

**KASHF FOUNDATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2023**



## 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, 2023, 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 a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of 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 forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the surplus and other comprehensive income, the changes in accumulated funds and its cash flows 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 Report Thereon

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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
308-Upper Mall, Shahr-e-Quaid-e-Azam, P.O. Box 39, Lahore-54000, Pakistan.  
Tel: +92 (42) 3519 9343-50 / Fax: +92 (42) 3519 9351 [www.pwc.com/pk](http://www.pwc.com/pk)



## **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).

### Other Matter

The financial statements of the Company for the year ended June 30, 2022, were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated October 11, 2022.

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 6, 2023

**UDIN:** AR202310092yoiFhTnE7




**KASHF FOUNDATION**

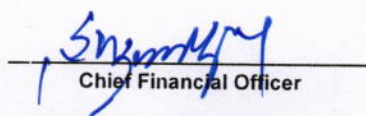
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

**STATEMENT OF FINANCIAL POSITION****AS AT JUNE 30, 2023**

|   | Note | 2023<br>Rupees | 2022<br>Rupees |
|---|------|----------------|----------------|
| <b>ASSETS</b>   |      |                |                |
| <b>NON CURRENT ASSETS</b>                             |      |                |                |
| Property and equipment                                | 6    | 1,889,628,074  | 793,888,324    |
| Intangible assets                                     | 7    | 38,617,623     | 47,876,696     |
| Investment property                                   | 8    | -              | 103,424,250    |
| Long term investments                                 | 9    | 1,515,041,241  | 187,973,040    |
| Long term loans                                       | 10   | 4,683,203      | 1,221,141      |
| Long term micro-credit loan portfolio                 | 11   | 125,343,694    | 144,009,258    |
| Long term Kashf murabaha portfolio                    | 12   | 3,979,475      | -              |
| Financial assets used for hedging                     | 13   | 1,674,557,786  | 1,267,147,107  |
| Long term deposits                                    | 14   | 149,563,360    | 84,963,360     |
|   |      | 5,401,414,456  | 2,630,503,176  |
| <b>CURRENT ASSETS</b>                                 |      |                |                |
| Micro-credit loan portfolio                           | 15   | 25,353,329,147 | 18,744,012,488 |
| Kashf Murabaha portfolio                              | 16   | 1,012,914,280  | 726,644,675    |
| Accrued service charges                               | 17   | 439,397,389    | 256,550,163    |
| Short term investments                                | 18   | 2,577,479,811  | 1,406,813,241  |
| Financial assets used for hedging                     | 13   | 3,711,773,107  | 1,319,960,982  |
| Advances, deposits, prepayments and other receivables | 19   | 1,146,027,509  | 835,587,178    |
| Cash and bank balances                                | 20   | 5,528,819,109  | 6,368,669,910  |
|   |      | 39,769,740,352 | 29,658,238,637 |
|   |      | 45,171,154,808 | 32,288,741,813 |
| <b>FUNDS AND LIABILITIES</b>                          |      |                |                |
| <b>FUNDS</b>  |      |                |                |
| Donated funds   | 21   | 237,005,711    | 237,005,711    |
| Accumulated surplus                                   |      | 7,701,459,418  | 5,586,179,603  |
| Loan loss reserve                                     | 22   | 1,333,126,498  | 984,148,137    |
| Special reserve                                       | 23   | 226,443,054    | 96,745,255     |
| Hedging reserve                                       | 24   | 109,184,578    | 26,558,614     |
| Surplus on revaluation of land                        | 25   | 735,947,877    | 300,203,137    |
|   |      | 10,343,167,136 | 7,230,840,457  |
| <b>NON CURRENT LIABILITIES</b>                        |      |                |                |
| Long term financing                                   | 26   | 16,258,482,379 | 12,514,952,944 |
| Lease liabilities                                     | 27   | 52,321,467     | 61,233,816     |
|   |      | 16,310,803,846 | 12,576,186,760 |
| <b>CURRENT LIABILITIES</b>                            |      |                |                |
| Current portion of long term financing                | 26   | 15,987,442,896 | 10,464,087,155 |
| Current portion of lease liabilities                  | 27   | 54,483,938     | 77,981,155     |
| Short term borrowings                                 | 28   | 437,716,757    | 392,146,482    |
| Deferred grants                                       | 29   | 441,793,401    | 187,120,596    |
| Accrued markup  | 30   | 925,872,994    | 600,709,509    |
| Trade and other payables                              | 31   | 669,873,840    | 759,669,699    |
|   |      | 18,517,183,826 | 12,481,714,596 |
| <b>CONTINGENCIES AND COMMITMENTS</b>                  |      |                |                |
|   | 32   | -              | -              |
|   |      | 45,171,154,808 | 32,288,741,813 |

The annexed notes 1 to 52 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

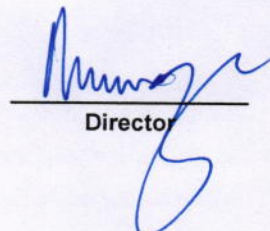
FOR THE YEAR ENDED JUNE 30, 2023

|   | Note | 2023<br>Rupees       | 2022<br>Rupees       |
|---|------|----------------------|----------------------|
| Mark-up and other charges on micro-credit loan portfolio  | 33   | 8,777,444,166        | 6,407,430,485        |
| Profit and other charges on Kashf murabaha portfolio  | 34   | 339,842,914          | 245,652,834          |
| Grant income  | 35   | 263,915,302          | 229,877,205          |
| Return on investments and bank deposits   | 36   | 1,078,473,286        | 646,590,734          |
|   |      | 10,459,675,668       | 7,529,551,258        |
| Programme cost  | 37   | (3,044,078,292)      | (2,343,892,226)      |
| Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges |      | (120,472,951)        | (186,275,209)        |
| Grant expenses  | 38   | (263,915,302)        | (229,877,205)        |
| Finance cost  | 39   | (4,593,881,615)      | (2,664,032,863)      |
|   |      | (8,022,348,160)      | (5,424,077,503)      |
|   |      | 2,437,327,508        | 2,105,473,755        |
| Management and administrative expenses  | 40   | (525,900,811)        | (515,180,219)        |
| Other expenses  | 41   | -                    | (1,379,380)          |
| Other income  | 42   | 682,529,278          | 345,990,949          |
|   |      | 156,628,467          | (170,568,650)        |
| <b>SURPLUS FOR THE YEAR</b>   |      | <b>2,593,955,975</b> | <b>1,934,905,105</b> |

The annexed notes 1 to 52 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)

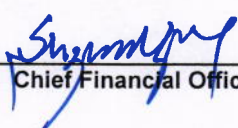
## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

|   | 2023<br>Rupees       | 2022<br>Rupees       |
|---|----------------------|----------------------|
| <b>SURPLUS FOR THE YEAR</b>   | 2,593,955,975        | 1,934,905,105        |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>  |                      |                      |
| Items that may be reclassified to statement of income and expenditure in subsequent periods:      |                      |                      |
| Cashflow hedges   |                      |                      |
| - effective portion of changes in fair value  | 2,799,222,804        | 3,086,696,874        |
| - reclassified to income and expenditure  | (3,004,100,334)      | (3,083,565,501)      |
| - reclassification of forward points to income and expenditure                                    | 287,503,494          | -                    |
|   | 82,625,964           | 3,131,373            |
| Items that will not be reclassified to statement of income and expenditure in subsequent periods: |                      |                      |
| Surplus on revaluation of freehold land   | 435,744,740          | -                    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  | <u>3,112,326,679</u> | <u>1,938,036,478</u> |

The annexed notes 1 to 52 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 CHANGES IN ACCUMULATED FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

|   | Note | Revenue reserves |                     |                   | Capital reserves |                  |                                |                | Total |
|---|------|------------------|---------------------|-------------------|------------------|------------------|--------------------------------|----------------|-------|
|   |      | Donated funds    | Accumulated surplus | Loan loss reserve | Special reserve  | Hedging reserves | Surplus on revaluation of land |                |       |
| Balance as at July 1, 2021                                  |      | 240,035,924      | 3,908,882,532       | 823,285,358       | -                | 23,427,241       | 300,203,137                    | 5,295,834,192  |       |
| <b>Total comprehensive income</b>                           |      |                  |                     |                   |                  |                  |                                |                |       |
| Surplus for the year  |      | -                | 1,934,905,105       | -                 | -                | -                | -                              | 1,934,905,105  |       |
| Other comprehensive income for the year                     |      | -                | 1,934,905,105       | -                 | -                | 3,131,373        | -                              | 3,131,373      |       |
| Micro-credit loan portfolio disbursed against donated funds |      | (3,030,213)      | -                   | -                 | -                | -                | -                              | (3,030,213)    |       |
| Transferred from general funds to loan loss reserve         | 22   | -                | (160,862,779)       | 160,862,779       | -                | -                | -                              | -              |       |
| Transferred from general funds to special reserve           | 23   | -                | (96,745,255)        | -                 | 96,745,255       | -                | -                              | -              |       |
| Balance as at June 30, 2022                                 |      | 237,005,711      | 5,586,179,603       | 984,148,137       | 96,745,255       | 26,558,614       | 300,203,137                    | 7,230,840,457  |       |
| <b>Total comprehensive income</b>                           |      |                  |                     |                   |                  |                  |                                |                |       |
| Surplus for the year  |      | -                | 2,593,955,975       | -                 | -                | -                | -                              | 2,593,955,975  |       |
| Other comprehensive income for the year                     |      | -                | 2,593,955,975       | -                 | -                | 82,625,964       | 435,744,740                    | 518,370,704    |       |
| Transferred from general funds to loan loss reserve         | 22   | -                | (348,978,361)       | 348,978,361       | -                | -                | -                              | -              |       |
| Transferred from general funds to special reserve           | 23   | -                | (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 |       |

The annexed notes 1 to 52 form an integral part of these financial statements.

411  


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, 2023

|   | Note     | 2023<br>Rupees  | 2022<br>Rupees  |
|---|----------|-----------------|-----------------|
| <b>Cash flow from operating activities</b>  |          |                 |                 |
| Surplus for the year  |          | 2,593,955,975   | 1,934,905,105   |
| Adjustments for non cash items:   |          |                 |                 |
| Depreciation  | 6.3      | 187,769,472     | 160,510,034     |
| Amortisation  | 7.1.1    | 7,184,992       | 5,504,391       |
| Liabilities written back  | 42       | (132,722,675)   | (3,946,068)     |
| Markup on lease liabilities   | 27.2     | 17,222,029      | 17,396,142      |
| Return on investments and bank deposits   | 36       | (1,078,473,286) | (646,590,734)   |
| Amortisation of transaction costs of long term loans  | 39       | 92,505,649      | 99,327,589      |
| Finance cost on borrowings  | 39       | 3,931,155,690   | 2,318,774,263   |
| Gain on disposal of property and equipment  | 42       | (38,071,006)    | (7,015,905)     |
| Gain on termination of lease  | 42       | (3,572,688)     | (8,259,141)     |
| Reclassification from intangibles   | 7.2      | 3,874,727       | -               |
| Adjustment in right-of-use assets and lease liabilities   | 6.1 & 27 | 1,300,202       | -               |
| Grant income  | 35       | (263,915,302)   | (229,877,205)   |
| Fair value gain on mutual funds   | 42       | (5,699,493)     | (100,637)       |
| Fair value gain on investment property  | 42       | (10,000,000)    | (15,273,500)    |
| Dividend income   | 42       | (7,494,056)     | (8,040,784)     |
| Foreign exchange gain - net   | 42       | (451,058,394)   | (249,277,638)   |
| Reclassification of forward points  | 39       | 287,503,494     | -               |
| Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges |          | 120,472,951     | 186,275,209     |
|   |          | 2,657,982,306   | 1,619,406,016   |
| <b>Surplus before working capital changes</b>   |          | 5,251,938,281   | 3,554,311,121   |
| <b>Working capital changes</b>  |          |                 |                 |
| <b>(Increase) / decrease in current assets</b>  |          |                 |                 |
| Increase in micro-credit loan portfolio   |          | (6,731,984,089) | (3,830,080,734) |
| Increase in Kashf murabaha portfolio  |          | (270,964,297)   | (212,360,446)   |
| Increase in accrued service charges   |          | (181,271,966)   | (68,716,949)    |
| Increase in advances, deposits, prepayments and other receivables   |          | (64,115,601)    | (72,413,798)    |
|   |          | (7,248,335,953) | (4,183,571,927) |
| <b>Increase / (decrease) in current liabilities</b>   |          |                 |                 |
| Increase in deferred grants   |          | 518,588,107     | 30,720,771      |
| Increase in trade and other payables  |          | (190,281,585)   | 167,370,477     |
|   |          | 328,306,522     | 198,091,248     |
| <b>Cash used in operations</b>  |          | (1,668,091,150) | (431,169,558)   |
| Finance cost paid   |          | (3,605,992,205) | (2,135,263,470) |
| Long term loans disbursed - net   |          | (3,462,063)     | (1,003,411)     |
| Long term deposit paid - net  |          | (64,600,000)    | (79,500,000)    |
|   |          | (5,342,145,418) | (2,646,936,439) |
| <b>Net cash used in operating activities</b>  |          |                 |                 |
| <b>Cash flow from investing activities</b>  |          |                 |                 |
| Capital expenditure incurred  |          | (679,768,060)   | (86,117,869)    |
| Sale proceeds from disposal of operating fixed assets   |          | 39,249,814      | 10,242,396      |
| Return received on investments and bank deposits  |          | 1,000,408,404   | 611,440,400     |
| Long term and short term investments made - net   |          | (2,078,014,915) | (48,812,297)    |
| <b>Net cash (used in) / generated from investing activities</b>   |          | (1,718,124,757) | 486,752,630     |
| <b>Cash flow from financing activities</b>  |          |                 |                 |
| Transaction costs paid for long term loans  |          | (139,479,007)   | (34,369,163)    |
| Payment of lease liabilities  |          | (104,910,735)   | (92,290,873)    |
| Long term and short term financing obtained - net   |          | 6,337,494,451   | 2,594,526,876   |
| <b>Net cash generated from financing activities</b>   |          | 6,093,104,709   | 2,467,866,840   |
| Effect of exchange rate changes on cash and cash equivalents  |          | 127,314,665     | 137,680,067     |
| <b>Net (decrease) / increase in cash and cash equivalents</b>   |          | (839,850,801)   | 445,363,098     |
| <b>Cash and cash equivalents at the beginning of the year</b>   |          | 6,368,669,910   | 5,923,306,812   |
| <b>Cash and cash equivalents at the end of the year</b>   | 20       | 5,528,819,109   | 6,368,669,910   |

The annexed notes 1 to 52 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, 2023

## 1 Corporate and general information

### 1.1 Legal status and operations

Kashf Foundation ("the Company") was incorporated in Pakistan on February 15, 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 the 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 (2022: 10) regional offices, 68 (2022: 61) area offices and 382 (2022: 341) branches in Pakistan.

## 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 as notified under the Companies Act, 2017;
- Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations);
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan 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 The Securities and Exchange Commission of Pakistan (SECP) through an S. R. O. 1827 (I) / 2022, dated September 29, 2022 has notified that IFRS 9 shall be applicable for the preparation of financial statements of NBFCs for reporting period / year ending on or after June 30, 2024 (SECP through this notification permitted earlier application of IFRS 9). This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model. However, the company has early adopted the standard during the year ended June 30, 2019.

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, 2022 but are considered not to be relevant to 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, 2023 or later periods, but the Company has not early adopted them:

| Standard or Interpretation |  | Effective date<br>(Annual periods beginning on<br>or after) |
|----------------------------|--|---|
| IAS 8                      | Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors  | January 01, 2023  |
| IFRS 17                    | Insurance contracts  | January 01, 2023  |
| IAS 1                      | Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8   | January 01, 2023  |
| IAS 12                     | Amendment to IAS 12 - 'Income taxes on deferred tax related to assets and liabilities arising from a single transaction' and 'International tax reform - pillar two model rules' | January 01, 2023  |
| IAS 1                      | Amendment to IAS 1 – 'Classification of liabilities as current or non-current' and 'Non-current liabilities with covenants'  | January 01, 2024  |
| IFRS 16                    | Amendment to IFRS 16 – Leases' related to sale and lease back after the date of transaction  | January 01, 2024  |
| IAS 7 & IFRS 7             | Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements   | January 01, 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 cash flow statement, 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  |
| - Revaluation of investment property and property and equipment                           | 4.2  |
| - Expected credit loss on micro-credit loans, Kashf murabaha portfolio and accrued markup | 4.3  |
| - Fair value of derivative financial instruments  | 4.4  |
| - Lease term and discount rate for lease liabilities                                      | 4.5  |
| - Allocation of head office expenses  | 4.6  |
| - Provisions and contingencies  | 4.7  |

#### **4.1 Useful lives, residual values and impairment of property and equipment**

Estimates with respect to depreciable lives, residual values, and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, as explained in Note 5.3, the Company reviews the value of the assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

#### **4.2 Revaluation of investment property and property and equipment**

Revaluation of freehold land is carried out by independent professional valuers. The Company follows revalued revaluations depends upon the changes in fair values of the items being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

#### **4.3 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.

#### **4.4 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.

#### **4.5 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.

#### **4.6 Allocation of head office and field expenses to grant expense**

Expenses of the Company include both directly and indirectly attributable expenses allocated to management and administrative expenses and grant expenses, respectively on the basis of total employees hours chargeable for administrative and operational. 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. Management's judgement is involved in determining the nature of expenses incurred at the head office and assessing whether the hours spent by the respective staff / employee thereon, is a reasonable reflection of the portion of expense(s) that can be considered as an administrative activity.

