

SHAH SACHAL SAMI FOUNDATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

INDEPENDENT AUDITORS' REPORT

To the members of Shah Sachal Sami Foundation
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Shah Sachal Sami Foundation ("the Company")**, which comprises statement of financial position as at June 30, 2025, income and expenditure statement, statement of comprehensive income, the statement of changes in funds, statement of cash flows for the year then ended and notes to the financial statements including a Material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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, income and expenditure statement, statement of other comprehensive income, statement of changes in funds and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and given 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, 2025 and of the total comprehensive loss, the changes in 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.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the 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. The Board of directors is responsible for overseeing the company's financial reporting process.

Auditors' 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 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.

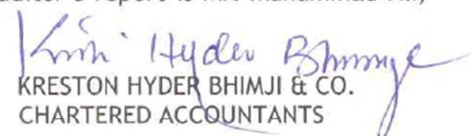
Report on Other Legal and Regulatory Requirements:

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company/branches as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, income and expenditure statement, statement of comprehensive income, the statement of changes in 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 in accordance with the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Muhammad Ali, FCA.

ISLAMABAD: February 25, 2026
UDIN:AR2025101741JIoV9lk6



KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

SHAH SACHAL SAMI FOUNDATION
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2025

	<u>Note</u>	<u>2025</u> <u>Rupees</u>	<u>2024</u> <u>Rupees</u>
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property and equipment	4	68,442,439	63,064,427
Deferred tax asset	5	14,252,728	-
Loan to customers - net of provision	6	5,577,011	386,646
		88,272,178	63,451,073
CURRENT ASSETS			
Current portion of loan to customers - net of provision	6	66,064,515	123,839,560
Advances, deposits and prepayments	7	1,643,120	4,677,538
Income tax refundable	8	411,579	1,280,474
Stationery and publications	9	1,179,054	1,572,040
Interest accrued on microcredit lending	10	28,786,209	47,722,075
Other receivables	11	2,223,000	4,487,356
Cash and bank balances	12	18,464,095	226,490
		118,771,572	183,805,533
TOTAL ASSETS		207,043,750	247,256,606
<u>FUNDS AND LIABILITIES</u>			
FUNDS			
Restricted fund		14,308,922	2,709,576
Unrestricted fund		26,343,962	80,207,043
Subordinated loan from Directors	13	10,000,000	-
		50,652,884	82,916,619
NON - CURRENT LIABILITIES			
Non-current portion of microcredit lending - secured	14	148,750,000	133,875,000
CURRENT LIABILITIES			
Current portion of microcredit lending - secured	14	-	14,875,000
Accrued and other payables	15	7,640,866	15,589,987
		7,640,866	30,464,987
CONTINGENCIES AND COMMITMENTS			
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TOTAL FUNDS AND LIABILITIES		207,043,750	247,256,606

The annexed notes from 1 to 32 form an integral part of these financial statements.

NAWABSHAH:

CHIEF EXECUTIVE OFFICER

DIRECTOR

SHAH SACHAL SAMI FOUNDATION
(A company set up under section 42 of the Companies Act, 2017)
INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025			2024		
		Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
		Rupees					
INCOME							
Finance Revenue	17	-	4,299,385	4,299,385	-	58,238,590	58,238,590
Other Income	18	-	1,210,502	1,210,502	-	4,522,295	4,522,295
Grants	19	45,209,742	-	45,209,742	23,185,796	-	23,185,796
Donations	20	-	500,000	500,000	-	10,618,850	10,618,850
		45,209,742	6,009,887	51,219,629	23,185,796	73,379,735	96,565,531
EXPENDITURE							
Administrative and program expenses	21 & 22	33,610,396	17,610,049	51,220,445	23,144,383	14,377,864	37,522,247
Provision against non-performing loans and advances	6.3	-	39,708,156	39,708,156	-	13,856,404	13,856,404
Finance cost	23	-	15,938,596	15,938,596	-	45,979,379	45,979,379
		33,610,396	73,256,801	106,867,197	23,144,383	74,213,647	97,358,030
Surplus/(Deficit) before income tax and levies		11,599,346	(67,246,914)	(55,647,568)	41,413	(833,912)	(792,499)
Less: Levies		-	-	-	-	-	-
Surplus/(Deficit) before income tax		11,599,346	(67,246,914)	(55,647,568)	41,413	(833,912)	(792,499)
Income tax	24	-	13,383,833	13,383,833	-	7,594,320	7,594,320
Surplus/(Deficit) after income tax		11,599,346	(53,863,081)	(42,263,735)	41,413	6,760,408	6,801,821
Operational Self Sufficiency Ratio	28	-	0.28:1	-	-	0.99:1	-

