SHAH SACHAL SAMI FOUNDATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

KRESTON
HYDER
BHIMJI & CO

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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, 2024, 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 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 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, statement of income and expenditure, statement of comprehensive income, statement of changes in funds and statement of cash flows together with the notes forming part thereof conform with the Revised Accounting and Financial Reporting Standard for Small and Medium Sized Entities (IFRSs for SMEs) 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, 2024 and of the surplus and total comprehensive income, 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

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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.

Kreston Hyder Bhimji

ISLAMABAD: November 28, 2024
UDIN: AR202410174sRbuo5iLA

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, 2024

	Note	2024 Rupees	2023 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	63,064,427	63,424,617
Deferred tax asset - net	5	-	873,365
		63,064,427	64,297,982
CURRENT ASSETS			
Loans to customers - net of provision	6	124,226,207	154,065,980
Advances, deposits and prepayments	7	4,677,538	5,439,776
Due from the Government	8	1,280,474	-
Stationery and publications		1,572,040	1,572,040
Interest accrued on microcredit lending	9	47,722,075	49,330,553
Other receivables	10	4,487,356	14,450,506
Cash and bank balances	11	226,490	8,132,569
		184,192,180	232,991,424
TOTAL ASSETS		247,256,606	297,289,406
FUNDS AND LIABILITIES			
FUNDS			
Restricted fund		2,709,576	2,668,163
Unrestricted fund		80,207,043	73,446,635
		82,916,619	76,114,798
NON - CURRENT LIABILITIES			
Non-current portion of microcredit lending - secured	12	133,875,000	73,375,000
CURRENT LIABILITIES			
Current portion of microcredit lending - secured	12	14,875,000	121,625,000
Accrued and other payables	13	15,589,987	17,706,924
Income tax payable	14	-	8,467,683
		30,464,987	147,799,607
CONTINGENCIES AND COMMITMENTS	15		
TOTAL FUNDS AND LIABILITIES		247,256,606	297,289,406

The annexed notes from 1 to 31 form an integral part of these financial statements

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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, 2024

	Note	2024 Restricted	2024 Unrestricted	2024 Total	2023 Restricted	2023 Unrestricted	2023 Total
			Rupees			Rupees	
INCOME							
Finance Revenue	16	-	58,238,590	58,238,590	-	64,536,954	64,536,954
Other Income	17	-	4,522,295	4,522,295	-	3,235,373	3,235,373
Restricted grants	18	23,185,796	-	23,185,796	23,795,576	-	23,795,576
Donation from director		-	10,618,850	10,618,850	-	-	-
		23,185,796	73,379,735	96,565,531	23,795,576	67,772,327	91,567,903
EXPENDITURE							
Finance cost	19	-	45,979,379	45,979,379	-	37,126,960	37,126,960
Provision against non-performing loans and advances	6.3	-	13,856,404	13,856,404	-	353,876	353,876
Administrative and program expenses	20&21	23,144,383	14,377,864	37,522,247	21,719,696	29,136,995	50,856,691
		23,144,383	74,213,647	97,358,030	21,719,696	66,617,832	88,337,528
Surplus before taxation		41,413	(833,912)	(792,499)	2,075,880	1,154,495	3,230,375
Taxation	22	-	7,594,320	7,594,320	-	(834,183)	(834,183)
Surplus after taxation		41,413	6,760,408	6,801,821	2,075,880	320,312	2,396,192
Operational Self Sufficiency Ratio	26						

The annexed notes from 1 to 31 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 COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
Surplus after tax	6,801,821	2,396,192
Other comprehensive income	-	-
Total comprehensive income	6,801,821	2,396,192

The annexed notes from 1 to 31 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, 2024

	Restricted fund	Unrestricted fund	Special Reserve	Total
	Rupees			
Balance as at June 30, 2022	592,283	73,126,323	-	73,718,606
Total comprehensive income for the year	2,075,880	320,312	-	2,396,192
Balance as at June 30, 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

The annexed notes from 1 to 31 form an integral part of these financial statements

NAWABSHAH: **CHIEF EXECUTIVE** **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, 2024

