

**THARDEEP MICROFINANCE  
FOUNDATION**

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

**THARDEEP MICROFINANCE FOUNDATION  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2025**

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**Independent Auditor's Report**  
**To the members of Thardeep Microfinance Foundation**  
**Report on the Audit of the Financial Statements**

**Qualified opinion**

We have audited the annexed financial statements of Thardeep Microfinance Foundation (the Company) which comprise the statement of financial position as at June 30, 2025 and statement of income and expenditure, statement of other comprehensive income, statement of changes in funds, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the statement of financial position, statement of income and expenditure, statement of other comprehensive income, statement of changes in funds, statement of cash flows together with the notes forming part thereof confirm 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 deficit and other comprehensive surplus, the changes in funds and its cash flows for the year then ended.

**Basis for Qualified 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 qualified opinion.

As disclosed in note 14.1 to the financial statements, the Company has accrued markup (net) on microfinance loan amounting to Rs. 892.631 million as of June 30, 2025. In this respect, the management was unable to extract loan wise breakup of accrued markup (net) on microfinance loan due to system limitations. Consequently, we were unable to obtain sufficient appropriate audit evidence as to the completeness, valuation and existence of the accrued markup (net) on microfinance loan. Accordingly, we were unable to determine whether any adjustments might be necessary to the recorded balance.

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

The management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion 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. For the matters described in the Basis for Qualified Opinion section above, we conclude that the other information is also materially misstated with respect those matters.

*CHC*

### **Material Uncertainty relating to Going Concern**

We draw attention to Note 2 to the financial statements, which indicates that the Company incurred a net deficit of Rs. 478.697 million during the year ended June 30, 2025 and its accumulated deficit amounted to Rs. 591.986 million as at that date. These events or conditions, along with other matters as described in note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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.

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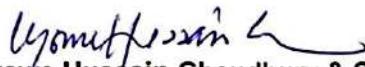
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, except for the matters described in the Basis for Qualified Opinion section, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, statement of income and expenditure, statement of other comprehensive income, statement of changes in funds and statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Imran Shaikh.



**Crowe Hussain Chaudhury & Co.**  
Chartered Accountants

**Place: Karachi**

**Date: November 24, 2025**

**UDIN: AR2025102070tKw87PrU**

THARDEEP MICROFINANCE FOUNDATION  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2025  
(Expressed in Rupees)

	Note	2025	2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	81,796,692	144,927,008
Intangibles	7	-	13,753,865
Investment property	8	1,700,000	1,500,000
Non-current portion of microfinance loan - net	9	11,489,593	340,519,130
Long-term investments	10	390,100,000	696,100,000
Long-term loans and deposits	11	-	3,823,614
<b>Total non-current assets</b>		<b>485,086,285</b>	<b>1,200,623,617</b>
<b>Current assets</b>			
Short term investments	12	1,331,129,738	1,079,079,764
Inventory	13	-	4,169,500
Microfinance loan – net	9	1,835,071,310	2,245,864,418
Accrued markup	14	931,843,598	1,025,047,424
Other receivables	15	8,009,261	8,616,275
Advances, deposits and prepayments	16	16,540,012	21,764,389
Tax refund due from government	17	94,332,770	91,361,381
Bank balances	18	148,120,054	409,909,519
<b>Total current assets</b>		<b>4,365,046,743</b>	<b>4,885,812,670</b>
<b>TOTAL ASSETS</b>		<b>4,850,133,028</b>	<b>6,086,436,287</b>
<b>LIABILITIES AND FUNDS</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities	19	126,233,134	170,267,146
Sub-ordinated loan	20	400,000,000	400,000,000
Long term loans	21	299,177,682	2,171,642,667
Lease liabilities	22	3,480,719	14,497,093
		<b>828,891,535</b>	<b>2,756,406,906</b>
<b>CURRENT LIABILITIES</b>			
Short term borrowings	23	1,329,226,344	1,329,226,344
Current portion of lease liabilities	22	5,602,828	25,751,664
Current portion of long-term loans	24	2,760,005,749	1,446,266,667
Accrued markup	25	168,852,811	279,996,380
Accrued and other liabilities	26	40,007,614	66,622,178
		<b>4,303,695,346</b>	<b>3,147,863,233</b>
<b>TOTAL LIABILITIES</b>		<b>5,132,586,881</b>	<b>5,904,270,139</b>
<b>FUNDS REPRESENTED BY</b>			
Reserves arising upon demerger		165,281,109	165,281,109
Loan loss reserve	28	90,538,524	90,538,524
Members contribution		300,000	300,000
Special loss reserve		967,842	967,842
Revaluation surplus	27	52,444,195	72,571,831
Accumulated deficit		(591,985,523)	(147,493,158)
		<b>(282,453,853)</b>	<b>182,166,148</b>
Contingencies and commitments	29		
<b>TOTAL LIABILITIES AND FUNDS</b>		<b>4,850,133,028</b>	<b>6,086,436,287</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

THARDEEP MICROFINANCE FOUNDATION  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED JUNE 30, 2025  
(Expressed in Rupees)

	Note	2025	2024
Financial income	30	457,355,921	1,143,581,266
Financial charges	31	(873,935,647)	(1,164,098,696)
<b>Gross financial margin</b>		(416,579,726)	(20,517,430)
Expected credit loss allowance	32	86,476,721	(48,703,560)
<b>Gross operating margin</b>		(330,103,005)	(69,220,990)
Micro finance programme and operating expenses	33	(261,734,425)	(370,985,287)
Administrative expenses	34	(130,728,940)	(147,001,459)
Other expenses	35	(74,427,447)	-
Other income	36	318,296,563	331,303,134
<b>Deficit before taxation</b>		(478,697,254)	(255,904,602)
Taxation		-	-
<b>Net deficit for the year</b>		(478,697,254)	(255,904,602)

The annexed notes from 1 to 49 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

  
DIRECTOR

THARDEEP MICROFINANCE FOUNDATION  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2025  
(Expressed in Rupees)

	2025	2024
Net deficit for the year	(478,697,254)	(255,904,602)
<b>Other comprehensive surplus</b>		
Items that will not be reclassified to statement of income and expenditure subsequently		
Surplus on revaluation of property and equipment	-	72,600,361
Actuarial gain on remeasurement of employee retirement benefit	14,077,253	19,764,296
<b>Total comprehensive income for the year</b>	<b>(464,620,001)</b>	<b>(163,539,945)</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

*Mr. N.*



CHIEF EXECUTIVE OFFICER



DIRECTOR

THARDEEP MICROFINANCE FOUNDATION  
 (A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)  
 STATEMENT OF CHANGES IN FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2025  
 (Expressed in Rupees)

Description	Capital reserves					Revenue reserve	Total	
	Reserves arising upon demerger	Loan loss reserve	Members contribution	Special loss reserve	Revaluation Surplus			
Balance as at July 01, 2023	165,281,109	90,538,524	300,000	967,842	-	88,618,618	345,706,093	
Total comprehensive surplus for the year						(255,904,602)	(255,904,602)	
Net deficit for the year	-	-	-	-	72,600,361	-	72,600,361	
Revaluation of Assets	-	-	-	-	(28,530)	28,530	-	
Reversal on revaluation on account of Incremental depreciation	-	-	-	-	-	19,764,296	19,764,296	
Actuarial gain on remeasurement of post employment benefit plans	-	-	-	-	72,571,831	(236,111,776)	(163,539,945)	
Balance as at June 30, 2024	165,281,109	90,538,524	300,000	967,842	72,571,831	(147,493,158)	182,166,148	
Total comprehensive surplus for the year						(478,697,254)	(478,697,254)	
Net deficit for the year	-	-	-	-	-	-	-	
Addition during the year	-	-	-	-	-	(13,602,630)	13,602,630	
Transfer on account of incremental depreciation	-	-	-	-	-	(6,525,006)	6,525,006	
Transfer on account of disposal of property and equipment	-	-	-	-	-	14,077,253	14,077,253	
Actuarial gain on remeasurement of post employment benefit plans	-	-	-	-	-	(20,127,636)	(444,492,365)	(464,620,001)
Balance as at June 30, 2025	165,281,109	90,538,524	300,000	967,842	52,444,195	(591,985,523)	(282,453,853)	

The annexed notes from 1 to 49 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

**THARDEEP MICROFINANCE FOUNDATION**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**(Expressed in Rupees)**

	Note	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit for the year		(478,697,254)	(255,904,602)
<b>Adjustments for non-cash expenses and other items;</b>			
Depreciation on fixed assets – owned	6.1	20,153,036	28,923,762
Depreciation on right-of-use assets	6.2	9,153,915	-
Impairment loss during year		3,673,333	-
Provision of impairment of intangibles	7.1	13,753,865	-
Gain on sale of property and equipment	36	(4,201,463)	(4,614,221)
Loss on termination of lease	35	8,001,174	-
Expected credit loss allowance	32	(86,476,721)	48,703,560
Accrued markup written off		50,942,144	-
Provision for retirement benefits	37.2.1	24,889,368	32,618,525
Leave encashment charge for the year	19.3	69,488	2,969,386
Amortization of deferred income	19.1	(15,982,558)	(4,555,860)
Financial charges against lease liability	31	3,526,458	-
Impact of modification of financial liabilities		1,730,264	-
Financial charges	31	843,189,928	1,164,098,696
Inventory written off		566,000	-
Liabilities written back		(6,042,037)	(8,782,207)
Fair value gain on investment property	36	(200,000)	(1,075,808)
<b>Surplus before working capital changes</b>		<b>388,048,940</b>	<b>1,002,381,231</b>
 <b>(Increase) / decrease in current assets</b>			
Advances, deposits and prepayments		4,520,592	4,802,258
Inventory		-	(2,141,500)
Accrued markup		42,261,682	(207,714,788)
Other receivable		607,014	(6,930,975)
		<b>47,389,288</b>	<b>(211,985,005)</b>
 <b>(Decrease) / increase in current liabilities</b>			
Other liabilities		(26,614,563)	7,478,247
 <b>Cash generated from operating activities</b>		<b>408,823,665</b>	<b>797,874,473</b>
 <b>Loans – disbursed</b>		<b>(614,059,000)</b>	<b>(1,953,705,406)</b>
<b>Loans – recovered</b>		<b>1,440,358,366</b>	<b>2,873,568,298</b>
		<b>826,299,366</b>	<b>919,862,892</b>
 <b>Income tax withheld</b>		<b>(2,971,389)</b>	<b>(3,222,699)</b>
<b>Leave encashment paid</b>		<b>(5,095,737)</b>	<b>(7,355,274)</b>
<b>Retirement benefits paid</b>		<b>(30,758,600)</b>	<b>(18,702,556)</b>
<b>Net cash generated from operating activities</b>		<b>1,196,297,305</b>	<b>1,688,456,836</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Additions in fixed assets</b>		<b>-</b>	<b>(10,400,422)</b>
<b>Proceeds from sale of property and equipment</b>		<b>8,179,702</b>	<b>2,929,639</b>
<b>Long term advances and deposits</b>		<b>10,569,434</b>	<b>8,825,598</b>
<b>Purchase of short-term investments</b>		<b>(46,049,974)</b>	<b>(1,079,079,764)</b>
<b>Purchase of long term investments</b>		<b>-</b>	<b>(696,100,000)</b>
<b>Short term investments matured</b>		<b>100,000,000</b>	<b>1,146,662,887</b>
 <b>Net cash generated from / (used) in investing activities (carried forward)</b>		<b>72,699,162</b>	<b>(627,162,062)</b>

**THARDEEP MICROFINANCE FOUNDATION  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025  
(Expressed in Rupees)**

Net cash generated from / (used) in investing activities  
(brought forward) 72,699,162 (627,162,062)

**CASH FLOW FROM FINANCING ACTIVITIES**

Long term loans received	1,032,800,000	1,582,592,025
Long term loans paid	(1,601,266,672)	(1,695,781,588)
Short term borrowings received	300,000,000	108,591,884
Short term borrowings repaid	(300,000,000)	(109,365,540)
Rentals paid against lease liabilities	(12,917,548)	(33,224,893)
Long term advances	(8,408,728)	(6,935,376)
Financial charges paid	(940,992,984)	(1,136,126,401)
<b>Net cash used in financing activities</b>	<b>(1,530,785,932)</b>	<b>(1,290,249,889)</b>

Net decrease in cash and cash equivalents	(261,789,465)	(228,955,115)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>409,909,519</b>	<b>638,864,634</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>148,120,054</b>	<b>409,909,519</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

**THARDEEP MICROFINANCE FOUNDATION  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025  
(Expressed in Rupees)**

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**1. NATURE AND STATUS OF THE COMPANY**

Thardeep Rural Development Programme (TRDP) demerged its Micro Credit and Enterprise Development Unit and incorporated a separate entity namely Thardeep Microfinance Foundation (the Company) on October 06, 2016 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017).

