PUBLIC PRIVATE PARTNERSHIP SUPPORT FACILITY

(a company incorporated under section 42 of the Companies Act, 2017)

DIRECTORS' REPORT TO THE MEMBERS

For the year ended June 30, 2026

Prepared under the Companies Act, 2017 and the Public Sector Companies (Corporate Governance) Rules, 2013

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On behalf of the Board of Directors, we are pleased to present the Director Report of Public Private Partnership Support Facility ("PSF" or the "Company") together with the audited financial statements of the Company for the year ended June 30, 2026.

1. COMPANY OVERVIEW

Public Private Partnership Support Facility (PSF) was incorporated under section 42 of the Companies Act, 2017 (XIX of 2017) on December 29, 2017 as a company limited by guarantee having share capital. The registered office of the Company is situated on the 2nd Floor, Imperial Court Building (Old Block), Dr. Ziauddin Ahmed Road, Karachi. The principal activities of the Company are to strengthen the Government of Sindh's capacity to select and develop Public Private Partnership (PPP) projects and to support the development goals of the Government of Sindh for sustainable infrastructure provision through PPPs.

The role of PSF is to systematically monitor and evaluate PPP-led projects, identify potential risks at an early stage, and ensure their timely reporting for mitigation throughout the pre-implementation and implementation phases for identifying the appropriate use and level of support by the Viability Gap Fund (VGF) so as to avoid the excessive use of public funds, and to advise on effective management of the contingent liabilities arising from PPP projects. PSF ensures that the VGF enhances service affordability and Value for Money (VFM), as determined by policies and standard operating procedures that support socially and economically viable projects and improve their commercial viability within well-defined fiscal risk limits.

PSF was established under the "Enhancing Public Private Partnership Investments in Sindh Project (EPPP)", at an estimated cost of USD 113.91 million (revised), financed as follows:

Agency	Amount in Millions (USD)	Percentage Share
ADB Loan	70.00	62%
FCDO Grant	15.43	13%
GoS Share	28.48	25%
Total	**113.91**	**100%**

2. FINANCIAL REVIEW

During the year, the Company incurred a deficit of Rs. 41.92 million as against a surplus of Rs. 10.19 million reported in the preceding year. The shift from surplus to deficit was primarily driven by a continued decline in the SBP policy rate during the year, which reduced the Company's investment/other income from Rs. 100.75 million to Rs. 65.84 million, coupled with an increase in operational expenses (largely the cost of the outsourced Internal Audit function) and administrative expenses over the preceding year.

The Company has renewed its tax status as a "Non-Profit Organization" under section 2(36)(c) of the Income Tax Ordinance, 2001, whereby its income is subject to a 100% tax credit in terms of section 100(C) of the Income Tax Ordinance, 2001.

(Rupees in '000)	2025-26	2024-25
Income	-	-
Operational expenses	(54,148)	(42,645)
Administrative expenses	(51,684)	(45,907)
Finance cost	(1,926)	(2,010)
Total expenditure	**(107,758)**	**(90,563)**
Other income	65,838	100,750
(Deficit) / surplus before levy and income tax	**(41,919)**	**10,187**
Levy and income tax	-	-
(Deficit) / surplus for the year	**(41,919)**	**10,187**

Financial Highlights and Analysis

The following analysis and key ratios are derived from the Company's audited financial statements for the year ended June 30, 2026, and are presented to assist members in appreciating the trends underlying the Company's financial performance and position.