#### **4.7 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 Significant accounting policies**

#### **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 Summary of significant accounting policies

The significant accounting policies adopted for the preparation of the financial statements are set out below. The accounting policies have been consistently applied to all the years presented.

## 5.3 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 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 decrease for the same asset previously recognised in the 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 repair and maintenance are charged to income and expenditure account 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 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 property and equipment 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.

### Impairment

The Company assesses at each statement of financial position date whether there is any indication that property 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.

### De-recognition of asset

An item of property and equipment is derecognised upon disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognised in income and expenditure.

#### 5.4 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 organization 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.

Full month's amortization is charged in the month of addition while no amortization is charged in the 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 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.

#### 5.5 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 accounting, 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 on revaluation amount and deficit is charged to statement of income and expenditure.

#### 5.6 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. The portion of profit not due is deferred and treated as Bai Muajjal and profit on Bai Muajjal is recognised on accrual basis.



(b) **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.

(c) **Return on investments and bank deposits**

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

**5.7 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 portfolio, 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 and other payables.

The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition. Subsequent to the initial recognition, loans, receivables and financial assets were carried at amortised cost using the effective interest method.

**5.7.1 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.

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)

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 not classified as measured at amortized cost or FVOCI as described above 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.

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.

## 5.7.2 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 classified as 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.

## 5.7.3 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 value.

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.

#### **5.7.4 Provision for expected credit losses**

The Company recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost;
- 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 income and expenditure. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the losses has decreased or no longer exists.

Additional information about how the Company measures allowance for impairment is detailed in note 46.2 of the financial statements.

#### **5.7.5 Write-off policy**

The Company writes off loan assets that are past due 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.

#### **5.7.6 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.

#### **5.8 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.

#### **5.9 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.

#### **5.10 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 5.7.4 is followed for recording of expected credit losses.



### 5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances. In the statement of financial position, finances under mark-up arrangements are shown separately.

### 5.12 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 included in creditors and accruals 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.

### 5.13 Foreign currency translations

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees 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 Rupees 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.

### 5.14 Leases

#### 5.14.1 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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;
- 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.

#### **5.14.2 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 operating fixed assets. 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.

#### **5.15 Trade and other payables**

Liabilities for trade and other amounts 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.

#### **5.16 Loan loss reserve**

General reserve up to 5% of the outstanding loan portfolio is created that is recognised in statement of accumulated funds.

#### **5.17 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.

#### **5.18 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.

#### **5.19 Recognition of grants and donations**

Grants are recognised when there is reasonable assurance that the Company will comply with the relevant conditions, if any, and the grant will be received.

Grants related to assets other than biological assets, are initially recognised at fair value in statement of financial position, as deferred income, that is amortized over the useful life of the asset.

Grants related to project expenses are recognised as revenue in the statement of income and expenditure on a systematic basis in the same periods in which the expenses are incurred, on a net basis i.e. offset the grant against the related expenditure.

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

#### **5.20 Taxation**

The Company has obtained a certificate to be recognized as a non-profit organization under Clause (36) of Section 2 of the Income Tax Ordinance, 2001, in order to avail tax credit from income tax under section 100C to the said Ordinance. However, the status of non-profit organisation is pending adjudication as disclosed in note 32.1.1. Consequently, no provision for income tax has been made in these financial statements.

#### **5.21 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.

#### **5.22 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.



6 Property and equipment

6.1 Operating fixed assets

|                                   | Owned assets  |                           |                        |                   |                     |              |                 | Right-of-use assets |               | Total |
|-----------------------------------|---------------|---------------------------|------------------------|-------------------|---------------------|--------------|-----------------|---------------------|---------------|-------|
|                                   | Freehold land | Building on freehold land | Furniture and fixtures | Office equipments | Computer equipments | Vehicles     | Rented premises |                     |               |       |
| Rupees                            |               |                           |                        |                   |                     |              |                 |                     |               |       |
| 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 (fair value)          | 435,744,740   | -                         | -                      | -                 | -                   | -            | -               |                     | 435,744,740   |       |
| Transfer from investment property | 100,000,000   | 13,424,250                | -                      | -                 | -                   | -            | -               |                     | 113,424,250   |       |
| Disposals (at NBV)                | -             | -                         | (198,969)              | (493,192)         | (486,647)           | -            | (19,074,880)    |                     | (20,253,688)  |       |
| Transfers (at NBV)                | -             | -                         | -                      | -                 | -                   | -            | -               |                     | -             |       |
| Adjustments                       | -             | -                         | -                      | -                 | -                   | -            | -               | 1,030,839           | 1,030,839     |       |
| Depreciation charge               | -             | (9,350,590)               | (8,662,706)            | (12,855,240)      | (47,304,850)        | (24,908,826) | (84,687,260)    |                     | (187,769,472) |       |
| 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               |               |                           |                        |                   |                     |              |                 |                     |               |       |
| Cost                              | 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 |       |
| Accumulated depreciation          | -             | (62,759,166)              | (51,611,027)           | (75,021,713)      | (251,114,109)       | (56,722,307) | (204,584,995)   |                     | (701,813,317) |       |
| 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 |       |
| Depreciation rate % per annum     | -             | 5%                        | 10%                    | 10% - 20%         | 33.33%              | 20%          | Lease term      |                     |               |       |
| Net carrying value basis          |               |                           |                        |                   |                     |              |                 |                     |               |       |
| Year ended June 30, 2022          |               |                           |                        |                   |                     |              |                 |                     |               |       |
| Opening net book value (NBV)      | 355,725,000   | 139,146,182               | 44,358,792             | 52,662,029        | 50,546,933          | 48,604,290   | 170,853,012     |                     | 861,896,243   |       |
| Additions (at cost)               | -             | -                         | 6,380,630              | 7,547,627         | 43,606,370          | 13,147,020   | 42,919,322      |                     | 113,600,969   |       |
| Disposals (at NBV)                | -             | -                         | (1,168,979)            | (1,006,892)       | (531,425)           | (519,195)    | (17,872,363)    |                     | (21,098,854)  |       |
| Transfers (at NBV)                | -             | -                         | -                      | (1,426,224)       | 1,426,224           | -            | -               |                     | -             |       |
| Adjustments                       | -             | -                         | -                      | -                 | -                   | -            | -               |                     | -             |       |
| Depreciation charge               | -             | (9,169,274)               | (7,871,473)            | (11,286,312)      | (42,347,356)        | (17,850,236) | (71,985,383)    |                     | (160,510,034) |       |
| Closing Net Book Value            | 355,725,000   | 129,976,908               | 41,698,970             | 46,490,228        | 52,700,751          | 43,381,879   | 123,914,588     |                     | 793,888,324   |       |
| Gross carrying value basis        |               |                           |                        |                   |                     |              |                 |                     |               |       |
| As at June 30, 2022               |               |                           |                        |                   |                     |              |                 |                     |               |       |
| Cost                              | 355,725,000   | 183,385,484               | 85,121,523             | 108,773,059       | 260,668,563         | 97,654,190   | 284,883,313     |                     | 1,376,211,132 |       |
| Accumulated depreciation          | -             | (53,408,576)              | (43,422,553)           | (62,282,831)      | (207,967,812)       | (54,272,311) | (160,968,725)   |                     | (582,322,808) |       |
| Net Book Value                    | 355,725,000   | 129,976,908               | 41,698,970             | 46,490,228        | 52,700,751          | 43,381,879   | 123,914,588     |                     | 793,888,324   |       |
| Depreciation rate % per annum     | -             | 5%                        | 10%                    | 10% - 20%         | 33.33%              | 20%          | Lease term      |                     |               |       |

| Owned assets                      | Particulars of assets    | Particulars of buyer | Cost       | Accumulated depreciation | Book value | Sale proceeds | Gain / (loss) | Relationship with the Company | Mode of disposal |
|-----------------------------------|--------------------------|----------------------|------------|--------------------------|------------|---------------|---------------|-------------------------------|------------------|
|                                   |                          |                      |            |                          |            |               |               |                               |                  |
| Vehicles                          | Mehran VXR LEB-17A-7578  | Ms Aishan            | 439,202    | 439,202                  | -          | 907,000       | 907,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7547  | Mr Munir             | 439,202    | 439,202                  | -          | 855,600       | 855,600       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5788  | Mr Kashif Bhatti     | 439,202    | 439,202                  | -          | 775,786       | 775,786       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5762  | Ms Shazia Aslam      | 439,202    | 439,202                  | -          | 841,000       | 841,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7561  | Ms Salma Shafi       | 439,202    | 439,202                  | -          | 878,000       | 878,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5568  | Ms Heena Siddiqui    | 439,202    | 439,202                  | -          | 780,786       | 780,786       | Employee                      | As per policy    |
|                                   | Mehran VXR LE-17-6247    | Mr Nasir Iqbal       | 656,230    | 656,230                  | -          | 863,000       | 863,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LE-17-6237    | Mr Nadia Imdad       | 656,230    | 656,230                  | -          | 826,786       | 826,786       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5799  | Mr Saif Ullah        | 439,202    | 439,202                  | -          | 775,786       | 775,786       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7569  | Mr Rai Ali Wafa      | 439,202    | 439,202                  | -          | 860,786       | 860,786       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5804  | Ms Sara Riaz         | 439,202    | 439,202                  | -          | 990,000       | 990,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5733  | Mr Naveed Aslam      | 439,202    | 439,202                  | -          | 1,006,000     | 1,006,000     | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7585  | Ms Tanzeela          | 439,202    | 439,202                  | -          | 935,000       | 935,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5791  | Mr Qasim             | 439,202    | 439,202                  | -          | 880,000       | 880,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEC-17A-2683  | Mr Dil Nawaz         | 439,201    | 439,201                  | -          | 827,786       | 827,786       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7620  | Mr Rana Salman       | 439,202    | 439,202                  | -          | 870,000       | 870,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEC-17A-2685  | Ms Nurzat Nawaz      | 439,202    | 439,202                  | -          | 817,000       | 817,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5801  | Mr Babbar Ali        | 439,202    | 439,202                  | -          | 954,000       | 954,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEC-17A-2691  | Ms Anam Amjad        | 439,202    | 439,202                  | -          | 953,500       | 953,500       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7617  | Mr Fikhar Hussain    | 439,202    | 439,202                  | -          | 970,000       | 970,000       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-5802  | Ms Safra Khan        | 439,202    | 439,202                  | -          | 1,010,000     | 1,010,000     | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7580  | Mr Saif Khan         | 439,202    | 439,202                  | -          | 775,786       | 775,786       | Employee                      | As per policy    |
|                                   | Mehran VXR LEB-17A-7573  | Mr Shazam            | 439,202    | 439,202                  | -          | 820,000       | 820,000       | Employee                      | As per policy    |
| Mehran VXR LEB-17A-7614           | Mr Anser Parveen         | 756,695              | 756,695    | -                        | 819,000    | 819,000       | Employee      | As per policy                 |                  |
| Suzuki Wagonr VXL B.L.-18-705     | Ms Humaira William       | 1,066,000            | 1,066,000  | -                        | 1,677,786  | 1,677,786     | Employee      | As per policy                 |                  |
| Mehran VXR LEB-17A-7605           | Ms Samra                 | 673,360              | 673,360    | -                        | 822,700    | 822,700       | Employee      | As per policy                 |                  |
| Mehran VXR LE-16A-3571            | Mr Asif                  | 439,202              | 439,202    | -                        | 837,000    | 837,000       | Employee      | Auction                       |                  |
| Mehran VXR LEC-17A-4868           | Mr Mujahid Abbas         | 439,202              | 439,202    | -                        | 866,500    | 866,500       | Employee      | Auction                       |                  |
| Mehran VXR LEB-17A-5796           | Mr Habib Ullah Asad Khan | 439,202              | 439,202    | -                        | 775,786    | 775,786       | Employee      | Auction                       |                  |
| Mehran VXR LEB-17A-5726           | Mr Asif                  | 656,230              | 656,230    | -                        | 940,000    | 940,000       | Employee      | Auction                       |                  |
| Mehran VXR LE-17-6246             | Mr Asif                  | 439,202              | 439,202    | -                        | 775,786    | 775,786       | Employee      | Auction                       |                  |
| Mehran VXR LEB-17A-5795           | Mr Awais                 | 439,202              | 439,202    | -                        | 826,000    | 826,000       | Employee      | Auction                       |                  |
| Mehran VXR LEB-17A-5785           | Mr Navees Butt           | 439,202              | 439,202    | -                        | 780,786    | 780,786       | Employee      | Auction                       |                  |
| Mehran VXR LEB-17A-7594           | Mr Saleem Nasir          | 756,695              | 756,695    | -                        | 853,000    | 853,000       | Employee      | Auction                       |                  |
| Mehran VXR LE-17-6241             | Mr Amir                  | 656,230              | 656,230    | -                        | 775,786    | 775,786       | Employee      | Auction                       |                  |
| Mehran VXR LEB-17A-5920           | Mr Hassan                | 439,202              | 439,202    | -                        | 793,000    | 793,000       | Employee      | Auction                       |                  |
| Mehran VXR LE-17-6239             | Mr Navees Butt           | 656,230              | 656,230    | -                        | 775,786    | 775,786       | Employee      | Auction                       |                  |
| Mehran VXR LEB-17A-7608           | Mr Ilyas                 | 439,202              | 439,202    | -                        | 813,000    | 813,000       | Employee      | Auction                       |                  |
| Mehran VXR BKG-17-530             | Ms Suzuki South          | 439,202              | 439,202    | -                        | 857,500    | 857,500       | Employee      | Auction                       |                  |
| Mehran VXR BLD-19-019             | Mr Saad                  | 439,202              | 439,202    | -                        | 809,000    | 809,000       | Employee      | Auction                       |                  |
| Mehran VXR BLD-17-035             | Ms Suzuki South          | 439,202              | 439,202    | -                        | 865,500    | 865,500       | Employee      | Auction                       |                  |
| Mehran VXR LE-16A-3574            | Mr Wahneed               | 674,580              | 674,580    | -                        | 867,786    | 867,786       | Employee      | Auction                       |                  |
| Mehran VXR BKG-17-531             | Ms Suzuki South          | 439,202              | 439,202    | -                        | 843,000    | 843,000       | Employee      | Auction                       |                  |
| Mehran VXR BLD-17-013             | Ms Suzuki South          | 439,202              | 439,202    | -                        | 847,000    | 847,000       | Employee      | Auction                       |                  |
| Computer equipments               | Furniture and fixtures   | Various buyers       | 683,364    | 572,468                  | 110,896    | 406,210       | 295,314       | Third Party                   | Auction          |
|                                   |                          |                      | 673,201    | 474,232                  | 198,969    | 137,300       | (61,669)      | Third Party                   | Auction          |
| Office equipments                 |                          | Various buyers       | 592,550    | 113,525                  | 479,025    | 311,000       | (168,025)     | Third Party                   | Auction          |
|                                   |                          |                      |            |                          |            |               |               |                               |                  |
| Assets subject to insurance claim |                          |                      | 24,407,945 | 23,619,056               | 788,890    | 39,249,814    | 38,460,924    |                               |                  |
| Assets written off                |                          |                      | 2,574,165  | 2,392,754                | 181,411    | -             | (181,411)     |                               |                  |
|                                   |                          |                      | 1,404,671  | 1,196,164                | 208,507    | -             | (208,507)     |                               |                  |
| 2023                              |                          |                      | 28,386,781 | 27,207,973               | 1,178,808  | 39,249,814    | 38,071,006    |                               |                  |
| 2022                              |                          |                      | 26,721,390 | 23,494,899               | 3,226,491  | 10,242,396    | 7,015,905     |                               |                  |



|  |      | 2023               | 2022               |
|--|------|--------------------|--------------------|
|  | Note | Rupees             | Rupees             |
| <b>6.3 Allocation of depreciation</b>  |      |                    |                    |
| Programme cost                         | 37   | 130,830,427        | 103,799,697        |
| Grant expenses                         | 38   | 12,929,494         | 11,888,083         |
| Management and administrative expenses | 40   | 44,009,551         | 44,822,254         |
|  |      | <u>187,769,472</u> | <u>160,510,034</u> |

6.4 Cost of property and equipment include cost of fully depreciated assets that are still in use amounting to Rs. 240.26 million (2022: Rs. 177.39 million). The breakup of such fully depreciated assets is as follows:

|                        | 2023               | 2022               |
|------------------------|--------------------|--------------------|
|                        | Rupees             | Rupees             |
| Furniture and fixtures | 9,299,947          | 6,455,367          |
| Office equipments      | 14,706,262         | 12,390,667         |
| Computer equipments    | 199,775,071        | 153,917,856        |
| Vehicles               | 16,474,134         | 4,629,080          |
|                        | <u>240,255,414</u> | <u>177,392,970</u> |

6.5 The Company has elected to measure land using the revaluation model. The fair value of the Company's 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 performed on June 30, 2023 has resulted in revaluation surplus of Rs. 435.74 (2020: Rs. 90.73 million).