The Company was granted a license by the Securities and Exchange Commission of Pakistan (SECP) under Section 42 of the Companies Act, 2017 on September 02, 2016 as the Company limited by guarantee and not having share capital.

On November 21, 2016, the SECP granted license to the Company to carry out Investment Finance Services as Non-Banking Finance Company (NBFC) under Rule 5 of the NBFC (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The principal activity of the Company is to mobilize funds for provision of microfinance services to poor persons, particularly, poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

**1.1. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS**

The registered office of the Company is situated near old Naka, Naukot Road, Mithi, Tharparkar, Sindh, Pakistan. The geographical area of the Company is spread over the 19 districts of Sindh including Hyderabad, Tando Allahyar, Tharparker, Badin, Umerkot, Dadu, Jamshoro, Mirpurkhas, Sanghar, Shaheed Benazir Abad, Nowshero Feroz, Sujawal, Khairpur, Tando Mohammad Khan, Sukkur, Matiari, Thatta, Qambar, Shahdadkot and Larkana for its operations. The Company has 4 regions, Tharparkar, Mirpurkhas, Hyderabad and Sukkur and 17 area offices and 83 branches.

The regional offices of the Company are located at following addresses:

- Bangalow no. 21, Block - B, Sohail Town, Mirpurkhas, Sindh, Pakistan,
- Near Old Naka, Naukot Road Mithi, Sindh, Pakistan,
- A-206, SUEHS, Jamshoro Society Phase-1 near Regional Passport Office Jamshoro, Sindh, Pakistan, and
- Bangalow No A/B 56, Hamdard Society, Airport Road Sukkur, Sindh, Pakistan.

**2. GOING CONCERN ASSUMPTION**

The Company has incurred a net deficit of Rs. 478.697 million during the year ended June 30, 2025 (2024: Rs. 255.90 million), resulting in accumulated deficit of Rs. 591.986 million as at June 30, 2025 (2024: Rs. 147.493 million). Further, the Company has breached certain financial and operational covenants of its long-term financing facility obtained from Pakistan Microfinance Investment Company Limited (PMIC). Consequently, the entire outstanding balance of such financing has been classified as a current liability. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

However, the management is taking various measures to improve the Company's financial position and ensure operational sustainability. These include:

The management continues to monitor compliance with the covenants and has initiated actions to strengthen its financial position. These include measures to improve profitability, enhance operational sustainability, and maintain portfolio quality within the prescribed thresholds to ensure compliance with the covenants in future period. Furthermore, the Company has an existing loan

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**THARDEEP MICROFINANCE FOUNDATION  
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FOR THE YEAR ENDED JUNE 30, 2025  
(Expressed in Rupees)**

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agreement with PMIC under which it will continue to receive loan installments. Further negotiations for an additional loan facility are currently in progress.

The Company has reduced its microfinance programme and administrative expenses during the year and plans to further rationalize costs in the forthcoming periods.

During the year, the Company temporarily curtailed new loan disbursements to focus on the recovery of existing loans. The management plans to resume disbursements in the subsequent year, which is expected to improve profitability.

The management is confident that the successful implementation of the above measures will enable the Company to improve its financial position and continue its operations in the foreseeable future. Accordingly, management considers that the preparation of these financial statements on a going concern basis is appropriate.

### **3. BASIS OF PREPARATION**

#### **3.1. Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules);
- Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), and
- Provisions of and directives issued under the Companies Act, 2017

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

#### **3.2. Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for measurement of lease liability against right of use of asset, employee retirement benefit payable, long-term loans, leave encashment which are measured at present value. Free hold land is stated at revalued amount and building on freehold land and vehicles are stated at revalued amount less accumulated depreciation and investment property is measured at fair value.

These financial statements are prepared following accrual basis of accounting except for cash flow information.

#### **3.3. Functional and presentation currency**

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

**THARDEEP MICROFINANCE FOUNDATION  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**3.4. Use of critical accounting estimates and judgments**

Presentation of these financial statements in conformity with accounting and reporting standards applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures.

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments and 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements are as follows:

- depreciation method, useful lives and residual values of property and equipment (notes 5.3 and 6.1);
- depreciation method, useful lives and residual values of right-of-use of asset (notes 5.3b) and 6.2);
- amortization of intangibles (notes 5.4 and 7);
- provision for impairment of inventory (note 5.7);
- expected credit loss allowance on financial assets (notes 5.1, 9.5, 14.1 and 32);
- employee benefits (notes 5.18 and 37);
- government grant (note 5.15);
- lease liability (note 5.17 and 22);
- estimation of contingent liabilities (notes 5.12 and 29).

Assumptions and judgements made by management in application of accounting policies that have significant effect on the financial statements are not expected to result in material judgement to the carrying amounts of assets and liabilities in the next year.

**4. Standards, Interpretations and Amendments to the Approved Accounting Standards**

**4.1. New amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2025:**

There are amendments that are mandatory for the Company's accounting period beginning on or after July 01, 2024, but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

**4.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:**

Standards, amendments or interpretations	Effective date (Annual periods beginning on or after)
IFRS 7 Financial Instruments: Disclosures (Amendments)	January 01, 2026
IFRS 9 Financial Instruments – Classification and Measurement of Financial Instruments (Amendments)	January 01, 2026
IFRS 17 Insurance Contracts	January 01, 2026
IAS 21 The Effects of Changes in Foreign Exchange Rates	January 01, 2025
IFRS S1 General Requirements for Disclosure of Sustainability - Related Financial Information	July 01, 2027
IFRS S2 Climate-Related Disclosure	July 01, 2027
Annual improvements to IFRS 7, IFRS 9, IFRS 10 (Consolidated Financial Statements) and IAS 7 (Statement of Cash Flows)	January 01, 2026

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4.3. The above standards, amendments to approved accounting standards and interpretations are not likely to have any material impact on the Company's financial statements.

4.4. Other than the aforesaid standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretation, which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2025;

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRIC 12	Service Concession Arrangement
IFRS 18	Presentation and Disclosures in Financial Statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures

**5. MATERIAL ACCOUNTING POLICY INFORMATION**

The principal accounting policies applied in the presentation of these financial statements are set out below.

**5.1. Financial assets**

**5.1.1. Classification of Financial Assets**

The Company has classified its financial assets into following categories:

Financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The financial assets are classified at initial recognition based on the business model used for managing the financial assets and contractual terms of the cash flows.

**(a) Financial assets at amortised cost**

A financial asset shall be classified as financial asset at amortised cost if both of the following conditions are met:

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

**(b) Financial assets at fair value through profit or loss**

A debt instrument can be classified as a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

All equity instruments are classified as financial assets at fair value through profit or loss, except for those equity instruments for which the Company has elected to present value changes in other comprehensive income.

**(c) Financial assets at fair value through other comprehensive income**

The fair value through other comprehensive income classification is mandatory for certain debt instrument assets unless the option to classify as fair value through profit or loss is taken. If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognized in profit or loss.

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**5.1.2. Recognition and measurement**

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account.

Financial assets are derecognized when the right 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.

After initial recognition, the Company measures a financial asset at fair value or amortised cost. Gains or losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'Other income / other expenses' in the period in which they arise. Income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of 'Other income' when the Company's right to receive payment is established.

Gains or losses arising from changes in fair value of the 'financial assets at fair value through other comprehensive income' category are recognized in other comprehensive income with only dividend income recognized in profit or loss.

**Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for financial instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables, advances, deposit and prepayments and long term loans and deposits, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial assets are written off, either partially or in full, when the Company has no reasonable expectation of recovery of the outstanding amount, in whole or in part. Where the amount to be written off exceeds the accumulated loss allowance, the excess is first recognized as an addition to the allowance before being applied against the gross carrying amount of the asset. Subsequent recoveries of amounts previously written off are recognized as other income in the statement of income and expenditure.

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**5.2. Financial liabilities**

All financial liabilities are recognized initially at fair value less directly attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest rate method unless financial liabilities are held for trading, in which case it is required to be measured at fair value through profit or loss or where entity elects to measure a financial liability under fair value option.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and recognition of a new liability and the difference in respective carrying amounts is recognised in the statement of income and expenditure.

**Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognised amounts and the Company intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

**5.3. Property and equipment**

**(a) Owned**

Property and equipment except for free hold land, building on freehold land and vehicles are stated at cost less accumulated depreciation and impairment losses, if any. Free hold land is stated at revalued amount and building on freehold land and vehicles are stated at revalued amount less accumulated depreciation. Depreciation is charge to statement of income and expenditure applying the straight-line method over the estimated useful life of the assets as stated in note 6.

Depreciation in respect of additions and disposals made during the year is charged from the month of acquisition and up to the month preceding the month of disposals.

The surplus on revaluation of property and equipment of the related assets is transferred by the Company to its accumulated surplus on the disposal of the relevant asset.

Subsequent costs are included in the property and equipment's carrying amount or recognized as a separate item of property and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to statement of income and expenditure during the financial year in which they are incurred.

Gains and losses on disposal of property and equipment are taken to the statement of income and expenditure.

**(b) Right-of-use assets**

The right-of-use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease payments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

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**5.4. Intangibles**

An intangible is stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged to statement of income and expenditure applying the straight line method over the useful life of the asset. Amortisation is charged on additions during the year from the month in which the asset is acquired and in respect of disposals during the year upto the month in which the asset is disposed off. Cost associated with maintaining intangible assets are recognised as an expense as and when incurred.

Gains and losses if any, on disposal of intangible assets are included in statement of income and expenditure.

**5.5. Investment property**

Investment property is property accounted for under IAS 40 'Investment Properties' (held to earn rentals or for capital appreciation). The investment property of the Company comprises of freehold land and is valued using the revaluation method i.e. at fair value model.

Subsequent to initial recognition, investment property measured at fair value. The changes in fair value recognised in the statement of income and expenditure. Any other investment property (whose fair value cannot be measured reliably) is measured at cost less accumulated depreciation and any impairment loss.

The fair value of investment property is determined at the end of each year using current market prices for comparable real estate, adjusted for any differences in nature, location and condition.

**5.6. Impairment of non-financial assets**

The carrying amount of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the statement of income and expenditure.

**5.7. Inventory**

Inventories comprise solar panels which are valued at the lower of average cost and net realisable value. Cost includes all expenses incurred in bringing the inventories to their present location and condition, while net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

**5.8. Loan loss reserve**

Loan loss reserve was created on outstanding loan portfolio at the rate of 5% of gross loan portfolio in TRDP - Micro Credit and Enterprise Development Unit which was transferred to the Company upon demerger of TRDP - Micro Credit and Enterprise Development Unit from erstwhile TRDP.

