

**AKHUWAT HOUSING FINANCE COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2025**

## 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, 2025, and the statement of profit or loss and other comprehensive loss, the statement of changes in equity, the statement of cash flows for the year ended June 30, 2025, 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, 2025 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**.

  
Chartered Accountants

**Place:** Lahore

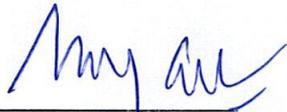
**Date:** November 17, 2025

**UDIN:** AR20251008817StVYsH2

**AKHUWAT HOUSING FINANCE COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2025**

	Note	2025 Rupees	2024 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Operating fixed assets	7	-	91,728
Housing loans receivable	8	43,418,369	30,820,448
		43,418,369	30,912,176
<b>CURRENT ASSETS</b>			
Housing loans receivable	8	2,285,177	1,288,432
Short term investments	9	25,430,323	45,990,511
Other receivable	10	550,000	-
Advance income tax	11	1,997,926	1,278,318
Bank balances	12	1,401,648	10,583,533
		31,665,074	59,140,794
<b>TOTAL ASSETS</b>		<b>75,083,443</b>	<b>90,052,970</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	13	70,000,000	70,000,000
Accumulated loss		(13,463,504)	(7,696,869)
		56,536,496	62,303,131
<b>NON-CURRENT LIABILITY</b>			
Long term finance	16	3,000,000	15,000,000
<b>CURRENT LIABILITIES</b>			
Accrued expenses and other liabilities	14	3,300,089	3,404,474
Deferred grant	15	246,858	243,543
Current portion of long term finance	16	12,000,000	9,000,000
Provision for taxation		-	101,822
		15,546,947	12,749,839
Contingencies and commitments	17	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>75,083,443</b>	<b>90,052,970</b>

The annexed notes from 1 to 29 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, 2025**

	Note	2025 Rupees	2024 Rupees
Rental income	18	7,475,807	5,193,951
Operational cost	19	14,116,433	11,052,757
Finance cost	20	3,653,819	3,834,503
Provision for loan loss	8.4.1	68,185	15,606
		17,838,437	14,902,866
Other income	21	4,719,682	9,509,214
<b>Loss before taxation</b>		<b>(5,642,948)</b>	<b>(199,701)</b>
Taxation	22	123,687	(218,954)
<b>(Loss)/profit after taxation</b>		<b>(5,766,635)</b>	<b>19,253</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(5,766,635)</b>	<b>19,253</b>

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The annexed notes from 1 to 29 form an integral part of these financial statements.

  
 Chief Executive Officer

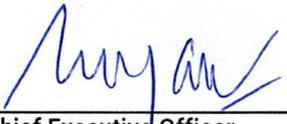
  
 Director

**AKHUWAT HOUSING FINANCE COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Share capital	Accumulated loss	Total
	----- Rupees -----		
Balance at July 1, 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
Loss for the year	-	(5,766,635)	(5,766,635)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the period	-	(5,766,635)	(5,766,635)
Balance at June 30, 2025	<b>70,000,000</b>	<b>(13,463,504)</b>	<b>56,536,496</b>

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The annexed notes from 1 to 29 form an integral part of these financial statements.

  
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 Chief Executive Officer

  
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 Director

**AKHUWAT HOUSING FINANCE COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Note	2025 Rupees	2024 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(5,642,948)	(199,701)
Adjustments for:			
Depreciation on property and equipment	7	91,728	119,182
Dividend income	21	(41,598)	(240,664)
Gain on sale of investment	21	(77,520)	-
Return on term deposit receipt	21	(4,338,315)	(8,973,021)
Return on bank deposits	21	(95,707)	(250,529)
Provision for loan loss	8.4.1	68,185	15,606
Finance cost	20	3,653,819	3,834,503
		(739,408)	(5,494,923)
<b>Operating cashflows before working capital changes</b>		<b>(6,382,356)</b>	<b>(5,694,624)</b>
<b>Changes in working capital:</b>			
Increase in housing loans receivable		(13,662,851)	(2,996,751)
Other receivables		(550,000)	-
Increase in accrued expenses and other liabilities		(104,385)	1,855,369
Deferred grant		3,315	103,305
		(20,696,277)	(6,732,701)
<b>Cash used in operations</b>		<b>(20,696,277)</b>	<b>(6,732,701)</b>
Tax paid		(945,117)	(1,403,279)
Finance cost paid		(3,797,161)	(3,139,967)
<b>Net cash used in operating activities</b>		<b>(25,438,555)</b>	<b>(11,275,946)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		-	(40,121,213)
Redemption of investments		20,560,188	8,000,000
Accrued return on investments		299,500	(307,582)
Return on term deposit receipt received		4,301,275	8,626,493
Return on bank deposits received		95,707	250,529
<b>Net cash generated from/(used in) investing activities</b>		<b>25,256,670</b>	<b>(23,551,773)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment/(receipt) of long term finance		(9,000,000)	24,000,000
<b>Net cash (used in)/generated from financing activities</b>		<b>(9,000,000)</b>	<b>24,000,000</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>		<b>(9,181,885)</b>	<b>(10,827,719)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>10,583,533</b>	<b>21,411,252</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>1,401,648</b>	<b>10,583,533</b>

