

KASHF FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024



INDEPENDENT AUDITOR'S REPORT

To the members of Kashf Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Kashf Foundation (the Company), which comprise the statement of financial position as at June 30, 2024, and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in accumulated funds, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cashflows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by 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, 2024 and of the deficit and other comprehensive loss, the changes in accumulated funds and its cashflows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the annual report 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 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.

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors 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.



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

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

**A. F. Ferguson & Co.,
Chartered Accountants**

Lahore

Date: October 10, 2024

UDIN: AR202410092nQWIkSms1

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF FINANCIAL POSITION


AS AT JUNE 30, 2024

	Note	2024	2023
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	1,904,908,887	1,889,628,074
Intangible assets	7	31,625,362	38,617,623
Long term investments	8	507,620,068	1,515,041,241
Long term loans	9	17,100,880	4,683,203
Long term micro-credit loan portfolio	10	66,855,184	125,343,694
Long term Kashf murabaha portfolio	11	2,217,376	3,979,475
Financial assets used for hedging		-	1,674,557,786
Long term deposits	12	152,151,700	149,563,360
		2,682,479,457	5,401,414,456
CURRENT ASSETS			
Micro-credit loan portfolio	13	27,771,201,709	25,353,329,147
Kashf murabaha portfolio	14	1,124,075,762	1,012,914,280
Accrued service charges	15	517,284,248	439,397,389
Short term investments	16	6,864,488,934	2,577,479,811
Financial assets used for hedging		-	3,711,773,107
Advances, deposits, prepayments and other receivables	17	707,543,775	1,146,027,509
Cash and bank balances	18	8,720,866,086	5,528,819,109
		45,705,460,514	39,769,740,352
		48,387,939,971	45,171,154,808
FUNDS AND LIABILITIES			
FUNDS			
Donated funds	19	237,255,711	237,005,711
Accumulated surplus		6,905,971,716	7,701,459,418
Loan loss reserve	20	1,456,694,519	1,333,126,498
Special reserve	21	226,443,054	226,443,054
Hedging reserve	22	(19,463,980)	109,184,578
Surplus on revaluation of land	23	448,928,205	735,947,877
		9,255,829,225	10,343,167,136
NON-CURRENT LIABILITIES			
Long term financing	24	15,317,323,321	16,258,482,379
Lease liabilities	25	107,975,231	52,321,467
Deferred tax liability	26	214,893,584	-
		15,640,192,136	16,310,803,846
CURRENT LIABILITIES			
Current portion of long term financing	24	18,602,420,519	15,987,442,896
Current portion of lease liabilities	25	82,136,650	54,483,938
Short term borrowings	27	1,178,335,845	437,716,757
Deferred grants	28	261,093,273	441,793,401
Financial liabilities used for hedging	29	226,803,709	-
Accrued markup	30	916,123,694	925,872,994
Trade and other payables	31	2,225,004,920	669,873,840
		23,491,918,610	18,517,183,826
CONTINGENCIES AND COMMITMENTS			
	32		
		48,387,939,971	45,171,154,808

The annexed notes 1 to 55 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

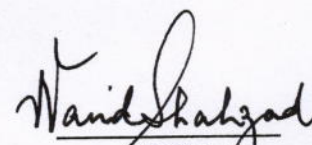
STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
		Rupees	
INCOME			
Mark-up and other charges on micro-credit loan portfolio	33	11,615,150,998	8,777,444,166
Profit and other charges on Kashf murabaha portfolio	34	483,196,472	339,842,914
Grant income	35	302,846,265	263,915,302
Return on investments and bank deposits	36	2,205,747,328	1,078,473,286
		14,606,941,063	10,459,675,668
LESS: EXPENDITURE			
Programme cost	37	3,945,094,386	3,044,078,292
Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges		62,080,382	120,472,951
Grant expenses	38	302,846,265	263,915,302
Finance cost	39	7,353,033,011	4,593,881,615
		11,663,054,044	8,022,348,160
		2,943,887,019	2,437,327,508
Less: Management and administrative expenses	40	682,749,808	525,900,811
Less: Other expenses	41	174,577,958	-
		857,327,766	525,900,811
Other income	42	467,443,152	682,529,278
SURPLUS OF INCOME OVER EXPENDITURE BEFORE MINIMUM TAX DIFFERENTIAL AND INCOME TAX		2,554,002,405	2,593,955,975
Final and minimum tax differential	43	(135,933,387)	-
SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAXATION		2,418,069,018	2,593,955,975
Taxation expense			
Current - For the year	44	(960,836,628)	-
Prior year		(2,201,278,159)	-
Deferred	26	72,126,088	-
(DEFICIT) / SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR		(671,919,681)	2,593,955,975

The annexed notes 1 to 55 form an integral part of these financial statements.

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Chief Executive Officer
Chief Financial Officer
Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
	Rupees	
(DEFICIT) / SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR	(671,919,681)	2,593,955,975
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR:		
Items that may be reclassified to statement of income and expenditure in subsequent periods:		
Cashflow hedges		
- effective portion of changes in fair value	(5,613,134,602)	2,799,222,804
- reclassified to income and expenditure	4,962,787,367	(3,004,100,334)
- reclassification of forward points to income and expenditure - net	521,698,677	287,503,494
	(128,648,558)	82,625,964
Items that will not be reclassified to statement of income and expenditure in subsequent periods:		
Surplus on revaluation of freehold land	-	435,744,740
Deferred tax		
- Revaluation Surplus	(287,019,672)	-
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(415,668,230)	518,370,704
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	<u>(1,087,587,911)</u>	<u>3,112,326,679</u>

The annexed notes 1 to 55 form an integral part of these financial statements.

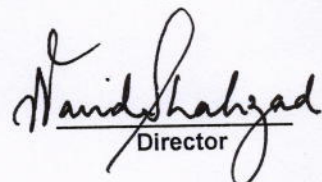
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Chief Executive Officer



Chief Financial Officer



Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
 STATEMENT OF CHANGES IN ACCUMULATED FUNDS
 FOR THE YEAR ENDED JUNE 30, 2024

	Note	Revenue reserves					Capital reserves				Total
		Donated funds	Accumulated surplus	Loan loss reserve	Special reserve	Hedging reserves	Surplus on revaluation of land	Total			
Balance as at July 1, 2022		237,005,711	5,586,179,603	984,148,137	96,745,255	26,558,614	300,203,137	7,230,840,457			
Total comprehensive income											
Surplus for the year		-	2,593,955,975	-	-	-	435,744,740	2,593,955,975			
Other comprehensive income for the year		-	2,593,955,975	-	-	82,625,964	435,744,740	518,370,704			
Micro-credit loan portfolio disbursed against donated funds		-	-	-	-	-	-	-			
Transferred from accumulated surplus to loan loss reserve	20	-	(348,978,361)	348,978,361	-	-	-	-			
Transferred from accumulated surplus to special reserve	21	-	(129,697,799)	-	129,697,799	-	-	-			
Balance as at June 30, 2023		237,005,711	7,701,459,418	1,333,126,498	226,443,054	109,184,578	735,947,877	10,343,167,136			
Total comprehensive (loss) / income											
(Deficit) / surplus of income over expenditure for the year		-	(671,919,681)	-	-	(128,648,558)	(287,019,672)	(671,919,681)			
Other comprehensive loss for the year		-	(671,919,681)	-	-	(128,648,558)	(287,019,672)	(1,087,587,911)			
Micro-credit loan portfolio disbursed against donated funds		250,000	-	-	-	-	-	-		250,000	
Micro-credit loan portfolio write-offs against donated funds		-	-	-	-	-	-	-		-	
Transferred from accumulated surplus to loan loss reserve	20	-	(123,568,021)	123,568,021	-	-	-	-		-	
Transferred from accumulated surplus to special reserve	21	-	-	-	-	-	-	-		-	
Balance as at June 30, 2024		237,255,711	6,905,971,716	1,456,694,519	226,443,054	(19,463,980)	448,928,205	9,255,829,225			

The annexed notes 1 to 55 form an integral part of these financial statements.

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Chief Executive Officer



Chief Financial Officer



Director

KASHF FOUNDATION

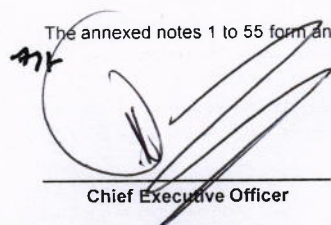
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF CASH FLOWS

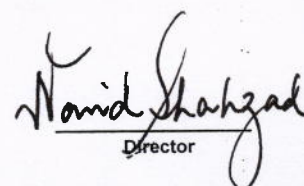
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus of income over expenditure before minimum tax differential and income tax		2,554,002,405	2,593,955,975
Adjustments for non cash items:			
Depreciation	6.3	222,424,155	187,769,472
Amortisation	7.1.1	10,212,291	7,184,992
Reclassification from intangibles	7.2	-	3,874,727
Adjustment in right-of-use assets and lease liabilities	6.1 & 25	-	1,300,202
Mark-up on lease liabilities	25.2	31,611,897	17,222,029
Grant income	35	(302,846,265)	(263,915,302)
Return on investments and bank deposits	36	(2,205,747,328)	(1,078,473,286)
Reclassification of unrealised forward points	39	521,698,677	287,503,494
Amortisation of transaction costs of long term loans	39	91,862,203	92,505,649
Finance cost on borrowings	39	5,757,544,197	3,931,155,690
Fair value gain on mutual funds	42	-	(5,699,493)
Fair value gain on investment property	42	-	(10,000,000)
Dividend income	42	(389,567,195)	(7,494,056)
Foreign exchange loss / (income) - net	41	56,305,443	(451,058,394)
Gain on disposal of property and equipment	42	(20,784,767)	(38,071,006)
Gain on termination of lease	42	(2,158,883)	(3,572,688)
Liabilities written back	42	(11,807,059)	(132,722,675)
Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges		62,080,382	120,472,951
		<u>3,820,827,748</u>	<u>2,657,982,306</u>
Surplus before working capital changes		6,374,830,153	5,251,938,281
Effect on cash flows due to working capital changes			
(Increase) / decrease in current assets			
Increase in micro-credit loan portfolio		(2,417,709,315)	(6,731,984,089)
Increase in Kashf murabaha portfolio		(112,986,919)	(270,964,297)
Increase in accrued service charges		(78,054,442)	(181,271,966)
Increase in advances, deposits, prepayments and other receivables		(157,773,862)	(64,115,601)
		<u>(2,766,524,538)</u>	<u>(7,248,335,953)</u>
Increase / (decrease) in current liabilities			
Increase in deferred grants		122,396,137	518,588,107
Increase in trade and other payables		351,388,557	(190,281,585)
		<u>473,784,694</u>	<u>328,306,522</u>
Cash generated from / (used in) operations		4,082,090,309	(1,668,091,150)
Finance cost paid		(5,767,293,497)	(3,605,992,205)
Long term loans disbursed - net		(12,417,677)	(3,462,063)
Long term deposit paid - net		(2,588,340)	(64,600,000)
Tax paid		(1,451,453,032)	-
		<u>(7,233,752,546)</u>	<u>(3,674,054,268)</u>
Net cash used in operating activities		(3,151,662,237)	(5,342,145,418)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(80,841,295)	(679,768,060)
Sale proceeds from disposal of property and equipment		21,860,931	39,249,814
Return received on investments and bank deposits		2,152,636,732	1,000,408,404
Long term and short term investments made - net		(2,908,039,947)	(2,078,014,915)
Net cash used in from investing activities		(814,383,579)	(1,718,124,757)
CASH FLOW FROM FINANCING ACTIVITIES			
Transaction costs paid for long term loans		(81,026,064)	(139,479,007)
Payment of lease liabilities		(107,306,405)	(104,910,735)
Long term and short financing obtained - net		6,370,411,662	6,337,494,451
Net cash generated from financing activities		6,182,079,193	6,093,104,709
Effect of exchange rate changes on cash and cash equivalents		(18,159,720)	127,314,665
Net increase / (decrease) in cash and cash equivalents		2,197,873,657	(839,850,801)
Cash and cash equivalents at the beginning of the year		5,528,819,109	6,368,669,910
Cash and cash equivalents at the end of the year	45	7,726,692,766	5,528,819,109

The annexed notes 1 to 55 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

1 Corporate and general information

1.1 Legal status and operations

Kashf Foundation ("the Company") was incorporated in Pakistan on February 2007 as a public company limited by guarantee, not having a share capital and licensed as a non-profit organization under section 42 of the Companies Ordinance, 1984 (now the Companies Act, 2017). In October 2016, the Company received license from Securities and Exchange Commission of Pakistan (SECP), to carry out investment finance services as a non-banking finance company under rule 5 of the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules).

The principal activity of the Company is to provide cost effective micro-finance services to poor households in order to enhance their economic role and allow self-employed individuals a sustained opportunity of matching existing skills with financial resources. The Company also provides non-financial services in the form of training through vocational training centers both to its borrowers and to its staff. Registered office of the Company is situated at 1-C, Shahrah Nazaria-e-Pakistan, Lahore. The Company has 11 (2023: 11) regional offices, 68 (2023: 68) area offices and 382 (2023: 382) branches in Pakistan. The Pakistan Credit Rating Agency (PACRA) has assigned the long-term rating of A with stable outlook and short term rating of A1 to the Company.

2 Statement of compliance

2.1 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 standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017;
- Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations);
- Islamic Financial Accounting Standards (IFAS) issued by the ICAP as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 During the year, the Institute of Chartered Accountants of Pakistan ('ICAP') has withdrawn Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes" vide its circular No. 07/2024 dated May 15, 2024 ('the Guidance'). According to the Guidance, the minimum taxes and the final taxes that are not calculated on the 'taxable profit' as defined in IAS 12 but calculated on turnover or other basis in excess of normal tax liability, and the tax deducted at source other than from dividends from subsidiaries, joint ventures and associates under final tax regime, are out of scope of IAS 12 "Income Taxes" and fall in the ambit of IFRIC 21 "Levies" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

2.3 Interpretations and amendments to published approved accounting standards that became effective during the year

Certain amendments and interpretations to approved accounting standards are effective for the annual period beginning on or after July 1, 2023 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.4 Standard, Interpretations and amendments to published approved accounting standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 1, 2024 or later periods, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

Standard or Interpretation		Effective date (Annual periods beginning on or after)
IAS 1	Amendment to IAS 1 – 'Classification of liabilities as current or non-current' and 'Non-current liabilities with covenants'	January 1, 2024
IFRS 16	Amendment to IFRS 16 – Leases' related to sale and lease back after the date of transaction	January 1, 2024
IAS 7 & IFRS 7	Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements	January 1, 2024
IAS 21	Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025
IFRS 9 & IFRS 7	Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 1, 2027
IFRS S1	General requirements for disclosure of sustainability-related financial information	January 1, 2024
IFRS S2	Climate-related disclosures	January 1, 2024

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

3 Basis of preparation

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, except where specific basis of measurement has been mentioned in relevant notes. In these financial statements, except for statement of cash flows, all the transactions have been accounted for on accrual basis.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures have been rounded off to the nearest rupee, unless otherwise stated.

4 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates, associated assumptions and judgments are continually evaluated and 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 the judgments about 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. Revision 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. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
- Useful lives, residual values and impairment of property and equipment	4.1
- Useful lives, residual values and impairment of intangible assets	4.2
- Revaluation of property and equipment	4.3
- Expected credit loss on micro-credit loans, Kashf murabaha portfolio and accrued markup	4.4
- Expected credit loss on investment in debt and equity securities	4.5
- Fair value of derivatives and separated embedded derivatives	4.6
- Expected credit loss on long term loans	4.7
- Lease term and discount rate for lease liabilities	4.8
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4.1 Useful lives, residual values and impairment of property and equipment

The Company regularly assesses the suitability of depreciation rates, useful lives, and residual values applied to property, plant, and equipment as mentioned in note 5.2. Additionally, an estimate of the recoverable amount of assets is made annually, where applicable, to check for potential impairment. In making these estimates, the Company utilizes internal or external technical expertise as needed. Any future changes to these estimates could impact the carrying value of property, plant, and equipment, affecting both depreciation charges and potential impairment.

4.2 Intangible assets

Intangible assets with a finite useful life are capitalized initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in statement of income and expenditure.

Amortization is recognized in statement of income and expenditure, on a straight-line basis over the estimated useful lives of intangible assets, in line with the rates mentioned in note 5.3. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if required. The Company assesses at each statement of financial position date whether there is any indication that intangible assets may be impaired.

4.3 Revaluation of investment property and property and equipment

Revaluation of freehold land is conducted by independent professional valuers. The Company undertakes revaluations based on significant changes in the fair value of the assets being assessed. If the fair value of a revalued asset differs substantially from its carrying amount, updated revaluation are carried out.

4.4 Expected credit loss on micro-credit loans, Kashf murabaha portfolio and accrued markup

At each reporting date, impairment on receivables is determined under expected credit loss model in accordance with the guidance provided in IFRS 9. Judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of impairment required. Such estimates are based on assumption about a number of factors including credit history of the counterparty, forecasted macroeconomic factors and varied credit variable affecting the repayment capacity of the borrowers. Actual cash flows may differ resulting in subsequent changes to the provisions.

4.5 Expected credit loss on investment in debt and equity securities

In accordance with IFRS 9 – Financial Instruments, the Company assessed the need for recognizing an expected credit loss (ECL) on its investments in debt and equity securities. As part of this assessment, the credit ratings of the financial institutions and issuers of these securities were reviewed. Based on the credit ratings and financial stability of the counterparties, significant increase in credit risk is determined.

4.6 Fair value of derivative financial instruments

The Company reviews changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies / interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

4.7 Impairment of long term loan

Loans to employee

Interest free loans or loans at a below market rate of interest are carried at present value and the difference between present value and loan proceeds is treated as loss on below market rate loans. A corresponding charge at market rate of interest on the carrying value of loan is recognized as unwinding of interest in the statement of income and expenditure.

Loans provided to employees for the purchase of scooters are secured against their Provident Fund (PF) contributions. Given this security, these loans carry minimal credit risk. In the event of default or employment termination, the outstanding loan balance can be recovered from the employee's PF.

Loan to Kashf Holding

The loan provided to Kashf Holding (Private) Limited has been impaired. In accordance with IFRS 9, financial assets like loans are evaluated for impairment using the ECL model. Through this assessment, the Company concluded that the loan was not recoverable due to the financial challenges faced by the associate. As a result, the entire carrying amount of the loan was impaired, and a loss equivalent to the lifetime ECL was recognized during the appropriate period.