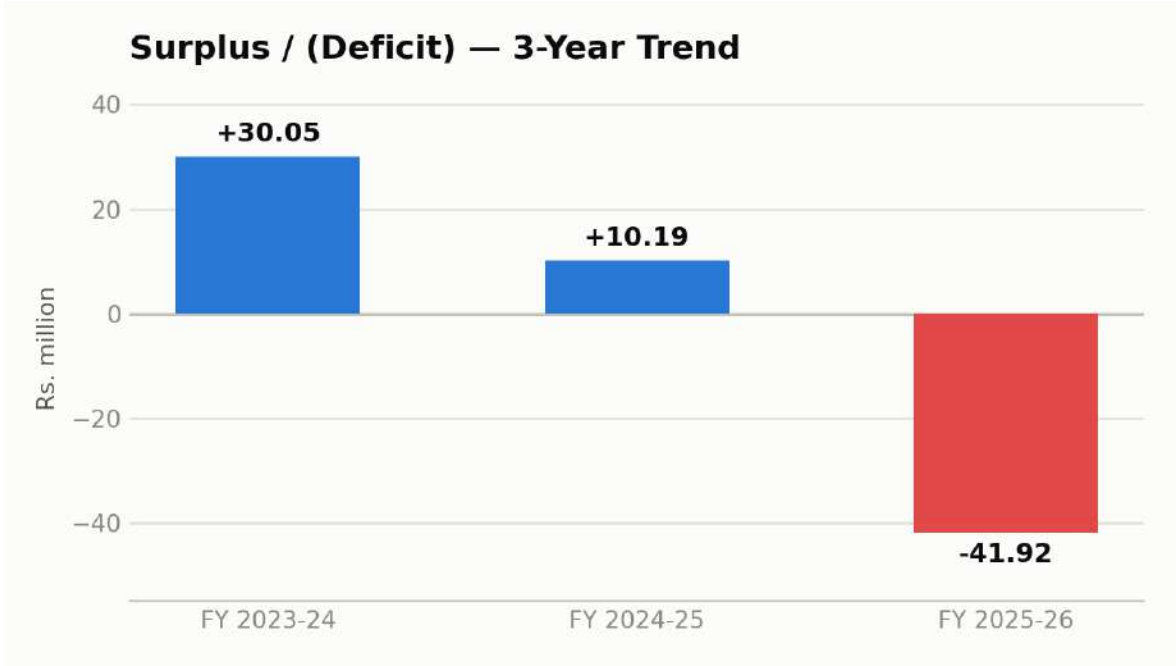


Figure 1: Surplus / (Deficit) for the year — FY 2023-24 to FY 2025-26 (Rs in million)

The Company has moved from a surplus of Rs. 30.05 million in FY 2023-24, to a reduced surplus of Rs. 10.19 million in FY 2024-25, and into a deficit of Rs. 41.92 million in FY 2025-26. The trend tracks the steady decline in the SBP policy rate over the same period, which has progressively eroded the return earned on the Company's investment portfolio, while the Company's operating cost base has continued to grow.

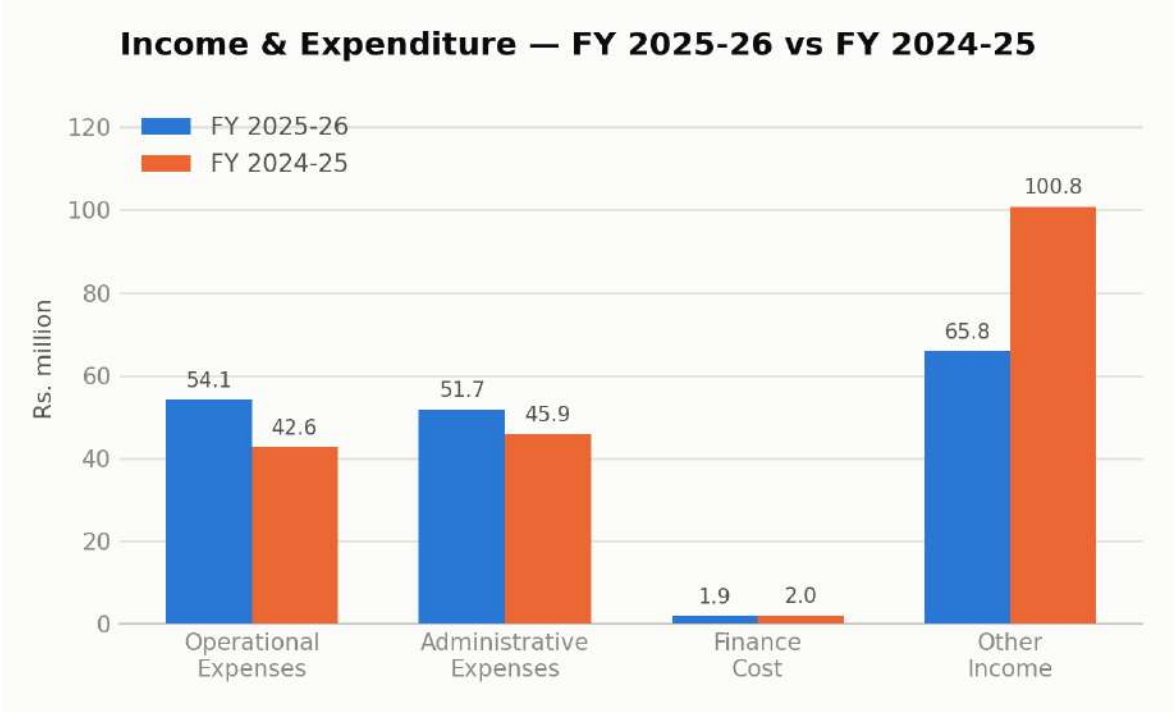


Figure 2: Income & Expenditure — FY 2025-26 vs FY 2024-25 (Rs. in million)

