

ANNUAL ACCOUNTS

FOR THE YEAR ENDED 2023 - 2024



**KHOJA (PIRHAI)
SHIA ISNA ASHERI
JAMAAT**

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MESSAGE FROM THE PRESIDENT

ABUL HASSAN GOKAL



KPSIAJ – An overview:

The economy continues to present challenges, especially to the middle- and lower-income segments. KPSIAJ has risen to meet these challenges by increasing its welfare activities and alleviating the plight of its members. However, much more can be accomplished with the support of relatively affluent members.

Operational efficiencies across KPSIAJ and its institutions have been encouraged with the help of diligent professionals. Community and donor engagement has improved significantly. The Fatimiyah Hospital mega-expansion project is underway; construction on one plot has commenced, and possession of the adjacent plot has been secured. Additionally, the plot adjacent to the FEN Building has been finalized, and payments are being made as per the schedule.

THE A.G.M.:

Annual General Body Meetings are strategic events attended by the General Body to stay updated on the organization's progress and performance, as well as to provide feedback for improvement in a corporate culture. Unfortunately, this once-a-year opportunity to share ideas is sometimes reduced to an Annual Grievance Meeting by some members. They reserve their complaints for the AGM rather than communicating them to the relevant departments at the Jamaat for quicker resolution. Moreover, some complaints pertain to individual issues rather than being General Body concerns. Such conduct and misuse of General Body time are unethical and must be collectively discouraged.

Message to the Community:

As we commemorate the days relevant to Janab-e-Syeda (s.a.), let us reflect on our Community's founding principles: the love and teachings of Ahle Bayt (a.s.).

Adherence to the Quran and the Ahlul Bayt has been prescribed by the Holy Prophet (PBUH) for the Ummah. While many of these teachings are preached from the pulpit, they often remain unimplemented in our lives. We must cultivate a strong affinity within ourselves and our society for understanding and following the true message of Islam as reflected in these teachings.

The Holy Quran is often treated as a ceremonial book—revered with respect, but rarely used as a source of guidance. Similarly, the traditions and practices of the

Ahle Bayt (a.s.) are appreciated in gatherings but seldom integrated into our daily lives. This lack of adherence to these two pillars of guidance has led to a moral decline in society, characterized by a lack of tolerance, a culture of slander (tohmat), harassment, self-centeredness, and indifference to what is right and wrong.

To improve society, we must begin with small steps to first improve ourselves. Imam Hussain's (a.s.) final address at Karbala, where he stated, "My words will have no effect on you because your bellies are filled with impurities (haram)," emphasizes the importance of our diet. Even a pure (halal) diet has positive or negative effects on the body, mind, and soul, shaping one's character and behavior.

Our negligence toward our diet is evident in the increasing consumption of commercially prepared food, fostering a materialistic society. Foods that promote health for the body, intellect, and soul are mentioned in the Quran, yet they often fail to feature on our preferred list. Honey, olives, and dates are a few examples. Paying closer attention to our diet can improve our well-being—both as individuals and as a community.

As a community, we have a long journey ahead. Collective goals can be achieved through synergy, understanding, and harmony but are made more difficult by undue criticism and the demotivation of those striving to do their best.

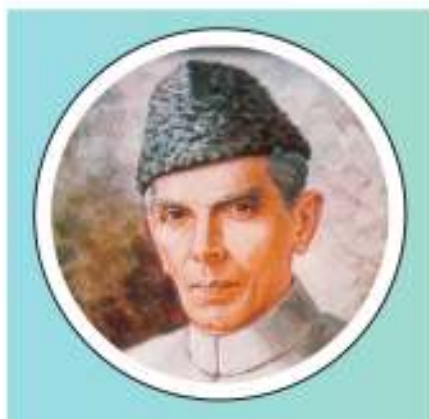
LET'S ASSIST THOSE WHO ARE ASSISTING OTHERS!

REFLECTIONS

SAYING OF PROPHET MUHAMMAD (SAWW)

“The believer's shade on the Day of Resurrection will be his charity.”

“Whoever opens a way to a charitable deed is like the one that has done this good deed (himself)”



QUOTES FROM THE FOUNDER OF OUR NATION MOHAMMAD ALI JINNAH

“Work honestly and sincerely and be faithful and loyal to the Pakistan Government. I can assure you there is nothing greater in this world than your own conscience, and when you appear before God, you can say that you have performed your duty with the highest sense of integrity and with loyalty and faithfulness.”