6.6 Had there been no revaluation, the carrying value of freehold land would have amounted to Rs. 522 million (2022: Rs. 93.5 million). The plots are situated at 1-A, 1-B and 1-C, Shahrah Nazaria-e-Pakistan, Opposite Expo Centre, Mouza Niaz Baig (plots area being 7.92 kanal) and 19-Aibak Block, New Garden Town, Lahore (plot area being 2.006 kanal).

6.7 The forced sale value of the revalued land had been assessed at Rs. 1,104.57 million (2020: Rs. 302.4 million) at the time of revaluation.

6.8 An amount of 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 included in 'Other income' in the statement of income and expenditure.

6.9 During the year, land and building situated at 19-Aibak Block, New Garden Town, Lahore was transferred from investment property measured at fair value to its freehold land as the Company decided to use it as an owner occupied property. The valuation techniques and significant unobservable inputs used in measuring the fair value of the investment property at the date of transfer were the same as those applied to investment property at the reporting date (see note 8.1).

| Intangible assets |                          |  |  |  |  |  |  |  |  |
|-------------------|--------------------------|--|--|--|--|--|--|--|--|
|                   |                          |  |  |  |  |  |  |  |  |
| 7                 | Intangible assets        |  |  |  |  |  |  |  |  |
|                   | Software and licenses    |  |  |  |  |  |  |  |  |
|                   | Capital work in progress |  |  |  |  |  |  |  |  |
|                   |                          |  |  |  |  |  |  |  |  |

| 7.1 Software and licenses |  |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|--|
|                           |  |  |  |  |  |  |  |  |  |
|                           |  |  |  |  |  |  |  |  |  |
|                           |  |  |  |  |  |  |  |  |  |
|                           |  |  |  |  |  |  |  |  |  |

| 7.1.1 Allocation of amortisation |  |  |  |  |  |  |  |  |  |
|----------------------------------|--|--|--|--|--|--|--|--|--|
|                                  |  |  |  |  |  |  |  |  |  |
|                                  | Grant expenses                         |  |  |  |  |  |  |  |  |
|                                  | Management and administrative expenses |  |  |  |  |  |  |  |  |
|                                  |  |  |  |  |  |  |  |  |  |

| 7.1.2 Cost of intangible assets include cost of fully amortized intangible assets that are still in use amounting to Rs. 10.10 million (2022: 7.64 million). |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

| 7.2 Capital work in progress |  |  |  |  |  |  |  |  |  |
|------------------------------|--|--|--|--|--|--|--|--|--|
|                              |  |  |  |  |  |  |  |  |  |
|                              |  |  |  |  |  |  |  |  |  |
|                              |  |  |  |  |  |  |  |  |  |
|                              |  |  |  |  |  |  |  |  |  |

| 7.2 Software |  |  |  |  |  |  |  |  |  |
|--------------|--|--|--|--|--|--|--|--|--|
|              |  |  |  |  |  |  |  |  |  |
|              | Balance as at July 1                                       |  |  |  |  |  |  |  |  |
|              | Additions during the year                                  |  |  |  |  |  |  |  |  |
|              | Transfers to software and licenses                         |  |  |  |  |  |  |  |  |
|              | Reclassification to management and administrative expenses |  |  |  |  |  |  |  |  |
|              | Balance as at June 30                                      |  |  |  |  |  |  |  |  |



|                                    |      | 2023          | 2022               |
|------------------------------------|------|---------------|--------------------|
|                                    | Note | Rupees        | Rupees             |
| <b>8 Investment property</b>       |      |               |                    |
| Balance as at July 1               |      | 103,424,250   | 88,150,750         |
| Gain from fair value measurement   | 42   | 10,000,000    | 15,273,500         |
| Transfer to property and equipment |      | (113,424,250) |                    |
| Balance as at June 30              |      | <u>-</u>      | <u>103,424,250</u> |

#### 8.1 Measuring investment property at fair value

The Company's investment property consisted of freehold land and building on freehold land of 2.006 kanal situated at 19 Aibak Block, New Garden Town, Lahore, which had been leased to third party since 2017. The investment property was transferred to property and equipment during the year. Immediately, before the transfer, it was revalued to fair value and a gain of Rs. 10 million was recognised as revaluation surplus in the statement of income and expenditure.

As at June 30, 2023 and June 30, 2022, the fair values of the properties are based on valuations performed by M/s Tristar International Consultant (Private) Limited, an accredited independent valuer. The valuer has appropriate qualifications and recent experience and is a specialist in valuing these types of investment properties.

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties in the locality, and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Fair value hierarchy disclosures for investment properties are in note 47.

8.2 At the time of valuation, the forced sale value of the investment property had been assessed at Rs. 96.41 million (2022: Rs. 87.91 million).

|  |      | 2023      | 2022      |
|--|------|-----------|-----------|
|  | Note | Rupees    | Rupees    |
| 8.3 Rental income derived from investment properties | 42.1 | 4,029,380 | 4,977,000 |

|   |   | 2023                 | 2022               |
|---|---|----------------------|--------------------|
| 9 | Long term investments                   | Rupees               | Rupees             |
|   | Note                                    |                      |                    |
|   | Investment in associate                 | -                    | -                  |
|   | <b>Investments at Amortized Cost</b>    |                      |                    |
|   | Investment in Pakistan Investment Bonds | 1,111,084,529        | -                  |
|   | Investment in term finance certificates | 403,956,712          | 187,973,040        |
|   |   | <u>1,515,041,241</u> | <u>187,973,040</u> |

#### 9.1 Investment in associate - Kashf Holding (Private) Limited

900,000 (2022: 900,000) fully paid shares of Rs. 10 / - each at cost, equity held 30.2% (2022: 30.2%)

Value of investment based on net assets as shown in the un-audited financial statements as at June 30, 2023 (2022: un-audited)

Accumulated share of loss of associate

- based on un-audited financial statements

|              |              |
|--------------|--------------|
| 63,000,000   | 63,000,000   |
| (63,000,000) | (63,000,000) |

Summary of financial information of the associate is as follows:

|                   | December 31, 2022 | December 31, 2021 |
|-------------------|-------------------|-------------------|
|                   | Rupees            | Rupees            |
|                   | Audited           | Audited           |
| Total assets      | 2,833,664         | 59,112,779        |
| Total liabilities | 575,355,848       | 636,472,284       |
| Total equity      | (572,522,184)     | (577,359,505)     |
| Loss for the year | (93,673,824)      | (256,649,135)     |

Share of loss amounting to Rs. 222.90 million (2022: Rs. 194.61 million) has been restricted to cost of investment in associate. 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.



9.2 Investment in Pakistan Investment Bonds

| Particulars              | Note  | Effective rate of interest % per annum | 2023                 |                         |                      |                  | 2022                    |                |          |                  | Maturity date |
|--------------------------|-------|--|----------------------|-------------------------|----------------------|------------------|-------------------------|----------------|----------|------------------|---------------|
|                          |       |  | Principal amount     | Accrued interest Rupees | Amortised cost       | Principal amount | Accrued interest Rupees | Amortised cost |          |                  |               |
| Pakistan Investment Bond | 9.2.1 | 18.91%                                 | 494,259,000          | 11,467,847              | 505,726,847          | -                | -                       | -              | -        | February 9, 2025 |               |
| Pakistan Investment Bond | 9.2.1 | 18.39%                                 | 488,734,000          | 12,473,287              | 501,207,287          | -                | -                       | -              | -        | February 9, 2026 |               |
| Pakistan Investment Bond | 9.2.1 | 18.86%                                 | 17,016,760           | 393,001                 | 17,409,761           | -                | -                       | -              | -        | February 9, 2025 |               |
| Pakistan Investment Bond | 9.2.1 | 16.12%                                 | 85,276,360           | 1,464,274               | 86,740,634           | -                | -                       | -              | -        | February 9, 2025 |               |
|                          |       |  | <u>1,085,286,120</u> | <u>25,798,409</u>       | <u>1,111,084,529</u> | <u>-</u>         | <u>-</u>                | <u>-</u>       | <u>-</u> |                  |               |

9.2.1 This represents Pakistan Investment Bonds purchased during the year. The instruments carry markup from 16.12% to 18.91% per annum with maturity of two to three years.

9.3 Investment in term finance certificates

| Particulars          | Note  | Rate of interest % per annum | 2023               |                         |                    |                    | 2022                    |                    |          |                  | Maturity date |
|----------------------|-------|------------------------------|--------------------|-------------------------|--------------------|--------------------|-------------------------|--------------------|----------|------------------|---------------|
|                      |       |                              | Principal amount   | Accrued interest Rupees | Amortised cost     | Principal amount   | Accrued interest Rupees | Amortised cost     |          |                  |               |
| JS Bank Limited      | 9.3.1 | 24.07%                       | 400,000,000        | 3,956,712               | 403,956,712        | -                  | -                       | -                  | -        | June 30, 2033    |               |
| Bank Alfalah Limited | 9.03% |                              | -                  | -                       | -                  | 180,515,000        | 7,458,040               | 187,973,040        | -        | January 15, 2024 |               |
|                      |       |                              | <u>400,000,000</u> | <u>3,956,712</u>        | <u>403,956,712</u> | <u>180,515,000</u> | <u>7,458,040</u>        | <u>187,973,040</u> | <u>-</u> |                  |               |

9.3.1 This represent term finance certificates amounting to Rs. 400 million (2022: Nil) acquired during the year. The instrument carries markup of 24.07% per annum with maturity of ten years.

| 10 | Long term loans                         | Note | 2023<br>Rupees   | 2022<br>Rupees   |
|----|---|------|------------------|------------------|
|    | <b>Related party - unsecured</b>        |      |                  |                  |
|    | Loan to Kashf Holding (Private) Limited | 10.1 | 220,239,935      | 220,239,935      |
|    | Less: Accumulated impairment            | 10.2 | (220,239,935)    | (220,239,935)    |
|    |   |      | -                | -                |
|    | Loan to employees - unsecured           | 10.3 | 4,683,203        | 1,221,141        |
|    |   |      | <u>4,683,203</u> | <u>1,221,141</u> |

**10.1** 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 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.

Kashf Foundation 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 2021.

| 10.2 | Movement in accumulated impairment: | 2023<br>Rupees     | 2022<br>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> |

**10.3** These are interest free loans. Impact of discounting of these interest free loans is considered immaterial.

| 11 | Long term micro-credit loan portfolio - unsecured                          | Note  | 2023<br>Rupees       | 2022<br>Rupees       |
|----|--|-------|----------------------|----------------------|
|    | Kashf school sarmaya   | 11.1  | 86,287,115           | 44,182,484           |
|    | Kashf karobar karza  | 11.2  | 687,892,852          | 398,559,701          |
|    | Kashf muwaishi karza   | 11.3  | 146,924,538          | 153,851,146          |
|    | Home improvement loan  | 11.4  | 28,854,011           | -                    |
|    |  |       | <u>949,958,516</u>   | <u>596,593,331</u>   |
|    | <b>Due within one year:</b>  |       |                      |                      |
|    | Kashf school sarmaya   |       | (69,236,120)         | (35,483,230)         |
|    | Kashf karobar karza  |       | (601,861,048)        | (296,687,036)        |
|    | Kashf muwaishi karza   |       | (133,829,979)        | (118,556,562)        |
|    | Home improvement loan  |       | (18,888,044)         | -                    |
|    |  |       | <u>(823,815,191)</u> | <u>(450,726,828)</u> |
|    | Less: Provision for expected credit losses on long term micro-credit loans | 15.11 | (799,631)            | (1,857,245)          |
|    |  |       | <u>125,343,694</u>   | <u>144,009,258</u>   |

415



- 11.1 Kashf school sarmaya represents micro-credit loans for educational activities, with loan amount ranging from Rs. 100,000 to Rs. 500,000 (2022: Rs. 80,000 to Rs. 500,000). The outstanding balance is repayable along with service charges and life insurance over a period of eighteen months to twenty four months in equal monthly installments (2022: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 40.12% to 40.97% (2022: 35.60% to 35.94%) per annum.
- 11.2 Kashf karobar karza represents micro-credit loans for productive/income generating activities, with loan amount ranging from Rs. 55,000 to Rs.300,000 (2022: Rs. 30,000 to Rs. 225,000). 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 (2022: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 39.34% to 39.90% (2022: 35.46% to 35.61%) per annum.
- 11.3 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. 80,000 to Rs. 350,000 (2022: Rs. 80,000 to Rs. 150,000). 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 (2022: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 35.47% to 39.90% (2022: 35.46% to 35.61%) per annum.
- 11.4 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 two productive loans. The loan amount ranges from Rs.70,000 to Rs.300,000 (2022: Nil). The outstanding balance, along with service charges and Kashf sehatmand zindagi bema, is repayable over a period of eighteen months to thirty six months (2022: Nil).The effective yield on this loan is 37.99% to 39.90% (2022: Nil) per annum.
- 11.5 Impact of discounting of long term micro-credit loan is considered immaterial.

|  | Note | 2023<br>Rupees    | 2022<br>Rupees |
|--|------|-------------------|----------------|
| <b>12 Long term Kashf murabaha portfolio</b>                                     |      |                   |                |
| Kashf murabaha   | 12.1 | 37,991,847        | -              |
| Kashf muwaishi murabaha  | 12.2 | 476,176           | -              |
|  |      | <u>38,468,023</u> | <u>-</u>       |
| <b>Due within one year:</b>  |      |                   |                |
| Kashf murabaha receivable  |      | (25,140,355)      | -              |
| Kashf muwaishi murabaha  |      | (266,664)         | -              |
|  | 16   | (25,407,019)      | -              |
| Unearned murabaha income   |      | (9,062,295)       | -              |
| Less: Provision for expected credit losses on long term Kashf murabaha portfolio |      | (19,234)          | -              |
|  |      | <u>3,979,475</u>  | <u>-</u>       |

- 12.1 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 (2022: Nil). 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 (2022: Nil). Profit is allocated at the rate of 23% (2022: Nil) as per terms of murabaha agreement.
- 12.2 Kashf muwaishi murabaha is introduced during the year to meet the specific credit requirement of clients engaged in dairy businesses. The facility ranges from Rs. 100,000 to Rs. 350,000 (2022: Nil). 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 (2022: Nil). Profit is allocated at the rate of 23% (2022: Nil) as per terms of murabaha agreement.

