

**PUBLIC PRIVATE
PARTNERSHIP
SUPPORT FACILITY -
PPPSF**

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

**FOR THE YEAR ENDED
30 JUNE 2020**

INDEPENDENT AUDITOR'S REPORT

To the members of Public Private Partnership Support Facility

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Public Private Partnership Support Facility ("the Company"), which comprise the statement of financial position as at 30 June 2020, and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the surplus, the other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Riaz Ahmad & Company

Chartered Accountants

1

Information other than the Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company for our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in

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Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Riaz Ahmad & Company

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Report on Other Legal and Regulatory Requirements

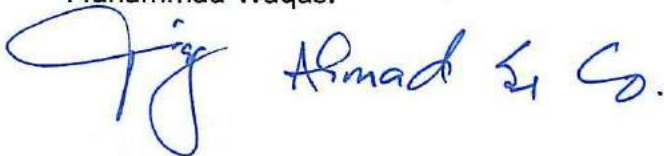
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Company for the year ended 30 June 2019 were audited by another firm of chartered accountants who expressed unmodified opinion thereon vide their report dated 07 October 2019.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Waqas.



RIAZ AHMAD & COMPANY
Chartered Accountants

Date: 07 October 2020

KARACHI

PUBLIC PRIVATE PARTNERSHIP SUPPORT FACILITY
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	5	2,470,090	-
Deferred tax		40,933	-
		<u>2,511,023</u>	<u>-</u>
CURRENT ASSETS			
Accrued markup		42,108,751	9,828,000
Prepaid insurance		41,324	-
Bank balances	6	595,159,434	590,857,864
		<u>637,309,509</u>	<u>600,685,864</u>
Total assets		<u><u>639,820,532</u></u>	<u><u>600,685,864</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 55,000,000 (2019: 55,000,000) ordinary shares of Rupees 10 each		<u>550,000,000</u>	<u>550,000,000</u>
Issued, subscribed and paid-up share capital	7	550,000,000	550,000,000
Accumulated surplus		<u>75,246,002</u>	<u>38,307,490</u>
Total equity		<u>625,246,002</u>	<u>588,307,490</u>
CURRENT LIABILITIES			
Payable to Government of Sindh	8	2,212,035	2,212,035
Other payables	9	3,637,220	216,500
Income tax payable	10	8,725,275	9,949,839
Total current liabilities		<u>14,574,530</u>	<u>12,378,374</u>
Contingencies and commitments	11		
Total equity and liabilities		<u><u>639,820,532</u></u>	<u><u>600,685,864</u></u>

The annexed notes from 01 to 21 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

PUBLIC PRIVATE PARTNERSHIP SUPPORT FACILITY
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
INCOME			
Profit on saving account		20,077,027	29,493,892
Profit on Term Deposit Receipts - TDRs	12	<u>55,791,458</u>	<u>18,093,578</u>
		75,868,485	47,587,470
EXPENDITURE			
General and administrative expenses	13	(23,842,412)	(257,175)
Surplus of income over expenditure before tax		<u>52,026,073</u>	<u>47,330,295</u>
Taxation	14	(15,087,561)	(13,725,786)
Surplus of income over expenditure after tax		<u>36,938,512</u>	<u>33,604,509</u>

The annexed notes from 01 to 21 form an integral part of these financial statements.

Mujib Shahid

CHIEF EXECUTIVE OFFICER

Ayub Ahmed

DIRECTOR

PUBLIC PRIVATE PARTNERSHIP SUPPORT FACILITY
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	2020 Rupees	2019 Rupees
Surplus of income over expenditure after tax	36,938,512	33,604,509
Other comprehensive income:		
Items that will not be reclassified to statement of income and expenditure	-	-
Items that may be reclassified subsequently to statement of income and expenditure	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	36,938,512	33,604,509 <i>h.</i>

The annexed notes from 01 to 21 form an integral part of these financial statements.

