

INDEPENDENT AUDITOR'S REPORT

To the members of Akhuwat Housing Finance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Akhuwat Housing Finance Company Limited** ("the Company") which comprise the statement of financial position as at June 30, 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended June 30, 2024, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive loss, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2024 and of the loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 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 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit and loss and other comprehensive loss, the statement of changes in equity 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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 Rana M. Usman Khan.

Yousuf Adil
Chartered Accountants

Lahore

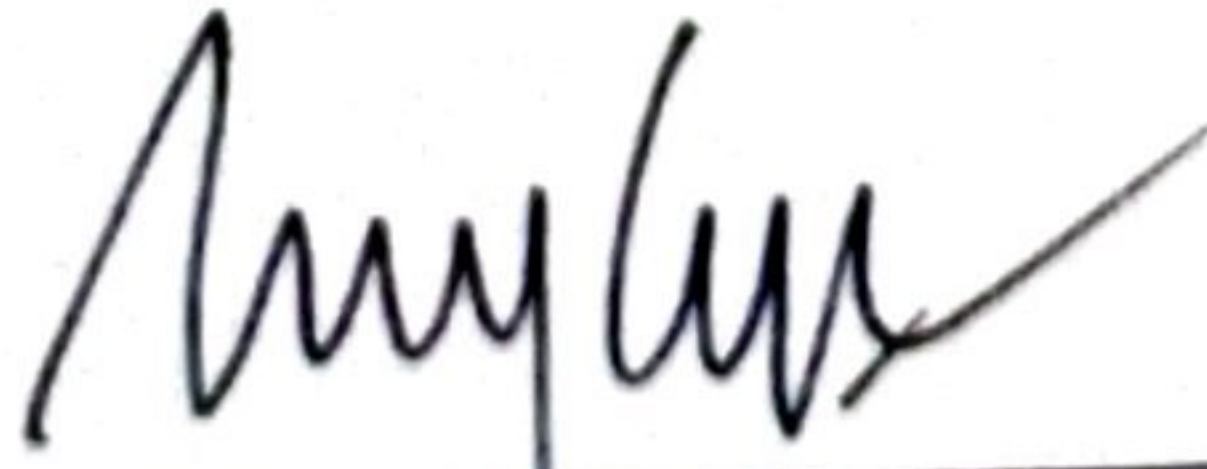
Date: December 24, 2024

UDIN: AR202410088Xe1KZhb9J

AKHUWAT HOUSING FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

		2024	2023
	Note	Rupees	Rupees
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	5	91,728	210,910
Housing loans receivable	6	30,820,448	28,372,622
		30,912,176	28,583,532
CURRENT ASSETS			
Housing loans receivable	6	1,288,432	755,113
Short term investments	7	45,990,511	13,307,937
Advance income tax		1,278,318	708,534
Bank balances	8	10,583,533	21,411,252
		59,140,794	36,182,836
TOTAL ASSETS		90,052,970	64,766,368
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	70,000,000	70,000,000
Accumulated loss		(7,696,869)	(7,716,122)
		62,303,131	62,283,878
NON-CURRENT LIABILITY			
Long term finance	12	15,000,000	-
CURRENT LIABILITIES			
Accrued expenses and other liabilities	10	3,404,474	1,549,105
Deferred grant	11	243,543	140,238
Current portion of long term finance	12	9,000,000	-
Provision for taxation		101,822	793,147
		12,749,839	2,482,490
Contingencies and commitments	13	-	-
TOTAL EQUITY AND LIABILITIES		90,052,970	64,766,368

The annexed notes from 1 to 24 form an integral part of these financial statements.