“The ideals of cooperation and mutual support are the foundations upon which a prosperous and harmonious society is built.”



ABOUT SHAHEED HAMID ALI BHOJANI

President (KPSIAJ) August 1988 – February 1995

Shaheed Hamid Ali Bhojani served as the President of KPSIAJ from August 1988 until his tragic martyrdom in February 1995. As a dedicated leader, his contributions remain deeply embedded in the fabric of the Khoja community's growth. He was martyred during the unfortunate incidents on February 25, 1995, at Imam Bargah Abul Fazl Abbas (AS) and Mehfil-e-Murtaza (AS) in Karachi, where they had gathered for prayers. His legacy continues to inspire the community, reflecting his spirit of resilience and devotion.

His visionary leadership drove initiatives that laid a strong foundation for community welfare projects, including

KPSIAJ's Fatimiyah Education Network (FEN), which today serves thousands of students through an inclusive educational framework. Additionally, the community's commitment to healthcare is evident in the development of Fatimiyah Hospital, which supports accessible health services for all.

KPSIAJ has honored his legacy by reintroducing the Family Participation Program, encouraging community members to actively engage in welfare activities that uphold his mission. Guided by his vision, KPSIAJ continues to unite religious scholars, professionals, and enthusiastic volunteers to foster growth and prosperity within the community.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Khoja (Pirhai) Shia Isna Asheri Jamaat Karachi will be held at Shaheed Hameed Ali Bhojani Hall, 174 Britto Road, Karachi, on 29th December 2024 at 10:30 AM to transact the following business:

1. Recitation of verses from the Holy Quran
2. To read and confirm the minutes of the last Annual General Meeting held on 17th December 2023.
3. To consider and adopt the report of the Managing Committee for the year ended 30th June 2024.
4. To consider and adopt the Annual Accounts for the year ended on 30th June 2024, together with the report of the Hon. Treasurer and Auditors.
5. To appoint auditors for the accounting year ending 30th June 2025 and fix their remuneration, if any.
6. To consider any other matter with the permission of the Chair.
7. Recitation of Dua.

Karachi:

Dated: 15 December 2024



Yawar Abbas Kumaili
Honorary Secretary

NOTE:

- i As required under the Constitution, the Management has emailed the Minutes of the last AGM, Annual Reports, and Accounts for the year ended 30th June 2024, along with the Hon. Treasurer's report to members whose email addresses are available with KPSIAJ.
- ii Members who have not yet registered their email addresses with Jamaat are requested to do so.

Members who need a printed copy of the Annual Report are advised to collect the booklet from the Jamaat Office at Kharadar or Britto Road, Karachi.

MEETINGS OF MANAGING COMMITTEE

From 1st July 2023 to 30th June 2024, total 15 meetings of the Managing Committee were held



**M. Hasan Akber
VICE PRESIDENT**



**Abul Hassan Gokal
PRESIDENT**



**Yawar Abbas Kumaili
HON. SECRETARY**



**Raza Noorani
HON. JOINT SECRETARY**



**Asker Ali Basrawala
HON. TREASURER**

MEETINGS OF MANAGING COMMITTEE

From 1st July 2023 to 30th June 2024, total 15 meetings of the Managing Committee were held

MEMBERS



Abul Qasim Lakhani



Adeel Abbas Kapasi



Aqeel Hussain Bhanji



Dr. Mehdi Nayani



Kumail Raza Hemani



Mohsin Ali Yasin Gheewala



M. Raza Shaukat Ali Mamdani



Muhammad Asad Nayani



Shahid Ali Khoja Lalji



Qari Mehdi Haryani

WOMEN COUNCILLORS



Kaneez Akber



Kaneez Fatima (Fatim Jivani)



Maria Raza Noorani

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT REPORT OF THE HONORARY TREASURER FOR THE YEAR ENDED 30TH JUNE, 2024

Respected Members,

Assalam-o-Alaikum,

It is a distinct honor and a privilege to present the Annual Audited Financial Statements of Khoja (Pirhai) Shia IsnaAsheri Jamaat (KPSIAJ) for the year ended June 30, 2024.

Alhamdulillah, thanks to the steadfast support of our community, we have made remarkable progress in advancing our social, educational, and healthcare programs, despite the challenges faced. This summary highlights our financial results, notable accomplishments, and the continuous expansion of our organization.