Although the loan has been fully impaired since 2018, the Company continues to monitor the associate's financial position and assess any potential for recovery in line with IFRS 9 requirements.

4.8 Lease term and discount rate for lease liabilities

Estimates with respect to lease term are based on the analysis of the management of the Company keeping in view the contractual arrangement with the lessors. The rate used to discount future lease payments under lease agreements represents the Company's incremental borrowing rate.

4.9 Allocation of head office and field expenses to grant expense

The Company's expenses include both direct and indirect costs attributed to grant expenses. Indirect costs are calculated based on the hours employees spend working on grant-related activities. Field office expenses are considered operational, while head office expenses are divided into administrative and operational costs. The management estimates that expenses incurred at the field offices are operational in nature while expenses incurred at the head office can be bifurcated into administrative expenditure and operational expenditures, respectively.

4.10 Provision for taxation

In making estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Company's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

4.11 Provisions and contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5 Material accounting policy information

The material accounting policies adopted for the preparation of the financial statements are set out below. These accounting policies have been consistently applied to all the years presented, were otherwise stated.

5.1 Measurement of fair values

A number of the accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. If third party information, such as broker quotes, is used to measure fair values, then the management assesses the evidence obtained independently or from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. The significant item measured at fair value includes fair value measurements of cross currency swaps and currency forwards.

5.2 Property and equipment

Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount, being the fair value at the date of revaluation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Any revaluation increase arising on the revaluation of freehold land is recognised in other comprehensive income and presented as a separate component of equity as "Surplus on revaluation of land", except to the extent that it reverses a revaluation or impairment decrease for the same asset previously recognised in the statement of income and expenditure, in which case the increase is credited to the income and expenditure to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of assets is charged to income and expenditure to the extent that it exceeds the balance, if any, held in the revaluation surplus on freehold land relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to accumulated surplus.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major repairs and improvements are capitalized and the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of income and expenditure as and when incurred.

Depreciation

Depreciation is calculated using the straight line method so as to write off the property and equipment, over their expected useful lives. Depreciation is calculated at the rates stated in note 6.1. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. The effect of any revision are charged to statement of income and expenditure account for the year, when the changes arise. Depreciation on additions to property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off.

An item of operating fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised in statement of income and expenditure for the year.

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Impairment

The Company assesses at each statement of financial position date whether there is any indication that operating fixed asset and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income and expenditure. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

When impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income.

Right of use asset

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

5.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and if the cost of such asset can be measured reliably. Cost of the intangible asset includes its purchase cost and any directly attributable cost of preparing the asset for its intended use.

Expenditure incurred to acquire computer software is capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. These are amortized using the straight line method over their estimated useful life.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using straight line method at the rate given in Note 7.1. Full month amortization is charged in month of acquisition and no amortization is charged in month of disposal.

Subsequently the expenditure is capitalized when it increases the future economic benefits embodied in the specific assets to which it relates.

The residual value, useful life and amortization method is reviewed and adjusted, if significant, at each reporting date.

The Company assesses at each statement of financial position date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in statement of income and expenditure. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

5.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured using fair value model with any change therein recognised in statement of income and expenditure. The Company has valued investment properties using external valuator at reporting date. When the use of properties changes such that it is transferred to property and equipment, its fair value at the date of reclassification becomes its cost for subsequent measurement, similarly when the property recorded as property and equipment is transferred to investment property, it is recorded at fair value determined at reclassification date and surplus on such property at that time is credited to surplus or deficit is charged to statement of income and expenditure.

5.5 Non-derivative financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities 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 included in income and expenditure for the year.

Major categories of financial assets represent investments, advances, deposits, micro-credit loan portfolio, kashf murhaba portfolio, accrued service charges other receivables and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and mainly comprise creditors, accrued expenses, lease liabilities, borrowings, accrued markup and other payables.

5.5.1 Non-derivative financial assets - Classification and measurement

Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through other comprehensive income ("FVOCI"), or through profit or loss ("FVTPL"); and
- Those to be measured at amortized cost.

The classification depends upon Company's business model for managing the financial assets and the contractual terms of the cash flows.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation of certain financial assets with respect to subsequent measurement either through income and expenditure or other comprehensive income.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
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In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

Initial recognition

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets measured at other than amortized cost or FVOCI, are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition except the financial asset measured at subsequent measurement FVTPL.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including an interest / markup or dividend income, are recognised in statement of income and expenditure.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using effective interest method. The amortized cost is reduced by impairment losses, if any. Interest / markup income, foreign exchange gains, losses and impairment are recognised in statement of income and expenditure.
Debt investment at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of income and expenditure. Other net gains and losses are recognised in statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to statement of income and expenditure.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised in statement of income and expenditure unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of income and expenditure. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to accumulated surplus.

5.5.2 Non-derivative financial liabilities - Classification and measurement

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of income and expenditure. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of income and expenditure. Any gain or loss on derecognition is recognised in statement of income and expenditure.

5.5.3 Impairment

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt and equity instrument assets carried at amortized cost and FVTPL. The Company recognizes a loss allowance for such losses at each reporting date. 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.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

5.5.4 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income and expenditure.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of income and expenditure.

5.5.5 Provision for expected credit losses

The Company recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost; and
- debt investments measured at FVOCI.

An impairment loss is recognised if the carrying amount of assets exceeds its estimated recoverable amount. Impairment losses are recognised in statement of income and expenditure. If the amount of impairment loss subsequently decreases then the previously recognized impairment loss is reversed through profit or loss.

Additional information about how the Company measures allowance for impairment is detailed in note 49.2 of the financial statements.

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5.5.6 Write-off policy

The Company writes off loan assets that are past due by 180 days from the maturity date. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognised in statement of income and expenditure.

5.5.7 Off setting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal enforceable right to set off the transaction and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.6 Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. These derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of income and expenditure.

The Company designates these derivatives as hedging instruments to hedge the variability in cash flows associated with foreign currency denominated loans.

Hedging

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Company assesses hedge effectiveness by considering three aspects:

- The economic relationship between the hedged item and the hedged instrument by considering the movement of variation in the hedged item and hedged instrument.
- A change in the credit risk of the hedging instrument or the hedged item as it must not be of such magnitude that it dominates the value changes that result from that economic relationship.
- The hedge ratio used for hedge accounting purposes is in line with risk management objectives of the Company.

The sources of hedge ineffectiveness could be:

- The fair value of the hedging instrument on the hedge relationship designation date, if not zero
- Differences in the timing, or changes to the forecasted amount, of the cashflows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to statement of income and expenditure in the same period or periods as the hedged expected future cash flows affect statement of income and expenditure.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to statement of income and expenditure.

Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income and expenditure.

Amounts accumulated in equity are reclassified to the income and expenditure in the periods when the hedged item affects income and expenditure i.e. when the hedged financial income or expense is recognised or when the forecasted transaction occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to reserves are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to income and expenditure.

Hedge effectiveness

Hedge effectiveness is assessed at the start of the hedge relationship and through regular prospective evaluations to ensure an economic relationship exists between the hedging instrument and the hedged item.

For foreign currency loans, the Company establishes hedge relationships where the key terms of the hedging instrument align exactly with those of the hedged item. As a result, the Company typically performs a qualitative assessment of effectiveness. However, if changes occur that affect the terms of the hedged item, causing them to no longer align with the hedging instrument, the Company uses the hypothetical derivative method to reassess effectiveness. In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecasted transaction shifts or if there are changes in the credit risk of either Oneland or the derivative counterparty.

The Company also enters into cross-currency swaps and forwards that share similar critical terms with the hedged item, such as reference rate, reset dates, payment dates, maturities, and notional amounts. The Company does not hedge all of its loans, so the hedged item is identified as a portion of the outstanding loans up to the notional amount of the swaps. Since the critical terms matched throughout the year, an economic relationship was maintained.

Hedge ineffectiveness for interest rate swaps is evaluated using the same approach as for hedges of foreign currency purchases. Ineffectiveness may arise due to:

- credit or debit value adjustments on the interest rate swaps not reflected in the loan, and
- mismatches in critical terms between the swaps and the loans.

5.7 Investment in associates

Investments in associates are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the statement of income and expenditure.

5.8 Kashf murabaha

In Murabaha transactions, the Company advances funds to the person known as agent. At that time agent purchases the goods on behalf of the Company. Agent takes the possession of goods and offers to purchase the goods from the Company which when accepted is binding on both parties. The customer agrees to pay to the Company, the cost of goods plus profit agreed by the participants on credit terms.

The criteria mentioned in note 5.5.5 is followed for recording of expected credit losses.

5.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits held with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

5.10 Borrowings from financial institutions and others

Loans and borrowings are initially recorded at the proceeds received. Transaction costs directly attributable to obtaining the loans and borrowings are deducted in determining the proceeds received on initial recognition. In subsequent periods, borrowings are stated at amortized cost using effective yield method. Finance charges are accounted for on an accrual basis and are presented separately on statement of financial position to the extent of the amount remaining unpaid. Arrangement fees and other transaction costs are also amortized over the term of loan using effective yield method.

5.11 Foreign currency translations

All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the exchange rate prevailing at the financial position date. Transactions in foreign currencies are translated into Rupees at the spot rates. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the dates of transactions or on dates when fair values are determined. Exchange differences are included in income and expenditure, if any.

The Company hedges its foreign currency loans and designates a hedging relationship between a hedging instrument and a hedged item. For hedging relationships that meet the qualifying criteria in IFRS 9, the Company accounts for the gain or loss on the hedging instrument and the hedged item in accordance with the special hedge accounting provisions of IFRS 9.

5.12 Leases

Lessee accounting

5.12.1 Lease liabilities

The Company operates its branches under lease agreements. These leases provide the Company with the right to use the properties for its operations over the lease terms, typically subject to periodic rental payments. The terms and conditions of these leases vary by location, but they are primarily long-term arrangements.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. This applies specifically to the leases for the branches the Company operates, which are owned under lease agreements.

The Company determines its incremental borrowing rate by considering Pakistan revaluation rates (PKRV rates) prevailing at lease inception date as base rates and adjust them reflecting lease term and risk involved by comparing them with KIBOR rates prevailing as at that date and the average spread that is being charged to the Company on its long term loans having the same tenure.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income and expenditure if the carrying amount of the right-of-use asset has been reduced to zero.

5.12.2 Right-of-use asset

The Company recognizes right-of-use asset at lease commencement date. The right-of-use asset is initially measured at cost which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of lease liability. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of the property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability. Right-of-use assets are disclosed in the property and equipment as referred in note 6.1 to these financial statements.

5.12.3 Ijarah contracts

The Company has entered in to Ijarah contracts under which it obtains usufruct of an asset for an agreed period for an agreed consideration. The Ijarah contracts are undertaken in compliance with the Shariah essentials for such contracts prescribed by the State Bank of Pakistan. IFAS 2.5 Company accounts for its Ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, Company as a Mustaj'ir (lessee) in the Ijarah contract recognises the Ujrah (lease) payments as an expense in the profit and loss on straight line basis over the Ijarah term.

The Company has not transfer substantially all the risks and rewards incidental to ownership of the asset thus classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income and expenditure due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5.13 Trade and other payables

Trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

Funds

5.14 Loan loss reserve

Loan loss reserve has been created at the rate of 5% of outstanding loan portfolio of the Company. This reserve is used for the write-off of loans given under Pakistan Micro Finance Investment Company (PMIC) Term Finance Agreements and is replenished by the Company from general reserve.

5.15 Special reserve

The Company is required under the requirements of Non-Banking Finance Companies and Notified Entities Regulations, to maintain a special reserve to which an appropriation equal to 5% of the after tax surplus is made.

5.16 Employee retirement benefits - defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 10% of basic salary per month.

5.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

5.18 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.19 Revenue recognition and other income

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company, the amount of revenue and the associated cost incurred or to be incurred can be measured reliably and performance obligations are satisfied by transferring control of a good or service to a customer, either at a point in time or over time, of an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the aforementioned principle by applying the following steps:

- Identify the contract with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price of the contract.
- Allocate the transaction price to each of the separate performance obligations in the contract.
- Recognize the revenue when (or as) the Company satisfies a performance obligation.

(a) **Mark-up and other charges on micro-credit loan portfolio and profit on Kashf Murabaha**

Revenue from service charges on micro-credit loan portfolio is accounted for on accrual basis and collected with loan installments. Service charges on micro-credit loans are recognised using effective yield method at prevailing mark-up rates for loan products.

Profit on Murabaha is recognised on an accrual basis. Profit on Murabaha transactions for the period is accounted for on the culmination of Murabaha transactions.

(b) **Commission income**

The Company acts as an insurance agent, offering insurance products to its clients alongside its primary products. For each insurance policy sold, the Company earns commission income from the respective insurance provider. Commission income is recognised when the Company's performance obligations, related to arranging the insurance policies, are satisfied, typically upon the issuance of the insurance policy to the client.

(c) **Grant Income**

Funds provided by donors to subsidise operating and administrative expenses are recognised as grant income as per terms of agreements with donors. Funds utilised for acquiring fixed assets are taken to deferred grant and amortized over the useful life of the assets. Grants related to capacity building are taken to deferred grant and amortized as actual expenses incurred on account of capacity building.

Grants where no conditions are associated by the donor with its utilization are recognised as income in the period in which it is received.

(d) Return on investments and bank deposits

Return on investments and bank deposits is recognised on accrual basis. Dividend is recognised as income when right to receive dividend is established.

(e) Other income

Profit on deposit accounts and gain on short term investments and other income is recognized using effective interest rate. Gains / (losses) arising on revaluation of securities classified as fair value through profit or loss are included in the statement of income and expenditure in the period in which they arise.

5.20 Expenditure

Expenses associated with the Company's field operations are classified as program costs. All expenditures related to the head office are allocated to administrative expenses. Additionally, any costs specifically tied to grants are categorized as grant expenses to ensure proper tracking and allocation of resources.

Taxation

Current

The current tax charge is determined based on applicable tax rates or those expected to apply to the year's profit, in accordance with prevailing tax laws, while considering any tax credits, rebates, or exemptions. Management regularly reviews positions taken in tax returns, particularly where tax regulations may be open to interpretation, to assess the likelihood of acceptance by tax authorities. The current tax charge also includes any necessary adjustments to prior years' tax provisions based on assessments made during the year. Tax balances are measured using the most likely amount or expected value, depending on which method better predicts the resolution of any uncertainty. Current tax assets and liabilities are offset if the Company has a legal right to do so and intends to settle them on a net basis or simultaneously.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments / changes in laws and changes in estimates made during the current year.

Deferred

Deferred income tax is fully recognized using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is not recognized if these differences arise from the initial recognition of an asset or liability in a transaction, other than a business combination, that does not affect accounting or taxable profit at the time. Deferred income tax is calculated based on tax rates and laws that are enacted or substantively enacted by the end of the reporting period, and that are expected to be in effect when the deferred tax asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available to utilize deductible temporary differences, unused tax losses, and tax credits. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax amounts relate to the same tax authority.

Current and Deferred Tax Considerations for Minimum and Final Tax Scenarios

Minimum taxes and the final taxes that are not calculated on the 'taxable profit' as defined in IAS 12 but calculated on turnover or other basis and the tax deducted at source other than from dividends from subsidiaries, joint ventures and associates under final tax regime or any minimum taxes which are not adjustable against future income tax liability, are classified as levy in the profit or loss as they fall under the scope of IFRIC 21 "Levies" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

6 Property and equipment

6.1 Operating fixed assets

Net carrying value basis	Owned assets						Right-of-use assets		Total
	Freehold land	Building on freehold land	Furniture and fixtures	Office equipments	Computer equipments	Vehicles	Rented premises		
Year ended June 30, 2024									
Opening Net Book Value (NBV)	1,299,500,000	134,591,070	47,566,906	50,468,869	126,266,352	134,455,923	96,778,954	1,889,628,074	
Additions (at cost)	-	-	4,543,105	9,009,719	60,874,580	3,193,861	178,030,829	255,652,094	
Disposals (at NBV)	-	-	(52,979)	(295,983)	(727,202)	-	(16,870,962)	(17,947,126)	
Depreciation charge	-	(9,867,512)	(9,109,089)	(14,434,719)	(65,293,888)	(34,657,886)	(89,061,061)	(222,424,155)	
Closing Net Book Value	1,299,500,000	124,723,558	42,947,943	44,747,886	121,119,842	102,991,898	168,877,760	1,904,908,887	

Gross carrying value basis

As at June 30, 2024	1,299,500,000	197,350,236	103,367,047	132,860,916	412,376,637	184,555,058	439,202,327	2,769,212,221
Cost / Fair value	-	(72,626,678)	(60,419,104)	(88,113,030)	(291,256,795)	(81,563,160)	(270,324,567)	(864,303,334)
Accumulated depreciation	1,299,500,000	124,723,558	42,947,943	44,747,886	121,119,842	102,991,898	168,877,760	1,904,908,887

Depreciation rate (%) per annum

Net carrying value basis

Year ended June 30, 2023								
Opening net book value (NBV)	355,725,000	129,976,908	41,698,970	46,490,228	52,700,751	43,381,879	123,914,588	793,888,324
Additions (at cost)	408,030,260	540,502	14,729,611	17,327,073	121,357,098	115,982,870	75,595,667	753,563,081
Revaluation (surplus)	435,744,740	-	-	-	-	-	-	435,744,740
Transfer from investment property	100,000,000	13,424,250	-	(493,192)	(486,647)	-	(19,074,880)	(20,253,688)
Disposals (at NBV)	-	-	(198,969)	-	-	-	1,030,839	1,030,839
Adjustments	-	(9,350,590)	(8,662,706)	(12,855,240)	(47,304,850)	(24,908,826)	(84,687,260)	(187,769,472)
Depreciation charge	-	-	47,566,906	50,468,869	126,266,352	134,455,923	96,778,954	1,889,628,074
Closing Net Book Value	1,299,500,000	134,591,070	47,566,906	50,468,869	126,266,352	134,455,923	96,778,954	1,889,628,074

Gross carrying value basis

As at June 30, 2023	1,299,500,000	197,350,236	99,177,933	125,490,582	377,380,461	191,178,230	301,363,949	2,591,441,391
Cost / Fair value	-	(62,759,166)	(51,611,027)	(75,021,713)	(251,114,109)	(56,722,307)	(204,584,995)	(701,813,317)
Accumulated depreciation	1,299,500,000	134,591,070	47,566,906	50,468,869	126,266,352	134,455,923	96,778,954	1,889,628,074

