ISLAMIC NPC COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD FROM SEPTEMBER 24, 2020 TO JUNE 30, 2021

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Islamic NPC Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Islamic NPC Company Limited (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the period from September 24, 2020 to June 30, 2021, 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 profit or loss, the statement of profit or loss and other 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 June 30, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the period from September 24, 2020 to June 30, 2021.

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.

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

Management is responsible for the other information. The other information comprises the information included in the annual report or other document, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Afiro

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

KARACHI ▪ LAHORE ▪ ISLAMABAD

pwc A·F·FERGUSON&Co.

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 the 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 are 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 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.

pwc A·F·FERGUSON&Co.

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.

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 profit or loss, the statement of profit or loss and other 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 period from September 24, 2020 to June 30, 2021 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).

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

Affergusonco

A. F. Ferguson & Co
Chartered Accountants
Karachi
Dated: November 6, 2021

ISLAMIC NPC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 Rupees in '000
ASSETS		
Non-current assets		
Receivable from Government of Pakistan under sale and leaseback transactions	4	71,629,575
Current assets		
Rent receivable	5	166,592
Bank balances	6	1,118,195
		1,284,787
TOTAL ASSETS		72,914,362
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital	7	100
Issued, subscribed and paid-up share capital	7	100
Unappropriated profit		191,751
		191,851
LIABILITIES		
Non-current liabilities		
Payable to banks	8	37,222,379
Current liabilities		
Payable to banks	8	34,407,196
Profit payable to banks	9	1,035,928
Commission payable	10	54,317
Accrued expenses	11	2,691
		35,500,132
TOTAL LIABILITIES		72,722,511
TOTAL EQUITY AND LIABILITIES		72,914,362

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMIC NPC COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD FROM SEPTEMBER 24, 2021 TO JUNE 30, 2021

	Note	For the period from September 24, 2020 to June 30, 2021 --Rupees in '000--
Income		
Rental income	12	1,853,038
Exchange loss - net	13	(2,151)
		1,850,887
Expenses		
Operating expenses	14	1,656,435
Administrative expenses	15	2,701
Total expenses		**1,659,136**
Profit for the period		**191,751**

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

ISLAMIC NPC COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM SEPTEMBER 24, 2021 TO JUNE 30, 2021

	For the period from September 24, 2020 to June 30, 2021
	--Rupees in '000--
Profit for the period	191,751
Other comprehensive income	-
Total comprehensive income for the period	191,751

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMIC NPC COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM SEPTEMBER 24, 2021 TO JUNE 30, 2021

	Issued, subscribed and paid-up share capital	Unappropriated profit	Total
	----------Rupees in '000----------		
Receipts against issuance of shares	100	-	100
Profit for the period	-	191,751	191,751
Balance as at June 30, 2021	100	191,751	191,851

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMIC NPC COMPANY LIMITED
STATEMENT OF CASHFLOWS
FOR THE PERIOD FROM SEPTEMBER 24, 2021 TO JUNE 30, 2021

	Note	For the period from September 24, 2020 to June 30, 2021
		--Rupees in '000--
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period		191,751
Adjustments for non-cash and other items:		
Rental income		(1,853,038)
Exchange loss - net		2,151
Operating expenses		1,656,435
		(194,452)
		(2,701)
Increase in current liabilities		
Accrued expenses		2,691
Rental income received during the period		1,687,563
Profit paid during the period		(501,928)
Commission paid during the period		(67,530)
Net cash generated from operating activities		1,118,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets		(71,889,269)
Net cash used in investing activities		(71,889,269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital		100
Payable to banks		71,889,269
Net cash generated from financing activities		71,889,369
Net increase in cash and cash equivalents during the period		1,118,195
Cash and cash equivalents at the end of the period	17	1,118,195

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 STATUS AND NATURE OF BUSINESS

1.1 The Islamic NPC Company Limited (the Company) was incorporated in Pakistan on September 24, 2020 as an unlisted public limited company under the Companies Act, 2017. The Company has been established as a Special Purpose Vehicle (SPV) to facilitate shariah compliant financing for the Federal Government in the form of Sale and Lease back transactions. The Company is fully owned by the Government of Pakistan (GOP). The registered office of the Company is located at Room 208, Q Block, Finance Division, Pak Secretariat, Islamabad, Pakistan. The Company's operations are managed by the State Bank of Pakistan (SBP) vide its board resolution dated October 15, 2020 (at its Head Office in Karachi), which has also been notified in SRO 964 (1) / 2020, Rule 2, Clause (b), issued by the Finance Division.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In addition, the disclosure requirements of fifth schedule of the Companies Act, 2017 have also been complied.

