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Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Mortgage Refinance Company Limited** ("the Company") as at 30 June 2017, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other Matters

The figures for the half year ended 30 June 2016 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: 08 SEP 2017

Karachi

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



KPMG Taseer Hadi & Co.
Chartered Accountants

**Pakistan Mortgage Refinance Company
Limited**

**Condensed Interim Financial
Information (Un-audited)
For the half year ended
30 June 2017**

**Independent Auditors' Report to the Members on Review of
Condensed Interim Financial Information**

Introduction

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Date:

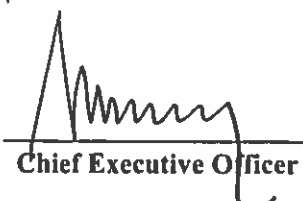
Karachi

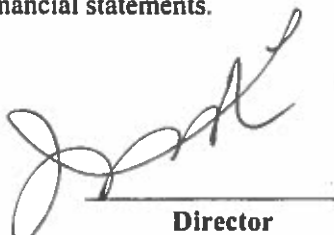
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Pakistan Mortgage Refinance Company Limited
Condensed Interim Statement of Financial Position
As at 30th June 2017

		30 June 2017 (Un-audited)	31 December 2016 (Audited)
	Note	(Rupees)	
ASSETS			
Non-Current Assets			
Property and equipment	6	1,876,384	1,240,009
Long term deposits	7	3,186,480	-
Deferred tax asset - net		200,278	-
		5,263,142	1,240,009
Current Assets			
Advances, deposits and prepayments	8	22,114,374	11,114,627
Accrued income	9	8,357,919	46,214,588
Bank balances	10	1,288,068,096	1,265,597,422
		1,318,540,389	1,322,926,637
Total assets		<u>1,323,803,531</u>	<u>1,324,166,646</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
1,000,000,000 ordinary shares of Rs. 10 each			
(31 December 2016: 1,000,000,000 ordinary shares of Rs. 10 each)		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid-up capital	11	150,001,000	1,000
Unappropriated profits		6,632,084	4,262,138
		156,633,084	4,263,138
Amount available for issue of shares		-	150,000,000
Total equity		<u>156,633,084</u>	<u>154,263,138</u>
Non-current liabilities			
Deferred tax liability - net		-	26,665
Current liabilities			
Advance against share capital	12	1,159,905,000	1,159,905,000
Accrued expenses and other payables	13	7,265,447	9,971,843
		1,167,170,447	1,169,876,843
Total equity and liabilities		<u>1,323,803,531</u>	<u>1,324,166,646</u>
Contingencies and commitments	14		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director

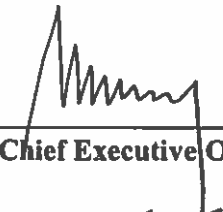
Pakistan Mortgage Refinance Company Limited
Condensed Interim Profit and Loss Account (Un-audited)

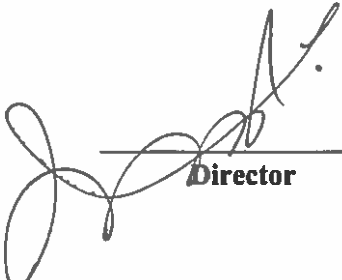
For the half year ended 30 June 2017

	30 June 2017	30 June 2016
Note	(Rupees)	
Mark-up / interest income	35,325,034	-
Administrative expenses	15 (31,747,066)	(803,200)
Other operating expenses	16 (193,561)	-
Profit / (loss) before taxation	<u>3,384,407</u>	<u>(803,200)</u>
Taxation:		
- Current	(1,241,404)	(2,971)
- Deferred	226,943	-
	<u>(1,014,461)</u>	<u>(2,971)</u>
Profit / (loss) after taxation	<u><u>2,369,946</u></u>	<u><u>(806,171)</u></u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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 Chief Executive Officer

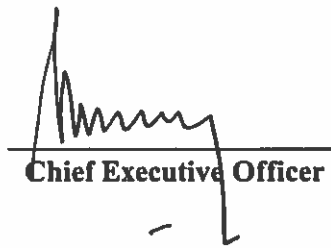

 Director

Pakistan Mortgage Refinance Company Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year ended 30 June 2017

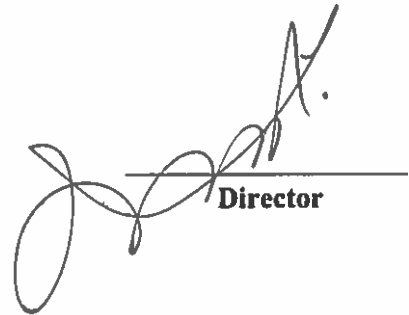
	30 June 2017	30 June 2016
	(Rupees)	
Profit / (loss) for the period	2,369,946	(806,171)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	<u><u>2,369,946</u></u>	<u><u>(806,171)</u></u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

