KPMG Taseer Hadi & Co.
Chartered Accountants

Pakistan Mortgage Refinance Company Limited

Financial Statements
For the year ended 31 December 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Pakistan Mortgage Refinance Company Limited** ("the Company") as at 31 December 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. 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 above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said 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 account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies stated therein;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Date: 15 February 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Pakistan Mortgage Refinance Company Limited
Balance Sheet
As at 31 December 2016

	Notes	31 December 2016	31 December 2015
		(Rupees)	
ASSETS			
Non-current assets			
Property and equipement	5	1,240,009	-
Current assets			
Advance, deposits and prepayment	6	11,114,627	-
Accrued profit receivable		46,214,588	-
Bank balances	7	1,265,597,422	1,200,000,000
		1,322,926,637	1,200,000,000
Total assets		1,324,166,646	1,200,000,000
EQUITY AND LIABLITIES			
Share capital and reserves			
Authorised capital			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000,000	100,000
(31 December 2015: 10,000 ordinary shares of Rs. 10 each)			
Issued, subscribed and paid up capital	8	1,000	100
Unappropriated profits / accumulated losses		4,262,138	(467,405)
		4,263,138	(467,305)
Amount available for issue of shares	8.4	150,000,000	-
Total equity		154,263,138	(467,305)
Non-current liabilities			
Deferred tax liability	9	26,665	-
Current liabilities			
Advance against share capital	10	1,159,905,000	1,200,000,000
Accrued expense and other payables	11	9,971,843	467,305
Total liabilities		1,169,876,843	1,200,467,305
Total equity and liabilities		1,324,166,646	1,200,000,000
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive Officer

Director

Pakistan Mortgage Refinance Company Limited
Profit and Loss Account
For the year ended 31 December 2016

	Notes	31 December 2016	For the period from 14 May 2015 to 31 December 2015
		(Rupees)	
Mark-up / interest income		**53,712,669**	-
Pre incorporation expenses		-	(21,005)
Administrative expenses	*13*	**(47,468,650)**	(446,400)
Profit / (loss) before taxation		**6,244,019**	(467,405)
Taxation:			
- Current		**(1,487,811)**	-
- Defferd		**(26,665)**	-
	14	**(1,514,476)**	-
Profit / (loss) after taxation		**4,729,543**	(467,405)

The annexed notes 1 to 22 form an integral part of these financial statements.

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Chief Executive Officer

Director

Pakistan Mortgage Refinance Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2016

	31 December 2016	For the period from 14 May 2015 to 31 December 2015
	(Rupees)	
Profit / (loss) for the year	**4,729,543**	(467,405)
Other comprehensive income	-	-
Total other comprehensive income	**4,729,543**	(467,405)

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive Officer

Director

Pakistan Mortgage Refinance Company Limited

Cash Flow Statement

For the year ended 31 December 2016

	31 December 2016	For the period from 14 May 2015 to 31 December 2015
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	6,244,019	(467,405)
Adjustments for		
Depreciation	46,217	-
Interest income	(53,712,669)	-
	(47,422,433)	(467,405)
Increase in operating assets		
Advance, deposits and prepayment	(543,100)	-
Increase / (decrease) in operating liabilities		
Other liabilities (excluding current taxation)	9,504,538	467,305
	(38,460,995)	(100)
Tax paid	(12,059,338)	-
Interest received	7,498,081	-
Net cash used in operating activities	(43,022,252)	(100)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(1,286,226)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	900	100
Advance against share capital	109,905,000	1,200,000,000
Net cash generated from financing activities	109,905,900	1,200,000,100
Net increase in cash and cash equivalents during the year / period	65,597,422	1,200,000,000
Cash and cash equivalents at beginning of the year / period	1,200,000,000	-
Cash and cash equivalents at end of the year / period	1,265,597,422	1,200,000,000
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Bank balances	1,265,597,422	1,200,000,000
	1,265,597,422	1,200,000,000