The annexed notes from 1 to 32 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

NAWABSHAH:


DIRECTOR

SHAH SACHAL SAMI FOUNDATION
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2025

	2025 Rupees	2024 Rupees
(Deficit)/Surplus after income tax	(42,263,735)	6,801,821
Other comprehensive income	-	-
Total comprehensive (loss)/income	<u>(42,263,735)</u>	<u>6,801,821</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

NAWABSHAH:


CHIEF EXECUTIVE OFFICER


DIRECTOR

SHAH SACHAL SAMI FOUNDATION
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	Restricted fund	Unrestricted fund	Subordinated loan from directors	Total
	Rupees			
Balance as at July 01, 2023	2,668,163	73,446,635	-	76,114,798
Total Comprehensive income for the year	41,413	6,760,408	-	6,801,821
Balance as at June 30, 2024	2,709,576	80,207,043	-	82,916,619
Total Comprehensive income /(loss) for the year	11,599,346	(53,863,081)	-	(42,263,735)
Addition during the year	-	-	10,000,000	10,000,000
Balance as at June 30, 2025	14,308,922	26,343,962	10,000,000	50,652,884

The annexed notes from 1 to 32 form an integral part of these financial statements.

NAWABSHAH:

CHIEF EXECUTIVE OFFICER

DIRECTOR

SHAH SACHAL SAMI FOUNDATION
(A company set up under section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025

	<u>Note</u>	<u>2025</u> <u>Rupees</u>	<u>2024</u> <u>Rupees</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Deficit for the year before income tax and levies		(55,647,568)	(792,499)
Adjustments for non-cash changes:			
Depreciation of property and equipment	4	5,939,032	5,474,845
Provision against non-performing loans and advances	6.3	39,708,156	13,856,404
Interest accrued on Microcredit lending	10	(4,299,385)	(58,238,590)
Financial cost	23	15,938,596	45,979,379
		<u>57,286,399</u>	<u>7,072,039</u>
		1,638,831	6,279,539
Decrease / (Increase) in current assets:			
Loans to customers		12,876,524	15,983,370
Advances, deposits and prepayments		3,034,418	762,238
Stationery and publications		392,986	-
Income tax refundable		-	(1,280,474)
Other receivables		2,264,356	9,963,152
		<u>18,568,284</u>	<u>25,428,286</u>
Increase / (decrease) in current liabilities:			
Accrued and other payables		(7,949,121)	(2,116,937)
Cash generated from operations		<u>12,257,994</u>	<u>29,590,888</u>
Financial charges paid		(15,938,596)	(45,979,379)
Net cash (used in)/generated from operating activities		<u>(3,680,602)</u>	<u>(16,388,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of fixed assets	4	(11,317,044)	(5,114,655)
Interest on Microcredit lending	10	23,235,251	59,847,068
Net cash generated from investing activities		<u>11,918,207</u>	<u>54,732,413</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of microcredit lending		-	(46,250,000)
Subordinated loan from directors		10,000,000	-
Net cash generated from / (used in) financing activities		<u>10,000,000</u>	<u>(46,250,000)</u>
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		<u>18,237,605</u>	<u>(7,906,078)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		226,490	8,132,568
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27	<u>18,464,095</u>	<u>226,490</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

NAWABSHAH:

CHIEF EXECUTIVE OFFICER

DIRECTOR

SHAH SACHAL SAMI FOUNDATION
(A Company setup under section 42 of repealed Companies Ordinance, 1984)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUN 30, 2025

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Shah Sachal Sami Foundation ("the Company") was registered in Pakistan on 18 October, 2016 as a Public Company, Limited by Guarantee, not having share capital and licensed under Section 42 of the Companies Ordinance, 1984 (now Companies Act, 2017).

The principal activity of the Company is to provide cost effective microfinance services and deals with the projects / programs for helping the poor's, landless and asset less for enabling them to gain access to resources for their productive self employment and to encourage them for undertaking activities of income generation and poverty alleviation and for enhancing their quality of life.

The Company has been granted license by the Securities and Exchange Commission of Pakistan (SECP) on March 30, 2017 to carry out investment finance services as Non-Banking Finance Company under rule 5 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. A licence renewed by the SECP on April 14, 2025 valid for a period of three years with effect from March 30, 2023.

Geographical locations and address of the company's business offices are as under:

- Registered office of the company at House No. 160, Near Gulshan School, Society, Nawabshah (Shaheed Benazir Abad), Sindh.
- Branch office, Head Branch

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standards for not for profit organizations (Accounting Standards for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008
- Provisions of directives and notifications issued under the Companies Act, 2017.