13 Financial assets 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 26.1.2.

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                    |                  |
| <b>June 30, 2023</b>            |                     |                  |                           |                  |
| 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    |
| Less: Current portion           | (2,255,665,753)     | (5,208,601,982)  | (1,456,107,354)           | (8,280,010,824)  |
|                                 | 1,674,557,786       | 4,552,009,742    | -                         | -                |

|                                 | Cross Currency Swap |                  | Currency Forward Contract |                  |
|---------------------------------|---------------------|------------------|---------------------------|------------------|
|                                 | Mark to market      | Notional Amounts | Mark to market            | Notional Amounts |
|                                 | Rupees              |                  | Rupees                    |                  |
| <b>June 30, 2022</b>            |                     |                  |                           |                  |
| MCB Bank Limited                | 263,479,646         | 773,662,089      | -                         | -                |
| Standard Chartered Bank Limited | 1,390,396,308       | 8,214,434,394    | -                         | -                |
| Habib Bank Limited              | 933,232,135         | 4,081,570,498    | -                         | -                |
|                                 | 2,587,108,089       | 13,069,666,981   | -                         | -                |
|                                 | (1,319,960,982)     | (6,078,423,913)  | -                         | -                |
| Less: Current portion           | 1,267,147,107       | 6,991,243,068    | -                         | -                |

431



### 13.1 Maturity analysis

|                            | No. of contracts | Notional principal    | Mark to market |                      |                      |
|----------------------------|------------------|-----------------------|----------------|----------------------|----------------------|
|                            |                  |                       | Negative       | Positive             | Net                  |
| Rupees                     |                  |                       |                |                      |                      |
| <b>As at June 30, 2023</b> |                  |                       |                |                      |                      |
| 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> |

|                            | No. of contracts | Notional principal    | Mark to market |                      |                      |
|----------------------------|------------------|-----------------------|----------------|----------------------|----------------------|
|                            |                  |                       | Negative       | Positive             | Net                  |
| Rupees                     |                  |                       |                |                      |                      |
| <b>As at June 30, 2022</b> |                  |                       |                |                      |                      |
| Up to 1 month              | -                | -                     | -              | -                    | -                    |
| 1 to 3 months              | -                | -                     | -              | -                    | -                    |
| 3 to 6 months              | 2                | 401,103,356           | -              | 120,791,903          | 120,791,903          |
| 6 month to 1 year          | 3                | 1,568,437,165         | -              | 358,015,344          | 358,015,344          |
| 1 to 2 year                | 7                | 6,644,714,831         | -              | 1,450,661,034        | 1,450,661,034        |
| 2 to 3 years               | 4                | 4,455,411,628         | -              | 657,639,808          | 657,639,808          |
| Above 3 years              | -                | -                     | -              | -                    | -                    |
|                            |                  | <u>13,069,666,980</u> | <u>-</u>       | <u>2,587,108,089</u> | <u>2,587,108,089</u> |

|                 | 2023  |   |                         | 2022  |   |                         |
|-----------------|---|---|-------------------------|---|---|-------------------------|
|                 | 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 | (3,004,100,334)   | 2,799,222,804   | (204,877,530)           | (3,083,565,501)   | 3,086,696,874   | 3,131,373               |

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.

|   |       | 2023                  | 2022                  |
|---|-------|-----------------------|-----------------------|
|   | Note  | Rupees                | Rupees                |
| <b>14 Long term deposits</b>  |       |                       |                       |
| Security deposit:   |       |                       |                       |
| - against repayment guarantee from Silk Bank Limited                                  |       | 144,100,000           | 79,500,000            |
| - against electricity connection  |       | 463,360               | 463,360               |
| - against NADRA Verisys   |       | 5,000,000             | 5,000,000             |
|   |       | <u>149,563,360</u>    | <u>84,963,360</u>     |
| <b>15 Micro-credit loan portfolio - unsecured</b>                                     |       |                       |                       |
| Kashf karobar karza   | 15.1  | 19,758,016,778        | 14,660,190,223        |
| Kashf bahali karza  | 15.2  | 8,418,600             | 94,874,995            |
| Kashf easy loan   | 15.3  | 2,106,118,140         | 1,378,047,907         |
| Kashf sahumat karza   | 15.4  | 123,707,230           | 137,013,506           |
| Kashf fori karza  | 15.5  | 197,251,368           | 137,546,453           |
| Kashf muwaishi karza  | 15.6  | 2,279,557,594         | 2,095,762,280         |
| Kashf school sarmaya  | 15.7  | 153,323,791           | 95,552,629            |
| Kashf sawari karza  | 15.8  | 61,120                | -                     |
| Home improvement loan   | 15.9  | 13,145,769            | -                     |
| Kashf top up karza  | 15.10 | 51,166,131            | -                     |
|   |       | <u>24,690,766,521</u> | <u>18,598,987,993</u> |
| Accrued service charges   |       | 435,808,639           | 257,708,837           |
| Current portion of long term micro-credit loan portfolio                              | 11    | 823,815,191           | 450,726,828           |
|   |       | <u>25,950,390,351</u> | <u>19,307,423,658</u> |
| Less: Accrued service charges disclosed separately in statement of financial position | 17    | (435,808,639)         | (257,708,837)         |
| Less: Provision for expected credit losses on micro-credit loan portfolio             | 15.11 | (161,252,565)         | (305,702,333)         |
|   |       | <u>25,353,329,147</u> | <u>18,744,012,488</u> |

**15.1** 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 (2022: Rs. 30,000 to Rs. 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 (2022: twelve months in equal monthly installments). The effective yield on these loans is 40.06% (2022: 35.91%) per annum.

**15.2** 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 (2022: 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 (2022: twelve months in equal monthly installments). The effective yield on these loans is 35.91% (2022: 35.91%) per annum.



- 15.3 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. 35,000 (2022: Rs. 20,000 to Rs. 25,000). The outstanding balance, along with service charges and Kashf care insurance, is repayable over a period of twelve months in equal monthly installments (2022: twelve months in equal monthly installments). The effective yield on this loan is 40.06% (2022: 36.74%) per annum.
- 15.4 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 (2022: 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 (2022: six months in equal monthly installments). The effective yield on this loan is 38.42% (2022: 36.79%).
- 15.5 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. 15,000 (2022: Rs. 10,000). The outstanding balance, along with service charges, is repayable over a period of three months to nine months in equal monthly installments (2022: up to nine months in equal monthly installments). The effective yield on this loan is 59.75% to 67.52% (2022: 35.91% to 60.00%).
- 15.6 Kashf muwaishi 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 (2022: Rs. 80,000 to Rs. 150,000). 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 (2022: six months to twelve months in equal monthly installments). The effective yield on this loan is 40.06% (2022: 35.72%) per annum.
- 15.7 Kashf school sarmaya represents micro-credit loans for educational activities with a loan amount ranging from Rs. 80,000 to Rs. 500,000 (2022: Rs. 80,000 to Rs. 500,000). The outstanding balance, along with service charges and life insurance is repayable over a period of twelve months in equal monthly installments (2022: twelve months in equal monthly installments). The effective yield on this loan is from 42.11% (2022: 37.07%) per annum.
- 15.8 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 (2022:Nil) repayable over a period of twelve months in equal monthly installments (2022: Nil). The effective yield on this loan is 40.06% (2022: Nil) per annum.
- 15.9 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 two productive loans with the Company. The loan amount ranges from Rs. 70,000 to Rs. 300,000 (2022: Nil). The outstanding balance, along with service charges and Kashf sehatmand zindagi bema, is repayable over a period of twelve months in equal monthly installments (2022: Nil). The effective yield on this loan is 40.06% (2022: Nil) per annum.
- 15.10 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 40.06% (2022: Nil) per annum.

|  | 2023               | 2022               |
|--|--------------------|--------------------|
|  | Rupees             | Rupees             |
| 15.11 Movement in provision for expected credit losses   |                    |                    |
| Balance as at July 1                                     | 307,559,578        | 480,904,844        |
| Expected credit losses charged for the year              | 141,332,993        | 157,991,347        |
|  | <u>448,892,571</u> | <u>638,896,191</u> |
| Written off against provision for expected credit losses | (286,840,375)      | (331,336,613)      |
| Balance as at June 30                                    | <u>162,052,196</u> | <u>307,559,578</u> |

41

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

|                     | 2023               | 2022               |
|---------------------|--------------------|--------------------|
|                     | Rupees             | Rupees             |
| Non-current portion | 799,631            | 1,857,245          |
| Current portion     | 161,252,565        | 305,702,333        |
|                     | <u>162,052,196</u> | <u>307,559,578</u> |

#### 15.12 Number of long term and short term loans

|                         |                |                |
|-------------------------|----------------|----------------|
| Considered good         | 726,545        | 594,936        |
| Considered doubtful     | 19,305         | 29,394         |
| Less: Loans written off | (11,666)       | (17,029)       |
|                         | 7,639          | 12,365         |
|                         | <u>734,184</u> | <u>607,301</u> |

#### 15.13 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.

|                    | 2023       | 2022       | 2023                  | 2022                  |
|--------------------|------------|------------|-----------------------|-----------------------|
|                    | Percentage | Percentage | Rupees                | Rupees                |
| Not due yet        | 99.07      | 98.07      | 25,401,287,175        | 18,824,512,343        |
| 1-29 days          | 0.40       | 0.31       | 103,669,702           | 59,695,097            |
| 30-89 days         | 0.11       | 0.06       | 30,330,903            | 11,138,418            |
| 90-179 days        | 0.16       | 0.05       | 39,947,119            | 10,071,197            |
| More than 180 days | 0.26       | 1.51       | 65,490,138            | 290,164,269           |
|                    | <u>100</u> | <u>100</u> | <u>25,640,725,037</u> | <u>19,195,581,324</u> |



#### 15.14 Portfolio by segment

|  | Note | 2023<br>Rupees        | 2022<br>Rupees        |
|--|------|-----------------------|-----------------------|
| <b>Micro enterprise</b>  |      |                       |                       |
| Agriculture and livestock  |      | 7,277,445,269         | 5,524,032,143         |
| Services   |      | 3,431,713,042         | 2,767,530,653         |
| Trading  |      | 3,904,408,580         | 2,981,762,377         |
| Manufacturing  |      | 641,327,530           | 551,564,829           |
|  |      | 15,254,894,421        | 11,824,890,002        |
| <b>General loan</b>  |      |                       |                       |
| Domestic   |      | 2,528,460,222         | 1,621,574,839         |
| School   |      | 239,610,906           | 139,765,010           |
| Food production and services   |      | 1,009,222,630         | 802,185,034           |
| Garments and handicrafts   |      | 6,608,536,858         | 4,807,166,439         |
|  |      | 10,385,830,616        | 7,370,691,322         |
|  |      | <u>25,640,725,037</u> | <u>19,195,581,324</u> |
| <b>16 Kashf murabaha portfolio</b>   |      |                       |                       |
| Kashf murabaha   |      | 1,194,710,455         | 908,391,923           |
| Kashf muwaishi murabaha  |      | 21,834,853            | -                     |
| Less: Unearned murabaha income   |      | (224,146,106)         | (156,481,587)         |
|  | 16.1 | <u>992,399,202</u>    | <u>751,910,336</u>    |
| Add: Current portion of long term Kashf murabaha portfolio                       | 12   | 25,407,019            | -                     |
| Less: Provision for expected credit losses on long term Kashf murabaha portfolio | 16.3 | (4,891,941)           | (25,265,661)          |
|  |      | <u>1,012,914,280</u>  | <u>726,644,675</u>    |

16.1 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. 200,000 (2022: Rs. 30,000 to Rs. 150,000). The outstanding balance, along with profit on Kashf murabaha, and Kashf sehat takaful, is repayable over a period of twelve months (2022: twelve months). Profit is allocated at the rate of 23% (2022: 20.8%) on terms of Murabaha agreement.

16.2 Kashf muwaishi murabaha is introduced during the year to meet the specific credit requirement of clients engaged in dairy businesses. The facility ranges from Rs. 80,000 to Rs. 350,000 (2022: Nil). The outstanding balance, along with profit on Kashf murabaha, livestock takaful, and Kashf sehat takaful, is repayable over a period of twelve months (2022: Nil). Profit is allocated at the rate of 23% (2022: Nil) on terms of murabaha agreement.

|  | 2023<br>Rupees   | 2022<br>Rupees    |
|--|------------------|-------------------|
| <b>16.3 Movement in provision for expected credit losses</b> |                  |                   |
| Balance as at July 1   | 25,265,661       | 10,579,032        |
| Expected credit losses reversed during the year              | (19,284,783)     | 25,156,729        |
|  | <u>5,980,878</u> | <u>35,735,761</u> |
| Written off against provision for expected credit losses     | (1,069,703)      | (10,470,100)      |
| Balance as at June 30  | <u>4,911,175</u> | <u>25,265,661</u> |

71

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

|                     | 2023<br>Rupees   | 2022<br>Rupees    |
|---------------------|------------------|-------------------|
| Non-current portion | 19,234           | -                 |
| Current portion     | 4,891,941        | 25,265,661        |
|                     | <u>4,911,175</u> | <u>25,265,661</u> |

#### 16.4 Number of Murabaha's

|                             |               |               |
|-----------------------------|---------------|---------------|
| Considered good             | 25,762        | 21,761        |
| Considered doubtful         | 386           | 632           |
| Less: Financing written off | (41)          | (555)         |
|                             | 345           | 77            |
|                             | <u>26,107</u> | <u>21,838</u> |

#### 16.5 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.

|                    | 2023<br>Percentage | 2022<br>Percentage | 2023<br>Rupees       | 2022<br>Rupees     |
|--------------------|--------------------|--------------------|----------------------|--------------------|
| Not due yet        | 99.03              | 99.21              | 1,011,850,512        | 745,962,824        |
| 1-29 days          | 0.52               | 0.52               | 5,373,642            | 3,933,202          |
| 30-89 days         | 0.10               | 0.09               | 1,044,437            | 681,914            |
| 90-179 days        | 0.07               | 0.04               | 695,454              | 301,184            |
| More than 180 days | 0.28               | 0.14               | 2,840,885            | 1,031,212          |
|                    | <u>100</u>         | <u>100</u>         | <u>1,021,804,930</u> | <u>751,910,336</u> |

#### 16.6 Murabaha portfolio by segment

|                              | Note | 2023<br>Rupees       | 2022<br>Rupees     |
|------------------------------|------|----------------------|--------------------|
| <b>Micro enterprise</b>      |      |                      |                    |
| Agriculture and livestock    |      | 197,074,903          | 139,482,272        |
| Services                     |      | 177,853,088          | 129,337,843        |
| Trade                        |      | 473,356,758          | 367,387,667        |
| Manufacturing                |      | 16,758,642           | 11,381,141         |
|                              |      | 865,043,391          | 647,588,923        |
| <b>General loan</b>          |      |                      |                    |
| Food production and services |      | 47,587,433           | 33,396,955         |
| Garments and handicrafts     |      | 109,174,106          | 70,924,458         |
|                              |      | 156,761,539          | 104,321,413        |
|                              |      | <u>1,021,804,930</u> | <u>751,910,336</u> |

#### 17 Accrued service charges

|  |    |                    |                    |
|--|----|--------------------|--------------------|
| Micro-credit loan portfolio                | 15 | 435,808,639        | 257,708,837        |
| Kashf murabaha portfolio                   |    | 6,370,642          | 3,198,478          |
| Less: Provision for expected credit losses |    | (2,781,892)        | (4,357,152)        |
|  |    | <u>439,397,389</u> | <u>256,550,163</u> |

71



18 Short term investments

Investments classified as at FVTPL

Faysal Income and Growth Fund (164,764 units (2022: 144,068 units))  
 NBP Financial Sector Income Fund (0 units (2022: 6,484,637 units))  
 NBP Income Fund (4,641,633 units (2022: 0 units))  
 ABL Cash Fund (1,001,370 units (2022: 0 units))

Investments at Amortized Cost

Term deposit certificates

- Local currency
- Foreign currency

Term finance certificates

Principal amount

Amortisation - accrued income on short term investments

Amortised cost

411

| Note | 2023   | 2022   |
|------|--------|--------|
|      | Rupees | Rupees |

|  |                   |                   |
|--|-------------------|-------------------|
|  | 17,952,785        | 15,426,815        |
|  | -                 | 68,419,405        |
|  | 46,489,210        | -                 |
|  | 10,242,719        | -                 |
|  | <u>74,684,714</u> | <u>83,846,220</u> |

|      |               |               |
|------|---------------|---------------|
|      | 700,000,000   | 700,000,000   |
|      | 1,358,740,866 | 502,079,262   |
| 18.1 | 2,058,740,866 | 1,202,079,262 |

|      |                      |                      |
|------|----------------------|----------------------|
| 18.2 | 380,515,000          | 100,000,000          |
|      | <u>2,439,255,866</u> | <u>1,302,079,262</u> |

|  |                      |                      |
|--|----------------------|----------------------|
|  | <u>63,539,231</u>    | <u>20,887,759</u>    |
|  | <u>2,502,795,097</u> | <u>1,322,967,021</u> |

|  |                      |                      |
|--|----------------------|----------------------|
|  | <u>2,577,479,811</u> | <u>1,406,813,241</u> |
|--|----------------------|----------------------|

18.1 Term deposit certificates

| Particulars       | 2023                 |                         |                      |                      | 2022                    |                      |                  |                   | Maturity date |
|-------------------|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|------------------|-------------------|---------------|
|                   | Principal amount     | Accrued interest Rupees | Amortised cost       | Principal amount     | Accrued interest Rupees | Amortised cost       | Principal amount |                   |               |
| Silk Bank Limited | 50,000,000           | 6,435,000               | 56,435,000           | -                    | -                       | -                    | -                | November 14, 2023 |               |
| Silk Bank Limited | 250,000,000          | 24,830,479              | 274,830,479          | -                    | -                       | -                    | -                | March 1, 2024     |               |
| Silk Bank Limited | 514,782,900          | 7,168,380               | 521,951,280          | -                    | -                       | -                    | -                | August 31, 2023   |               |
| Silk Bank Limited | 164,730,528          | 2,293,857               | 167,024,385          | -                    | -                       | -                    | -                | August 31, 2023   |               |
| Silk Bank Limited | 21,449,288           | 300,185                 | 21,749,473           | -                    | -                       | -                    | -                | August 31, 2023   |               |
| Silk Bank Limited | 657,778,150          | 4,160,362               | 661,938,512          | -                    | -                       | -                    | -                | November 30, 2023 |               |
| Silk Bank Limited | -                    | -                       | -                    | 50,000,000           | 3,405,891               | 53,405,891           | -                | November 14, 2022 |               |
| Silk Bank Limited | -                    | -                       | -                    | 250,000,000          | 11,227,809              | 261,227,809          | -                | March 1, 2023     |               |
| Silk Bank Limited | -                    | -                       | -                    | 368,724,060          | 984,957                 | 369,709,017          | -                | January 1, 2023   |               |
| Silk Bank Limited | -                    | -                       | -                    | 117,991,699          | 315,194                 | 118,306,893          | -                | January 1, 2023   |               |
| Silk Bank Limited | -                    | -                       | -                    | 15,363,503           | 42,649                  | 15,406,152           | -                | January 1, 2023   |               |
| JS Bank Limited   | 400,000,000          | 5,753,424               | 405,753,424          | -                    | -                       | -                    | -                | June 6, 2024      |               |
| JS Bank Limited   | -                    | -                       | -                    | 400,000,000          | 4,648,767               | 404,648,767          | -                | June 6, 2023      |               |
|                   | <u>2,058,740,866</u> | <u>50,941,687</u>       | <u>2,109,682,553</u> | <u>1,202,079,262</u> | <u>20,625,267</u>       | <u>1,222,704,529</u> |                  |                   |               |

18.1.1 These term deposits carry mark-up ranging from 3.25% to 21.50% (2022: 3.25% to 15.15%) per annum. The term deposit certificates with JS Bank and Silk Bank Limited amounting to Rs. 400 million and Rs. 50 million, respectively with the maturity of one year have been pledged as security against running financing facility availed from commercial banks.