This year, KPSIAJ experienced substantial growth in financial resources and its community impact. The total assets increased by 40.7%, from PKR 1.3billion in 2023 to PKR 1.8billion in 2024

Alhamdulillah, we concluded the year with a net surplus of PKR5.8million from PKR4.0 million in 2023. This achievement was made possible thanks to the unwavering support of our community and well-wishers, as well as the prudent management of our resources, which helped us meet our objectives amidst economic challenges.



**Asker Ali Basrawala,
Honorary Treasurer**

Financial Performance Overview:

Healthcare Services:

Fatimiyah Hospital (FH) recorded a 2.3 fold increase in net surplus as compared to the last year. The hospital's net revenue increased by approximately 36%, driven by improved service quality, discounted rates, and competitive pricing, which led to a higher volume of patients. Despite inflationary pressures FH effectively managed its costs and expenditures through efficient planning and resource management.

Educational Services:

In the current fiscal year, the Fatimiyah Education Network (FEN) recorded a net surplus of PKR 1.6million. The Management's cost-effective approach, along with efficient use of resources and the continued support from our generous well-wishers, played a vital role in overcoming the impact of double-digit inflation and rising service costs, particularly in utilities, to achieve this positive result.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT REPORT OF THE HONORARY TREASURER FOR THE YEAR ENDED 30TH JUNE, 2024

Other Services:

The management of KPSIAJ has consistently focused on providing its members with affordable services. These services encompass a range of offerings, including sports, transportation, funeral assistance, matrimonial services, recreational activities, and other essential facilities.

Major Accomplishments:

A highlight of this year's financial performance is the significant growth in our endowment and other funds by 36% ensuring the long-term sustainability of our services.

With the recognition as an ACCA Approved Employer, KPSIAJ has created opportunities for numerous ACCA aspirants, providing a platform to nurture their skills and paving the way for a successful future.

KPSIAJ, during its annual Telethon held in the holy month of Ramzan, secured commitments totaling PKR47.7million, marking a 30% increase compared to the previous year.

ERP Implementation: The finance and procurement modules of our ERP system have been successfully implemented, with the human resources module currently under development. This has further streamlined financial reporting and also resulted in an increase of operational efficiency.

In closing, I wish to convey my sincere thanks for the outstanding support received from our community members, both locally and globally. I am profoundly grateful for the exemplary efforts of our committed employees and the indispensable technical guidance offered by our sub-committees and consultants.



Asker Ali Basrawala
Honorary Treasurer – KPSIAJ

Karachi Dated: December 9, 2024

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

AUDITOR'S REPORT

FOR THE YEAR ENDED 30TH JUNE, 2024



DOSSANI
ASSOCIATES
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

Opinion

We have audited the financial statements of **KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT**, which comprise the statement of financial position as at June 30, 2024, the statement of income and expenditure, the statement of other comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects the financial position as at June 30, 2024, and of its financial performance and its cash flows for the year ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Responsibilities of Management for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Committee 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, the Management Committee is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

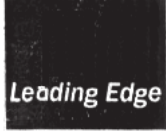
Suite 113, 3rd Floor, Hafeez Centre,
A/34, KCHS, Block 7&8, Shahrah-e-Faisal, Karachi.
T: 021 3439 2361-2 and 021 3452 9788
E-mail: dossani.associates@gmail.com

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

AUDITOR'S REPORT

FOR THE YEAR ENDED 30TH JUNE, 2024

A member firm of



DOSSANI
ASSOCIATES
Chartered Accountants

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. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management committee 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.

Dossani Associates
DA

DOSSANI ASSOCIATES
CHARTERED ACCOUNTANTS

Karachi:

Engagement Partner: Afzal Hussein Dossani, FCA

UDIN Number: AR202410307bLwEMIs8g

Suite 113, 3rd Floor, Hafeez Centre,
A/34, KCHS, Block 7&8, Shahrah-e-Faisal, Karachi.
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E-mail: dossani.associates@gmail.com