Where the provisions of directives and notifications issued under the Companies Act, 2017, the NBFC Rules and the NBFC Regulations differ with the requirements of International Financial Reporting Standards for Small and Medium Enterprises, the provisions of directives and notifications issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008, shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention on accrual basis of accounting without taking into account the effects of inflation and current values except for cash flow information reported in statement of cash flows.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the Company's functional and presentation currency. All financial information presented in Pak Rupees have been rounded off to the nearest Rupee, unless otherwise stated.

2.4 Use of judgments and key estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

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	<u>Note</u>
- Useful lives, fair values, residual values and depreciation method of property, plant and equipment	3.1
- Impairment loss of non-financial assets	3.2
- Provision against non-performing loans	3.3
- Provision for doubtful debts and other receivables	3.4
- Taxation	3.8
- Contingencies and commitments	3.10

The revisions to accounting estimates (if any) are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Property and Equipment-

Initial recognition

All items of Property and equipments are initially recorded at cost.

Subsequent measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment loss (if any).

The carrying value of major renewals and improvements are capitalized, while normal repairs and maintenance are charged to the income and expenditure statement as and when incurred.

Depreciation

Depreciation is charged to write off the cost or revalued amount of assets over their estimated useful lives, using the reducing balance method at rates specified in note 4 to the financial statements. Depreciation is charged when the asset is brought in use by the Company on number of days basis while no depreciation is charged when the asset is disposed off .

Disposal

The gain or loss arising on disposal or retirement of an item of operating fixed assets is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised as other income in the income and expenditure statement. In case of the sale or retirement of a revalued items, the attributable revaluation surplus remaining in the surplus on revaluation of such item is transferred directly to the general fund.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed on regular basis. The effect of any changes in estimate is accounted for on prospective basis.

3.2 Impairment of non-financial assets

The assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the income and expenditure statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The Company recognises the reversal immediately in the income and expenditure statement, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.3 Provision against non-performing loans

General

General provision is maintained at 1% of the net outstanding loan balances after netting of any bad debts incurred.

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Specific

Specific provision for potential loans losses is made for all non-performing loans as follows:

Category	Loans in arrears / Installment over due	
Other Assets Especially Mentioned (OAEM)	Loans in arrears (instalment overdue) for 30 days or more but less than 59 days	NIL
Substandard	Loans in arrears (instalment overdue) for 60 days or more but less than 89 days	25%
Doubtful	Loans in arrears (instalment overdue) for 90 days or more but less than 179 days	50%
Loss	Loans in arrears (instalment overdue) for 180 days or more	100%

3.4 Trade and other receivables

Measurement

Trade and other receivables are recognized and carried at transaction price less an allowance for impairment

Impairment

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognized in the income and expenditure statement. Bad debts are written-off in the income and expenditure statement on identification.

Judgement and estimates

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realization of these receivables, management considers among other factors, the creditworthiness and the past collection history of staff and suppliers.

3.5 Impairment of financial assets other than trade receivables

The financial assets other than those that are carried at fair value are assessed at each reporting date to determine whether there is any objective evidence of their impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The impairment loss is recognized immediately in the income and expenditure statement and the carrying amount of the related financial asset is reduced accordingly. An impairment loss is reversed only if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3.6 Borrowings

Measurement

Loans are measured at amortized cost using the effective interest method. Overdrafts are repayable in full on demand and are initially measured and subsequently stated at face value (the amount of the loan).

Interest

Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

3.7 Trade and other payables

Trade and other payables are obligations under normal short-term credit terms. These are measured at the undiscounted amount of cash to be paid.

3.8 Taxation

Income tax comprises of current tax and deferred tax.

Income tax expense is recognized in the income and expenditure statement except to the extent that it relates to items recognized in other comprehensive income or directly in reserves (if any), in which case the tax amounts are recognized directly in other comprehensive income or reserves.

Current tax

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or minimum taxation at the rate of 1.25% of the turnover, or Alternative Corporate Tax at the rate of 17% of accounting surplus adjustable as per income tax laws, whichever is higher.

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Deferred tax

A deferred tax liability is recognized for all temporary differences that are expected to increase taxable surplus in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable surplus in the future, and the carryforward of unused tax deficits.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date.

Levy

Minimum Taxes (i.e. the amount in excess of Company corporate income tax) which is not adjustable against the future income tax liability and final tax, are classified as Levies and presented as an other operating expense in the statement of profit or loss.

Judgement and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Further, the carrying amount of deferred tax asset is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable surplus. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable surplus to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable surplus will be available.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax Authority.