Depreciation rate (%) per annum

5%	10%	10% - 20%	33.33%	20%	Lease term
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Details of disposals of operating fixed assets

Particulars of assets	Particulars of buyer	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (loss)	Relationship with the Company	Mode of disposal	
									Rupees
Owned assets									
Vehicles									
SWIFT DLX LEB-17A-5739	Shahzad Iqbal	824,990	824,990	-	2,322,000	2,322,000	Employee	As per policy	
SWIFT DLX LEB-17A-5741	Irum Faiz	824,983	824,983	-	2,080,000	2,080,000	Employee	As per policy	
SWIFT DLX LEB-17A-5776	Mumtaz Iqbal	824,990	824,990	-	1,920,000	1,920,000	Employee	As per policy	
SWIFT DLX LEB-17A-5767	Yousaf Ali	824,990	824,990	-	2,080,000	2,080,000	Employee	As per policy	
SUZUKI WAGONR VXL LEC-17A-2028	Eshrat Ali	1,089,490	1,089,490	-	1,530,000	1,530,000	Employee	As per policy	
SUZUKI WAGONR VXL LEB-18-5929	Saleem Shahzad	1,082,790	1,082,790	-	1,661,000	1,661,000	Employee	As per policy	
SUZUKI WAGONR VXL LEB-17A-5922	Amir Saleem	1,082,790	1,082,790	-	1,912,000	1,912,000	Bidder	As per policy	
SUZUKI WAGONR VXR BLJ-17-6999	Malik Mumtaz	1,066,000	1,066,000	-	1,661,000	1,661,000	Employee	As per policy	
MEHRAN VXR LEB-17A-5792	Umar Farooq	439,202	439,202	-	527,000	527,000	Employee	As per policy	
MEHRAN VXR LEB-17A-5803	Farhan Rafiq	439,202	439,202	-	1,115,909	1,115,909	Employee	As per policy	
MEHRAN VXR LEC-17A-2684	Muhammad Awais	439,202	439,202	-	977,909	977,909	Bidder	As per policy	
MEHRAN VXR LEB-17A-5813	Noureen Shoukat	439,202	439,202	-	943,000	943,000	Employee	As per policy	
MEHRAN VXR LEB-17A-7508	Asad Khan	439,202	439,202	-	1,061,000	1,061,000	Bidder	As per policy	
Computer equipments	Various buyers	8,276,327	8,052,519	223,808	1,727,471	1,503,663	Third Party	Auction	
Furniture and fixtures	Various buyers	288,753	235,774	52,979	86,227	33,248	Third Party	Auction	
Office equipments	Various buyers	1,337,951	1,245,846	92,105	256,415	164,310	Third Party	Auction	
		19,720,064	19,351,172	368,892	21,860,931	21,492,039			
Assets subject to insurance claim									
		16,157,077	15,685,566	471,511	-	(471,511)			
Assets written off									
		1,756,436	1,520,675	235,761	-	(235,761)			
Donated									
		55,238	55,238	-	-	-			
		37,688,815	36,612,651	1,076,164	21,860,931	20,784,767			
		28,386,781	27,207,973	1,178,808	39,249,814	38,071,006			

		2024	2023
	Note	Rupees	
6.3 Allocation of depreciation			
Programme cost	37	160,461,611	130,830,427
Grant expenses	38	13,871,432	12,929,494
Management and administrative expenses	40	48,091,112	44,009,551
		<u>222,424,155</u>	<u>187,769,472</u>

6.4 Cost of operating fixed assets include cost of fully depreciated assets that are still in use amounting to Rs. 234.05 million (2023: Rs. 240.26 million). The breakup of such fully depreciated assets is as follows:

	2024	2023
	Rupees	
Furniture and fixtures	12,413,330	9,299,947
Office equipments	18,312,320	14,706,262
Computer equipments	192,099,462	199,775,071
Vehicles	11,229,177	16,474,134
	<u>234,054,289</u>	<u>240,255,414</u>

6.5 The Company has elected to measure freehold land under the revaluation model. The fair value of the Company's freehold land is determined on triennial basis by an independent professionally qualified valuer. The revaluation was carried out by M/s Tristar International Consultants (Private) Limited, an accredited independent valuer, on the basis of assessment of fair market values. Revaluation carried out on June 30, 2023 resulted in revaluation surplus of Rs. 435.74 million.

6.6 The forced sale value of the revalued land had been assessed at Rs. 1,104.57 million at the time of revaluation.

6.7 An amount of Rs. 3.49 million (2023: Rs. 2.80 million) was received by the Company from an insurance company as compensation for the assets damaged during last year. This amount has been recognised as other income in the statement of income and expenditure.

		2024	2023
	Note	Rupees	
8 Long term investments			
Investment in associate	8.1	-	-
Investments at Amortized Cost			
Investment in Pakistan Investment Bonds	8.2	507,620,068	1,111,084,529
Investment in term finance certificates	8.3	-	403,956,712
		507,620,068	1,515,041,241

8.1 Investment in associate - Kashf Holding (Private) Limited - under equity method

	2024	2023
	Rupees	
900,000 (2023: 900,000) fully paid shares of Rs. 10 / - each at cost, equity held 30.2% (2023: 30.2%)		
Value of investment based on net assets as shown in the audited financial statements as at June 30, 2024 (2023: audited)	63,000,000	63,000,000
Accumulated share of loss of associate		
- based on audited financial statements	(63,000,000)	(63,000,000)
	-	-
	December 31, 2023	December 31, 2022

Summary of financial information of the associate is as follows:

	Rupees	
	Audited	
Total assets	3,171,052	2,833,664
Total liabilities	631,961,178	575,355,848
Total equity	(628,790,126)	(572,522,184)
Loss for the year	(56,267,942)	(93,673,824)

The principal activity of the Kashf Holding (Private) Limited is making investment in its associated undertaking. The registered office of the Company is situated at 1-C, Shahrah Nazaria-e-Pakistan, Lahore.

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8.2 Investment in Pakistan Investment Bonds

Particulars	Note	Effective rate of interest % per annum	2024			2023			Maturity date
			Principal amount	Accrued interest Rupees	Amortised cost	Principal amount	Accrued interest Rupees	Amortised cost	
Pakistan Investment Bond	8.2.1	18.59%	-	-	-	494,259,000	11,467,847	505,726,847	February 9, 2025
Pakistan Investment Bond	8.2.1	21.59%	488,734,000	18,886,068	507,620,068	488,734,000	12,473,287	501,207,287	February 9, 2026
Pakistan Investment Bond	8.2.1	18.54%	-	-	-	17,016,760	393,001	17,409,761	February 9, 2025
Pakistan Investment Bond	8.2.1	17.46%	-	-	-	85,276,360	1,464,274	86,740,634	February 9, 2025
			<u>488,734,000</u>	<u>18,886,068</u>	<u>507,620,068</u>	<u>1,085,286,120</u>	<u>25,798,409</u>	<u>1,111,084,529</u>	

8.2.1 These instruments carry markup from 17.46% to 21.59% (2023: 16.12% to 18.91%) per annum with maturity of one to two years (2023: two to three years).

8.3 Investment in term finance certificates

Particulars	Note	Effective rate of interest % per annum	2024			2023			Maturity date
			Principal amount	Accrued interest Rupees	Amortised cost	Principal amount	Accrued interest Rupees	Amortised cost	
JS Bank Limited	8.3.1	24.07%	-	-	-	400,000,000	3,956,712	403,956,712	August 30, 2033
			<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000,000</u>	<u>3,956,712</u>	<u>403,956,712</u>	

8.3.1 The Company has reclassified its term finance certificates from amortized cost to fair value through profit or loss (FVTPL) in accordance with IFRS 9.

9	Long term loans	Note	2024	2023
			Rupees	
	Related party - unsecured			
	Loan to Kashf Holding (Private) Limited	9.1	220,239,935	220,239,935
	Less: Accumulated impairment	9.2	(220,239,935)	(220,239,935)
	Loan to employees	9.3	17,100,880	4,683,203
			<u>17,100,880</u>	<u>4,683,203</u>

9.1 This represents a loan given under an agreement to Kashf Holding (Private) Limited (KHL), an associated undertaking. The loan along with mark-up was receivable in 20 equal quarterly installments starting from September 2013. In 2013, the Company had rescheduled this loan. The loan along with mark-up was receivable in two installments due on December 31, 2015 and December 31, 2019 amounting to Rs. 160.52 million and Rs. 301.98 million respectively. In 2015, the Company carried out second rescheduling of this loan through a resolution in Board of Directors' meeting dated June 20, 2015. The loan along with mark-up was receivable in two installments due on December 31, 2018 and December 31, 2020 amounting to Rs. 130 million and Rs. 378.72 million respectively. The Board of Directors of the Company decided in the board meeting held on January 20, 2018 to fully impair the loan as no recovery had been received from past 5 years.

The Company has rescheduled this loan through a third addendum dated July 1, 2019. The loan is payable in 11 annual installments starting from year 2020. The rescheduled loan carries mark-up at the rate of 1 year KIBOR plus 2% per annum. Total repayments amounting to Rs. 41 million have been received from KHL so far with latest installment amounting to Rs. 18 million received in during the year ended 2021.

9.2	Movement in accumulated impairment:	2024	2023
		Rupees	
	Balance as at July 1	220,239,935	220,239,935
	Balance as at June 30	<u>220,239,935</u>	<u>220,239,935</u>

9.3 These are interest free loans secured against the Provident Fund of employees. Impact of discounting of these interest free loans is considered immaterial.

10	Long term micro-credit loan portfolio - unsecured	Note	2024	2023
			Rupees	
	Kashf School Sarmaya	10.1	40,049,071	86,287,115
	Kashf Karobar Karza	10.2	135,534,840	687,892,852
	Kashf Muwaishi Karza	10.3	17,571,287	146,924,538
	Home Improvement Loan	10.4	31,434,411	28,854,011
	Kashf Topup Karza	10.5	12,566,168	-
			<u>237,155,777</u>	<u>949,958,516</u>
	Due within one year:			
	Kashf School Sarmaya		(27,651,863)	(69,236,120)
	Kashf Karobar Karza		(98,531,653)	(601,861,048)
	Kashf Muwaishi Karza		(12,907,877)	(133,829,979)
	Home Improvement Loan		(20,709,284)	(18,888,044)
	Kashf Topup Karza		(10,107,355)	-
			<u>(169,908,032)</u>	<u>(823,815,191)</u>
	Less: Provision for expected credit losses on long term micro-credit loans	13.11	(392,561)	(799,631)
			<u>66,855,184</u>	<u>125,343,694</u>

- 10.1 Kashf school sarmaya represents micro-credit loans for educational activities, with loan amount ranging from Rs. 100,000 to Rs. 500,000 (2023: Rs. 100,000 to Rs. 500,000). The outstanding balance is repayable along with service charges, Kashf sehatmand zindagi bema and life insurance over a period of eighteen months to twenty four months in equal monthly installments (2023: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 44.92% to 45.21% (2023: 40.12% to 40.97%) per annum.
- 10.2 Kashf karobar karza represents micro-credit loans for productive/income generating activities, with loan amount ranging from Rs. 45,000 to Rs.300,000 (2023: Rs. 55,000 to Rs. 300,000). The outstanding balance is repayable along with service charges and Kashf sehatmand zindagi bema over a period of eighteen months to twenty four months in equal monthly installments (2023: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 44.16% (2023: 39.34% to 39.90%) per annum.
- 10.3 Kashf muwaishi karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with loan amount ranging from Rs. 100,000 to Rs. 350,000 (2023: Rs. 80,000 to Rs. 350,000). The outstanding balance, along with livestock insurance and Kashf sehatmand zindagi bema is repayable over a period of eighteen months to twenty four months in equal monthly installments (2023: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 44.16% (2023: 35.47% to 39.90%) per annum.
- 10.4 Kashf home improvement loan represents micro-credit loans offered to the clients for small construction and repair purposes. This product has been specifically designed for the clients who have previously completed at least three productive loans. The loan amount ranges from Rs.70,000 to Rs.300,000 (2023:70,000 to Rs.300,000). The outstanding balance, along with service charges and Kashf sehatmand zindagi bema, is repayable over a period of eighteen months to thirty six months (2023: eighteen months to thirty six months).The effective yield on this loan is 44.16% (2023: 37.99% to 39.90%) per annum.
- 10.5 Kashf top-up karza represents micro-credit loans provided to clients on top of their existing productive loan. The loan aims to meet the credit requirement of entrepreneurs who need additional investment to add inventory / stock or capital into their business. The effective yield on this loan is 44.16% (2023: 40.06%) per annum.
- 10.6 Impact of discounting of long term micro-credit loan is considered immaterial.

		2024	2023
		Rupees	
11	Long term Kashf murabaha portfolio		
		Note	
	Kashf Murabaha	11.1	12,283,718
	Kashf Muwaishi Murabaha	11.2	2,044,575
			<u>14,328,293</u>
	Due within one year:		
	Kashf Murabaha receivable		(9,683,929)
	Kashf Muwaishi Murabaha		(25,140,355)
		14	<u>(1,671,730)</u>
			(25,407,019)
	Unearned murabaha income		(743,287)
	Less: Provision for expected credit losses on long term Kashf murabaha portfolio		(9,062,295)
			(11,971)
			<u>2,217,376</u>
			<u>3,979,475</u>

- 11.1 Kashf Murabaha was introduced in 2014 to provide financing facility under Islamic (Shariah) principles. It represents the outstanding balance of cost of goods sold under murabaha agreement. The facility ranges from Rs. 45,000 to Rs. 300,000 (2023: Rs. 45,000 to Rs. 300,000). The outstanding balance, along with profit on Kashf murabaha and Kashf sehat takaful, is repayable over a period ranging from eighteen months to thirty six months (2023: eighteen months to thirty six months). Profit is allocated at the rate of 38.51% (2023: 34.50%) as per terms of murabaha agreement.
- 11.2 Kashf Muwaishi Murabaha facility ranges from Rs. 100,000 to Rs. 350,000 (2023: 100,000 to Rs. 350,000). The outstanding balance, along with profit on Kashf murabaha and Kashf sehat takaful, is repayable over a period ranging from twelve months to eighteen months (2023: twelve months to eighteen months). Profit is allocated at the rate of 38.51% (2023: 34.50%) as per terms of murabaha agreement.
- 11.3 Impact of discounting of long term murabaha is considered immaterial.

	2024	2023
12 Long term deposits	Rupees	
Security deposit:		
- against repayment guarantee from Silk Bank Limited	144,100,000	144,100,000
- against Central Depository Company	100,000	-
- against electricity connection	463,360	463,360
- against NADRA Verisys	5,000,000	5,000,000
- against lease assets security	2,488,340	-
	152,151,700	149,563,360
	152,151,700	149,563,360

12.1 These securities are refundable upon the completion of the program. These have not been carried at amortised cost as the effect of discounting is not considered material.

		2024	2023
13 Micro-credit loan portfolio - unsecured	Note	Rupees	
Kashf Karobar Karza	13.1	21,702,164,047	19,758,016,778
Kashf Bahali Karza	13.2	108,690	8,418,600
Kashf Easy Loan	13.3	137,089,829	2,106,118,140
Kashf Sahulat Karza	13.4	121,779,763	123,707,230
Kashf Fori Karza	13.5	2,802,321,267	197,251,368
Kashf Muwaishi Karza	13.6	2,233,064,090	2,279,557,594
Kashf School Sarmaya	13.7	198,142,718	153,323,791
Kashf Sawari Karza	13.8	-	61,120
Home Improvement Loan	13.9	109,910,147	13,145,769
Kashf Top Up Karza	13.10	459,780,503	51,166,131
		27,764,361,054	24,690,766,521
Accrued service charges	15	518,658,042	435,808,639
Current portion of long term micro-credit loan portfolio	10	169,908,032	823,815,191
		28,452,927,128	25,950,390,351
Less: Accrued service charges disclosed separately	15	(518,658,042)	(435,808,639)
Less: Provision for expected credit losses on micro-credit loan portfolio	13.11	(163,067,377)	(161,252,565)
		27,771,201,709	25,353,329,147
		27,771,201,709	25,353,329,147

- 13.1 Kashf karobar karza represents micro-credit loans for productive / income generating activities, with loan amount ranging from Rs. 35,000 and to Rs. 200,000 (2023: Rs. 35,000 to Rs. 200,000). The outstanding balance is repayable along with service charges and Kashf sehatmand zindagi bema over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on these loans is 44.16% (2023: 40.06%) per annum.
- 13.2 Kashf bahali karza represents micro-credit loans to clients whose businesses were impacted by multiple lockdowns due to Covid outbreak. It was launched in December 2020 with sunset clause till January 2022. The basic purpose of the loan is to provide liquidity to those clients whose businesses were illiquid and injection of liquidity help them to revive their business and livelihood. The loan ranges from Rs. 50,000 to Rs. 150,000 (2023: Rs. 50,000 to 150,000). The outstanding balance is repayable along with service charges and Kashf sehatmand zindagi bema over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on these loans is 35.91% (2023: 35.91%) per annum.
- 13.3 Kashf easy loan represents micro-credit loans provided to such clients who want to run their business at small scale or want to fulfil personal financial needs at easy terms with loan amount ranging from Rs. 20,000 to Rs. 25,000 (2023: Rs. 20,000 to Rs. 35,000). The outstanding balance, along with service charges and Kashf care insurance, is repayable over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on this loan is 44.16% (2023: 40.06%) per annum.
- 13.4 Kashf sahumat karza represents micro-credit loans provided to such clients who have already obtained Kashf Karobar Karza for their domestic use with loan amount ranging from Rs. 5,000 to Rs. 7,000 (2023: Rs. 5,000 to Rs 7,000). The outstanding balance, along with service charges, is repayable over a period of six months in equal monthly installments (2023: six months in equal monthly installments). The effective yield on this loan is 44.16% (2023: 38.42%).
- 13.5 Kashf fori karza represents micro-credit loans provided to clients for their domestic use with a loan amount ranging from Rs. 10,000 to Rs. 35,000 (2023: Rs. 10,000 to Rs. 15,000). The outstanding balance, along with service charges and Kashf care insurance, is repayable over a period of three months to twelve months in equal monthly installments (2023: three to nine months in equal monthly installments). The effective yield on this loan is 44.16% to 74.86% (2023: 59.75% to 67.52%).
- 13.6 Kashf muwaisi karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with a loan amount ranging from Rs. 80,000 to Rs. 300,000 (2023: Rs. 80,000 to Rs. 300,000). The outstanding balance, along with service charges, livestock insurance, and Kashf sehatmand zindagi bema, is repayable over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on this loan is 44.16% (2023: 40.06%) per annum.
- 13.7 Kashf school sarmaya represents micro-credit loans for educational activities with a loan amount ranging from Rs. 80,000 to Rs. 500,000 (2023: Rs. 80,000 to Rs. 500,000). The outstanding balance, along with service charges, life insurance and Kashf sehatmand zindagi bema, is repayable over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on this loan is from 46.20% (2023: 42.11%) per annum.
- 13.8 Kashf sawari karza represent micro-credit loans to encourage economic and social participation of women in the society. Kashf has developed a vehicle loan product to facilitate the use of two wheeler for women with a loan amount of ranging from Rs. 45,000 to Rs. 100,000 (2023: 45,000 to Rs. 100,000) repayable over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on this loan is 40.06% (2023: 40.06%) per annum. All existing loans reached maturity during the year, and no new loans were disbursed.
- 13.9 Kashf home improvement loan is offered to clients for small construction and repair purposes. This product has been specifically designed for the clients who have completed at least three productive loans with the Company. The loan amount ranges from Rs. 70,000 to Rs. 300,000 (2023:70,000 to Rs. 300,000). The outstanding balance, along with service charges and Kashf sehatmand zindagi bema, is repayable over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on this loan is 44.16% (2023: 40.06%) per annum.
- 13.10 Kashf topup karza represents micro-credit loans provided to clients on top of their existing productive loan. The loan aims to meet the credit requirement of entrepreneurs who need additional investment to add inventory / stock or capital into their business. The outstanding balance, along with service charges, is repayable over a period of twelve months in equal monthly installments (2023: twelve months in equal monthly installments). The effective yield on this loan is 44.16% (2023: 40.06%) per annum.