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The annexed notes from 1 to 29 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, 2025**

**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 96-A, Block G, Gulberg-III, 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 2025.**

The following standards, amendments and interpretations are effective for the period ended 30 June 2025. 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 IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability.

Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions.

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current along with Non-current liabilities with Convenants.

Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements.

### 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 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 Exchangeability	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 instruments	January 01, 2026
Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Contracts Referencing Nature-dependent Electricity	January 01, 2026

#### Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid amendments, 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 18 - Presentation and Disclosures in Financial Statements
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

### 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 8.4)

### 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 7 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**

IFRS 9 introduced requirements for the classification and measurement of financial assets and the impact for the Organization mainly comprise of:

- a) new classification requirements for financial assets, and
- b) new impairment model requirements for financial assets

All recognized financial assets are measured initially at fair value and subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

#### **4.3 Classification and subsequent measurement**

##### **Financial Asset**

##### **Debt instrument at Amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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.

#### 4.3.1 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.

#### 4.3.2 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.

#### 4.3.3 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.

#### 4.3.4 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.

#### 4.3.5 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.

#### 4.3.6 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
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 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 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 which are:

- 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.

Significant judgements are also required in measuring ECL, such as:

- 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

## 5 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 accounted for using the liability method, whereby deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases, in accordance with IAS 12 – Income Taxes.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits—to the extent it is probable that future taxable profit will be available to utilize them.

No deferred tax is recognized on income subject to the Final Tax Regime (FTR) in accordance with ICAP Technical Release 27 (Revised), as such income does not give rise to temporary differences.

Deferred tax is measured using enacted or substantively enacted tax rates expected to apply when the temporary differences reverse. The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted if it is no longer probable that sufficient taxable profit will be available.

## 6 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.

7 Operating fixed assets	Note	2025 Rupees	2024 Rupees
<b>Computer equipment</b>			
<b>Cost</b>			
Opening balance		357,545	357,545
Addition during the year		-	-
Closing balance		357,545	357,545
<b>Accumulated depreciation</b>			
Opening balance		265,817	146,635
Depreciation for the year		91,728	119,182
Closing balance		357,545	265,817
<b>Net Book Value</b>		<b>-</b>	<b>91,728</b>
<b>Depreciation rate</b>		<b>33%</b>	<b>33%</b>
<b>8 Housing loans receivable</b>			
Non current portion		43,418,369	30,820,448
Current portion		2,285,177	1,288,432
		<b>45,703,546</b>	<b>32,108,880</b>
<b>8.1 Particulars of housing loans receivable</b>			
Purchase financing	8.2	37,444,473	23,360,226
Construction financing	8.3	8,488,739	8,910,134
		45,933,212	32,270,361
Provision for loan loss	8.4	(229,666)	(161,481)
		<b>45,703,546</b>	<b>32,108,880</b>
<b>8.2 Purchase financing</b>			
Balance as at beginning of the year		23,360,226	22,648,610
Disbursed during the year		17,400,000	8,400,000
		40,760,226	31,048,610
Income earned		6,214,938	3,961,126
Recovered during the year		(9,530,691)	(11,649,509)
Balance as at end of the year		<b>37,444,473</b>	<b>23,360,226</b>

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% (2024: 15% to 20%).

	2025 Rupees	2024 Rupees
<b>8.3 Construction financing</b>		
Balance as at beginning of the year	8,910,134	6,625,000
Disbursed during the year	-	3,375,000
	<b>8,910,134</b>	<b>10,000,000</b>
Income earned	1,308,487	1,232,825
Recovered during the year	(1,729,882)	(2,322,691)
Balance as at end of the year	<b>8,488,739</b>	<b>8,910,134</b>

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% (2024: 15%).