3.9 Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognized at present value using a pre-tax discount rate. The unwinding of the discount is recognized as finance cost in the income and expenditure statement.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the income and expenditure statement unless the provision was originally recognized as part of cost of an asset.

3.10 Contingencies and Commitments

These are not accounted for in the financial statements unless these are actual liabilities and are only disclosed when:

- a) there is a possible obligation that arises from past events and 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
- b) there is present 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.

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The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events not wholly within the control of the Company. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the financial position date.

Judgments and estimates

The Company discloses its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisor for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the financial position date. If, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the financial position date.

3.11 Revenue recognition

a) Revenue (other than grants)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized:

b) Finance revenue

Finance revenue / service charges on loans to customers is recognized on accrual basis using fixed interest rates on the loan products. Finance revenue / service charges on loans to customers are collected with loan installments. Interest income on investments is recognized using effective interest method.

Interest expense on interest/mark-up bearing borrowings is recognized using effective interest method

c) Loan application fees

Loan application fee representing documentation charges is recognized as income when received.

d) Customer agreement and passbook fees

Customer agreement and passbook fees are based on percentage of the loan amounts and form integral part of the loans to customers. These are recognized as income on receipt basis.

e) Grants income

Unrestricted grants are recognized when received or receivable. Restricted grants are recognized as income to the extent obligation under grant agreement is met. Grant relating to fixed assets is deferred and amortized over the useful life of fixed assets.

3.12 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length on the same terms and conditions as are applicable to third parties or otherwise as approved by the Board of Directors.

3.13 Financial Instruments

The Company accounts for basic financial instruments as per IFRS for SME's. The management determines the classification of its financial instruments at the time of initial recognition as under:

Financial Assets

The Company classifies its financial assets as basic financial instruments including loan to customers, cash and bank balances, accrued income and trade and other receivables. These financial instruments are initially measured at transaction price and subsequently measured at undiscounted transaction price less any impairment. Financial assets are derecognized when rights to receive cash flows from financial assets are settled or expired.

Financial Liabilities

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term financing, accrued and other payables. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

3.14 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position of the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.15 Retirement Benefits-Defined Benefit plan

The Company operates approved unfunded gratuity scheme of all its permanent employees who attain the minimum qualifying period of completing one year of service at the rate of last drawn gross salary. Provision is made annually to cover Company's obligations under the scheme on the basis of one month salary and is charged to the income and expenditure statement.

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4 PROPERTY AND EQUIPMENT

Particulars	COST		Rate %	Accumulated Depreciation			Written Down Value as at June 30, 2025
	As at July 01, 2024	Additions		As at June 30, 2025	On opening	For the year	
Land	21,506,963	-	0%	-	-	-	21,506,963
Furniture and fixtures	12,176,208	1,670,000	15%	4,069,905	1,215,946	146,534	8,413,823
Vehicles	11,117,046	-	15%	6,062,904	758,121	-	4,296,021
Office equipments	5,849,350	1,225,000	15%	2,785,327	459,604	84,339	3,745,080
Tool kits for vocational skills	5,598,656	-	30%	4,939,980	197,603	-	461,073
Computers	4,833,818	246,500	30%	3,822,636	303,355	55,258	899,069
School Building-SEF Project	28,125,893	8,175,544	10%	4,462,755	2,366,314	351,958	29,120,410
Total	89,207,934	11,317,044		26,143,507	5,300,943	638,089	68,442,439

Particulars	COST		Rate %	Accumulated Depreciation			Written Down Value as at June 30, 2024
	As at July 01, 2023	Additions		As at June 30, 2024	On opening	For the year	
Land	21,506,963	-	-	-	-	-	21,506,963
Furniture and fixtures	8,659,353	3,516,855	15%	3,208,283	817,660	43,961	8,106,304
Vehicles	11,117,046	-	15%	5,170,996	891,907	-	5,054,142
Office equipments	5,549,350	300,000	15%	2,288,735	489,092	7,500	3,064,022
Tool kits for vocational skills	5,598,656	-	30%	4,657,690	282,290	-	658,676
Computers	4,833,818	-	30%	3,389,273	433,364	-	1,011,182
School Building-SEF Project	26,828,093	1,297,800	10%	1,953,685	2,487,441	21,630	23,663,138
Total	84,093,279	5,114,655		20,668,662	5,401,754	73,091	63,064,427

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	Note	2025 Rupees	2024 Rupees
5 DEFERRED TAX ASSET			
Balance as on July 01,		-	(873,365)
Charged to income statement	24	14,252,728	873,365
Balance as on June 30,		<u>14,252,728</u>	<u>-</u>