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
RESERVES, FUNDS AND LIABILITIES			
RESERVES		1,195,754,918	866,908,008
FUNDS			
Endowment funds	4	271,847,975	196,827,909
Other funds	5	64,849,624	51,005,589
		336,697,599	247,833,498
		1,532,452,517	1,114,741,506
NON CURRENT LIABILITIES			
Deferred liability - Government Grant	6	63,487,381	44,029,162
CURRENT LIABILITIES			
Accrued expenses and other liabilities	7	233,116,447	145,072,807
Current portion deferred liability - Government Grant		18,362,157	1,614,694
		241,478,604	146,687,501
TOTAL RESERVES, FUNDS AND LIABILITIES		1,837,418,502	1,305,458,169
ASSETS			
NON CURRENT ASSETS			
Property and equipment	8	1,196,087,186	850,503,529
Investment of funds - long term	9	130,990,530	-
Long term deposits		3,604,710	3,558,710
		1,330,682,426	854,062,239
CURRENT ASSETS			
Investment of funds - short term	9	50,881,977	229,389,931
Consumable stocks		76,510,469	66,563,073
Advances and other receivables	10	78,306,858	72,465,750
Advance tax		24,510,667	24,147,696
Cash and bank balances	11	276,526,105	58,829,480
		506,736,076	451,395,930
TOTAL ASSETS		1,837,418,502	1,305,458,169
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 21 form an integral part of these financial statement.


Abul Hassan Gokal
 President


Yawar Abbas Kumaili
 Honorary Secretary


Asker Ali Basrawala
 Honorary Treasurer

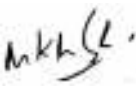
KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT
STATEMENT OF INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2024

		30 June 2024				
Note	Education	Medical	Others	Total		
Rupees						
Excess of expense over income	13,14 & 15	(77,086,838)	(9,026,465)	(52,987,488)	(139,100,791)	
Funded through:						
Donation and other income	6	47,909,458	4,120,870	46,247,704	98,278,032	
Amortization of grant	6	-	5,642,942	3,078,916	8,721,858	
Return on funds		30,784,120	2,028,506	5,155,786	37,968,412	
		78,693,578	11,792,318	54,482,406	144,968,302	
Taxation	17	-	-	-		
Transferred to revenue reserve		1,606,740	2,765,853	1,494,918	5,867,511	

		30 June 2023				
Note	Education	Medical	Others	Total		
Rupees						
Excess of expense over income	13,14 & 15	(65,041,387)	(14,250,346)	(45,546,474)	(124,838,206)	
Funded through:						
Donation and other income	6	22,739,668	9,972,704	43,856,839	76,569,211	
Amortization of grant	6	30,000,000	3,359,291	-	33,359,291	
Return on funds		12,761,648	2,099,783	4,049,917	18,911,347	
		65,501,316	15,431,778	47,906,756	128,839,850	
Taxation	17	-	-	-	-	
Transferred to revenue reserve		459,929	1,181,432	2,360,283	4,001,644	


Abul Hassan Gokal
President


Yawar Abbas Kumaili
Honorary Secretary


Asker Ali Basrawala
Honorary Treasurer

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
Excess for the year		5,867,511	4,001,644
Other comprehensive incom for the year		-	-
Total comprehensive income for the yar		5,867,511	4,001,644

The annexed notes from 1 to 21 form an integral part of these financial statement.


Abul Hassan Gokal
President


Yawar Abbas Kumaili
Honorary Secretary


Asker Ali Basrawala
Honorary Treasurer

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE YEAR ENDED 30 JUNE 2024

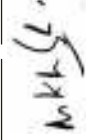
		30 June 2024					
		Capital Reserves	Revenue Reserves	Capital & Revenue Reserves	Endowment Funds	Other Funds	Total
		Rupees					
	Opening balance	782,084,241	84,823,767	866,908,008	196,827,909	51,005,589	1,114,741,506
	Increase/ (decrease) during the year						
	Education	38,947,823	1,606,740	40,554,563	59,276,048	13,844,035	113,674,646
	Medical	284,031,576	2,765,853	286,797,429	5,574,242	-	292,371,671
	Others	-	1,494,918	1,494,918	10,169,776	-	11,664,694
		322,979,399	5,867,511	328,846,910	75,020,066	13,844,035	417,711,011
	Movement in reserves due to changes in property and equipment	(34,857,008)	34,857,008	-	-	-	-
	Closing balance	1,070,206,632	125,548,286	1,195,754,918	271,847,975	64,849,624	1,532,452,517
		30 June 2023					
		Capital Reserves	Revenue Reserves	Capital & Revenue Reserves	Endowment Funds	Other Funds	Total
		Rupees					
	Opening balance	761,673,024	47,715,211	809,388,235	156,219,727	27,350,187	992,958,149
	Increase/ (decrease) during the year						
	Education	6,535,000	459,929	6,994,929	37,346,912	23,655,402	67,997,243
	Medical	46,408,929	1,181,432	47,590,361	1,127,963	-	48,718,324
	Others	574,200	2,360,283	2,934,483	2,133,307	-	5,067,790
		53,518,129	4,001,644	57,519,773	40,608,182	23,655,402	121,783,357
	Movement in reserves due to changes in property and equipment	(33,106,912)	33,106,912	-	-	-	-
	Closing balance	782,084,241	84,823,767	866,908,008	196,827,909	51,005,589	1,114,741,506