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive Officer **Director**

Pakistan Mortgage Refinance Company Limited
Statement of Changes in Equity
For the year ended 31 December 2016

	Issued, subscribed and paid up capital	Unappropriated profit / (accumulated loss)	Amount available for issue of shares	Total
	(Rupees)			
Balance as at 14 May 2015	-	-	-	-
Issue of share capital	100	-	-	100
Loss for the period	-	(467,405)	-	(467,405)
Balance as at 31 December 2015	100	(467,405)	-	(467,305)
Issue of share capital	900	-	-	900
Amount received against issue of shares	-	-	150,000,000	150,000,000
Profit for the year	-	4,729,543	-	4,729,543
Balance as at 31 December 2016	**1,000**	**4,262,138**	**150,000,000**	**154,263,138**

The annexed notes 1 to 22 form an integral part of these financial statements.

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Chief Executive Officer

Director

1. STATUS AND NATURE OF BUSINESS

Pakistan Mortgage Refinance Company (PMRC) was incorporated on 14 May 2015 under Companies Ordinance, 1984 and limited by shares. The registered office of the Company is situated at Karachi, Sindh. The principal activity of the Company is to carry on the business of promoting, developing and improving the housing finance market of Pakistan, to provide refinance facilities to banks and financial institutions against their existing conventional and Islamic housing finance portfolios, and to develop and promote best practices for housing finance in Pakistan.

The Company has obtained certificate of the commencement of business on 28 November 2016.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's presentation and functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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 current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent years are as follows:

i) Taxation (note 4.3 and 14)
ii) Property and equipment (note 4.1 and 5)

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.

  - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

  - IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt

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of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of these financial statements are set out below:

4.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of an asset including borrowing costs, if any. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation

Depreciation is charged to income on straight line basis. Depreciation on asset is charged from the month an asset is available for use upto the month prior to its disposal.

4.2 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and current and deposit accounts, having maturity less than three months, held with banks. Short term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management, are included as part of cash and cash equivalents for the purpose of the Cash Flow statement.

4.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Profit and Loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation.

4.4 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

4.5 Revenue recognition

Interest income (including late payment surcharge) is recognized on a time-apportioned basis using the effective rate of return.

4.6 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instrument.

4.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.8 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non Financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the Profit and Loss Account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.9 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in profit and loss account over the period of borrowings on an effective interest basis.

4.10 Provisions

A provision is recognized in the balance sheet 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 are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

5 PROPERTY AND EQUIPEMENT

	2016								
	COST			Rate	DEPRECIATION				Written down value as at 31 December 2016
	As at 1 January 2016	Additions / (disposal)	As at 31 December 2016		As at 1 January 2016	For the year	(Disposal)	As at 31 December 2016	
	(Rupees)				(Rupees)				
Computers	-	479,600	479,600	33%	-	30,080	-	30,080	449,520
Equipments	-	806,626	806,626	20%	-	16,137	-	16,137	790,489
	-	1,286,226	1,286,226		-	46,217	-	46,217	1,240,009

	2015								
	COST			Rate	DEPRECIATION				Written down value as at 31 December 2015
	As at 14 May 2015	Additions / (disposal)	As at 31 December 2015		As at 14 May 2015	For the period	(Disposal)	As at 31 December 2015	
	(Rupees)				(Rupees)				
Computers	-	-	-	33%	-	-	-	-	-
Equipments	-	-	-	25%	-	-	-	-	-
	-	-	-		-	-	-	-	-

6 ADVANCE, DEPOSITS AND PREPAYMENT

	Note	2016	2015
		(Rupees)	
Prepaid CDC fee		40,750	-
Advance rent		160,350	-
Advance tax		10,571,527	-
Security deposit rent		342,000	-
		11,114,627	-

7 CASH AND BANK BALANCES

	Note	2016	2015
Cash with banks in			
- Current accounts	7.1	15,597,422	1,200,000,000
- Savings accounts	7.2	150,000,000	-
		165,597,422	1,200,000,000
Term deposit receipts	7.3	1,100,000,000	-
		1,265,597,422	1,200,000,000