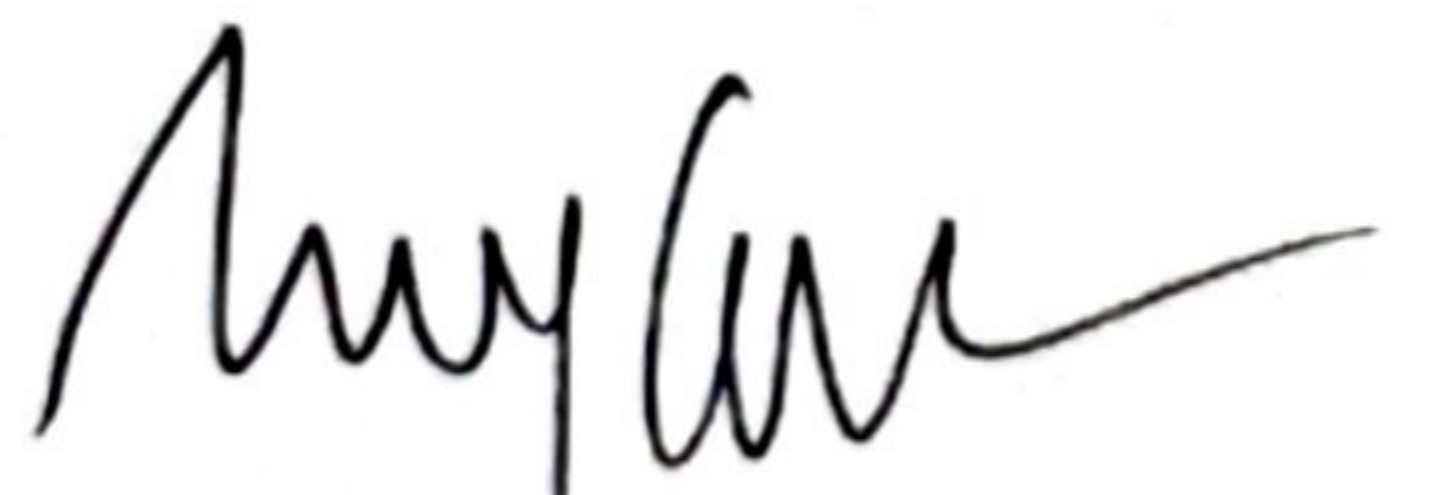

 Chief Executive Officer

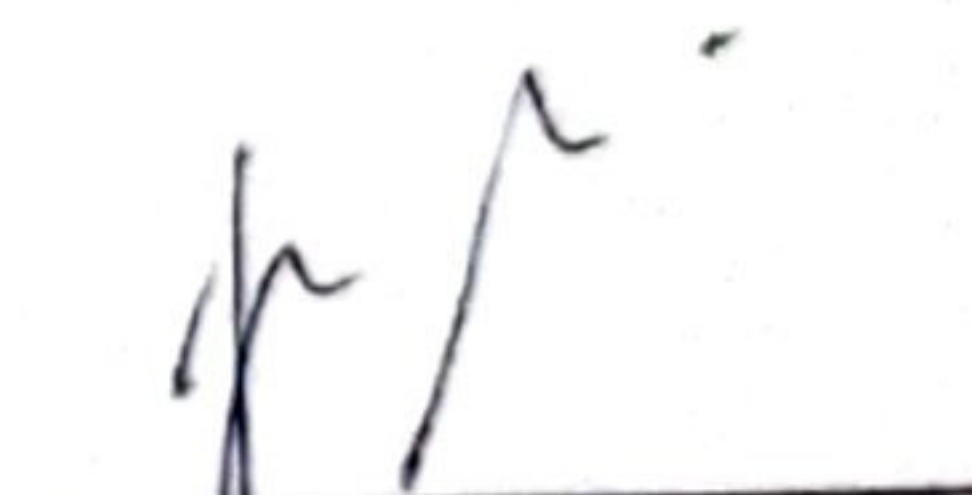

 Director

AKHUWAT HOUSING FINANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
Rental income	14	5,193,951	2,201,038
Operational cost	15	11,052,757	9,846,723
Finance cost	16	3,834,503	-
Provision for loan loss		15,606	145,875
		14,902,866	9,992,598
Other income	17	9,509,214	3,799,836
Loss before taxation		(199,701)	(3,991,724)
Taxation	18	218,954	(793,147)
Profit / (loss) after taxation		19,253	(4,784,871)
Other comprehensive income		-	-
Total comprehensive income for the year		19,253	(4,784,871)

The annexed notes from 1 to 24 form an integral part of these financial statements.

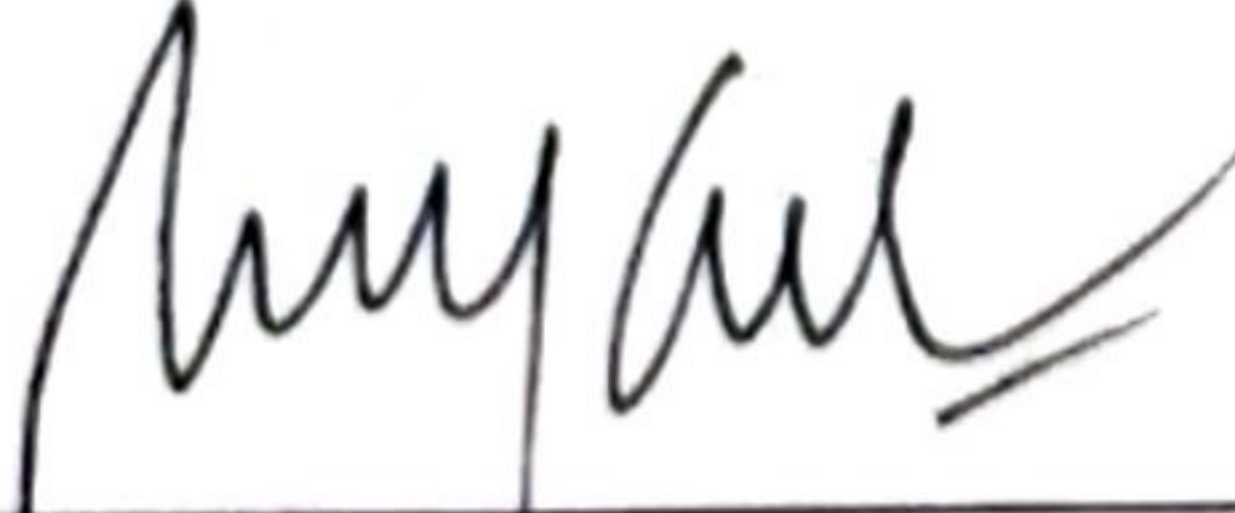

 Executive Officer


 Director

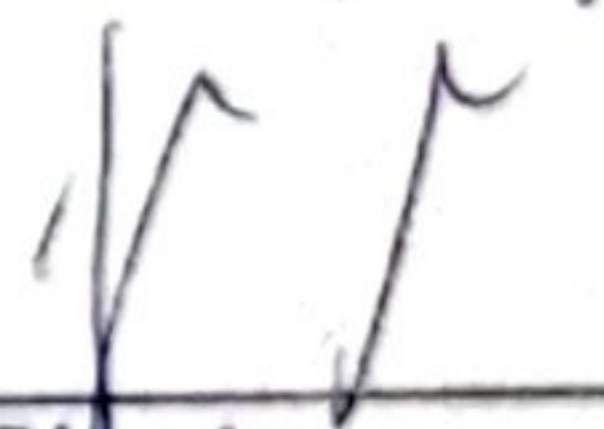
AKHUWAT HOUSING FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2024