Abul Hassan Gokal
President



Yawar Abbas Kumail
Honorary Secretary



Asker Ali Basrawala
Honorary Treasurer

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		5,867,511	4,001,644
Adjustment for:			
Loss / gain on sale of equipment		(121,203)	491,202
Grant amortization - medical equipment & patient welfare	6	(13,794,318)	(41,562,321)
Depreciation	8	48,289,513	43,034,504
		<u>40,241,503</u>	<u>5,965,029</u>
Working capital changes			
(Increase) / decrease in current assets			
Consumable stocks		(9,947,396)	(18,205,088)
Advances and other receivable		(6,204,079)	(22,707,113)
		<u>(16,151,475)</u>	<u>(40,912,201)</u>
(Decrease) / Increase in current liabilities			
Accrued expenses and other liabilities		78,043,640	74,601,890
Current portion of long term loan		-	(21,138,220)
		<u>78,043,640</u>	<u>53,463,670</u>
Net cash used in operating activities		<u>102,133,668</u>	<u>18,516,498</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(394,258,967)	(151,378,512)
Sale proceeds on disposal of equipments		507,000	419,000
Long term deposit		(46,000)	-
Investment of funds		47,517,424	(25,013,786)
Net cash used in investing activities		<u>(346,280,543)</u>	<u>(175,973,298)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital reserves		322,979,399	53,518,129
Government grant		50,000,000	45,550,000
Endowment funds		75,020,066	40,608,182
Other funds		13,844,035	23,655,402
Net cash generated from financing activities		<u>461,843,500</u>	<u>163,331,713</u>
Net change in cash and cash equivalents		<u>217,696,625</u>	<u>5,874,913</u>
Cash and cash equivalents at the beginning of the year		<u>58,829,480</u>	<u>52,954,567</u>
Cash and cash equivalents at end of the year		<u>276,526,105</u>	<u>58,829,480</u>

The annexed notes from 1 to 21 form an integral part of these financial statement.


Abul Hassan Gokal
President


Yawar Abbas Kumaili
Honorary Secretary


Asker Ali Basrawala
Honorary Treasurer

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

1 LEGAL STATUS AND NATURE OF ENTITY

Khoja (Pirhai) Shia Isna Asheri Jamaat (KPSIAJ) was established in the year 1892. It was registered on 01 April 1965 under the Societies Registration Act, 1860 and works as a welfare organization. Registered office of KPSIAJ is situated at 174, Britto road, Numaish, Karachi.

KPSIAJ operates Fatimiyah Hospital, Fatimiyah Education Network and other welfare services are also carried with core objective to provide accessible and affordable quality healthcare and education to all specially community with dignity, respect and empathy.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with "Accounting Standard for Not for Profit Organization (NPOs) as prescribed by Institute of Chartered Accountants of Pakistan (ICAP), and the International Financial Reporting Standards (IFRS) as applicable in Pakistan.

2.2 Basis of measurement

These accounts have been prepared on the basis of historical cost convention. The accounting policies have been consistently applied by the KPSIAJ with those of previous years.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the KPSIAJ's functional and presentation currency and have been rounded to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements is in conformity with the accounting and reporting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and judgments made by management in the application of accounting and reporting standards as applicable in Pakistan, that have significant affect the financial statements and estimates with a significant risk of material adjustments in the subsequent years are as follows:

Property and equipment

KPSIAJ reviews the rate of depreciation useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future year might affect the financial results of next and subsequent years.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost. Asset received as donation are recorded at fair value. In case fair value can not be reasonably determined such donations be recorded at nominal value.

Depreciation

Depreciation is charged on reducing balance method except for computer equipment which is depreciated on straight line method at rates specified in note 8. A full year's depreciation is charged on all additions. No depreciation is charged for assets disposed off during the year.

Where separately identifiable parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Expenses on repairs and maintenance are charged to income and expenditure account.

Gains or losses on disposal of property and equipment are included in income and expenditure account.

3.2 Consumable stocks

Consumable stocks is valued at lower of cost and net realizable value. Net realizable value signifies the selling prices in the ordinary course of business less costs necessary to be incurred in order to make the sales.