7.1 This represents the amount placed with the Habib Bank Limited, in the current account.

7.2 This represents the amount placed in National Bank of Pakistan carrying mark-up at the rate of 3.75% per annum.

7.3 Term deposits

	Note	2016	2015
National Bank of Pakistan	7.3.1	550,000,000	-
Bank Alfalah Limited	7.3.2	550,000,000	-
		1,100,000,000	-

7.3.1 These carry mark-up rates ranging from 5% to 6.50% (2015: Nil) per annum and will mature on 22 January 2017.

7.3.2 These carry mark-up rates of 6.40% (2015: Nil) per annum and will mature on 21 January 2017.

8 SHARE CAPITAL

8.1 Authorised Capital

2016	2015		Note	2016	2015
(Number of shares)				(Rupees)	
1,000,000,000	10,000	Fully paid ordinary shares of Rs. 10 each issued for cash		10,000,000,000	100,000

8.2 Issued, subscribed and paid-up capital

2016	2015		Note	2016	2015
(Number of shares)					
10	10	Fully paid ordinary shares of Rs. 10 each issued for cash		100	100
90	-	Issue of right shares	8.3	900	-
100	10			1,000	100

8.3 During the year, the Company has made a right issue of 90 shares at par value to existing share holders. All the shares were subscribed by the existing share holders.

8.4 On 8 December 2016, the Board of Director of the Company has resolved to issue 150,000 right shares for every one existing ordinary shares of Rs. 10 each. Further, the amount of shares subscription money has also been received. Since the process of the right shares subscription has been initiated, accordingly, this has been classified in equity. Details of the subscription amounts received as per share purchase agreement dated 4 October 2016 are as follows:

Funds Received From	**(Rupees)**
Ministry of Finance – Islamic Republic of Pakistan	40,095,000
Habib Bank Limited	15,300,000
National Bank of Pakistan	26,730,000
Askari Bank Limited	18,360,000
United Bank Limited	15,300,000
Bank Alfalah Limited	12,240,000
Allied Bank Limited	12,240,000
House Building Finance Company Limited	6,675,000
Summit Bank Limited	1,830,000
Bank AL Habib Limited	1,230,000
	150,000,000

9 DEFERRED TAX LIABILITY

Deferred tax assets / liability arising on deductible / (taxable) temporary differences:

	Note	Balance as at 31 December 2015	Recognised in profit and loss	Recognised in OCI	Balance as at 31 December 2016
		(Rupees)			
Depreciation of property and equipment		-	(175,070)	-	(175,070)
Compensated absences		-	148,405	-	148,405
	9.1	-	(26,665)	-	(26,665)

9.1 Reconciliation of deferred tax asset

	2016	2015
	(Rupees)	
As at 1 January	-	-
Recognised for the year	(26,665)	-
As at 31 December	(26,665)	-

10 ADVANCE AGAINST SHARE CAPITAL

The amount represents the advance received from Government of Pakistan - Ministry of Finance for the issuance of share capital.

11 ACCRUED EXPENSES AND OTHER PAYABLES

	2016	2015
	(Rupees)	
Incorporation expenses payable	3,538,905	20,905
Director fee payable	126,000	126,000
Hiring expenses payable	-	237,900
Audit fee payable	165,000	82,500
Salaries and allowances payable	4,495,103	-
HR consultant	500,000	-
Payable to Sidat Hyder	1,140,600	-
Tax on supplies	6,235	-
	9,971,843	467,305

12 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at year end (31 December 2015: Nil).