Where disclosure requirements of the fifth schedule of the Companies Act, 2017 differ from the IFRS issued by IASB, the requirements of the IFRS issued by IASB have been followed.

2.2 Accounting convention

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

2.3 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective

Standards	Effective date (annual periods beginning on or after)
- IAS 1, 'Presentation of financial statements' (amendments)	January 1, 2023
- IAS 8, 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2023
- IAS 37, 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IFRS 9, 'Financial instruments' (amendments)	January 1, 2022
- IFRS 7, ' Financial instruments - disclosures' (amendments)	January 1, 2022

The management is in the process of assessing the impact of the above amendments on these financial statements.

2.3.1 There are certain other new or amended standards and interpretations that are mandatory for the accounting period beginning on or after July 1, 2021, but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.4 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

The significant accounting policies applied in the preparation of these financial statements are set out below.

Afra

3.1 Financial assets

3.1.1 Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

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

a) At amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.1.1.2.

b) Fair value through other comprehensive income (FVOCI):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment losses or reversals, recognised and measured as described in note 3.1.1.2, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of profit or loss.

c) Fair value through profit or loss (FVPL):

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value and is not part of a hedging relationship is recognised in the statement of profit or loss in the period in which it arises.

3.1.1.2 Impairment

The Company assesses on a forward-looking basis the Expected Credit Losses (ECL) associated with its financial instruments carried at amortised cost and FVOCI. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In evaluating the adequacy of ECL, the management considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations, historical loss experience and delinquencies.

3.1.1.3 Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

(i) the Company transfers substantially all the risks and rewards of ownership; or

(ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

3.1.1.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the asset.

3.1.2 Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost except for:

- Financial liabilities at fair value through profit or loss; and

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer.

3.1.2.1 Derecognition

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the statement of profit or loss.

3.1.3 Initial recognition

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the statement of profit or loss.

3.1.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.1.5 Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each outstanding exposure which stands as impaired, the Company 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.

3.2 Receivable from Government of Pakistan under sale and leaseback transactions

This represents sale and lease back transactions executed by the Company and the Government of Pakistan. The sale transaction was executed in various tranches between the Company [special purpose vehicle (SPV)] and President of Pakistan on behalf of Government of Pakistan (GoP) for sale of different areas / parts of Jinnah Terminal, Karachi for a total aggregate amount of Rs 71,889 million. This amount comprises of Rs. 17,500 million, $ 48,129 million, £ 3,362 million and € 2,898 million.

Simultaneously with the execution of sales agreement, the ijarah agreements for the respective areas / parts has been executed between the Company and President of Pakistan on behalf of GoP for a maximum period of five years. A purchase undertaking has been executed between the GoP and the Company that the areas / parts of Jinnah terminal purchased will be sold back to GoP on conclusion of ijarah agreement. Accordingly, the transaction is typically a sale and lease back transaction.

As per the requirements of IFRS 15 "Revenue from contracts with customers", the said transaction does not fall under a sale transaction. IFRS 16 "Leases" has excluded such type of transaction from its scope and the same needs to be accounted for in accordance with the requirements of IFRS 9 "Financial Instruments". Accordingly, the sale and lease back transaction has been accounted for under IFRS 9.