3.3 Debtors

These are initially recognized at cost which represents fair value and are subsequently stated at amortized cost less impairment losses. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past year is used to base the calculation of expected credit loss.

3.4 Cash and cash equivalents

Cash and cash equivalents comprises of cash and bank balances (including term deposits having maturity of up to three months at the reporting date) that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

3.5 Retirement benefits

3.5.1 Defined contribution plan

KPSIAJ operates a provident fund for its permanent employees. Equal monthly contributions are made both by the KPSIAJ and the employees to the fund at the rate of 8.33% of the basic salary.

3.5.2 Compensated absences

Accrual is made for employees' compensated absences on the basis of the accumulated leaves and the last drawn pay as determined by the management.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

3.6 Provisions

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

3.7 Foreign currency translation

Transactions in foreign currencies are translated into Pakistani rupee at the exchange rates prevailing at the date of transactions, monetary assets and liabilities denominated in foreign currencies are translated into Pakistani rupee at the exchange rates prevailing at the reporting date. Exchange differences are included in the income and expenditure account currently.

3.8 Endowment funds

The objective of this fund is to make investments to generate income (refer note 3.15) which can be used for education, medical and other services as per the defined purposes of the respective funds.

3.9 Offsetting

Financial assets and liabilities are set-off and the net amount is reported in the statement of financial position when and only when, KPSIAJ has legally enforceable right to set-off the amounts and KPSIAJ intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously, income and expenses are presented on net basis only when permitted by the accounting and reporting standards

3.10 Investments

Investments are stated at fair market value as of reporting date.

3.11 Revenue recognition

- Revenue from medical services for out-patient department is recognized at point in time whereas revenue from in-patient department is recognized over time as the services are provided.
- In case of education services fee income is recognized on accrual basis.
- Admission fees from medical and education services are recognized as income when received.
- Donation is recorded as income when received. Whereas, grant is recognized in the manner given in note 3.12.
- Return on investments is recognized at effective rate of return. Whereas, dividend income is recorded when announced and right to receive are established.
- Rental income is recognized in the income and expenditure account as per the terms of rent agreements.
- Other income is recorded on receipt basis.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

3.12 Government grants

Government grants are recognized at fair value, as deferred income when received.

Grants that compensate KPSIAJ 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 assets are recognized in income on a systematic basis over the expected useful life of the related assets.

3.13 Taxation

In accordance with Sub-section 1 of 100C of Income Tax Ordinance,2001, KPSIAJ is eligible for 100% tax credit. Accordingly, no provision is required for current / deferred tax in these financial statements.

3.14 Financial instruments

3.14.1 Financial assets

Classification

KPSIAJ classifies its financial assets in the following categories:

a) At amortised cost

Financial assets at amortised cost are held within a business model whose objective is to collect contractual cash flows on specified dates when those cash flows represent solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised in profit or loss.

b) At fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

c) At fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt instruments that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Recognition and measurement

KPSIAJ recognises a financial asset when it becomes party to the contractual provisions of the instrument. Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets are subsequently remeasured to fair value or amortised cost as the case may be. Any gain or loss on the recognition and derecognition of the financial assets is included in profit or loss for the period in which it arises.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are recognised in the profit or loss. Dividends from such investments continue to be recognised in the profit or loss when KPSIAJ's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Transaction costs that are directly attributable to the acquisition of the financial asset are made part of cost of the asset except for financial assets at fair value through profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and KPSIAJ has transferred substantially all risks and rewards of ownership. Assets that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not financial instruments of KPSIAJ.

3.14.2 Financial liabilities

All financial liabilities are recognised at the time when KPSIAJ becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value minus transaction costs. Financial liabilities at fair value through the profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, 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 and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

3.15 Income earned on investments

Income earned on investments during the year are purified as per the guidelines prescribed by Shariah advisors; whereas, remaining income is reflected in statement of income and expenditure account.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

	<u>30 June 2024</u>	<u>30 June 2023</u>
	<u>Rupees</u>	
4 ENDOWMENT FUNDS		
Education	235,454,418	176,178,370
Medical	21,176,606	15,602,364
General	15,216,951	5,047,175
	<u>271,847,975</u>	<u>196,827,909</u>

4.1 These represent contribution received from donors with stipulation of principal amount to be kept intact while the income earned on related investment could be used for the respective purpose.

5. OTHER FUNDS

This includes funds to utilize in exceptional circumstances incase of future shortage of funds as per their agreements.

