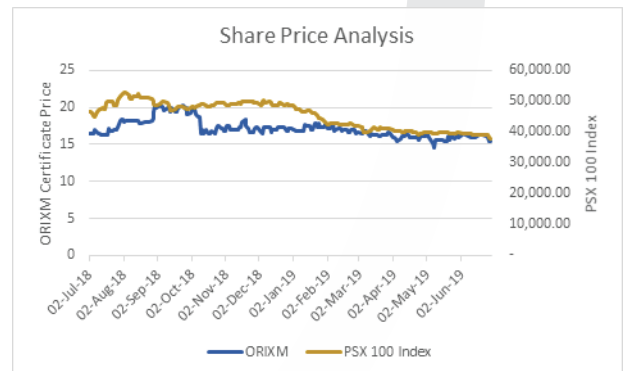
	Finance lease	Finances and loans	Operating lease	Investment in subsidiaries, associates & others	Total
	(Rupees)				
Segment revenues	-	350,347,555	1,729,576,274	19,539,117	2,099,462,946
Finance cost	-	211,448,702	224,303,852	11,792,635	447,545,190
Administrative and general expenses	-	79,115,103	83,924,952	4,412,302	167,452,357
Direct cost	-	-	1,357,929,130	-	1,357,929,130
(Reversal) / Provision-net	-	(594,710)	(1,547,907)	49,674	(2,092,943)
Segment results	-	60,378,461	64,966,246	3,284,505	128,629,212
Provision for Workers' Welfare Fund	-	1,207,569	1,299,325	65,690	2,572,584
Profit for the period		59,170,891	63,666,921	3,218,815	126,056,628
Other information					
Segment assets	370,000	3,146,886,865	3,347,469,240	435,642,166	6,930,368,271
Unallocated assets	-	-	-	-	35,644,850
Total assets					6,966,013,121
Segment liabilities	251,959	2,207,019,964	3,032,905,899	296,659,497	5,536,837,319
Unallocated liabilities					268,700,356
Total liabilities					5,805,537,675
Capital expenditure	-	-	-	-	1,629,378,684
Depreciation	-	-	-	-	1,314,034,408
Unallocated Capital expenditure	-	-	-	-	-
Additions made to intangible assets	-	-	-	-	873,518
Amortisation	-	-	-	-	1,158,615

Dupont Analysis

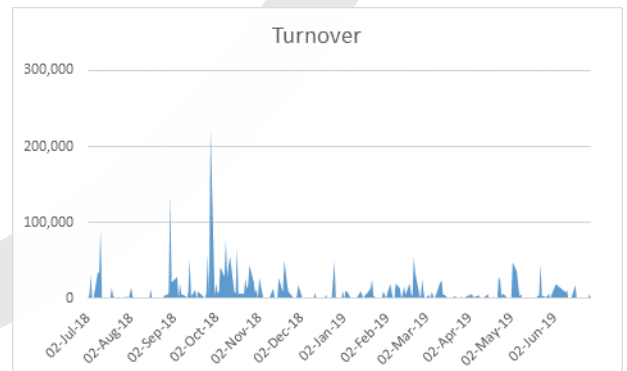


Share Price analysis

On June 30, 2019, there were 85,654 members on the record of the Modaraba's Register of Members. During the year the price per Certificate fluctuate from a high of Rs. 23.2 to a low of Rs. 14.16 and closing the year at Rs. 16.50.



Trading volumes for the Modaraba's Certificates remain on lower side during most of the year with only a high turnover in the month of October 2018.



PERFORMANCE & POSITION

Pattern of holding of certificates by the certificate-holders as at June 30, 2019

Number of Certificate holders	Certificate holding		Total Certificates held
	From	To	
1,490	1	50	28,052
613	51	100	44,675
3,603	101	500	1,083,737
1,075	501	1,000	838,339
1,228	1,001	5,000	2,778,506
207	5,001	10,000	1,537,910
349	10,001	375,000,000	39,072,311
8,565			45,383,530

Certificate-holders Category	Number of Certificate-holders	Number of Certificate Held	Percentage %
INDIVIDUAL	8,468	23,152,871	51.02
FINANCIAL INSTITUTIONS *	11	8,227,729	18.13
INVESTMENT COMPANIES	-	-	-
INSURANCE COMPANIES	11	5,740,394	12.65
MODARABAS / MODARABA MANAGEMENT COMPANIES**	9	4,591,901	10.12
JOINT STOCK COMPANIES	39	2,295,156	5.06
OTHERS	27	1,375,479	3.03
	8,565	45,383,530	100

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

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

ORIX MODARABA

Additional Information as at June 30, 2019

Categories of Certificate-holders	Number	Certificates held	Percentage
associated companies, undertakings and related parties			
ORIX LEASING PAKISTAN LIMITED		4,538,353	10
ORIX SERVICES PAKISTAN (PVT.) LIMITED		4,538,353	10
		9,076,706	20
Mutual Funds			
CDC - TRUSTEE NATIONAL INVESTMENT(UNIT)TRUST		3,677,560	8.1
Directors, CEO & their Spouse and Minor Children			
MR. SHAHEEN AMIN		100,000	0.22
Executives		-	-
Public Sector Companies and Corporations		4,114,975	9.07
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas		3,677,560	8.1
Certificate-holders holding five percent or more certificates in the Modaraba		-	-



STAKEHOLDERS

STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

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 Shari'ah compliant Banks and financial institutions on an on-going basis in relation to negotiation of rates, financing arrangements, deposits and investments. Shari'ah 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..



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.



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) 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.

STAKEHOLDERS

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

No analyst briefing was given during the year May 16, 2019 a corporate briefing session was organized by ORIXM detail of which can be viewed from the ORIXM website: www.orixmodaraba.com



Our People

At Orix Modaraba, our people are at the core of our business and our success. With the contributions, energy, and vision of our employees we continue to build our future and to be highly competitive in the building Modaraba. Therefore, we have an ongoing interest in continuing to improve our work environment and to be surrounded by engaged employees who lead our company through a high-performance and sustainable culture.

We believe that intellectual capital is critical to providing innovative solutions and, ultimately, having a positive economic impact and for whom employees are proud to work. We aim to nurture and empower our employees by providing safe and healthy working environments as well as interesting, challenging, and continuous development opportunities. We do our best to make Orix Modaraba not only a successful business but also a great place to work.



Statement of Value added

	2019 Rupees	%	2018 Rupees	%
Revenue from operations (net of depreciation of Ijarah assets)	668,819,197		431,780,359	
Other Income/ charges/reversal of provision for WWF	76,692,769		92,710,786	
	745,511,966		524,491,145	
Operating expenses				
Provision for services sales tax on management company's remuneration	34,719,742		29,806,880	
Value Added	1,885,208		1,799,070	
	708,907,016	100.00	492,885,195	100.00

Distributed as follows:

To Employees

As remuneration

107,918,518	15.22	99,482,201	20.20
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To finance providers

As profit on redeemable capital

As financial charges on Murabaha/Musharika

253,219,558	35.72	158,376,149	32.16
194,325,630	27.41	87,557,352	17.78

To Modarib

As management company's remuneration

14,501,602	2.05	13,839,001	2.81
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To Certificate-holders

As profit on certificates

113,458,825	16.00	113,461,545	23.04
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To Revenue Authorities