6 LOANS TO CUSTOMERS - NET OF PROVISIONS

These loans are secured against open cheques, personal guarantees, pension books and carries flat interest rate ranging from 20% to 32.5% per annum on different loan tenures. The movement of loan is as under:

Balance as on July 01,		141,762,094	157,745,464
Disbursed during the year		46,795,000	81,045,000
Recovered during the year		(59,671,524)	(97,028,370)
Balance as on June 30,		<u>128,885,570</u>	<u>141,762,094</u>
Provision for the year	6.1	(57,244,044)	(17,535,888)
Balance as on June 30, net of provisions		<u>71,641,526</u>	<u>124,226,206</u>
Current portion shown under current assets		(66,064,515)	(123,839,560)
Non current portion		<u>5,577,011</u>	<u>386,646</u>

6.1 Provision for the year:

Specific provision
General Provision

56,520,392	16,281,078
723,652	1,254,810
<u>57,244,044</u>	<u>17,535,888</u>

Considered good

Considered doubtful

71,641,526	124,226,206
57,244,044	17,535,888
<u>128,885,570</u>	<u>141,762,094</u>

6.2 Sectoral Distribution of Outstanding Loan Portfolio (OLP)

Enterprise development loan	76,420,708	85,155,296
Live stock development loan	25,018,852	27,041,638
Agriculture development loan	27,446,010	29,565,160
	<u>128,885,570</u>	<u>141,762,094</u>

6.3 Movement of provision against non-performing loans is as under:

Description	2025			2024		
	Specific	General	Total	Specific	General	Total
	Rupees			Rupees		
Balance as on July 01,	16,281,078	1,254,810	17,535,888	2,123,262	1,556,222	3,679,484
Charge for the year	40,239,314	(531,158)	39,708,156	14,157,816	(301,412)	13,856,404
Balance as at June 30,	<u>56,520,392</u>	<u>723,652</u>	<u>57,244,044</u>	<u>16,281,078</u>	<u>1,254,810</u>	<u>17,535,888</u>

6.4 Specific Provision

Description	Required percentage	No of days overdue by	2025		2024	
			Outstanding balance	Provision required	Outstanding balance	Provision required
			Rupees	Rupees	Rupees	Rupees
Not yet due			69,363,015	-	124,545,788	-
Other Assets Especially Mentioned (OAEM)	0%	30-59 days	97,516	-	566,832	-
Sub-standard	25%	60-89 days	126,072	31,518	-	-
Doubtful	50%	90-179 days	5,620,186	2,810,093	736,792	368,396
Loss	100%	180 or more	53,678,781	53,678,781	15,912,682	15,912,682
Balance as at June 30,			<u>128,885,570</u>	<u>56,520,392</u>	<u>141,762,094</u>	<u>16,281,078</u>

6.5 The Expected Credit Loss(ECL) as per IFRS-9 is amounting to Rs. 53,678,781(2024: Rs. 2,909,466). As per accounting guidelines on application of IFRS-9 by Non Banking Finance Companies issued by the Accounting Standard Board, the provision has been recognised in these financial statements higher of Expected Credit Loss(ECL) or Provision under NBFC Regulations 25.

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			2025 Rupees	2024 Rupees
7	ADVANCES, DEPOSITS AND PREPAYMENTS	Note		
	Advance to staff for expenses		61,006	2,985,124
	Prepaid rent		-	339,200
	Security deposits		1,558,614	1,334,214
	Prepaid salaries		23,500	19,000
			<u>1,643,120</u>	<u>4,677,538</u>
8	INCOME TAX REFUNDABLE			
	Balance as at July 01,		1,280,474	1,280,474
	Provision for the year	24	(868,895)	-
	Balance as at June 30,		<u>411,579</u>	<u>1,280,474</u>
9	STOCK OF STATIONERY AND PUBLICATIONS		<u>1,179,054</u>	<u>1,572,040</u>
10	INTEREST ACCRUED ON MICROCREDIT LENDING			
	Balance as on July 01,		47,722.075	49,330.553
	Add: Accrual for the year	17	4,299,385	58,238,590
	Less: Receipts during the year		(23,235,251)	(59,847,068)
	Balance as on June 30,		<u>28,786,209</u>	<u>47,722,075</u>
11	OTHER RECEIVABLES-from			
	Naya Qadam Project		608,800	608,800
	Sindh Education Foundation for School construction		-	917,400
	Wash Project		633,781	1,720,718
	BBSHRRDB Project		635,250	635,250
	Other		345,169	605,188
			<u>2,223,000</u>	<u>4,487,356</u>
12	CASH AND BANK BALANCES			
	Cash in hand		180,801	2,689,495
	Cash at banks			
	Current accounts	12.1	(4,237,147)	(22,880,296)
	Saving accounts	12.2	22,520,441	20,417,291
			<u>18,283,294</u>	<u>(2,463,005)</u>
			<u>18,464,095</u>	<u>226,490</u>
12.1	The overdrawn balances is due to the cheques issued by the Company at terminal dates.			
12.2	These accounts carried profit at the rates ranging from 12% to 14% (2024: 12.5% to 19.85%) per annum.			
13	SUBORDINATED LOAN FROM DIRECTORS	25	<u>10,000,000</u>	<u>-</u>
	Interest free loan was injected by the two directors for the period of 5 years to maintain the equity of the Company. As per loan agreements, the loan will be repaid with the written approval of SECP.			
14	FINANCING FOR MICROCREDIT LENDING - SECURED			
14.1	Financing from PMIC			
	Balance as at July 01,		148,750,000	195,000,000
	Loan received during the year		-	50,250,000
	Repayment during the year		-	(96,500,000)
	Balance as at June 30,	14.2	<u>148,750,000</u>	<u>148,750,000</u>
	Current and overdue portion		-	(14,875,000)
	Non-current portion		<u>148,750,000</u>	<u>133,875,000</u>