	Note	2024 Rupees	2023 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES:			
Deficit/Surplus for the year before taxation		(792,499)	3,230,375
Adjustments for non-cash changes:			
Depreciation of property and equipment		5,474,845	5,050,083
Provision against non-performing loans and advances		13,856,404	353,876
Interest income/service charges		-	(65,363,661)
Financial cost		45,979,379	37,069,860
		65,310,629	(22,889,841)
		64,518,129	(19,659,466)
(Increase) / decrease in current assets:			
Loans to customers		15,983,369	5,263,713
Advances, deposits and prepayments		762,238	1,292,941
Stationery and publication		-	(243,842)
Due from the Government		(1,280,474)	-
Other receivables		9,963,152	(10,307,099)
		25,428,285	(3,994,287)
Increase / (decrease) in current liabilities:			
Accrued and other payables		(2,116,937)	5,892,997
Interest accrued on loans		1,608,478	-
Cash generated from / (used in) used in operations		89,437,955	(17,760,756)
Financial charges paid		(45,979,379)	(37,069,860)
Net cash generated from / (used in) operating activities		43,458,576	(54,830,616)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of fixed assets		(5,114,655)	(19,251,724)
Microcredit lending		-	25,750,000
Net cash used in from investing activities		(5,114,655)	6,498,276
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing for micro credit lending		(46,250,000)	45,950,549
Net cash (used in) /generated from financing activities		(46,250,000)	45,950,549
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,906,079)	(2,381,790)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		8,132,569	10,514,359
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	226,490	8,132,569

The annexed notes from 1 to 31 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 JUNE 30, 2024

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Shah Sachal Sami Foundation ("the Company" / "SSSF") was registered in Pakistan on 18th October, 2016 as a Public Company, Limited by Guarantee, not having share capital and licensed under Section 42 of the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017, with effect from May 30, 2017).

The principal activity of the Company is to provide cost effective microfinance services and deals with the projects / programs for helping the poor, 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. The license expired on March 30, 2023 the management has applied to SECP on May 05, 2023 for renewal of the licence which is in process on the reporting date. It holds status of Non-deposit taking NBFC.

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, Dour
- Branch office, Sakrand
- 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; and IFRS-9

-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 and directives issued under the Companies Act, 2017

Where the provisions of and directives 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 and directives 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:

	Note
- Useful lives, fair values, residual values and depreciation method of property, plant and equipment	3.1
- Useful lives, residual values and amortization method of intangible assets	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 operating fixed assets are initially recorded at cost.

Subsequent measurement

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

Vehicles are measured at the revalued amount 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. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of deletion.

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 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 statement of income and expenditure, 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 provison is maintained at 1% of the net outstanding loan balances after netting of any bad debts incurred.

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.

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.

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 assets 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 Commission; 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.

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 Commission, 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 Commission. However, based on the best judgment of the Commission 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 Commission discloses its contingent liabilities for the pending litigations and claims against the Commission 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 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 fees are recognized as received from customers.

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 short term investments, cash and bank balances, microfinance loan portfolio, 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, trade and other payables, accrued finance cost and short term financing. 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 at 100% 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.

4 PROPERTY AND EQUIPMENT

Particulars	COST			Rate %	Accumulated Depreciation				Written Down Value as at June 30, 2024
	As at July 01, 2023	Additions	As at June 30, 2024		As at July 01, 2023	On opening	For the year	As at June 30, 2024	
Land	21,506,963	-	21,506,963	-	-	-	-	-	21,506,963
Furniture and fixtures	8,659,353	3,516,855	12,176,208	15%	3,208,283	817,660	43,961	4,069,904	8,106,304
Vehicles	11,117,046	-	11,117,046	15%	5,170,996	891,907	-	6,062,904	5,054,142
Office equipments	5,549,350	300,000	5,849,350	15%	2,288,735	489,092	7,500	2,785,327	3,064,022
Tool kits for vocational skills	5,598,656	-	5,598,656	30%	4,657,690	282,290	-	4,939,980	658,676
Computers	4,833,818	-	4,833,818	30%	3,389,273	433,364	-	3,822,636	1,011,182
School Building-SEF Project	26,828,093	1,297,800	28,125,893	10%	1,953,685	2,487,441	21,630	4,462,755	23,663,138
Rupees	84,093,279	5,114,655	89,207,934		20,668,662	5,401,754	73,091	26,143,507	63,064,427