Total expenditure increased by 19.0% year-on-year, to Rs. 107.76 million (2025: Rs. 90.56 million), led by a 27.0% increase in operational expenses (mainly salaries, wages and other benefits) and a 12.6% increase in administrative expenses (including the cost of outsourced Internal Audit function and a one-time advertisement cost payable to the Sindh Information Department - GoS). Other income declined by 34.7% to Rs. 65.84 million (2025: Rs. 100.75 million), such that other income covered only 61.1% of total expenditure during the year, as against 111.2% in the preceding year — the point at which the Company crossed from surplus into deficit.

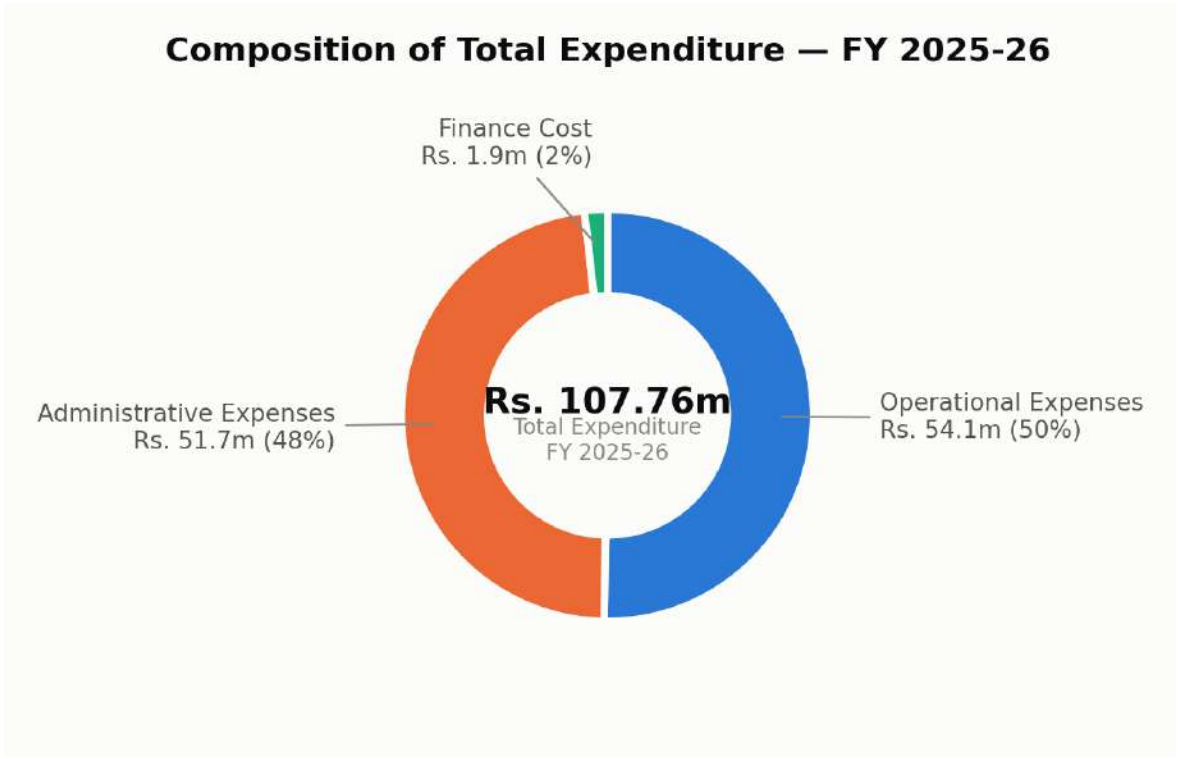


Figure 3: Composition of total expenditure — FY 2025-26

Operational and administrative expenses remain broadly balanced, at 50.2% and 48.0% of total expenditure respectively, with finance cost (the accretion of interest on the Company's office lease liability) accounting for the remaining 1.8%.