**5.9. Outstanding loan portfolio**

Lending policy for loans to beneficiaries is in accordance with the objectives of the Company. In view of the nature of the lending, the loans are un-secured as security against loans cannot be obtained. Loans lending to beneficiaries ranges from Rs. 10,000 to Rs. 1,500,000. Loans to beneficiaries are stated net of expected credit loss allowance. As at the reporting date, expected credit loss allowance has been computed as per requirement of IFRS 9, financial instruments applicable to Non-Bank Microfinance Company. The Company has charged expected credit loss allowance to the statement of income and expenditure.

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**5.10. Accrued and other liabilities**

Accrued and other liabilities are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortised cost.

**5.11. Provisions**

A provision is recognized in the statement of financial position when the Company has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount of that obligation can be measured reliably. Provisions are not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

**5.12. Contingencies**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or the Company has a present legal or constructive obligation that arises from past events, but it is not probable and possible that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

**5.13. Taxation**

The Company is registered with the income tax authorities as not-for-profit organisation under section 2(36) (c) of the Income Tax Ordinance, 2001 and Rule 212 and 220 of the Income Tax Rules, 2002. The Company does not account for taxation, as NPOs are allowed a tax credit equal to one hundred percent (100%) of the tax payable including minimum tax and final tax payable, under section 100C of the Income Tax Ordinance, 2001, if it meet the conditions placed in.

**5.14. Revenue recognition**

Financial income is recognized on accrual / time proportion basis using effective interest rate. Insurance processing fee is recorded on accrual / time proportion basis.

Microfinance loans written off and subsequently recovered are recorded in the statement of income and expenditure on receipt basis.

Profit on bank deposits and term deposit receipts is recognized on accrual / time proportion basis using effective interest rate.

**5.15. Grants**

The Company recognizes government grants as deferred income at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

**5.16. Bank Balances**

Balances are carried in statement of financial position at amortized cost. For the purpose of Statement of Cash flows, cash and cash equivalents represents bank balances.

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#### 5.17. Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income and expenditure if the carrying amount of right-of-use asset has been reduced to zero.

#### 5.18. Employees benefits

The Company's employees benefits comprise of provident fund, gratuity scheme, compensated absences and medical benefits for eligible employees.

##### 5.18.1. Gratuity

The Company has an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial method. The remeasurement gains / losses as per actuarial valuation are recognised immediately in other comprehensive income and all other expenses are recognised in accordance with IAS 19 "Employee Benefits" in the statement of income and expenditure.

##### 5.18.2. Compensated absences

The Company provides a facility to its employees for accumulating their annual earned leaves. Under the unfunded scheme employees are entitled for 30 days privilege leaves for each completed year of service with accumulating maximum limit of 90 days. Provisions are made to cover the obligation under the scheme and are charged to statement of income and expenditure.

##### 5.18.3. Provident fund

The Company has a Provident Fund scheme for all its permanent employees who attain the minimum qualification period for entitlement to the scheme. The Company contributes provident fund scheme for all its permanent employees. Equal monthly contributions, both by the Company and the employees are made, at the rate of 10% of the basic salary. The employer contribution is recognised as an expense in the statement of income and expenditure.

Particulars	Unaudited 2025	Unaudited 2024
<b>Details of Provident Fund</b>		
Size of the fund	79,715,291	102,939,076
Interest receivable	-	911,781
Receivable from related party	79,310,222	85,000,000
Bank balance	781,569	17,109,295
Accrued and other liabilities	(376,500)	(82,000)

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**5.18.4. Medical benefits**

The Company maintains a group life insurance policy for its entitled employees. The Company contributes premium to the policy annually. Such premium is recognised as an expense in the statement of income and expenditure in the period on accrual basis.

**5.19. Worker welfare**

The Company falls within the scope of the Sindh Workers Welfare Fund Act, 2014 (the "Act"), which requires every industrial establishment having total income of not less than Rs. 500,000 in a year of account to contribute a sum equal to two percent (2%) of its total income to the Workers Welfare Fund. However, as the Company has incurred losses during the current and preceding financial year, no provision for Workers Welfare Fund has been recognized in these financial statements. The management continues to monitor the applicability and potential impact of the Act on the Company's future financial results.

**5.20. Foreign currency translation**

Transactions in foreign currencies are converted into functional currency (PKR) at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing at each reporting period. Exchange gains and losses are recognised in the statement of income and expenditure.

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**6. PROPERTY AND EQUIPMENT**

	Note	2025	2024
Fixed assets – owned	6.1	74,510,502	98,711,610
Right-of-use assets	6.2	7,286,190	46,215,398
		<b>81,796,692</b>	<b>144,927,008</b>

**6.1. Property, plant and equipment – leased**

Particulars	Free hold land (Note 6.1.1)	Building on free hold land	Furniture and fixtures	Office equipment	Computer	Vehicles (Note 6.1.2)	Total
<b>Year ended June 30, 2025</b>							
<b>Net carrying value basis</b>							
Opening net book value (NBV)	2,240,000	593,296	20,802,357	2,935,473	1,407,837	70,732,647	98,711,610
Additions (at cost)	-	-	-	3,603,500	-	-	3,603,500
Disposals (NBV)	-	-	(1,115,155)	(11,411)	-	(2,851,673)	(3,978,239)
Depreciation charged during the year	-	(195,778)	(4,602,999)	(1,118,047)	(1,046,449)	(13,189,763)	(20,153,036)
Impairment loss during year	-	-	-	-	-	(3,673,333)	(3,673,333)
<b>Closing net book value</b>	<b>2,240,000</b>	<b>397,518</b>	<b>15,084,203</b>	<b>5,409,515</b>	<b>361,388</b>	<b>51,017,878</b>	<b>74,510,502</b>
<b>Gross carrying value basis</b>							
Cost / revalued amount	2,240,000	978,888	46,988,202	26,080,392	19,643,742	64,824,108	160,755,332
Accumulated depreciation	-	(581,370)	(31,903,999)	(20,670,877)	(19,282,354)	(13,806,230)	(86,244,830)
<b>Net book value</b>	<b>2,240,000</b>	<b>397,518</b>	<b>15,084,203</b>	<b>5,409,515</b>	<b>361,388</b>	<b>51,017,878</b>	<b>74,510,502</b>
<b>Year ended June 30, 2024</b>							
<b>Net carrying value basis</b>							
Opening net book value	-	204,268	25,644,150	1,991,353	2,526,116	169,214	30,535,101
Additions (at cost)	-	-	-	2,759,925	-	-	2,759,925
Revaluation surplus	2,240,000	459,104	-	-	-	70,579,965	73,279,069
Transfer from right of use assets into owned	-	-	-	-	-	35	35
Depreciation charged during the year	-	(70,076)	(4,841,793)	(1,815,805)	(1,118,279)	(16,567)	(7,862,520)
<b>Closing net book value</b>	<b>2,240,000</b>	<b>593,296</b>	<b>20,802,357</b>	<b>2,935,473</b>	<b>1,407,837</b>	<b>70,732,647</b>	<b>98,711,610</b>
<b>Gross carrying value basis</b>							
Cost / revalued amount	2,240,000	978,888	49,852,337	27,464,792	24,838,137	71,574,114	176,948,268
Accumulated depreciation	-	(385,592)	(29,049,980)	(24,529,319)	(23,430,300)	(841,467)	(78,236,658)
<b>Net book value</b>	<b>2,240,000</b>	<b>593,296</b>	<b>20,802,357</b>	<b>2,935,473</b>	<b>1,407,837</b>	<b>70,732,647</b>	<b>98,711,610</b>
<b>Depreciation rate per annum</b>	<b>0%</b>	<b>20%</b>	<b>10%</b>	<b>20%</b>	<b>33%</b>	<b>20%</b>	

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**6.1.1.** The Company owns a freehold land measuring 5,200 square feet located at Khosa Mohallah, beside Rind House, Malkani Pump Road, Umerkot, Sindh, Pakistan. Out of the total area, 3,200 square feet on which the building is constructed has been classified as freehold land under property and equipment, while the remaining 2,000 square feet has been classified as investment property held for capital appreciation purposes.

**6.1.2.** During the year, a vehicle with a cost of Rs. 3.80 million was damaged in an accident. The accumulated depreciation on this vehicle at the time of the incident was Rs. 0.13 million, resulting in carrying amount of Rs. 3.67 million. Accordingly, the carrying amount was fully written down and recognized as an impairment loss under administrative expenses. The damaged vehicle was taken over by the insurance company in settlement of the claim and the insurance proceeds amounting to Rs. 3 million have been recognized as other income.

**6.1.3.** The Company carried out a revaluation of its freehold land, building, and vehicles during the previous year. As no significant change in fair values was expected during current year, no revaluation was performed as at June 30, 2025. The fair values as at June 30, 2024, were Rs. 2.240 million, Rs. 0.459 million and Rs. 70.580 million, while corresponding forced sale values were Rs. 1.904 million, Rs. 0.538 million and Rs. 64.295 million, respectively. These fair values were determined using Level 3 inputs under the fair value measurements and fair value hierarchy. Under cost model, carrying amounts of freehold land, building and vehicles would have been Rs. 678,708 (2024: Rs. 678,708), Rs. Nil (2024: Rs. 100,311) and Rs. Nil (2024: Rs. Nil), respectively.

**6.2. Right-of-use assets**

<b>COST</b>	<b>Note</b>	<b>2025</b>	<b>2024</b>
Balance as at July 01,		81,367,973	165,144,671
Addition during year		4,091,070	16,386,954
Impact of reassessment of lease		618,118	(50,777)
Disposal during the year		(60,206,638)	(73,830,242)
Transfer to owned assets	6.2.1	-	(26,282,633)
Balance as at June 30,		25,870,523	81,367,973
 <b>ACCUMULATED DEPRECIATION</b>			
Balance as at July 01,		35,152,575	108,349,083
Charge for the year		9,153,915	21,061,242
Disposal during the year		(25,722,157)	(67,975,152)
Transfer to owned assets	6.2.1	-	(26,282,598)
Balance as at June 30,		18,584,333	35,152,575
Net book value as at June 30,		7,286,190	46,215,398
Depreciation rate (years)		3-5 years	3-5 years

**6.2.1.** This represents the cost of assets reclassified to owned fixed assets upon the expiry of the lease term.

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7. INTANGIBLES

	Note	2025	2024
Capital work in process	7.1	-	<u>13,753,865</u>
<b>7.1. Movement in capital work in process</b>			
Balance as at July 01,		2025	2024
Additions during the year		<u>13,753,865</u>	6,113,368
Provision for impairment		-	7,640,497
Balance as at June 30,		<u>(13,753,865)</u>	-
		-	<u>13,753,865</u>

**7.1.1.** An impairment provision of Rs. 13.75 million has been recognized on software capital work-in-progress, as the vendor has ceased work and the project remains incomplete to date and accordingly the asset is not available for its intended use.

8. INVESTMENT PROPERTY

	Note	2025	2024
Freehold land	6.1.1 & 8.1	<u>1,700,000</u>	1,500,000

**8.1.** This property had been valued under the market value basis by an independent valuer. Market value of the plot based on the valuation as of June 30, 2025 is Rs. 1.70 million (2024: Rs 1.50 million), while corresponding forced sale values were Rs. 1.45 million (2024: Rs. 1.28 million).