Mujib Shahid

CHIEF EXECUTIVE OFFICER

Asghar

DIRECTOR

PUBLIC PRIVATE PARTNERSHIP SUPPORT FACILITY
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued, subscribed and paid-up share capital	Accumulated surplus	Total
	Rupees	Rupees	Rupees
Balance as at 30 June 2018	550,000,000	4,702,981	554,702,981
Surplus for the year	-	33,604,509	33,604,509
Other comprehensive income	-	-	-
Total comprehensive income for the year		33,604,509	33,604,509
Balance as at 30 June 2019	550,000,000	38,307,490	588,307,490
Surplus for the year	-	36,938,512	36,938,512
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	36,938,512	36,938,512
Balance as at 30 June 2020	550,000,000	75,246,002	625,246,002

The annexed notes from 01 to 21 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

PUBLIC PRIVATE PARTNERSHIP SUPPORT FACILITY
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus of income over expenditure before tax	52,026,073	47,330,295
Adjustments for non-cash items:		
Depreciation	352,870	-
Operating cash flow before working capital changes	52,378,943	47,330,295
WORKING CAPITAL CHANGES		
Increase in current assets		
Accrued mark up	(32,280,751)	(9,828,000)
Prepaid insurance	(41,324)	-
Increase / (decrease) in current liabilities		
Other payables	3,420,720	(16,135)
Net working capital changes	(28,901,355)	(9,844,135)
Cash flow from operating activities	23,477,588	37,486,160
Income tax paid	(16,353,058)	(4,187,936)
Net cash generated from operating activities	7,124,530	33,298,224
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to operating fixed assets	(2,822,960)	-
Net cash used in investing activities	(2,822,960)	-
CASH FLOW FROM FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,301,570	33,298,224
Cash and cash equivalent at the beginning of the year	590,857,864	557,559,640
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	595,159,434	590,857,864

The annexed notes from 01 to 21 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

PUBLIC PRIVATE PARTNERSHIP SUPPORT FACILITY
(A company set up under section 42 of the Companies Act, 2017)
NOTES TO THE STATEMENT OF FINANCIAL POSITION
FOT THE YEAR 30 JUNE 2020

1. LEGAL STATUS AND OPERATIONS

Public Private Partnership Support Facility ("the Company") was incorporated in Pakistan on 29 December 2017 under section 42 of the Companies Act, 2017 as a company limited by guarantee having share capital.

The principal activity of the Company is to finance, manage and monitor projects initiated under the Sindh Public Private Partnership Act, 2010 (the Act) and to render advisory and technical assistance to Government of Sindh for any project initiated under the Act.

The Company is wholly owned by Government of Sindh.

The registered office of the Company is located at 7th Floor, Sindh Secretariat No 6, Shahra-e-Kamal Ataturk, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest of Rupees, unless otherwise stated.

2.4 Key judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- a) Depreciation on operating fixed assets (Note 4.1)
- b) Taxation (Note 4.6)

The revisions to accounting estimates (if any) are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments and interpretations to International Financial Reporting Standards (IFRS) that are effective in the current period and are relevant to the Company

Following standard, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

- IFRS 16 'Leases'
- IFRS 9 (Amendments) 'Financial Instruments'
- IAS 28 (Amendments) 'Investments in Associates and Joint Ventures'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IASB's Annual Improvements to IFRSs: 2015 – 2017 Cycle

The above mentioned accounting standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3.2 Interpretations and amendments to published approved standards that are effective in current period but not relevant to the Company

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

3.3 Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

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 01 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. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing general purpose financial statements in accordance with IFRS.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

The above amendments and improvements do not have a material impact on the financial statements.

3.4 Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

4. SIGNIFICANT ACCOUNTING POLICES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

4.1 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and recognized accumulated impairment, if any. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the period in which they are incurred.

Depreciation

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged from the month in which the assets are disposed off. Depreciation on operating fixed assets is charged to statement of income and expenditure applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 5. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of operating fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of income and expenditure in the period the asset is de-recognized.

