

**Akhuwat Housing Finance Company Limited**

**Financial Statements**

**For the year ended June 30, 2023**

## 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, 2023, 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, 2023, 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, 2023 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);



# YOUSUF ADIL

YOUSUF ADIL  
Chartered Accountants

- 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

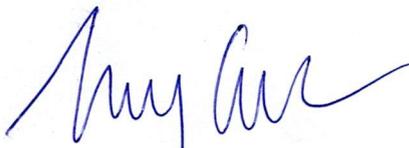
Date: December 14, 2023

UDIN: : AR2023100885HtagGhyr

AKHUWAT HOUSING FINANCE COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2023

	Note	2023	2022
		Rupees	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Operating fixed assets	5	210,910	324,394
Housing loans receivable	6	28,372,622	-
		28,583,532	324,394
<b>CURRENT ASSETS</b>			
Housing loans receivable	6	656,519	-
Short term investments	7	13,268,990	46,146,412
Other receivables	8	137,541	-
Advance income tax		708,535	209,232
Cash and bank balances	9	21,411,252	1,842,519
		36,182,836	48,198,163
<b>TOTAL ASSETS</b>		<b>64,766,369</b>	<b>48,522,557</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	70,000,000	50,000,000
Accumulated loss		(7,716,122)	(2,931,250)
		62,283,878	47,068,750
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	11	1,549,105	1,244,575
Deferred grant		140,238	-
Provision for taxation	12	793,147	209,232
		2,482,490	1,453,807
Contingencies and commitments	13	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>64,766,368</b>	<b>48,522,557</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

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AKHUWAT HOUSING FINANCE COMPANY LIMITED  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	For the period from June 25, 2021 to June 30, 2022
----- Rupees -----			
Revenue	14	2,307,303	-
Operational cost	15	4,755,591	-
Administrative expenses	16	5,091,132	4,674,797
Provision for loan loss		145,875	-
		9,992,598	4,674,797
Other income	17	3,693,571	1,952,779
<b>Loss before taxation</b>		<b>(3,991,724)</b>	<b>(2,722,018)</b>
Taxation	12	(793,147)	(209,232)
<b>Loss for the period</b>		<b>(4,784,871)</b>	<b>(2,931,250)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(4,784,871)</b>	<b>(2,931,250)</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

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 Chief Executive Officer

  
 Director

AKHUWAT HOUSING FINANCE COMPANY LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED JUNE 30, 2023

	Share capital	Accumulated loss	Total
	----- Rupees -----		
Balance at June 25, 2021	-	-	-
Loss for the period	-	(2,931,250)	(2,931,250)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(2,931,250)	(2,931,250)
Transactions with owners:			
Issuance of shares	50,000,000	-	50,000,000
Balance at June 30, 2022	50,000,000	(2,931,250)	47,068,750
Loss for the year	-	(4,784,871)	(4,784,871)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(4,784,871)	(4,784,871)
Transactions with owners:			
Right shares issued	20,000,000	-	20,000,000
Balance at June 30, 2023	70,000,000	(7,716,122)	62,283,878

The annexed notes from 1 to 23 form an integral part of these financial statements.

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 Chief Executive Officer

  
 Director

AKHUWAT HOUSING FINANCE COMPANY LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023

2023 For the period from June  
25, 2021 to June 30, 2022  
----- Rupees -----

A. CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(3,991,724)	(2,722,018)
Adjustments for:		
Depreciation on property and equipment	113,484	33,151
Dividend income	(141,412)	(1,394,880)
Return on term deposit receipt	(201,322)	-
Return on bank deposits	(258,721)	(557,899)
Provision for loan loss	145,875	-
Unrealised gain on remeasurement of short term investment	(3,595)	49,236
	(345,692)	(1,870,392)
<b>Operating cashflows before working capital changes</b>	<b>(4,337,416)</b>	<b>(4,801,642)</b>
<b>Changes in working capital</b>		
Increase in housing loans receivable	(29,175,016)	-
Increase in other receivables	(137,541)	-
Increase in creditors, accrued and other liabilities	304,530	1,453,807
<b>Cash used in operations</b>	<b>(33,345,443)</b>	<b>(3,347,835)</b>
Taxes paid	(708,535)	(209,232)
<b>Net cash used in operating activities</b>	<b>(34,053,978)</b>	<b>(3,557,066)</b>