Particulars	COST			Rate %	Accumulated Depreciation				Written Down Value as at June 30, 2023
	As at July 01, 2022	Additions	As at June 30, 2023		As at July 01, 2022	On opening	For the year	As at June 30, 2023	
Land	17,006,963	4,500,000	21,506,963	-	-	-	-	-	21,506,963
Furniture & fixtures	8,309,353	350,000	8,659,353	15%	2,297,800	901,733	8,750	3,208,283	5,451,070
Vehicles	7,047,046	4,070,000	11,117,046	15%	4,301,252	411,869	457,875	5,170,996	5,946,050
Office equipments	5,008,600	540,750	5,549,350	15%	1,799,130	481,421	8,184	2,288,735	3,260,615
Tool kits for vocational skills	5,598,656	-	5,598,656	30%	4,254,419	403,271	-	4,657,690	940,966
Computers	4,568,318	265,500	4,833,818	30%	2,821,789	523,959	43,525	3,389,273	1,444,545
School Building-SEF Project	17,302,619	9,525,474	26,828,093	10%	144,188	1,730,118	79,379	1,953,685	24,874,408
Rupees	64,841,555	19,251,724	84,093,279		15,618,578	4,452,370	597,713	20,668,662	63,424,617

	Note	2024 Rupees	2023 Rupees

5 DEFERRED TAX ASSET - NET

The balance of deferred tax in respect of the following temporary differences:

	Note	2024 Rupees	2023 Rupees
Accelerated tax depreciation		-	(193,685)
Provision against advances to customers		-	1,067,050
Balance as on June 30,		-	873,365

The movement in the deferred tax asset during the year is as follows:

	Note	2024 Rupees	2023 Rupees
Balance as on July 01,		(873,365)	832,712
Balance as on June 30,		-	(873,365)
Charged to income statement	22	(873,365)	(40,653)

6 LOANS TO CUSTOMERS - NET OF PROVISIONS

	Note	2024 Rupees	2023 Rupees
Pakistan Microfinance Investment Company- Secured		124,226,207	154,065,980

6.1 These loans are secured against open cheques, personal guarantees and pension books and carried flat interest rate ranging from 20% to 30% per annum on different loan tenures.

	Note	2024 Rupees	2023 Rupees
Balance as on July 01,		157,745,464	163,009,177
Disbursed during the year		81,045,000	120,285,000
Recovered during the year		(97,028,369)	(125,548,713)
		141,762,095	157,745,464
Provision for the year	(a)	(17,535,888)	(3,679,484)
Balance as on June 30,		124,226,207	154,065,980

(a) **Provision for the year:**

	2024 Rupees	2023 Rupees
Specific provision	16,281,078	2,123,262
General Provision	1,254,810	1,556,222
	17,535,888	3,679,484
	124,226,207	154,065,980

6.2 **Sectoral Distribution of Outstanding Loan Portfolio (OLP)**

	2024 Rupees	2023 Rupees
Enterprise development loan	85,155,297	71,381,595
Livestock development loan	27,041,638	53,127,283
Agriculture development loan	29,565,160	32,595,747
Solar energy loan	-	640,839
	141,762,095	157,745,464

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

Description	2024			2023		
	Specific	General	Total	Specific	General	Total
Balance as on July 01,	2,123,262	1,556,222	3,679,484	2,510,562	815,046	3,325,608
Charge for the year	14,157,816	(301,412)	13,856,404	-	741,176	741,176
Provision reversed	-	-	-	(387,300)	-	(387,300)
Balance as on June 30,	16,281,078	1,254,810	17,535,888	2,123,262	1,556,222	3,679,484

6.4 **Specific provision:**

Description	Required percentage	No of days overdue by	2024 Outstanding balance	2024 Provision required	2023 Outstanding balance	2023 Provision required
			.... Rupees............		.... Rupees..........	
Other Assets Especially Mentioned (OAEM)	-	30-59 days	566,832	-	2,714,990	-
Sub-standard	25%	60-89 days	-	-	1,809,993	452,498
Doubtful	50%	90-179 days	736,792	368,396	1,531,533	765,767
Loss	100%	180 or more	15,912,682	15,912,682	904,997	904,997
Total			17,216,306	16,281,078	6,961,513	2,123,262

The provision has been recognised as per NBFC Regulations being the higher of ECL value as per IFRS-9.