As workers' welfare fund

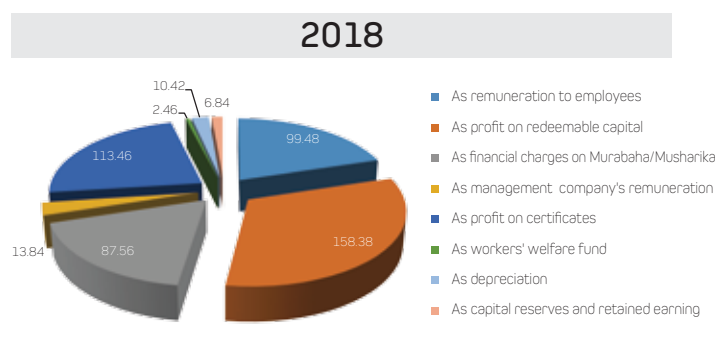
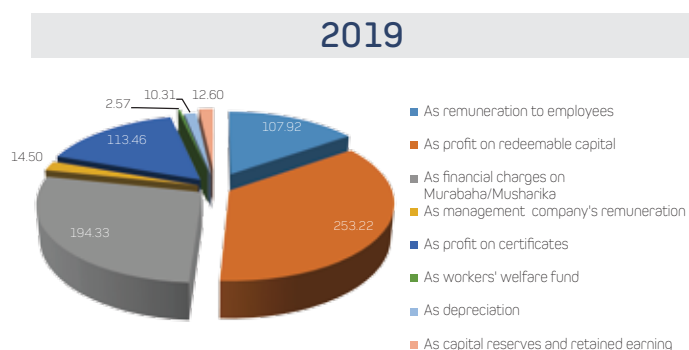
2,572,584	0.36	2,455,039	0.50
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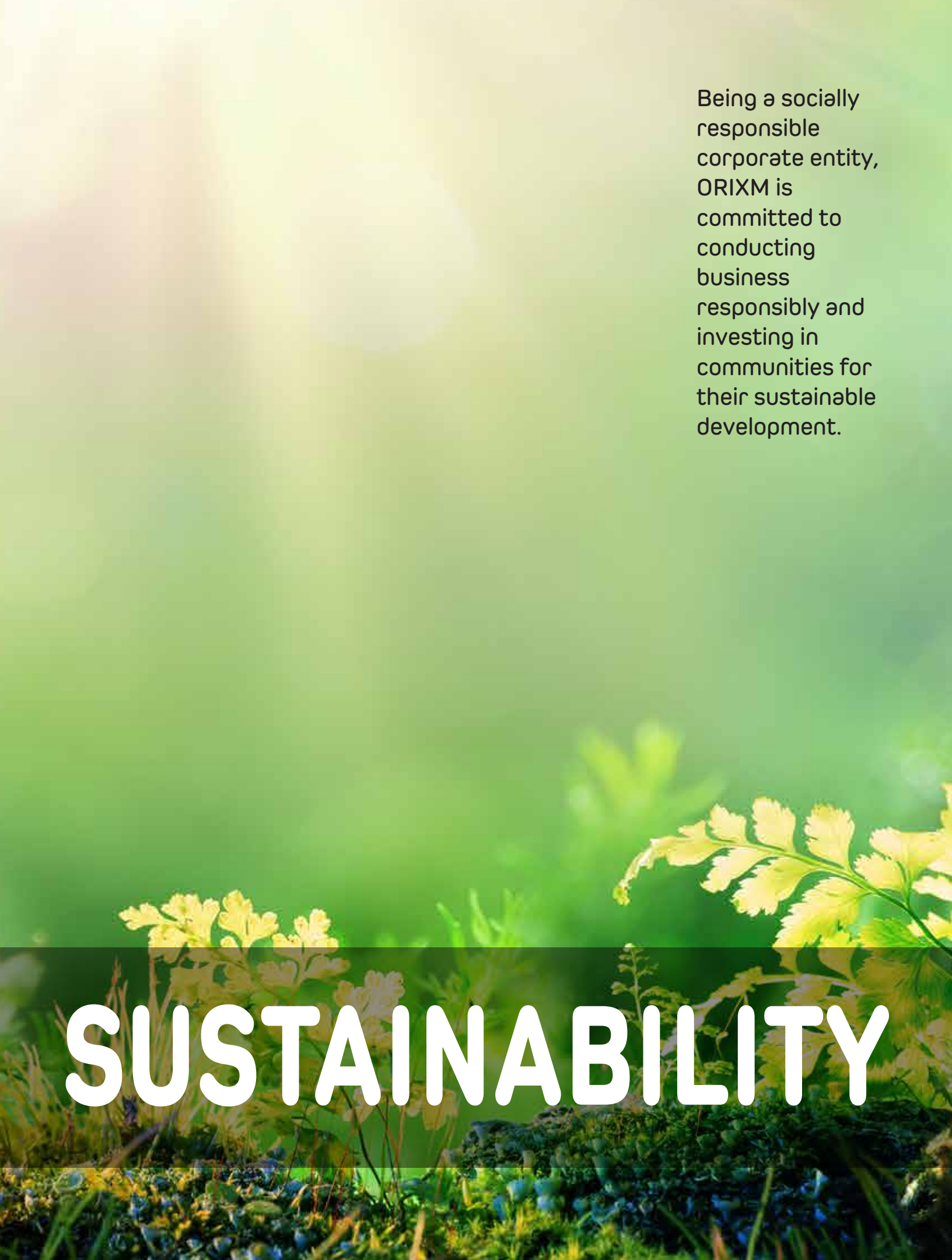
Retained in Business

As depreciation

As capital reserves and retained earning

10,312,495	1.45	10,415,569	2.12
12,597,804	1.78	6,835,355	1.39
708,907,016	100	492,422,211	100



The background of the page is a soft-focus photograph of a forest floor. In the foreground, there is a dense layer of green moss and small yellow flowers. In the mid-ground, several yellow ferns are visible, their fronds catching the light. The background is a bright, hazy green, suggesting sunlight filtering through the trees. The overall mood is natural and serene.

Being a socially responsible corporate entity, ORIXM is committed to conducting business responsibly and investing in communities for their sustainable development.

SUSTAINABILITY

SUSTAINABILITY

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

Being a socially responsible corporate entity, ORIXM is committed to conducting business responsibly and investing in communities for their sustainable development. Corporate Social Responsibility is, therefore an integral part of ORIXM's ways of working. At ORIXM, we believe in building long term relationships with the community at large and all its stakeholders and embrace transparency in all 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.

ORIXM's primary operation is Islamic financing and all its activities are carried out within environmental and social guidelines. In addition to the entity, our employees also volunteer for both social and environmental causes.

Pakistan is among those low-income bracket countries that appallingly suffer from a dearth of blood donors. Despite having 64 % population under 30 years of age, only 10% blood comes from voluntary donors. This year, ORIXM collaborated with The Indus Hospital for the "Blood Donation Drive" at the Company premises.

ORIXM also organised a "Medical Camp" in collaboration with Essa Lab for employees in office premises. In this camp employees were provided few basic tests free of cost other medical test on discounted rates and free medical consultation from General Physician.



Breast Cancer claims 40,000 lives in Pakistan annually and one of the major concerns regarding the disease is the lack of information, which ultimately leads to failure in early diagnosis. In the month of October ORIXM conducted a Breast Cancer Awareness Session. Showing its solidarity to the cause, ORIXM staff members also wore pink ribbon.

ORIXM also volunteered to join hands with WWF for "Tree Plantation Drive" which was a significant move to respond to growing environmental challenges and improving ecological standards in Pakistan. With the support of WWF's representatives, 200 mangroves tree saplings were planted at WWF Westland Centre and plants were also distributed among staff in order to encourage them to plant more trees that is helpful in reducing global warming.



COMMUNITIES:

ORIXM continues to provide financial assistance to various charitable and non-profit organizations. We support a range of fund raising events and projects, which focuses 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.



ORIXM also encourages its staff members to individually play their role as responsible citizens and participate for noble causes. Therefore a "Career Counselling" session was conducted by the team of ORIXM at TCF

OCCUPATIONAL SAFETY & HEALTH:

Health and safety of employees is also an utmost concern of ORIXM. We ensure Safety and Health of our employees as well as their families through the following steps.

- There is a medical first aid box which is refilled at regular intervals at all ORIXM offices
- Manual and automatic Fire extinguishers along with smoke alarms duly installed at various points within the office premises. 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.

Beach Cleaning

A "Beach Cleanup" activity was also arranged at Sandspit. ORIXM employees lived their values thoroughly by passionately volunteering themselves for this cause and cleaning a large area of the beach.

- Health and safety incidents, if any, are escalated to the monthly Country Operational Risk Committee meetings
- All employees are under Health & Group life Insurance coverage.
- All the employees are provided mineral drinking water at the work place.
- High level of hygiene standards are maintained while serving tea, coffee to the employees and business guests.
- Smoking is prohibited within the office premises and areas are designated for this purpose.
- All offices are equipped with adequate security measures including CCTV monitoring.

ENVIRONMENTAL PROTECTION MEASURES:

It is our resolve to consume minimum natural resources,

SUSTAINABILITY

create low emissions and waste. In order to protect the environment which is a global cause, we have formed a "Carbon Footprint Reduction Committee". Through our carbon committee we continuously strive to reduce our carbon footprint by adopting new ways to implement efficient business practices which are environmental friendly. We are confident that we will achieve our ultimate aim of carbon neutrality through reduction in carbon emission in our work and by planting trees. The Company also strongly discourages un-necessary use of paper and encourages re-cycling of paper for internal office use.

ENERGY CONSERVATION:

The ORIXM is well aware with its obligation towards the energy conservation. The Company has installed energy savers and Light Emitting Diode (LED) Blubs in the office premises. Carbon Committee also ensures minimum utilization of electricity during lunch breaks and after office hours besides making full use of natural day light.

FINANCIAL CONTRIBUTION IN ECONOMY

The entity has disbursed PKR 2,682 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.

FINANCIAL CONTRIBUTION TO EXCHEQUER:

The ORIXM has contributed PKR 24.4 million to the National Exchequer during the year 2018 to 2019 in form of taxes.

EMPLOYEE RELATIONS:

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 Communication & Leadership, Islamic Financing, and Takaful & Anti - Gender Harassment etc. are all practiced at ORIXM.

EQUAL OPPORTUNITY EMPLOYER:

ORIXM is an equal opportunity employer and does not discriminate on the basis of gender, language, race, religion and disability in compliance with all legal requirements ORIXM appoints special persons. The responsibility of HR is to ensure transparency in regard of suitable recruitment and compensation on the basis of merit, experience and qualification.

We specially encourage minorities, ladies and different abled individuals to apply for each role in our recruitment process.

CONSUMER PROTECTION AND ANTI-CORRUPTION MEASURES:

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 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 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, ensure the highest level of governance.



FINANCIAL STATEMENT

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5,000
21,500
54,144
80,644
1,332,75

Balance

ASS

C



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Auditors' Report to the Certificate Holders

We have audited the annexed statement of financial position of **ORIX Modaraba** as at 30 June 2019 and the related statement of profit or loss account and other comprehensive income, statement of cash flows 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 who 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 Management 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 and statement of profit or 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 agreement with accounting policies consistently applied except for the changes as stated in note 4.1 to the financial statements, with which we concur;

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



KPMG Taseer Hadi & Co.

- 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, statement of profit or loss account and other comprehensive income, statement of cash flows 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 2019 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.