9. MICROFINANCE LOAN – NET

	Note	2025	2024
<b>Unsecured</b>			
Microfinance loan – net	9.1	1,846,560,903	2,586,383,548
Less: non-current portion of microfinance loans	9.1	(11,489,593)	(340,519,130)
Current portion of microfinance loan		<u>1,835,071,310</u>	<u>2,245,864,418</u>

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**9.1. Segment wise microfinance loan portfolio**

	June 30, 2025						
	Agriculture Loan	Enterprise Loan	Housing	Livestock Loan	Other	Renewable Energy	Total
<b>Microfinance loan</b>	<b>109,825,801</b>	<b>1,016,680,611</b>	<b>28,972,800</b>	<b>705,328,498</b>	<b>74,461,283</b>	<b>8,119,813</b>	<b>1,943,388,806</b>
<b>Expected credit loss allowance</b>							
Stage I	(2,923)	(693,673)	(15,655)	(8,821)	(56,136)	(2,382)	(779,590)
Stage II	(548,247)	(2,844,667)	(132,235)	(5,354,611)	(164,443)	(41,614)	(9,085,817)
Stage III	(37,970,537)	(37,406,334)	(1,308,391)	(6,845,622)	(3,353,802)	(77,810)	(86,962,496)
	<b>(38,521,707)</b>	<b>(40,944,674)</b>	<b>(1,456,281)</b>	<b>(12,209,054)</b>	<b>(3,574,381)</b>	<b>(121,806)</b>	<b>(96,827,903)</b>
<b>Microfinance loan-net</b>	<b>71,304,094</b>	<b>975,735,937</b>	<b>27,516,519</b>	<b>693,119,444</b>	<b>70,886,902</b>	<b>7,998,007</b>	<b>1,846,560,903</b>
<b>Less: non- current portion</b>		<b>(8,204,635)</b>	<b>(2,513,847)</b>		<b>(741,565)</b>	<b>(29,546)</b>	<b>(11,489,593)</b>
<b>Current portion</b>	<b>71,304,094</b>	<b>967,531,302</b>	<b>25,002,672</b>	<b>693,119,444</b>	<b>70,145,337</b>	<b>7,968,461</b>	<b>1,835,071,310</b>
June 30, 2024							
<b>Microfinance loan</b>	<b>112,800,974</b>	<b>1,618,096,322</b>	<b>97,986,718</b>	<b>725,346,564</b>	<b>193,865,493</b>	<b>21,592,101</b>	<b>2,769,688,172</b>
<b>Expected credit loss allowance</b>							
Stage I	(579,672)	(8,315,216)	(503,543)	(3,727,474)	(996,253)	(110,959)	(14,233,117)
Stage II	(6,168,056)	(88,478,929)	(5,358,000)	(39,662,588)	(10,600,736)	(1,180,675)	(151,448,984)
Stage III	(717,712)	(10,295,361)	(623,454)	(4,615,118)	(1,233,496)	(137,382)	(17,622,523)
	<b>(7,465,440)</b>	<b>(107,089,506)</b>	<b>(6,484,997)</b>	<b>(48,005,180)</b>	<b>(12,830,485)</b>	<b>(1,429,016)</b>	<b>(183,304,624)</b>
<b>Microfinance loan - net</b>	<b>105,335,534</b>	<b>1,511,006,816</b>	<b>91,501,721</b>	<b>677,341,384</b>	<b>181,035,008</b>	<b>20,163,085</b>	<b>2,586,383,548</b>
<b>Less: non- current portion</b>		<b>(13,868,308)</b>	<b>(198,936,746)</b>	<b>(12,046,971)</b>	<b>(89,177,686)</b>	<b>(23,834,780)</b>	<b>(2,654,639)</b>
<b>Current portion</b>	<b>91,467,226</b>	<b>1,312,070,070</b>	<b>79,454,750</b>	<b>588,163,698</b>	<b>157,200,228</b>	<b>17,508,446</b>	<b>2,245,864,418</b>

**9.2. Financer wise portfolio**

	Note	2025	2024
Micro credit pool	9.4	<b>294,248,296</b>	366,738,273
PMIC loans	9.4	<b>1,633,883,366</b>	2,384,086,133
SBP loans	9.4	<b>15,257,144</b>	18,863,766
<b>Total Microfinance loan portfolio – Gross</b>		<b>1,943,388,806</b>	2,769,688,172
Less: expected credit loss allowance	9.5	<b>(96,827,903)</b>	(183,304,624)
<b>Microfinance loan portfolio – net</b>		<b>1,846,560,903</b>	2,586,383,548

**9.3.** Loans disbursed to the beneficiaries are un-secured. The principal amount disbursed during the year to the beneficiary is charged with 29% (2024: 30%) service charges. In case of agriculture seasonal and housing loans that are disbursed during the year, the beneficiaries are charged at the rate of 32% (2024: 34%) and is recovered in lump sum at maturity of loan.

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**9.4. Movement of microfinance loan**

	<b>June 30, 2025</b>			
	<b>Micro credit pool</b>	<b>PMIC loans</b>	<b>SBP loans</b>	<b>Total</b>
Opening balance	366,738,273	2,384,086,133	18,863,766	2,769,688,172
Add: disbursement during the year	114,530,000	499,529,000	-	614,059,000
Less: recoveries during the year	(187,019,977)	(1,249,731,767)	(3,606,622)	(1,440,358,366)
<b>Closing balance</b>	<b>294,248,296</b>	<b>1,633,883,366</b>	<b>15,257,144</b>	<b>1,943,388,806</b>
	<b>June 30, 2024</b>			
Opening balance	574,253,832	3,051,750,636	63,546,596	3,689,551,064
Add: disbursement during the year	52,655,000	1,901,050,406	-	1,953,705,406
Less: recoveries during the year	(260,170,559)	(2,568,714,909)	(44,682,830)	(2,873,568,298)
<b>Closing balance</b>	<b>366,738,273</b>	<b>2,384,086,133</b>	<b>18,863,766</b>	<b>2,769,688,172</b>

**9.5. Expected credit losses - on microfinance loans**

	<b>2025</b>	<b>2024</b>
Opening balance	183,304,624	162,900,597
(Reversal) / charge during the year	(86,476,721)	20,404,027
<b>Closing balance</b>	<b>96,827,903</b>	<b>183,304,624</b>

**10. LONG-TERM INVESTMENTS**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>TDR - at amortized cost</b>			
Saudi Pak Industrial and Agricultural Investment Company Limited	10.1	84,100,000	390,100,000
Bank of Punjab	10.2	306,000,000	306,000,000
		<b>390,100,000</b>	<b>696,100,000</b>

**10.1.** This represents term deposit receipt (TDR) placed under lien as 100% margin against the guarantees issued by Saudi Pak Industrial and Agricultural Investment Company Limited in respect of a long-term loans amounting to Rs. 70 million obtained from the State Bank of Pakistan. The TDR carry mark-up rates ranging from 9.1% to 16% per annum (2024: 16% per annum). The maturity date of TDR is June 30, 2029.

**10.2.** It represents placements in term deposit receipts (TDRs) carry mark-up rates ranging from 9.52% - 21.25% (2024: 21.25%) per annum. These TDRs have been placed under lien as 100% margin against the guarantee issued by Bank of Punjab Limited in connection with a long-term loan obtained from the State Bank of Pakistan. The maturity date of TDRs are June 25, 2027.

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**11. LONG TERM LOANS**

	Note	2025	2024
Unsecured - considered good			
Loans to employees	11.1	2,514,092	13,083,526
Less: current portion shown under current assets	16	(2,514,092)	(9,259,912)
		-	3,823,614

**11.1.** These loans are granted to employees of the Company and carry mark-up at the rate of 4% per annum and deductible in twenty four monthly installments against the salaries of the employees.

**12. SHORT TERM INVESTMENTS**

	Note	2025	2024
<b>Term deposit receipts - at amortized cost</b>			
Habib Bank Limited	12.1	625,129,738	679,079,764
MCB Bank Limited	12.2	400,000,000	400,000,000
Saudi Pak Industrial and Agricultural Investment Company Limited	12.3	306,000,000	-
	12.4	<u>1,331,129,738</u>	<u>1,079,079,764</u>

**12.1.** These represent short term placements in term deposit receipts (TDRs) carry mark-up rates ranging from 4.75% to 22.25% (2024: 16.5% to 22.25%) per annum. These TDRs have maximum maturity upto June 29, 2026. TDRs amounting to Rs. 579.079 million are lien against the facility of short term borrowings from Habib Bank Limited. Furthermore, TDR amounting to Rs. nil (2024: Rs. 100 million) is lien against facility of long-term loan from Pakistan Mortgage Refinance Company (PMRC) as disclosed in note 24 to the financial statements.

**12.2.** These represent short term placements in TDRs carry mark-up rates ranging from 6.68% to 16.48% (2024: 12.50% to 16.48%) per annum. These TDRs have maximum maturity up to March 19, 2026. TDRs are lien against the facility of short-term borrowings from MCB Bank Limited as disclosed in note 24.3.1 to the financial statements.

**12.3.** This represents term deposit receipt (TDR) classified under short term investments in current year i.e placed under lien as 100% margin against the guarantees issued by Saudi Pak Industrial and Agricultural Investment Company Limited in respect of a long-term loans amounting to Rs. 250 million obtained from the State Bank of Pakistan. The TDR carry mark-up rates ranging from 9.1% to 16% per annum (2024: 16% per annum). The maturity date of TDR is June 26, 2026.

**12.4. Movement of term deposit certificates**

	2025	2024
Balance at beginning of the year	1,079,079,764	1,146,662,887
Add: purchased during the year	46,049,974	1,079,079,764
Add: current portion of long term investments	306,000,000	-
Less: matured during the year	(100,000,000)	(1,146,662,887)
Balance at end of the year	<u>1,331,129,738</u>	<u>1,079,079,764</u>

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**13. INVENTORY**

	Note	2025	2024
Opening stock in trade		4,169,500	2,028,000
Purchased during the year		-	29,538,000
Less: consumed during the year		-	(27,396,500)
Less: transferred to fixed assets - owned	13.1	(3,603,500)	-
Less: written off		(566,000)	-
Closing stock in trade		-	4,169,500

**13.1.** During the year, solar panels held in inventory amounting to Rs. 3.60 million (2024: Rs. nil) were installed at the Company's branches for own use and accordingly capitalized to property and equipment.