6 DEFERRED GRANT - GOVERNMENT

	Note	<u>30 June 2024</u>				
		<u>Medical equipment</u>	<u>Patient welfare</u>	<u>Coffin carrier</u>	<u>Education Operation Support</u>	<u>Total</u>
Balance at the beginning of the year		35,099,069	(5,005,213)	15,550,000	-	45,643,856
Addition (receipt during the year)	6.1	30,000,000	20,000,000	-	-	50,000,000
Utilized (amortized during the year)	6.2	(5,642,942)	(5,072,460)	(3,078,916)	-	(13,794,318)
Balance at the end of the year		59,456,127	9,922,327	12,471,084	-	81,849,538
Less: current maturity of deferred income		(5,945,613)	(9,922,327)	(2,494,217)	-	(18,362,157)
		<u>53,510,514</u>	<u>-</u>	<u>9,976,867</u>	<u>-</u>	<u>63,487,381</u>

	Note	<u>30 June 2023</u>				
		<u>Medical equipment</u>	<u>Patient welfare</u>	<u>Coffin carrier</u>	<u>Education Operation Support</u>	<u>Total</u>
Balance at the beginning of the year		38,458,360	3,197,817	-	-	41,656,177
Addition (receipt during the year)	6.1	-	-	15,550,000	30,000,000	45,550,000
Utilized (amortized during the year)	6.2	(3,359,291)	(8,203,030)	-	(30,000,000)	(41,562,321)
Balance at the end of the year		35,099,069	(5,005,213)	15,550,000	-	45,643,856
Less: current maturity of deferred income		(3,509,907)	5,005,213	(3,110,000)	-	(1,614,694)
		<u>31,589,162</u>	<u>-</u>	<u>12,440,000</u>	<u>-</u>	<u>44,029,162</u>

6.1 During the year Rs. 30 million and Rs. 20 million was received from Government of Sindh (GOS) against acquisition of medical equipments and patient welfare respectively. Whereas, in last year 2023 Rs. 15.5 million and Rs. 30 million was received for acquisition of coffin carrier bus and to support Fatimiyah education network.

6.2 This represents depreciation charged at the rate of 10% on medical equipments, 20% on coffin carrier and actual welfare provided to indigent patients.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		11,799,492	10,122,894
Funds for specific purposes	7.1	142,221,706	105,408,984
Other liabilities		69,095,249	29,540,929
		223,116,447	145,072,807
7.1 Funds for specific purposes:			
Higher education scholarship		22,259,608	8,703,916
Patients' welfare		8,429,338	994,368
Family relation committee		4,180,800	2,703,140
Flood Relief Fund		-	45,533,360
Fatimiyah International University		48,590,924	20,507,500
Others		58,761,036	26,966,700
		142,221,706	105,408,984
8 PROPERTY AND EQUIPMENT			
Operating assets	8.1	823,841,268	781,914,746
Capital work in progress	8.2	372,245,918	68,588,783
		1,196,087,186	850,503,529
(For schedule refer next page)			

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

8.1 Operating assets

Description	Cost			Rate	Accumulated Depreciation			Carrying value as at 30 June 2024
	As at 01 July 2023	Additions	Disposal		As at 30 June 2024	Depreciation for the period	As at 30 June 2024	
30 June 2024								
Leasehold Land	287,575,578	-	-	-	-	-	-	287,575,578
Building	450,001,212	34,450,571	-	5%	181,176,067	15,163,786	196,339,852	288,111,931
Computer Equipment	20,389,323	3,661,798	-	33%	17,113,965	2,312,154	19,426,119	4,625,002
Furniture and Fixtures	67,049,284	6,532,440	(99,056)	10%	37,858,152	3,569,489	41,357,266	32,125,403
Medical & Office Equipments	317,446,617	30,562,440	(1,362,050)	10%	142,790,801	20,486,825	162,272,692	184,374,315
Vehicles	43,535,192	15,394,582	-	20%	25,143,475	6,757,260	31,900,734	27,029,040
	1,185,997,206	90,601,832	(1,461,106)		404,082,460	(1,075,310)	451,296,663	823,841,268