3.3 Payable to banks

Payable to banks comprise of following:

- Payable to banks - Class A
- Payable to banks - Class B

Affm

3.3.1 Class A certificates represent certificates issued by the Company through agent banks to eligible investors. The eligible investors are:

(a) Every non-resident Pakistani having National Identity Card for Overseas Pakistanis, foreigners having Pakistan Origin Cards, members of Overseas Pakistanis Foundation, an employee or official of the Federal Government or a Provincial Government posted abroad who are eligible to open foreign currency value account (FCRA) and non-resident Pakistani Rupee value account (NRVA); and

(b) Resident Pakistanis having assets abroad, duly declared in latest tax return filed with the Federal Board of Revenue.

The details of Class A certificates held by investors is maintained by the agent banks. The rate of profit on Class A certificates is higher as compared to Class B certificates. The process for profit determination is given in note 3.5 to these financial statements.

The investments in Class A certificates can be made in Pakistani Rupees (PKR), United States Dollar (USD), Great Britain Pound (GBP) and Euro (EUR) with varying maturities from 3 months to 5 years.

3.3.2 The Class B certificates represent certificates held by agent banks which are transitory in nature. The minimum amount for the participating banks has been given which is divided into PKR, USD, GBP and EUR. The agent banks have contributed total fifteen tranches as at June 30, 2021, out of which four are in PKR, nine in USD, one in GBP and one in EUR.

The rate of return is lower than Class A certificates and the procedure for determination of profit rate is given in note 3.5 to these financial statements.

3.4 Revenue recognition

Rental income is recorded monthly on the basis of rates agreed between the Company and the GoP as mentioned in note 12.1 to these financial statements.

3.5 Profit distribution expense

Profit distribution expense is accrued monthly on the basis of rates announced at each month end. The rate of profit is determined based on separate Modaraba pools created for Class A certificates and Class B certificates based on the guidance provided in SRO 817(1)/2020 dated September 7, 2020. For Class A, profit is paid to Banks bi-annually for 3 years and 5 years certificates and at maturity for 3 months, 6 months and 1 year certificates. For Class B, profit is paid to Banks on 6 monthly basis in the months of March and September.

3.6 Commission expense

Commission expense is accrued at the time of sale of Class A certificates by the agent banks to the eligible investors which is communicated to the Company on a daily basis and is paid to agent banks on quarterly basis.

3.7 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the closing rate of exchange prevailing at the reporting date.

Exchange gains and losses are taken to the statement of profit or loss.

3.8 Cash and Cash Equivalents

Cash and cash equivalents include local and foreign currency accounts with SBP - Banking Service Corporation (BSC), a subsidiary of SBP.

3.9 Taxation

The income of the Company is exempt from tax under clause 66 table 1 (xxxvii) of Part I of second schedule to Income Tax Ordinance, 2001.

3.10 Share Capital

Ordinary shares are classified as equity and are recorded at face value. Incremental costs, if any, directly attributable to the issuance of shares, are recognised in equity.

	Note	June 30, 2021 --Rupees in '000--
4 RECEIVABLE FROM GOVERNMENT OF PAKISTAN UNDER SALE AND LEASE BACK TRANSACTIONS		
The currency wise breakup of financial assets carried at amortised cost is as follows:		
PKR		17,500,000
USD		48,050,829
GBP		3,269,663
EURO		2,809,083
	4.1	71,629,575

4.1 These pertain to acquisition of Jinnah terminal from GoP under sale and lease back arrangement.

	Note	June 30, 2021 --Rupees in '000--
5 RENT RECEIVABLE		
The currency wise breakup of rent receivable is as follows:		
PKR		56,507
USD		103,936
GBP		3,494
EURO		2,655
	5.1	166,592

5.1 This pertains to the rent receivable from GoP under sale and lease back arrangement at the rates of 11%, 7%, 6.5% and 5.75% for PKR, USD, GBP and EURO respectively.