**14. ACCRUED MARKUP**

Accrued mark-up on;	Note	2025	2024
Microfinance loan - net	14.1	892,631,393	915,380,826
Bank balance		302,150	1,912,472
Short term investments		19,762,503	59,812,839
Long term investments		19,147,552	47,941,287
		<b>931,843,598</b>	<b>1,025,047,424</b>

**14.1. Accrued markup on microfinance loan - net movement**

	Note	2025	2024
Opening balance – gross		980,256,563	828,448,656
Accrued markup recorded during the year		412,800,484	1,042,227,608
Received during the year		(384,607,773)	(890,419,701)
Written off during the year		(50,942,144)	-
Closing balance – gross		<b>957,507,130</b>	<b>980,256,563</b>
Expected credit loss allowance	14.3	(64,875,737)	(64,875,737)
Microfinance loan – net		<b>892,631,393</b>	<b>915,380,826</b>

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14.2. Financer wise accrued markup on micro finance loan – net

	June 30, 2025			
	Micro credit pool	PMIC	SBP	
			Total	
<b>Accrued markup microfinance on loan</b>				
- gross	161,672,360	786,615,114	9,219,656	957,507,130
<b>Expected credit loss allowance</b>				
- Stage 1	(2,304,936)	(2,660,540)	(71,952)	(5,037,428)
- Stage 2	(24,525,921)	(28,309,761)	(765,609)	(53,601,291)
- Stage 3	(2,853,823)	(3,294,109)	(89,086)	(6,237,018)
	(29,684,680)	(34,264,410)	(926,647)	(64,875,737)
<b>Accrued markup on microfinance loan- net</b>	<b>131,987,680</b>	<b>752,350,704</b>	<b>8,293,009</b>	<b>892,631,393</b>
	June 30, 2024			
<b>Accrued markup microfinance on loan</b>				
- gross	181,650,915	784,851,720	13,753,928	980,256,563
<b>Expected credit loss allowance</b>				
- Stage 1	(2,304,936)	(2,660,540)	(71,952)	(5,037,428)
- Stage 2	(24,525,921)	(28,309,761)	(765,609)	(53,601,291)
- Stage 3	(2,853,823)	(3,294,109)	(89,086)	(6,237,018)
	(29,684,680)	(34,264,410)	(926,647)	(64,875,737)
<b>Accrued markup on microfinance loan- net</b>	<b>151,966,235</b>	<b>750,587,310</b>	<b>12,827,281</b>	<b>915,380,826</b>

14.3. Expected credit loss allowance on accrued markup of micro finance loan

	2025	2024
Opening balance	64,875,737	36,576,203
Charge during the year	-	28,299,534
Closing balance	64,875,737	64,875,737

15. OTHER RECEIVABLES

	Note	2025	2024
Receivable from employees	15.1	284,846	1,129,755
Receivable from PMIC	15.2	7,242,314	7,242,314
Other receivables		482,101	244,206
		8,009,261	8,616,275

15.1. This represents receivable from employees against solar provided to employees.

15.2. This represents receivable from PMIC as subsidy claim against disbursement of solar panel in previous years. No solar panel is disbursed in current year.

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**16. ADVANCES, DEPOSITS AND PREPAYMENTS**

	Note	2025	2024
Unsecured - <i>considered good</i>			
Advance to staff	16.1	1,270,968	914,536
Current portion of loan to employees	11	2,514,092	9,259,912
Security deposit		3,018,240	3,018,240
Advance to supplier	16.2	50,000	50,000
Prepayments		9,686,712	8,521,701
		<u>16,540,012</u>	<u>21,764,389</u>

**16.1.** This includes advances given to employees of the Company in accordance with their terms of employment and are adjustable on monthly basis against the salaries of the employees.

**16.2.** This represents advance to supplier in the normal course of business and does not carry any interest.

**17. TAX REFUND DUE FROM GOVERNMENT**

	2025	2024
Opening balance	91,361,381	88,138,682
Income tax withheld during the year	2,971,389	3,222,699
	<u>94,332,770</u>	<u>91,361,381</u>

**18. BANK BALANCES**

	Note	2025	2024
Current accounts		39,552,966	316,983,255
Saving accounts	18.1	108,567,088	92,926,264
		<u>148,120,054</u>	<u>409,909,519</u>

**18.1.** The saving accounts carry markup rates ranging from 4.6% to 19.9% (2024: 12.45% to 20.5%) per annum.

**19. DEFERRED LIABILITIES**

	Note	2025	2024
Employee retirement benefit	37.2.1	58,327,351	78,273,836
Deferred income	19.1	27,553,035	38,205,585
Long term advances	19.2	15,610,647	24,019,375
Leave encashment payable	19.3	24,742,101	29,768,350
		<u>126,233,134</u>	<u>170,267,146</u>

**19.1. DEFERRED INCOME MOVEMENT**

	2025	2024
Opening balance	38,205,585	-
Accrued during the year	5,330,008	42,761,445
Amortization for the year	(15,982,558)	(4,555,860)
Closing balance	<u>27,553,035</u>	<u>38,205,585</u>

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**19.1.1.** This represents deferred income recognized on difference between cash received and present value of cash inflow of loan received from the State Bank of Pakistan and Thardeep Microfinance Foundation - Contributory Provident Fund at below market interest rate as described in note 21.2 and 21.5 respectively.

**19.2.** The Company provides leased vehicles to executive employees for official and field recovery purposes. Lease rentals are deducted monthly from employees' salaries and recorded as liabilities. Upon separation, the employee may either purchase the vehicle by adjusting accumulated deductions against its fair value or receive a refund based on the vehicle's fair value at that date.

**19.3. Leave encashment payable movement**

	<b>2025</b>	<b>2024</b>
Opening balance	29,768,350	34,154,238
Charge for the year	69,488	2,969,386
Repaid during the year	(5,095,737)	(7,355,274)
Closing balance	<b>24,742,101</b>	<b>29,768,350</b>

**20. SUBORDINATED LOAN – UNSECURED**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Sub-ordinated loan	20.1	<b>400,000,000</b>	<b>400,000,000</b>

**20.1.** This represents a long-term subordinated loan obtained from Thardeep Rural Development Programme (TRDP). The loan was initially recognized as a subordinated facility under a Loan Subordination Agreement dated December 31, 2016, amounting to Rs. 400 million. The TRDP's claims on this subordinated loan are wholly subordinated to the claims of all other non-subordinated creditors of the Company.

As per the original terms, the loan carried markup at the rate of six months KIBOR plus 3% per annum, capped at 12.5%, payable on a monthly basis. The loan was repayable after five years, subject to the prior consent of the Securities and Exchange Commission of Pakistan (SECP). The SECP had approved this facility as a subordinated debt with ex-post facto effect on July 24, 2018. The loan matured on October 05, 2024, and was subsequently extended for a further period of three years through an agreement dated October 06, 2024, under the same terms and conditions, except that the markup cap was revised from 12.5% to 13% per annum.

**21. LONG TERM LOANS**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Secured</b>			
Loan from Pakistan Microfinance Investment Company Limited (PMIC)	21.1	-	1,510,400,000
Loan from State Bank of Pakistan	21.2	<b>295,085,657</b>	538,600,444
Loan from Habib Bank Limited Under PMYB&ALS	21.3	-	44,444,446
		<b>295,085,657</b>	<b>2,093,444,890</b>
<b>Unsecured</b>			
Loan from Roshan Khushal Organization	21.4	4,092,025	4,092,025
Thardeep Microfinance Foundation Contributory Provident Fund	21.5	-	74,105,752
		<b>4,092,025</b>	<b>78,197,777</b>
		<b>299,177,682</b>	<b>2,171,642,667</b>

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**21.1. Loan from Pakistan Microfinance Investment Company Limited**

	Note	2025	2024
Balance as at July 01,		2,690,000,000	3,000,000,000
Received during the year		1,032,800,000	1,182,000,000
Repaid during the year		(1,329,600,000)	(1,492,000,000)
	21.1.1	2,393,200,000	2,690,000,000
Current portion	24	(2,393,200,000)	(1,179,600,000)
Balance as at June 30,		-	1,510,400,000

**21.1.1.** This represents amount of Rs. 852.4 million and Rs. 1,540.8 million from loan facility of Rs. 1,935 million and Rs. 1,540.8 million respectively. These loans carry mark-up at the rate 6 month KIBOR + 3.5% (2024: 6 month KIBOR + 3.5%) payable quarterly in arrears. The tenure of loan facility of Rs: 1,935 million is 4 years including 1 year grace period, which is repayable in quarterly installments commencing from June 30, 2025. The tenure of loan facility of Rs: 1,540.8 million is 4.67 years including 1 year grace period, which is repayable in semi-annually installments commencing from June 30, 2023.

The loan is fully secured against a hypothecation charge, at least on a pari passu basis on, all the present and future current assets of the company upto Rs. 3,375 million, and a demand promissory note also signed by the Board of Directors of the Company. The aggregate sanctioned limit of the facilities is Rs. 3,475.8 million (2024: Rs. 4,435 million).

The loan agreements contain the following significant financial covenants:

1. Maintain a current ratio of at least 1:1;
2. Maintain a debt-to-equity ratio below 8 times;
3. Maintain an operational sustainability ratio greater than 100%; and
4. Maintain a portfolio quality ratio (measured as portfolio-at-risk greater than 29 days) below 5%.

During the year ended June 30, 2025, the Company was unable to comply with certain covenants as mentioned above. Resultantly, the entire outstanding balance of Rs. 2,393.20 million has been classified as a current liability in these financial statements.

**21.2. Loan from State Bank of Pakistan (SBP)**

	2025	2024
Balance as at July 01,	538,600,444	322,810,220
Received during the year	-	320,000,000
Present value adjustment	-	(35,814,473)
Interest expense for the year	6,485,213	4,414,917
Repaid during the year	-	(72,810,220)
Balance as at June 30,	545,085,657	538,600,444
Current portion	(250,000,000)	-
	295,085,657	538,600,444

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**21.2.1. Facility amounting to Rs. 500 million (Note: 21.2.2)**

	<b>2025</b>	<b>2024</b>
Balance as at July 01,	473,778,036	250,000,000
Received during the year	-	250,000,000
Present value adjustment	-	(30,533,048)
Interest expense for the year	5,837,412	4,311,084
Balance as at June 30,	479,615,448	473,778,036
Current portion	(250,000,000)	-
	229,615,448	473,778,036

**21.2.2.** The Company obtained a loan facility of Rs. 500 million from the State Bank of Pakistan (SBP), secured by a Bank Repayment Guarantee (RG) of Rs. 612 million out of which 306 million RG issued by Saudi Pak Industrial and Agricultural Investment Company Limited and Rs: 306 million RG issued by Bank of Punjab Limited respectively. A demand promissory note has been signed by the Company in connection with this facility. The loan carries a markup at a rate of 6 months KIBOR minus 1%.

An initial disbursement of Rs. 250 million was made on June 26, 2023, followed by a second disbursement of Rs. 250 million made on June 25, 2024. The loan will be matured after 3 years of date of disbursement and is repayable in full at maturity.

**21.2.3. Facility amounting to Rs. 72.810 million (Note: 21.2.4)**

	<b>2025</b>	<b>2024</b>
Balance as at July 01,	-	72,810,220
Received during the year	-	-
Repaid during the year	-	(72,810,220)
Balance as at June 30,	-	-

**21.2.4.** The Company secured a loan facility of Rs. 72.810 million from the State Bank of Pakistan (SBP). This facility is backed by a Bank Repayment Guarantee (RG) of Rs. 82.652 million issued by Habib Bank Limited. As part of the agreement, the Company signed a demand promissory note. The loan is subject to a markup rate of six months KIBOR plus 0.5%. The loan was disbursed on June 24, 2019, for a period of five years and was scheduled for repayment at maturity.

**21.2.5. Facility amounting to Rs. 70 million (Note: 21.2.6)**

	<b>2025</b>	<b>2024</b>
Balance as at July 01,	64,822,408	-
Received during the year	-	70,000,000
Present value adjustment	-	(5,281,425)
Interest expense	647,801	103,833
Balance as at June 30,	65,470,209	64,822,408

**21.2.6.** The Company obtained a loan facility of Rs. 70 million from the State Bank of Pakistan (SBP) during the year. This loan facility is secured by a guarantee of Rs. 84.1 million issued by Saudi Pak Industrial and Agricultural Investment Company Limited. The loan carries a markup rate of 6 months KIBOR minus 1%. It was obtained on June 28, 2024, for a term of five years, maturing on June 30, 2029, and is repayable in full at maturity.

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**21.3. Loan From Habib Bank Limited Under PMYB&ALS**

	2025	2024
Balance as at July 01,	111,111,113	177,777,778
Repaid during the year	(66,666,672)	(66,666,665)
Balance as at June 30,	44,444,441	111,111,113
Current portion	(44,444,441)	(66,666,667)
	-	44,444,446

**21.3.1.** The Company has obtained loan from Habib Bank Limited (HBL) under the Prime Minister Youth Business & Agriculture Loan Scheme (PMYB&ALS) of Rs. 200 million. This loan is interest free and the loan shall be repaid in 36 equal monthly installments starting from subsequent month from the date of disbursement. The loan is secured against 1st pari passu charge of Rs. 160 million on all present and future microcredit / advances receivables of the Company.