B. CASH FLOWS FROM INVESTING ACTIVITIES

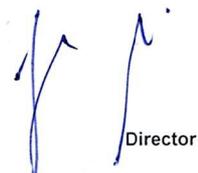
Purchase of property and equipment	-	(357,545)
Purchase / redemption of investments	33,022,431	(45,010,000)
Dividend received	-	209,232
Return on term deposit receipt	201,322	-
Deferred grant	140,238	-
Return on bank deposits	258,721	557,899
<b>Net cash used in investing activities</b>	<b>33,622,712</b>	<b>(44,600,415)</b>

C. CASH FLOWS FROM FINANCING ACTIVITIES

Issue of share capital	20,000,000	50,000,000
<b>Net cash from financing activities</b>	<b>20,000,000</b>	<b>50,000,000</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>19,568,733</b>	<b>1,842,519</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,842,519</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>21,411,252</b>	<b>1,842,519</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

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**AKHUWAT HOUSING FINANCE COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**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 2023**

The following standards, amendments and interpretations are effective for the period ended 30 June 2023. 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.

<b>Standards or interpretations with no significant impact</b>	<b>Effective from accounting period beginning on or after:</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41).	January 01, 2022

**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.

<b>Standards or Interpretation</b>	<b>Effective from accounting period beginning on or after:</b>
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

<b>Standards or Interpretation</b>	<b>Effective from accounting period beginning on or after:</b>
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, 2023
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements.	January 01, 2023
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	
- IFRS 1 – First Time Adoption of International Financial Reporting Standards	
- IFRS 17 – Insurance Contracts	
The Company is yet to assess the impact of above standards, amendments and interpretations on its financial statements.	

### 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 other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are 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 4.5.1.

### 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 the period in which they are incurred.

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 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

##### Offsetting of financial instruments

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

##### Derecognition of financial assets

All investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

##### 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.

#### 4.3 Investments

The investments of the Company, upon initial recognition, are classified as held-for-trading, held-to-maturity or available-for-sale, as appropriate.

Investments other than held-for-trading are initially measured at fair value plus transaction costs associated with investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed out in the statement of profit

##### Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to the statement of profit or loss.

##### Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities in respect of which the Company has positive intent and ability to hold to maturity. After initial measurement, such investments are carried at amortized cost less impairment, if any.

##### Available-for-sale

These represent securities, which do not fall under the held-for-trading or held-to-maturity categories. After initial measurement, such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the statement of financial position which is taken to the statement of profit or loss when actually realized upon disposal.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortized using effective interest method and taken to the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment.

#### 4.4 Creditor, accrued 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.

#### 4.5 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 current best estimate.

##### 4.5.1 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 provision

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
180 - 365 days	25%
365 - 547 days	50%
547 days 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 provision

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 income and

#### 4.6 Taxation

Provision for taxation is recognised based on taxable income, if any, for the period determined in accordance with prevailing Law and regulation.

#### 4.7 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) Rental income

The Company manages the loan portfolios for several customers. Rental income on housing loan outstanding has been charged on accrual basis and collected with the loan installment. These are calculated using declining interest rate method.

Rental income on housing loan portfolio are accrued on late loans for up to 29 days. After 29 days, late housing loans are classified as non-performing and further accrual of rental income ceases.