#### 8.4 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	2025 Rupees	2024 Rupees
General provision	8.4.1	<u>229,666</u>	<u>161,481</u>
Provision under Expected Credit Losses as per IFRS 9		<u>84,960</u>	<u>84,965</u>

#### 8.4.1 Movement of provision during the year

Balance as at beginning of the year	161,481	145,875
Charge for the year	68,185	15,606
Loan written off during the year	229,666	161,481
Balance as at end of the year	<u>229,666</u>	<u>161,481</u>

#### 9 Short term investments

##### At fair value through profit or loss

NBP Islamic Savings Fund	29,403	1,313,205
NBP Islamic Money Market Fund	82,678	59,564
	<b>112,081</b>	<b>1,372,769</b>

##### At amortized cost

Term deposit receipts	25,271,213	44,271,213
Accrued return on investments	47,029	346,529
	<b>25,318,242</b>	<b>44,617,742</b>
	<b>25,430,323</b>	<b>45,990,511</b>

9.1 This represents term deposit receipt (TDR) of Bank Islami Pakistan Limited and Allied Bank Limited with a 7.02% to 21.52% return rate. A lien has also been marked on a TDR worth of Rs. 12.1 million as part of the agreement with PMRC.

10 This represents the amount receivable from the Chief Executive Officer of the Company in respect of withholding income tax on CEO allowances. The amount was subsequently deposited to FBR.

	Note	2025 Rupees	2024 Rupees
<b>11 Advance income tax</b>			
Opening balance		1,278,318	708,535
Paid during the year		945,117	1,403,279
Adjusted during the year		(225,509)	(833,496)
Closing balance		<u>1,997,926</u>	<u>1,278,318</u>

<b>12 Bank balances</b>			
Saving accounts	12.1	1,401,648	10,583,533
		<u>1,401,648</u>	<u>10,583,533</u>

12.1 These balances are held in saving accounts and carry return rate ranging from 8.76% to 9.50% per annum.

	2025 Rupees	2024 Rupees
<b>13 Share capital</b>		
<b>13.1 Authorized share capital</b>		
10,000,000 (2024: 10,000,000) ordinary shares of Rs.10/- each	<u>100,000,000</u>	<u>100,000,000</u>

<b>13.2 Issued, subscribed and paid-up capital</b>		
7,000,000 (2024: 7,000,000) ordinary shares of Rs.10/- each fully paid in cash	<u>70,000,000</u>	<u>70,000,000</u>

<b>13.3 Movement in issued, subscribed and paid up share capital</b>		
Opening balance	70,000,000	70,000,000
Shares issued during the year	-	-
	<u>70,000,000</u>	<u>70,000,000</u>

	2025		2024	
	No. of shares	Percentage	No. of shares	Percentage
<b>13.4 Shares held by the Parent Company</b>				
Akhuwat	6,979,995	99.71%	6,979,995	99.71%

	Note	2025 Rupees	2024 Rupees
<b>14 Accrued expenses and other liabilities</b>			
Accrued expenses		256,134	567,727
Payable to related party	14.1	962,075	962,075
Accrued profit on long term finance		430,421	694,542
Audit fee payable		447,480	406,800
Withholding tax payable		620,778	144,373
Takaful payable		18,201	63,957
Other payables		565,000	565,000
		<u>3,300,089</u>	<u>3,404,474</u>

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

	2025 Rupees	2024 Rupees
<b>15 Deferred grant</b>		
Opening balance	243,543	140,238
Additions during the period	851,620	876,060
Adjustments	(848,305)	(772,755)
Closing balance	<u>246,858</u>	<u>243,543</u>

16 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.

**17 Contingencies and commitments**

There are no commitments and contingencies as at June 30, 2025 and June 30, 2024.