	Share capital	Accumulated loss	Total
	----- Rupees -----		
Balance at 1 July , 2022	50,000,000	(2,931,250)	47,068,750
Loss for the period	-	(4,784,871)	(4,784,871)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(4,784,871)	(4,784,871)
Transactions with owners:			
Issuance of shares	20,000,000	-	20,000,000
Balance at June 30, 2023	70,000,000	(7,716,122)	62,283,878
Profit for the year	-	19,253	19,253
Other comprehensive income for the year	-	-	-
Total comprehensive income for the period	-	19,253	19,253
Balance at June 30, 2024	70,000,000	(7,696,869)	62,303,131

The annexed notes from 1 to 24 form an integral part of these financial statements.



 Chief Executive Officer



 Director

AKHUWAT HOUSING FINANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

2024

2023

----- Rupees -----

A. CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation

(199,701)

(3,991,724)

Adjustments for:

Depreciation on property and equipment

119,182

113,484

Dividend income

(240,664)

(141,412)

Return on term deposit receipt

(8,973,021)

(201,322)

Return on bank deposits

(250,529)

(258,721)

Provision for loan loss

15,606

145,875

Finance cost

3,834,503

-

(5,494,923)

(342,096)

Operating cashflows before working capital changes

(5,694,624)

(4,333,821)

Changes in working capital

Increase in housing loans receivable

(2,996,751)

(29,175,016)

Increase in accrued expenses and other liabilities

1,855,369

304,530

Deferred grant

103,305

140,238

Cash used in operations

(6,732,701)

(33,064,069)

Tax paid

(1,403,279)

(708,534)

Finance cost paid

(3,139,967)

-

Net cash used in operating activities

(11,275,946)

(33,772,603)

B. CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments

(40,121,213)

33,018,835

Redemption of investments

8,000,000

-

Accrued return on investments

(307,582)

(137,541)

Return on term deposit receipt received

8,626,493

201,322

Return on bank deposits received

250,529

258,721

Net cash used in investing activities

(23,551,773)

33,341,337

C. CASH FLOWS FROM FINANCING ACTIVITIES

Issue of share capital

-

20,000,000

Receipt of long term finance

24,000,000

-

Net cash from financing activities

24,000,000

20,000,000

Net (decrease)/ increase in cash and cash equivalents (A+B+C)

(10,827,719)