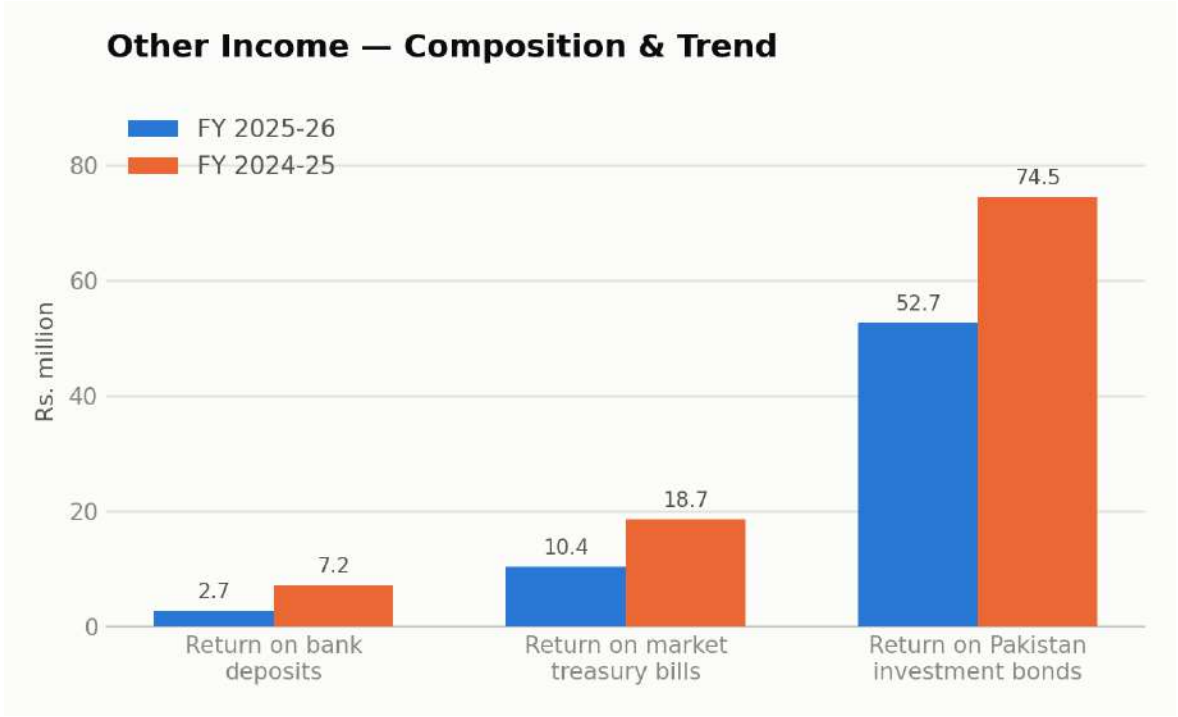


Figure 4: Other income — composition and trend (Rs. million)

The decline in other income was broad-based across the Company's investment portfolio: return on Pakistan Investment Bonds fell from Rs. 74.54 million to Rs. 52.73 million, return on market treasury bills fell from Rs. 18.69 million to Rs. 10.36 million, and return on bank deposits fell from Rs. 7.23 million to Rs. 2.74 million, consistent with the continued reduction in the SBP policy rate through the year.