		Note	2024 Rupees	2023 Rupees
7	**ADVANCES, DEPOSITS AND PREPAYMENTS**			
	Advance to staff for expenses		2,985,124	2,535,124
	Advance income tax		-	990,052
	Prepaid rent		339,200	339,200
	Security deposits		1,334,214	1,486,359
	Prepaid salaries		19,000	89,041
			4,677,538	5,439,776
8	**DUE FROM GOVERNMENT / INCOME TAX REFUNDABLE**			
	Income tax refundable		1,280,474	-
9	**INTEREST ACCRUED ON MICROCREDIT LENDING**			
	Balance as on July 01,		49,330,553	29,917,441
	Add: Accrual for the year	16	58,238,590	64,536,954
	Less: Received during the year		(59,847,068)	(45,123,842)
	Balance as on June 30,		47,722,075	49,330,553
10	**OTHER RECEIVABLES**			
	Income tax receivable		-	492,625
	Kitchen Garden		-	874,380
	Naya Qadam		608,800	589,500
	Sindh Education Foundation for School construction		917,400	523,345
	Solar Energy		-	2,674,535
	Wash Project		1,720,718	8,162,171
	BBSHRRDB		635,250	-
	Other		605,188	1,133,950
			4,487,356	14,450,506
11	**CASH AND BANK BALANCES**			
	Cash in hand		2,689,495	2,255,363
	Cash at banks			
	Current accounts		(14,224,723)	(20,819,894)
	Saving account	11.1	11,761,718	26,697,100
			(2,463,005)	5,877,206
			226,490	8,132,569

11.1 These accounts carried profit at the rates ranging from 12.5% to 19.85% (2023: 12.25% to 19.75%) per annum.The overdrawn balances is due to the cheques issued by the company at terminal dates.

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	Note	2024 Rupees	2023 Rupees

12 FINANCING FOR MICROCREDIT LENDING - SECURED

12.1 Financing from PMIC

	2024 Rupees	2023 Rupees
Balance as at July 01,	195,000,000	169,250,000
Loan received during the year	50,250,000	78,750,000
Repayment during the year	(96,500,000)	(53,000,000)
Balance as at June 30,	148,750,000	195,000,000
Current and overdue portion	(14,875,000)	(121,625,000)
Non-current portion	133,875,000	73,375,000

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 facilty of Rs. 171.25 million for the purpose of micro finance operations which is repayable quarterly with the intrest 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 SSSF upto Rs. 250 million.

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

13 ACCRUED AND OTHER PAYABLES

	2024 Rupees	2023 Rupees
Accrued expenses	362,556	2,478,617
Markup accrued on financing for microcredit lending- PMIC	10,223,536	11,192,670
Withholding tax payable	4,048,707	1,092,473
PMN fee	-	150,000
Sale tax -Sindh Revenue Board	-	150,351
Solar products	-	24,080
Wash project	-	755,000
Audit fee payable	739,875	-
Gratuity payable	212,800	-
Others	2,513	1,869,383
	15,589,987	17,706,924

14 INCOME TAX PAYABLE

	2024 Rupees	2023 Rupees
Balance as at July 01,	8,467,683	7,592,848
(Reversal)/Provision for taxation - Current year	(8,467,683)	874,836
Balance as at June 30,	-	8,467,683

15 CONTINGENCIES AND COMMITMENTS

Contingencies

There are no material contingencies at the reporting dates.

Commitments

There are no commitments by the Company at the reporting dates.

		Note	2024 Rupees	2023 Rupees
16	**FINANCE REVENUE**			
	Service charges on:			
	PPAF Loan		3,581,186	4,099,453
	PMIC Loan		54,616,721	60,397,510
	SSSF Loan		40,683	39,991
			58,238,590	64,536,954

Services charges were received from the borrowers at the rate ranging between 16% to 32.5 % per anum

		Note	2024 Rupees	2023 Rupees
17	**OTHER INCOME**			
	Application fee		9,000	17,980
	Processing fee		977,200	1,429,335
	Recovery from loans previously written-off		704,978	826,707
	Interest on saving bank account		1,303,810	763,454
	Old balances written back		300,351	-
	Others		1,226,956	197,897
			4,522,295	3,235,373
18	**RESTRICTED GRANTS**			
	Shirkat Gah	18.1	4,586,468	3,909,251
	Sindh Education Foundation-SEF	18.2	4,023,000	4,833,600
	Wash Project	18.3	1,720,718	11,749,060
	Prime Project-PMIC & SSSF	18.4	-	372,656
	Kitchen Garden	18.5	-	1,824,057
	BBSHRDDB	18.6	635,250	1,106,952
	Pakistan Poverty Alleviation Fund / PPAF - RSSCR	18.7	9,711,401	-
	Sindh Education Foundation (SEF)	18.8	1,755,000	-
	South Asia Partnership-Pakistan	18.9	753,959	-
			23,185,796	23,795,576

18.1 This project is for Shirkat Gah Women's Resources Center for the program entitled " NAYA QADAM" .The project is being implemented in District Nawab Shah.