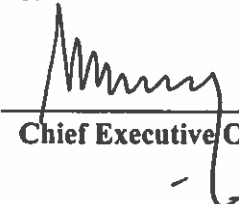


Director

Pakistan Mortgage Refinance Company Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended 30 June 2017

	30 June 2017	30 June 2016
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	3,384,407	(803,200)
Adjustments for:		
Depreciation	219,375	-
	<u>3,603,782</u>	<u>(803,200)</u>
(Increase) / decrease in operating assets		
Advances, deposits and prepayments (excluding advance taxation)	(7,117,070)	-
Accrued income	37,856,669	-
Long term deposits	(3,186,480)	-
	<u>27,553,119</u>	<u>-</u>
(Decrease) / increase in operating liabilities		
Accrued expenses and other payables	(2,706,396)	-
	<u>28,450,505</u>	<u>-</u>
Income tax paid	(5,124,081)	(2,971)
<i>Net cash generated from / (used in) operating activities</i>	<u>23,326,424</u>	<u>(806,171)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(855,750)	-
<i>Net cash used in investing activities</i>	<u>(855,750)</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>22,470,674</u>	<u>(806,171)</u>
Cash and cash equivalents at beginning of the period	<u>1,265,597,422</u>	<u>1,200,000,000</u>
Cash and cash equivalents at end of the period	<u><u>1,288,068,096</u></u>	<u><u>1,199,193,829</u></u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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 Chief Executive Officer

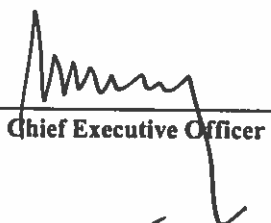

 Director

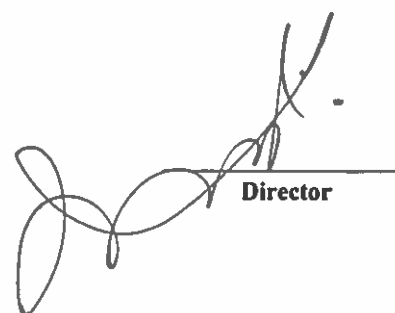
Pakistan Mortgage Refinance Company Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2017

	Issued, subscribed and paid- up capital	(Accumulated loss) / Unappropriated profit	Amount available for issue of shares	Total
	(Rupees)			
Balance as at 1 January 2016	100	(467,405)	-	(467,305)
Issue of share capital	900	-	-	900
Amount received against issue of shares	-	-	150,000,000	150,000,000
Net profit after tax for the year ended 31 December 2016	-	4,729,543	-	4,729,543
Other comprehensive income for the year	-	-	-	-
Total comprehensive income 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
Issue of share capital (Note 11.2)	150,000,000	-	(150,000,000)	-
Net profit after tax for the half year ended 30 June 2017	-	2,369,946	-	2,369,946
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,369,946	-	2,369,946
Balance as at 30 June 2017	<u>150,001,000</u>	<u>6,632,084</u>	<u>-</u>	<u>156,633,084</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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 Chief Executive Officer


 Director

Pakistan Mortgage Refinance Company Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the half year ended 30 June 2017

1. STATUS AND NATURE OF BUSINESS

Pakistan Mortgage Refinance Company Limited ("the Company") was incorporated on 14 May 2015 under the 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 condensed interim financial statements of the Company have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – Interim Financial Reporting, provisions of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of the Companies Ordinance, 1984 and the said directives shall prevail. These condensed interim financial statements do not include all the information required in the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2016.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated 20 July 2017, these condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. The application of Companies Act, 2017 will require additional disclosures in the financial statements of the Company.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

These condensed interim financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted for the purpose of these condensed interim financial statements are the same as those applied in preparation of financial statements for the year ended 31 December 2016.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted and significant judgements made by the management in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with that disclosed in the financial statements of the Company for the year ended 31 December 2016.