		2025 Rupees	2024 Rupees
<b>18 Rental income</b>	<b>Note</b>		
Rental income earned	18.1	<u>7,475,807</u>	<u>5,193,951</u>
18.1 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.			
<b>19 Operational cost</b>	<b>Note</b>	<b>2025 Rupees</b>	<b>2024 Rupees</b>
Salaries, wages and benefits		7,666,824	5,862,220
Legal and professional		1,840,987	1,554,264
Auditor's remuneration	19.1	447,480	406,800
Fees and subscription		361,170	494,728
Communication		48,740	14,320
Repair and maintenance		11,300	18,860
Travelling and conveyance		2,734,670	1,908,482
Stationery		19,076	49,654
Office supplies		17,834	7,244
Depreciation		91,728	119,182
Bank charges		1,624	3,132
Meals and entertainment		875,000	600,000
Others		-	13,871
		<u>14,116,433</u>	<u>11,052,757</u>
<b>19.1 Auditor's remuneration</b>			
Audit fee including sales tax		415,800	378,000
Out of pocket expenses		31,680	28,800
		<u>447,480</u>	<u>406,800</u>
<b>20 Finance cost</b>			
Profit on Musharika based loan		<u>3,653,819</u>	<u>3,834,503</u>
<b>21 Other income</b>			
Dividend income		41,598	240,664
Gain on sale of investment		77,520	-
Return on term deposit receipt		4,338,315	8,973,021
Return on bank deposits		95,707	250,529
Miscellaneous income	21.1	166,542	45,000
		<u>4,719,682</u>	<u>9,509,214</u>
21.1 This includes Rs.8,000 (2024: Rs.45,000) on account of application fee received from customers.			
<b>22 Taxation</b>		<b>2025 Rupees</b>	<b>2024 Rupees</b>
<b>Current taxation</b>			
for current year		123,922	101,822
for prior year		(235)	(320,776)
		123,687	(218,954)
<b>22.1 Reconciliation between accounting loss before tax and tax expense</b>			
Loss before taxation		<u>(5,642,948)</u>	<u>(199,701)</u>
Income tax using domestic corporate tax rate 29%		(1,636,455)	(57,913)
<b>Tax effects of amounts that are:</b>			
Dividend Income		10,400	(33,693)
Prior year current tax adjustment		(235)	(320,776)
Deferred tax asset recognized		1,749,978	193,428
		<u>123,687</u>	<u>(218,954)</u>

## 23 Transactions with related party

Related parties comprise of the organizations with common directors and key management personnel. There are no related party transaction during the year.

## 24 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. 45.70 million (2024: Rs. 32.27 Million ). The Company's total allowances for impairments amounted Rs. 0.23 million at June 30, 2025, 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, 2025 is as follows:

		2025 Rupees	2024 Rupees
Housing loans receivable	8	45,703,546	32,108,880
Short term investment	9	25,430,323	45,990,511
Bank balances	12	1,401,648	10,583,533
		<u>72,535,517</u>	<u>88,682,924</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	2025 Rupees	2024 Rupees
	Short term	Long term			
Bank Islami Pakistan Limited	A1	AA-	PACRA	73,233	9,434,275
Allied Bank Limited	A1+	AAA	PACRA	1,328,415	1,149,258
				<u>1,401,648</u>	<u>10,583,533</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.

**Liquidity risk:** It represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements.

Liquidity management is the responsibility of senior management of the company and is overseen by the board of directors.

	2025		
	Carrying amount Rupees	Upto one year Rupees	After one year Rupees
Accrued expenses and other liabilities	3,300,089	3,300,089	-
Deferred grant	246,858	246,858	-
	<u>3,546,947</u>	<u>3,546,947</u>	<u>-</u>

2024

	Carrying amount Rupees	Upto one year Rupees	After one year Rupees
Accrued expenses and other liabilities	3,404,474	3,404,474	-
Deferred grant	243,543	243,543	-
	<u>3,648,017</u>	<u>3,648,017</u>	<u>-</u>

## 25 Number of employees

The average and total number of employees during period ended June 30, 2025 are as follows:

	2025 Number of Employees	2024 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	7

## 26 Remuneration of chief executive, directors and executives

	2025		2024	
	Rupees	Numbers	Rupees	Numbers
<b>Chief Executive</b>				
Mangerial remuneration	-	1	-	1
Other benefits	3,600,000		2,400,000	
<b>Director</b>				
Mangerial remuneration	-	4	-	4
Other benefits				
<b>Executives</b>				
Mangerial remuneration	3,630,000	1	3,300,000	1
Other benefits	-		-	

## 27 Subsequent event - further issue of share capital

During the year, the Company issued additional share capital amounting to Rs. 30,000,000, through the allotment of 3,000,000 ordinary shares of Rs. 10 each, at par, to its holding company, Akhuwat. The consideration against the allotment was received in full in cash through the Company's designated bank account on July 10, 2025.

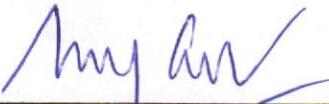
## 28 Date of authorization

These financial statements were authorized on 06<sup>th</sup> November 2025 by the Board of Directors of the Company.

## 29 General

Figures have been rounded off to the nearest Rupee.

YIX



Chief Executive Officer



Director