19,568,733

Cash and cash equivalents at the beginning of the year

21,411,252

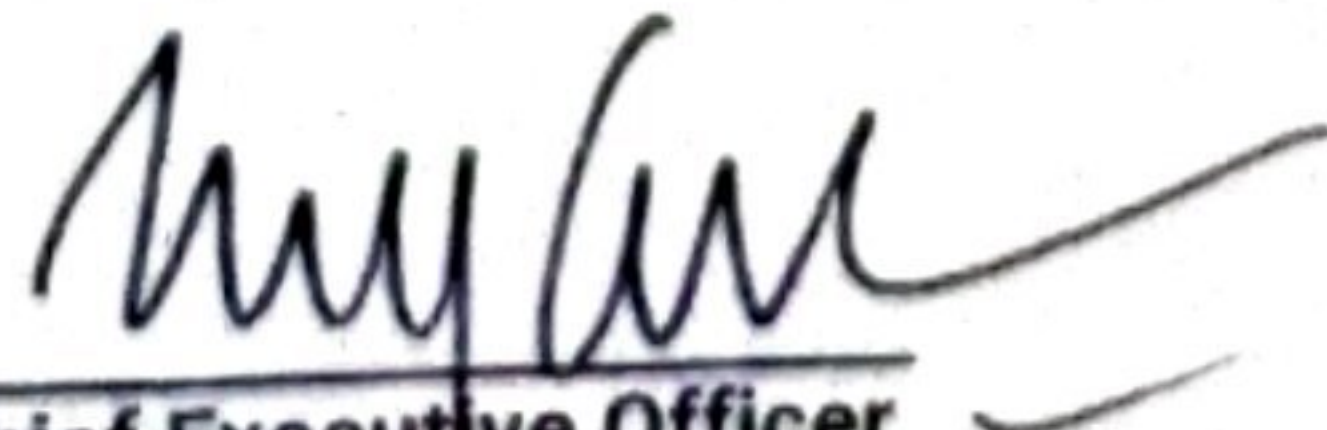
1,842,519

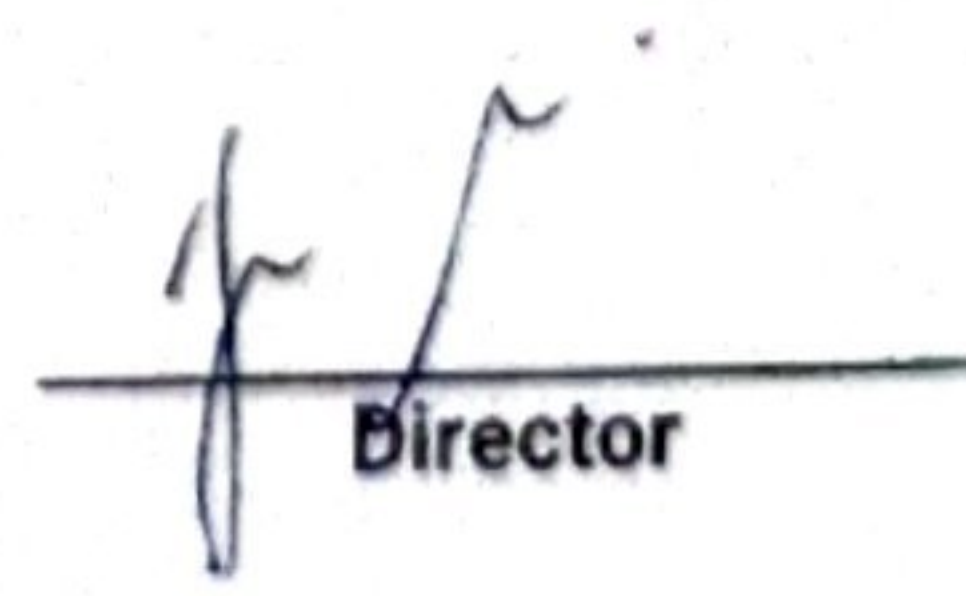
Cash and cash equivalents at the end of the year

10,583,533

21,411,252

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive Officer


Director

AKHUWAT HOUSING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1 General information

1.1 Legal status and nature of operation

Akhuwat Housing Finance Company Limited was incorporated in Pakistan on June 25, 2021 as a Public unlisted company limited by shares, under Companies Act, 2017. The Company has been licensed by the Securities and Exchange Commission of Pakistan (the SECP) on February 1, 2022, to carry out housing finance services as a non-banking finance company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules).

The Company carry out business as NBFC for provision of Housing finance services to individuals of Pakistan. Registered office of the Company is situated at 19-Civic Center A-2 Township, Lahore.

The Company is a subsidiary of Akhuwat, a society incorporated under Societies Act, 1860.

2 Basis of preparation

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB), as notified under the Companies Act, 2017;

- Provisions of, and directives issued under the Companies Act, 2017 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations); and

- Provisions of, and directives issued under the Companies Act, 2017 and the NBFC Rules.

Where standards of and directives issued under the Companies Act, 2017 and NBFC Rules differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 and NBFC Rules, have been followed.

2.1.1 Functional and presentation currency

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

2.1.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the investments measured at fair value.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the period ended 30 June 2024

The following standards, amendments and interpretations are effective for the period ended 30 June 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards or interpretations with no significant impact

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41).

2.3 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards or Interpretation	Effective from accounting period beginning on or after:
'Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
'Amendments to IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
'Amendments to IAS 12 ' Income taxes' - International Tax Reform – Pillar Two Model Rules	January 01, 2023
'Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
'Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
'Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments disclosures' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
'Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of	January 01, 2025
'IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2026
'Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments disclosures' - Classification and measurement of financial	January 01, 2026
IFRS 18 'Presentation and disclosure in financial statements'	January 01, 2027
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	January 01, 2027

'The Company is yet to assess the impact of above standards, amendments and interpretations on its financial statement

3 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets - (note 4.1)
- Provision for loan losses - (note 6.4)

4 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

4.1 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any identified impairment loss. Depreciation on all property and equipment is charged to statement of profit or loss on straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note 5 to the financial statements.

Depreciation on additions to property and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each reporting date whether there is any indication that property and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

4.2 Change in accounting policy:

During the year, the Company has adopted IFRS 9 'Financial Instruments' from 01 July 2023. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

Particular	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Housing loans receivable	Loans and receivables	Amortized cost	29,029,141	29,029,141
Short term investment	FVTPL	FVTPL	1,118,990	1,118,990
Short term investment	Held to maturity	Amortized cost	12,188,947	12,188,947
Cash and bank balances	Loans and receivables	Amortized cost	21,411,252	21,411,252
Accrued expenses and other liabilities	Amortized cost	Amortized cost	1,549,105	1,549,105

4.3 IFRS-9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables, held for trading and available for sale.

4.3.1 Classification and subsequent measurement

Financial Asset

Debt instrument at Amortized cost

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses and principal repayments with the addition of cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount. Rental income (interest), operational income / service charges, foreign exchange gains, and losses and impairment are recognized in the statement of profit and loss.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit and loss. Other FV net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in SOCE are reclassified to the statement of profit and loss. However, the Company has no such instrument at the reporting date

Equity Instrument - FVOCI

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

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other FV net gains and losses are recognized in OCI and are never reclassified to the statement of profit and loss. However, the Company has no such instrument at the reporting date.

FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition for equity instruments, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net FV gains and losses, including any interest or dividend income, are recognized in the statement of profit and loss. At the reporting date, the Company has classified investments in mutual funds as FVTPL.

4.3.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. The classification determines the subsequent measurement and impacts the recognition of gains or losses on liabilities. IFRS 9 eliminates the previous IAS 39 categories, which categorized liabilities as held to maturity, loans and borrowings, held for trading, and other liabilities.