4.2 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand, cash at banks and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

4.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one company and a financial liability or equity instruments of another company.

a) Financial assets

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income or fair value through income and expenditure in the context of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

i- Financial assets at amortized cost

Financial assets at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii- Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii- Financial assets at fair value through income and expenditure

Financial assets at fair value through income and expenditure are those financial assets which are either designated in this category or not classified in any of the other categories.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income and expenditure. Financial assets carried at fair value through income and expenditure is initially recognized at fair value and transaction costs are expensed in the statement of income and expenditure.

Gains and losses arising on financial assets at amortized cost and financial assets at fair value through income and expenditure are recognized in the statement of income and expenditure. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on financial assets at fair value through other comprehensive income are also recognized in the statement of income and expenditure. Gains and losses from changes in fair value of financial assets at fair value through other comprehensive income are recognized in other comprehensive income and are reclassified to statement of income and expenditure on derecognition or reclassification.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

b) Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through income and expenditure are initially recognized at fair value and transaction costs are expensed in the statement of income and expenditure.

Financial liabilities, other than those at fair value through income and expenditure, are subsequently measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of income and expenditure.

c) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost and at fair value other comprehensive income is calculated on basis of "expected credit losses" model.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

d) De-recognition

i. Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

ii. Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

e) Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements, when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.4 Other payables

Liabilities for other payables are initially recognized at fair value plus directly attributable cost. These are subsequently measured at amortized cost.

4.5 Revenue recognition

i. Services

Revenue from services rendered is recognized as and when the services are rendered.

ii. Interest Income

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

4.6 Taxation

Current tax

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates, if any. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the period.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax asset on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of income and expenditure, except where deferred tax arises on the items credited or charged to comprehensive income or directly to the equity, in which case it is adjusted in statement of comprehensive income or statement of changes in equity.

4.7 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic

benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions is reviewed at each reporting date and adjusted to reflect current best estimate.

4.8 Related party transactions

All related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

5. OPERATING FIXED ASSETS - VEHICLE	Note	2020 Rupees	2019 Rupees
Year ended 30 June 2020			
Opening net book value		-	-
Additions - at cost		2,822,960	-
Depreciation charged during the year		(352,870)	-
Net book value		<u>2,470,090</u>	<u>-</u>
As at 30 June 2020			
Cost		2,822,960	-
Accumulated depreciation		(352,870)	-
Net book value		<u>2,470,090</u>	<u>-</u>
Depreciation rate per annum		25%	-

6. BANK BALANCES

Saving account	6.1	45,159,434	122,857,864
Term Deposit Receipts - TDRs	6.2	550,000,000	468,000,000
		<u>595,159,434</u>	<u>590,857,864</u>

6.1 This represents the balance with Sindh Bank Limited in saving account at the rate ranging from 6.65% to 11.5% per annum (2019: 5.50% to 10.25%).

6.2 It represents investments made in Term Deposit Receipts - TDRs with Sindh Bank Limited maturing within periods ranging from one month to one year maturity and carries mark-up at the rates ranging from 10.10% to 13.75% (2019: 10.5%).

7. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2020 (Number of Shares)	2019			
55,000,000	55,000,000	55,000,000	Ordinary shares of Rupees		
			10 each fully paid in cash.	550,000,000	550,000,000
<u>55,000,000</u>	<u>55,000,000</u>			<u>550,000,000</u>	<u>550,000,000</u>

7.1 As at 30 June 2020, 54,999,998 (2019: 54,999,996) Ordinary Shares of Rupees 10 each fully paid in cash are held by Government of Sindh, and 2 (2019: 4) shares of Rupees 10 each fully paid in cash are held by nominees.