13.11 Movement in provision for expected credit losses	2024	2023
	Rupees	
Balance as at July 1	162,052,196	307,559,578
Expected credit losses charged for the year	58,325,263	141,332,993
	<u>220,377,459</u>	<u>448,892,571</u>
Written off against provision for expected credit losses	(56,917,521)	(286,840,375)
Balance as at June 30	<u>163,459,938</u>	<u>162,052,196</u>

Break up of provision for expected credit losses among non-current and current portion is as follows:

	2024	2023
	Rupees	
Non-current portion	392,561	799,631
Current portion	163,067,377	161,252,565
	<u>163,459,938</u>	<u>162,052,196</u>

13.12 Number of long term and short term loans

	2024	2023
	Numbers	
Considered good	781,351	726,545
Considered doubtful	8,021	7,639
	<u>789,372</u>	<u>734,184</u>
Loans written off	<u>2,030</u>	<u>11,666</u>

13.13 Aging analysis of micro-credit loan portfolio - long term and short term

The Company's main indicator of loan delinquency is the portfolio-at-risk ratio. Loans are segregated into classes depending on the number of days they are overdue. For each class of loan, the outstanding principal balance of such loan is divided by the principal balance of the gross loan portfolio for loan loss percentage.

Loans are considered at risk if any payment has fallen due and remained unpaid for more than 1 day. The Company does not convert mark-up on late payment into principal.

	2024	2023	2024	2023
	Percentage		Rupees	
Not due yet	99.11	99.07	27,750,914,059	25,401,287,175
1-29 days	0.35	0.40	98,869,672	103,669,702
30-89 days	0.08	0.11	22,613,818	30,330,903
90-179 days	0.08	0.16	22,682,004	39,947,119
More than 180 days	0.38	0.26	106,437,278	65,490,138
	<u>100</u>	<u>100</u>	<u>28,001,516,831</u>	<u>25,640,725,037</u>

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13.14 Portfolio by segment

	Note	2024	2023
		Rupees	
Micro enterprise			
Agriculture and livestock		7,960,411,948	7,277,445,269
Services		10,391,089,723	3,431,713,042
Trading		4,529,841,050	3,904,408,580
Manufacturing		515,346,145	641,327,530
School		238,191,789	239,610,906
Food production and services		1,039,668,288	1,009,222,630
Garments and handicrafts		265,143,188	6,608,536,858
		24,939,692,131	23,112,264,815
General loan			
Domestic		3,061,824,700	2,528,460,222
		<u>28,001,516,831</u>	<u>25,640,725,037</u>

14 Kashf murabaha portfolio

Kashf Murabaha		1,359,425,267	1,194,710,455
Kashf Muwaishi murabaha		43,637,823	21,834,853
		<u>1,403,063,090</u>	<u>1,216,545,308</u>
Add: Accrued service charges	15	1,575,681	6,370,642
Add: Current portion of long term Kashf murabaha portfolio		11,355,659	25,407,019
		<u>1,415,994,430</u>	<u>1,248,322,969</u>
Less: Unearned murabaha income		(284,274,538)	(224,146,106)
Less: Provision for expected credit losses on Kashf murabaha portfolio		(6,068,449)	(4,891,941)
Less: Accrued service charges disclosed separately	15	(1,575,681)	(6,370,642)
		<u>1,124,075,762</u>	<u>1,012,914,280</u>

14.1 Kashf murabaha was introduced in 2014 to provide financing facility under Islamic (Shariah) principles. It represents the outstanding balance of cost of goods sold under Murabaha agreement. The facility ranges from Rs. 35,000 to Rs. 200,000 (2023: Rs. 45,000 to Rs. 200,000). The outstanding balance, along with profit on Kashf murabaha, and Kashf sehat takaful, is repayable over a period of twelve months (2023: twelve months). Profit is allocated at the rate of 25.50% (2023: 23.00%) on terms of Murabaha agreement.

14.2 Kashf muwaishi murabaha was introduced to meet the specific credit requirement of clients engaged in dairy businesses. The facility ranges from Rs. 80,000 to Rs. 300,000 (2023: 80,000 to Rs. 350,000). The outstanding balance, along with profit on Kashf murabaha, livestock takaful, and Kashf sehat takaful, is repayable over a period of twelve months (2023: twelve months). Profit is allocated at the rate of 25.50% (2023: 23%) on terms of murabaha agreement.

	2024	2023
	Rupees	
14.3 Movement in provision for expected credit losses		
Balance as at July 1	4,911,175	25,265,661
Expected credit losses charged / (reversed) during the year	3,587,536	(19,284,783)
	<u>8,498,711</u>	<u>5,980,878</u>
Written off against provision for expected credit losses	(2,418,291)	(1,069,703)
Balance as at June 30	<u>6,080,420</u>	<u>4,911,175</u>

Break up of provision for expected credit losses among non-current and current portion is as follows:

	Note	2024	2023
		Rupees	
Non-current portion	11	11,971	19,234
Current portion	14	6,068,449	4,891,941
		<u>6,080,420</u>	<u>4,911,175</u>

14.4 Number of Murabaha's

		2024	2023
		Numbers	
Considered good		28,041	25,762
Considered doubtful		463	345
		<u>28,504</u>	<u>26,107</u>
Financing written off		<u>95</u>	<u>41</u>

14.5 Aging analysis of Murabaha portfolio

The Company's main indicator of Murabaha loan delinquency is the portfolio-at-risk ratio. Murabaha are segregated into classes depending on the number of days they are overdue. For each class of Murabaha, the outstanding principal balance of such Murabaha is divided by the principal balance of the gross Murabaha portfolio for Murabaha loss percentage.

Loans are considered at risk if any payment has fallen due and remained unpaid for more than one day. The Company does not convert profit on late payment into principal.

	2024	2023	2024	2023
	Percentage		Rupees	
Not due yet	98.76	99.03	1,118,378,221	1,011,850,512
1-29 days	0.74	0.52	8,477,136	5,373,642
30-89 days	0.09	0.10	1,024,375	1,044,437
90-179 days	0.07	0.07	788,449	695,454
More than 180 days	0.34	0.28	3,705,377	2,840,885
	<u>100</u>	<u>100</u>	<u>1,132,373,558</u>	<u>1,021,804,930</u>

14.6 Murabaha portfolio by segment	Note	2024	2023
		Rupees	
Micro enterprise			
Agriculture and livestock		232,502,975	197,074,903
Services		309,281,129	177,853,088
Trade		492,013,116	473,356,758
Manufacturing		11,050,738	16,758,642
Food production and services		42,390,131	47,587,433
Garments and handicrafts		45,135,469	109,174,106
		<u>1,132,373,558</u>	<u>1,021,804,930</u>

15 Accrued service charges

Micro-credit loan portfolio	13	518,658,042	435,808,639
Kashf murabaha portfolio	14	1,575,681	6,370,642
Less: Provision for expected credit losses		(2,949,475)	(2,781,892)
		<u>517,284,248</u>	<u>439,397,389</u>

		2024	2023
	Note	Rupees	
16 Short term investments			
Investments classified as at FVTPL			
Faysal Income and Growth Fund (214,894 units (2023: 164,764 units))		21,489,480	17,952,785
NBP Income Fund (15,980,904 units) (2023: 4,641,633 units)		159,975,249	46,489,210
ABL Cash Fund ((1,187,695 units (2023: 1,001,370 units))		12,160,695	10,242,719
JS Income Fund Plan ((5,460,222 units (2023: 0 units))		559,418,913	-
JS Fixed Term Munafa Plan 3 ((7,790,977 units (2023: 0 units))		781,045,518	-
NBP Fixed Income Fund ((111,985,862 units (2023: 0 units))		1,123,475,764	-
NIT Government Bond Fund ((52,386,880 units (2023: 0 units))		523,510,775	-
Alfalah Stable Return Plan-9 ((2,580,159 units (2023: 0 units))		258,292,260	-
UBL Funds ((10,139 units (2023: 0 units))		1,027,702	-
		3,440,396,356	74,684,714
Term finance certificates as at FVTPL			
JS Bank Limited		50,518,953	-
Bank Alfalah Limited		50,524,875	-
The Bank of Punjab		100,654,026	-
JS Bank Limited		365,926,800	-
	16.1	567,624,654	-
Investments at Amortized Cost			
Term deposit certificates			
- Local currency		715,000,000	700,000,000
- Foreign currency		1,322,399,042	1,358,740,866
	16.2	2,037,399,042	2,058,740,866
Term finance certificates	16.1.1	-	380,515,000
Pakistan Investment Bonds	16.3	694,082,620	-
Principal		2,731,481,662	2,439,255,866
Amortisation - accrued income on short term investments		124,986,262	63,539,231
Amortised cost		2,856,467,924	2,502,795,097
		6,864,488,934	2,577,479,811

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16.1 Term finance certificates

Particulars	Rate of interest % per annum	2024		2023		Maturity date	
		Principal amount	FV Gain/(Loss) Rupees	Closing Fair Value of	Principal amount		FV Gain/(Loss) Rupees
JS Bank Limited	23.75%	50,000,000	518,953	50,518,953	-	-	Perpetual
Bank of Punjab	22.11%	50,000,000	524,874	50,524,874	-	-	Perpetual
Bank of Punjab	23.00%	99,960,000	694,027	100,654,027	-	-	April 23, 2028
JS Bank Limited	23.34%	399,920,000	(33,993,200)	365,926,800	-	-	August 30, 2033
		599,880,000	(32,255,346)	567,624,654	-	-	

Particulars	Rate of interest % per annum	2024		2023		Maturity date		
		Principal amount	Accrued interest Rupees	Closing Fair Value of	Principal amount		Accrued interest Rupees	Amortised cost
JS Bank Limited	19.31%	-	-	-	50,000,000	-	50,000,000	Perpetual
Bank Alfalah Limited	9.03%	-	-	-	180,515,000	7,458,040	187,973,040	January 15, 2024
Bank of Punjab	24.13%	-	-	-	50,000,000	330,547	50,330,547	Perpetual
Bank of Punjab	23.35%	-	-	-	100,000,000	4,808,957	104,808,957	April 23, 2028
		-	-	-	380,515,000	12,597,544	393,112,544	

16.1.2 This represents term finance certificates reclassified from amortised cost to FVTPL. Management intends to early redeem the term finance certificate during the next financial year.

16.1.3 These term finance certificates carry markup ranging from 21.11% to 23.75% (2023: 9.03% to 24.13%) per annum.

16.2 Term deposit certificates

Particulars	Rate of interest % per annum	2024				2023				Maturity date
		Principal amount	Accrued interest Rupees	Amortised cost	Principal amount	Accrued interest Rupees	Amortised cost			
Silk Bank Limited	23.25%	50,000,000	10,388,425	60,388,425	50,000,000	6,435,000	56,435,000	November 14, 2024		
Silk Bank Limited	21.50%	-	1,029,710	1,029,710	250,000,000	24,830,479	274,830,479	March 1, 2024		
Silk Bank Limited	4.00%	501,014,028	7,097,142	508,111,170	514,782,900	7,168,380	521,951,280	August 31, 2024		
Silk Bank Limited	4.00%	160,324,557	2,271,061	162,595,618	164,730,528	2,293,857	167,024,385	August 31, 2024		
Silk Bank Limited	4.00%	20,875,593	297,216	21,172,809	21,449,288	300,185	21,749,473	August 31, 2024		
Silk Bank Limited	4.00%	640,184,864	5,391,235	645,576,099	657,778,150	4,160,362	661,938,512	November 30, 2024		
Silk Bank Limited	23.50%	350,000,000	45,926,712	395,926,712	-	-	-	December 8, 2024		
JS Bank Limited	21.00%	-	-	-	400,000,000	5,753,424	405,753,424	-		
HBL Bank Limited	21.05%	315,000,000	35,424,555	350,424,555	-	-	-	December 19, 2024		
		<u>2,037,399,042</u>	<u>107,826,056</u>	<u>2,145,225,098</u>	<u>2,058,740,866</u>	<u>50,941,687</u>	<u>2,109,682,553</u>			

16.2.1 These term deposits carry mark-up ranging from 4% to 23.50% (2023: 3.25% to 21.50%) per annum. The term deposit certificate of Silk Bank Limited amounting to Rs. 50 million with the maturity of one year has been pledged as security against running financing facility availed from commercial banks.

16.3 Investment in Pakistan Investment Bonds

Particulars	Effective Rate of interest % per annum	2024				2023				Maturity date
		Principal amount	Accrued interest Rupees	Amortised cost	Principal amount	Accrued interest Rupees	Amortised cost			
Pakistan Investment Bond (PIB)	19.99%	494,259,000	12,974,148	507,233,148	-	-	-	February 09, 2025		
Pakistan Investment Bond (PIB)	19.99%	17,016,761	438,580	17,455,341	-	-	-	February 09, 2025		
Pakistan Investment Bond (PIB)	19.99%	85,276,360	1,265,363	86,541,723	-	-	-	February 09, 2025		
Pakistan Investment Bond (PIB)	19.99%	97,530,499	2,482,115	100,012,614	-	-	-	February 09, 2025		
		<u>694,082,620</u>	<u>17,160,206</u>	<u>711,242,826</u>	<u>-</u>	<u>-</u>	<u>-</u>			

16.3.1 This represents Pakistan Investment Bonds reclassified to short term investments as they are due for maturity in the next financial year. These Pakistan investment bonds carry mark-up of 19.90% per annum.

		2024	2023
	Note	Rupees	
17	Advances, deposits, prepayments and other receivables		
	Advance to employees against expenses	3,913,384	3,533,129
	Advances to agents against Kashf murabaha	3,365,000	7,975,000
	Short term deposits	879,250	820,500
	Prepayments	31,193,984	25,861,901
	Accrued return on bank deposits	109,833,315	75,045,351
	Accrued return on investments	12,776,139	-
	Unearned Murabaha income	285,017,825	233,208,401
	Advance tax recoverable	-	631,045,560
	Advances to suppliers	8,650,038	9,938,895
	Insurance claims receivables	50,333,620	33,645,855
	Commission receivable	42,461,248	24,359,710
	Other receivables	159,119,972	100,593,207
		<u>707,543,775</u>	<u>1,146,027,509</u>

17.1 Other receivable includes:

	Takaful contribution - from customers	10,295,991	7,214,896
	Employee field discrepancies	6,481,465	379,917
	Insurance premium	119,925,384	53,275,326
	Receivable from third parties	22,417,132	39,723,068
		<u>159,119,972</u>	<u>100,593,207</u>

18 Cash and bank balances

	Cash in hand	6,343,652	2,825,848
	Balance at banks:		
	In current accounts - local currency	282,518,810	228,929,966
	In saving accounts - local currency	7,551,184,091	4,553,413,907
	In saving accounts - foreign currency	880,819,533	743,649,388
		<u>8,432,003,624</u>	<u>5,297,063,295</u>
		<u>8,720,866,086</u>	<u>5,528,819,109</u>

18.1 Cash with banks in local currency saving accounts carry mark-up at rates ranging from 7% to 23.25% (2023: 7% to 22.25%) per annum, and cash with banks in foreign currency saving accounts carry mark-up rate of 4% (2023: 4%).

19 Donated funds

Donated funds represent grants utilized for micro lending operations only when all the specified conditions are complied by the Company.

20 Loan loss reserve

Loan loss reserve has been created at the rate of 5% of outstanding loan portfolio of the Company. This reserve is used for the write-off of loans given under Pakistan Micro Finance Investment Company (PMIC) Term Finance Agreements and is replenished by the Company from accumulated surplus.

21 Special reserve

Section 32 (3) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires a non-bank micro finance company to create a special reserve fund wherein at least 5% of its after-tax profits shall be credited and the special reserve fund shall be separately disclosed in the statement of financial position as part of the equity.

22 Hedging reserve

The hedging reserve reflects the effective portion of the cumulative net changes in the fair value of hedging instruments used for cash flow hedges, to be subsequently recognized in the statement of income and expenditure when the hedged cash flows or items impact the statement.