Financial liability at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss. However, the Company has no such instrument at the reporting date.

Financial liability at Amortized cost

Financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit and loss.

Financial liabilities at amortized cost comprise creditors, accrued, other liabilities and finance facility from PMRC.

4.3.3 Derecognition

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

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liability

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of profit and loss. Any gain or loss on derecognition is also recognized in the statement of profit and loss.

4.4 Cash and bank balances

Cash and bank balances are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

4.5 Accrued expenses and other liabilities

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

4.6 Provisions

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

4.7 Impairment of financial assets

The NBFC Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC and NE Regulations) describe the basis for recording of provisions.

a) Specific

Specific provision is created against balances which are known to have financial issues based on their repayments being overdue for certain days. It is created when a balance remains unpaid for following days:

Overdue Range	Percentage of Specific Provision
Less than 6 months	0%
6 months - 1 year	25%
1 year - 2 year	50%
2 year or more	100%

Additional provision can also be made if recovery of a specific balance is considered doubtful by the management. Loan losses (write-offs) are charged against the allowance for loan losses when management believes that the principal is unlikely to be recovered.

b) General

The Company recognises allowance for impairment of housing loan portfolio considering applicable regulatory requirements. Accordingly the specific and general provisions recognised during the year are charged to the statement of profit and loss.

c) Loss allowance for expected credit loss using requirements of IFRS 9

The Company measures loss allowances using a general approach which is measured at three levels

- Level 1 - financial assets on which credit risk at the date of initial recognition has not raised significantly are measured using 12-month ECL.
- Level 2 - financial assets whose credit risk has increased significantly after the initial recognition without default in contractual term payments are measured using lifetime ECL
- Level 3 - financial assets that have made defaulted in making contractual payments are measured using lifetime ECL

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model, IFRS 9 introduces a forward looking expected credit loss model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments classified as FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than IAS 39. The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for trade debts. Management uses actual credit loss experience over a past years to base the calculation of ECL. The Company monitors changes in credit risk by tracking published external credit ratings.

Measurement of ECL allowance:

The measurement of ECL requires a complex model, significant assumptions about the macro economical variables and use of different data bases.

- Segmentation of loan portfolio on basis of similar characteristics
- Determination of credit risks
- Selection of appropriate model and supportable assumptions
- Forward looking macro-economic variables

4.8 Current and deferred taxation

Current

The provision for taxation is based on current year profit by using current rates of tax after taking into account applicable tax credits and rebates in accordance with Income Tax Ordinance, 2001.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax liabilities are generally recognized for taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences, unused tax credits and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

As per the Guide, the deferred tax would be measured using the average effective rate of tax rather than the enacted / notified tax rate. The entity reassess its estimate for measuring deferred taxes in the future due to variation in the effective income tax rate even when the enacted rate of income tax is unchanged.

4.9 Revenue recognition

The Company policy for revenue recognition under different contracts with customers, meets the IFRS 15 recognition criteria so it stands as follows:

a) Application fees

Application fee is received from prospective borrowers against application forms. This is non refundable so recognised when cash is received.

Return on bank deposits

Return on bank deposits is recognized when earned.

5 Property and equipment

	2024 Rupees	2023 Rupees
Computer equipment		
Cost		
Opening	357,545	357,545
Addition	-	-
Closing	<u>357,545</u>	<u>357,545</u>
Accumulated depreciation		
Opening	146,635	33,151
For the year	119,182	113,484
Closing	<u>265,817</u>	<u>146,635</u>
Net Book Value	<u>91,728</u>	<u>210,910</u>
Depreciation rate	33%	33%

	Note	2024 Rupees	2023 Rupees
6 Housing loans receivable			
Non current portion		30,820,448	28,372,622
Current portion		1,288,432	755,113
		<u>32,108,880</u>	<u>29,127,735</u>
6.1 Particulars of housing loans receivable			
Purchase financing	6.2	23,360,226	22,648,610
Construction financing	6.3	8,910,134	6,625,000
		<u>32,270,361</u>	<u>29,273,610</u>
Provision for loan loss	6.4	(161,481)	(145,875)
		<u>32,108,880</u>	<u>29,127,735</u>
6.2 Purchase financing			
Balance as at beginning of the year		22,648,610	-
Disbursed during the year		8,400,000	22,950,000
		<u>31,048,610</u>	<u>22,950,000</u>
Income earned		3,961,126	380,384
Recovered during the year		(11,649,509)	(681,774)
Balance as at end of the year		<u>23,360,226</u>	<u>22,648,610</u>

These represent financing provided to borrowers through a single tranche under a Diminishing Musharakah arrangement for the acquisition of new residential properties. Borrowers are eligible for a maximum loan amount of Rs. 5,000,000, with repayment terms ranging from 3 to 20 years at an annual interest rate of 15% to 20% (2023: 15%).

	2024 Rupees	2023 Rupees
6.3 Construction financing		
Balance as at beginning of the year	6,625,000	-
Disbursed during the year	3,375,000	6,625,000
	<u>10,000,000</u>	<u>6,625,000</u>
Income earned	1,232,825	1,820,654
Recovered during the year	(2,322,691)	(1,820,654)
Balance as at end of the year	<u>8,910,134</u>	<u>6,625,000</u>

These represent financing provided to borrowers through multiple tranches under a Diminishing Musharakah arrangement for the construction of new houses, upper portions of existing houses, and renovations of existing houses. Borrowers are eligible for a maximum loan amount of Rs. 5,000,000, with repayment terms ranging from 3 to 20 years at an annual interest rate of 15% to 20% (2023: 15%).