**21.4. Loan from Roshan Khushal Organization**

	Note	2025	2024
Balance as at July 01,		4,092,025	3,500,000
Received during the year		-	592,025
Balance as at June 30,	21.4.1	4,092,025	4,092,025
Current portion		-	-
		4,092,025	4,092,025

**21.4.1.** The company obtained a loan from Roshan Khushal Organization with a mark-up rate of 6-month KIBOR minus 7% (2024: 6-month KIBOR minus 7%), payable annually. The original loan agreement was for three years, maturing in February 2024. As of February 2024, the loan has been rescheduled, with the outstanding interest incorporated into the loan liability. The term has been extended for an additional three years by mutual consent of both parties. The sanctioned limit of the facility is Rs. 4.092 million (2024: Rs. 4.092 million). The loan is scheduled to be repaid in full at the end of the extended term in February 2027.

**21.5. Thardeep Microfinance Foundation - Contributory Provident Fund**

	Note	2025	2024
Balance as at July 01,		74,105,752	-
Received during the year		-	80,000,000
Principal paid during the year		(5,000,000)	-
Interest paid during the year		(13,466,302)	-
Impact of modification of financial liabilities		1,730,264	-
Present value adjustment		-	(6,946,972)
Interest expense		14,991,594	1,052,724
Balance as at June 30,	24	72,361,308	74,105,752
Current portion		(72,361,308)	-
		-	74,105,752

**21.5.1.** In prior year, the loan has been obtained from the Thardeep Microfinance foundation's Contributory Provident Fund carrying an interest rate at 16%. The maturity of this loan is June 5, 2026.

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**22. LEASE LIABILITIES**

	2025	2024
Opening balance	40,248,757	64,677,147
Additions during the year	4,091,070	16,386,954
	<u>44,339,827</u>	<u>81,064,101</u>
Interest accrued	3,526,458	7,615,140
Payments during the year	(12,917,548)	(40,840,033)
Disposal during the year	(26,483,308)	(7,539,674)
Impact of reassessment of lease	618,118	(50,777)
	<u>9,083,547</u>	<u>40,248,757</u>
Current portion	(5,602,828)	(25,751,664)
Closing balance	<u>3,480,719</u>	<u>14,497,093</u>

**22.1.** Lease of buildings amounting to Rs. 9.084 million (2024: Rs. 40.248 million). These are discounted using mark-up rates ranging from 14% to 24% (2024: 14% to 24%) per annum.

**22.2.** The Company has elected not to recognize lease liability for short term leases (leases of expected term of 12 months or less). Payment made under such leases are expensed on a straight line basis.

**23. SHORT TERM BORROWINGS**

	Note	2025	2024
Short-term lease	22.2	<u>13,034,634</u>	<u>7,995,508</u>
	Note	2025	2024
Secured			
Habib Bank Limited - facility 01	23.1	529,710,075	529,710,075
Habib Bank Limited - facility 02	23.2	100,000,000	100,000,000
MCB Bank Limited - facility 01	23.3	399,516,269	399,516,269
MCB Bank Limited - facility 02	23.4	300,000,000	300,000,000
		<u>1,329,226,344</u>	<u>1,329,226,344</u>

**23.1. Habib Bank Limited - facility 01**

	Note	2025	2024
Balance as at July 01		529,710,075	530,000,000
Received during the year		-	99,710,075
Repaid during the year		-	(100,000,000)
Closing balance	23.1.1	<u>529,710,075</u>	<u>529,710,075</u>

**23.1.1.** This represents short term running finance facility of Rs. 530 million (2024: 530 million) availed from Habib Bank Limited. The facility carries mark-up at the rate consistent in respect of 3 month KIBOR + 1.25% (2024: 3 month KIBOR + 1.25%). The facility is secured against lien over TDR placed with Habib Bank Limited of Rs. 625.130 million (2024: Rs. 579.079 million). The sanctioned limit of running finance facility is Rs. 530 million (2024: Rs. 530 million).

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**23.2. Habib Bank Limited - facility 02**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Balance as at July 01		100,000,000	100,000,000
Received during the year		-	8,881,809
Repaid during the year		-	(8,881,809)
Closing balance	23.2.1	<u>100,000,000</u>	<u>100,000,000</u>

**23.2.1.** This represents short term general running finance facility of Rs. 100 million availed from Habib Bank Limited. The facility carries mark-up at the rate consistent in respect of 3 month KIBOR + 1.25% (2024: 3 month KIBOR + 1.25%) per annum respectively. This facility is secured against collateral of 1st pari passu charge of Rs 100 million and the sanctioned limit of running finance facility is Rs. 100 million (2024: Rs. 100 million) respectively.

**23.3. MCB Bank Limited - facility 01**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Balance as at July 01		399,516,269	400,000,000
Received during the year		-	-
Repaid during the year		-	(483,731)
Closing balance	23.3.1	<u>399,516,269</u>	<u>399,516,269</u>

**23.3.1.** This represents short term running finance facilities availed from MCB Bank Limited. This facility carry mark-up at the rate consistent in respect of Term Deposit Receipts placed with bank plus 1% (2024: Term Deposit Receipts placed with bank + 1% per annum. The facility is secured against lien over Term Deposit Receipts placed with MCB Bank Limited of Rs. 400 million (2024: Rs. 400 million). The sanctioned limit of running finance facility is Rs. 600 million (2024: Rs. 600 million).

**23.4. MCB Bank Limited - facility 02**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Balance as at July 01		300,000,000	300,000,000
Received during the year		300,000,000	-
Repaid during the year		(300,000,000)	-
Closing balance	23.4.1	<u>300,000,000</u>	<u>300,000,000</u>

**23.4.1.** This represents short term general running finance facility availed from MCB Bank Limited. This facility carry mark-up at the rate 3 months KIBOR + 0.5% (2024: 3 months KIBOR + 0.5%) per annum. This facility is secured against collateral of 1st pari passu charge of Rs. 353 million and Rs. 100 million over all present and future current assets and fixed assets respectively (2024: Rs. 353 million and Rs. 100 million over all present and future current assets and fixed assets respectively). The sanctioned limit of general running finance facility is Rs. 300 million (2024: Rs. 300 million).

**23.5. Sindh Rural Support Organization**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Balance as at July 01,		-	8,782,207
Received during the year		-	-
Written back during the year		-	(8,782,207)
Balance as at June 30,	23.5.1	<u>-</u>	<u>-</u>

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**23.5.1.** In prior year, this loan was obtained from Sindh Rural Support Organization (SRSO) under Peoples Women Empowerment Programme (PWEP) to provide interest free micro credit, for the support of those women of rural villages, who are very poor or destitute women. This loan was unsecured, interest free and was repayable on demand. This loan was written back in prior year.

**24. CURRENT PORTION OF LONG-TERM LOANS**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Pakistan Microfinance Investment Company Limited (PMIC) loan	21.1	2,393,200,000	1,179,600,000
State Bank of Pakistan (SBP)	21.2	250,000,000	-
Loan from Habib Bank Limited Under PMYB&ALS	21.3	44,444,441	66,666,667
Loan from Pakistan Mortgage Refinance Company		-	200,000,000
Thardeep Microfinance Foundation Contributory Provident Fund	21.5	<u>72,361,308</u>	-
		<u>2,760,005,749</u>	<u>1,446,266,667</u>

**25. ACCRUED MARKUP**

	<b>2025</b>	<b>2024</b>
<b>Mark-up accrued on:</b>		
Long term loans	131,150,964	211,501,914
Short term borrowings	37,701,847	68,494,466
	<u>168,852,811</u>	<u>279,996,380</u>

**26. ACCRUED AND OTHER LIABILITIES**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Unearned mark-up	26.1	9,736,932	21,468,660
Accrued branchless banking charges		-	132,302
Insurance claim payable to community		94,013	158,482
Insurance payable		847,600	333,254
Accrued expense		3,874,316	7,085,167
Accrued salary		5,378,891	19,986,145
Provident fund payable		10,411,614	6,621,724
Other payable		9,664,248	10,836,444
		<u>40,007,614</u>	<u>66,622,178</u>

**26.1. Unearned Mark-up movement**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Opening balance		21,468,660	41,809,320
Addition during the year		12,281,179	39,067,087
Mark-up earned during the year	26.1.2	(24,012,907)	(59,407,747)
Closing balance		<u>9,736,932</u>	<u>21,468,660</u>

**26.1.1.** The Company receive advance markup of 2% from their customers at the inception of microfinance loan.

**26.1.2.** Markup for an amount of Rs. 24.012 million (2024: 59.407 million) has been recognised as finance income as current year in respect of unearned markup.

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**27. Surplus on revaluation of property and equipment**

	<b>2025</b>	<b>2024</b>
Revaluation surplus as at July 01,	72,571,831	-
Revaluation during the year		72,600,361
Transfer on account of incremental depreciation	(13,602,630)	(28,530)
Transfer on account of disposal of property and equipment	(6,525,006)	-
Revaluation surplus as at June 30,	<u>52,444,195</u>	<u>72,571,831</u>

**28. LOAN LOSS RESERVES**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Loan loss reserves	28.1	<u>90,538,524</u>	<u>90,538,524</u>

**28.1.** Loan loss reserve was created on outstanding loan portfolio at the rate of 5% of gross loan portfolio in Thardeep Rural Development Programme - Micro Credit and Enterprise Development Unit which was transferred to the Company upon demerger of Thardeep Rural Development Programme - Micro Credit and Enterprise Development Unit from erstwhile Thardeep Rural Development Programme (TRDP).

**29. CONTINGENCIES AND COMMITMENTS**

**29.1.** Sindh Revenue Board (SRB) vide its letter SRB-COM-IV/NBFC/DC-34/2018-19/7117 dated January 16, 2019 issued a notice to the Company for registration under section 24 of Sindh Sales Tax Act, 2011 (The Act).

SRB stated that the Company has been involved in providing or rendering services to customers thus engaged in economic activity in terms of section 4 of the Act, by providing taxable services in terms of section 3 of the Act, which fall under the services category / tariff heading "9813.8100- Others, including the services provided or rendered by non-banking, finance companies, modaraba and musharika companies and other financial institutions" and such services are taxable as specified in Second Schedule of the Sindh Sales Tax on Services Act, 2011. Therefore, the Company is required to get e-registration for Sindh Sales Tax on Services u/s 24 of the Act, besides its activities as withholding agent under the relevant statutory provisions of the Act, and appear for hearing at SRB office at specified date.

The Company through letter dated March 07, 2019 informed SRB that the Company has registered u/s 24 of the Act. Management has paid tax amounting to Rs 14.146 million and requested SRB to waive of the tax for the period of October 6, 2016 to June 30, 2017 as it had operational losses during that year.

SRB has not acknowledged the letter from the Company for the waiver in writing, however the same has been agreed verbally in the meeting. Accordingly, the additional tax amounting to Rs.6.5 million has not been accounted for in these financial statements.

**29.2.** The Company was approved as a Non-Profit Organization (NPO) under Section 2(36)(c) of the Income Tax Ordinance, 2001, with validity up to June 30, 2020. Renewal of this approval was initially rejected by the Commissioner Inland Revenue (CIR) on account of the expiry of the Pakistan Centre for Philanthropy (PCP) certification on September 6, 2019. Subsequently, the Company obtained a renewed PCP certification on November 15, 2021, valid for three years, on the basis of which the NPO approval was renewed for the tax year 2023, effective up to November 4, 2024.