##### b) 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

As At June 30, 2023

Particulars

Particulars	Cost			Accumulated depreciation				Net book value as at June 30, 2023	Depreciation rate	
	As at June 30, 2022	Additions	Disposals	As at June 30, 2023	As at June 30, 2022	For the period	Disposals			As at June 30, 2023
	(-----Rupees-----)								%	
Computer equipment	357,545	-	-	357,545	33,151	113,484	-	146,635	210,910	33
	<u>357,545</u>	<u>-</u>	<u>-</u>	<u>357,545</u>	<u>33,151</u>	<u>113,484</u>	<u>-</u>	<u>146,635</u>	<u>210,910</u>	

As At June 30, 2022

Particulars

Particulars	Cost			Accumulated depreciation				Net book value as at June 30, 2022	Depreciation rate	
	As at June 25, 2021	Additions	Disposals	As at June 30, 2022	As at June 25, 2021	For the period	Disposals			As at June 30, 2022
	(-----Rupees-----)								%	
Computer equipment	-	357,545	-	357,545	-	33,151	-	33,151	324,394	33
	<u>-</u>	<u>357,545</u>	<u>-</u>	<u>357,545</u>	<u>-</u>	<u>33,151</u>	<u>-</u>	<u>33,151</u>	<u>324,394</u>	

		2023	2022
	Note	Rupees	
<b>6 Housing loans receivable</b>			
Non current portion		28,372,622	-
Current portion		656,519	-
		<u>29,029,141</u>	<u>-</u>

**6.1 Particulars of housing loans receivable**

Purchase financing	6.2	22,550,016	-
Construction financing	6.3	6,625,000	-
		29,175,016	-
Provision for loan loss	6.4	(145,875)	-
		<u>29,029,141</u>	<u>-</u>

**6.2 Purchase financing**

Balance as at beginning of the year		-	-
Disbursed during the year		22,950,000	-
		22,950,000	-
Recovered during the year		(399,984)	-
Balance as at end of the year		<u>22,550,016</u>	<u>-</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%.

		2023	2022
		Rupees	
<b>6.3 Construction financing</b>			
Balance as at beginning of the year		-	-
Disbursed during the year		6,625,000	-
		6,625,000	-
Recovered during the year		-	-
Balance as at end of the year		<u>6,625,000</u>	<u>-</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%.

**6.4 Provision for loan loss**

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:

		2023	2022
	Note	Rupees	
Specific provision		-	-
General provision		145,875	-
	6.4.1	<u>145,875</u>	<u>-</u>

**6.4.1 Movement of provision during the year**

Balance as at beginning of the year		-	-
Charge for the year		145,875	-
		145,875	-
Loan written off during the year		-	-
Balance as at end of the year		<u>145,875</u>	<u>-</u>

		2023	2022
	Note	Rupees	
<b>7 Short term investments</b>			
<b>7.1 At fair value through profit or loss</b>			
NBP Islamic Savings Fund- 116,719 (2022: 4,831,529 units)		1,118,990	46,146,412
<b>7.2 Held to maturity</b>			
Term deposit receipts	7.2.1	12,150,000	-
		<u>13,268,990</u>	<u>46,146,412</u>
7.2.1 This represents a short-term investment in a Term Deposit Receipt (TDR) of BankIslami Pakistan Limited with a 19.5% annual return rate, subject to renewal every 30 days.			
<b>8 Other receivables</b>			
	Note	2023	2022
		Rupees	
Accrued return on investment		38,947	-
Accrued rental income		98,594	-
		<u>137,541</u>	<u>-</u>
<b>9 Cash and bank balances</b>			
Cash in hand		-	25,000
Cash at bank- saving accounts	9.1	21,411,252	1,817,519
		<u>21,411,252</u>	<u>1,842,519</u>
9.1 These balances are held in bank account and carry return rate ranging from 5.9% to 8.9% per annum.			
<b>10 Share capital</b>			
		2023	2022
		Rupees	
<b>10.1 Authorized share capital</b>			
10,000,000 ordinary shares of Rs.10/- each		<u>100,000,000</u>	<u>50,000,000</u>
<b>10.2 Issued, subscribed and paid-up capital</b>			
7,000,000 ordinary shares of Rs.10/- each fully paid in cash		<u>70,000,000</u>	<u>50,000,000</u>
<b>10.3 Movement in issued, subscribed and paid up share capital</b>			
Opening balance		50,000,000	-
Shares issued during the year		20,000,000	50,000,000
		<u>70,000,000</u>	<u>50,000,000</u>
<b>10.4 Shares held by the Parent Company</b>		No. of shares	Share capital
		Percentage	
Akhuwat		6,979,995	69,799,950
			99.7142%
<b>11 Creditors, accrued and other liabilities</b>			
	Note	2023	2022
		Rupees	
Takaful payable		183,030	-
Payable to related party	11.1	962,075	962,075
Audit fee payable		339,000	282,500
Other payables		65,000	-
		<u>1,549,105</u>	<u>1,244,575</u>
11.1 It includes preliminary charges paid by Parent company "Akhuwat" in 2022, relating to incorporation of Akhuwat Housing Finance Company Limited of Rs. 962,075.			