8. PAYABLE TO GOVERNMENT OF SINDH - related party

Registration fee	2,210,500	2,210,500
Filing fee	1,200	1,200
Bank charges	35	35
User registration fee	300	300
	<u>2,212,035</u>	<u>2,212,035</u>

9. OTHER PAYABLES	Note	2020 Rupees	2019 Rupees
Accrued expenses		250,000	216,500
Salaries payable		3,056,964	-
Sales tax payable		11,440	-
Withholding tax payable		318,816	-
		<u>3,637,220</u>	<u>216,500</u>
10. INCOME TAX PAYBLE			
Current tax payable	10.1	<u>8,725,275</u>	<u>9,949,839</u>
10.1 Movement of income tax payable:			
Balance as 01 July		9,949,839	411,988
Current tax expense accrued during the year	14	15,128,494	13,725,786
		<u>25,078,333</u>	<u>14,137,774</u>
Tax collected or deducted at source		(6,403,219)	(3,775,947)
Tax paid during the year		(9,949,839)	(411,988)
		<u>8,725,275</u>	<u>9,949,839</u>
10.2	The Company is in the process of obtaining tax exemption certificate under section 100(C) of Income Tax Ordinance, therefore the Company is required to pay income tax until such certificate is obtained.		
11. CONTIGENCIES AND COMMITMENTS	There were no contingencies and commitments as at reporting date. (2019: Nil)		
12. PROFIT FROM TERM DEPOSIT RECEIPTS			
Profit on 1 month TDR		1,134,794	2,872,975
Profit on 3 month TDR		6,788,708	15,220,603
Profit on 6 month TDR		8,915,489	-
Profit on 1 year TDR		38,952,467	-
		<u>55,791,458</u>	<u>18,093,578</u>
13. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		22,817,440	-
Advertisement expense		-	97,000
SECP fee		46,955	-
Travelling expense		68,700	-
Postage		1,540	-
Insurance expense		41,326	-
Stationary		39,970	-
Depreciation		352,870	-
Legal and professional charges		296,440	37,875
Auditors' remuneration	13.1	132,000	119,500
Miscellaneous		44,720	2,100
Bank charges		451	700
		<u>23,842,412</u>	<u>257,175</u>

13.1 Auditors' remuneration	Note	2020 Rupees	2019 Rupees
Audit fee		95,000	89,000
Certification fee		25,000	21,600
Out of pocket expense		12,000	8,900
		<u>132,000</u>	<u>119,500</u>

14. TAXATION

Current	15,128,494	13,725,786
Deferred	(40,933)	-
	<u>15,087,561</u>	<u>13,725,786</u>

14.1 The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemption available if any.

14.2 Reconciliation of tax expense:

Surplus of income over expenditure after tax	52,026,073	47,330,295
Tax rate	29%	29%
Tax at applicable rate	15,087,561	13,725,786
Temporary difference due to tax and accounting depreciation	40,933	-
	<u>15,128,494</u>	<u>13,725,786</u>

15. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVE

	Chief Executive Officer		Executives	
	2020	2019	2020	2019
	Rupees	Rupees	Rupees	Rupees
Basic	6,800,000	-	11,347,986	-
Car allowance	-	-	1,929,933	-
Fuel allowance	247,695	-	494,389	-
	<u>7,047,695</u>	<u>-</u>	<u>13,772,308</u>	<u>-</u>
Number of persons	<u>1</u>	<u>-</u>	<u>3</u>	<u>-</u>

15.1 The directors of the Company are working without remuneration.

16. TRANSACTION WITH RELATED PARTIES

Related parties comprise of the Government of Sindh, Chief Executive Officer, Directors and other key management personnel. There have been no transaction with these related parties during the year except as disclosed in Note 15 to these financial statements.

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

17.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

a) **Market risk**

(i) **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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk.

(ii) **Other price risk**

Other price risk represents 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 interest 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 instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) **Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at reporting date, the interest profile of the company's significant interest bearing financial instruments was:

	2020 Rupees	2019 Rupees
Fixed rate instruments		
Financial assets		
Term Deposit Receipts - TDRs	550,000,000	468,000,000
Financial Liabilities	-	-
Net exposure	<u>550,000,000</u>	<u>468,000,000</u>
Floating rate instruments:		
Financial assets		
Bank balance - saving account	45,159,434	122,857,864
Financial liabilities	-	-
Net exposure	<u>45,159,434</u>	<u>122,857,864</u>

Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2020, if market interest rates had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been higher / lower by Rupees 3.960 million (2019: Rupees 3.323 million).