In the meantime, the Additional Commissioner Inland Revenue (ACIR), through orders issued under Section 221(2) of the Ordinance, disallowed tax credits claimed under Section 100C for the

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tax years 2021 and 2022, resulting in aggregate tax demands of Rs. 44.80 million and Rs. 54.80 million, respectively.

The Company filed appeals before the Chief Commissioner Inland Revenue (CCIR) against the disallowance, who subsequently remanded the cases back to the CIR for reconsideration. The proceedings in this respect are pending adjudication as of June 30, 2025.

Based on the merits of the case and legal advice obtained, the management is confident of a favorable outcome. Accordingly, no provision for taxation has been recognized in these financial statements in respect of the aforementioned matters.

**30. FINANCIAL INCOME**

	<b>2025</b>	<b>2024</b>
Financial income earned on loan portfolio of:		
Micro Credit Pool	64,277,301	148,908,396
Pakistan Microfinance Investment Company	376,402,126	973,175,223
State Bank of Pakistan	440,136	16,361,462
	<b>441,119,563</b>	<b>1,138,445,081</b>
Amortization of deferred income	15,982,558	4,555,860
Insurance processing fee	253,800	580,325
	<b>457,355,921</b>	<b>1,143,581,266</b>

**31. FINANCIAL CHARGES**

	<b>2025</b>	<b>2024</b>
Mark-up on:		
Long term loans	634,328,083	879,896,007
Short term borrowings	208,861,845	260,082,465
Finance lease	3,526,458	8,154,921
	<b>846,716,386</b>	<b>1,148,133,393</b>
Bank commission charges against bank guarantee	24,394,118	11,161,321
Conventional bank charges	2,408,919	848,238
Branch less banking charges	416,224	3,955,744
	<b>27,219,261</b>	<b>15,965,303</b>
	<b>873,935,647</b>	<b>1,164,098,696</b>

**32. EXPECTED CREDIT LOSS ALLOWANCE**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Expected credit loss allowance on microfinance loan	9.5	(86,476,721)	20,404,026
Expected credit loss allowance against accrued markup	14.3	-	28,299,534
		<b>(86,476,721)</b>	<b>48,703,560</b>

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33. MICROFINANCE PROGRAMME AND OPERATING EXPENSES

	2025	2024
Salaries and other benefits	244,886,215	315,785,551
Staff development cost	377,219	276,881
Monthly review and meeting expenses	2,044,171	1,582,252
Credit Information Bureau report expense	751,627	852,938
Credit committee expense	1,537,079	1,793,326
Information technology charges	11,048,793	22,443,514
Publication and advertising expenses	573,790	427,450
Annual report, diary and calendar	-	371,875
Grant expense	515,531	55,000
Cost of goods sold - solar product	-	27,396,500
	<b>261,734,425</b>	<b>370,985,287</b>

34. ADMINISTRATIVE EXPENSES

	Note	2025	2024
Salaries and other benefits		11,261,850	11,815,817
Staff recovery / disbursement bonus		491,015	4,146,648
Rent, rate and taxes		13,034,634	7,995,508
Travel and accommodation		11,356,889	12,076,443
Consumables		8,451,171	10,539,349
Communication		4,036,274	6,094,092
Repairs and maintenance	34.1	8,654,000	10,690,828
Petrol, oil and lubricants		17,404,380	27,492,420
Utilities		6,521,313	15,078,762
Sindh sales tax on processing fee		35,847	147,461
Printing and stationery		410,544	768,465
Impairment expense		3,673,333	-
Depreciation	6.1 & 6.2	29,306,951	28,923,762
Legal and professional charges		6,195,494	2,981,845
Auditors' remuneration	34.2	1,986,336	2,000,000
Per diem and allowances		931,376	852,579
Insurance		1,872,860	3,629,033
Others		5,104,673	1,768,447
		<b>130,728,940</b>	<b>147,001,459</b>

34.1. Repairs and maintenance

	2025	2024
Vehicle repair and maintenance	6,446,782	6,764,082
Office repairs and maintenance	1,292,714	2,616,640
IT equipment repair and maintenance	439,573	431,808
Equipment repair and maintenance	474,931	878,298
	<b>8,654,000</b>	<b>10,690,828</b>

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**34.2. Auditors' remuneration**

	<b>2025</b>	<b>2024</b>
Audit fee	1,540,000	1,400,000
Financial reporting fee	-	200,000
Out of pocket expense	299,200	272,000
Sales tax	147,136	128,000
	<b>1,986,336</b>	<b>2,000,000</b>

**35. OTHER EXPENSES**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Realized loss on termination of lease		8,001,174	-
Impact of modification of financial liabilities		1,730,264	-
Bad debt written off		50,942,144	-
Provision against intangible - CWIP	7.1	13,753,865	-
		<b>74,427,447</b>	<b>-</b>

**36. OTHER INCOME**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Interest on term deposit receipts (TDRs)		256,573,127	243,413,960
Interest on saving accounts		37,782,076	65,121,644
Insurance claim	6.1.2	3,000,000	-
Recovery against bad debts		8,511,000	3,095,566
Unrealised gain on investment property carried at fair value		200,000	1,075,808
Grant income		450,630	-
Gain on disposal of property and equipment		4,201,463	4,614,221
Others		7,578,267	13,981,935
		<b>318,296,563</b>	<b>331,303,134</b>

**37. EMPLOYEE RETIREMENT BENEFIT**

**37.1. Defined contribution plan**

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Thardeep Microfinance Foundation - Contributory Provident Fund". The fund is maintained by the Trustees and all decisions regarding investments and distribution of income are made by the Trustees independent of the Company.

**37.1.1.** According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 218 of Companies Act, 2017 and the rules made thereunder.

**37.2. Defined benefit plan**

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2025, using the Projected Unit Credit Method.

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**37.2.1. Employee retirement benefit movement**

	<b>2025</b>	<b>2024</b>
Opening balance	78,273,836	84,122,163
Charge for the year	24,889,368	32,618,525
Surplus on remeasurement recognised in other comprehensive income	(14,077,253)	(19,764,296)
	<u>89,085,951</u>	<u>96,976,392</u>
Benefits paid	(30,758,600)	(18,702,556)
Closing balance	<u>58,327,351</u>	<u>78,273,836</u>

**37.2.2. Liability recognised in statement of financial position**

	<b>2025</b>	<b>2024</b>
Present value of defined benefit obligation	46,079,215	71,533,422
Add: Benefits due but not paid	12,248,136	6,740,414
Closing net liability	<u>58,327,351</u>	<u>78,273,836</u>

**37.2.3. Movement in the present value of defined benefit obligation**

	<b>2025</b>	<b>2024</b>
Opening balance	71,533,422	79,850,480
Current service cost	17,025,241	21,381,171
Interest cost	7,864,127	11,237,354
Remeasurement: actuarial gain	(14,077,253)	(19,764,296)
Benefits due but not paid	(9,245,629)	(4,249,252)
Benefits paid	(27,188,988)	(16,922,035)
Adjustment / reversal of last years' payables	168,295	-
Closing net liability	<u>46,079,215</u>	<u>71,533,422</u>

**37.2.4. Expenses recognised in income and expenditure statement**

	<b>2025</b>	<b>2024</b>
Current service cost	17,025,241	21,381,171
Interest cost	7,864,127	11,237,354
Closing net liability	<u>24,889,368</u>	<u>32,618,525</u>

**37.2.5. Remeasurement gain on defined benefit obligation**

	<b>2025</b>	<b>2024</b>
Remeasurement gain on defined benefit obligation	<u>(14,077,253)</u>	<u>(19,764,296)</u>

The expected contribution to unfunded gratuity scheme for the year ended June 30, 2025 is Rs. 25.930 million. This is the amount by which the net defined benefit liability is expected to increase. The amount of remeasurement to be recognised in other comprehensive income will be worked out as at the next valuation.

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**37.2.6. Principal actuarial assumptions**

	<b>2025</b>	<b>2024</b>
Discount rate used for Interest Cost in P&L Charge	14.75%	16.25%
Discount rate used for year-end obligation	11.75%	14.75%
Salary increase used for year-end obligation		
Salary increase FY 2025	N/A	13.75%
Salary increase FY 2026	10.75%	13.75%
Salary increase FY 2027	10.75%	13.75%
Salary increase FY 2028	10.75%	13.75%
Salary increase FY 2029	10.75%	13.75%
Salary increase FY 2030	10.75%	13.75%
Salary increase FY 2031 onward	10.75%	13.75%

**37.2.7. Sensitivity analysis**

	<b>2025</b>	<b>2024</b>
Discount rate+100bps	45,464,375	67,035,715
Discount rate-100bps	46,717,802	76,800,374
Salary Increase + 100 bps	46,903,701	77,030,525
Salary Increase -100 bps	45,272,341	66,749,993

The average duration of the defined benefit obligation is 1 year.

**37.2.8. Expected Benefit Payments for the next 10 Years and beyond**

	<b>2025</b>	<b>2024</b>
FY 2025	-	20,526,523
FY 2026	25,884,124	14,063,054
FY 2027	15,949,862	13,696,768
FY 2028	12,500,128	12,713,998
FY 2029	8,791,208	12,038,516
FY 2030	6,063,396	11,601,177
FY 2031	4,119,186	11,422,038
FY 2032	2,833,470	18,284,653
FY 2033	1,785,649	11,572,358
FY 2034	1,178,355	13,744,092
FY 2035	771,962	11,422,038
FY 2036	1,397,460	-

**37.2.9. Employee benefits are exposed to the following risks**

**Final salary risks**

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

**Mortality risks**

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Discount rate fluctuation**

The rate used to discount post employment benefit obligations should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. A decrease in corporate bond yields will increase plan liabilities.

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**Withdrawal Risk**

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

**38. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

Description	Liabilities			Total
	Long term loan	Short term borrowing	Lease liabilities	
Balance as at July 01, 2024	3,617,909,334	1,329,226,344	40,248,757	4,987,384,435
Repayment during the year	(1,601,266,672)		(12,917,548)	(1,614,184,220)
Received during the year	1,032,800,000		4,091,070	1,036,891,070
Disposal during the year	-		(26,483,307)	(26,483,307)
Interest expense for the year	9,740,769		3,526,458	13,267,227
Impact of remeasurement of lease	-		618,118	618,118
Balance as at June 30, 2025	3,059,183,431	1,329,226,344	9,083,548	4,397,493,323

Description	Liabilities			Total
	Long term loan	Short term borrowing	Lease Liabilities	
Balance as at July 01, 2023	3,768,392,701	1,338,782,207	64,677,147	5,171,852,055
Repayment during the year	(1,695,781,588)	(118,147,747)	(40,840,033)	(1,854,769,368)
Received during the year	1,582,592,025	108,591,884	16,386,954	1,707,570,863
Disposal during the year	-		(7,539,674)	(7,539,674)
Interest expense for the year	5,467,641		7,615,140	13,082,781
Impact of remeasurement of lease	-		(50,777)	(50,777)
Present value adjustment	(42,761,445)		-	(42,761,445)
Balance as at June 30, 2024	3,617,909,334	1,329,226,344	40,248,757	4,987,384,435

**39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Particulars	June-30-2025			
	Chief Executive Officer	Executives	Directors	Total
Managerial remuneration	4,200,000	25,602,468	1,500,569	31,303,037
House rent	-	6,981,793	-	6,981,793
Retirement benefits	875,544	945,434	-	1,820,978
Medical allowance	-	3,494,700	-	3,494,700
Bonus	-	-	-	-
Total	5,075,544	37,024,395	1,500,569	43,600,508
Number of persons	1	11	7	12

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Particulars	June-30-2024			
	Chief Executive Officer	Executives	Directors	Total
Managerial remuneration	7,452,000	12,665,340	1,793,326	21,910,666
House rent	-	5,690,400	-	5,690,400
Retirement benefits	1,628,100	3,970,911	-	5,599,011
Medical allowance	500,000	999,140	-	1,499,140
Bonus	-	-	-	-
<b>Total</b>	<b>9,580,100</b>	<b>23,325,791</b>	<b>1,793,326</b>	<b>34,699,217</b>
<b>Number of persons</b>	<b>1</b>	<b>6</b>	<b>7</b>	<b>7</b>

39.1. The Chief Executive Officer and certain employees at the executive level are also provided with the Company owned and maintained car and other benefits in accordance with their entitlement as per policy of the Company.