		2023	For the period from June 25, 2021 to June 30, 2022
	Note	Rupees	
<b>12 Taxation</b>			
Current		793,147	209,232
Deferred		-	-
		<u>793,147</u>	<u>209,232</u>
<b>12.1 Relationship between tax expense and accounting profit</b>			
Loss before taxation		<u>(3,991,724)</u>	<u>(2,722,018)</u>
Income tax using domestic corporate tax rate 29%		<u>(1,157,600)</u>	<u>(789,385)</u>
Tax effects of amounts that are:			
Effect of income chargeable as separate block of income		763,292	209,232
Effect of taxes under Minimum Tax Regime		28,841	-
Deferred tax asset - unrecognized		1,157,600	789,385
		<u>792,133</u>	<u>209,232</u>
<b>13 Contingencies and commitments</b>			
There are no commitments and contingencies as at June 30, 2023 and June 30, 2022.			
<b>14 Revenue</b>			
Application fee	14.1	106,265	-
Rental income	14.2	2,201,038	-
		<u>2,307,303</u>	<u>-</u>
<b>14.1</b>	This represents fee received from prospective borrowers againsts application received.		
<b>14.2</b>	This represents rental income from the customer under a 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.		
<b>15 Operational cost</b>	Note	2023	For the period from June 25, 2021 to June 30, 2022
		Rupees	
Salaries, wages and benefits		4,462,540	-
Communication		7,030	-
Repair and maintenance		15,300	-
Travelling and conveyance		84,034	-
Stationery		19,030	-
Office supplies		36,909	-
Depreciation	5	113,484	-
Other expenses		17,264	-
		<u>4,755,591</u>	<u>-</u>
<b>16 Administrative expenses</b>			
Salaries, wages and benefits		780,000	2,405,000
Legal and professional		769,740	1,227,769
Auditors' remuneration	16.1	339,000	282,500
Fees and subscription		799,881	-
Travelling and conveyance		2,400,000	630,000
Office supplies		-	33,885
Depreciation		-	33,151
Bank charges		2,511	4,911
Other expenses		-	8,345
Capital loss		-	49,236
		<u>5,091,132</u>	<u>4,674,797</u>

For the period from  
June 25, 2021 to June  
30, 2022

2023

----- Rupees -----

**16.1 Auditors' remuneration**

Audit fee including sales tax  
Out of pocket expenses

315,000	262,500
<u>24,000</u>	<u>20,000</u>
<u>339,000</u>	<u>282,500</u>

**17 Other income**

Dividend income  
Return on term deposit receipt  
Return on bank deposits  
Capital gain

141,412	1,394,880
240,269	-
258,721	557,899
<u>3,053,168</u>	<u>-</u>
<u>3,693,571</u>	<u>1,952,779</u>

**18 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. Details of transactions with related parties are as follows:

For the period from  
June 25, 2021 to June  
30, 2022

2023

----- Rupees -----

Entity name	Nature of transaction
Akhwat	Expense paid on behalf of the Company
Akhwat	Issue of Share capital
Akhwat	Right issue of share capital

-	962,075
-	49,799,970
20,000,000	-

Akhwat is the parent Company due to 99.71424% holding.