6. PROPERTY AND EQUIPMENT

30 June 2017 (Un-audited)

	COST			Rate	DEPRECIATION			Written down value as at 30 June 2017
	As at 1 January 2017	Additions / (disposal)	As at 30 June 2017		As at 1 January 2017	For the period	As at 30 June 2017	
	(Rupees)				(Rupees)			
Computers	479,600	646,950	1,126,550	33%	30,080	127,122	157,202	969,348
Equipments	806,626	208,800	1,015,426	20%	16,137	92,253	108,390	907,036
	<u>1,286,226</u>	<u>855,750</u>	<u>2,141,976</u>		<u>46,217</u>	<u>219,375</u>	<u>265,592</u>	<u>1,876,384</u>

31 December 2016 (Audited)

	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	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
	-	<u>1,286,226</u>	<u>1,286,226</u>		-	<u>46,217</u>	<u>46,217</u>	<u>1,240,009</u>

7. LONG TERM DEPOSITS

Security deposit-rent

Note	30 June 2017 (Un-audited)	31 December 2016 (Audited)
	3,186,480	-
	<u>3,186,480</u>	<u>-</u>

8. ADVANCES, DEPOSITS AND PREPAYMENTS

Prepaid Central Depository Company fee
Prepaid rent
Advance tax - net
Security deposit-rent
Advance for purchase of vehicles

13,583	40,750
3,894,587	160,350
14,454,204	10,571,527
-	342,000
3,752,000	-
<u>22,114,374</u>	<u>11,114,627</u>

9. ACCRUED INCOME

On local currency saving account
On local currency Term Deposit Receipt (TDR)

1,970,590	36,602,396
6,387,329	9,612,192
<u>8,357,919</u>	<u>46,214,588</u>

10. BANK BALANCES

In current account
- local currency

10.1 1,985,737 15,597,422

In saving accounts
- local currency

10.2 36,082,359 150,000,000

Term Deposit Receipt
- local currency

10.3 1,250,000,000 1,100,000,000
1,288,068,096 1,265,597,422

10.1 This represents amount placed with Habib Bank Limited.

10.2 These carry mark-up rates of 3.75% per annum (31 December 2016: 3.75% per annum).

10.3 These carry mark-up rates ranging from 6.05% to 6.10% per annum (31 December 2016: 5% to 6.5% per annum), maturing by 14 July 2017.

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11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

11.1 Authorised capital	30 June	31 December		30 June	31 December
	2017	2016		2017	2016
	(Un-audited)	(Audited)		(Un-audited)	(Audited)
	(Number of Shares)			(Rupees)	
	<u>1,000,000,000</u>	<u>10,000</u>	Fully paid ordinary shares of Rs. 10 each issued for cash	<u>10,000,000,000</u>	<u>100,000</u>
11.2 Issued, subscribed and paid-up capital					
	(Number of Shares)			(Rupees)	
	<u>15,000,100</u>	<u>100</u>	Fully paid ordinary shares of Rs. 10 each issued for cash	<u>150,001,000</u>	<u>1,000</u>

During the period, the Company has made a right issue of 15,000,000 (31 December 2016: Nil) shares at a par value of Rs. 10 (31 December 2016: Nil) each to its existing shareholders. All the shares were subscribed by the shareholders as per the right offer.

The enhanced paid up capital (ordinary shares) of the Company after of the right shares amounted to Rs. 150,001,000 (One hundred fifty millions and one thousand rupees only). This paid up capital represents 15,001,000 ordinary shares of Rs. 10 each.

11.3 Pattern of shareholding

Name of shareholder *	30 June 2017 (Un-audited)		31 December 2016 (Audited)	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Ministry of Finance - Islamic Republic of Pakistan	4,009,600	27%	10	10%
National Bank of Pakistan	2,673,100	18%	10	10%
Askari Bank Limited	1,836,100	12%	10	10%
Habib Bank Limited	1,530,100	10%	10	10%
United Bank Limited	1,530,100	10%	10	10%
Bank Alfalah Limited	1,224,100	8%	10	10%
Allied Bank Limited	1,224,100	8%	10	10%
House Building Finance Company Limited	667,600	5%	10	10%
Summit Bank Limited	183,100	1%	10	10%
Bank AL Habib Limited	123,100	1%	10	10%
	<u>15,001,000</u>	<u>100%</u>	<u>100</u>	<u>100%</u>

* These includes nominal shares allotted to the nominee directors of the Company.

12. ADVANCE AGAINST SHARE CAPITAL	30 June	31 December
	2017	2016
	(Un-audited)	(Audited)
	(Rupees)	
Ministry of Finance - Islamic Republic of Pakistan	<u>1,159,905,000</u>	<u>1,159,905,000</u>
	<u>1,159,905,000</u>	<u>1,159,905,000</u>

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13. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees)	
Incorporation expenses payable	2,638,905	3,538,905
Director fee payable	-	126,000
Legal fee payable	122,000	500,000
Audit fee payable	50,000	165,000
Salaries payable	3,051,197	4,495,103
Withholding tax	-	6,235
Provision for workers' welfare fund	193,561	-
Accrued expenses	1,209,784	-
Payable to Sidat Hyder	-	1,140,600
	<u>7,265,447</u>	<u>9,971,843</u>

14. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at period end (31 December 2016: Nil).