Date: 13 September 2019

Karachi

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

	Note	30 June 2019	30 June 2018
		(Rupees)	
ASSETS			
Current assets			
Cash and bank balances	5	432,292,749	409,085,082
Ijarah rentals receivable	6	106,243,898	101,827,754
Advances, deposits, prepayments and other receivables	7	185,688,009	89,359,494
Current portion of investment in Sukuk certificates	8	-	-
Current portion of Diminishing Musharika	9	1,056,293,238	564,568,486
Net investment in Ijarah finance	10	370,000	370,000
Taxation recoverable		8,733,382	8,731,640
Total current assets		1,789,621,276	1,173,942,456
Non-current assets			
Long-term portion of investment in Sukuk certificates	8	-	-
Long-term portion of Diminishing Musharika	9	2,028,396,990	1,929,394,797
Ijarah assets	10	3,139,517,722	3,832,755,196
Fixed assets in own use	11	8,477,133	17,344,567
Total non-current assets		5,176,391,845	5,779,494,560
TOTAL ASSETS		6,966,013,121	6,953,437,016
LIABILITIES AND EQUITY			
Current liabilities			
Current maturity of term finance arrangements	12	832,919,998	598,989,520
Current maturity of security deposits	13	188,434,541	167,820,317
Creditors, accrued and other liabilities	14	345,197,941	228,643,874
Advance Ijarah rentals received		36,404,859	41,275,011
Current portion of redeemable capital	15	2,747,955,000	3,118,915,000
Unclaimed profit distribution		55,752,238	50,525,989
Total current liabilities		4,206,664,577	4,206,169,711
Non-current liabilities			
Long-term portion of term finance arrangements	12	1,100,751,879	1,037,380,808
Long-term portion of security deposits	13	460,371,219	553,806,134
Long-term portion of redeemable capital	15	37,750,000	8,200,000
Total non-current liabilities		1,598,873,098	1,599,386,942
TOTAL LIABILITIES		5,805,537,675	5,805,556,653
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (2018: 50,000,000) certificates of Rs. 10 each	16	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (2018: 28,500,000) certificates of Rs. 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (2018: 16,883,530) bonus certificates of Rs. 10 each	16	168,835,300	168,835,300
		453,835,300	453,835,300
Revenue reserve		153,767,466	147,475,214
Capital reserves	17	552,872,680	546,569,849
		1,160,475,446	1,147,880,363
TOTAL LIABILITIES AND EQUITY		6,966,013,121	6,953,437,016
CONTINGENCIES AND COMMITMENTS			
	18		

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

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




Chairman



Chief Executive



Director



Chief Financial Officer

For the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
		(Rupees)	
Ijarah rentals earned		1,668,663,731	1,804,106,356
Income on Diminishing Musharika arrangements		338,545,480	135,856,222
Income on deposits with banks		19,539,117	13,268,070
		2,026,748,328	1,953,230,648
Financial charges	19	(447,545,190)	(245,933,502)
Depreciation on assets under Ijarah arrangements	10.1	(1,357,929,130)	(1,521,450,289)
Impairment on assets under Ijarah arrangements	10.1	-	(462,984)
		221,274,008	185,383,873
Reversal of provision in respect of Ijarah finances	6.3	2,492,749	3,899,772
Reversal / (Provision) in respect of Diminishing Musharika	9.3	1,485,402	(1,485,402)
		225,252,159	187,798,243
Other income	20	72,714,618	90,296,417
Administrative and operating expenses	21	(152,950,755)	(139,704,650)
		145,016,022	138,390,010
Management Company's remuneration	22	(14,501,602)	(13,839,001)
Provision for services sales tax on Management Company's remuneration	23	(1,885,208)	(1,799,070)
Provision for Workers' Welfare Fund - net	14.3	(2,572,584)	(2,455,039)
Profit for the year before taxation		126,056,628	120,296,900
Taxation	24	-	-
Profit for the year after taxation		126,056,628	120,296,900
Other comprehensive income for the year		-	-
Total comprehensive income for the year		126,056,628	120,296,900
Earnings per certificate - basic and diluted	25	2.78	2.65

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

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




Chairman



Chief Executive



Director



Chief Financial Officer

	Note	30 June 2019	30 June 2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		126,056,628	120,296,900
Adjustments for non-cash and other items:			
Depreciation / amortisation on fixed assets in own use	21	10,312,495	10,415,569
Depreciation on Ijarah assets	10,1	1,357,929,130	1,521,450,289
Gain on disposal of Ijarah assets	20	(50,079,986)	(67,972,557)
Impairment on assets under Ijarah arrangements	10	-	462,984
Reversal of provision in respect of Ijarah finances - net (Reversal) / provision in respect of Diminishing Musharika		(2,492,749) (1,485,402)	(3,899,772) 1,485,402
Income on bank deposits		(19,539,117)	(13,268,070)
Profit on:			
- Redeemable capital	19	253,219,560	158,376,150
- Term finance arrangements	19	178,213,060	71,665,221
Provision for services sales tax on Management Company's remuneration		1,885,208	1,799,070
Provision for Workers' Welfare Fund - net		2,572,584	2,455,039
		1,730,534,783	1,682,969,325
		1,856,591,411	1,803,266,225
(Increase) / decrease in assets			
Advances, deposits, prepayments and other receivables		(95,915,167)	(66,709,159)
Ijarah rentals receivable		(1,923,395)	(6,838,246)
Diminishing Musharika		(131,375,772)	(775,642,091)
Purchase of assets under Ijarah arrangements	10	(1,628,807,141)	(2,537,301,416)
Proceeds from disposal of assets under Ijarah arrangements		556,329,700	979,485,980
		(1,301,691,775)	(2,407,004,932)
(Decrease) / increase in liabilities			
Creditors, accrued and other liabilities		27,678,022	12,414,951
Advance Ijarah rentals received		(4,870,152)	1,418,972
Security deposits		(72,820,691)	(108,726,319)
		(50,012,821)	(94,892,396)
		504,886,815	(698,631,103)
Profit paid on:			
- Redeemable capital		(189,223,269)	(157,254,356)
- Term finance arrangements		(157,791,098)	(59,530,481)
		(347,014,367)	(216,784,837)
Taxes paid		(1,742)	(3,154)
Net cash generated / (used in) from operating activities		157,870,706	(915,419,094)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,445,061)	(2,879,786)
Income on bank deposits		19,125,769	11,850,049
Net cash generated from investing activities		17,680,708	8,970,263
CASH FLOWS FROM FINANCING ACTIVITIES			
Redeemable capital less repayments		(341,410,000)	376,365,000
Term finance less repayments		297,301,549	689,370,328
Profit paid to certificate holders		(108,235,296)	(117,504,570)
Net cash (used in) / generated from financing activities		(152,343,747)	948,230,758
Net increase in cash and cash equivalents		23,207,667	41,781,927
Cash and cash equivalents at beginning of the year		409,085,082	367,303,155
Cash and cash equivalents at end of the year	33	432,292,749	409,085,082

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

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


Chairman


Chief Executive


Director


Chief Financial Officer

	Paid-up certificate capital	Capital reserve		Revenue reserve	Sub-total	Total
		Premium on issue of modaraba certificates	Statutory reserve	Unappropriated profit		
----- (Rupees) -----						
Balance as at 1 July 2017	453,835,300	55,384,700	485,170,304	155,728,690	696,283,694	1,150,118,994
Total comprehensive income for the year						
- 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
Transactions with owners						
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)	-	-
Balance as at 30 June 2018	453,835,300	55,384,700	491,185,149	147,475,214	694,045,063	1,147,880,363
Total comprehensive income for the year						
- Profit for the year ended 30 June 2019	-	-	-	126,056,628	126,056,628	126,056,628
- Other comprehensive income for the year	-	-	-	-	-	-
	-	-	-	126,056,628	126,056,628	126,056,628
Transactions with owners						
Profit distribution for the year ended 30 June 2018 @ Rs 2.50 per certificate	-	-	-	(113,461,545)	(113,461,545)	(113,461,545)
Transfer to statutory reserve	-	-	6,302,831	(6,302,831)	-	-
Balance as at 30 June 2019	453,835,300	55,384,700	497,487,980	153,767,466	706,640,146	1,160,475,446

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

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



Chairman



Chief Executive



Director



Chief Financial Officer

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 26 February 2019.

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 Statement of compliance

These financial statements have been prepared in accordance with accounting and reporting 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 except as stated otherwise in these financial statements.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting and reporting 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 4.6, 10.1 and 11.1);
- ii) provision against non-performing leasing portfolio, diminishing musharika, investments and other receivables (notes 4.9, 6, 7.3, 7.4, 8.1.3, 9.3, 10.1 and 10.4); and
- iii) provision for taxation (note 4.7 and 24).

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

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 4.1. These are considered not to be relevant or do not have any significant effect on the Modaraba's financial statements and are therefore not stated in these financial statements.

3.1 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 01 July 2019:

- 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 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 application of this standard 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.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or fair value through other comprehensive income (FVOCI), IFRS 9 requires its contractual cash flows to meet the criterion that cash flows are 'solely payments of principal and profit/markup there upon' (SPPP). Some prepayment options could result in a situation wherein the

party that triggers the early termination receives compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on the Modaraba's financial statements.

- 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, an entity now uses updated actuarial assumptions to determine its current service cost and net markup cost for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of this amendment does not have an impact on the Modaraba's financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and it contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- 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 an entity increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity 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 an entity 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 improvements to standards are not likely to have material / significant impact on Modaraba's financial statements.