**19 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. 29.02 million (2022: Rs. nil). The Company's total allowances for impairments amounted Rs. 0.145 million at June 30, 2023, 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, 2023 is as follows:

		June 30, 2023	June 30, 2022
	Note	----- Rupees -----	----- Rupees -----
Housing loans receivable	6	29,029,141	-
Short term investment	7	12,150,000	46,146,412
Other receivables	8	137,541	-
Bank balances	9	<u>21,411,252</u>	<u>1,817,519</u>
		<u>62,727,934</u>	<u>47,963,931</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, 2023	June 30, 2022
	Short term	Long term		----- Rupees -----	----- Rupees -----
BankIslami Pakistan Limited	A1	AA-	PACRA	201,407	-
Allied Bank Limited	A1+	AAA	PACRA	<u>21,209,845</u>	<u>1,817,519</u>
				<u>21,411,252</u>	<u>1,817,519</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 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, 2023:

	Profit sensitive balances	Non-profit sensitive balances	Total
Cash and bank balances	21,411,252	-	21,411,252
Short term investments	12,150,000	1,118,990	13,268,990
Housing loans receivable	29,029,141	-	29,029,141
Other receivables	137,541	-	137,541
<b>Total assets</b>	<b>62,727,934</b>	<b>1,118,990</b>	<b>63,846,924</b>
Creditors, accrued and other liabilities	-	1,549,105	1,549,105
<b>Total liabilities</b>	<b>-</b>	<b>1,549,105</b>	<b>1,549,105</b>
<b>Open position</b>	<b>62,727,934</b>	<b>(430,115)</b>	<b>62,297,819</b>

Below is a consideration of profit rate risk by term of asset and liability as of June 30, 2022:

	Profit sensitive balances	Non-profit sensitive balances	Total
Cash and bank balances	1,817,519	25,000	1,842,519
Short term investments	-	46,146,412	46,146,412
<b>Total assets</b>	<b>1,817,519</b>	<b>46,171,412</b>	<b>47,988,931</b>
Creditors, accrued and other liabilities	-	1,244,575	1,244,575
<b>Total liabilities</b>	<b>-</b>	<b>1,244,575</b>	<b>1,244,575</b>
<b>Open position</b>	<b>1,817,519</b>	<b>44,926,837</b>	<b>46,744,356</b>

**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
<b>At June 30, 2023:</b>					
Cash and bank balances	21,411,252	-	-	-	21,411,252
Short term investments	13,268,990	-	-	-	13,268,990
Housing loans receivable	656,519	2,530,812	3,395,845	22,445,965	29,029,141
Other Receivables	137,541	-	-	-	137,541
	<b>35,474,302</b>	<b>2,530,812</b>	<b>3,395,845</b>	<b>22,445,965</b>	<b>63,846,924</b>
Creditors, accrued and other liabilities	1,549,105	-	-	-	-
	<b>1,549,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liquidity gap</b>	<b>33,925,197</b>	<b>2,530,812</b>	<b>3,395,845</b>	<b>22,445,965</b>	<b>63,846,924</b>

20 Number of employees

The average and total number of employees during period ended June 30, 2023 are as follows:

	2023	2022
Total number of employees at head office as at June 30	7	3
Average number of employees at head office during the year	5	3

21 Remuneration of chief executive, directors and executives

	Chief Executive		Directors		Executives	
	2023	2022	2023	2022	2023	2022
Remuneration	-	-	-	-	3,300,000	2,000,000
Travelling allowance	2,400,000	630,000	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,300,000</b>	<b>2,000,000</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>1</b>

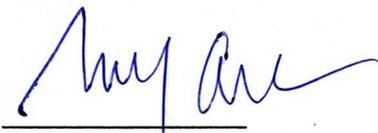
22 Date of authorization

These financial statements were authorized on 07 OCT 2023 by the Board of Directors of the Company.

23 General

Figures have been rounded off to the nearest Rupee.

Y/A

  
 \_\_\_\_\_  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Director