15. ADMINISTRATIVE EXPENSES

	30 June 2017	30 June 2016
	(Un-audited) (Rupees)	
Salaries, allowances and benefits	23,591,160	-
Stationery and printing	351,487	-
Advertisement	169,500	-
Courier charges	10,585	-
Communication	128,336	-
Rent, rates and taxes	3,068,323	-
Utilities	249,592	-
Depreciation	219,375	-
Travelling and conveyance	304,796	-
Repair and maintenance	233,166	-
Director fees	978,300	126,000
Bank charges	50,610	1,000
Auditors' remuneration	190,966	-
Fees and subscription	1,994,311	111,900
Legal and professional charges	206,559	564,300
	<u>31,747,066</u>	<u>803,200</u>

16. OTHER OPERATING EXPENSES

Workers' welfare fund	<u>193,561</u>	-
	<u>193,561</u>	-

17. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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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.

	30 June 2017 (Un-audited)							
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
(Rupees)								
Financial assets not measured at fair value								
Bank balances	1,288,068,096	-	-	-	1,288,068,096			
Accrued income	8,357,919	-	-	-	8,357,919			
Long term deposits	3,186,480	-	-	-	3,186,480			
Financial liabilities not measured at fair value								
Accrued expense and other payables	-	-	-	7,265,447	7,265,447			
Advance against share capital	-	-	-	1,159,905,000	1,159,905,000			

Management assessed that the fair values of bank balances , accrued income ,long term deposits , accrued expenses and other payables and advance against share capital approximate their carrying amounts largely due to the short-term maturities of these instruments.

	31 December 2016 (Audited)							
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
(Rupees)								
Financial assets not measured at fair value								
Bank balances	1,265,597,422	-	-	-	1,265,597,422			
Accrued income	46,214,588	-	-	-	46,214,588			
Advance, deposits and prepayment	342,000	-	-	-	342,000			
Financial liabilities not measured at fair value								
Advance against share capital	-	-	-	9,971,843	9,971,843			
Accrued expense and other payables	-	-	-	1,159,905,000	1,159,905,000			

Management assessed that the fair values of bank balances , accrued income ,advances ,deposits and prepayments , accrued expenses and other payables and advance against share capital approximate their carrying amounts largely due to the short-term maturities of these instruments.

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18. RELATED PARTY TRANSACTIONS

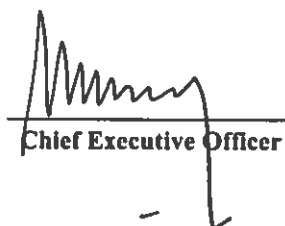
The related parties comprised of Ministry of Finance, Habib Bank Limited, National Bank of Pakistan, Askari Bank Limited, United Bank Limited, Bank Alfalah Limited, Allied Bank Limited, House Building Finance Company Limited, Summit Bank Limited, Bank AL Habib Limited, directors and key management personnel. 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:

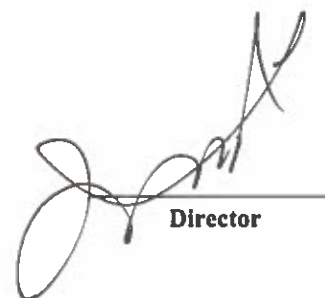
	30 June 2017 (Un-audited)			30 June 2016 (Un-audited)		
	Share Holders	Directors/ Chief Executive	Key Personnel	Share Holders	Directors/ Chief Executive	Key Personnel
	(Rupees)			(Rupees)		
Transactions during the period / year						
Mark-up earned	35,325,034	-	-	-	-	-
Rental paid	513,000	-	-	-	-	-
Key personnel salary	-	11,177,600	10,016,313	-	-	-
Director fee	-	1,422,300	-	-	-	-
Bank charges	50,610	-	-	1,000	-	-
	30 June 2017 (Un-audited)			31 December 2016 (Audited)		
	Share Holders	Directors/ Chief Executive	Key Personnel	Share Holders	Directors/ Chief Executive	Key Personnel
	(Rupees)			(Rupees)		
Balances at period / year end						
Directors' fee	-	-	-	-	126,000	-
CEO salary payable	-	-	-	-	2,590,448	-
Paid up capital	150,000,100	-	-	1,000	-	-
Advance rent	-	-	-	160,350	-	-
Security deposit rent	-	-	-	342,000	-	-
Bank balances	1,288,068,096	-	-	1,265,597,422	-	-
Advance against share capital	1,159,905,000	-	-	1,159,905,000	-	-
Accrued income	8,357,919	-	-	-	-	-

19. GENERAL

These condensed interim financial statements were authorised on 8th September, 2017 by the Board of Directors of the Company.

Ypmw


Chief Executive Officer


Director