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

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

Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan (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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 4.1, the significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented:

4.1 Changes in significant accounting policies

The Modaraba has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively. The Commission has deferred the provisioning criteria as per IFRS 9 till 30 June 2019.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Modaraba has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Under this transition method, comparative information for prior periods has not been restated and continues to be reported in accordance with the previous standard under IAS 18 and related interpretations.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Modaraba. Accordingly, there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit/markup on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit/markup on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss account or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Modaraba has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Modaraba may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on Modaraba's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 4.2 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Modaraba's financial assets as at 30 June 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
As at 30 June 2018			(Rupees)	
Financial assets				
Cash and bank balances	Loans and receivables	Amortised cost	409,085,082	409,085,082
Ijarah rentals receivable	Loans and receivables	Amortised cost	101,827,754	101,827,754
Advances, deposits and other receivables	Loans and receivables	Amortised cost	76,811,534	76,811,534
Investment in Sukuk certificates	Loans and receivables	Amortised cost	-	-
Diminishing Musharika	Loans and receivables	Amortised cost	2,493,963,283	2,493,963,283
Taxation recoverable	Loans and receivables	Amortised cost	8,731,640	8,731,640
Total financial assets			3,090,419,293	3,090,419,293

ii Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit loss model, rather than the current incurred loss model, when assessing the impairment of financial asset in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost and debt investments at FVOCI, but not to investments in equity instruments.

Modaraba applies the IFRS 9 general approach for measuring expected credit losses on other receivables and bank balances which uses 12 month expected allowance. Since these assets are short term in nature, therefore, no credit loss is expected on these balances. Whereas, simplified approach is applied for measuring expected credit losses which uses a lifetime expected loss allowance for all other financial assets.

Furthermore, in the case of calculation of impairment provision against Diminishing Musharika and Ijarah, the requirements of the Prudential Regulations for Modaraba prevail.

4.2 Financial instruments

4.2.1 Initial measurement of financial asset

The Modaraba classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

4.2.2 Subsequent measurement

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Profit / markup income calculated using the effective profit method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss account.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss account.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in the statement of profit or loss account.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment losses. Profit / markup income, and impairment are recognised in the statement of profit or loss account.

4.2.3 Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes Ijarah rental receivables, diminishing musharika finance, advance deposits and other receivables, taxation recoverable, investment in sukuk certificates. The Modaraba derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.2.4 Loans and Receivables

The Modaraba's receivables comprise of Ijarah rentals receivables, Diminishing Musharika, Advance, deposits and other receivables, taxation recoverable, cash and cash equivalents with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective profit rate method.

4.2.5 Cash and cash equivalents

For the purpose of presentation in statement of cash flows, cash and cash equivalents includes cash in hand, balances with banks and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value and short term finances availed by the Modaraba, which are repayable on demand and form an integral part of the Modaraba's cash management.

4.2.6 Impairment

4.2.6.1 Financial assets

Modaraba applies the IFRS 9 general approach for measuring expected credit losses on other receivables and bank balances which uses 12 month expected allowance. Since these assets are short term in nature, therefore, no credit loss is expected on these balances. Whereas, simplified approach is applied for measuring expected credit losses which uses a lifetime expected loss allowance for all other financial assets.

Furthermore, in the case of calculation of impairment provision against Diminishing Musharika and Ijarah, the requirements of the Prudential Regulations for Modaraba prevail.

4.2.6.2 Non-financial assets

The carrying amounts of the Modaraba's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss account.

4.2.7 Derecognition

The Modaraba derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Modaraba neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Modaraba enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

4.2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Modaraba currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.2.9 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.

4.2.10 Write-offs

"The gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, Modaraba makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

4.2.11 Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing financings obtained and trade and other payables. The Modaraba derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective profit rate method.

4.3 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.

4.4 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.

4.5 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.

4.6 Fixed assets

4.6.1 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 statement of profit or 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 statement of profit or 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.

4.6.2 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 11 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 statement of profit or loss account in the period in which these arise.

4.6.3 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.

4.7 Taxation

Current

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

Deferred

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

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

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

4.8 Creditors, accrued and other liabilities

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

4.9 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.

4.10 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 statement of profit or loss account when these are due.

4.11 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 statement of profit or 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 statement of profit or loss account and is classified as charity payable.
- Other income is recognised on an accrual basis.

4.12 Proposed profit distribution to Modaraba 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.

4.13 Earnings per certificate

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

4.14 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.

4.15 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 statement profit and loss.

4.16 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.

5 CASH AND BANK BALANCES

Balances with banks:

- in current accounts

- in deposit accounts

Cash in hand

Note	30 June 2019	30 June 2018
	(Rupees)	
	100,438,626	23,218,993
5.1	331,804,363	385,852,889
	49,760	13,200
	<u>432,292,749</u>	<u>409,085,082</u>

5.1 These carry profit at rate ranging between 3.59% - 10% (2018: 2.48% - 6.20%) 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.

5.2 As at 30 June 2019, 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.

	Note	30 June 2019	30 June 2018
6 IJARAH RENTALS RECEIVABLE		(Rupees)	
Ijarah rentals receivable - considered good	6.1	106,243,898	101,827,754
Ijarah rentals receivable - considered bad or doubtful	6.2	23,730,367	26,649,883
Less: Allowance for potential Ijarah losses	6.3	(5,505,480)	(7,998,229)
Less: Profit held in suspense	6.4	(18,224,887)	(18,651,654)
		-	-
		106,243,898	101,827,754

6.1 This includes an amounts due from key management personnel as at 30 June 2019 aggregated to Rs. Nil (2018: Rs. 0.131 million) given as per terms of employment. These are secured against Ijarah assets.

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

	Note	30 June 2019	30 June 2018
6.3 Allowance for potential Ijarah losses		(Rupees)	
Opening balance		7,998,229	11,898,001
Reversal for the year - net		(2,492,749)	(3,899,772)
Closing balance		5,505,480	7,998,229
6.4 Profit held in suspense			
Opening balance		18,651,654	19,395,119
Income suspended during the year		25,037	62,312
Suspended income reversed during the year		(451,804)	(805,777)
Closing balance		18,224,887	18,651,654

7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits to Central Depository Company (CDC)		550,000	550,000
Prepayments	7.1	14,296,726	12,547,960
Accrued profit on savings and term deposits		2,356,303	1,942,955
Accrued profit on Diminishing Musharika	7.2 & 7.3	29,879,944	12,742,544
Advance against assets under Ijarah arrangements		101,707,620	37,834,416
Advance against assets under DM arrangements		32,316,693	19,813,192
Others	7.4 & 7.5	4,580,723	3,928,427
		185,688,009	89,359,494

7.1 This includes Rs. 7.552 million (2018: Rs. 8.476 million) paid in respect of commission for the sale of Certificate of Musharika.

7.2 This includes accrued profit from diminishing musharika related to key management personnel amounting to Rs. 0.390 million (2018: Rs. 0.271 million).

7.3 Accrued profit on Diminishing Musharika is as follows:

Accrued profit on Diminishing Musharika
Less: Profit held in suspense
Closing balance

Note	30 June 2019	30 June 2018
	(Rupees)	
	31,547,913	13,238,007
	(1,667,969)	(495,463)
	29,879,944	12,742,544

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

Opening balance
Provision for the year
Closing balance

	160,000	160,000
	-	-
	160,000	160,000

7.5 This also includes receivable from provident and gratuity funds of Modaraba amounting to Rs. 0.056 million (2018: Nil) and Rs. Nil (2018: Rs. 0.026 million) respectively.

8 INVESTMENT IN SUKUK CERTIFICATES

Held-to-maturity investments

Investment in Sukuk certificates
Less: Provision in respect of Sukuk certificates

Note	30 June 2019	30 June 2018
	(Rupees)	
8.1	57,701,835	57,701,835
8.1.3	(57,701,835)	(57,701,835)
	-	-
	-	-
	-	-

Less: Current portion of investment in sukuk certificates

8.1 Particulars of Investment in Sukuk Certificates

Name of the Investee Company	Number of certificates			As at 30 June 2019	Profit / mark-up rate	Tenor	Security	Principal amount outstanding as at 30 June 2019	Provision held as at 30 June 2019	Carrying amount as at 30 June 2019
	As at 1 July 2018	Purchased during the year	Sold during the year							
Sukuk certificates of Rs. 5,000 each unless stated otherwise										
Security Leasing Corporation Limited (note 8.1.1)	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 8.1.2)	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)	-

8.1.1 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 2019.

8.1.2 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 2019.

8.1.3 Movement in provision against Sukuk certificates

Note	30 June 2019	30 June 2018
	(Rupees)	
Opening balance	57,701,835	57,701,835
Provision for the year	-	-
Closing balance	57,701,835	57,701,835

9 DIMINISHING MUSHARIKA

Staff		
- Housing finance	68,792,546	75,533,608
- Motor Vehicles	29,390,342	-
- Others	3,428,287	3,235,364
	9.1 & 9.2	78,768,972
Others		
- Housing finance	593,496,094	620,947,927
- Motor Vehicles	1,091,821,401	762,464,519
- Plant, machinery and equipments	1,297,761,558	1,033,267,267
Less: Provision in respect of Diminishing Musharika	9.3	(1,485,402)
	2,983,079,053	2,415,194,311
	3,084,690,228	2,493,963,283
Less: Current portion of Diminishing Musharika	(1,056,293,238)	(564,568,486)
	2,028,396,990	1,929,394,797

9.1 These represent finance provided to employees and officers of the Modaraba under Diminishing Musharika arrangement for renovation, construction and purchase of house, purchase of vehicles and other consumer durables. These carry profit at rates ranging between 13.75% and 16.12% (2018: 8.56% and 10.04%) per annum and are repayable on monthly basis over a maximum period of 20 years (2018: 20 years). The maximum aggregate amounts due from officers and employees at the end of any month during the year was Rs. 101.611 million (2018: Rs. 78.769 million).

This includes Diminishing Musharika facility availed by key management personnel as per employment terms, with respect to housing finance, motor vehicles and personal finance amounted to Rs. 27.254 million (2018: Rs. 48.144 million), Rs. 10.166 million (2018: Nil) and Rs. 1.540 million (2018: Rs. 1.620 million) respectively. These are secured against Diminishing Musharika assets.