6.4 Provision for loan loss

The Company recognizes provision for doubtful loans at higher of applicable regulatory requirements and Expected Credit Losses. The Company's policy for housing loan loss provision is inline with the policy as per applicable NBFC and NE Regulations during the current year and the following specific and general provisions are recognized as at June 30:

	Note	2024 Rupees	2023 Rupees
General provision	6.4.1	<u>161,481</u>	<u>145,875</u>
Provision under Expected Credit Losses as per IFRS 9		<u>84,965</u>	-

	Note	2024 Rupees	2023 Rupees
6.4.1 Movement of provision during the year			
Balance as at beginning of the year		145,875	-
Charge for the year		15,606	145,875
		<u>161,481</u>	<u>145,875</u>
Loan written off during the year		-	-
Balance as at end of the year		<u>161,481</u>	<u>-</u>

7 Short term investments

At fair value through profit or loss

NBP Islamic Savings Fund - 136,978 units (2023: 116,719 units)

NBP Islamic Money Market Fund - 5,862 units (2023: nil)

1,313,205	1,118,990
59,564	-
<u>1,372,769</u>	<u>1,118,990</u>

At amortized cost

Term deposit receipts

Accrued return on investments

7.1

44,271,213	12,150,000
346,529	38,947
<u>44,617,742</u>	<u>12,188,947</u>
<u>45,990,511</u>	<u>13,307,937</u>

7.1 This represents term deposit receipt (TDR) of BankIslami Pakistan Limited with a 19.50% to 20.75% return rate. A lien has also been marked on a TDR worth of Rs. 12.1 million as part of the agreement with PMRC.

8 Bank balances

Saving accounts

8.1

<u>10,583,533</u>	<u>21,411,252</u>
-------------------	-------------------

8.1 These balances are held in saving accounts and carry return rate ranging from 8.50% to 9.70% per annum.

	2024 Rupees	2023 Rupees
9 Share capital		
9.1 Authorized share capital		
10,000,000 (2023: 10,000,000) ordinary shares of Rs.10/- each	<u>100,000,000</u>	<u>100,000,000</u>
9.2 Issued, subscribed and paid-up capital		
7,000,000 (2023: 7,000,000) ordinary shares of Rs.10/- each fully paid in cash	<u>70,000,000</u>	<u>70,000,000</u>
9.3 Movement in issued, subscribed and paid up share capital		
Opening balance	70,000,000	50,000,000
Shares issued during the year	-	20,000,000
	<u>70,000,000</u>	<u>70,000,000</u>

	2024		2023	
9.4 Shares held by the Parent Company	No. of shares	Percentage	No. of shares	Percentage
Akhuwat	6,979,995	99.7142%	6,979,995	99.7142%

10	Accrued expense and other liabilities	Note	2024 Rupees	2023 Rupees
	Accrued expenses		567,727	-
	Payable to related party	10.1	962,075	962,075
	Accrued profit on long term finance		694,542	-
	Audit fee payable		406,800	339,000
	Withholding tax payable		144,373	-
	Takaful payable		63,957	183,030
	Other payables		565,000	65,000
			3,404,474	1,549,105

10.1 It includes preliminary charges paid by Parent company "Akhuwat" in 2022, relating to incorporation of Akhuwat Housing Finance Company Limited of Rs. 962,075.

11	Deferred grant		2024 Rupees	2023 Rupees
	Opening		140,238	-
	Additions during the period		876,060	560,952
	Adjustments		772,755	420,714
	Closing		243,543	140,238

12 This finance facility has been obtained from Pakistan Mortgage Refinance Company Limited (PMRC) of Rs. 24 million for a period of 3 years starting from August 2023 to July 2026 as per the Musharakah Agreement. The profit payment is on quarterly basis with desired profit rate of 17.46%. The purpose of this prefinance facility is for providing loan to Middle Income Group and Low Income Group for purchase or construction of houses. A lien has also been marked on a TDR of Rs. 12.1 million as part of the agreement with PMRC.

13 Contingencies and commitments

There are no commitments and contingencies as at June 30, 2024 and June 30, 2023.

14	Rental income		2024 Rupees	2023 Rupees
	Rental income earned	14.1	5,193,951	2,201,038

14.1 This represents rental income from the borrower under Diminishing Musharakah arrangement. In this arrangement, the Company's ownership stake gradually diminishes with each installment paid by the borrower, resulting in a progressive reduction in rental income. Eventually, upon the conclusion of the loan tenure, the borrower acquires full ownership of the house.