18.2 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 SSSF shall get per child per month subsidy over it.The project is being implemented in District Nawab Shah.

18.3 This is a Consultancy Contract with Local Government Department-Government of Sindh for the program entitled " WASH ".The agreement is for the period from 1st October 2021 to 7th June 2024 for the sum of Rs. 20,832,974. The project is being implemented in District Nawab Shah.

18.4 This project is executed with Pakistan Microfinance Investment Company for the program entitled PMIC-KFW Renewable Energy Initiative Through Microfinance (PRIME). The agreement is for the period from 1st October 2021 to 30th September 2022 for the amount not exceeding Rs. 1,625,625.The project is being implemented in District Nawab Shah.

18.5 This Project pertains to the KITCHEN GARDEN activity to be implemented in different districts of Sindh. The contract for non consulting services has been executed between project director Sindh Irrigated Agriculture Productivity Enhancement Project-Govt of Sindh as on August 01, 2020 for the sum of Rs. 2,010,000.

18.6 This contract has been executed with the Benazir Bhutto Shaheed Human Resource, Research and Development Board (BBSHRDDB) for the office automation, stiching and sewing, social media marketing with digital marketing to the peoples who's minimum qualification is matric. This project is for the sum of Rs.1,507,000.

18.7 The agreement has been executed with the Pakistan Povery 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 the tune of Rs. 49,451,033 which will commence from May 01,2024 for the period of two years.

18.8 The offer letter was awarded for the establishment and management of the centers under the Adolesecnt and Adult Learning and Training Program (AALTP) with Sindh Education Foundation that aimed at empowering individuals through education and skill development.

18.9 The grant was provided by the South Asia Partnership-Pakistan for the purpose of environmental awareness of the community.

		Note	2024 Rupees	2023 Rupees
19	**FINANCE COST**			
	Interest expense on PMIC loan		45,813,619	37,069,860
	Bank charges		165,760	57,100
			45,979,379	37,126,960
20	**ADMINISTRATIVE AND PROGRAM EXPENSES**			
	Salaries, wages and other benefits(including gratuity of Rs.212,800)		6,141,200	8,942,387
	Rent		1,600,000	2,828,855
	Legal and professional fee		129,045	387,000
	Verification charges		33,900	90,400
	Fuel		101,170	1,255,451
	Repair and maintenance		437,898	3,010,223
	Travelling and conveyance		53,800	228,650
	Meetings and activities		14,000	93,000
	Printing, stationery and periodicals		139,970	1,328,198
	Office supplies		135,960	1,212,477
	Training and capacity building		-	59,420
	Software maintenance fee		824,000	1,977,000
	Insurance		29,976	80,611
	Utilities and communication		1,126,741	1,100,741
	Other expenses		87,845	311,150
	Website maintenance fee		89,000	105,149
	Advertisement expenses		10,000	360,000
	Auditors' remuneration	20.1	739,875	716,200
	Depreciation		2,683,484	5,050,083
			14,377,864	29,136,995
20.1	**Auditor's Remuneration**			
	Audit related services			
	Review Fee		208,750	169,500
	Audit fee		472,500	450,000
	Sales tax on services		23,625	22,500
	Out of pocket		35,000	35,000
			739,875	677,000
	Non- Audit related services			
	Certificate on compliance		-	39,200
			739,875	716,200
21	**PROJECT EXPENSES**			
	Shirkat Gah-Project		4,695,079	6,605,520
	Sindh Education Foundation		7,049,693	4,108,632
	Prime Project-PMIC		-	752,788
	Wash Project		8,061,096	7,007,756
	BBSHRDB		386,272	1,255,000
	Kitchen Garden		330,074	1,990,000
	Sindh Education Foundation / AALTP-SEF		249,027	-
	Pakistan Poverty Alleviation Fund / PPAF		1,161,416	-
	South Asia Partnership-Pakistan (SAP-PK)		1,211,726	-
			23,144,383	21,719,696
22	**TAXATION**			
	Current tax		-	874,836
	Deferred tax asset written off		(873,365)	(40,653)
	Prior year adjustment	22.1	(6,720,955)	-
			(7,594,320)	834,183

22.1 This adjustment pertains to reversal of tax credits claimed in earlier years as per various assessments finalized by Income Tax Department.