9.2 Reconciliation of carrying amounts of finance provided to employees and officers under Diminishing Musharika arrangement	Note	30 June 2019	30 June 2018
		(Rupees)	
Opening balance		78,768,972	98,150,139
Disbursements during the year		48,298,573	9,202,322
Receipts during the year		(20,715,571)	(12,983,477)
Transfer from Staff to Others		(4,740,799)	(15,600,012)
Closing balance		101,611,175	78,768,972

9.3 Movement in provision against Diminishing Musharika			
Opening balance		1,485,402	-
Provision during the year		-	1,485,402
Reversal during the year		(1,485,402)	-
Closing balance		-	1,485,402

10 IJARAH FINANCE

Ijarah contracts commencing on or after 1 July 2008 - accounted for under IFAS 2	10.1 & 10.2	3,139,517,722	3,832,755,196
Ijarah contracts prior to 1 July 2008 - accounted for as finance leases Less: Current portion of net investment in Ijarah finance	10.3	370,000 (370,000) -	370,000 (370,000) -

Year ended 30 June 2019 Ijarah assets

10.1 Assets under Ijarah arrangements	Year ended 30 June 2019 Ijarah assets		
	Plant, machinery and equipment	Motor vehicles	Total
	(Rupees)		
The following is a statement of Ijarah assets:			
At 01 July 2018			
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	1,851,865,196	1,980,890,000	3,832,755,196
Additions	1,061,091,547	567,715,594	1,628,807,141

Year ended 30 June 2019

Ijarah assets

	Plant, machinery and equipment	Motor vehicles	Total
	(Rupees)		
Disposals			
Cost	(854,917,474)	(1,414,078,539)	(2,268,996,013)
Depreciation	495,794,058	809,086,470	1,304,880,528
	(359,123,416)	(604,992,069)	(964,115,485)
Depreciation charge for the year	(698,133,373)	(659,795,757)	(1,357,929,130)
Impairment during the year	-	-	-
Closing net book value	1,855,699,954	1,283,817,768	3,139,517,722
At 30 June 2019			
Cost	3,199,950,908	2,427,227,348	5,627,178,256
Accumulated depreciation	(1,328,190,372)	(1,142,946,596)	(2,471,136,968)
Impairment against Ijarah assets	(16,060,582)	(462,984)	(16,523,566)
Net book value	1,855,699,954	1,283,817,768	3,139,517,722
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	

Year ended 30 June 2018

Ijarah assets

	Plant, machinery and equipment	Motor vehicles	Total
	(Rupees)		
At 01 July 2017			
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	2,091,093,727	2,359,921,011	4,451,014,738
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	1,254,514,547	1,069,440,321	2,323,954,868
	(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	1,851,865,196	1,980,890,000	3,832,755,196
At 30 June 2018			
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	1,851,865,196	1,980,890,000	3,832,755,196
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	

10.2 The Modaraba has entered into various Ijarah agreements for periods ranging from 2 to 5 years (2018: 2 to 6 years). Security deposits ranging between 0% and 55% (2018: 0% and 55%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah finance ranges between 10.44% and 19.23% (2018: 7.55% and 14.14%) per annum.

This includes assets under Ijarah facility availed by key management personnel as per employment terms amounting to Rs. Nil (2018: Rs. 11.244 million).

10.3 Net investment in Ijarah finance

	As at 30 June 2019			As at 30 June 2018		
	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	10.4 1,134,443	-	1,134,443	1,134,443	-	1,134,443
Suspended income	10.5 130,156	-	130,156	130,156	-	130,156
Net Investment in Ijarah finance	370,000	-	370,000	370,000	-	370,000

10.4 Allowance for potential Ijarah losses

	As at 30 June 2019			As at 30 June 2018		
	Specific	General	Total	Specific	General	Total
	(Rupees)					
Opening balance	1,134,443	-	1,134,443	1,134,443	-	1,134,443
Charge for the year	-	-	-	-	-	-
Reversal during the year	-	-	-	-	-	-
Closing balance	1,134,443	-	1,134,443	1,134,443	-	1,134,443

As at 30 June 2019, Ijarah with outstanding principal amounting to Rs. 1.134 million (2018: Rs. 1.134 million) has been classified as non-performing as per the requirements of the Prudential Regulations for Modarabas issued by the SECP.

10.5 Suspended income - Net Investment in Ijarah finance

	Note	30 June 2019	30 June 2018
		(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

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

	Not later than one year	Later than one year and less than five years	Later than five years	Total	Not later than one year	Later than one year and less than five years	Later than five years	Total
	(Rupees)							
Rentals receivable	1,412,843,552	1,904,748,440	-	3,317,591,992	1,531,841,275	2,254,300,390	157,963	3,786,299,628
Residual value	204,497,956	490,637,331	-	695,135,287	188,236,574	586,178,686	2,266,925	776,682,185
Total future Ijarah payments receivable	<u>1,617,341,508</u>	<u>2,395,385,771</u>	<u>-</u>	<u>4,012,727,279</u>	<u>1,720,077,849</u>	<u>2,840,479,076</u>	<u>2,424,888</u>	<u>4,562,981,813</u>

11 FIXED ASSETS IN OWN USE

	Note	30 June 2019	30 June 2018
		(Rupees)	
Tangible assets	11.1	7,759,459	16,341,796
Intangible assets	11.1	717,674	1,002,771
		<u>8,477,133</u>	<u>17,344,567</u>

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

	Year Ended 30 June 2019					Intangible assets
	Tangible assets				Total	
	Lease hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		Computer software
	(Rupees)					
At 01 July 2018						
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)
Net book value	6,539,133	1,947,916	6,030,527	1,824,220	16,341,796	1,002,771
Additions	-	-	571,543	-	571,543	873,518
Disposals						
Cost	-	-	-	-	-	-
Depreciation / amortisation	-	-	-	-	-	-
Depreciation / amortisation charge for the year	(2,242,020)	(1,947,916)	(4,099,176)	(864,768)	(9,153,880)	(1,158,615)
Closing net book value	4,297,113	-	2,502,894	959,452	7,759,459	717,674
At 30 June 2019						
Cost	11,210,008	6,479,502	17,427,806	2,594,300	37,711,616	30,887,067
Accumulated depreciation / amortisation	(6,912,895)	(6,479,502)	(14,924,912)	(1,634,848)	(29,952,157)	(30,169,393)
Net book value	4,297,113	-	2,502,894	959,452	7,759,459	717,674
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%

	Year Ended 30 June 2019					
	Tangible assets				Total	Intangible assets Computer software
	Lease hold improvements	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		
	(Rupees)					
At 01 July 2017						
Cost	11,210,008	6,479,502	16,609,563	-	34,299,073	29,974,763
Accumulated depreciation / amortisation	(2,242,020)	(2,593,256)	(6,623,835)	-	(11,459,111)	(27,934,375)
Net book value	8,967,988	3,886,246	9,985,728	-	22,839,962	2,040,388
Additions	-	-	246,700	2,594,300	2,841,000	38,786
Disposals						
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)
Closing net book value	6,539,133	1,947,916	6,030,527	1,824,220	16,341,796	1,002,771
At 30 June 2018						
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)
Net book value	6,539,133	1,947,916	6,030,527	1,824,220	16,341,796	1,002,771
Depreciation / amortisation rate (% per annum)	20%	33.33%	20% - 33.33%	33.33%		33.33%

11.2 During the year ended 30 June 2019, there were no disposal of fixed assets.

12 TERM FINANCE ARRANGEMENTS

	Note	30 June 2019	30 June 2018
		(Rupees)	
Musharika / Wakala Finance	12.1 & 12.2	1,933,671,877	1,636,370,328
Less: Current portion of Musharika / Wakala Finance		(832,919,998)	(598,989,520)
		<u>1,100,751,879</u>	<u>1,037,380,808</u>

12.1 Musharika / Wakala Finance

Bank	Limit in Rupees	Profit rate (per rupee one thousand per day)	Frequency of mark-up payment	Tenor	30 June 2019	30 June 2018
					(Rupees)	
Meezan Bank limited	374,999,995	0.2225-0.3712	Quarterly	3-5 years	374,999,995	625,000,000
Bank Alfalah Limited	237,150,002	0.2329-0.3208	Quarterly	3 years	237,150,002	497,000,000
Allied Bank Limited	800,000,000	0.2444-0.3707	Quarterly	3-5 years	771,521,880	264,370,328
Bank AL Habib Limited	250,000,000	0.2052-0.3726	Quarterly	3-5 years	250,000,000	250,000,000
United Bank Limited	300,000,000	0.3014-0.3685	Quarterly	3 years	300,000,000	
					1,933,671,877	1,636,370,328

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

13 SECURITY DEPOSITS

	As on 30 June 2019			As on 30 June 2018		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
(Rupees)						
Security deposits (note 13.1)	370,000	648,435,760	648,805,760	370,000	721,256,451	721,626,451
Less: Repayable / adjustable after one year	-	460,371,219	460,371,219	-	553,806,134	553,806,134
Current portion	370,000	188,064,541	188,434,541	370,000	167,450,317	167,820,317

13.1 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 2019 aggregated to Rs.Nil (2018: Rs. 0.665 million).

14 CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	30 June 2019	30 June 2018
(Rupees)			
Remuneration payable to Management Company for management	14.1	14,501,602	13,839,001
Profit payable on:			
- Redeemable Capital	14.2	90,019,390	26,023,099
- Musharika / Wakala finance arrangements		35,797,844	15,375,882
Accrued expenses		15,723,146	16,376,477
Amounts refundable to lessees		132,249,823	91,259,997
Amount received against Certificates of Musharika		1,575,374	9,574,502
Penalty payable to charity		258,133	63,284
Commission payable on Certificate of Musharika		4,984,000	3,654,000
Provision for Workers' Welfare Fund	14.3	18,670,184	16,097,600
Others	14.4	31,418,445	36,380,032
		345,197,941	228,643,874

14.1 Amounts due to ORIX Services Pakistan (Private) Limited as at 30 June 2019 aggregated to Rs. 14.502 million (2018: Rs. 13.839 million).