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14.2 Financing for Microcredit Lending-PPAF-Secured

The Company has entered into the term finance facility agreement with the Pakistan Micro Finance Investment Company (PMIC) on March 04, 2021 upto December 31, 2024 for the facility of Rs. 171.25 million for the purpose of micro finance operations which is repayable quarterly with the interest rate of KIBOR plus 3.75% per annum with no floor or cap.

Pakistan Microfinance Investment Company Limited (PMIC) has also extended standard term loan upto Rs.129 million vide agreement dated July 19, 2022 till October 31, 2026. It carries mark up at "Base Rate" plus 350 bps per annum with no floor or cap (6 month KIBOR "ask side" as published by Reuters page KIBOR at 11:30 am Pakistan Standard Time (PST) or as published by the Financial Market Association of Pakistan. In case the Reuters page is unavailable shall be the "Base Rate". The Base Rate shall be set on the preceding day from the due date of repayment. The financing facility has been secured by creating hypothecation charge on all present and future current assets of the Company upto Rs. 250 million.

The loan was restructured by the PMIC vide agreement dated August 27, 2024. Accordingly the repayment of the loan has been extended till September 2027.

The loan was further restructured by PMIC through an agreement dated June 24, 2025, whereby the repayment period has been extended until September 30, 2030. The first installment is due on September 30, 2026. For all installments falling due during the period commencing from the Facility Effective Date, the following markup rates shall apply:

Sr. No	Period	Rate per annum on the outstanding balance
1	October 1, 2025 to June 30, 2026	3%
2	July 1, 2026 to December 31, 2027	7%
3	January 1, 2028 to September 30, 2030	6 months Kibor plus 100 bps per annum with no floor or cap

15	ACCRUED AND OTHER PAYABLES	Note	2025 Rupees	2024 Rupees
	Salaries payable		419,615	362,556
	Markup accrued on financing for microcredit lending- PMIC		-	10,223,536
	Withholding tax payable		6,148,726	4,048,707
	Audit fee payable		568,925	739,875
	Gratuity Payable		503,600	212,800
	Others		-	2,513
			<u>7,640,866</u>	<u>15,589,987</u>

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- For Tax Year 2018-19, the Deputy Commissioner withholding tax, RTO Hyderabad issued order dated 25-06-2025 under Section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rs. 10,421,141. Aggrieved from the order, the Company has filed appeal before Commissioner Appeals Hyderabad which is pending adjudication till date.
- For Tax Year 2018-19, the Deputy Commissioner Inland Revenue, RTO Hyderabad has issued order dated 26-06-2025 under Section 122(1) of the Income Tax Ordinance, 2001 and raised demand of Rs. 15,107,694. Aggrieved from the order, the Company has filed appeal before Commissioner Appeals Hyderabad which is pending adjudication till date.
- For Tax Year 2022-23, the Deputy Commissioner Inland Revenue, RTO Hyderabad has issued order dated 31-05-2025 under Section 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 3,190,658. Aggrieved from the order, the Company has filed appeal before Commissioner Appeals Hyderabad which is pending adjudication till date.

The management and the tax consultants of the Company are confident to vacate the liability. Therefore, no provisions for the above amounts has been recorded in these financial statements .

- The Company is in non compliance of fidelity insurance coverage as required by Rule 09 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The management of the Company is committed to comply these rules in a short span of time.

16.2 Commitments

There are no commitments at the reporting dates.