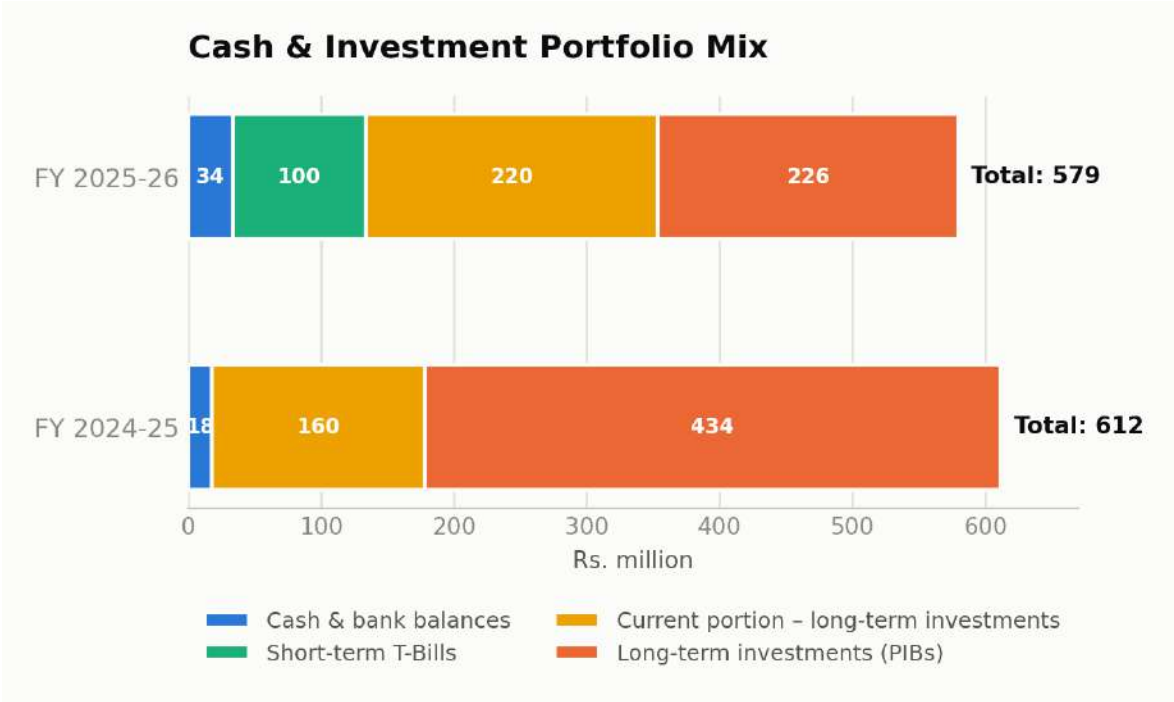


Figure 5: Cash & investment portfolio mix — FY 2025-26 vs FY 2024-25 (Rs. million)

The Company's investible funds (cash and bank balances together with short-term and long-term investments) reduced marginally from Rs. 611.60 million to Rs. 579.23 million. Within this, the portfolio mix shifted toward more liquid instruments during the year — cash and bank balances nearly doubled to Rs. 33.69 million (2025: Rs. 18.21 million) and a new short-term T-Bill placement of Rs. 100.19 million was made, while the long-term Pakistan Investment Bond portfolio was reduced from Rs. 433.51 million to Rs. 225.50 million as bonds matured. This reflects a deliberate rebalancing toward liquidity to meet near-term operational commitments while the Company's request for a Government of Sindh equity injection is under consideration.

Key financial ratios for the year, compared with the preceding year, are summarized below:

Key Financial Ratio	**2025-26**	**2024-25**
Increase / (decline) in total expenditure (YoY)	+19.0%	(7.2)%
Increase / (decline) in other income (YoY)	(34.7)%	(21.1)%
Operational expenses (% of total expenditure)	50.2%	47.1%
Administrative expenses (% of total expenditure)	48.0%	50.7%
Other income coverage of total expenditure	**61.1%**	**111.2%**
Equity to total assets	95.7%	97.3%

Total equity of the Company stood at Rs. 609.21 million as at June 30, 2026 (2025: Rs. 651.13 million), while the issued, subscribed and paid-up share capital remained unchanged at Rs. 550 million. In view of the sustained pressure on investment income and the increasing cost base, the Board has requested the Government of Sindh / Finance Department for an equity injection to secure the Company's long-term institutional and financial sustainability (see “Subsequent Events” below).

3. OPERATIONAL REVIEW

During the period under review, disbursements through the Viability Gap Fund continued in respect of PPP projects approved by the PSF Board, in accordance with the agreed cost-sharing arrangement between the Asian Development Bank (ADB) and the Government of Sindh. During FY 2025–26, an amount of Rs. 5,567 million was disbursed, compared with Rs. 1,235.41 million in FY 2024–25 and Rs. 1,644.64 million in FY 2023–24.

During the reporting period, the Executive Committee of the National Economic Council (ECNEC) approved an extension of the project implementation date to June 30, 2026, with a loan closing date of December 31, 2026. This expiry has no bearing on the continuity of PSF, and post-EPPP funding requirements (effective January 2027) are to be met by the Government of Sindh through the Viability Gap Fund.