14.2 This includes profit payable to key management personnel amounting to Rs. 0.195 million (2018 : Rs. 0.012 million).

14.3 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 considers that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to province of Sindh, no WWF liability to SRB can be paid out. On these grounds, foreseeing the expected WWF demand and penal actions from SRB, the Modaraba has filed a Constitutional Petition (CP) No. CP.D.3879/2017 with the Honourable Sindh High Court which is pending to date, however the Honourable 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 2019 in these financial statements considering it as prudent.

14.4 This includes payable to provident funds of Modaraba amounting to Rs. Nil million (2018: Rs. 0.057 million).

15 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED

	Note	30 June 2019	30 June 2018
		(Rupees)	
Certificates of Musharika	15.1	2,785,705,000	3,127,115,000
Less: Current portion of Redeemable Capital	15.2	(2,747,955,000)	(3,118,915,000)
		<u>37,750,000</u>	<u>8,200,000</u>

15.1 These carry estimated share of profit payable ranging between Re. 0.2205 to Re. 0.3874 (2018: Re. 0.1438 to Re. 0.1882) per thousand per day and are due to mature latest by 22 June 2023 (2018: 15 May 2021).

This includes COM issued to key management personnel amounting to Rs. 4 million (2018: Rs. 0.5 million).

15.2 Current portion of Redeemable Capital

	Note	30 June 2019	30 June 2018
		(Rupees)	
Current maturity of Certificates of Musharika		2,616,550,000	3,030,135,000
Payable to holders of matured Certificates of Musharika		131,405,000	88,780,000
		<u>2,747,955,000</u>	<u>3,118,915,000</u>

15.3 During the year profit allocated to different categories / tiers of the COM holders ranges from Re. 0.1233 to Re. 0.3874 (2018: Re. 0.1096 to Re. 0.1882) per thousand per day.

16 CERTIFICATE CAPITAL

Authorised certificate capital

30 June 2019	30 June 2018		30 June 2019	30 June 2018
(Number of certificates)			(Rupees)	
50,000,000	50,000,000	Modaraba certificates of Rs. 10 each	500,000,000	500,000,000
Issued, subscribed and paid-up capital				
28,500,000	28,500,000	Modaraba certificates of Rs. 10 each fully paid in cash	285,000,000	285,000,000
16,883,530	16,883,530	Modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	168,835,300	168,835,300
45,383,530	45,383,530		453,835,300	453,835,300

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

	2019		2018	
	(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

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

17 RESERVES

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

During the current year, the Modaraba has transferred an amount of Rs. 6.303 million (2018: Rs. 6.015 million) which represents 5% (2018: 5%) of the profit after taxation for the year.

18 CONTINGENCIES AND COMMITMENTS

18.1 Commitments

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

30 June 2019		
Customer Name	Amount (Rupees)	Name of Financial Institutions
Concrete Concepts (Private) Limited	44,313,000	Habib Metropolitan Bank Limited
Hussain Sugar Mills Limited	74,900,000	Dubai Islamic Bank Limited
	119,213,000	

30 June 2018

Customer Name	Amount (Rupees)	Name of Financial Institutions
Rototec (Private) Limited	38,824,800	Faysal Bank Limited
Hyeworth Renault Petersen Pakistan (Private) Limited	31,454,200	Faysal Bank Limited
Lakhani Glass (Private) Limited	25,000,000	Habib Metropolitan Bank Limited
Maqsood Faisal Printing Press (Private) Limited	62,693,000	Habib Metropolitan Bank Limited
Kingcrete Builders	28,813,900	Habib Metropolitan Bank Limited
	<u>186,785,900</u>	

19 FINANCIAL CHARGES

	Note	30 June 2019	30 June 2018
(Rupees)			
Profit on Redeemable Capital		253,219,560	158,376,150
Profit on term finance arrangements		178,213,060	71,665,221
Commission and Others		15,760,652	15,562,371
Bank charges		351,918	329,760
		<u>447,545,190</u>	<u>245,933,502</u>

20 OTHER INCOME

	Note	30 June 2019	30 June 2018
Gain on disposal of Ijarah assets		50,079,986	67,972,557
Documentation fee		22,519,632	21,991,197
Gain on disposal of fixed assets		-	-
Others	20.1	115,000	332,663
		<u>72,714,618</u>	<u>90,296,417</u>

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

21 ADMINISTRATIVE AND OPERATING EXPENSES

	Note	30 June 2019	30 June 2018
(Rupees)			
Salaries and other staff benefits	21.1 & 26	107,918,518	99,482,201
Depreciation / amortisation on fixed assets in own use	11.1	10,312,495	10,415,569
Rent		1,215,252	1,060,633
Advertising, travelling and entertainment		1,740,456	1,665,340
Postage		1,812,082	985,152
Telecommunication		4,025,631	4,131,296
Printing and stationery		2,598,979	1,954,116
Legal and professional		6,891,618	5,242,655
Repairs and maintenance		8,295,094	6,556,504
Charges by holding company	21.2	500,131	953,420
Subscriptions		1,627,122	1,313,824
Auditors' remuneration	21.3	904,168	979,550
Certificate of Musharika trustee fee		791,644	796,785
Insurance - own assets		211,978	244,589
Sundry expenses		4,105,587	3,923,016
		<u>152,950,755</u>	<u>139,704,650</u>

- 21.1** Salaries and other staff benefits include Rs. 4.089 million and Rs. 3.405 million (2018: Rs. 3.727 million and Rs. 3.101 million) on account of the Modaraba's contribution to the staff provident fund and staff gratuity fund respectively.
- 21.2** 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.

21.3 Auditors' remuneration

	30 June 2019	30 June 2018
	(Rupees)	
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	32,400
Out of pocket expenses	49,618	125,000
	904,168	979,550

22 MANAGEMENT COMPANY'S REMUNERATION

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended 30 June 2019 has been recognised at 10% (2018: 10%) of the profit for the year before charging such remuneration.

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

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated 22 April 2013, the Modaraba has recorded a provision in respect of Sindh Sales Tax on Management Company's remuneration at applicable rates with effect from 1 November 2011. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order. The Appellate Tribunal SRB through its order dated 19 February 2016 allowed the appeal and set aside the order-in-original and order-in-appeal and remanded back the case to the assessing officer for re-assessment. Thereafter, on 8 April 2016, the assessing officer issued a fresh notice to the Management Company. Against the notice, the Management Company has filed an appeal before the Honourable 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 interim relief was reconfirmed by the Court in its Order dated 05 November 2018. The case is pending to date.

24 TAXATION

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

25 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Basic

Profit for the year after taxation

	30 June 2019	30 June 2018
	(Rupees)	
	126,056,628	120,296,900

(Number)

Weighted average number of certificates outstanding during the year

45,383,530 45,383,530

(Rupees)

Earnings per certificate

2.78 2.65

Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at 30 June 2019 and 30 June 2018 which would have any effect on the earnings per certificate if the option to convert is exercised.

26 REMUNERATION OF OFFICERS AND EXECUTIVES

Remuneration and staff retirement benefits
Other benefits

Note	30 June 2019	30 June 2018
	(Rupees)	
	105,829,695	96,885,004
	2,088,823	2,597,197
26.1 & 26.2	107,918,518	99,482,201

(Number)

Number of employees at the end of the year

- Permanent
- On contractual basis

	37	35
	12	13
	49	48

Average number of employees*

	36	35
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* Represents the average number of employees at the end of each month in the year.

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

26.2 The remuneration paid to executives are as follows:

	30 June 2019	30 June 2018
	(Rupees)	
Basic Salary	22,864,704	18,161,469
House Rent Allowance	9,145,882	7,264,588
Medical Allowance	2,286,470	1,816,147
Other Allowances	8,100,896	13,551,282
Bonus	6,975,000	6,495,000
Contribution to Provident Fund	2,286,478	1,816,156
Contribution to Gratuity Fund	1,904,629	1,512,845
	53,564,059	50,617,487

(Number)

Number of executives at the end of the year

	11	9
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27 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

27.1 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.

27.1.1 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 2019 financial liabilities of Rs. Nil (2018: Rs Nil) are payable in US dollars which are exposed to foreign currency risk.

As at 30 June 2019, 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.