	Note	2024	2023
		Rupees	
23 Surplus on revaluation of land			
Revaluation surplus as at July 1		735,947,877	300,203,137
Surplus arising on revaluation of freehold land		-	435,744,740
Related deferred tax impact		(287,019,672)	-
		<u>448,928,205</u>	<u>735,947,877</u>
24 Long term financing			
Long term loans	24.1	<u>15,317,323,321</u>	<u>16,258,482,379</u>
24.1 Long term loans			
Local currency loans	24.1.1	15,633,398,208	14,323,151,200
Foreign currency loans	24.1.2	17,820,145,470	12,504,622,685
Translation loss on foreign currency loans	24.3	601,862,442	5,564,649,809
		<u>34,055,406,120</u>	<u>32,392,423,694</u>
Less: Unamortized transaction cost		(135,662,280)	(146,498,419)
		<u>33,919,743,840</u>	<u>32,245,925,275</u>
Less: Current portion of long term loan	24.2	(18,602,420,519)	(15,987,442,896)
		<u>15,317,323,321</u>	<u>16,258,482,379</u>

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24.1.1 Local currency loans

Sr. No.	Lender	Type	2024 Rupees	2023 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
Local currency - secured								
1	MCB Bank Limited	Demand Finance-II	125,000,000	250,000,000	6 M KIBOR+2%	8 installments ending on May 21, 2025	Quarterly	The loan is secured against the first part-passu charge over all present and future portfolio and assets (excluding investment portfolio and assets forming part of Pakistan Poverty Alleviation Fund (PPAF) security) with a margin of 25%.
2	Pak-China Investment Company Limited	Term Finance Facility	44,444,448	133,333,333	3 M KIBOR + 2.5%	3 installments ending on September 18, 2024	Quarterly	The loan is secured against the first part-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of Pakistan Poverty Alleviation Fund (PPAF) security) with a margin of 25%.
3	Pakistan Microfinance Investment Company Limited	Standard Term Loan	1,014,761,720	3,093,718,750	6 M KIBOR + 3.1%	10 installments ending on September 30, 2025	Quarterly	The loan is secured against the first part-passu hypothecation charge on all present and future current assets.
4	National Bank of Pakistan	Term Loan	-	62,500,000	3 M KIBOR + 2%	1 installment ending on July 31, 2023	Quarterly	The loan is secured against first part-passu charge on all present and future current assets (other than the investment portfolio and the asset forming part of the PPAF security) with a 25% margin.
5	Pak Oman Investment Company Limited	Term Finance Certificates	-	200,000,000	3 M KIBOR + 2.25%	1 installment ending on September 30, 2023	Quarterly	The loan is secured against first part-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin. These term finance certificates are listed on Pakistan Stock Exchange.
6	State Bank of Pakistan	Term Finance Facility	374,900,000	374,900,000	6 M KIBOR + 0.5%	Bullet payment on June 30, 2026	Semi annually	The loan is secured against the repayment guarantee from Silk Bank Limited of Rs. 415 million.
7	State Bank of Pakistan	Term Finance Facility	617,367,000	617,367,000	6 M KIBOR + 0.5%	Bullet payment on July 31, 2025	Semi annually	The loan is secured against the repayment guarantee from Silk Bank Limited of Rs. 190 million and Rs. 500 million from the Bank of Punjab.
8	National Bank of Pakistan	Term Loan	833,333,334	1,000,000,000	3 M KIBOR + 1.25%	12 installments ending on December 31, 2026	Quarterly	The loan is secured against first part-passu charge on all present and future current assets (other than the investment portfolio) with 25% margin amounting to PKR 1,334 million.

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Sr. No.	Lender	Type	2024 Rupees	2023 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
Local currency - secured								
9	The Bank of Punjab	Term Finance Facility	83,333,337	416,666,667	3 M KIBOR + 1.9%	5 installments ending on September 29, 2024	Quarterly	The loan is secured against first passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
10	State Bank of Pakistan	Term Finance Facility	159,683,000	159,683,000	6 M KIBOR + 0.5%	Bullet payment on December 30, 2027	Semi annually	The loan is secured against the repayment guarantee from Silk Bank Limited of Rs. 190 million
11	Habib Bank Limited	Term Finance Facility	600,000,000	1,000,000,000	3 M KIBOR + 1.75%	5 installments ending on November 11, 2025	Quarterly	The loan is secured against first passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
12	National Bank of Pakistan	Term Finance Facility	1,750,000,000	2,000,000,000	3 M K + 1.25%	16 installments ending on November 28, 2027	Quarterly	The loan is secured against first passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
13	Bank Alfalah Limited	Term Finance Facility	250,000,001	416,666,667	6 M K + 1.5%	6 installments ending on December 26, 2025	Semi annually	The loan is secured against first passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
14	The Bank of Punjab	Term Finance Facility	250,000,001	416,666,666	3 M KIBOR + 1.8%	12 installments ending on December 30, 2025	Quarterly	The loan is secured against first passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
15	Pak Libya Holding Company (Private) Limited	Term Finance Facility	300,000,000	300,000,000	3 M K + 1.25%	8 installments ending on April 3, 2026	Quarterly	The loan is secured against first passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
16	JS Bank Limited	Term Finance Facility	2,013,333,335	1,000,000,000	1Mk+2%	45 installments ending on June 14, 2027	Monthly	The loan is secured against first passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.

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Sr. No.	Lender	Type	2024 Rupees	2023 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
Local currency - secured								
17	State Bank of Pakistan	Term Finance Facility	1,050,000,000	1,050,000,000	6 M KIBOR - 1%	Bullet payment on June 30, 2026	Semi annually	The loan is secured against the repayment guarantee from Saudi Pak of Rs. 1,000 million and Rs. 300 million from The Bank of Punjab.
18	Pakistan Microfinance Investment Company Limited	Standard Term Loan	2,197,781,720	1,006,281,250	6 M KIBOR + 2.9%	5 installments ending on June 27, 2026	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
19	Habib Bank Limited	Term Finance Facility	666,666,666	500,000,000	3 M KIBOR + 1.75%	6 installments ending on June 27, 2026	Quarterly	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
20	Symbiotics Sicav II	Term Loan	325,367,867	325,367,867	6 M KIBOR + 3%	2 installments ending on June 2, 2026	Semi annually	Unsecured loan.
21	Gender Bond	Term Finance Certificates	2,483,000,000	-	3 M KIBOR + 1.5%	8 installments starting from March 08, 2025	Quarterly	The loan is secured against the repayment guarantee from Infrazamin of Rs. 2,850 million + Lien on Debt Payment Account.
22	Meezan Bank Ltd	Bai Muajjal Facility	99,189,629	-	1 Y KIBOR + 2%	1 installment ending on December 28, 2024	Bullet Repayment	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
23	Meezan Bank Ltd	Bai Muajjal Facility	396,256,150	-	6 M KIBOR + 2%	2 installments starting from December 27, 2024	Semi annually	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
			<u>15,633,398,208</u>	<u>14,323,151,200</u>				

24.1.1.1 Kasht Foundation has issued its AAA rated, by PACRA, Privately Placed Term Finance Certificate (PPTFC) - Gender Bond (The Bond), valued at PKR 2,483 million with a tenor of three-years. The bond is aimed at supporting women-led micro-infrastructure projects, such as the construction, renovation of schools and homes and working capital for their business. By June 30, 2024, the proceeds have been used to fund gender-centric initiatives i.e., 1,413 loans totaling PKR 217.03 million for infrastructure development and 14,342 loans amounting to PKR 1,056.51 million for working capital management have been disbursed. The remaining un-utilised proceeds amounts to PKR 1,229.46 million as at June 30, 2024.

24.1.2 Foreign currency loans

Sr. No.	Lender	Type	Cross Currency Swap / Forward Arrangement	Note	2024 Rupees	2023 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
24	Overseas Private Corporation (OPIC)	Term Loan	Converted by MCB Bank Limited	24.1.2.2	-	182,371,875	3 M KIBOR + 3.55%	3 installments ending on January 15, 2024	Quarterly	The loan is secured against part passu charge including a margin of 10% above the total Overseas Private Investment Corporation (OPIC) principal amount.
25	Oesterreichische Entwicklung Bank AG (OeEB)	Term Loan	Converted by Standard Chartered Bank Limited	24.1.2.3	194,525,000	583,575,000	Daily Compound SOFR + 4.43%	3 installments ending on July 19, 2024	Semi annually	Unsecured loan.
26	InsuResilience Fund SICAV (BlueOrchard)	Investment RAIF	Converted by Habbib Bank Limited	24.1.2.4	-	1,235,520,000	6 M KIBOR + 2.22%	2 installments ending on January 28, 2024	Semi annually	Unsecured loan.
27	Incofin Enhancement Facility SA, SICAV-SIF (Incofin MEF)	Microfinance Term Loan	Converted by Standard Chartered Bank Limited	24.1.2.5	-	397,361,250	6 M KIBOR + 2.6%	2 installments ending on December 8, 2023	Semi annually	Unsecured loan.
28	Finnish Fund For Industrial Cooperation Limited	Term Loan	Converted by Habbib Bank Limited	24.1.2.6	-	317,800,000.00	6 M KIBOR + 3.64%	2 installments ending on February 17, 2024	Semi annually	Unsecured loan.
29	CDC Group PLC	Term Loan	Converted by Standard Chartered Bank Limited	24.1.2.6	-	318,500,000	11.05%	2 installments ending on February 17, 2024	Semi annually	Unsecured loan.
29	CDC Group PLC	Term Loan	Converted by Habbib Bank Limited	24.1.2.7	-	267,000,000	6 M KIBOR + 3.65%	1 installment ending on December 21, 2023	Semi annually	Unsecured loan.
29	CDC Group PLC	Term Loan	Converted by Habbib Bank Limited	24.1.2.7	-	236,475,000	7.50%	1 installment ending on December 21, 2023	Semi annually	Unsecured loan.
30	Symbiotics Sicav II	Term Loan	Converted by Standard Chartered Bank Limited	24.1.2.8	489,910,719	979,821,437	6 M SOFR + 4.58%	2 installments ending on November 30, 2024	Semi annually	Unsecured loan.
30	Symbiotics Sicav II	Term Loan	-	-	2,783	5,720	6 M SOFR + 4.58%	2 installments ending on November 30, 2024	Semi annually	Unsecured loan.
31	Societe' De Promotion Et De Participation Pour LA Cooperation Economique S.A (Proparco)	Term Loan	Converted by Standard Chartered Bank Limited	24.1.2.9	296,916,667	593,833,333	6 M SOFR + 4.58%	4 installments ending on May 15, 2025	Semi annually	Unsecured loan.
32	Belgian Investment Company for Developing Countries NV/SA - BIO	Term Loan	Converted by Standard Chartered Bank Limited	24.1.2.9	309,583,333	619,166,667	6 M SOFR + 4.58%	4 installments ending on May 15, 2025	Semi annually	Unsecured loan.
32	Belgian Investment Company for Developing Countries NV/SA - BIO	Term Loan	Converted by MCB Bank Limited	24.1.2.10	1,402,292,000	2,099,490,000	4.13%	4 installments ending on June 1, 2025	Semi annually	Unsecured loan.
33	Incofin CVSO CVBA (Incofin CVSO)	Term Loan	Converted by MCB Bank Limited	24.1.2.11	176,656,250	282,500,000	6 M SOFR + 3.9%	2 installments ending on December 23, 2024	Semi annually	Unsecured loan.

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Sr. No.	Lender	Type	Cross Currency Swap / Forward Arrangement	Note	2024 Rupees	2023 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
34	Incofin Enhancement Facility SA, SICAV-SIF (Incofin MEF)	Term Loan	Converted by MCB Bank Limited	24.1.2.11	1,059,937,500	1,695,000,000	6 M SOFR + 3.9%	2 installments ending on December 23, 2024	Semi annually	Unsecured loan.
35	Asian Development Bank (Tranche-1)	Term Loan	Converted by Habib Bank Limited	24.1.2.12	1,118,788,102	1,793,314,502	Daily Compound SOFR + 4.68%	5 installments ending on July 25, 2025	Semi annually	Unsecured loan.
36	Asian Development Bank (Tranche-2)	Term Loan	Converted by Habib Bank Limited	24.1.2.13	545,415,000	874,250,000	Daily Compound SOFR + 4.68%	5 installments ending on July 25, 2025	Semi annually	Unsecured loan.
37	Blueorchard Microfinance Fund	Term Loan	Converted by MCB Bank Limited	24.1.2.14	1,438,744,245	-	6 M SOFR + 4.35%	4 installments starting from March 26, 2025	Semi annually	Unsecured loan.
38	Japan Asean Empowerment Fund	Term Loan	Converted by MCB Bank Limited	24.1.2.15	1,408,240,987	-	6 M SOFR + 4.35%	4 installments starting from April 06, 2025	Semi annually	Unsecured loan.
39	EMF AGMVK Microfinance Fund	Term Loan	Converted by MCB Bank Limited	24.1.2.16	843,750,000	-	6 M SOFR + 4%	3 installments starting from October 27, 2024	Semi annually	Unsecured loan.
40	Covid-19 Frontier Markets Support Fund SCSP RAIF	Term Loan	Converted by MCB Bank Limited	24.1.2.16	531,281,759	-	6 M SOFR + 4%	4 installments starting from April 06, 2025	Semi annually	Unsecured loan.
41	Incofin Enhancement Facility SA, SICAV-SIF (Incofin MEF)	Term Loan	Converted by MCB Bank Limited	24.1.2.17	27,981,641	-	6 M SOFR + 4%	1 installment ending on January 29, 2026	Semi annually	Unsecured loan.
42	British International Investment PLC	Term Loan	Converted by MCB Bank Limited	24.1.2.17	1,411,276,789	-	6 M SOFR + 4.35%	2 installments starting from June 18, 2026	Semi annually	Unsecured loan.
43	Incofin IIV	Term Loan	Converted by MCB Bank Limited	24.1.2.17	3,416,638	-	6 M SOFR + 4.35%	1 installment ending on December 18, 2026	Semi annually	Unsecured loan.
44	Finanish Fund For Cooperation Limited	Term Loan	Converted by MCB Bank Limited	24.1.2.18	987,000,000	-	6 M SOFR + 4%	2 installments starting from June 26, 2025	Semi annually	Unsecured loan.
45	British International Investment PLC	Term Loan	Converted by Bank Alfalah Limited	24.1.2.19	2,093,400,000	-	6 M SOFR + 4.35%	5 installments starting from December 19, 2024	Semi annually	Unsecured loan.
46	Incofin IIV	Term Loan	Converted by Bank Alfalah Limited	24.1.2.20	696,000,000	-	6 M SOFR + 4%	2 installments starting from October 16, 2025	Semi annually	Unsecured loan.
47	Finanish Fund For Cooperation Limited	Term Loan	Converted by Habib Bank Limited	24.1.2.21	2,785,000,000	-	6 M SOFR + 4.35%	5 installments starting from June 25, 2025	Semi annually	Unsecured loan.
					<u>17,820,145,470</u>	<u>12,504,622,685</u>				

24.1.2.1 During the year, the Company completed its transition to alternative benchmark rates under Interest Rate Benchmark (IBOR) Reform. Under this, repricing of foreign currency loans previously based on London Interbank Offered Rate (LIBOR) have been switched to Secured Overnight Financing Rate (SOFR) as and when LIBOR ceases.

- 24.1.2.2 The Company entered into cross currency swap agreement with MCB Bank Limited on February 14, 2019. Loan is translated at the exchange rate of Rs. 138.95 / USD converting the liability of USD 7,000,000 to Rs. 972,650,000 and the interest rate is converted from fixed rate of 6.15% per annum to a variable rate of 3M KIBOR plus 3.55%.
- 24.1.2.3 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on November 1, 2019. Loan is translated at the exchange rate of Rs. 155.62 / USD converting the liability of USD 10,000,000 to Rs. 1,556,200,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4% to a variable rate of 6M KIBOR plus 2.90%.
- 24.1.2.4 The Company entered into cross currency swap agreement with Habib Bank Limited on July 29, 2020. Loan is translated at the exchange rate of Rs. 166.40 / USD converting the liability of USD 7,425,000 to Rs. 1,235,520,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 2.22%.
- 24.1.2.5 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on December 9, 2020. Loan is translated at the exchange rate of Rs. 160.55 / USD converting the liability of USD 4,950,000 to Rs. 794,722,500 and the interest rate is converted from variable rate of 6M LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.6%.
- 24.1.2.6 The Company entered into cross currency swap agreement with Habib Bank Limited for first tranche of Loan on February 18, 2021. Loan is translated at the exchange rate of Rs. 158.90 / USD converting the liability of USD 5,000,000 to Rs. 794,500,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 3.64%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank Limited for second tranche of Loan on July 15, 2021. Loan is translated at the exchange rate of Rs. 159.25 / USD converting the liability of USD 5,000,000 to Rs. 796,250,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4.25% to a fixed rate of 11.05%.
- 24.1.2.7 The Company entered into cross currency swap agreement with Habib Bank Limited for first tranche of loan on June 25, 2021. Loan is translated at the exchange rate of Rs. 157.65 / USD converting the liability of USD 7,499,965 to Rs. 1,182,369,482.25 and the interest rate is converted from variable rate of 6M LIBOR to a fixed rate of 7.50%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank Limited for second tranche of Loan on December 21, 2021. Loan is translated at the exchange rate of Rs. 178.00 / USD converting the liability of USD 6,000,000 to Rs. 1,068,000,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4.25% to a variable rate of 6 month KIBOR plus 3.65%.
- 24.1.2.8 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on December 22, 2021. Loan is translated at the exchange rate of Rs. 178.15 / USD converting the liability of USD 5,499,980 to Rs. 979,821,437 and the interest rate is converted from variable rate of 6M LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 3.55%.
- 24.1.2.9 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited for first tranche of loan on December 22, 2021. Loan is translated at the exchange rate of Rs. 178.15 / USD converting the liability of USD 5,000,000 to Rs. 890,750,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4.15% to a variable rate of 6 month KIBOR plus 3.45%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank Limited for second tranche of loan on April 27, 2022. Loan is translated at the exchange rate of Rs. 185.75 / USD converting the liability of USD 5,000,000 to Rs. 928,750,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4.15% to a variable rate of 6 month KIBOR plus 4.10%.
- 24.1.2.10 The Company entered into currency forward contract with MCB Bank Limited on October 5, 2023 for repayment of the loan obtained from Belgian Investment Company for Developing Countries - BIO. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 223.35 / EUR and provided the Company with a forward rate of Rs. 242.87 / EUR at which the Company shall buy the foreign currency from the bank.
- 24.1.2.11 The Company entered into currency forward contract with MCB Bank Limited on December 26, 2022 for repayment of the loan obtained from Incofin MEF & Incofin CVSO. The foreign currency amount was initially translated into local currency at a rate of Rs. 226 / USD and provided the Company with a Forward rate of Rs. 240.6 / USD at which the Company shall buy the foreign currency from the bank.
- 24.1.2.12 The Company entered into currency forward contract with Habib Bank Limited on January 25, 2023 for repayment of the first installment of the loan obtained from Asian Development Bank. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 269 / USD and provided the Company with a Forward rate of Rs. 275 / USD at which the Company shall buy the foreign Currency from the bank.