15	Operational cost	Note	2024 Rupees	2023 Rupees
	Salaries, wages and benefits		5,862,220	5,242,540
	Legal and professional		1,554,264	769,740
	Auditors' remuneration	15.1	406,800	339,000
	Fees and subscription		494,728	799,881
	Communication		4,460	7,030
	Repair and maintenance		28,720	15,300
	Travelling and conveyance		2,508,482	2,484,034
	Stationery		49,654	19,030
	Office supplies		7,244	36,909
	Depreciation		119,182	113,484
	Bank charges		3,132	2,511
	Others		13,871	17,264
			11,052,757	9,846,723

	2024	2023
	Rupees	Rupees
15.1 Auditors' remuneration		
Audit fee including sales tax	378,000	315,000
Out of pocket expenses	28,800	24,000
	<u>406,800</u>	<u>339,000</u>
16 Finance cost		
Profit on Musharika based loan	<u>3,834,503</u>	-
17 Other income		
Dividend income	240,664	141,412
Return on term deposit receipt	8,973,021	240,269
Return on bank deposits	250,529	258,721
Capital gain in disposal of short term investment	-	3,053,168
Miscellaneous income	45,000	106,265
	<u>9,509,214</u>	<u>3,799,836</u>

17.1 This represents fee received from prospective borrowers againsts application received.

18 Taxation

Current	101,822	793,147
Prior year current tax	(320,776)	-
	<u>(218,954)</u>	<u>793,147</u>

18.1 Relationship between tax expense and accounting profit

Loss before taxation	<u>(199,701)</u>	<u>(3,991,724)</u>
Income tax using domestic corporate tax rate 29%	(57,913)	(1,157,600)
Tax effects of amounts that are:		
Effect of income chargeable at lower rate - separate block	-	(163,136)
Dividend Income	(33,693)	-
Prior year current tax adjustment	(320,776)	-
Deferred tax asset - unrecognized	193,428	2,113,883
	<u>(218,954)</u>	<u>793,147</u>

19 Transactions with related party

Related parties comprise of the organizations with common directors and key management personnel. The Company in the normal course of business has carried out a single transaction with its related party. The balance due from related parties have been disclosed in the relevant notes to the financial statements. Remuneration to key management personnel have been disclosed in note 22 of these financial statements. Details of transactions with related parties are as follows:

		2024 Rupees	2023 Rupees
Entity name	Nature of transaction		
Akhuwat	Right issue of share capital	-	20,000,000
Akhuwat is the parent Company due to 99.71424% holding.			

20 Risk management of financial instruments

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Credit risk – Credit risk is the potential for financial loss resulting from the failure of a client or counterparty to honor its financial or contractual obligations. Credit risk arises from the Company's housing finance activities.

The Company's aggregate loan portfolio is Rs. 32.27 million (2022: Rs. 29.27 Million). The Company's total allowances for impairments amounted Rs. 0.161 million at June 30, 2024, a coverage ratio of 0.5% of total loans.

Credit risk of the Company arises principally from the housing loans, investments, receivables, bank balances and other assets. The carrying amount of financial assets represents the maximum credit exposure.

Exposure to credit risk at June 30, 2024 is as follows:

	Note	June 30, 2024 Rupees	June 30, 2023 Rupees
Housing loans receivable	6	32,108,880	29,029,141
Short term investment	7	45,990,511	13,307,937
Bank balances	8	10,583,533	21,411,252
		<u>88,682,924</u>	<u>63,748,330</u>

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. At the period end, the Company has bank balances with the following banks:

	Rating		Rating Agency	June 30, 2024 Rupees	June 30, 2023 Rupees
	Short term	Long term			
Bank Islami Pakistan Limited	A1	AA-	PACRA	9,434,275	201,407
Allied Bank Limited	A1+	AAA	PACRA	1,149,258	21,209,845
				<u>10,583,533</u>	<u>21,411,252</u>

Market risk – Market risk includes price risk and currency risk, which arise in the normal course of the Company's business:

- Price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from profit rate risk or currency risk.
- Interest rate is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates.

The Company's financial performance is subject to some degree of risk due to changes in profit rates; however, due to nature of operations, the Company has significantly less interest rate risk than that of a traditional financial institution.

- The tenor mismatch between assets and liabilities is far less.

Below is a consideration of profit rate risk by term of asset and liability as of June 30, 2024:

	Profit sensitive balances	Non-profit sensitive balances	Total
Bank balances	10,583,533	-	10,583,533
Short term investments	44,617,742	1,372,769	45,990,511
Housing loans receivable	32,108,880	-	32,108,880
Total assets	87,310,155	1,372,769	88,682,924
Accrued expenses and other liabilities	-	3,404,474	3,404,474
Long term finance	24,000,000	-	24,000,000
Total liabilities	24,000,000	3,404,474	27,404,474
Open position	63,310,155	(2,031,705)	61,278,450

Below is a consideration of profit rate risk by term of asset and liability as of June 30, 2023:

	Profit sensitive balances	Non-profit sensitive balances	Total
Cash and bank balances	21,411,252	-	21,411,252
Short term investments	12,188,947	1,118,990	13,307,937
Housing loans receivable	29,029,141	-	29,029,141
Total assets	62,629,340	1,118,990	63,748,330
Accrued expenses and other liabilities	-	1,549,105	1,549,105
Total liabilities	-	1,549,105	1,549,105
Open position	62,629,340	(430,115)	62,199,225

Liquidity risk – Liquidity risk management includes (at a minimum) the identification, measurement and establishment of limits on potential losses arising from the difficulty of renewing liabilities under normal market conditions. The Company's funding and liquidity objective is to fund its existing asset base (and maintain sufficient excess liquidity) so that it can operate under unusual / adverse market conditions. At the aggregate level, the Company's goal is to ensure that there is sufficient funding in amount and tenor so that adequate liquid resources are available for all operating activities. The liquidity framework requires that entities be liquidity self-sufficient or net providers of liquidity. The primary sources of funding are housing loans.