4. PROJECTS SCREENED UNDER PUBLIC PRIVATE PARTNERSHIP (PPP) MODE

During the period under review, the Board was presented with proposals in the education and health sectors. Consistent with past practice, projects are reported in the Directors' Report once they progress to the financial support approval stage.

Contracting out Regional Blood Centres in Karachi and Shaheed Benazirabad

The PSF Board, in its meeting held in July 2025, approved contracting out the Regional Blood Centres in Karachi and Shaheed Benazirabad, to be funded through a new VGF administered by PSF.

Under this initiative, the Health Department has entered into a partnership contract with credible and experienced private sector organizations having specialized experience in the collection, processing and distribution of blood and its components. The project aims to establish a Safe Blood Transfusion Service (BTS) consistent with the internationally recommended blood transfusion system advocated by the WHO. The BTS is designed to be independent and fully responsible for establishing an efficient and safe blood transfusion system, and governs a network of Regional Blood Centres (RBCs) further linked with Hospital Based Blood Banks (HBBBs) in their vicinity. The Manager will manage and operate the RBCs in Karachi and Shaheed Benazirabad, together with seven (07) attached HBBBs at each RBC.

Both facilities are currently being managed by the Fatimid Foundation under the PPP mode.

The total outstanding commitment of the two projects until the end of the concession period is estimated at around Rs. 5,799 million, comprising RBC Karachi with a project cost of Rs. 3,339 million and RBC Shaheed Benazirabad with a project cost of Rs. 2,461 million.

Outsourcing Operation & Management of Girls Elementary Schools

The PSF Board, in its meeting held in July 2025, approved the outsourcing of operation and management of Girls Elementary Schools, to be funded through a new VGF administered by PSF.

This project involves outsourcing 19 public sector schools to private sector educational organizations under the PPP mode, as part of the Education Management Organization (EMO) reform of the School Education and Literacy Department (SELD) of the Government of Sindh. The goal is to upgrade 54 primary/middle/elementary schools to girls' elementary schools, with the aim of increasing girls' participation in the Sindh province.

Before this project, the SELD completed seven cycles of procurement to outsource management and operations of 211 schools through partnership contracts with credible private sector organizations having specialized school education experience. Two teacher training colleges have also separately been handed over to EMOs following completion of the procurement cycle.

A total of 19 schools have been outsourced under 3 packages, as follows:

Package	Districts	Private Partner	Project Cost
I (6 schools)	Mirpurkhas	SZABIST ZAB_ED	Rs. 705 million
II (6 schools)	Hyderabad, Badin, Jamshoro & Tando Allahyar	Research & Development Foundation (RDF)	Rs. 803 million
III (7 schools)	Sukkur, Khairpur, Larkana & Ghotki	Indus Resource Centre (IRC)	Rs. 845 million

The total outstanding commitment of the project until the end of the concession period is estimated at around Rs. 2,353 million.

5. CORPORATE GOVERNANCE AND STATEMENT OF COMPLIANCE

The Company remains committed to the principles of good corporate governance set out in the Companies Act, 2017 and the Public Sector Companies (Corporate Governance) Rules, 2013. A Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, together with the Auditors' Review Report thereon, is annexed to and forms part of this Annual Report.

The Company has complied with all material requirements of the Rules, save for the appointment of a dedicated Chief Internal Auditor under Rules 13 and 21(3), which has not been made owing to the Company's budgetary constraints; the Company's internal audit function is presently discharged by an outsourced firm of chartered accountants, and the appointment of a Chief Internal Auditor will be considered subject to the future operations and resourcing of the Company.

The Board has in place a Code of Conduct that articulates acceptable and unacceptable behaviour for the Board, senior management and other employees, which has been disseminated throughout the Company, including on its website (www.pppsf.org). The Board has also established a conflict-of-interest policy, an anti-corruption policy, and adequate systems and controls for the identification and redressal of grievances arising from unethical practices. The Board is responsible for the Company's system of internal control, designed to provide reasonable assurance against material misstatement or loss, and a Risk Management Manual is currently under development for the Board's consideration and approval.

The Company undertakes transactions with related parties in the normal course of business, principally with Sindh Bank Limited (banking and investment services) and Sindh Insurance Limited (insurance services), both being entities associated with the Government of Sindh. All related party transactions are placed before the Audit Committee and, upon its recommendation, before the Board for review and approval, and a party-wise record of such transactions is maintained in accordance with Rule 9 of the Rules.