18.2 Term finance certificates

| Particulars          | Rate of interest % per annum | 2023               |                         |                    |                    | 2022                    |                    |                  |                  | Maturity date |
|----------------------|------------------------------|--------------------|-------------------------|--------------------|--------------------|-------------------------|--------------------|------------------|------------------|---------------|
|                      |                              | Principal amount   | Accrued interest Rupees | Amortised cost     | Principal amount   | Accrued interest Rupees | Amortised cost     | Principal amount |                  |               |
| JS Bank Limited      | 19.31%                       | 50,000,000         | -                       | 50,000,000         | -                  | -                       | -                  | -                | June 30, 2024    |               |
| JS Bank Limited      | 17.58%                       | -                  | -                       | -                  | 50,000,000         | -                       | -                  | 50,000,000       | June 30, 2023    |               |
| 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         | -                  | -                       | -                  | -                | June 30, 2024    |               |
| Bank of Punjab       | 17.42%                       | -                  | -                       | -                  | 50,000,000         | 262,492                 | 50,262,492         | -                | June 30, 2023    |               |
| Bank of Punjab       | 23.35%                       | 100,000,000        | 4,808,957               | 104,808,957        | -                  | -                       | -                  | -                | June 30, 2024    |               |
|                      |                              | <u>380,515,000</u> | <u>12,597,544</u>       | <u>393,112,544</u> | <u>100,000,000</u> | <u>262,492</u>          | <u>100,262,492</u> |                  |                  |               |

18.2.1 These represent term finance certificates classified as short term investments as the management intends to early redeem the term finance certificate during the next financial year rather than their original maturity of ten years.

18.2.2 These term finance certificates carry markup ranging from 9.03% to 24.13% (2022: 9.03% to 17.58%) per annum.

18.3 Treasury bills were purchased and sold during the year resulting in a fair value gain amounting to Rs. 4.09 million (2022: Nil) recognised in 'Other Income' (see note 42).



|   | Note    | 2023<br>Rupees       | 2022<br>Rupees       |
|---|---------|----------------------|----------------------|
| <b>19 Advances, deposits, prepayments and other receivables</b> |         |                      |                      |
| Advance to employees against expenses                           |         | 3,533,129            | 2,491,369            |
| Advances to agents against Kashf murabaha                       |         | 7,975,000            | 3,755,000            |
| Short term deposits   |         | 820,500              | 770,500              |
| Prepayments   |         | 25,861,901           | 16,572,141           |
| Accrued return on bank deposits                                 |         | 75,045,351           | 61,929,022           |
| Unearned Murabaha income  | 12 & 16 | 233,208,401          | 156,481,587          |
| Advance tax recoverable   |         | 631,045,560          | 436,538,732          |
| Advances to suppliers   |         | 9,938,895            | 4,154,740            |
| Provident fund trust receivables                                |         | -                    | 4,500,787            |
| Insurance claims receivables                                    |         | 33,645,855           | 24,557,267           |
| Commission receivable   |         | 24,359,710           | 23,893,206           |
| Other receivables   | 19.1    | 100,593,207          | 99,942,827           |
|   |         | <u>1,146,027,509</u> | <u>835,587,178</u>   |
| <b>19.1 Other receivable includes:</b>                          |         |                      |                      |
| Takaful contribution  |         | 7,214,896            | 13,441,068           |
| Employee field discrepancies                                    |         | 379,917              | 6,152,896            |
| Cash management system (CMS) charges                            |         | -                    | 4,529                |
| Insurance premium   |         | 53,275,326           | 44,153,813           |
| Receivable from third parties                                   |         | 39,723,068           | 36,190,521           |
|   |         | <u>100,593,207</u>   | <u>99,942,827</u>    |
| <b>20 Cash and bank balances</b>                                |         |                      |                      |
| Cash in hand  |         | 2,825,848            | 3,721,551            |
| Balance at banks:   |         |                      |                      |
| In current accounts - local currency                            |         | 228,929,966          | 94,462,037           |
| In saving accounts - local currency                             |         | 4,553,413,907        | 5,669,371,875        |
| In saving accounts - foreign currency                           |         | 743,649,388          | 601,114,447          |
|   | 20.1    | 5,297,063,295        | 6,270,486,322        |
|   |         | <u>5,528,819,109</u> | <u>6,368,669,910</u> |

20.1 Cash with banks in local currency saving accounts carry mark-up at rates ranging from 7% to 22.25% (2022: 8.25 % to 15%) per annum and cash with banks in foreign currency saving accounts carry mark-up rate of 4% (2022: 3.25%).

21 Donated funds

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

22 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.

23 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.

24 Hedging reserve

The hedging reserve represents effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the statement of income and expenditure as the hedged cash flows or items affect the statement of income and expenditure.

| 25 Surplus on revaluation of land               | Note   | 2023<br>Rupees        | 2022<br>Rupees        |
|---|--------|-----------------------|-----------------------|
| Revaluation surplus as at July 1                |        | 300,203,137           | 300,203,137           |
| Surplus arising on revaluation of freehold land |        | 435,744,740           | -                     |
|   |        | <u>735,947,877</u>    | <u>300,203,137</u>    |
| <b>26 Long term financing</b>                   |        |                       |                       |
| Long term loans                                 | 26.1   | 16,258,482,379        | 12,514,952,944        |
| <b>26.1 Long term loans</b>                     |        |                       |                       |
| Local currency loans                            | 26.1.1 | 14,323,151,200        | 9,979,959,961         |
| Foreign currency loans                          | 26.1.2 | 12,504,622,685        | 10,538,055,724        |
| Translation loss on foreign currency loans      | 26.2   | 5,564,649,809         | 2,560,549,475         |
|   |        | <u>32,392,423,694</u> | <u>23,078,565,160</u> |
| Less: Unamortized transaction cost              |        | (146,498,419)         | (99,525,061)          |
|   |        | <u>32,245,925,275</u> | <u>22,979,040,099</u> |
| Less: Current portion of long term loan         |        | (15,987,442,896)      | (10,464,087,155)      |
|   |        | <u>16,258,482,379</u> | <u>12,514,952,944</u> |

MT



## 26.1.1 Local currency loans

| Sr. No.                  | Lender   | Type                      | 2023 Rupees   | 2022 Rupees   | Rate of interest per annum | Outstanding Installments                     | Interest payable | Security  |
|--------------------------|--|---------------------------|---------------|---------------|----------------------------|--|------------------|---|
| Local currency - secured |  |                           |               |               |                            |  |                  |   |
| 1                        | JS Bank Limited                                  | Term Finance Facility     | -             | 181,818,182   | 1 M KIBOR + 1.85%          | -  | Monthly          | This loan has been fully repaid during the year.  |
| 2                        | Askari Bank Limited                              | Long Term Finance         | -             | 41,666,667    | 3 M KIBOR + 2%             | -  | Quarterly        | This loan has been fully repaid during the year.  |
| 3                        | MCB Bank Limited                                 | Demand Finance-I          | -             | 125,000,000   | 6 M KIBOR+2.25%            | -  | Quarterly        | This loan has been fully repaid during the year.  |
| 4                        | MCB Bank Limited                                 | Demand Finance-II         | 250,000,000   | 375,000,000   | 6 M KIBOR+2%               | 8 installments ending on May 21, 2025        | Quarterly        | The loan is secured against the first pari-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%.                            |
| 5                        | Pak-China Investment Company Limited             | Term Finance Facility     | 133,333,333   | 222,222,222   | 3 M KIBOR + 2.5%           | 3 installments ending on September 18, 2024  | Quarterly        | The loan is secured against the first pari-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%.                            |
| 6                        | Pakistan Microfinance Investment Company Limited | Standard Term Loan        | -             | 262,500,000   | 6 M KIBOR + 3%             | -  | Quarterly        | This loan has been fully repaid during the year.  |
| 7                        | Pakistan Microfinance Investment Company Limited | Standard Term Loan        | 3,093,718,750 | 3,837,500,000 | 6 M KIBOR + 3.1%           | 10 installments ending on September 30, 2025 | Quarterly        | The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.   |
| 8                        | National Bank of Pakistan                        | Term Loan                 | 62,500,000    | 312,500,000   | 3 M KIBOR + 2%             | 1 installment ending on July 31, 2023        | Quarterly        | The loan is secured against first pari-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.   |
| 9                        | The Bank of Punjab                               | Term Finance Facility     | -             | 166,666,667   | 3 M KIBOR + 1.9%           | -  | Quarterly        | This loan has been fully repaid during the year.  |
| 10                       | Pak Oman Investment Company Limited              | Term Finance Certificates | 200,000,000   | 833,333,333   | 3 M KIBOR + 2.25%          | 1 installment ending on September 30, 2023   | 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. These term finance certificates are listed on Pakistan Stock Exchange. |

471

| Sr. No.                  | Lender                    | Type                      | 2023 Rupees   | 2022 Rupees   | Rate of interest per annum | Outstanding Installments                    | Interest payable | Security  |
|--------------------------|---------------------------|---------------------------|---------------|---------------|----------------------------|---|------------------|---|
| Local currency - secured |                           |                           |               |               |                            |   |                  |   |
| 11                       | Bank Alfalah Limited      | Term Finance Facility-II  | -             | 40,028,175    | 3.00%                      | -   | Quarterly        | This loan has been fully repaid during the year.  |
| 12                       | Bank Alfalah Limited      | Term Finance Facility-III | -             | 39,457,715    | 3.00%                      | -   | Quarterly        | This loan has been fully repaid during the year.  |
| 13                       | 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.  |
| 14                       | State Bank of Pakistan    | Term Finance Facility     | 617,367,000   | 617,367,000   | 6 M KIBOR + 0.5%           | Bullet payment on June 30, 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.  |
| 15                       | National Bank of Pakistan | Term Loan                 | 1,000,000,000 | 1,000,000,000 | 3 M KIBOR + 1.25%          | 12 Installments ending on December 31, 2026 | Quarterly        | The loan is secured against first passu charge on all present and future current assets (other than the investment portfolio) with 25% margin amounting to PKR 1,334 million.         |
| 16                       | Standard Chartered Bank   | Term Loan                 | -             | 800,000,000   | 1 Y KIBOR + 2%             | -   | Quarterly        | This loan has been fully repaid during the year.  |
| 17                       | The Bank of Punjab        | Term Finance Facility     | 416,666,667   | 750,000,000   | 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. |
| 18                       | State Bank of Pakistan    | Term Finance Facility     | 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   |
| 19                       | Habib Bank Limited        | Term Finance Facility     | 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. |
| 20                       | National Bank of Pakistan | Term Finance Facility     | 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. |



| Sr. No.                  | Lender   | Type                  | 2023 Rupees   | 2022 Rupees | Rate of interest per annum | Outstanding Installments                    | Interest payable | Security   |
|--------------------------|--|-----------------------|---------------|-------------|----------------------------|---|------------------|--|
| Local currency - secured |  |                       |               |             |                            |   |                  |  |
| 21                       | Bank Alfalah Limited                             | Term Finance Facility | 416,666,667   | -           | 6 M K + 1.5%               | 6 installments ending on December 26, 2025  | Semi annually    | 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. |
| 22                       | The Bank of Punjab                               | Term Finance Facility | 416,666,666   | -           | 3 M KIBOR + 1.8%           | 12 installments ending on December 30, 2025 | 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. |
| 23                       | Pak Libya Holding Company (Private) Limited      | Term Finance Facility | 300,000,000   | -           | 3 M K + 1.25%              | 8 installments ending on April 3, 2026      | 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. |
| 24                       | JS Bank Limited                                  | Term Finance Facility | 1,000,000,000 | -           | 1MK+2%                     | 45 installments ending on June 14, 2027     | Monthly          | 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. |
| 25                       | State Bank of Pakistan                           | Term Finance Facility | 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.   |
| 26                       | Pakistan Microfinance Investment Company Limited | Standard Term Loan    | 1,006,281,250 | -           | 6 M KIBOR + 2.9%           | 5 installments ending on June 27, 2026      | Quarterly        | The loan is secured against the first part-passu hypothecation charge on all present and future current assets.  |
| 27                       | Habib Bank Limited                               | Term Finance Facility | 500,000,000   | -           | 3 M KIBOR + 1.75%          | 6 installments ending on June 27, 2026      | 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. |
| 28                       | Symbiotics Sicav II                              | Term Loan             | 325,367,867   | -           | 6 M KIBOR + 3%             | 2 installments ending on June 2, 2026       | Semi annually    | Unsecured loan.  |

14,323,151,200      9,979,959,961

411

## 26.1.2 Foreign currency loans

| Sr. No. | Lender  | Type      | Cross Currency Swap / Forward Arrangement    | Note     | 2023 Rupees   | 2022 Rupees   | Rate of interest per annum | Outstanding Installments                  | Interest payable | Security   |
|---------|---|-----------|--|----------|---------------|---------------|----------------------------|---|------------------|--|
| 29      | Societe' De Promotion Et De Participation Pour LA Cooperation Economique S.A (Proparco) | Term Loan | Converted by MCB Bank Limited                | 26.1.2.1 | -             | 82,607,143    | 13.20%                     | -   | Semi Annually    | This loan has been fully repaid during the year.   |
| 30      | Overseas Private Investment Corporation (OPIC)  | Term Loan | Converted by MCB Bank Limited                | 26.1.2.2 | 182,371,875   | 425,534,375   | 3 M KIBOR + 3.55%          | 3 installments ending on January 15, 2024 | Quarterly        | The loan is secured against pari passu charge including a margin of 10% above the total Overseas Private Investment Corporation (OPIC) principal amount. |
| 31      | Oesterreichische Entwicklungsbank AG (OeEB)   | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.3 | 583,575,000   | 972,625,000   | 6 M KIBOR + 2.90%          | 3 installments ending on July 19, 2024    | Semi annually    | Unsecured loan.  |
| 32      | GLS Alternative Investments-Mikrofinanzfonds  | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.4 | -             | 152,677,800   | 3 M KIBOR + 2.04%          | -   | Quarterly        | This loan has been fully repaid during the year.   |
| 33      | Asian Development Bank (ADB)  | Term Loan | Converted by Habb Bank Limited               | 26.1.2.5 | -             | 2,048,467     | 3 M LIBOR + 4.1%           | -   | Quarterly        | This loan has been fully repaid during the year.   |
|         |   | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.5 | -             | 445,995,318   | 6 M KIBOR + 1.65%          | -   | Semi annually    | This loan has been fully repaid during the year.   |
| 34      | InsuResilience Investment Fund SICAV RAIF (BlueOrchard)                                 | Term Loan | Converted by Habb Bank Limited               | 26.1.2.6 | 1,235,520,000 | 1,235,520,000 | 6 M KIBOR + 2.22%          | 2 installments ending on January 28, 2024 | Semi annually    | Unsecured loan.  |
|         |   | Term Loan | -  | -        | 21,449,288    | 15,363,503    | 6 M LIBOR + 4.15%          | 2 installments ending on January 28, 2024 | Semi annually    | Unsecured loan.  |
| 35      | Incofin CVSO CVBA (Incofin CVSO)  | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.7 | -             | 199,688,924   | 6 M KIBOR + 2.7%           | -   | Semi annually    | This loan has been fully repaid during the year.   |
|         |   | Term Loan | -  | -        | -             | 1,274,089     | 6 M LIBOR + 4.5%           | -   | Semi annually    | This loan has been fully repaid during the year.   |
| 36      | Incofin Enhancement Facility SA, SICAV-SIF (Incofin MEF)                                | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.8 | 397,361,250   | 794,722,500   | 6 M KIBOR + 2.6%           | 2 installments ending on December 8, 2023 | Semi annually    | Unsecured loan.  |
|         |   | Term Loan | -  | -        | 7,168,594     | 10,242,335    | 6 M LIBOR + 4.5%           | 2 installments ending on December 8, 2023 | Semi annually    | Unsecured loan.  |