Cash flow sensitivity analysis for floating rate instruments

As at 30 June 2020, if market interest rates had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been higher / lower by Rupees 0.325 million (2019: Rupees 0.872 million).

b) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk of the Company arises from deposits with banks, trade debts, accrued mark up and advances and deposits. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020 Rupees	2019 Rupees
Accrued markup	42,108,751	9,828,000
Bank balances ¹	<u>595,159,434</u>	<u>590,857,864</u>
	<u>637,268,185</u>	<u>600,685,864</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Bank	Rating				
	Short term	Long term	Agency		
Sindh Bank Limited	A-1	A+	VIS	<u>595,159,434</u>	<u>590,857,864</u>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

c) **Liquidity risk**

Liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient bank balances and other liquid assets. At 30 June 2020, the Company had Rupees 45.159 million (2019: Rupees 122.858 million) bank balance and Rupees 550 million (2019: Rupees 468 million) investment in TDRs. Following are the contractual maturities of the financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities:	Payable to Government	Other payables	Total
	Rupees	Rupees	Rupees
As at 30 June 2020			
Carrying amount	<u>2,212,035</u>	<u>3,306,964</u>	<u>5,518,999</u>
Contractual cash flows:			
6 month or less	2,212,035	3,306,964	5,518,999
6 months to 12 months	-	-	-
More than 1 year	-	-	-
	<u>2,212,035</u>	<u>3,306,964</u>	<u>5,518,999</u>
As at 30 June 2019			
Carrying amount	<u>2,212,035</u>	<u>216,500</u>	<u>2,428,535</u>
Contractual cash flows:			
6 month or less	2,212,035	216,500	2,428,535
6 months to 12 months	-	-	-
More than 1 year	-	-	-
	<u>2,212,035</u>	<u>216,500</u>	<u>2,428,535</u>

17.2 Recognized fair value measurements - financial assets

Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on company-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no financial asset and financial liability to be reported under above levels as the carrying amounts of all financial assets and financial liabilities presented in these financial statements are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

17.3 Recognized fair value measurements - non-financial assets

The carrying value of all non-financial assets reflected in these financial statements are approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

17.4 Financial instruments by categories

	At amortized cost	
	2020 Rupees	2019 Rupees
Financial assets as per statement of financial position		
Accrued markup	42,108,751	9,828,000
Bank balances	595,159,434	590,857,864
	<u>637,268,185</u>	<u>600,685,864</u>
Financial liabilities as per statement of financial position		
Payable to Government of Sindh	2,212,035	2,212,035
Other payables	3,306,964	216,500
	<u>5,518,999</u>	<u>2,428,535</u>

18. NUMBER OF EMPLOYEES

Permanent employees as at 30 June - (Number)	<u>9</u>	<u>-</u>
Average number of employees during the year - (Number)	<u>4</u>	<u>-</u>

19. IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 23 March 2020, the Government of Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily closed its offices from 24 March 2020 and employees were instructed to work from home. In the Company's case, the lockdown was relaxed from 19 June 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company reopened its offices from 06 July 2020 and took all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowdown in economic activity. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- provisions and contingent liabilities under IAS 37 Provisions, Contingent Liabilities and Contingent Assets'; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

20. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 07 OCT 2020 by the Board of Directors of the Company.

21. GENERAL

- The corresponding figures have been reclassified / re-arranged where considered necessary for the purpose of better presentation. However, no material reclassification / re-arrangement have been made in these financial statements during the year.
- Figures have been rounded off to the nearest rupee.



CHIEF EXECUTIVE OFFICER



DIRECTOR