13 ADMINISTRATIVE EXPENSES

	Note	For the year ended 31 December 2016	For the period from 14 May 2015 to 31 December 2015
		(Rupees)	
Salaries, allowances, etc.		13,009,649	-
Fees and subscription		27,509,785	-
Stationary and printing		147,501	-
Courier		7,093	-
Communication		60,213	-
Rent, taxes, electricity etc.		444,062	-
Depreciation		46,217	-
Travelling and conveyance		86,870	-
Repair		284,557	-
Bank charges		2,409	-
Director fee		-	126,000
Advertisement and publicity		-	237,900
Legal and professional charges		5,722,900	-
Auditor's remuneration	*13.1*	82,500	82,500
Others		64,894	-
		47,468,650	446,400

13.1 Auditor's remuneration

Audit fees	75,000	75,000
Out of pocket expenses	7,500	7,500
	82,500	82,500

14 TAXATION - NET

Current	1,487,811	-
Deferred	26,665	-
	1,514,476	-

14.1 Relationship between tax expense and accounting profit

Profit before taxation	6,244,019	(467,405)
Tax at the applicable rate of 31% (2015: 32%)	1,935,646	(149,570)
Tax effects of:		
Deferred tax asset not recognised	-	149,570
Expenses that are not deductible in determining taxable income	(276,274)	-
Tax credit on prior period losses	(144,896)	-
	1,514,476	-

15 REMUNERATION OF THE CHIEF EXECUTIVE

	Chief Executive	
	2016	2015
	(Rupees)	
Remuneration	2,795,082	-
Variable performance pay	-	-
Retirement benefits	-	-
Rent, utilities, medical, leave encashment etc.	1,978,483	-
	4,773,565	-

The Chief Executive is also provided with the company maintained car.

	(Number)	
Number of persons	1	-

16 NUMBER OF EMPLOYEES

	31 December 2016	31 December 2015
	(Number)	
Number of employees at 31 December	5	-

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17 FINANCIAL INSTRUMENTS BY CATEGORY

	As on 31 December 2016			As on 31 December 2015		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets	(Rupees)			(Rupees)		
Advance, deposits and prepayment	11,114,627	-	11,114,627	-	-	-
Accrued profit receivable	46,214,588	-	46,214,588	-	-	-
Bank balances	1,265,597,422	-	1,265,597,422	1,200,000,000	-	1,200,000,000
	1,322,926,637	-	1,322,926,637	1,200,000,000	-	1,200,000,000

	As on 31 December 2016			As on 31 December 2015		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities	(Rupees)			(Rupees)		
Accrued expenses and other liabilities	-	9,971,843	9,971,843	-	467,305	467,305
	-	9,971,843	9,971,843	-	467,305	467,305

18 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors ("the Board") of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

18.1 Credit risk and management of credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its balances with banks. Currently, the Company is not exposed to significant credit risk as around Rs. 1.27 billion (2015: Rs. 1.20 billion) are held with banks with reasonably high credit ratings.

The analysis below summarises the credit quality of the Company's bank balances:

Bank balances *Local Currency*	Rating category	As at 31 December 2016	As at 31 December 2015
		(Percentage)	
Habib Bank Limited - Current Account	A1+	1%	100%
National Bank of Pakistan - Saving Account	A1+	12%	0%
National Bank of Pakistan - Term Deposit	A1+	43.5%	0%
Bank Alfalah Limited - Term Deposit	A1+	43.5%	0%

The Company considers the creditworthiness of counterparties as part of its risk management.

18.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or experience difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company'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 Company's reputation. The Company ensures that it has sufficient liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities:

31 December 2016	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees)						
Non-derivative financial liabilities							
Trade payables	9,971,843	-	(9,971,843)	(9,971,843)	-	-	-
	9,971,843	-	(9,971,843)	(9,971,843)	-	-	-
31 December 2015							
Non-derivative financial liabilities							
Trade payables	467,305	-	(467,305)	(467,305)	-	-	-
	467,305	-	(467,305)	(467,305)	-	-	-

18.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is exposed to market risk only to the extent of interest rate risk.

18.3.1 Yield / Interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for fixed rate instruments

As at 31 December 2016, the Company does not hold any fixed rate instruments and is not exposed to cash flow interest rate risk.

b) Sensitivity analysis for variable rate instruments

The Company is exposed to such risk with respect to balances maintained with scheduled banks under PLS saving accounts and term deposite receipts. The profit rates on such accounts vary from bank to bank and ranges from 3.5% to 6.75% per annum.