| Sr. No. | Lender   | Type      | Cross Currency Swap / Forward Arrangement    | Note      | 2023 Rupees   | 2022 Rupees    | Rate of Interest per annum | Outstanding Installments                   | Interest payable | Security        |
|---------|--|-----------|--|-----------|---------------|----------------|----------------------------|--|------------------|-----------------|
| 37      | Finnish Fund For Industrial Cooperation Limited  | Term Loan | Converted by Habib Bank Limited              | 26.1.2.9  | 317,800,000   | 635,600,000.00 | 6 M KIBOR + 3.64%          | 2 installments ending on February 17, 2024 | Semi annually    | Unsecured loan. |
|         |  | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.9  | 318,500,000   | 637,000,000.00 | 11.05%                     | 2 installments ending on February 17, 2024 | Semi annually    | Unsecured loan. |
| 38      | CDC Group PLC  | Term Loan | Converted by Habib Bank Limited              | 26.1.2.10 | 236,475,000   | 709,425,000    | 7.50%                      | 1 installment ending on December 21, 2023  | Semi annually    | Unsecured loan. |
|         |  | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.10 | 267,000,000   | 801,000,000    | 6 M KIBOR + 3.65%          | 1 installment ending on December 21, 2023  | Semi annually    | Unsecured loan. |
| 39      | Symbiotics Skav II   | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.11 | 979,821,437   | 979,821,437    | 6 M KIBOR + 3.55%          | 2 installments ending on November 30, 2024 | Semi annually    | Unsecured loan. |
|         |  | Term Loan | -  | -         | 5,720         | 4,097          | 6 M LIBOR + 4.15%          | 2 installments ending on November 30, 2024 | Semi annually    | Unsecured loan. |
| 40      | Societe' De Promotion Et De Participation Pour LA Cooperation Economique SA (Proparco) | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.12 | 593,833,333   | 890,750,000    | 6 M KIBOR + 3.45%          | 4 installments ending on May 15, 2025      | Semi annually    | Unsecured loan. |
|         |  | Term Loan | Converted by Standard Chartered Bank Limited | 26.1.2.12 | 619,166,667   | 928,750,000    | 6 M KIBOR + 4.1%           | 4 installments ending on May 15, 2025      | Semi annually    | Unsecured loan. |
| 41      | Belgian Investment Company for Developing Countries NV/SA - BIO                        | Term Loan | Converted by MCB Bank Limited                | 26.1.2.13 | 2,099,490,000 | -              | 4.13%                      | 4 installments ending on June 1, 2025      | Semi annually    | Unsecured loan. |
| 42      | Incofin CVSO CVBA (Incofin CVSO)   | Term Loan | Converted by MCB Bank Limited                | 26.1.2.14 | 282,500,000   | -              | 6 M SOFR + 3.9%            | 2 installments ending on December 23, 2024 | Semi annually    | Unsecured loan. |
| 43      | Incofin Microfinance Enhancement Facility SA, SICAV-SIF (Incofin MEF)                  | Term Loan | Converted by MCB Bank Limited                | 26.1.2.14 | 1,696,000,000 | -              | 6 M SOFR + 3.9%            | 2 installments ending on December 23, 2024 | Semi annually    | Unsecured loan. |
| 44      | Asian Development Bank (Tranche-1)   | Term Loan | Converted by Habib Bank Limited              | 26.1.2.15 | 1,793,314,502 | -              | 6 M LIBOR + 4.25%          | 5 installments ending on July 25, 2025     | Semi annually    | Unsecured loan. |
| 45      | Asian Development Bank (Tranche-2)   | Term Loan | Converted by Habib Bank Limited              | 26.1.2.16 | 874,250,000   | -              | 6 M LIBOR + 3.75%          | 5 installments ending on July 25, 2025     | Semi annually    | Unsecured loan. |
|         |  | Term Loan | -  | -         | 20,019        | -              | 6 M LIBOR + 3.75%          | 5 installments ending on July 25, 2025     | Semi annually    | Unsecured loan. |

41

12,504,622,685      10,538,055,724

- 26.1.2.1 The Company entered into cross currency swap agreement with MCB Bank Limited on April 24, 2018. Loan is translated at the exchange rate of Rs. 115.65 / USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from fixed rate of 7.37% per annum to a fixed rate of 13.20%.
- 26.1.2.2 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%.
- 26.1.2.3 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%.
- 26.1.2.4 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on February 21, 2020. Loan is translated at the exchange rate of Rs. 154.22 / USD converting the liability of USD 1,980,000 to Rs. 305,355,600 and the interest rate is converted from variable rate of 3M LIBOR plus 4.1% to a variable rate of 3M KIBOR plus 2.04%.
- 26.1.2.5 The Company entered into cross currency swap agreement with Habib Bank Limited for first tranche of Loan on February 12, 2020. Loan is translated at the exchange rate of Rs. 154.35 / USD converting the liability of USD 9,999,930 to Rs. 1,543,489,196 and the interest rate is converted from variable rate of 6M LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 2.16%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank Limited for second tranche of Loan on April 9, 2020. Loan is translated at the exchange rate of Rs. 167.25 / USD converting the liability of USD 6,666,597 to Rs. 1,114,988,291 and the interest rate is converted from variable rate of 6M LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 1.65%.
- 26.1.2.6 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%.
- 26.1.2.7 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 2,487,561 to Rs. 399,377,848 and the interest rate is converted from variable rate of 6M LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.7%.
- 26.1.2.8 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%.
- 26.1.2.9 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%.



**26.1.2.10** 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%.

**26.1.2.11** 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%.

**26.1.2.12** 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%.

**26.1.2.13** 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.

**26.1.2.14** 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.

**26.1.2.15** 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.

**26.1.2.16** 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.

## **26.2 Translation loss on foreign currency loans**

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

MF

**27 Lease liabilities**

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

|  | 2023<br>Rupees     | 2022<br>Rupees     |
|--|--------------------|--------------------|
| Balance as at July 1                       | 139,214,971        | 197,321,884        |
| Lease liability recognised during the year | 75,595,667         | 42,919,322         |
| Unwinding of lease liability               | 17,222,029         | 17,396,142         |
|  | <u>232,032,667</u> | <u>257,637,348</u> |
| Less: Lease rentals paid                   | (104,910,735)      | (92,290,873)       |
| Less: Lease terminations                   | (22,647,568)       | (26,131,504)       |
| Adjustments in lease liability             | 2,331,041          |                    |
| Balance as at June 30                      | <u>106,805,405</u> | <u>139,214,971</u> |
| Current portion of lease liabilities       | 54,483,938         | 77,981,155         |
| Non-current portion of lease liabilities   | 52,321,467         | 61,233,816         |
|  | <u>106,805,405</u> | <u>139,214,971</u> |

**27.1 Maturity analysis of lease liabilities**

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) ranges from 17.72% to 24.42% (2022: 15.425%). The amount of future payments and the period during which they will become due are:

| Year ending 30 June                                 | Note | 2023<br>Rupees     | 2022<br>Rupees     |
|---|------|--------------------|--------------------|
| 2023  |      | -                  | 86,432,306         |
| 2024  |      | 69,252,903         | 56,191,588         |
| 2025  |      | 43,787,978         | 11,918,222         |
| 2026  |      | 16,444,844         | 930,152            |
| 2027  |      | 351,384            | 147,590            |
| 2028  |      | -                  | -                  |
|   |      | <u>129,837,109</u> | <u>155,619,858</u> |
| Less: Future finance charges                        |      | (23,031,704)       | (16,404,887)       |
|   |      | <u>106,805,405</u> | <u>139,214,971</u> |
| Less: Current maturity of long term lease liability |      | (54,483,938)       | (77,981,155)       |
|   |      | <u>52,321,467</u>  | <u>61,233,816</u>  |

**27.2 Amounts recognised in the statement of income and expenditure**

|  |                   |                   |
|--|-------------------|-------------------|
| Markup expense on lease liabilities                            | 17,222,029        | 17,396,142        |
| Total amount recognised in statement of income and expenditure | <u>17,222,029</u> | <u>17,396,142</u> |

**28 Short term borrowings**

|   |      |                    |                    |
|---|------|--------------------|--------------------|
| Short term running finance - secured          | 28.1 | 379,923,480        | 348,452,459        |
| KIVA loan - foreign currency loan - unsecured | 28.2 | 57,793,277         | 43,694,023         |
|   |      | <u>437,716,757</u> | <u>392,146,482</u> |

**28.1** This represents utilized amount of short term running finance facilities under mark-up arrangements available aggregating to Rs. 945 million (2022: Rs. 945 million). Mark up on the running finance facility utilized is structured as payable quarterly at the rate of 1-3 month KIBOR plus 45 bps per annum (2022: 3 months KIBOR plus 45 bps per annum). Security for this facility is provided via lien on term deposit certificate of Rs. 400 million (2022: Rs. 400 million). This facility is expiring on September 30, 2023. Additionally, a repayment guarantee facility has been secured in favor of the State Bank of Pakistan, obtained through earmarking existing running finance lines totaling Rs. 445 million (2022: Rs. 445 million).

**28.2** This represents interest free 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% (2022: Nil) on Kashf karobar karza and Kashf murabaha and 2.5% (2022: Nil) on Kashf school sarmaya loan as per the terms of revised agreement starting from January 1, 2023.



29 Deferred grants

|   | OMV (Pakistan) Exploration GmbH | Pakistan Poverty Alleviation Fund | Coca Cola Foundation | I-Care Foundation | Sindh Education | Phillip Morris    | Skoll Foundation  | Global Affairs Canada (GAC) | Incofin          | Miscellaneous local donations | Deferred grants for assets | Total              |
|---|---------------------------------|-----------------------------------|----------------------|-------------------|-----------------|-------------------|-------------------|-----------------------------|------------------|-------------------------------|----------------------------|--------------------|
|   | Rupees                          | Rupees                            | Rupees               | Rupees            | Rupees          | Rupees            | Rupees            | Rupees                      | Rupees           | Rupees                        | Rupees                     | Rupees             |
| As at July 1, 2021  | 12,961                          | 7,339                             | 1,304,816            | 1,720             | -               | 3,651,013         | -                 | 340,421,327                 | -                | 1,216,201                     | 39,661,653                 | 386,277,030        |
| Funds received in cash  | -                               | -                                 | -                    | 6,977,377         | 216,788         | 9,900,000         | 15,740,000        | -                           | -                | 662,714                       | -                          | 33,496,879         |
| Funds utilized for assets                                     | -                               | -                                 | -                    | (180,000)         | -               | (1,601,375)       | -                 | (16,762,577)                | -                | -                             | 22,093,171                 | 3,549,219          |
| Service level agreement                                       | -                               | -                                 | -                    | -                 | -               | -                 | -                 | (1,135,527)                 | -                | -                             | 1,135,527                  | -                  |
| <b>Funds utilized</b>   | <b>12,961</b>                   | <b>7,339</b>                      | <b>1,304,816</b>     | <b>6,799,097</b>  | <b>216,788</b>  | <b>11,949,638</b> | <b>15,740,000</b> | <b>322,523,223</b>          | <b>-</b>         | <b>1,878,915</b>              | <b>62,890,351</b>          | <b>423,323,128</b> |
| Recognized as income - depreciation of operating fixed assets | -                               | -                                 | -                    | -                 | -               | -                 | -                 | -                           | -                | -                             | (11,888,083)               | (11,888,083)       |
| amortization of intangible assets                             | -                               | -                                 | -                    | -                 | -               | -                 | -                 | -                           | -                | -                             | (821,564)                  | (821,564)          |
| service level agreement                                       | -                               | -                                 | (27,198)             | (4,560,383)       | (159,000)       | (5,702,399)       | (15,740,000)      | (188,356,765)               | -                | (53,390)                      | (1,092,740)                | (1,092,740)        |
| operating expenses  | -                               | -                                 | (27,198)             | (4,560,383)       | (159,000)       | (5,702,399)       | (15,740,000)      | (188,356,765)               | -                | (53,390)                      | (1,475,663)                | (216,074,798)      |
| Grant returned  | -                               | -                                 | -                    | -                 | -               | -                 | -                 | -                           | -                | -                             | -                          | -                  |
| Transferred to other income                                   | (12,961)                        | (7,339)                           | -                    | -                 | (57,789)        | (6,247,239)       | -                 | -                           | -                | -                             | -                          | (6,247,239)        |
| As at June 30, 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                  | -                  |
| <b>Funds utilized</b>   | <b>-</b>                        | <b>-</b>                          | <b>1,277,618</b>     | <b>9,617,984</b>  | <b>-</b>        | <b>-</b>          | <b>10,944,715</b> | <b>617,520,458</b>          | <b>5,864,475</b> | <b>10,475,391</b>             | <b>50,052,201</b>          | <b>705,752,842</b> |
| 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                                       | -                               | -                                 | -                    | (9,617,984)       | -               | -                 | (10,944,715)      | (214,809,004)               | (5,820,336)      | (6,121,070)                   | (1,135,220)                | (1,135,220)        |
| operating expenses  | -                               | -                                 | -                    | (9,617,984)       | -               | -                 | (10,944,715)      | (214,809,004)               | (5,820,336)      | (6,121,070)                   | (16,602,193)               | (263,915,302)      |
| Grant returned  | -                               | -                                 | -                    | -                 | -               | -                 | -                 | -                           | -                | -                             | -                          | -                  |
| Transferred to other income                                   | -                               | -                                 | -                    | -                 | -               | -                 | -                 | -                           | (44,139)         | -                             | -                          | (44,139)           |
| As at June 30, 2023   | -                               | -                                 | 1,277,618            | -                 | -               | -                 | -                 | 402,711,454                 | -                | 4,354,321                     | 33,450,008                 | 441,793,401        |

| 30 | Accrued mark-up                              | Note | 2023<br>Rupees     | 2022<br>Rupees     |
|----|--|------|--------------------|--------------------|
|    | Markup on:                                   |      |                    |                    |
|    | - long term loans                            |      | 906,960,556        | 600,473,950        |
|    | - short term borrowings                      |      | 18,912,438         | 235,559            |
|    |  |      | <u>925,872,994</u> | <u>600,709,509</u> |
| 31 | Trade and other payables                     |      |                    |                    |
|    | Accrued expenses                             |      | 103,762,817        | 142,321,837        |
|    | Provident fund payable                       | 31.1 | 3,419,037          | 337,885            |
|    | Insurance premium payable                    |      | 118,709,600        | 91,037,186         |
|    | Deferred Murabaha income                     |      | 233,208,401        | 156,481,587        |
|    | Claims payable                               |      | 12,587,541         | 12,624,481         |
|    | Cash Management System (CMS) charges payable |      | 31,698,111         | 29,933,417         |
|    | Staff Bonus payable                          |      | -                  | 206,907,326        |
|    | Other liabilities                            |      | 166,488,333        | 120,025,980        |
|    |  |      | <u>669,873,840</u> | <u>759,669,699</u> |

### 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 un-audited financial statements of the provident fund as at June 30, 2023:

|   | Note | (Un-audited)<br>June 30, 2023<br>Rupees | Audited<br>June 30, 2022<br>Rupees |
|---|------|---|------------------------------------|
| Size of the fund - total assets                 |      | 1,338,384,613                           | 1,121,107,161                      |
| Cost of investments made                        | 31.2 | 815,158,653                             | 769,267,555                        |
| Percentage of investments - (% of total assets) |      | 61%                                     | 69%                                |
| Fair value of investments made                  |      | 815,158,653                             | 769,267,555                        |

### 31.2 The break-up of investments is as follows:

|                           | 2023               |            | 2022               |            |
|---------------------------|--------------------|------------|--------------------|------------|
|                           | Rupees             | %          | Rupees             | %          |
| Term deposit receipts     | 676,000,000        | 82.93      | 650,000,000        | 84.50      |
| Mutual funds              | 128,328,653        | 15.74      | 108,437,555        | 14.10      |
| Term finance certificates | 10,830,000         | 1.33       | 10,830,000         | 1.41       |
|                           | <u>815,158,653</u> | <u>100</u> | <u>769,267,555</u> | <u>100</u> |

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

32.1.1 Commissioner Inland Revenue (CIR) challenged the Company status of 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 has filed a second writ petition before the Honorable LHC on December 11, 2022, which is pending adjudication. The management in consultation with its tax and legal advisor believes that meritorious grounds exist to defend the Company's stance and that the outcome of the case will be decided in favour of the Company.