	Note	June 30, 2021 --Rupees in '000--
6 BANK BALANCES		
The currency wise breakup of bank balances is as follows:		
PKR		316,471
USD		691,075
GBP		62,201
EURO		48,448
	6.1	1,118,195

6.1 These balances are maintained in current accounts with SBP-BSC.

7 SHARE CAPITAL

7.1 Authorised share capital

June 30, Number of shares		June 30, 2021 --Rupees in '000--
10,000	Ordinary shares of Rs 10 each	100

7.2 Issued, subscribed and paid-up share capital

June 30, Number of shares		Note	June 30, 2021 --Rupees in '000--
	Ordinary shares of Rs 100 each		
10,000	Fully paid in cash	7.3	100

7.3 As at June 30, 2021, the GoP and directors of the Company hold 99.97% and 0.03% shares of the Company respectively.

Alltw

8	PAYABLE TO BANKS	Note	June 30, 2021 --Rupees in '000--
	Payable to banks - Class A	8.1	23,661,715
	Payable to banks - Class B	8.2	13,560,664
			37,222,379

8.1 Payable to banks - Class A

		June 30, 2021				
		PKR	USD	GBP	EURO	Total
	Note	Rupees in 000				
Payable to banks		13,555,899	42,024,468	2,171,492	317,052	58,068,911
Less: current portion		(8,891,798)	(23,653,769)	(1,589,710)	(271,919)	(34,407,196)
	8.1.1	4,664,101	18,370,699	581,782	45,133	23,661,715

8.1.1 This pertains to certificates issued by the Company, through agent banks, to eligible persons for the purpose of cash generation for GoP and are recognised as Class A liabilities. The amount pertaining to matured and pre-matured certificate(s) is transferred to Class B liabilities.

8.2	Payable to banks - Class B	Note	June 30, 2021 --Rupees in '000--

The currency wise breakup of payable to banks against Class B is as follows:

PKR		3,944,100
USD		6,026,362
GBP		1,098,171
EURO		2,492,031
	8.2.1	13,560,664

8.2.1 This pertains to the amount provided by banks to the Company for the purpose of cash generation for GoP. As certificates are issued by banks to eligible individuals, the proportionate amount will be transferred to Class A liabilities.

9	PROFIT PAYABLE TO BANKS	Note	June 30, 2021 --Rupees in '000--
	Profit payable to banks - Class A	9.1	947,602
	Profit payable to banks - Class B	9.2	88,326
			1,035,928

9.1 The currency wise breakup of profit payable to banks pertaining to Class A liabilities is as follows:

PKR		261,921
USD		664,197
GBP		19,002
EURO		2,482
	9.1.1	947,602

9.1.1 This pertains to profit due to banks for certificate holders of Class A according to the approved rates for each currency, ranging from 9.49% - 11.01% per annum in PKR, 5.49% - 7.01% per annum in USD, 5.24% - 6.51% per annum in GBP and 4.74% - 5.76% per annum in EURO.

9.2	The currency wise breakup of profit payable to banks pertaining to Class B liabilities is as follows:	Note	June 30, 2021 --Rupees in '000--

PKR		37,495
USD		25,591
GBP		13,437
EURO		11,803
	9.2.1	88,326

Afra

9.2.1 This pertains to profit due to banks against certificates of Class B according to the approved rates of each currency ranging from 7.98% - 8.24% per annum in PKR, 2.99% - 3.04% per annum in USD, 2.49% - 2.5% per annum in GBP and 1.74% - 1.75% per annum in EURO.

		Note	June 30, 2021 --Rupees in '000--
10	**COMMISSION PAYABLE**		
	The currency wise breakup of commission payable is as follows:		
	PKR		13,250
	USD		37,371
	GBP		3,356
	EURO		340
		10.1	54,317

10.1 This pertains to the amount payable to agent banks for issuance of certificates to eligible persons at the rates of 0.0625 %, 0.125% and 0.25% for 3 months, 6 months and 1 year or above respectively.

		Note	June 30, 2021 --Rupees in '000--
11	**ACCRUED EXPENSES**		
	Auditor's remuneration payable		1,404
	Shariah advisor fee payable		1,277
	Other liabilities		10
			2,691

		Note	For the period from September 24, 2020 to June 30, 2021 --Rupees in '000--
12	**RENTAL INCOME**		
	The currency wise breakup of rental income is as follows:		
	PKR		626,849
	USD		1,098,004
	GBP		72,816
	EURO		55,369
		12.1	1,853,038

12.1 This represents rental income earned during the period from GoP at the rates of 11%, 7%, 6.5% and 5.75% for PKR, USD, GBP and EURO respectively.