Liquidity management is the responsibility of senior management of the Company and is overseen by the board of directors. The Company maintains legal reserve requirements in accordance with local regulations.

A traditional view of the Company's liquidity is provided by a GAP analysis. Considering the contractual terms of client loans, the Company has a substantial amount of excess liquidity in the under 1 year timeframe.

	Up to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total
At June 30, 2024:					
Bank balances	10,583,533	-	-	-	10,583,533
Short term investments	45,990,511	-	-	-	45,990,511
Housing loans receivable	1,288,432	2,635,682	3,606,341	24,578,425	32,108,880
	57,862,476	2,635,682	3,606,341	24,578,425	88,682,924
Accrued expenses and other liabilities	3,404,474	-	-	-	3,404,474
Long term finance	9,000,000	15,000,000	-	-	24,000,000
	12,404,474	15,000,000	-	-	27,404,474
Liquidity gap	45,458,002	(12,364,318)	3,606,341	24,578,425	61,278,450

21 **Number of employees**

The average and total number of employees during period ended June 30, 2024 are as follows:

	2024	2023
	Number of Employees	
Total number of employees at head office as at June 30	7	7
Average number of employees at head office during the year	7	5

22 **Remuneration of chief executive, directors and executives**

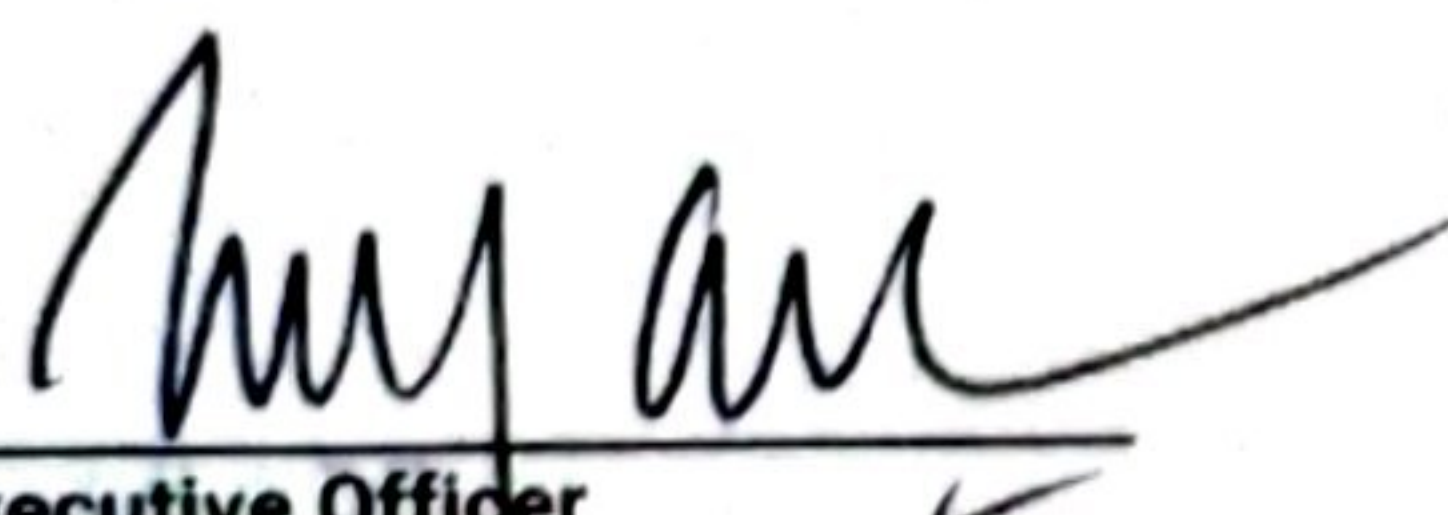
	Chief Executive		Directors		Executives	
	2024	2023	2024	2023	2024	2023
	Rupees					
Remuneration	-	-	-	-	3,300,000	3,300,000
Travelling allowance	2,400,000	2,400,000	-	-	-	-
Total	-	-	-	-	3,300,000	3,300,000
Number of persons	1	1	7	7	1	1

23 **Date of authorization**

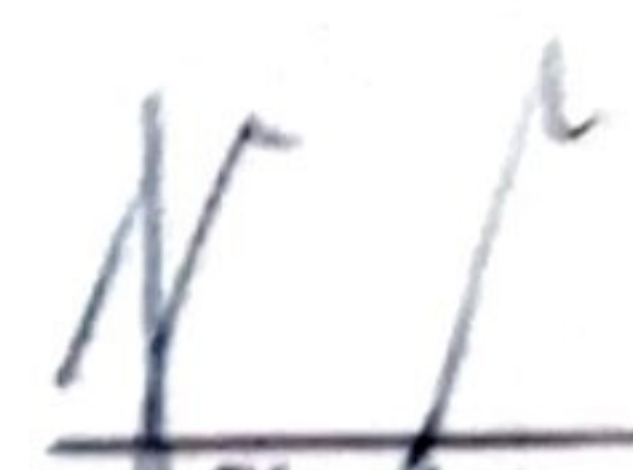
These financial statements were authorized on _____ by the Board of Directors of the Company.

24 **General**

Figures have been rounded off to the nearest Rupee.



Chief Executive Officer



Director

16 DEC 2024