#### 40. TRANSACTIONS WITH RELATED PARTIES

Related parties include Board of Directors, other related associate undertaking and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company in the normal course of business carries out transactions with related parties. Transactions with related parties during the Period and balances as at June 30, 2025 were as follows:

##### 40.1. Transactions during the year

Nature of transaction	Party Name	Relation with the Company	Basis of Relationship	June-30-2025	June-30-2024
Advance paid	Mr. Sonu Kanghrani	Chief Executive	Executive employee	-	402,960
Advance recovered	Mr. Sonu Kanghrani	Chief Executive	Executive employee	387,652	315,308
Interest charge	Thardeep Rural Development	Associated undertaking	Common Directorship	51,468,493	50,136,986
Interest paid	Program	Associated undertaking	Common Directorship	50,969,863	50,136,986

##### 40.2. Year end balances

Name of Related Party	Nature of Transactions	Note	2025	2024
Thardeep Rural Development Programme (TRDP)	Financial charges Payable Sub-ordinated loan	20	12,964,384 400,000,000 412,964,384	12,465,752 400,000,000 412,465,752
Thardeep Microfinance Foundation Contributory Fund	Provident fund payable	21.5 & 26	82,772,922	80,727,476

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**40.3. Names of related parties, nature and basis of relationship**

<b>Related Parties</b>	<b>Relationship</b>	<b>% of shareholding</b>
Mr. Naseer Muhammad Nizamani	Director	Nil
Ms. Sabiha Shah	Director	Nil
Mr. Khadim Hussain Lakhzar	Director	Nil
Mr. Allah Nawaz Samoo	Director	Nil
Ms. Yasmin Hyder	Director	Nil
Ms. Samia Liaquat Ali Khan	Director	Nil
Mr. Muhammad Qasim	Director	Nil
Dr. Sono Khangharani	Chief Executive Officer	Nil
Thardeep Rural Development Programme	Associated undertaking	Nil
Thardeep Microfinance Foundation Contributory Fund	Post Retirement Fund	Nil

**41. FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>2025</b>	<b>2024</b>
<b>Financial assets as per statement of financial position</b>		
<b>At amortised cost</b>		
Long term loans and deposits		3,823,614
Investments	1,721,229,738	1,775,179,764
Microfinance loans	1,846,560,903	2,586,383,548
Other receivables	7,724,415	7,486,520
Advances and deposits	3,018,240	3,018,240
Accrued markup	931,843,598	1,025,047,424
Bank balances	148,120,054	409,909,519
	<b>4,658,496,948</b>	<b>5,810,848,629</b>
	<b>2025</b>	<b>2024</b>
<b>Financial liabilities as per statement of financial position</b>		
<b>At amortised cost</b>		
Long term loans	3,059,183,431	3,617,909,334
Sub-ordinated loan	400,000,000	400,000,000
Short term borrowings	1,329,226,344	1,329,226,344
Accrued and other liabilities	40,007,615	66,622,178
Accrued markup	168,852,810	279,996,380
	<b>4,997,270,200</b>	<b>5,693,754,236</b>

**42. FINANCIAL INSTRUMENTS RELATED DISCLOSURES**

**42.1. Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the management under policies approved by the Board of Directors.

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**42.1.1. Market risk**

Market risk is the risk that the fair value or the future cash flows of financial instrument may fluctuate as a result of changes in market prices. The Company is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of financial assets and liabilities through risk management strategies.

Market risk mainly comprises currency risk, interest rate risk and price risk.

**42.1.2. Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Investment Bank, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

**42.1.3. Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at reporting date, the Company is not exposed to price risk.

**42.1.4. Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short-term borrowings. As at the reporting date the interest rate profile of the Company's interest-bearing financial instruments is as follows:

		<b>2025</b>	<b>2024</b>
<b>Financial liabilities - variable rate instruments</b>	<b>Effective rate (In percent)</b>		
Long term loans	"6-month KIBOR+3.5%" to "6-month KIBOR-7%"	3,059,183,431	3,617,909,334
Short term borrowings	"3-month KIBOR+0.5%" to "3-month KIBOR+1.25%"	929,710,075	929,710,075
<b>Financial liabilities - fixed rate instruments</b>	<b>Effective rate (In percent)</b>		
Long term loans	0% to 16%	516,805,749	518,550,198
Short term borrowings	7.18% to 16.98%	399,516,269	399,516,269
<b>Financial assets - fixed rate instruments</b>	<b>Effective rate (In percent)</b>		
Microfinance loan - net	22% - 30%	1,846,560,903	2,586,383,548
Short term investments	4.75% to 22.25%	1,331,129,738	1,079,079,764

**42.1.5. Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, change in interest rates at the reporting date would not affect statement of income and expenditure.

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**42.1.6. Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) surplus for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bps (increase)	100 bps decrease
<b>Cash flow sensitivity</b>		
Variable rate financial liabilities (Rupees) - June 2025	<u>(39,888,935)</u>	<u>39,888,935</u>
Variable rate financial liabilities (Rupees) - June 2024	<u>(11,399,785)</u>	<u>11,399,785</u>

**42.1.7. Credit risk**

Credit risk represents the risk of financial loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its short term investments, microfinance loans, bank balances and accrued markup. The Company's policy is to enter into contracts with reputable counter parties in accordance with the policies approved by the Board of Directors and as per applicable local laws.

**Exposure to credit risk**

The maximum exposure to credit risk before any credit enhancements as at June 30, 2025 is the carrying amount of the financial assets as set out below:

Nature of financial assets	2025
Investments	1,721,229,738
Microfinance loans – gross	1,943,388,811
Accrued markup	931,843,598
Other receivable	8,009,261
Bank balances	<u>148,120,054</u>
	<u>4,752,591,462</u>

The aging of gross microfinance loans at the reporting date is:

	2025
0-59 days later	1,832,720,241
60-120 days later	13,222,319
121-179 days later	10,482,885
180 days or more	<u>86,963,366</u>
	<u>1,943,388,811</u>

To manage exposure to credit risk in respect of microfinance loans, management performs credit reviews taking into account the borrower's financial position, past experience and determined by applying percentages to the outstanding balances of principal amount in various categories, as stated below:

Microfinance loans with overdue principal amount	2025
	% of outstanding amount
0-59 days later	94.31%
60-120 days later	0.68%
121-179 days later	0.54%
180 days or more	4.47%

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings i.e. A-1+ to A-1 in short term and AAA to A for long term.

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The credit quality of the Company's bank balances as at June 30, 2025 with respect to external credit rating:

Bank Name	Rating Agency	Long Term	Short Term
United Bank Limited	VIS	AAA	A1+
Muslim Commercial Bank	PACRA	AAA	A1+
Telenor Microfinance Bank	VIS	A+	A1
Habib Bank Limited	VIS	AAA	A1+
Bank Al Habib Limited	PACRA	AAA	A1+
Sindh Bank Limited	VIS	AA-	A1+
Mobilink Microfinance Bank	PACRA	A	A1
Muslim Commercial Bank Islamic	PACRA	A+	A1
Bank of Punjab	PACRA	AA+	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
National Bank Limited	VIS	AAA	A1+
Allied Bank Limited	PACRA	AAA	A1+
JS Bank	PACRA	AA+	A1+

#### 42.1.8. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

2025	Interest rate	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 - 5 years
Long term loans	0% - 20.25%	3,459,183,431	3,486,736,464	1,212,633,328	845,111,111	1,428,992,025
Lease liabilities	14% - 24%	9,083,548	12,917,548	3,983,840	3,983,840	4,949,868
Short term borrowings	7.18% to 16.98%	1,329,226,344	1,329,226,344	-	1,329,226,344	-
Accrued mark-up		168,852,811	168,852,811	168,852,811	-	-
Accrued and other liabilities		30,270,682	30,270,682	30,270,682	-	-
		4,996,616,816	5,028,003,849	1,415,740,661	2,178,321,295	1,433,941,893

2024	Interest rate	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 - 5 years
Long term loans	0% - 25.20%	4,017,909,334	4,055,203,138	1,003,911,111	564,022,222	2,487,269,805
Lease liabilities	16%	40,248,757	40,248,757	12,875,832	12,875,832	14,497,093
Short term borrowings	14.99% - 23.51%	1,329,226,344	1,329,226,344	-	1,329,226,344	-
Accrued mark-up		279,996,380	279,996,380	279,996,380	-	-
Other liabilities		45,153,518	45,153,518	45,153,518	-	-
		5,712,534,333	5,749,828,137	1,341,936,841	1,906,124,398	2,501,766,898

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#### 43. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

As at June 30, 2025 and June 30, 2024, the Company do not have any financial assets and liabilities which can be classified under above levels.

#### 44. CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor / stakeholders, creditor and market confidence and to sustain the future development of its business. The Company's objectives when managing fund are to safeguard the Company's ability to continue as a going concern in order to provide services for the general public. The Company manages its fund structures and makes adjustments to it, in the light of changes in economic conditions. There were no changes to company's approach to fund management during the period.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can sustain its mission of providing microfinance services and community development initiatives for the benefit of underprivileged communities and other stakeholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

**The proportion of debt to equity at the year end was:**

	2025	2024
Total Borrowings (notes 21 & 23)	4,388,409,775	4,947,135,678
Total Equity including subordinate loan	77,546,147	582,166,148
Gearing ratio	5659%	850%

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**45. EQUITY COMPOSITION AS REQUIRED UNDER NBFC REGULATIONS, 2008**

In accordance with the minimum capital and reserve requirements prescribed under Schedule I to the Non-Banking Finance Companies and Notified Entities Regulations, 2008 for microfinance companies, the Company's equity as at 30 June 2025 is composed as follows:

	<b>2025</b>	<b>2024</b>
Reserves arose upon demerger	165,281,109	165,281,109
Sub-ordinated loan	400,000,000	400,000,000
Loan loss reserve	90,538,524	90,538,524
Members contribution	300,000	300,000
Special loss reserve	967,842	967,842
Accumulated deficit	(591,985,523)	(147,493,158)
	<b>65,101,952</b>	<b>509,594,317</b>

**46. NUMBER OF EMPLOYEES**

<b>NUMBER OF EMPLOYEES</b>	<b>2025</b>	<b>2024</b>
Number of employees	287	457
Average number of employees	372	553

**47. CORRESPONDING FIGURES**

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

<b>Reclassified from</b>	<b>Reclassified to</b>	<b>Amount Rs.</b>
Short term investments	Long-term investments	306,000,000
Margin against guarantee	Long-term investments	390,100,000
Accrued and other liabilities	Deferred liabilities	29,768,350

**48. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements was authorized for issue on November 24, 2025 by the Board of Directors of the Company.

**49. GENERAL**

Figures have been rounded off to the nearest Rupee unless otherwise stated.

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**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**