27.1.2 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:

		As at 30 June 2019						
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	3.59% - 10%	432,292,749	331,804,363	-	-	-	-	100,488,386
Ijarah rentals receivable	-	106,243,898	-	-	-	-	-	106,243,898
Advances, deposits and other receivables	-	171,391,283	-	-	-	-	-	171,391,283
Diminishing Musharika	10.47%-18.53%	3,084,690,228	138,222,300	172,698,565	745,372,359	1,496,280,112	532,116,892	-
Investment in Sukuk certificates	-	-	-	-	-	-	-	-
Taxation recoverable	-	8,733,382	-	-	-	-	-	8,733,382
		3,803,351,540	470,026,663	172,698,565	745,372,359	1,496,280,112	532,116,892	386,856,949
Financial liabilities								
Term finance arrangements	11.11% - 13.60%	1,933,671,877	95,038,076	73,579,657	664,302,265	1,100,751,879	-	-
Security deposits	-	648,805,760	-	-	-	-	-	648,805,760
Creditors, accrued and other liabilities	-	326,527,757	-	-	-	-	-	326,527,757
Redeemable capital	8.05% - 13.25%	2,785,705,000	77,000,000	331,200,000	2,208,350,000	37,750,000	-	131,405,000
Unclaimed profit distribution	-	55,752,238	-	-	-	-	-	55,752,238
Advance Ijarah rentals received	-	36,404,859	-	-	-	-	-	36,404,859
		5,786,867,491	172,038,076	404,779,657	2,872,652,265	1,138,501,879	-	1,198,895,614
On-balance sheet gap		(1,983,515,951)	297,988,587	(232,081,092)	(2,127,279,906)	357,778,233	532,116,892	(812,038,665)

		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 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
		3,090,419,293	432,747,803	83,753,573	433,920,011	1,389,602,283	539,792,502	210,603,121
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
		5,789,459,053	167,384,849	218,950,000	3,242,789,670	1,045,580,809	-	1,114,753,725
On-balance sheet gap		(2,699,039,760)	265,362,954	(135,196,427)	(2,808,869,659)	344,021,474	539,792,502	(904,150,604)

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 statement of profit or loss account and the equity of the Modaraba:

	As at 30 June 2019		As at 30 June 2018	
	Increase of 100 basis points	Decrease of 100 basis points	Increase of 100 basis points	Decrease of 100 basis points
	(Rupees)			
Variable rate financial assets	62,250,087	(62,250,087)	53,821,883	(53,821,883)
Variable rate financial liabilities	(48,121,908)	48,121,908	(39,158,765)	39,158,765
Net effect on profit and loss	14,128,179	(14,128,179)	14,663,118	(14,663,118)

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 2019 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 2019 and 30 June 2018.

27.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) 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 2019 and 30 June 2018, the Modaraba did not hold any instruments which exposed it to price risk.

27.2 Credit risk

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

	Note	30 June 2019	30 June 2018
		(Rupees)	
Financial Assets			
Cash and bank balances		432,242,989	409,071,882
Ijarah rentals receivable	27.2.1	106,243,898	101,827,754
Advances, deposits and other receivables		171,391,283	76,811,534
Diminishing Musharika		3,084,690,228	2,493,963,283
		3,794,568,398	3,081,674,453

27.2.1 As at 30 June 2019 and 30 June 2018, Ijarah rental receivables are pledged as collateral against musharika / wakala term finance.

Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations for Modarabas issued by the SECP. The Modaraba

seeks to manage its credit risk exposure through diversification of its Ijarah and Diminishing Musharika arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

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

Credit risk ratings

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

	30 June 2019	30 June 2018
	(Rupees)	
Bank balances		
AAA	432,024,860	386,058,390
AA+	216,072	22,778,248
AA	-	179,493
A+	508	508
State Bank of Pakistan	1,549	55,243

Impairment losses and past due balances

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

	As at 30 June 2019			As at 30 June 2018		
	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)					
Ijarah rentals receivable	63,495,778	42,748,120	106,243,898	59,132,102	42,695,652	101,827,754

27.2.2 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 2019				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	(Rupees)				
Ijarah rentals receivable (being principal outstanding)	-	-	-	28,210,145	28,210,145
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Diminishing Musharika	25,366,723	-	-	-	25,366,723
Sukuk certificates	-	-	-	57,701,835	57,701,835

	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

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 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 8.1.3, 9.3 and 10.4.

27.2.3 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 2019		30 June 2018	
	(Rupees)	%	(Rupees)	%
Confectionery	39,813,192	0.70%	-	0.00%
Fast Moving Consumer Goods (FMCGs) / Food and Allied	321,153,363	5.68%	350,099,686	6.16%
Services	872,959,982	15.45%	647,037,001	11.39%
Fertilizers	1,116,972	0.02%	19,812,837	0.35%
Chemicals	165,565,941	2.93%	172,553,031	3.04%
Sugar	144,554,379	2.55%	151,446,352	2.67%
Bottlers	1,249,360	0.02%	4,435,025	0.08%
Textile	477,344,926	8.44%	346,381,667	6.10%
Travel, transport, storage	322,770,729	5.70%	442,399,726	7.79%
Printing, publishing and packages	465,490,171	8.24%	515,018,050	9.06%
Individuals	975,540,561	17.26%	1,102,169,604	19.40%
Automobile	55,891,481	0.99%	42,039,495	0.74%
Financial institutions	126,940,664	2.25%	182,443,645	3.21%
Power, energy, water	33,601,475	0.59%	44,005,731	0.77%
Gas	138,191,198	2.45%	141,256,458	2.49%
Pharmaceuticals	195,204,713	3.45%	215,744,942	3.80%
Steel	183,570,555	3.25%	147,198,412	2.59%
Engineering	444,238,964	7.86%	280,785,441	4.94%
Plastic	105,921,871	1.87%	124,362,616	2.19%
Distribution	4,024,622	0.07%	4,896,660	0.09%
Leather / Tyre and Rubber	104,010,647	1.84%	139,840,649	2.46%
Poultry / Poultry Feeds	73,896,713	1.31%	97,633,296	1.72%
Petroleum and Allied	25,385,636	0.45%	49,802,199	0.88%
Others	372,824,075	6.60%	461,074,907	8.11%
	5,651,262,190	100%	5,682,437,430	100%

		30 June 2019	30 June 2018
		(Rupees)	
Investment in Ijarah finance / assets under Ijarah arrangements	10	3,139,887,722	3,833,125,196
Less: Security deposits held	13	(648,805,760)	(721,626,451)
Add: Impairment against Ijarah assets	10.1	16,523,566	16,523,566
Add: Allowance for potential Ijarah losses	10.4	1,134,443	1,134,443
Add: Mark-up held in suspense	10.5	130,156	130,156
		2,508,870,127	3,129,286,910
Investment in Sukuk certificates	8	-	-
Add: Provision in respect of Sukuk certificates	8	57,701,835	57,701,835
		57,701,835	57,701,835
Investment in Diminishing Musharika	9	3,084,690,228	2,493,963,283
Add: Provision in respect of Diminishing Musharika	9	-	1,485,402
		3,084,690,228	2,495,448,685
		5,651,262,190	5,682,437,430

27.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay / 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.

The following are the contractual maturities of financial liabilities:

	As at 30 June 2019						
	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
	(Rupees)						
Financial liabilities							
Term finance arrangements	1,933,671,877	(1,933,671,877)	(95,038,076)	(73,579,657)	(664,302,265)	(1,100,751,879)	-
Security deposits	648,805,760	(648,805,760)	(67,620,261)	(10,434,883)	(104,234,975)	(466,515,641)	-
Creditors, accrued and other liabilities	345,197,941	(326,527,757)	(326,527,757)	-	-	-	-
Redeemable Capital	2,785,705,000	(2,785,705,000)	(208,405,000)	(331,200,000)	(2,208,350,000)	(37,750,000)	-
Unclaimed profit distribution	55,752,238	(55,752,238)	(55,752,238)	-	-	-	-
Advance Ijarah rentals received	36,404,859	(36,404,859)	(36,404,859)	-	-	-	-
	<u>(5,786,867,491)</u>	<u>(789,748,191)</u>	<u>(415,214,540)</u>	<u>(2,976,887,240)</u>	<u>(1,605,017,520)</u>	<u>-</u>	<u>-</u>
	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
	(Rupees)						
Financial liabilities							
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)	-	-	-	-
	<u>(5,789,459,053)</u>	<u>(655,513,604)</u>	<u>(226,226,379)</u>	<u>(3,308,332,126)</u>	<u>(1,597,120,018)</u>	<u>(2,266,926)</u>	<u>-</u>

ASSETS

Cash and bank balances
Ijarah rentals receivable
Advances, deposits and other receivables
Diminishing Musharika
Taxation recoverable
Investment in Sukuk certificates

	As at 30 June 2019			Total
	Financial Assets carried at amortised cost	Financial Assets carried as FVOCI	Financial Assets carried as FVTPL	
	(Rupees)			
432,292,749	-	-	432,292,749	
106,243,898	-	-	106,243,898	
171,391,283	-	-	171,391,283	
3,084,690,228	-	-	3,084,690,228	
8,733,382	-	-	8,733,382	
-	-	-	-	
3,803,351,540	-	-	3,803,351,540	

LIABILITIES

Term finance
Security deposits
Creditors, accrued and other liabilities
Redeemable Capital
Unclaimed profit distribution
Advance Ijarah rentals received

	As at 30 June 2019		Total
	At fair value through profit or loss	Other financial liabilities	
	(Rupees)		
-	1,933,671,877	1,933,671,877	
-	648,805,760	648,805,760	
-	326,527,757	326,527,757	
-	2,785,705,000	2,785,705,000	
-	55,752,238	55,752,238	
-	36,404,859	36,404,859	
-	5,786,867,491	5,786,867,491	

ASSETS

Cash and bank balances
Ijarah rentals receivable
Advances, deposits and other receivables
Diminishing Musharika
Taxation recoverable
Investment in Sukuk certificates

	As at 30 June 2018			Total
	Financial Assets carried at amortised cost	Financial Assets carried as FVOCI	Financial Assets carried as FVTPL	
	(Rupees)			
409,085,082	-	-	409,085,082	
101,827,754	-	-	101,827,754	
76,811,534	-	-	76,811,534	
2,493,963,283	-	-	2,493,963,283	
8,731,640	-	-	8,731,640	
-	-	-	-	
3,090,419,293	-	-	3,090,419,293	

LIABILITIES

Term finance
Security deposits
Creditors, accrued and other liabilities
Redeemable Capital
Unclaimed profit distribution
Advance Ijarah rentals received

	As at 30 June 2018		Total
	At fair value through profit or loss	Other financial liabilities	
	(Rupees)		
-	1,636,370,328	1,636,370,328	
-	721,626,451	721,626,451	
-	212,546,274	212,546,274	
-	3,127,115,000	3,127,115,000	
-	50,525,989	50,525,989	
-	41,275,011	41,275,011	
-	5,789,459,053	5,789,459,053	

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As at 30 June 2019 and 30 June 2018, there were no financial instruments which were measured at fair values in the financial statements.