### 32.2 Commitments

There are no commitments as on June 30, 2023 (2022: Rs. Nil).

|   | Note | 2023<br>Rupees       | 2022<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>33</b>   |      |                      |                      |
| <b>Mark-up and other charges on micro-credit loan portfolio</b> |      |                      |                      |
| <b>Mark-up charges on:</b>                                      |      |                      |                      |
| - Kashf karobar karza   |      | 6,862,875,518        | 5,013,607,039        |
| - Kashf school sarmaya  |      | 74,967,259           | 29,066,133           |
| - Kashf easy loan   |      | 701,047,700          | 516,870,214          |
| - Kashf muwaishi karza  |      | 905,334,657          | 417,920,777          |
| - Kashf sahulat karza   |      | 51,921,211           | 43,573,245           |
| - Kashf bahali karza  |      | 6,347,082            | 263,621,036          |
| - Kashf fori karza  |      | 100,987,594          | 25,772,001           |
| - Kashf top up karza  |      | 4,479,253            | -                    |
| - Kashf sawari karza  |      | 19,143               | -                    |
| - Home improvement loans  |      | 7,986,254            | -                    |
|   |      | <u>8,715,965,671</u> | <u>6,310,430,445</u> |
| Reversal of modification loss                                   |      | -                    | 24,945,873           |
| Commission on insurance   |      | 61,478,495           | 72,054,167           |
|   |      | <u>8,777,444,166</u> | <u>6,407,430,485</u> |
| <b>34</b>   |      |                      |                      |
| <b>Profit and other charges on Kashf Murabaha</b>               |      |                      |                      |
| <b>Profit on:</b>   |      |                      |                      |
| - Kashf murabaha  |      | 337,728,500          | 244,251,949          |
| - Kashf muwaishi murabaha                                       |      | 506,320              | -                    |
|   |      | <u>338,234,820</u>   | <u>244,251,949</u>   |
| Commission on takaful   |      | 1,608,094            | 1,400,885            |
|   |      | <u>339,842,914</u>   | <u>245,652,834</u>   |
| <b>35</b>   |      |                      |                      |
| <b>Grant income</b>   |      |                      |                      |
| Grant related to projects                                       | 29   | 247,313,109          | 216,074,798          |
| Amortisation of grant related to                                |      |                      |                      |
| - Depreciation of property and equipment                        |      | 12,929,494           | 11,888,083           |
| - Amortisation of intangible assets                             |      | 2,537,479            | 821,584              |
| Service level agreement   |      | 1,135,220            | 1,092,740            |
|   |      | <u>263,915,302</u>   | <u>229,877,205</u>   |

|           | Note  | 2023<br>Rupees | 2022<br>Rupees |
|-----------|---|----------------|----------------|
| <b>36</b> | <b>Return on investments and bank deposits</b>          |                |                |
|           | Return on term deposit receipts                         |                |                |
|           | - Local   | 111,207,945    | 66,802,328     |
|           | - Foreign   | 35,946,454     | 14,270,130     |
|           |   | 147,154,399    | 81,072,458     |
|           | Return on Pakistan investment bonds                     | 77,972,794     | -              |
|           | Return on term finance certificates                     | 49,016,820     | 24,132,752     |
|           |   | 274,144,013    | 105,205,210    |
|           | Return on bank deposits                                 |                |                |
|           | - Local   | 801,883,535    | 540,010,332    |
|           | - Foreign   | 2,445,738      | 1,375,192      |
|           |   | 804,329,273    | 541,385,524    |
|           |   | 1,078,473,286  | 646,590,734    |
| <b>37</b> | <b>Programme cost</b>                                   |                |                |
|           | Salaries, wages and benefits                            | 1,914,003,174  | 1,594,115,633  |
|           | Travel and conveyance                                   | 315,165,796    | 171,677,494    |
|           | Insurance   | 316,262,372    | 222,263,170    |
|           | Seminar, workshop, research and staff training expenses | 33,659,618     | 12,845,222     |
|           | Entertainment   | 67,514,339     | 48,955,400     |
|           | Printing and stationery                                 | 78,388,010     | 50,425,767     |
|           | Communication   | 28,271,531     | 23,682,885     |
|           | Legal and professional charges                          | 78,300,975     | 56,450,812     |
|           | Depreciation - owned assets                             | 46,143,167     | 31,814,314     |
|           | Depreciation - right of use assets                      | 84,687,260     | 71,985,383     |
|           | Utilities   | 37,518,371     | 23,960,623     |
|           | Repair and maintenance                                  | 19,204,819     | 10,322,385     |
|           | Office supplies   | 20,437,202     | 19,786,687     |
|           | Security  | 3,532,549      | 5,606,451      |
|           | Miscellaneous   | 989,109        | -              |
|           |   | 3,044,078,292  | 2,343,892,226  |

475



|   | Note  | 2023<br>Rupees       | 2022<br>Rupees       |
|---|-------|----------------------|----------------------|
| <b>38 Grant expenses</b>                                |       |                      |                      |
| Salaries, wages and benefits                            |       | 101,647,627          | 97,081,043           |
| Travel and conveyance                                   |       | 24,356,134           | 18,074,501           |
| Insurance   |       | 639,332              | 558,707              |
| Office rent   |       | 78,500               | 378,000              |
| Seminar, workshop, research and staff training expenses |       | 24,026,095           | 13,379,170           |
| Printing and stationery                                 |       | 4,897,509            | 2,823,381            |
| Communication   |       | 2,653,241            | 3,331,669            |
| Depreciation - owned assets                             | 6.3   | 12,929,494           | 11,888,083           |
| Amortisation  | 7.1.1 | 2,537,479            | 821,584              |
| Utilities   |       | 1,405,836            | 2,100,515            |
| Amortisation of prepayments                             |       | 1,135,220            | 1,092,740            |
| Repair and maintenance                                  |       | 1,472,548            | 1,375,000            |
| Office supplies   |       | 1,889,583            | 2,254,915            |
| Media campaign  |       | 51,489,321           | 56,269,638           |
| Corona relief activities                                |       | -                    | 15,793,390           |
| Flood relief activities                                 |       | 32,479,080           | -                    |
| Miscellaneous   |       | 278,303              | 1,179,206            |
| Loss on disposal of operating fixed assets              |       | -                    | 1,475,663            |
|   |       | <u>263,915,302</u>   | <u>229,877,205</u>   |
| <b>39 Finance cost</b>                                  |       |                      |                      |
| Mark-up on long term loans                              |       | 3,895,143,469        | 2,317,966,061        |
| Mark-up on short term borrowings                        |       | 36,012,221           | 808,202              |
| Mark-up on lease liabilities                            | 27.2  | 17,222,029           | 17,396,142           |
| Bank and other charges                                  |       | 265,494,753          | 228,534,869          |
| Amortisation of transaction costs of long term loans    |       | 92,505,649           | 99,327,589           |
| Reclassification of forward points                      |       | 287,503,494          | -                    |
|   |       | <u>4,593,881,615</u> | <u>2,664,032,863</u> |
| <b>40 Management and administrative expenses</b>        |       |                      |                      |
| Salaries, wages and benefits                            |       | 349,368,540          | 346,700,231          |
| Travel and conveyance                                   |       | 31,427,859           | 17,650,608           |
| Insurance   |       | 1,374,371            | 975,267              |
| Seminar, workshop, research and staff training expenses |       | 7,834,232            | 5,087,382            |
| Entertainment   |       | 8,132,150            | 9,063,615            |
| Printing and stationery                                 |       | 1,367,177            | 1,622,191            |
| Communication   |       | 6,957,401            | 5,298,401            |
| Legal and professional charges                          | 40.1  | 10,526,344           | 7,854,846            |
| Depreciation - owned assets                             | 6.3   | 44,009,551           | 44,822,254           |
| Utilities   |       | 9,245,502            | 9,031,569            |
| Repair and maintenance                                  |       | 31,394,632           | 12,987,219           |
| Office supplies   |       | 5,966,425            | 2,919,462            |
| Security  |       | 1,137,476            | 552,338              |
| Amortisation  | 7.1.1 | 4,647,513            | 4,682,807            |
| Auditor's remuneration                                  | 40.2  | 3,795,000            | 3,345,000            |
| Advertisement   |       | 8,571,392            | 7,615,178            |
| Miscellaneous   |       | 145,246              | 34,971,851           |
|   |       | <u>525,900,811</u>   | <u>515,180,219</u>   |

#### 40.1 Shariah Advisor Remuneration

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 effect from June 7, 2021 with the remuneration of Rs. 49,720 per month with effect from January 1, 2023 (2022: 45,200 per month).

|  | Note | 2023<br>Rupees | 2022<br>Rupees |
|--|------|----------------|----------------|
| <b>40.2 Auditors' remuneration</b>   |      |                |                |
| <b>Audit services</b>  |      |                |                |
| Statutory audit fee  |      | 2,800,000      | 2,100,000      |
| Out of pocket expenses   |      | 495,000        | 300,000        |
|  |      | 3,295,000      | 2,400,000      |
| <b>Non-audit service</b>   |      |                |                |
| Tax consultancy services   |      | -              | 945,000        |
| Certifications for compliance with covenants of long term loans and other statutory certificates |      | 500,000        | -              |
|  |      | 3,795,000      | 3,345,000      |
| <b>41 Other expenses</b>   |      |                |                |
| Donations  |      | -              | 164,750        |
| Others   |      | -              | 1,214,630      |
|  |      | -              | 1,379,380      |
| <b>42 Other income</b>   |      |                |                |
| Income from financial assets:  |      |                |                |
| Write off recovered  |      | 8,429,142      | 13,364,189     |
| Liabilities written back   |      | 132,722,675    | 3,946,068      |
| Foreign exchange gain - net  |      | 451,058,394    | 249,277,637    |
| Fair value gain on mutual funds  | 18.3 | 5,699,493      | 100,637        |
| Fair value gain on the investment property   |      | 10,000,000     | 15,273,500     |
| Commission fee   |      | 1,160,000      | -              |
| Dividend income  |      | 7,494,056      | 8,040,784      |
| Income from assets other than financial assets:  |      |                |                |
| Income from rent   | 42.1 | 14,417,167     | 14,420,445     |
| Gain on disposal of property and equipment   |      | 38,071,006     | 8,491,568      |
| Gain on termination of lease   |      | 3,572,688      | 8,259,141      |
| Miscellaneous income   |      | 9,904,657      | 24,816,980     |
|  |      | 682,529,278    | 345,990,949    |

42.1 This amount includes rental income derived from investment property amounting to Rs. 4.03 million (2022: Rs. 4.97 million).



43 Remuneration of chief executive, directors and executives

|                             | Chief Executive Officer |                   | Executives         |                    |
|-----------------------------|-------------------------|-------------------|--------------------|--------------------|
|                             | 2023                    | 2022              | 2023               | 2022               |
| Managerial remuneration     | 29,494,373              | 25,796,832        | 411,399,952        | 294,905,029        |
| Bonus                       | -                       | 4,299,472         | -                  | 46,502,552         |
| Provident Fund contribution | 1,966,292               | 1,687,944         | 27,362,814         | 19,249,187         |
| Vehicle allowance           | 7,548,168               | 7,668,168         | 37,882,693         | 34,864,219         |
| Mobile allowance            | 120,000                 | 120,000           | 1,817,774          | 1,813,645          |
| Driver allowance            | -                       | -                 | 6,737,000          | 4,598,645          |
| Petrol allowance            | 1,715,289               | 912,935           | 21,997,368         | 9,089,518          |
|                             | <u>40,844,122</u>       | <u>40,485,351</u> | <u>507,197,601</u> | <u>411,022,795</u> |
| <b>Number</b>               | <b>1</b>                | <b>1</b>          | <b>181</b>         | <b>129</b>         |

43.1 Total number of Directors of the Company as at June 30, 2023 were 10 (2022: 10). None of the director is paid any remuneration (2022: Nil).

44 Number of employees

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

|                             | 2023<br>Numbers | 2022<br>Numbers |
|-----------------------------|-----------------|-----------------|
| As at June 30               | 3,866           | 3,384           |
| Average number of employees | <u>3,724</u>    | <u>3,302</u>    |

45 Ratios

|   | Note | 2023<br>Percentage | 2022<br>Percentage |
|---|------|--------------------|--------------------|
| Portfolio at risk   | 45.1 | <u>0.94%</u>       | <u>1.89%</u>       |
| Adjusted return on assets   | 45.2 | <u>6.70%</u>       | <u>6.75%</u>       |
| Adjusted return on equity   | 45.3 | <u>29.52%</u>      | <u>30.89%</u>      |
| Operational self-sufficiency  | 45.4 | <u>131%</u>        | <u>134.00%</u>     |
| Financial self-sufficiency  | 45.5 | <u>96.05%</u>      | <u>105.44%</u>     |
| Surplus as a percentage of total receipts                                 | 45.6 | <u>23.28%</u>      | <u>24.57%</u>      |
| Management and administrative expenses<br>as percentage of total receipts | 45.7 | <u>4.72%</u>       | <u>6.54%</u>       |

47

|                                 | Note         | 2023<br>Numbers | 2022<br>Numbers |
|---------------------------------|--------------|-----------------|-----------------|
| Active loan:                    |              |                 |                 |
| - as at June 30                 | 15.12 & 16.4 | 760,291         | 629,139         |
| Active clients:                 |              |                 |                 |
| - as at June 30                 |              | 727,226         | 592,460         |
| - disbursements during the year | 45.8         | 781,511         | 692,463         |

#### 45.1 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 interest.

#### 45.2 Adjusted return 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.

#### 45.3 Adjusted return 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.

#### 45.4 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.

#### 45.5 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.

#### 45.6 Surplus as a percentage of total receipts

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

#### 45.7 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 gross income for the year.

#### 45.8 Disbursements during the year

The Company has disbursed micro-credit loans amounting to Rs. 45.47 billion (2022: Rs. 34.45 billion) during the year.



## 46 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

### 46.1 Risk management framework

The Board of Directors have the overall responsibility for establishment and over sight 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 react to changes in market conditions and the Company's activities.

### 46.2 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 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) Proper follow-up.
- 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.
- f) Credit appraisal of the borrowers through NADRA verisys.

47

46.2.1 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:

|   | 2023                  | 2022                  |
|---|-----------------------|-----------------------|
|   | Rupees                | Rupees                |
| Long term investments                   | 1,515,041,241         | 187,973,040           |
| Short term investments                  | 2,577,479,811         | 1,406,813,241         |
| Long term loans                         | 4,683,203             | 1,221,141             |
| Long term deposits                      | 149,563,360           | 84,963,360            |
| Bank balances                           | 5,525,993,261         | 6,364,948,359         |
| Financial assets used for hedging       | 5,386,330,893         | 2,587,108,089         |
| Micro-credit loan portfolio             | 25,478,672,841        | 18,888,021,746        |
| Kashf Murabaha portfolio                | 1,016,893,755         | 726,644,675           |
| Accrued Service charges                 | 439,397,389           | 256,550,163           |
| Advances, deposits and other receivable | 234,464,623           | 215,593,609           |
|   | <u>42,328,520,377</u> | <u>30,719,837,423</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.

Banking companies and financial institutions  
Micro-credit loan and murabaha portfolio  
Others

|  | 2023                  | 2022                  |
|--|-----------------------|-----------------------|
|  | Rupees                | Rupees                |
| Banking companies and financial institutions | 15,159,091,769        | 10,633,027,230        |
| Micro-credit loan and murabaha portfolio     | 26,934,963,985        | 19,871,216,584        |
| Others                                       | 234,464,623           | 215,593,609           |
|  | <u>42,328,520,377</u> | <u>30,719,837,423</u> |

46.2.2 Ageing of micro-credit loan portfolio:

| Financial year | Note         | Neither past due nor impaired |                    |                   |                   | More than 180 days | Total                 |
|----------------|--------------|-------------------------------|--------------------|-------------------|-------------------|--------------------|-----------------------|
|                |              | Upto 29 days                  | 30 to 89 days      | 90 to 179 days    |                   |                    |                       |
| 2023           | 15.13 & 16.5 | <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> |
| 2022           | 15.13 & 16.5 | <u>19,570,475,167</u>         | <u>63,628,299</u>  | <u>11,820,332</u> | <u>10,372,381</u> | <u>291,195,481</u> | <u>19,947,491,660</u> |



#### 46.2.3 Balances with banking companies

The Company has balances and investments with banks amounting to Rs. 9,618.51 million (2022: Rs. 7,938.84 million) as at June 30, 2023. 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.

|                        | 2023<br>Rupees       | 2022<br>Rupees       |
|------------------------|----------------------|----------------------|
| Bank balances          | 5,525,993,261        | 6,364,948,359        |
| Short term investments | 2,577,479,811        | 1,406,813,241        |
| Long term investments  | 1,515,041,241        | 187,973,040          |
|                        | <u>9,618,514,313</u> | <u>7,959,734,640</u> |

#### 46.2.4 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                       | Rating |            | 2023<br>Rupees | 2022<br>Rupees       |                      |
|------------------------------------|--------|------------|----------------|----------------------|----------------------|
|                                    | Agency | Short term |                |                      | Long term            |
| MCB Bank Limited                   | PACRA  | A1+        | AAA            | 441,076,487          | 136,671,430          |
| Habib Bank Limited                 | VIS    | A1+        | AAA            | 81,996,931           | 56,475,457           |
| Faysal Bank Limited                | PACRA  | A1+        | AA             | 7,237,464            | 22,897,154           |
| Allied Bank Limited                | PACRA  | A1+        | AAA            | 19,578,885           | 11,276,610           |
| The Bank of Punjab                 | PACRA  | A1+        | AA+            | 316,984,065          | 77,172,431           |
| Bank Al-Habib Limited              | PACRA  | A1+        | AAA            | 9,598,141            | 31,781,515           |
| Silk Bank Limited                  | VIS    | A2         | A-             | 5,717,438,161        | 6,326,976,791        |
| Soneri Bank Limited                | PACRA  | A1+        | AA-            | 265,084,376          | 214,682,965          |
| JS Bank Limited                    | PACRA  | A1+        | AA-            | 859,786,086          | 476,830,693          |
| Standard Chartered Bank Limited    | PACRA  | A1+        | AAA            | 5,793,643            | 2,181,049            |
| Askari Bank Limited                | PACRA  | A1+        | AA+            | 3,359,383            | 2,755,690            |
| Apna Microfinance Bank Limited     | PACRA  | A4         | BBB-           | 2,566,954            | 1,720,780            |
| Meezan Bank Limited                | VIS    | A1+        | AAA            | 8,152                | 8,155                |
| Mobilink Microfinance Bank Limited | PACRA  | A1         | A              | 14,633,658           | 14,090,375           |
| NRSP Microfinance Bank Limited     | PACRA  | A2         | A-             | 118,924,114          | 86,446,784           |
| Sindh Bank Limited                 | VIS    | A1         | A+             | 66,196,277           | 27,095,176           |
| United Bank Limited                | VIS    | A1+        | AAA            | 58,370,277           | 37,006,022           |
| Khushali Microfinance Bank Limited | VIS    | A2         | A-             | 12,036,907           | 8,191,966            |
| Bank Alfalah Limited               | PACRA  | A1+        | AA+            | 193,600,626          | 191,407,786          |
| National Bank of Pakistan          | PACRA  | A1+        | AAA            | 4,062,230            | 969,790              |
| BankIslami Pakistan Limited        | PACRA  | A1         | AA-            | 37,928               | 46,872,905           |
| State Bank of Pakistan             | -      | -          | -              | -                    | -                    |
| Faysal Income & Growth Fund        | PACRA  | -          | A(f)           | 17,952,785           | 15,426,815           |
| ABL Funds                          | VIS    | -          | AA+(f)         | 10,242,719           | -                    |
| NBP Financial Sector Income Fund   | PACRA  | -          | A+(f)          | 1,157,573,738        | 68,419,405           |
| U Micro Finance Bank               | VIS    | A1         | A+             | 109,413,909          | 72,258,594           |
| Telenor microfinance Bank Limited. | PACRA  | A1         | A              | 124,951,300          | 30,118,302           |
| Central Depository Company         | -      | -          | -              | 9,117                | -                    |
|                                    |        |            |                | <u>9,618,514,313</u> | <u>7,959,734,640</u> |

The Company has not recognized an impairment allowance on investments classified at amortized cost and bank balances during the year ended June 30, 2023, as the impact was immaterial.