24.1.2.13 The Company entered into currency forward contract with Habib Bank Limited on January 25, 2023 for repayment of the loan obtained from Asian Development Bank. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 269 / USD and provided the Company with a forward rate of Rs. 275 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.14 The Company entered into currency forward contract with MCB Bank Limited on September 28, 2023 for repayment of the loan obtained from Blueorchard Microfinance Fund. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 287.75 / USD and provided the Company with a forward rate of Rs. 313.75 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.15 The Company entered into currency forward contract with MCB Bank Limited on October 09, 2023 for repayment of the loan obtained from Japan Asean Women Empowerment Fund. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 281.65 / USD and provided the Company with a forward rate of Rs. 308.65 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.16 The Company entered into currency forward contract with MCB Bank Limited on October 30, 2023 for repayment of the loan obtained from EMF Microfinance Fund AGMVK. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 281.25 / USD and provided the Company with a forward rate of Rs. 309 / USD at which the Company shall buy the foreign currency from the bank.

The Company entered into currency forward contract with MCB Bank Limited on February 01, 2024 for repayment of the loan obtained from EMF Microfinance Fund AGMVK. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 279.7 / USD and provided the Company with a forward rate of Rs. 306.65 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.17 The Company entered into currency forward contract with MCB Bank Limited on December 21, 2023 for repayment of the loan obtained from Covid-19 Emerging and Frontier Markets MSME Support Fund SCSp SICAV-RAIF. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 282.95 / USD and provided the Company with a forward rate of Rs. 308.95 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.18 The Company entered into currency forward contract with MCB Bank Limited on December 29, 2023 for repayment of the loan obtained from Incofin Microfinance Enhancement Facility SA. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 282 / USD and provided the Company with a forward rate of Rs. 307.85 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.19 The Company entered into currency forward contract with Bank Alfalah Limited on March 01, 2024 for repayment of the loan obtained from British International Investment plc. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 279.12 / USD and provided the Company with a forward rate of Rs. 303.12 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.20 The Company entered into currency forward contract with Bank Alfalah Limited on April 18, 2024 for repayment of the loan obtained from Incofin IIV. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 278.4 / USD and provided the Company with a forward rate of Rs. 308.30 / USD at which the Company shall buy the foreign currency from the bank.

24.1.2.21 The Company entered into currency forward contract with Habib Bank Limited on June 26, 2024 for repayment of the loan obtained from Finnish Fund For Industrial Cooperation Limited. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 278.5 / USD and provided the Company with a forward rate of Rs. 309.65 / USD at which the Company shall buy the foreign currency from the bank.

24.2 As per the terms of the loan agreements, the Company was required to maintain certain financial ratios and performance metrics to comply with the covenants. However, due to a breach of these covenants during the year, the Company no longer has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. As a result, the gross loan has become payable on demand and is therefore classified as a current liability amounting to Rs. 4,038.78 million. Further a translation loss of Rs. 7.46 million has also been classified from long term to short term. However, waiver against loans amounting to Rs. 3,488.82, inclusive of translation loss, have been received after the end of reporting period.

24.3 **Translation loss on foreign currency loans**

Foreign currency loans have been translated to Pakistan Rupees using spot rate as at the reporting date.

25 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movement during the year:

	2024	2023
	Rupees	
Balance as at July 1	106,805,405	139,214,971
Lease liability recognised during the year	178,030,829	75,595,667
Unwinding of lease liability	31,611,897	17,222,029
	<u>316,448,131</u>	<u>232,032,667</u>
Less: Lease rentals paid	(107,306,405)	(104,910,735)
Less: Lease terminations	(19,029,845)	(22,647,568)
Adjustments in lease liability	-	2,331,041
Balance as at June 30	<u>190,111,881</u>	<u>106,805,405</u>
Current portion of lease liabilities	82,136,650	54,483,938
Non-current portion of lease liabilities	107,975,231	52,321,467
	<u>190,111,881</u>	<u>106,805,405</u>

25.1 Maturity analysis of lease liabilities

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) ranges from 19.45% to 26.09% (2023: 17.72% to 24.42%). The amount of future payments and the period during which they will become due are:

	2024	2023
	Rupees	
Year ending 30 June		
2024	-	69,252,903
2025	111,882,657	43,787,978
2026	88,236,195	16,444,844
2027	35,223,264	351,384
2028	1,208,278	-
2029	334,576	-
	<u>236,884,970</u>	<u>129,837,109</u>
Less: Future finance charges	(46,773,089)	(23,031,704)
	<u>190,111,881</u>	<u>106,805,405</u>
Less: Current maturity of long term lease liability	(82,136,650)	(54,483,938)
	<u>107,975,231</u>	<u>52,321,467</u>

25.2 Amounts recognised in the statement of income and expenditure

Markup expense on lease liabilities	31,611,897	17,222,029
Depreciation	89,061,061	84,687,260
Gain on lease terminations	(2,158,883)	(3,572,688)
	<u>118,514,075</u>	<u>98,336,601</u>

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26 Deferred tax liability

2024

As July 1, 2023 Recognized in OCI Recognized in P&L A/C As June 30, 2024
Rupees

	As July 1, 2023	Recognized in OCI	Recognized in P&L A/C	As June 30, 2024
Deferred Tax Comprises of :				
Deferred Tax Liability		287,019,672	36,972,951	323,992,623
Property and equipment	-	-	65,862,326	65,862,326
Right of Use Assets	-	-	(33,546,696)	(33,546,696)
Short term investments	-	287,019,672.00	69,288,581.00	356,308,253.00
Deferred Tax Asset				
Lease liabilities	-	-	(74,143,634)	(74,143,634)
Provision for expected credit losses	-	-	(67,271,035)	(67,271,035)
			(141,414,669.00)	(141,414,669.00)
		287,019,672	(72,126,088)	214,893,584

26.1 As per Finance Act, 2024, companies operating in certain sectors, including Non Banking Finance Companies, having income more than Rs. 500 million are liable to pay super tax at 10%.

26.2 Taxable and deductible differences are booked in profit or loss except for revaluation of land amounting to Rs. 287 million (2023: Rs. Nil).

27 Short term borrowings

Note

2024

Rupees

2023

Short term running finance - secured	27.1 & 27.2	994,173,320	379,923,480
KIVA loan - foreign currency loan - unsecured	27.3	184,162,525	57,793,277
		1,178,335,845	437,716,757

27.1 This represents running finance facility obtained from National Bank of Pakistan. The utilized amount of running finance facility with a sanctioned limit of Rs. 1,000 million arranged during the year by the Company. The facility carries mark up at the rate of 3 month KIBOR + 1% per annum of the utilized amount, payable on monthly basis. The facility is secured Rs. 1 billion via PIBs (2023: Rs Nil). The total unutilized amount as at reporting date is Rs. 5.83 million (2023: Rs. Nil).

27.2 This represents utilized amount of running finance facility obtained from MCB Bank with a sanctioned limit of Rs. 500 million. The facility carries mark up at the rate of 1 month KIBOR + 0.45% per annum of the utilized amount, payable on quarterly basis. The facility is secured via lien on term deposit certificate of Rs. 400 million (2023: Rs. 400 million). The total unutilized amount as at reporting date is Rs. 500 million (2023: Rs. Nil).

27.3 This represents loan obtained from KIVA Micro funds, a California based non-profit, public benefit corporation. KIVA operates a web based business that provides microfinance loans to individuals and groups of developing countries through local lenders of those countries. The Company is registered with KIVA and is responsible for collection of loans from borrowers and repayment to KIVA. KIVA deducts upfront fee of 3% (2023: 3%) on Kashf Karobar Karza and Kashf murabaha and 2.5% (2023: 2.5%) on Kashf school sarmaya loan as per the terms of revised agreement starting from January 1, 2023.

28 Deferred grants

	Coca Cola Foundation	I-Care Foundation	Skoll Foundation	Global Affairs Canada (GAC)	Incofin	Miscellaneous local donations	Deferred grants for assets	Total
	Rupees							
As at July 1, 2022	1,277,618	2,238,714	-	134,166,458	-	1,825,525	47,612,281	187,120,596
Funds received in cash	-	7,379,270	10,944,715	485,793,920	5,864,475	8,649,866	-	518,632,246
Funds utilized for assets	-	-	-	(1,308,073)	-	-	1,308,073	-
Service level agreement	-	-	-	(1,131,847)	-	-	1,131,847	-
Funds utilized	1,277,618	9,617,984	10,944,715	617,520,458	5,864,475	10,475,391	50,052,201	705,752,842
Recognized as income - depreciation of operating fixed assets	-	-	-	-	-	-	(12,929,494)	(12,929,494)
amortization of intangible assets	-	-	-	-	-	-	(2,537,479)	(2,537,479)
service level agreement	-	-	-	-	-	-	(1,135,220)	(1,135,220)
operating expenses	-	(9,617,984)	(10,944,715)	(214,809,004)	(5,820,336)	(6,121,070)	-	(247,313,109)
Transferred to other income	-	(9,617,984)	(10,944,715)	(214,809,004)	(5,820,336)	(6,121,070)	(16,602,193)	(263,915,302)
As at June 30, 2023	1,277,618	-	-	402,711,454	(44,139)	-	-	(44,139)
Funds received in cash	-	9,318,600	-	109,255,693	-	902,887	-	119,477,180
Funds utilized for assets	-	-	-	(3,873,477)	-	-	6,792,434	2,918,957
Funds utilized for disbursement	-	(250,000)	-	-	-	-	-	(250,000)
Service level agreement	-	-	-	(1,507,093)	-	-	1,507,093	-
Funds utilized	1,277,618	9,068,600	-	506,586,577	-	5,257,208	41,749,535	563,939,538
Recognized as income - depreciation of operating fixed assets	-	-	-	-	-	-	(13,871,432)	(13,871,432)
amortization of intangible assets	-	-	-	-	-	-	(3,109,444)	(3,109,444)
service level agreement	-	-	-	-	-	-	(1,303,297)	(1,303,297)
operating expenses	-	(1,136,989)	-	(282,960,125)	-	(464,978)	-	(284,562,092)
Transferred to other income	-	(1,136,989)	-	(282,960,125)	-	(464,978)	(18,284,173)	(302,846,265)
As at June 30, 2024	1,277,618	7,931,611	-	223,626,452	-	4,792,230	23,465,362	261,093,273

29 Financial liabilities used for hedging

The Company enters into derivative transactions with scheduled banks in Pakistan to hedge its foreign currency exposures associated with foreign currency loans. In general, the Company enters into bespoke cross currency swap agreements and currency forward contracts for each individual foreign currency loan. The foreign currency loans hedged by the Company are given in note 24.1.2.

The Company measures the fair value of hedging instruments, which are non-exchange-traded, based on price quotes obtained from the counterparties/broker dealers. The counterparty price quotes reflect the amounts that the Company expects to receive or pay to terminate the contract at the reporting date, taking into account the current market conditions (rate parity, volatility, yield curve).

The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

	Cross Currency Swap		Currency Forward Contract	
	Mark to market	Notional Amounts	Mark to market	Notional Amounts
	Rupees		Rupees	
June 30, 2024				
MCB Bank Limited	-	-	(672,749,915)	9,126,469,633
Standard Chartered Bank Limited	723,383,090	2,041,166,354	-	-
Habib Bank Limited	-	-	(163,959,345)	4,439,527,267
Bank Alfalah Limited	-	-	(113,477,539)	2,783,412,450
	723,383,090	2,041,166,354	(950,186,799)	16,349,409,350
Less: Current portion	(723,383,090)	(2,041,166,354)	950,186,799	(16,349,409,350)
	-	-	-	-

	Cross Currency Swap		Currency Forward Contract	
	Mark to market	Notional Amounts	Mark to market	Notional Amounts
	Rupees		Rupees	
June 30, 2023				
MCB Bank Limited	186,280,940	375,362,531	1,259,451,060	5,443,958,387
Standard Chartered Bank Limited	2,409,485,454	6,260,802,980	-	-
Habib Bank Limited	1,334,457,145	3,124,446,213	196,656,294	2,836,052,437
	3,930,223,539	9,760,611,724	1,456,107,354	8,280,010,824
	(2,255,665,753)	(5,208,601,982)	(1,456,107,354)	(8,280,010,824)
Less: Current portion	1,674,557,786	4,552,009,742	-	-

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29.1 Maturity analysis

	No. of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
Rupees					
As at June 30, 2024					
Up to 1 month	2	899,970,025	(26,240,095)	148,985,776	122,745,681
1 to 3 months	1	1,391,700,658	(137,355,151)	-	(137,355,151)
3 to 6 months	8	10,059,063,108	(600,244,248)	269,221,782	(331,022,466)
6 month to 1 year	6	6,039,841,913	(186,347,305)	305,175,532	118,828,227
1 to 2 year	-	-	-	-	-
2 to 3 years	-	-	-	-	-
Above 3 years	-	-	-	-	-
		<u>18,390,575,704</u>	<u>(950,186,799)</u>	<u>723,383,090</u>	<u>(226,803,709)</u>

	No. of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
Rupees					
As at June 30, 2023					
Up to 1 month	1	567,214,492	-	46,983,382	46,983,382
1 to 3 months	1	2,941,549,520	-	751,856,055	751,856,055
3 to 6 months	4	4,068,206,855	-	1,174,797,791	1,174,797,791
6 month to 1 year	5	5,911,641,939	-	1,738,135,879	1,738,135,879
1 to 2 year	4	4,552,009,742	-	1,674,557,786	1,674,557,786
2 to 3 years	-	-	-	-	-
Above 3 years	-	-	-	-	-
		<u>18,040,622,548</u>	<u>-</u>	<u>5,386,330,893</u>	<u>5,386,330,893</u>

	2024			2023		
	Change in fair value of item used for measuring ineffectiveness	Change in fair value of instrument used for measuring ineffectiveness	Cash flow hedge reserve	Change in fair value of item used for measuring ineffectiveness	Change in fair value of instrument used for measuring ineffectiveness	Cash flow hedge reserve
	Rupees			Rupees		
Firm Commitment	4,962,787,367	(5,613,134,602)	(650,347,235)	(3,004,100,334)	2,799,222,804	(204,877,530)

The hedge ineffectiveness can arise from:

- The fair value of the hedging instrument on the hedge relationship designation date, if not zero;
- Differences in the timing, or changes to the forecasted amount, of the cashflows of the hedged items and the hedging instruments; and
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.

Since the hedge is effective during the year, therefore, all the gain / (loss) on hedging transaction has been recognized in other comprehensive income.

30	Accrued mark-up	Note	2024	2023
			Rupees	
Markup on:				
	- long term loans		897,389,231	906,960,556
	- short term borrowings		18,734,463	18,912,438
			916,123,694	925,872,994
31	Trade and other payables			
	Accrued expenses		95,299,789	103,762,817
	Provident fund payable	31.1	117,711	3,419,037
	Insurance premium payable		192,355,038	118,709,600
	Deferred Murabaha income		285,017,825	233,208,401
	Unearned service charges		9,072,575	-
	Claims payable		13,828,106	12,587,541
	Cash Management System (CMS) charges payable		34,392,574	31,698,111
	Staff bonus payable		180,247,780	-
	Other liabilities		199,123,940	166,488,333
	Provision for taxation		1,079,616,195	-
	Levy payable to Government		135,933,387	-
			2,225,004,920	669,873,840

31.1 Provident fund:

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the audited financial statements of the provident fund as at June 30, 2024:

	Note	Audited June 30, 2024	Audited June 30, 2023
		Rupees	
Size of the fund - total assets		1,754,557,536	1,336,970,132
Cost of investments made	31.1.1	628,328,653	815,158,653
Percentage of investments - (% of total assets)		36%	61%
Fair value of investments made		628,328,653	815,158,653

31.1.1 The break-up of investments is as follows:

	2024		2023	
	Rupees	%	Rupees	%
Term deposit receipts	500,000,000	79.58	676,000,000	82.93
Mutual funds	128,328,653	20.42	128,328,653	15.74
Term finance certificates	-	0.00	10,830,000	1.33
	628,328,653	100	815,158,653	100

The investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

32 Contingencies and commitments**32.1 Contingencies**

There are no material known contingencies as at June 30, 2024.