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

		As at 30 June 2019								
		Carrying value				Fair value				
		Financial assets at Amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees)								
Financial assets not measured at fair value										
	Cash and bank balances	29.2	432,292,749	-	-	-	432,292,749			
	Ijarah rentals receivable	29.2	106,243,898	-	-	-	106,243,898			
	Advances, deposits and other receivables	29.2	171,391,283	-	-	-	171,391,283			
	Diminishing Musharaka	29.2	3,084,690,228	-	-	-	3,084,690,228			
	Taxation recoverable	29.2	8,733,382	-	-	-	8,733,382			
	Investment in Sukuk certificates	29.2	-	-	-	-	-			
	Total		3,803,351,540	-	-	-	3,803,351,540			
Financial liabilities not measured at fair value										
	Term finance	29.2	-	-	-	1,933,671,877	1,933,671,877			
	Security deposits	29.2	-	-	-	648,805,760	648,805,760			
	Creditors, accrued and other liabilities	29.2	-	-	-	326,527,757	326,527,757			
	Redeemable Capital	29.2	-	-	-	2,785,705,000	2,785,705,000			
	Unclaimed profit distribution	29.2	-	-	-	55,752,238	55,752,238			
	Advance Ijarah rentals received	29.2	-	-	-	36,404,859	36,404,859			
	Total		-	-	-	5,786,867,491	5,786,867,491			

		As at 30 June 2018								
		Carrying value				Fair value				
		Financial assets at Amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees)								
Financial assets not measured at fair value										
	Note									
Cash and bank balances	29.2	409,085,082	-	-	-	409,085,082				
Ijarah rentals receivable	29.2	101,827,754	-	-	-	101,827,754				
Advances, deposits and other receivables	29.2	76,811,534	-	-	-	76,811,534				
Diminishing Musharika	29.2	2,493,963,283	-	-	-	2,493,963,283				
Taxation recoverable	29.2	8,731,640	-	-	-	8,731,640				
Investment in Sukuk certificates	29.2	-	-	-	-	-				
Total		3,090,419,293	-	-	-	3,090,419,293				
Financial liabilities not measured at fair value										
Term finance	29.2	-	-	-	1,636,370,328	1,636,370,328				
Security deposits	29.2	-	-	-	721,626,451	721,626,451				
Creditors, accrued and other liabilities	29.2	-	-	-	212,546,274	212,546,274				
Redeemable Capital	29.2	-	-	-	3,127,115,000	3,127,115,000				
Unclaimed profit distribution	29.2	-	-	-	50,525,989	50,525,989				
Advance Ijarah rentals received	29.2	-	-	-	41,275,011	41,275,011				
Total		-	-	-	5,789,459,053	5,789,459,053				

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

30 CAPITAL RISK MANAGEMENT

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

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

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

	30 June 2019	30 June 2018
	(Rupees)	
Total borrowings	4,719,376,877	4,763,485,328
Less: Cash and bank balances	432,292,749	409,085,082
Net debt	4,287,084,128	4,354,400,246
Total equity	1,160,475,446	1,147,880,363
Total capital	5,447,559,574	5,502,280,609
Gearing ratio	78.70%	79.14%

31 SEGMENT INFORMATION

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

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

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

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

The Modaraba also has a diversified certificate holder population. As at 30 June 2019, there were only two (2018: two) certificate holders who each held equal to or more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (2018: 10% and 10%) respectively.

32 RELATED PARTY TRANSACTIONS

32.1 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 2019	30 June 2018
				(Rupees)	
ORIX Leasing Pakistan Limited	Holding Company of the Management Company	100% Holding in Management Company; 10% Holding in Modaraba	Dividend	11,345,883	12,253,553
			Allocated cost to Modaraba for Islamabad Office	500,131	953,420
ORIX Services Pakistan (Private) Limited	Management Company	10% Holding in Modaraba	Management Company's remuneration	14,501,602	13,839,001
			Dividend	11,345,883	12,253,553
			Rent reimbursement	-	300,726
ORIX Modaraba - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made by the Modaraba	4,089,227	3,726,761
ORIX Modaraba - Staff Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made by the Modaraba	3,404,928	3,100,571
			Refund received from the Modaraba	649,505	1,192,695
Key management personnel	Employees	Members of the Management Committee	Salaries and benefits	39,378,086	39,127,747
			Contributions to the staff provident fund	1,575,514	1,512,867
			Contributions to the staff gratuity fund	1,313,416	1,260,211
			Reimbursement to Staff gratuity fund	355,920	-
			Income earned on DM finances	5,266,987	5,345,972
			Ijarah rental earned on Ijarah finances	3,115,305	3,313,445
			Financial charges on Redeemable Capital	194,455	35,938
			Number of persons	9	8

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.

32.2 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 2019

	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	2,723,242	15,625	-	2,738,867	14,488,816
Mohammad Arif Daya	6,576,434	132,344	-	6,708,778	6,917,907
Nadir Shah	8,425,830	85,087	-	8,510,917	8,739,554
Muhammad Asim Javed	17,149,045	139,537	-	17,288,582	17,262,231
Salwat Ahmad	1,823,552	5,656	-	1,829,208	1,926,447
Muhammad Ahsan Ilyas	2,273,748	11,465	-	2,285,213	2,377,754
	38,971,851	389,714	-	39,361,565	

For Year ended 30 June 2018

	Balances at Year-end				Maximum Aggregate Balance during the year
	Diminishing Musharika Finance (1)	Accrued Profit / Markup Receivable from Diminishing Musharika Finance (2)	Ijarah Rental Receivable (3)	Total (1+2+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 Javed	17,119,335	92,878	-	17,212,213	17,780,226
Farhat Ansari	-	-	10,917	10,917	10,917
Syed Haris Ali	5,149,978	10,216	10,494	5,170,688	6,004,182
Mohammad Ehsan Ilyas	-	-	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>	

32.2.1 Under Diminishing Musharika arrangements, housing, motor vehicle and personal finances are provided to Key management personnel. Tenor of maximum twenty years are offered for housing finance whereas for motor vehicles and personal finances the same are offered for five years 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. For limits of motor vehicle financings, the Modaraba sets benchmark on the basis of prices prevalent on the date employee becomes entitled or when entitlement revises of particular models of certain vehicles available in the market. 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 motor vehicles financed by the Modaraba are held by Modaraba in its ownership. 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 7 to these financial statements under current assets.

32.2.2 Ijarah rental receivables represent accrued Ijarah rentals from the last paid respective Ijarah rentals till statement of financial position date as disclosed in Note 6 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.

33 CASH AND CASH EQUIVALENTS

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

	30 June 2019	30 June 2018
	(Rupees)	
Cash and bank balances	<u>432,292,749</u>	<u>409,085,082</u>

33.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Term Finance arrangement	Redeemable Capital	Dividend Payable	Total
Opening balance as at 1 July 2018	1,636,370,328	3,127,115,000	50,525,989	4,814,011,317
Dividend declared	-	-	113,461,545	113,461,545
	-	-	113,461,545	113,461,545
Proceeds from term finance	1,021,983,058	-	-	1,021,983,058
Repayment of term finance	(724,681,509)	-	-	(724,681,509)
Proceeds from issuance of Redeemable Capital	-	4,137,800,000	-	4,137,800,000
Repayment of Redeemable Capital	-	(4,479,210,000)	-	(4,479,210,000)
Dividend paid	-	-	(108,235,296)	(108,235,296)
	297,301,549	(341,410,000)	(108,235,296)	(152,343,747)
Closing balance as at 30 June 2019	1,933,671,877	2,785,705,000	55,752,238	4,775,129,115

34 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

35 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on _____ approved a cash distribution of Rs. ____ (2018: Rs. 2.5) per certificate. The financial statements of the Modaraba for the year ended 30 June 2019 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 2020.

36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Management Company.

37 GENERAL

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

- 37.2 The Modaraba has set up provident fund for its permanent employees and the contributions are made by the Modaraba to the fund. The total contribution made to the provident fund for the year ended 30 June 2019 was Rs. 3.889 million (2018: Rs. 3.726 million). The audit of the provident fund for the year ended 30 June 2019 is in progress. The net assets based on audited financial statements of provident fund as at 30 June 2018 was Rs. 42.110 million out of which 96% was invested in different financial instruments categories including deposits with Banks in remunerative accounts. Currently all assets of the fund are valued at amortised cost. The cost and fair value as at 30 June 2019 of investments and bank balances amount to Rs. 49.461 million and Rs. 53.091 million respectively.

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



Chairman



Chief Executive



Director



Chief Financial Officer

Glossary / List of Abbreviations

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

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Dear Certificate holder,

ELECTRONIC CREDIT MANDATE (Mandatory)

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

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

You can also find the Electronic Credit Mandate Form on Notices and Announcements Section in ORIXM website www.orixmodaraba.com. 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 for this purpose.

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

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

Yours faithfully,

Company Secretary
ORIX MODARABA

CERTIFICATE - HOLDER SECTION:

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

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

CNIC No. (copy attached) :-----
NTN (in case of corporate entity) :-----

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

Certificate-Holder Signature

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

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

To
The Share Registrar

FAMCO ASSOCIATES (PVT) LTD.

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