		Note	For the period from September 24, 2020 to June 30, 2021 --Rupees in '000--
13	**EXCHANGE LOSS - NET**		
	The currency wise breakup of exchange gain / (loss) is as follows:		
	USD		(2,728)
	GBP		277
	EURO		300
			(2,151)
14	**OPERATING EXPENSES**		
	Profit distribution expense	14.1	1,533,726
	Commission expense	14.2	122,709
			1,656,435

Afftm

		Note	For the period from September 24, 2020 to June 30, 2021 --Rupees in '000--
14.1	**Profit Distribution Expense**		

The currency wise breakup of profit distribution expense is as follows:

	Note	For the period from September 24, 2020 to June 30, 2021 --Rupees in '000--
Class A		
PKR		387,803
USD		875,822
GBP		19,422
EURO		2,795
	14.1.1	1,285,842
Class B		
PKR		153,093
USD		59,707
GBP		19,553
EURO		15,531
	14.1.2	247,884
		1,533,726

14.1.1 This represents profit expense recognised during the period for Class A certificates at the rates ranging from 9.49% - 11.01% per annum, 5.49% - 7.01% per annum, 5.24% - 6.51% per annum and 4.74% - 5.76% per annum for PKR, USD, GBP and EURO respectively.

14.1.2 This represents profit expense recognised during the period for Class B certificates at the rates ranging from 7.98% - 8.24% per annum, 2.99% - 3.04% per annum, 2.49% - 2.5% per annum and 1.74% - 1.75% per annum for PKR, USD, GBP and EURO respectively.

14.2 Commission Expense

The currency wise breakup of commission expense is as follows:

	Note	For the period from September 24, 2020 to June 30, 2021 --Rupees in '000--
PKR		25,732
USD		92,490
GBP		3,898
EURO		589
	14.2.1	122,709

14.2.1 This represents the commission expense pertaining to agent banks for Class A certificates sold to eligible persons.

15 ADMINISTRATIVE EXPENSES

	Note	For the period from September 24, 2020 to June 30, 2021 --Rupees in '000--
Auditor's remuneration	15.1	1,404
Shariah advisor fee		1,277
Other		20
		2,701

15.1 Auditor's remuneration

	Note	Rupees in '000
Fee for statutory audit		864
Fee for audit of other certifications	15.1.1	540
		1,404

Affzo

15.1.1 This pertains to audit fee for issuance of certificate of receipt of subscription money and audit of specified particulars of statutory report.

16 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company include the GoP as major shareholder, directors and key management personnel. During the current period, there were no transactions with related parties except for transactions with the GoP as disclosed in notes 4.1, 5.1 and 12.1 to these financial statements.

17 CASH AND CASH EQUIVALENTS

	June 30, 2021 --Rupees in '000--
Bank balances	1,118,195

18 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets - at amortised cost	
Receivable from Government of Pakistan under sale and leaseback transactions	71,629,575
Rent receivable	166,592
Bank balances	1,118,195
	72,914,362
Financial Liabilities - at amortised cost	
Payable to banks	71,629,575
Profit payable to banks	1,035,928
Commission payable	54,317
Accrued expenses	2,691
	72,722,511

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

The Company currently finances its operations through financing pools (Class A and Class B) and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. The Company's risk management policies and objectives are as follows:

19.1 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the creditworthiness of counterparties.

The Company has total financial assets amounting to Rs 72,914 million, out of which Rs 71,629 million pertains to financial assets under sale and lease back arrangement with GoP and Rs 166.592 million pertains to rent receivable from GoP. The Company is not exposed to credit risk with respect to these financial assets.

Credit risk arises from bank balances of the Company. The Company has total bank balances of Rs. 1,118 million placed with SBP - BSC. The management does not expect non-performance from SBP-BSC on its obligations to the Company.

19.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines open.

Affro

19.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, profit rate risk and price risk.