6. BOARD OF DIRECTORS

The shareholders elected the present Board of Directors at the Annual General Meeting of the Company held on October 25, 2024, for a period of three years; no fresh election of directors fell due during FY 2025-26.

The constitution of the Board as at June 30, 2026 was as follows:

S. No.	Name of Director	Nature of Directorship
1.	Mr. Saeed Iqbal	Chairman / Independent Director
2.	Mr. Shehryar Lodhi	Independent Director
3.	Ms. Shafaq Fauzil Azim	Independent Director
4.	Mr. Asad Ullah Sayeed	Independent Director
5.	Mr. Zafar Iqbal Sobani	Independent Director
6.	Mr. Fayyaz Ahmed Jatoi	Secretary Finance / Non-Executive (Ex-officio) Director
7.	Mr. Najam Ahmed Shah	Chairman P&D / Non-Executive (Ex-officio) Director
8.	Mr. Syed Rizwan Ali	Chief Executive Officer (w.e.f. 09 January 2026)

The Board met five (5) times during the year — its 36th (July 21, 2025), 37th (September 25, 2025), 38th (January 28, 2026), 39th (February 24, 2026) and 40th (April 16, 2026) meetings — in compliance with Rule 6(1) of the Rules. The number of meetings held during each Director's tenure and attended by each Director, based on the minutes of the 36th to 40th meetings, was as follows:

S. No.	Name	No. of meetings held in tenure	No. of meetings attended
1.	Mr. Saeed Iqbal (Chairman)	5	5
2.	Mr. Shehryar Lodhi	5	5
3.	Ms. Shafaq Fauzil Azim	5	5
4.	Mr. Asad Ullah Sayeed	5	4
5.	Mr. Zafar Iqbal Sobani	5	5
6.	Mr. Fayyaz Ahmed Jatoi	5	4
7.	Mr. Najam Ahmed Shah	5	4
8.	Mr. Syed Rizwan Ali (CEO w.e.f. 09.01.2026)	3	3

Note: Mr. Faisal Muqeet (as CEO) attended 2 meetings out of 2 meetings during his period.

During the year, Board members were paid a meeting fee (including sub-committee meetings) at the rate of Rs. 80,000 per meeting. An aggregate of Rs. 3,520,000 was incurred against this fee during the year (2024-25: Rs. 4,880,000), computed as follows on the basis of the Board and Committee meetings:

S. No.	Name of the Directors	Nos. of Meetings attended during the FY 2025-26	Board	Audit	HR	FEE	TOTAL (PKR)
1	Mr. Saeed Iqbal (Chairman)	5	5	-	-	80,000	400,000
2	Mr. Shehryar Lodhi	7	5	-	2	80,000	560,000
3	Ms. Shafaq Fauzil Azim	8	5	1	2	80,000	640,000
4	Mr. Asad Ullah Sayeed	6	4	2	-	80,000	480,000
5	Mr. Zafar Iqbal Sobani	7	5	2	-	80,000	560,000
6	Mr. Fayyaz Ahmed Jatoi	7	4	1	2	80,000	560,000
7	Mr. Najam Ahmed Shah	4	4	-	-	80,000	320,000
	Total						**3,520,000**

7. SUB-COMMITTEES OF THE BOARD

Consistent with the requirements of the Rules, the following Board sub-committees were in place during the year, each chaired by a non-executive/independent director:

Audit Committee

The Audit Committee comprises Non-Executive Directors, the majority including its chairman being Independent Directors. The Chairman of the Board and the Chief Executive Officer are not members of the Audit Committee.

- Mr. Zafar Iqbal Sobani – Chairman of the Committee
- Ms. Shafaq Fauzil Azim – Member
- Mr. Fayyaz Ahmed Jatoi – Member
- Mr. Asad Ullah Sayeed – Member

The Committee met twice during the year — its 20th (September 23, 2025) and 21st (April 09, 2026) meetings; attendance was as follows:

S. No.	Name	Meetings Held	Meetings Attended
1.	Mr. Zafar Iqbal Sobani (Chairman)	2	2
2.	Mr. Fayyaz Ahmed Jatoi	2	1
3.	Mr. Asad Ullah Sayeed	2	2
4.	Ms. Shafaq Fauzil Azim	2	1

Note: Mr. Fayyaz Ahmed Jatoi was granted leave of absence for the 20th meeting; Ms. Shafaq Fauzil Azim was granted leave of absence for the 21st meeting.