100%

	<u>Note</u>	<u>2025</u> <u>Rupees</u>	<u>2024</u> <u>Rupees</u>
17 FINANCE REVENUE			
Service charges on:			
PPAF Loan		2,677,397	3,581,186
PMIC Loan		1,621,988	54,616,721
SSSF Loan		-	40,683
		<u>4,299,385</u>	<u>58,238,590</u>

Service charges charged at the rate of 32.5% (2024: 30%) per annum.

18 OTHER INCOME			
Application fee		13,740	9,000
Processing fee		589,251	977,200
Recovery of loan previously written-off		117,917	704,978
Interest on saving bank account		489,594	1,303,810
Old balances written back		-	300,351
Others		-	1,226,956
		<u>1,210,502</u>	<u>4,522,295</u>

19 RESTRICTED GRANTS			
Shirkat Gah	19.1	1,024,500	4,586,468
Sindh Education Foundation	19.2	3,885,700	4,023,000
Pakistan Poverty Alleviation Fund / PPAF - RSSCR	19.3	35,736,542	9,711,401
Sindh Education Foundation -AALTP	19.4	4,563,000	1,755,000
Wash Project		-	1,720,718
BBSHRDDB		-	635,250
South Asia Partnership-Pakistan		-	753,959
		<u>45,209,742</u>	<u>23,185,796</u>

- 19.1 This project is for Shirkat Gah Women's Resources Center for the program entitled " NAYA QADAM" .The project has been implemented in District Nawab Shah.
- 19.2 This project is with Sindh Education Foundation under New Foundation Assisted Schools(FAS). The agreement is for the period of 5 years from 20th June 2021 to 19th June 2026. The FAS aim to provide free of cost education and the Company shall get per child per month subsidy over it. The project was implemented in District Nawab Shah.
- 19.3 The agreement has been executed with the Pakistan Poverty Alleviation Fund to finance the implementation of the action titled " Restoring Social Services and Climate Resilience" in Union Council Hamza Dars of District Sanghar. The agreement is for two years to the sum of Rs. 49,451,033 which commenced on May 01,2024.
- 19.4 The offer letter was awarded for the establishment and management of the centers under the Adolescent and Adult Learning and Training Program (AALTP) with Sindh Education Foundation that aimed at empowering individuals through education and skills development.

20 DONATIONS			
From Directors		-	10,618,850
From Employees		500,000	-
		<u>500,000</u>	<u>10,618,850</u>

The Directors and employees of the company made donations to the Company for unrestricted programs.

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		2025	2024
	Note	Rupees	Rupees
21 ADMINISTRATIVE AND PROGRAM EXPENSES			
Salaries, wages and other benefits	21.1	5,256,624	6,141,200
Rent		2,520,000	1,600,000
Legal and professional fee		150,000	129,045
Verification charges		-	33,900
Fuel		1,123,470	101,170
Repair and maintenance		2,233,778	437,898
Travelling and conveyance		-	53,800
Meetings and activities		174,716	14,000
Printing, stationery and periodicals		563,710	139,970
Office supplies		656,481	135,960
Software maintenance fee		1,354,500	824,000
Insurance		29,976	29,976
Utilities and communication		726,464	1,126,741
Other expenses		365,965	87,845
Website maintenance fee		86,000	89,000
Advertisement expenses		-	10,000
Auditors' remuneration	21.2	568,925	739,875
Depreciation		1,799,440	2,683,484
		<u>17,610,049</u>	<u>14,377,864</u>
21.1 Salaries and wages include staff retirement benefits (Gratuity) amounting to Rs. 290,800 (2024: Rs. 212,800)			
21.2 Auditor's Remuneration			
<i>Audit related services</i>			
Review fee		-	208,750
Audit fee		472,500	472,500
Sales tax on services		23,625	23,625
Out of pocket		35,000	35,000
		531,125	739,875
<i>Non- Audit related services</i>			
Certification fee		37,800	-
		<u>568,925</u>	<u>739,875</u>
22 PROJECT EXPENSES			
Shirkat Gah-Project		1,040,800	4,695,079
Sindh Education Foundation		7,713,316	7,049,693
Wash Project		1,085,116	8,061,096
BBSHRDB Project		-	386,272
Kitchen Garden		-	330,074
Sindh Education Foundation / AALTP-SEF		2,043,218	249,027
Pakistan Poverty Alleviation Fund / PPAF		21,727,946	1,161,416
South Asia Partnership-Pakistan (SAP-PK)		-	1,211,726
		<u>33,610,396</u>	<u>23,144,383</u>
23 FINANCE COST			
Interest on PMIC loan		15,910,896	45,813,619
Bank charges		27,700	165,760
		<u>15,938,596</u>	<u>45,979,379</u>
24 TAXATION			
Current tax	8	640,245	-
Prior year adjustment		228,650	(6,720,955)
Deferred tax	5	(14,252,728)	(873,365)
		<u>(13,383,833)</u>	<u>(7,594,320)</u>