	Note	2024	2023
		Rupees	
32.2 Commitments			
Ijarah Agreements			
The future aggregate payments under Ijarah arrangement are as follows.			
- Not later than 1 year		10,749,720	-
- Later than 1 year but less than 5 years		17,199,552	-
- later than 5 years		-	-
		<u>27,949,272</u>	<u>-</u>
33 Mark-up and other charges on micro-credit loan portfolio			
Mark-up charges on:			
-Kashf Karobar Karza		9,066,558,182	6,862,875,518
-Kashf School Sarmaya		105,049,024	74,967,259
-Kashf Easy Loan		523,783,091	701,047,700
-Kashf Muwaishi Karza		987,744,770	905,334,657
-Kashf Sahulat Karza		56,644,423	51,921,211
-Kashf Bahali Karza		-	6,347,082
-Kashf Fori Karza		611,418,326	100,987,594
-Kashf Top Up Karza		121,223,329	4,479,253
-Kashf Sawari Karza		11,907	19,143
-Home Improvement Loans		41,190,973	7,986,254
		<u>11,513,624,025</u>	<u>8,715,965,671</u>
Commission on insurance		101,526,973	61,478,495
		<u>11,615,150,998</u>	<u>8,777,444,166</u>
34 Profit and other charges on Kashf Murabaha			
Profit on:			
-Kashf murabaha		469,844,789	337,728,500
-Kashf muwaishi murabaha		11,725,103	506,320
		<u>481,569,892</u>	<u>338,234,820</u>
Commission on takaful		1,626,580	1,608,094
		<u>483,196,472</u>	<u>339,842,914</u>
35 Grant income			
Grant related to projects		284,562,092	247,313,109
Amortisation of grant related to			
- Depreciation of property and equipment		13,871,432	12,929,494
- Amortisation of intangible assets		3,109,444	2,537,479
Service level agreement		1,303,297	1,135,220
		<u>302,846,265</u>	<u>263,915,302</u>

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	Note	2024	2023
		Rupees	
36	Return on investments and bank deposits		
	Return on term deposit receipts		
	- Local	225,923,528	111,207,945
	- Foreign	53,997,914	35,946,454
		279,921,442	147,154,399
	Return on Pakistan Investment Bonds	266,715,218	77,972,794
	Return on term finance certificates	152,587,891	49,016,820
		699,224,551	274,144,013
	Return on bank deposits		
	- Local	1,504,077,039	801,883,535
	- Foreign	2,445,738	2,445,738
		1,506,522,777	804,329,273
		2,205,747,328	1,078,473,286
37	Programme cost		
	Salaries, wages and benefits	2,622,144,018	1,914,003,174
	Travel and conveyance	391,603,076	315,165,796
	Insurance	387,011,183	316,262,372
	Office rent	687,600	-
	Seminar, workshop, research and staff training expenses	47,452,328	33,659,618
	Entertainment	92,070,330	67,514,339
	Printing and stationery	43,019,408	78,388,010
	Communication	31,313,765	28,271,531
	Legal and professional charges	51,529,930	78,300,975
	Depreciation - owned assets	6.3	71,400,550
	Depreciation - right of use assets	6.3	89,061,061
	Utilities	60,749,127	37,518,371
	Repair and maintenance	20,726,263	19,204,819
	Office supplies	24,342,473	20,437,202
	Security	4,024,410	3,532,549
	Miscellaneous	7,958,864	989,109
		3,945,094,386	3,044,078,292

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		2024	2023
	Note	Rupees	
38	Grant expenses		
	Salaries, wages and benefits	155,111,720	101,647,627
	Travel and conveyance	31,444,808	24,356,134
	Insurance	918,641	639,332
	Office rent	171,350	78,500
	Seminar, workshop, research and staff training expenses	29,943,887	24,026,095
	Printing and stationery	4,744,378	4,897,509
	Communication	2,828,049	2,653,241
	Depreciation - owned assets	6.3	13,871,432
	Amortisation	7.1.1	3,109,444
	Utilities	1,121,920	1,405,836
	Prepayment amortization	1,303,297	1,135,220
	Repair and maintenance	3,994,187	1,472,548
	Office supplies	4,093,534	1,889,583
	Media campaign	48,027,779	51,489,321
	Flood relief activities	-	32,479,080
	Miscellaneous	2,161,839	278,303
		<u>302,846,265</u>	<u>263,915,302</u>
39	Finance cost		
	Mark-up on long term loans	5,659,122,848	3,895,143,469
	Mark-up on short term borrowings	98,421,349	36,012,221
	Mark-up on lease liabilities	25.2	31,611,897
	Bank and other charges	375,429,997	265,494,753
	Amortisation of transaction costs of long term loans	91,862,203	92,505,649
	Reclassification of forward points	1,096,584,717	287,503,494
		<u>7,353,033,011</u>	<u>4,593,881,615</u>
40	Management and administrative expenses		
	Salaries, wages and benefits	456,996,029	349,368,540
	Travel and conveyance	39,402,309	31,427,859
	Insurance	2,222,001	1,374,371
	Seminar, workshop, research and staff training expenses	12,239,068	7,834,232
	Entertainment	10,975,531	8,132,150
	Printing and stationery	698,092	1,367,177
	Communication	11,026,181	6,957,401
	Legal and professional charges	40.1	29,758,837
	Depreciation - owned assets	6.3	48,091,112
	Ijarah rentals	40.3	4,874,138
	Utilities	4,701,732	9,245,502
	Repair and maintenance	27,242,477	31,394,632
	Office supplies	4,665,441	5,966,425
	Security	832,385	1,137,476
	Amortisation	7.1.1	7,102,847
	Auditor's remuneration	40.2	4,955,000
	Advertisement	15,423,134	8,571,392
	Miscellaneous	1,543,494	145,246
		<u>682,749,808</u>	<u>525,900,811</u>

40.1 Shariah Advisor Remuneratlon

Kashf foundation has appointed Al Hamd Shariah Advisory Services (Private) Limited as its Shariah advisor for the review of the mechanism of Islamic portfolio with the remuneration of Rs. 49,720 per month with effect from January 1, 2023 (2023: 49,720 per month).

	2024	2023
	Rupees	
40.2 Auditors' remuneration		
Audit services		
Statutory audit fee	3,500,000	2,800,000
Out of pocket expenses	615,000	495,000
	4,115,000	3,295,000
Non-audit service		
Certifications for compliance with covenants of long term loans and other statutory certificates	840,000	500,000
	<u>4,955,000</u>	<u>3,795,000</u>
40.3 Ijarah rentals		

During the year, the Company entered into an Ijarah Agreement with Meezan Bank Limited for acquisition of motor vehicles. Under the agreement, the term of Ijarah is 3 years with variable Ijarah payments payable monthly in advance. The tentative variable rental payment schedule has been prepared based on benchmark rate of six month KIBOR + 1.% per annum.

	Note	2024	2023
		Rupees	
41 Other expenses			
Foreign exchange loss - net		56,305,443	-
Fair value loss on TFCs		32,255,346	-
Fair value loss on mutual funds		86,017,169	
		<u>174,577,958</u>	<u>-</u>
42 Other income			
Income from financial assets:			
Write off recovered		3,319,714	8,429,142
Liabilities written back		11,807,059	132,722,675
Foreign exchange gain - net		-	451,058,394
Fair value gain on mutual funds	16.3.1	-	5,699,493
Fair value gain on the investment property		-	10,000,000
Commission fee		4,600,000	1,160,000
Dividend income		389,567,195	7,494,056
Income from assets other than financial assets:			
Income from rent	42.1	10,254,772	14,417,167
Gain on disposal of property and equipment		20,784,767	38,071,006
Gain on termination of lease		2,158,883	3,572,688
Miscellaneous income		24,950,762	9,904,657
		<u>467,443,152</u>	<u>682,529,278</u>

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- 42.1 This amount includes rental income derived from investment property amounting to Rs. Nil (2023: Rs. 4.03 million).
- 43 This represents Final and Minimum tax paid under section 5 of Income Tax Ordinance, 2001 (ITO, 2001), representing levy in terms of requirements of IFRIC 21.
- 44 During the last years, the Commissioner Inland Revenue (CIR) had challenged the status of the Company being a non-profit organization under section 2 (36) of the Income Tax Ordinance, 2001 alleging that the Company is engaged in commercial activities. CIR vide its order dated February 27, 2015 and September 19, 2019 withdrew the approval of Company of being a non-profit organization against which appeals were filed before Chief Commissioner Inland Revenue (CCIR) who remanded the matter back to CIR vide its order dated August 18, 2017 and April 24, 2020.

The Company then filed a writ petition before the Honorable Lahore High Court (LHC), which through its order dated November 24, 2021 set aside the order of the CCIR and directed CCIR to decide the matter based on facts and merits of the case. CCIR again withdrew the approval of the Company under section 2 (36) of the Income Tax Ordinance, 2001 vide its order dated October 3, 2022. The Company filed a second writ petition before the Honorable LHC which through its order dated December 27, 2023 decided the petition against the Company and thereby revoked the status of Company being a Non-profit organization under section 2 (36) of the Income Tax Ordinance, 2001.

Income tax expense amounting to Rs. 3,089.99 million has been recognised in these financial statements. The amount includes normal tax @ 29% amounting to Rs. 2,548.67 million and super tax @ 10% amounting to Rs. 541.32 million.

44.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate:

Note	2024	2023
	Rupees	
Surplus of income over expenditure for the year	2,554,002,405	2,593,955,975
Tax on income @ 29% (2023: 0%)	740,660,697	-
Tax effect of prior years charge	2,291,784,435	-
Effect of Super tax @ 10% (2023: 0%)	276,395,090	-
Impact of income subject to Minimum Tax Regime/Final Tax Regime	(39,076,480)	-
Tax effect of taxable temporary differences	102,835,277	-
Tax effect of deductible temporary differences	(174,961,364)	-
Tax classified as levy under IFRIC 21	(135,933,387)	-
Others	28,284,431	-
Tax charge for the year	3,089,988,699	-

45 Cash and cash equivalents

Cash and bank balances	18	8,720,866,086	5,528,819,109
Short term running finance - secured	27	(994,173,320)	-
		7,726,692,766	5,528,819,109

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46 Remuneration of Chief Executive, Directors and Executives

	Chief Executive Officer		Executives	
	2024	2023	2024	2023
Managerial remuneration	34,205,043	29,494,373	610,582,060	411,399,952
Bonus	2,898,707	-	51,233,950	-
Provident Fund contribution	2,280,336	1,966,292	40,705,471	27,362,814
Vehicle allowance	7,548,168	7,548,168	41,950,731	37,882,693
Mobile allowance	120,000	120,000	2,260,500	1,817,774
Driver allowance	-	-	8,350,000	6,737,000
Petrol allowance	1,944,809	1,715,289	28,489,819	21,997,368
	<u>48,997,063</u>	<u>40,844,122</u>	<u>783,572,531</u>	<u>507,197,601</u>
Number	<u>1</u>	<u>1</u>	<u>273</u>	<u>181</u>

46.1 Total number of Directors of the Company as at June 30, 2024 were 10 (2023: 10). None of the director is paid any remuneration (2023: Nil).

47 Number of employees

The Company has employed following number of persons including permanent and contractual staff:

	2024	2023
	Numbers	
As at June 30	4,139	3,866
Average number of employees	<u>3,993</u>	<u>3,724</u>

48 Ratios	Note	2024	2023
		Percentage	Percentage
Portfolio at risk	48.1	<u>0.91%</u>	<u>0.94%</u>
Adjusted return / (loss) on assets	48.2	<u>-1.44%</u>	<u>6.70%</u>
Adjusted return / (loss) on equity	48.3	<u>-6.86%</u>	<u>29.52%</u>
Operational self-sufficiency	48.4	<u>121%</u>	<u>131.00%</u>
Financial self-sufficiency	48.5	<u>110.39%</u>	<u>96.05%</u>
Surplus / (deficit) as a percentage of total receipts	48.6	<u>-4.46%</u>	<u>23.28%</u>
Management and administrative expenses as percentage of total receipts	48.7	<u>4.53%</u>	<u>4.72%</u>

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48.1 Portfolio at risk

The value of all outstanding loans that have one or more installments of principal overdue for more than 1 day. This item includes the entire unpaid principal balance, including both overdue and future installments, but not accrued service charges.

48.2 Adjusted return / (loss) on assets

Adjusted return on assets ("ROA") is calculated using adjusted earnings in the numerator for the last twelve months and using average total assets in the denominator.

48.3 Adjusted return / (loss) on equity

This calculates the rate of return of the Company on the average equity for the period. Adjusted return on equity ("ROE") is calculated using adjusted earnings in the numerator for the last twelve months and using average equity in the denominator.

48.4 Operational self-sufficiency

Measures how well the Company covers its costs through operating revenues. It is calculated using operating income as numerator and denominator includes operating expense, financial expense and loan-loss provision expense are also included in this calculation, as they are normal (and significant) cost of operating.

48.5 Financial self-sufficiency

This ratio measures how well the Company covers its costs, taking into account a certain adjustments to operating expenses. The purpose of these adjustments is to model how well the Company could cover its costs if its operations that are unsubsidised and it was funding its expansion with commercial-cost liabilities. It is calculated in the same manner as operational self-sufficiency except the adjustment to the operating expenses for operations of the Company that are unsubsidised and it was funding its expansion with commercial cost liabilities along with the impact of inflation.

48.6 Surplus / (deficit) as a percentage of total receipts

This ratio represents the proportion of surplus / (deficit) against total receipts of the Company. This measures how well the Company is managing its expenses over total receipts. This is calculated using surplus / (deficit) for the year as numerator and denominator includes total receipts for the year.

48.7 Management and administrative expenses as a percentage of total receipts

This ratio represents the proportion the management and admin expenses against gross income of the Company. This is calculated using the management and admin expenses for the year as numerator and denominator includes total receipts.

		2024	2023
	Note	Numbers	
48.8 Active loan:			
- as at June 30	13.12 & 14.4	<u>817,876</u>	<u>760,291</u>
Active clients:			
- as at June 30		<u>778,970</u>	<u>727,226</u>
- disbursements during the year	48.8.1	<u>901,135</u>	<u>781,511</u>

48.8.1 Disbursements during the year

The Company has disbursed micro-credit loans amounting to Rs. 49.85 billion (2023: Rs. 45.47 billion) during the year.

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49 Financial instruments and risk management

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

49.1 Risk management framework

The Board of Directors have the overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the Audit Committee.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of funds.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to align with the to changes in market conditions and the Company's operations.

49.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting in a particular industry.

Credit risk arises principally from Company's receivables from borrowers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. The Company controls its credit risk by the following methods:

- a) Ascertainment of credit worthiness of borrowers.
- b) Monitoring of debt on a continuous basis.
- c) Regular follow-ups with customers;
- d) Loan provision in accordance with NBFC Regulations applicable to Non-Banking Microfinance Companies and requirements of IFRS 9.
- e) Confirmation of credit history of borrowers through Data Check's Micro-Finance Credit Investigation Bureau; and
- f) Credit appraisal of the borrowers through NADRA verisys.

49.2.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2024	2023
	Rupees	
Long term investments	507,620,068	1,515,041,241
Short term investments	6,864,488,934	2,577,479,811
Long term loans	17,100,880	4,683,203
Long term deposits	152,151,700	149,563,360
Bank balances	8,714,522,434	5,525,993,261
Financial assets used for hedging	-	5,386,330,893
Micro-credit loan portfolio	27,838,056,893	25,478,672,841
Kashf murabaha portfolio	1,126,293,138	1,016,893,755
Accrued service charges	517,284,248	439,397,389
Deposits and other receivable	362,627,405	234,464,623
	<u>46,100,145,700</u>	<u>42,328,520,377</u>

Concentration risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

	2024	2023
	Rupees	
Banking companies and financial institutions	16,233,219,776	15,148,945,206
Micro-credit loan and murabaha portfolio	29,481,634,279	26,934,963,985
Others	385,291,645	244,611,186
	<u>46,100,145,700</u>	<u>42,328,520,377</u>

49.2.2 Ageing of micro-credit loan portfolio:

Financial year	Note	Neither past due nor impaired	Upto 29 days	30 to 89 days	90 to 179 days	More than 180 days	Total
2024	13.13 & 14.5	<u>28,869,292,280</u>	<u>107,346,808</u>	<u>23,638,193</u>	<u>23,470,453</u>	<u>110,142,655</u>	<u>29,133,890,389</u>
2023	13.13 & 14.5	<u>26,413,137,687</u>	<u>109,043,344</u>	<u>31,375,340</u>	<u>40,642,573</u>	<u>68,331,023</u>	<u>26,662,529,967</u>

49.2.3 Balances with banking companies

The Company has balances and investments with banks amounting to Rs. 16,086.63 million (2023: Rs. 9,618.51 million) as at June 30, 2024. These are held with banks and financial institutions counterparties, which are rated BBB- to AAA, based on the credit ratings from rating agencies.

Impairment on these financial assets has been measured on a 12 months expected loss basis and reflects short term maturities of the exposure. The company considers that these balances has low credit risk based on the external ratings of the counterparties.

	2024	2023
	Rupees	
Bank balances	8,714,522,434	5,525,993,261
Short term investments	6,864,488,934	2,577,479,811
Long term investments	507,620,068	1,515,041,241
	16,086,631,436	9,618,514,313

49.2.4 Credit quality of investments and bank balances

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

Name of Bank / Financial Institutions	Rating Agency	Short term	Long term	2024	2023
				Rupees	
Faysal Income and Growth Fund	PACRA	A(f)	-	21,489,480	17,952,785
NBP Financial Sector Income Fund	PACRA	A+(f)	-	1,283,451,013	1,157,573,738
ABL Cash Fund	PACRA	AA+(f)	-	12,160,695	10,242,719
JS Income Fund Plan	PACRA	A+(f)	-	559,418,913	-
JS Fixed Term Munafa Plan 3	PACRA	AM2+	-	781,045,518	-
NBP Fixed Income Fund	PACRA	AAA(f)	-	-	-
NIT Government Bond Fund	PACRA	AA(f)	-	523,510,775	-
Alfalsh Stable Return Plan-9	PACRA	AM1	-	258,292,260	-
UBL Funds	PACRA	AA+(f)	-	1,027,702	-
Allied Bank Limited	PACRA	A1+	AAA	10,073,066	19,578,885
Apna Microfinance Bank Limited	PACRA	A4	BBB-	5,256,610	2,566,954
Askari Bank Limited	PACRA	A1+	AA+	3,363,587	3,359,383
Bank Alfalah Limited	PACRA	A1+	AA+	7,806,992	193,600,626
Bank Al-Habib Limited	PACRA	A1+	AAA	47,596,514	9,598,141
BankIslami Pakistan Limited	PACRA	A1	AA-	91,853	37,928
Central Depository Company	-	-	-	34,312	9,117
Dubai Islamic Bank	VIS	A1+	AA	198,840	-
Faysal Bank Limited	PACRA	A1+	AA	4,026,191	7,237,464
Habib Bank Limited	VIS	A1+	AAA	487,007,621	81,996,931
JS Bank Limited	PACRA	A1+	AA	430,537,826	859,786,086
Khushali Microfinance Bank Limited	VIS	A2	A-	15,328,946	12,036,907
MCB Bank Limited	PACRA	A1+	AAA	577,923,162	441,076,487
Meezan Bank Limited	VIS	A1+	AAA	1,456,011	8,152
Mobilink Microfinance Bank Limited	PACRA	A1	A	47,707,921	14,633,658
National Bank of Pakistan	PACRA	A1+	AAA	1,231,274,596	4,062,230
NRSP Microfinance Bank Limited	PACRA	A2	A-	138,989,137	118,924,114
Silk Bank Limited	VIS	A2	A-	8,871,519,158	5,717,438,161
Sindh Bank Limited	VIS	A1+	AA-	162,671,544	66,196,277
Soneri Bank Limited	PACRA	A1+	AA-	5,707,955	265,084,376
Standard Chartered Bank Limited	PACRA	A1+	AAA	8,115,678	5,793,643
Telenor Microfinance Bank Limited	PACRA	A1	A	137,857,677	124,951,300
The Bank of Punjab	PACRA	A1+	AA+	312,245,986	316,984,065
U Microfinance Bank Limited	PACRA	A1	A+	74,961,789	109,413,909
United Bank Limited	VIS	A1+	AAA	64,482,108	58,370,277
				16,086,631,436	9,618,514,313

The Company has not recognized an impairment allowance on investments classified at amortized cost and bank balances during the year ended June 30, 2024, as the impact was immaterial.