19.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD), Euro (EUR) and Great British Pound (GBP). The details of balances are as follows:

	June 30, 2021
	--USD in '000--
Financial assets at amortised cost	305,000
Rent receivable	660
Payable to banks	(305,000)
Profit payable to banks	(4,378)
Commission payable	(237)
Bank balances	4,387
Net foreign currency exposure	432

	June 30, 2021
	--EUR in '000--
Financial assets at amortised cost	15,000
Rent receivable	14
Payable to banks	(15,000)
Profit payable to banks	(76)
Commission payable	(2)
Bank balances	259
Net foreign currency exposure	195

	June 30, 2021
	--GBP in '000--
Financial assets at amortised cost	15,000
Rent receivable	16
Payable to banks	(15,000)
Profit payable to banks	(149)
Commission payable	(15)
Bank balances	285
Net foreign currency exposure	137

At June 30, 2021, if the Pakistani Rupee had weakened / strengthened by 1% against the USD, Euro, and GBP with all other variables held constant, profit for the period from September 24, 2020 to June 30, 2021 would have been higher / lower by Rs 1.342 million.

19.3.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in the market profit rates. Sensitivity to profit rate arises due to mismatches of financial assets and financial liabilities that mature or reprice in a given period.

Affro

The Company manages these mismatches through profit rate on financing to GoP at the date of contract and announcing returns to Banks only after considering the projected expenses of the company.

Description	Profit rate	June 30, 2021						
		Exposed to profit rate risk			Not exposed to profit rate risk			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
Financial assets								
Receivable from Governr	5.75% - 11%	-	71,629,575	71,629,575	-	-	-	71,629,575
Rent receivable	-	-	-	-	166,592	-	166,592	166,592
Bank balances	-	-	-	-	1,118,195	-	1,118,195	1,118,195
		-	71,629,575	71,629,575	1,284,787	-	1,284,787	72,914,362
Financial liabilities								
Payable to banks	1.74% - 11.01%	34,407,196	37,222,379	71,629,575	-	-	-	71,629,575
Profit payable to banks	-	-	-	-	1,035,928	-	1,035,928	1,035,928
Commission payable	-	-	-	-	54,317	-	54,317	54,317
Accrued expenses	-	-	-	-	2,691	-	2,691	2,691
		34,407,196	37,222,379	71,629,575	1,092,936	-	1,092,936	72,722,511
		(34,407,196)	34,407,196	-	191,851	-	191,851	191,851

At June 30, 2021 a change of 100 basis points (1%) in profit rates, with all other variables held constant, would not have any impact on profit for the period.

19.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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. The Company does not have any investments traded in the market, therefore, the Company is not subject to price risk.

19.3.4 Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes and systems, human error, or from impact of external events (including legal risks). Operational risk is inherent in the Company's activities and, as with the other risk types, is managed through an overall framework with checks and balances that includes recognised ownership of the risk by the businesses and an independent risk management oversight.

19.4 Capital Risk Management

The Company's prime objective is to work as an SPV for GoP through sale and lease back transactions. To ensure that capital adequacy is maintained the Company holds financial assets (receivable from GoP) and financial liabilities (payable to banks) in equal amounts. Further, profit is announced on monthly basis after incorporating the requirement to maintain sufficient resources to manage the Company's operational expenses.

20 FAIR VALUE DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As at June 30, 2021 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Fair value hierarchy

The different levels have been defined as follows:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

The Company does not hold any financial instruments at fair value as at June 30, 2021.

21 NUMBER OF EMPLOYEES

	2021
Number of employees	2
Average number of employees during the period	2

22 REMUNERATION TO KEY MANAGEMENT PERSONNEL

Key management personnel of the Company include members of the Board of Directors of the Company, and other executives of the Company who have responsibility for planning, directing and controlling the activities of the Company.

Since the Company is managed by SBP, the Company has only 2 employees during the period, Company Secretary (Director Finance, SBP) and Chief Executive Officer (Additional Finance Secretary, Finance Division). No remuneration is paid during the period by the Company to its key management personnel.

23 GENERAL

23.1 Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

24 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 0 6 NOV 2021 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER

DIRECTOR