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25 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of its members, associates including entities having common directorship and key management personnel. These transactions are executed substantially on the same terms as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Transactions with related party are as under:

Sr.No	Name of the party	Relationship and percentage of share holding	Nature of transaction	2025	2024
1	Mr.Muhammad Umer	CEO / Director	Donation	-	10,618,850
2	Mr.Muhammad Umer	CEO / Director	Subordinated Loan	9,000,000	-
3	Ms. Farzana Arshad	Director	Subordinated Loan	1,000,000	-

26 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

No remuneration was paid to executives and directors of the Company till reporting date.

	Note	2025 Rupees	2024 Rupees
27 CASH AND CASH EQUIVALENTS			
Cash and bank balances		18,464,095	226,490
28 OPERATIONAL SELF SUFFICIENCY (LOSS) RATIO			
Interest Income		5,509,887	62,760,885
Donation		500,000	10,618,850
Total operating income		5,509,887	73,379,735
Finance cost		15,938,596	45,979,379
Provision against non-performing loans & advances		39,708,156	13,856,404
Administrative expenses		17,610,049	14,377,864
Total operating expenses		73,256,801	74,213,647
Operational self sufficiency Ratio		0.08	0.99

29 FINANCIAL ASSETS AND LIABILITIES

29.1 Financial instruments by category:

Year 2024-25	Interest bearing			Non interest bearing			Total Rupees
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
FINANCIAL ASSETS							
Loans and receivables at amortized cost							
Loans to customers - net of provision	57,244,044	71,641,526	128,885,570	-	-	-	128,885,570
Advance to staff for expenses	-	-	-	61,006	-	61,006	61,006
Security deposits	-	-	-	1,558,614	-	1,558,614	1,558,614
Interest on microcredit lending	28,786,209	-	28,786,209	-	-	-	28,786,209
Other receivables	-	-	-	2,223,000	-	2,223,000	2,223,000
Cash and bank balances	(4,237,147)	-	(4,237,147)	22,701,242	-	22,701,242	18,464,095
	81,793,106	71,641,526	153,434,632	26,543,862	-	26,543,862	179,978,494
FINANCIAL LIABILITIES							
Financial liabilities carried at amortized cost							
Microcredit lending - secured	-	148,750,000	148,750,000	-	-	-	148,750,000
Accrued and other payables	-	-	-	1,492,140	-	1,492,140	1,492,140
	-	148,750,000	148,750,000	1,492,140	-	1,492,140	150,242,140
Year 2023-24							
Year 2023-24	Interest bearing			Non interest bearing			Total Rupees
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
FINANCIAL ASSETS							
Loans and receivables at amortized cost							
Loans to customers - net of provision	17,535,888	124,226,207	141,762,095	-	-	-	141,762,095
Advance to staff for expenses	-	-	-	-	2,985,124	2,985,124	2,985,124
Security deposits	-	-	-	1,334,214	-	1,334,214	1,334,214
Interest on microcredit lending	47,722,075	-	47,722,075	-	-	-	47,722,075
Other receivables	-	-	-	4,487,356	-	4,487,356	4,487,356
Cash and bank balances	(2,463,005)	-	(2,463,005)	2,689,495	-	2,689,495	226,490
	62,794,958	124,226,207	187,021,165	8,511,065	2,985,124	11,496,189	198,517,354
FINANCIAL LIABILITIES							
Financial liabilities carried at amortized cost							
Microcredit lending - secured	14,875,000	133,875,000	148,750,000	-	-	-	148,750,000
Accrued and other payables	10,223,536	-	10,223,536	1,317,744	-	1,317,744	1,317,744
	25,098,536	133,875,000	158,973,536	1,317,744	-	1,317,744	150,067,744

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30 NUMBER OF EMPLOYEES

Total number of employees as at June 30,

36

36

Average number of employees during the year

36

37

31 DATE OF AUTHORIZATION

These financial statements have been authorised for issue on 16 FEB 2026 by the Board of Directors of the Company.

32 GENERAL

- 32.1 Figures in these financial statements have been rounded off to the nearest rupee, while the figures of the corresponding period have been placed for comparison purposes and have not materially been rearranged and reclassified.

NAWABSHAH:

CHIEF EXECUTIVE OFFICER

DIRECTOR