Risk Management Committee

The Risk Management Committee (previously constituted as the Investment, Finance and Risk Management Committee) comprises the following Executive and Non-Executive Directors and the Company's executives. The Chairman of the Committee is an Independent Director.

- Mr. Saeed Iqbal – Chairman of the Committee
- Mr. Asad Ullah Sayeed – Member
- Mr. Najam Ahmed Shah – Member
- Mr. Ali Sibtain, Chief Risk Officer – Member
- Chief Executive Officer, PSF – Member

Note: No meeting was convened during the period.

Human Resource Committee

The Human Resource Committee comprises the following Executive and Non-Executive Directors. The Chairman of the Committee is an Independent Director.

- Mr. Shehryar Lodhi – Chairman of the Committee
- Mr. Fayyaz Ahmed Jatoi – Member
- Ms. Shafaq Fauzil Azim – Member
- Chief Executive Officer, PSF – Member

The Committee met twice during the year — its 28th (October 23, 2025) and 29th (January 28, 2026) meetings — with full attendance by all members and by the Chief Executive Officer, as follows:

S. No.	Name	Meetings Held	Meetings Attended
1.	Mr. Shehryar Lodhi (Chairman)	2	2
2.	Mr. Fayyaz Ahmed Jatoi	2	2
3.	Ms. Shafaq Fauzil Azim	2	2
4.	Syed Rizwan Ali (CEO – Member of the Committee) *	1	1

**Note: Mr. Faisal Muqeet (former acting CEO) attended one (1) meeting out of one (1) meeting during his tenure.*

Procurement Committee

The Procurement Committee comprises the following Executive and Non-Executive Directors. The Chairman of the Committee is an Independent Director.

- Mr. Shehryar Lodhi – Chairman of the Committee
- Ms. Shafaq Fauzil Azim – Member
- Mr. Zafar Iqbal Sobani – Member
- Mr. Najam Ahmed Shah – Member
- Chief Executive Officer, PSF – Member

Note: No meeting was convened during the year.

Nomination Committee

The Board constituted a Nomination Committee comprising the full Board (eight members) under the Chairmanship of Mr. Saeed Iqbal, to deal with matters relating to the nomination and fit-and-proper assessment of Board members, consistent with Rule 3(7) of the Rules.

8. EXTERNAL AUDITORS

Messrs Riaz Ahmed & Company, Chartered Accountants, the Company's external auditors for FY 2024-25, retired during the year. The Company appointed Messrs Grant Thornton Anjum Rahman, Chartered Accountants, as external auditors for FY 2025-26. The present auditors, Messrs Grant Thornton Anjum Rahman, Chartered Accountants, have completed the audit for the year and, being eligible, have offered themselves for re-appointment for FY 2026-27, which the Board recommends for the members' consideration at the forthcoming Annual General Meeting.

9. SHAREHOLDING PATTERN

The issued, subscribed and paid-up share capital of the Company as at June 30, 2026 was Rs. 550 million (2025: Rs. 550 million), held by the Government of Sindh to the extent of 99.9%.

10. SUBSEQUENT EVENTS

The following material developments occurred after the year-end but before the approval of this report, and are disclosed for the members' information:

- The Board, in its 41st meeting held on July 30, 2026 (adjourned to and concluded on August 06, 2026), approved Addendum No. 1 (Revised PAR) to the Concession Agreements of the Regional Blood Centres at Sukkur, Shaheed Benazirabad and Karachi, comprising a revised total project cost of Rs. 15,360.80 million, revised EPPP funding (to December 2026) of Rs. 8,123.70 million, and a post-EPPP Government of Sindh commitment (from January 2027, through the VGF) of Rs. 7,237.09 million.

- The Board authorized management to formally request the Government of Sindh / Finance Department for an equity injection of Rs. 1 billion to support the Company's long-term institutional and financial sustainability.

11. ACKNOWLEDGMENT

The Board wishes to acknowledge the continuous and invaluable support and guidance of the Government of Sindh, especially the Planning & Development Board and the Finance Department, the PPP Unit, the Asian Development Bank, and other bodies including the Securities and Exchange Commission of Pakistan and the Registrar of Companies. The Board also records its appreciation and gratitude to the officers who served the Company during the year and worked with devotion and professionalism.

On behalf of the Board of Directors.



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Chairman