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) the equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	31 December 2016		31 December 2015	
	Equity / profit and loss		Equity / profit and loss	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	(Rupees)		(Rupees)	
Variable rate financial instruments	12,500,000	(12,500,000)	-	-

The Company's exposure to interest rate risk and the effective rates on its financial assets and financial liabilities are as follows:

	As at 31 December 2016					As at 31 December 2015				
	Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Total	Not exposed to yield / interest rate risk	Exposed to yield / interest rate risk			Total
		Upto three months	More than three months and upto one year	More than one year			Upto three months	More than three months and upto one year	More than one year	
	(Rupees)					(Rupees)				
Financial assets										
Advance, deposits and prepayment	11,114,627	-	-	-	11,114,627	-	-	-	-	-
Accrued profit receivable	46,214,588	-	-	-	46,214,588	-	-	-	-	-
Bank balances	15,597,422	1,250,000,000	-	-	1,265,597,422	1,200,000,000	-	-	-	1,200,000,000
	72,926,637	1,250,000,000	-	-	1,322,926,637	1,200,000,000	-	-	-	1,200,000,000
Financial liabilities										
Accrued expenses and other liabilities	9,971,843	-	-	-	9,971,843	467,305	-	-	-	467,305
	9,971,843	-	-	-	9,971,843	467,305	-	-	-	467,305

	2016	2015
The rates of return on financial instruments are as follows:	(Percentage per annum)	
Balances with bank in saving accounts and term deposit receipts	3.75% - 6.75%	-

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19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITES

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

As at the reporting date, the carrying values of all financial assets and financial liabilities approximate their fair values.

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and liabilities.

When measuring the fair value of an assets or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The Additional Disclosures due to adoption of IFRS 13 Fair Value Measurement are as follows:

	31 December 2016							
	Carrying amount					Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)							
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Bank balances	1,265,597,422	-	-	-	1,265,597,422	-	-	-
Accrued profit receivable	46,214,588	-	-	-	46,214,588	-	-	-
Advance, deposits and prepayment	11,114,627				11,114,627	-		-
Financial liabilities measured at fair value								
Derivative financial liabilities	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Accrued expense and other payables	-	-	-	9,971,843	9,971,843	-	-	-
Advance against share capital	-	-	-	1,159,905,000	1,159,905,000	-	-	-

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

	31 December 2015							
	Carrying amount					Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)							
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Bank balances	1,200,000,000	-	-	-	1,200,000,000	-	-	-
Financial liabilities measured at fair value								
Derivative financial liabilities	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Advance against share capital	-	-	-	1,200,000,000	1,200,000,000	-	-	-
Accrued expense and other payables	-	-	-	467,305	467,305	-	-	-

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

19.1 Offsetting of financial assets and financial liabilities

None of the financial assets and financial liabilities are offset in the balance sheet.

20 CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

21 RELATED PARTY TRANSACTIONS

The related parties comprised of Ministry of Finance, Habib Bank Limited, National Bank of Pakistan, Askari Bank Limited, United Bank Limited, Bank Alfalah Limited, Allied Bank Limited, House Building Finance Company Limited, Summit Bank Limited, Bank AL Habib Limited, directors and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Transactions with related parties, other than those disclosed elsewhere in these financial statements are summarised as follows:

	Share Holders	Directors/ Chief Executive
	(Rupees)	
Transactions during the year		
Mark-up earned	53,712,669	-
Rental paid	444,062	-
CEO salary		4,773,565
Balances at year end		
Directors' fee	-	126,000
CEO salary payable		2,590,448
Paid up capital	1,000	-
Advance rent	160,350	-
Security deposit rent	342,000	-
Cash and bank balances	1,265,597,422	-
Advance against share capital	1,159,905,000	-

22 GENERAL

These financial statements were authorised on 15th February 2017 by the Board of Directors.

Chief Executive Officer

Director