22.2 The company is approved for the purpose of clause (36) of section 2 of the Income Tax Ordinance read with Rule 212 (1) of Income Tax Rule 2002, Therefore, no provison of tax has been recognized in these financial statements in the light of the above approval

23 **RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Company comprise of its members, associates including entities having common directorship and key management personnel .The transaction with related party is as under:

Name of the party	Relationship and percentage of share holding	Nature of transaction	2024 Rupees	2023 Rupees
Mr.Muhammad Umer	CEO / Director	Donation	10,618,850	-

24 **REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

There is no numeration paid to executives and directors of the company till reporting date.

	2024 Rupees	2023 Rupees
25 CASH AND CASH EQUIVALENTS		
Cash and bank balances	226,490	8,132,569
26 OPERATIONAL SELF SUFFICIENCY (OSS) RATIO		
Interest Income	62,760,885	64,536,954
Operating Income	-	3,235,373
Donation	10,618,850	-
Total operating income	73,379,735	67,772,327
Finance cost	45,979,379	37,126,960
Administrative expenses	14,377,864	29,136,995
Provision against non-performing loans & advances	13,856,404	-
Total operating expenses	74,213,647	66,263,955
Operational Self Sufficiency Ratio	0.99	1.02

27 **FINANCIAL ASSETS AND LIABILITIES**

Financial instruments by category:

Year 2023-24	Interest bearing			Not interest bearing	Total
	Maturity upto one year	Maturity after one year	Sub-total		Rupees
FINANCIAL ASSETS					
Loans and receivables at amortized cost					
Loans to customers - net of provision	127,110,816	14,651,279	141,762,095	-	141,762,095
Interest accrued on microcredit lending	47,722,075	-	47,722,075	-	47,722,075
Other loans and advances	-	-	-	4,677,538	4,677,538
Other receivables	-	-	-	4,487,356	4,487,356
Cash and bank balances	226,490	-	226,490	226,490	452,980
	175,059,381	14,651,279	189,710,660	9,391,384	199,102,044
FINANCIAL LIABILITIES					
Financial liabilities carried at amortized cost					
Microcredit lending - secured	-	133,875,000	133,875,000	-	133,875,000
Other payables	-	-	-	15,589,987	15,589,987
	-	133,875,000	133,875,000	15,589,987	149,464,987

Year 2022-23	Interest bearing				
	Maturity upto one year	Maturity after one year	Sub-total	Not interest bearing	Total Rupees
FINANCIAL ASSETS					
Loans and receivables at amortized cost					
Loans to customers - net of provision	153,173,648	892,332	154,065,980	-	154,065,980
Interest accrued on microcredit lending	49,330,553	-	49,330,553	-	49,330,553
Other loans and advances	-	-	-	5,439,776	5,439,776
Other receivables	-	-	-	14,450,506	14,450,506
Cash and bank balances	8,132,569	-	8,132,569	-	8,132,569
	210,636,770	892,332	211,529,102	19,890,282	231,419,384
FINANCIAL LIABILITIES					
Financial liabilities carried at amortized cost					
Microcredit lending - secured	121,625,000	73,375,000	195,000,000	-	195,000,000
Other payables	-	-	-	17,706,924	17,706,924
	121,625,000	73,375,000	195,000,000	17,706,924	212,706,924

28 NUMBER OF EMPLOYEES

	2024	2023
Total number of employees as at June 30,	36	38
Average number of employees during the year	37	37

29 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation as under:

Reclassified from Notes to the Finacial statements	Reclassified to Notes to the Finacial statements	Reasons	2023 Rupees
Admin and program expenses	Finance cost	Better presentation	57,100

30 DATE OF AUTHORIZATION

30.1 These financial statements were authorized for issue on ....18 NOV 2024........ by the Board of Directors of the Company

31 GENERAL

31.1 The Comapany has fidelity insurance coverage as required Rule 09 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

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NAWABSHAH: CHIEF EXECUTIVE OFFICER DIRECTOR