#### 46.2.5 Micro-credit loan and Murabaha portfolio

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; and
- Forbearance / restructuring status.
- 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. 287.91 million (2022: Rs. 341.81 million).

##### Measurement of ECL

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.



#### 46.2.6 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.

#### 46.3 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:

|                               | 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 on borrowings | 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> |
|                               | 2022                  |                        |                        |                       |
|                               | Carrying amount       | Contractual Cash flows | Up to one year or less | More than one year    |
|                               | Rupees                |                        |                        |                       |
| Long term financing           | 22,979,040,099        | 22,979,040,099         | 10,464,087,155         | 12,514,952,944        |
| Short term borrowing          | 392,146,482           | 392,146,482            | 392,146,482            | -                     |
| Accrued mark-up on borrowings | 600,709,509           | 600,709,509            | 600,709,509            | -                     |
| Trade and other payables      | 603,188,112           | 603,188,112            | 603,188,112            | -                     |
| Lease liabilities             | 139,214,971           | 155,619,858            | 86,432,306             | 69,187,552            |
|                               | <u>24,714,299,173</u> | <u>24,730,704,060</u>  | <u>12,146,563,564</u>  | <u>12,584,140,496</u> |

#### 46.4 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.

##### 46.4.1 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 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:

|                               | 2023              |                  | 2022              |          |
|-------------------------------|-------------------|------------------|-------------------|----------|
|                               | USD               | EUR              | USD               | EUR      |
| <b>Liabilities</b>            |                   |                  |                   |          |
| Borrowings                    | 53,101,377        | 9,400,000        | 61,663,441        | -        |
| Mark-up accrued on borrowings | 1,164,431         | 31,273           | 742,895           | -        |
|                               | <u>54,265,808</u> | <u>9,431,273</u> | <u>62,406,336</u> | <u>-</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 |        |
|------------|---------------------------|--------|---------------------|--------|
|            | 2023                      | 2022   | 2023                | 2022   |
| USD to PKR | 252.19                    | 179.17 | 285.99              | 204.85 |
| EUR to PKR | 265.59                    | 200.86 | 312.93              | 213.81 |

## 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, surplus 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 | 10% change in exchange rate |                        |
|---|-----------------------------|------------------------|
|   | Decrease<br>Rupees          | Increase<br>Rupees     |
| As at June 30, 2023                               | <u>1,619,014,592</u>        | <u>(1,619,014,592)</u> |
| As at June 30, 2022                               | <u>1,118,134,322</u>        | <u>(1,118,134,322)</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.

## 46.4.2 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       |                       |
|--|----------------|----------------|-----------------------|-----------------------|
|  | 2023<br>%      | 2022<br>%      | 2023<br>Rupees        | 2022<br>Rupees        |
| <b>Fixed rate instruments</b>  |                |                |                       |                       |
| Financial assets:  |                |                |                       |                       |
| Short term investment  | 4.00 to 23.35  | 3.25 to 17.58  | 2,577,479,811         | 1,406,813,241         |
| Long term investment   | 16.12 to 24.07 | 9.03           | 1,515,041,241         | 187,973,040           |
| Micro-credit loan portfolio  | 38.42 to 67.52 | 34.00 to 60.00 | 25,478,672,841        | 18,888,021,746        |
|  |                |                | <u>29,571,193,893</u> | <u>20,482,808,027</u> |
| Financial liabilities:   |                |                |                       |                       |
| Long term financing:   |                |                |                       |                       |
| Societe' De Promotion Et De Participation Pour LA<br>Cooperation Economique S.A (Proparco) | -              | 13.20          | -                     | 82,607,143            |
| Bank Alfalah Limited   | -              | 3.00           | -                     | 40,028,175            |
| Bank Alfalah Limited   | -              | 3.00           | -                     | 39,457,715            |
| CDC Group PLC  | 7.50           | 7.50           | 236,475,000           | 709,425,000           |
| Finnish Fund For Industrial Cooperation Limited  | 11.05          | 11.05          | 318,500,000           | 637,000,000           |
| Belgian Investment Company for Developing<br>Countries NV/SA - BIO                         | 4.13           | -              | 2,099,490,000         | -                     |
|  |                |                | <u>2,654,465,000</u>  | <u>1,508,518,033</u>  |

911



**Floating rate instruments**

|                               | Effective rate      |                    | Carrying amount       |                       |
|-------------------------------|---------------------|--------------------|-----------------------|-----------------------|
|                               | 2023                | 2022               | 2023                  | 2022                  |
|                               | %                   | %                  | Rupees                | Rupees                |
| <b>Financial liabilities:</b> |                     |                    |                       |                       |
| Borrowings                    | 12.42% to<br>26.15% | 8.66% to<br>19.17% | 29,737,958,694        | 21,570,047,127        |
|                               |                     |                    | <u>29,737,958,694</u> | <u>21,570,047,127</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) surplus for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2022.

| Cash flow sensitivity analysis on variable rate financial liabilities | 100 bps change in interest rate |             |
|---|---------------------------------|-------------|
|   | Increase                        | Decrease    |
|   | Rupees                          | Rupees      |
| As at June 30, 2023   | (297,379,587)                   | 297,379,587 |
| As at June 30, 2022   | (215,700,471)                   | 215,700,471 |

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.

**46.4.3 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 surplus for the period.

**46.5 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 26.1 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.

71

47 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.

47.1 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.

|   | 2023              |               |                            |               |         |                |
|---|-------------------|---------------|----------------------------|---------------|---------|----------------|
|   | Carrying amount   |               | Fair value                 |               |         |                |
|   | At Amortized Cost | At Fair Value | Other non financial assets | Total         | Total   |                |
|   |                   |               | Level 1                    | Level 2       | Level 3 |                |
|   |                   |               | Rupees                     |               |         |                |
| <b>As at June 30, 2023</b>                                |                   |               |                            |               |         |                |
| <b>Financial assets - measured at fair value</b>          |                   |               |                            |               |         |                |
| Financial assets used for hedging                         | -                 | 5,386,330,893 | -                          | -             | -       | 5,386,330,893  |
| Mutual funds  | -                 | 74,684,714    | 74,684,714                 | -             | -       | 74,684,714     |
|   | -                 | 5,461,015,607 | 74,684,714                 | 5,386,330,893 | -       | 5,461,015,607  |
| <b>Financial assets - not measured at fair value</b>      |                   |               |                            |               |         |                |
| 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 |
| Kasfri 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 |
| <b>Financial liabilities - not measured at fair value</b> |                   |               |                            |               |         |                |
| 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 |
| <b>Non Financial assets - measured at fair value</b>      |                   |               |                            |               |         |                |
| Freehold land   | -                 | -             | 1,299,500,000              | -             | -       | 1,299,500,000  |
| Investment property                                       | -                 | -             | 1,299,500,000              | -             | -       | 1,299,500,000  |
|   | -                 | -             | 1,299,500,000              | -             | -       | 1,299,500,000  |



As at June 30, 2022

Financial assets - measured at fair value

Financial assets used for hedging  
Mutual funds

|  | Carrying amount   |               | Fair value                 |               |            |               |         |               |
|--|-------------------|---------------|----------------------------|---------------|------------|---------------|---------|---------------|
|  | At Amortized Cost | At Fair Value | Other non financial assets | Total         | Level 1    | Level 2       | Level 3 | Total         |
|  | -                 | 2,587,108,089 | -                          | 2,587,108,089 | -          | 2,587,108,089 | -       | 2,587,108,089 |
|  | -                 | 83,846,220    | -                          | 83,846,220    | 83,846,220 | -             | -       | 83,846,220    |
|  | -                 | 2,670,954,309 | -                          | 2,670,954,309 | 83,846,220 | 2,587,108,089 | -       | 2,670,954,309 |

Financial assets - not measured at fair value

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

|  | Carrying amount | Total          | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------|----------------|---------|---------|---------|-------|
|  | 187,973,040     | 187,973,040    | -       | -       | -       | -     |
|  | 1,221,141       | 1,221,141      | -       | -       | -       | -     |
|  | 79,963,360      | 79,963,360     | -       | -       | -       | -     |
|  | 18,888,021,746  | 18,888,021,746 | -       | -       | -       | -     |
|  | 726,644,675     | 726,644,675    | -       | -       | -       | -     |
|  | 256,550,163     | 256,550,163    | -       | -       | -       | -     |
|  | 215,593,609     | 215,593,609    | -       | -       | -       | -     |
|  | 1,322,967,021   | 1,322,967,021  | -       | -       | -       | -     |
|  | 6,364,948,359   | 6,364,948,359  | -       | -       | -       | -     |
|  | 28,043,883,114  | 28,043,883,114 | -       | -       | -       | -     |

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

|  | Carrying amount | Total          | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------|----------------|---------|---------|---------|-------|
|  | 12,514,952,944  | 12,514,952,944 | -       | -       | -       | -     |
|  | 10,464,087,155  | 10,464,087,155 | -       | -       | -       | -     |
|  | 392,146,482     | 392,146,482    | -       | -       | -       | -     |
|  | 600,709,509     | 600,709,509    | -       | -       | -       | -     |
|  | 603,188,112     | 603,188,112    | -       | -       | -       | -     |
|  | 24,575,084,202  | 24,575,084,202 | -       | -       | -       | -     |

Non Financial assets - measured at fair value

Freehold land  
Investment property

|  | Carrying amount | Total       | Level 1 | Level 2     | Level 3     | Total       |
|--|-----------------|-------------|---------|-------------|-------------|-------------|
|  | -               | 355,725,000 | -       | 355,725,000 | -           | 355,725,000 |
|  | -               | 103,424,250 | -       | -           | 103,424,250 | 103,424,250 |
|  | -               | 459,149,250 | -       | 459,149,250 | -           | 459,149,250 |

41

#### 47.1 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.

#### 48 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, since the Company has not availed any long term financing arrangements.

|                                 | 2023<br>Rupees         | 2022<br>Rupees         |
|---------------------------------|------------------------|------------------------|
| Total borrowings                | 32,683,642,032         | 23,371,186,581         |
| Less: Cash and bank balances    | <u>(5,528,819,109)</u> | <u>(6,368,669,910)</u> |
| Net debt                        | 27,154,822,923         | 17,002,516,671         |
| <br>                            |                        |                        |
| Total equity / capital employed | 10,343,167,136         | 7,230,840,457          |
| <br>                            |                        |                        |
| Total capital                   | 37,497,990,059         | 24,233,357,128         |
| Gearing ratio                   | <u>262.54%</u>         | <u>235.14%</u>         |

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

|  | 2023                  |                       |                      |                       |
|--|-----------------------|-----------------------|----------------------|-----------------------|
|  | Liabilities           |                       |                      |                       |
|  | Long term loans       | Short term borrowings | Lease liabilities    | Total                 |
|  | Rupees                |                       |                      |                       |
| <b>Balance as at July 1, 2022</b>              | 22,979,040,099        | 392,146,482           | 139,214,971          | 23,510,401,552        |
| <b>Changes from financing activities</b>       |                       |                       |                      |                       |
| 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)         |
| <b>Total changes from financing cash flows</b> | <u>6,158,875,906</u>  | <u>39,139,538</u>     | <u>(104,910,735)</u> | <u>6,093,104,709</u>  |
| <b>Other changes</b>                           |                       |                       |                      |                       |
| 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)          |
| <b>Total liability related other changes</b>   | <u>3,108,009,270</u>  | <u>6,430,737</u>      | <u>72,501,169</u>    | <u>3,186,941,176</u>  |
| <b>Closing as at June 30, 2023</b>             | <u>32,245,925,275</u> | <u>437,716,757</u>    | <u>106,805,405</u>   | <u>32,790,447,437</u> |



|  | 2022                         |                           |                           |                              |
|--|------------------------------|---------------------------|---------------------------|------------------------------|
|  | Liabilities                  |                           |                           |                              |
|  | Long term loans              | Short term borrowings     | Lease liabilities         | Total                        |
|  | Rupees                       |                           |                           |                              |
| <b>Balance as at July 1, 2021</b>              | 18,234,334,885               | 43,415,547                | 197,321,884               | 18,475,072,316               |
| <b>Changes from financing activities</b>       |                              |                           |                           |                              |
| Transaction cost paid                          | (34,369,163)                 | -                         | -                         | (34,369,163)                 |
| Proceeds received against financing            | 11,206,067,000               | 642,853,474               | -                         | 11,848,920,474               |
| Repayments of financing                        | (8,955,928,977)              | (298,464,621)             | -                         | (9,254,393,598)              |
| Payment of lease liabilities                   | -                            | -                         | (92,290,873)              | (92,290,873)                 |
| <b>Total changes from financing cash flows</b> | <u>2,215,768,860</u>         | <u>344,388,853</u>        | <u>(92,290,873)</u>       | <u>2,467,866,840</u>         |
| <b>Other changes</b>                           |                              |                           |                           |                              |
| Transaction cost amortised                     | 99,327,589                   | -                         | -                         | 99,327,589                   |
| Translation loss on foreign currency loans     | 2,429,608,765                | 4,342,082                 | -                         | 2,433,950,847                |
| Interest expense on lease liabilities          | -                            | -                         | 17,396,142                | 17,396,142                   |
| Addition to lease liabilities                  | -                            | -                         | 42,919,322                | 42,919,322                   |
| Termination of lease liabilities               | -                            | -                         | (26,131,504)              | (26,131,504)                 |
| <b>Total liability related other changes</b>   | <u>2,528,936,354</u>         | <u>4,342,082</u>          | <u>34,183,960</u>         | <u>2,567,462,396</u>         |
| <b>Closing as at June 30, 2022</b>             | <u><u>22,979,040,099</u></u> | <u><u>392,146,482</u></u> | <u><u>139,214,971</u></u> | <u><u>23,510,401,552</u></u> |

#### 50 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 43. 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 | 2023        | 2022       |
|--|-----------------------|-------------|------------|
|  |                       | Rupees      | Rupees     |
| Kashf Foundation Provident Fund Trust                      | Contribution          | 112,739,052 | 83,114,634 |

#### 51 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, except for the following:

|   | Rupees     |
|---|------------|
| - Deposit with NADRA for NADRA Verisys of borrowers previously included in 'Advances, deposits, prepayments and other receivables', now included in 'Long term deposits'. | 5,000,000  |
| - Commission on takaful previously included in 'Mark-up and other charges on micro-credit loan portfolio', now included in 'Profit and other charges on Kashf Murabaha'.  | 1,400,885  |
| - Accrued income on long term investments previously included in 'Advances, deposits, prepayments and other receivables', now included in 'Long term investments'.        | 7,458,040  |
| - Accrued income on short term investments previously included in 'Advances, deposits, prepayments and other receivables', now included in 'Short term investments'.      | 20,887,759 |

52 Date of authorization for issue

These financial statements were approved by the Company's Board of Directors and authorized for issue on October 04, 2023

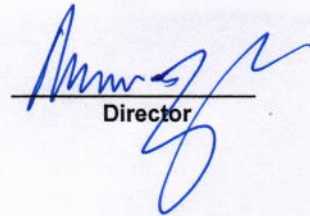
41



Chief Executive Officer



Chief Financial Officer



Director