49.2.5 Micro-credit loan and Murabaha portfolio

The key inputs into the measurement of expected credit losses are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies for the different product portfolios with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations with forward looking factors. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) by product type. This is similar to the approach used for the purposes of measuring expected credit losses under IFRS 9.

The Company determines expected credit losses for loan portfolio using general approach. The expected credit losses on loan portfolio assets are determined using probabilistic estimation of future expected cash flows, adjusted for factors that are specific to the loan portfolios and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Expected Credit Loss Measurement

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date;
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- Quantitative test based on movement in days past due;
- Forbearance / restructuring status; and
- Multiple economic scenarios form the basis of determining the PD at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different PD. Forward-looking information comprises of expected inflation projections.

Definition of default

Critical to the determination of expected credit losses is the definition of default. The definition of default is used in measuring the amount of expected credit losses and in the determination of whether the loss allowance is based on 12-month or lifetime expected credit losses, as default is a component of the probability of default (PD) which affects both the measurement of expected credit losses and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- The contract is past due more than 90 days; or
- The credit obligations reflected in the contract is unlikely to be paid to the Company such as deceased borrowers.

Write-off

When periodic collective historical recovery analysis indicates that the Company does not expect significant additional recoveries after certain months in default ("MID"), it is the policy of the Company to write-off loans on a collective basis.

Amounts of financial assets that were written off during the reporting period amounted to Rs. 59.34 million (2023: Rs. 287.91 million).

49.2.6 Other financial assets

Long term loans, deposits, and other receivables are mostly due from employees and financial institutions. The Company has assessed based on historical experience, that the expected credit loss associated with these financial assets is generally trivial. There are reasonable grounds to believe that these amounts will be recovered within a period of six months. Hence, no additional allowance has been recognized in these financial statements.

49.3 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 other financial asset or such obligations which will have to be settled in a manner unfavorable to the Company. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or 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. The following are the remaining contractual maturities of financial liabilities, including interest payments:

	2024			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Long term financing	33,919,743,840	33,919,743,840	18,602,420,519	15,317,323,321
Short term borrowing	1,178,335,845	1,178,335,845	1,178,335,845	-
Accrued mark-up	916,123,694	916,123,694	916,123,694	-
Trade and other payables	1,939,987,095	1,939,987,095	1,939,987,095	-
Lease liabilities	190,111,881	236,884,970	111,882,657	125,002,313
	<u>38,144,302,355</u>	<u>38,191,075,444</u>	<u>22,748,749,810</u>	<u>15,442,325,634</u>

	2023			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Long term financing	32,245,925,275	32,245,925,275	15,987,442,896	16,258,482,379
Short term borrowing	437,716,757	437,716,757	437,716,757	-
Accrued mark-up	925,872,994	925,872,994	925,872,994	-
Trade and other payables	436,665,439	436,665,439	436,665,439	-
Lease liabilities	106,805,405	129,837,109	69,252,903	60,584,206
	<u>34,152,985,870</u>	<u>34,176,017,574</u>	<u>17,856,950,989</u>	<u>16,319,066,585</u>

49.4 Market risk

Market risk is the risk that the value or cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The objective of the market risk management is to manage and control market risk exposures with acceptable parameters, while optimizing return. The Company is exposed to interest rate risk and currency risk only.

49.4.1 Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to change in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are US Dollars (USD), Great Britain Pound (GBP) and Euro.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2024		2023	
	USD	GBP	USD	GBP
Assets				
Cash and bank balances	3,164,400	104	2,596,409	132
Short term investments	4,795,652	-	4,791,253	-
	<u>7,960,052</u>	<u>104</u>	<u>7,387,662</u>	<u>132</u>
Liabilities				
	USD	Euro	USD	Euro
Borrowings	61,806,652	4,700,000	53,101,377	9,400,000
Mark-up accrued on borrowings	868,009	14,558	1,164,431	31,273
	<u>62,674,661</u>	<u>4,714,558</u>	<u>54,265,808</u>	<u>9,431,273</u>

Exchange rates applied during the year

The following significant exchange rates have been applied during the year:

	Average rate for the year		Reporting date rate	
	2024	2023	2024	2023
USD to PKR	<u>283.33</u>	<u>252.19</u>	<u>278.34</u>	<u>285.99</u>
EUR to PKR	<u>306.27</u>	<u>265.59</u>	<u>297.69</u>	<u>312.93</u>
GBP to PKR	<u>356.82</u>	<u>305.55</u>	<u>351.92</u>	<u>364.14</u>

Sensitivity analysis:

At reporting date, if the PKR had strengthened / weakened by 10% basis points against the foreign currencies with all other variables held constant, deficit for the year would have been higher / (lower) by the amount shown below, mainly as a result of net foreign exchange gain / (loss) on translation of foreign currency loans and foreign currency bank account.

Effect on surplus due to change in exchange rates	1% change in exchange rate	
	Decrease Rupees	Increase Rupees
As at June 30, 2024	<u>1,694,618,074</u>	<u>(1,694,618,074)</u>
As at June 30, 2023	<u>1,619,014,592</u>	<u>(1,619,014,592)</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on surplus for the year and assets / liabilities of the Company and does not take into account results of the Company's hedging activities.

49.4.2 Interest rate risk

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. Majority of the interest rate exposure arises on bank deposits, short term borrowings and long term financing. The interest rate profile of the Company's interest-bearing financial instruments at the reporting date was as under:

	Effective rate		Carrying amount	
	2024	2023	2024	2023
Fixed rate instruments	%		Rupees	
Financial assets:				
Short term investment	4.00 to 23.50	4.00 to 23.35	2,145,225,098	2,577,479,811
Long term investment	-	16.12 to 24.07	-	1,515,041,241
Micro-credit loan portfolio	44.16 to 74.86	38.42 to 67.52	27,838,056,893	25,478,672,841
			<u>29,983,281,991</u>	<u>29,571,193,893</u>

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	Effective rate		Carrying amount	
	2024	2023	2024	2023
	%		Rupees	
Financial liabilities:				
Long term financing:				
CDC Group PLC	-	7.5%	-	236,475,000
Finnish Fund For Industrial Cooperation Limited	-	11.05%	-	318,500,000
Belgian Investment Company for Developing Countries NV/SA - BIO	4.13%	4.13%	1,402,292,000	2,099,490,000
			<u>1,402,292,000</u>	<u>2,654,465,000</u>

Floating rate instruments

	Effective rate		Carrying amount	
	2024	2023	2024	2023
	%		Rupees	
Financial assets:				
Short term investment				
Short term investment	19.03 to 25.22	-	1,278,867,480	-
Long term investment	20.44 to 22.90	-	507,620,068	-
			<u>1,786,487,548</u>	<u>-</u>

	Effective rate		Carrying amount	
	2024	2023	2024	2023
	%		Rupees	
Borrowings				
	5.66% to 26.07%	12.42% to 26.15%	32,653,114,120	29,737,958,694
			<u>32,653,114,120</u>	<u>29,737,958,694</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) deficit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Cash flow sensitivity analysis on variable rate financial liabilities	100 bps change in interest rate	
	Increase Rupees	Decrease Rupees
As at June 30, 2024	<u>(326,531,141)</u>	<u>326,531,141</u>
As at June 30, 2023	<u>(297,379,587)</u>	<u>297,379,587</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on surplus for the year and assets / liabilities of the Company and does not take into account results of the Company's hedging activities.

49.4.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The financial instrument held by the Company does not trade on the stock exchange and has therefore, no correlation with the equity index of the stock exchange. Therefore, it is not possible to measure the impact of the change in equity index on the Company's deficit for the year.

49.5 Hedging activities and derivatives

Cash flow hedges

During the year, the Company has held cross currency swaps and foreign exchange forward contracts with commercial banks, designated as hedging instrument in cash flow hedges of expected future principal repayments of long term financing from foreign lenders. The cross currency swaps and currency forwards are being used to hedge the currency risk in respect of long-term financing as stated in note 24.1 to these financial statements.

The critical terms of the cross currency swap contracts have been negotiated to match the terms of the aforementioned long term finances. Moreover, the terms of the foreign exchange forward contracts also match the terms of the long term finances (i.e., notional amount and expected payment date). Therefore an economic relationship exists.

The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components.

The following potential sources of ineffectiveness are identified:

- The fair value of the hedging instrument on the hedge relationship designation date, if not zero;
- Differences in the timing, or changes to the forecasted amount, of the cashflows of the hedged items and the hedging instruments; and
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.

50 Fair value measurements of financial instruments

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.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements in fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value. The fair value hierarchy has the following levels:

- 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 either directly or indirectly (that is derived from prices) (Level 2)
 - Inputs for the asset or liability that are not based on observable market data (that is unobservable) inputs (Level 3)
- Transfer between levels of the fair value hierarchy is recognized at the end of the reporting period during which the changes have occurred.

50.1 Fair value of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2024		Fair value					
	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
Rupees								
As at June 30, 2024								
Financial assets - measured at fair value								
Financial assets used for hedging	-	4,008,021,010	-	4,008,021,010	4,008,021,010	-	-	4,008,021,010
Short term investments	-	4,008,021,010	-	4,008,021,010	4,008,021,010	-	-	4,008,021,010
Financial assets - not measured at fair value								
Long term investments	507,620,068	-	-	507,620,068	-	-	-	-
Long term loans	17,100,880	-	-	17,100,880	-	-	-	-
Long term deposits	152,151,700	-	-	152,151,700	-	-	-	-
Micro-credit loan portfolio	27,838,056,893	-	-	27,838,056,893	-	-	-	-
Kasht Murabaha	1,126,293,138	-	-	1,126,293,138	-	-	-	-
Accrued service charges	517,284,248	-	-	517,284,248	-	-	-	-
Advances, deposits and other receivables	362,627,405	-	-	362,627,405	-	-	-	-
Short term investments	2,856,467,924	-	-	2,856,467,924	-	-	-	-
Cash and bank balances	8,714,522,434	-	-	8,714,522,434	-	-	-	-
	42,092,124,690	-	-	42,092,124,690	-	-	-	-
Financial liabilities - not measured at fair value								
Long term financing	15,317,323,321	-	-	15,317,323,321	-	-	-	-
Current portion of long term financing	18,602,420,519	-	-	18,602,420,519	-	-	-	-
Short term borrowings	1,178,335,845	-	-	1,178,335,845	-	-	-	-
Accrued markup	916,123,694	-	-	916,123,694	-	-	-	-
Trade and other payables	1,939,987,095	-	-	1,939,987,095	-	-	-	-
Financial assets used for hedging	226,803,709	-	-	226,803,709	-	-	-	-
	38,180,994,183	-	-	38,180,994,183	-	-	-	-
Non Financial assets - measured at fair value								
Freehold land	-	-	1,299,500,000	1,299,500,000	-	-	-	1,299,500,000
	-	-	1,299,500,000	1,299,500,000	-	-	-	1,299,500,000

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As at June 30, 2023

Financial assets - measured at fair value

Financial assets used for hedging

Short term investments

Financial assets - not measured at fair value

- Long term investments
- Long term loans
- Long term deposits
- Micro-credit loan portfolio
- Kasir Murabaha
- Accrued service charges
- Advances, deposits and other receivables
- Short term investments
- Cash and bank balances

Financial liabilities - not measured at fair value

- Long term financing
- Current portion of long term financing
- Short term borrowings
- Accrued markup
- Trade and other payables

Non Financial assets - measured at fair value

Freehold land

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	Carrying amount			Fair value				
	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
	Rupees							
Financial assets used for hedging	-	5,386,330,893	-	5,386,330,893	-	5,386,330,893	-	5,386,330,893
Short term investments	-	74,684,714	-	74,684,714	74,684,714	-	-	74,684,714
	-	5,461,015,607	-	5,461,015,607	74,684,714	5,386,330,893	-	5,461,015,607
Financial assets - not measured at fair value								
Long term investments	1,515,041,241	-	-	1,515,041,241	-	-	-	-
Long term loans	4,683,203	-	-	4,683,203	-	-	-	-
Long term deposits	149,563,360	-	-	149,563,360	-	-	-	-
Micro-credit loan portfolio	25,478,672,841	-	-	25,478,672,841	-	-	-	-
Kasir Murabaha	1,016,893,755	-	-	1,016,893,755	-	-	-	-
Accrued service charges	439,397,389	-	-	439,397,389	-	-	-	-
Advances, deposits and other receivables	234,464,623	-	-	234,464,623	-	-	-	-
Short term investments	2,502,795,097	-	-	2,502,795,097	-	-	-	-
Cash and bank balances	5,525,993,261	-	-	5,525,993,261	-	-	-	-
	36,867,504,770	-	-	36,867,504,770	-	-	-	-
Financial liabilities - not measured at fair value								
Long term financing	16,258,482,379	-	-	16,258,482,379	-	-	-	-
Current portion of long term financing	15,987,442,896	-	-	15,987,442,896	-	-	-	-
Short term borrowings	437,716,757	-	-	437,716,757	-	-	-	-
Accrued markup	925,872,994	-	-	925,872,994	-	-	-	-
Trade and other payables	436,665,439	-	-	436,665,439	-	-	-	-
	34,046,180,465	-	-	34,046,180,465	-	-	-	-
Non Financial assets - measured at fair value								
Freehold land	-	-	1,299,500,000	1,299,500,000	-	1,299,500,000	-	1,299,500,000
	-	-	1,299,500,000	1,299,500,000	-	1,299,500,000	-	1,299,500,000

50.2 Valuation techniques used to determine level 2 and level 3 fair values

Derivative financial instruments

Level 2 fair value of derivative financial instruments has been derived using valuation techniques that include forward pricing and swap models using present value calculations. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

Freehold land

Level 2 fair value of freehold land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per marla.

51 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as total borrowing (including related markup / interest) divided by total equity / capital employed.

	2024	2023
	Rupees	
Total borrowings	36,014,203,379	32,683,642,032
Less: Cash and bank balances	(8,720,866,086)	(5,528,819,109)
Net debt	<u>27,293,337,293</u>	<u>27,154,822,923</u>
Total equity / capital employed	9,255,829,225	10,343,167,136
Total capital	36,549,166,518	37,497,990,059
Gearing ratio	<u>294.88%</u>	<u>262.54%</u>

52 Reconciliation of movements of liabilities to cash flows arising from financing activities.

	2024			
	Liabilities			
	Long term loans	Short term borrowings	Lease liabilities	Total
	Rupees			
Balance as at July 1, 2023	32,245,925,275	437,716,757	106,805,405	32,790,447,437
Changes from financing activities				
Transaction cost paid	(81,026,064)	-	-	(81,026,064)
Proceeds received against financing	19,459,478,178	384,927,009	-	19,844,405,187
Repayments of financing	(12,833,514,414)	(640,479,111)	-	(13,473,993,525)
Payment of lease liabilities	-	-	(107,306,405)	(107,306,405)
Total changes from financing cash flows	<u>6,544,937,700</u>	<u>(255,552,102)</u>	<u>(107,306,405)</u>	<u>6,182,079,193</u>
Other changes				
Interest expense	-	-	-	-
Transaction cost amortised	91,862,203	-	-	91,862,203
Translation loss on foreign currency loans	(4,962,981,338)	1,997,870	-	(4,960,983,468)
Interest expense on lease liabilities	-	-	31,611,897	31,611,897
Addition to lease liabilities	-	-	178,030,829	178,030,829
Adjustment in lease liabilities	-	-	-	-
Termination of lease liabilities	-	-	(19,029,845)	(19,029,845)
Total liability related other changes	<u>(4,871,119,135)</u>	<u>1,997,870</u>	<u>190,612,881</u>	<u>(4,678,508,384)</u>
Closing as at June 30, 2024	<u>33,919,743,840</u>	<u>184,162,525</u>	<u>190,111,881</u>	<u>34,294,018,246</u>

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	2023			
	Liabilities			
	Long term loans	Short term borrowings	Lease liabilities	Total
	Rupees			
Balance as at July 1, 2022	22,979,040,099	392,146,482	139,214,971	23,510,401,552
Changes from financing activities				
Transaction cost paid	(139,479,007)	-	-	(139,479,007)
Proceeds received against financing	15,598,292,868	4,230,289,488	-	19,828,582,356
Repayments of financing	(9,299,937,955)	(4,191,149,950)	-	(13,491,087,905)
Payment of lease liabilities	-	-	(104,910,735)	(104,910,735)
Total changes from financing cash flows	6,158,875,906	39,139,538	(104,910,735)	6,093,104,709
Other changes				
Interest expense	-	-	-	-
Transaction cost amortised	92,505,649	-	-	92,505,649
Translation loss on foreign currency loans	3,015,503,621	6,430,737	-	3,021,934,358
Interest expense on lease liabilities	-	-	17,222,029	17,222,029
Addition to lease liabilities	-	-	75,595,667	75,595,667
Adjustment in lease liabilities	-	-	2,331,041	2,331,041
Termination of lease liabilities	-	-	(22,647,568)	(22,647,568)
Total liability related other changes	3,108,009,270	6,430,737	72,501,169	3,186,941,176
Closing as at June 30, 2023	32,245,925,275	437,716,757	106,805,405	32,790,447,437

53 Related party transactions

The Company's related parties comprises of Directors, key management personnel, associated companies, company in which Directors are interested and employee provident fund. Amount due from and to related parties are shown in respective notes. Remuneration of key management personnel is disclosed in note 46. Transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows;


Name of parties and basis of relationship with the Company	Nature of transaction	2024	2023
		Rupees	
Kashf Foundation Provident Fund Trust	Contribution	444,003,378	112,739,052

54 Corresponding figures

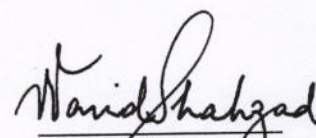
Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no significant re-arrangements have been made.

55 Date of authorization for issue

These financial statements were approved by the Company's Board of Directors and authorized for issue on October 06, 2024.

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 Chief Executive Officer


 Chief Financial Officer


 Director