Description	Cost			Rate	Accumulated Depreciation			Carrying value as at 30 June 2023
	As at 01 July 2022	Additions	Disposal		As at 30 June 2023	Depreciation for the period	As at 30 June 2023	
30 June 2023								
Leasehold Land	287,575,578	-	-	-	-	-	-	287,575,578
Building	444,759,617	5,241,595	-	5%	167,027,375	14,148,692	181,176,067	268,825,145
Computer Equipment	17,090,324	3,298,999	-	33%	15,476,532	1,637,433	17,113,965	3,275,358
Furniture and Fixtures	63,671,459	3,377,825	-	10%	34,614,693	3,243,459	37,858,152	29,191,132
Medical & Office Equipments	251,554,998	67,546,180	(1,654,562)	10%	124,128,169	19,406,991	142,790,801	174,655,816
Vehicles	37,328,192	6,207,000	-	20%	20,545,546	4,597,929	25,143,475	18,391,717
	1,101,980,168	85,671,599	(1,654,562)		361,792,315	(744,359)	404,082,460	781,914,746

8.1.1 Attribution of depreciation for the year is as follows:

	Rupees	
	30 June 2024	30 June 2023
Education	10,783,384	8,126,989
Medical	27,120,821	27,265,013
Others	8,731,550	6,412,537
Administrative	1,653,758	1,229,965
	48,289,513	43,034,504
8.2 CAPITAL WORK IN PROGRESS		
Opening Balance	68,588,783	2,881,870
Add: Addition during the year	353,468,766	117,790,725
Less: Amount Capitalized during the year	(49,811,631)	(52,083,812)
Closing balance	372,245,918	68,588,783

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
9 INVESTMENT OF FUNDS			
Term deposit receipt	9.1	20,000,000	20,000,000
Investment in Government securities (T-Bills)	9.2	187,756,587	343,285,697
Investment in Sukuk / ijarah	9.3	130,990,530	-
Investment in equity securities		8,325,528	6,208,534
Investment in mutual funds	9.4	9,958,120	5,654,909
		357,030,765	375,149,140
Less: Retirement benefit funds		(175,158,258)	(145,759,209)
Less: Long term investment		(130,990,530)	-
Short term investment		50,881,977	229,389,931

9.1 This includes amount invested in Term deposit receipts (TDRs) with banks for period one year with mark-up at a range between 14.60% to 20.25% (2023: 14.6% to 20.00%) per annum.

9.2 This represents investment in Government Securities (T-Bills). These carry mark-up at a range between 20.14% to 22.87% (2023: 21.98% to 22.74%) per annum.

9.3 This represents investment in Sukuk Ijarah. These carry mark-up at a range between 21.88% to 22.44% per annum.

9.4 This represents investment in National Investment Unit Trust having NAV of Rs. 85.29 (2023: Rs. 50.77) on 118,663 (2023: Rs. 111,383) units

		30 June 2024	30 June 2023
		Rupees	
10 ADVANCES AND OTHER RECEIVABLES			
Staff - considered good		1,527,303	1,643,565
Prepayments		6,410,670	2,579,191
Advances		14,174,675	14,793,323
Receivables against services		26,606,961	40,965,925
Profit receivables on investment		22,035,592	10,247,685
Other receivables		7,551,657	2,236,061
		78,306,858	72,465,750
11 CASH AND BANK BALANCES			
Cash in hand		7,385,786	5,720,402
Cash at bank		269,140,319	53,109,078
		276,526,105	58,829,480
12 CONTINGENCIES AND COMMITMENTS			

12.1 Contingencies

There are no contingencies as at 30 June 2024.

12.2 Commitments

There are no commitments as at 30, June 2024 (2023: Rs. 10.54 million)

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
13. EDUCATION			
Income			
Tuition fee & supports		246,834,284	205,667,121
Expenses			
Salaries, allowances and benefits		228,054,760	193,107,067
Utility and communication		17,514,798	10,792,039
Repairs and maintenance		7,217,995	4,876,263
Printing and stationery		8,420,675	7,038,736
Rent, rates and taxes		410,566	439,194
Fuel expenses		1,139,233	950,400
Subscription & registration		1,319,000	1,248,805
Sports activities		4,860,789	4,432,039
Training and vocational		2,612,525	2,809,401
Depreciation	8.1.1	10,783,384	8,126,989
Insurance		1,687,103	1,234,202
Office supplies		3,028,685	1,988,883
Travelling and conveyance		1,679,077	1,293,760
Promotional expenses		564,728	523,961
Others		223,987	501,617
Allocation of administrative expenses	16.2	34,403,817	31,345,152
		323,921,122	270,708,508
Excess of expense over income		(77,086,838)	(65,041,387)

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
14 MEDICAL			
Income			
Service income - net		490,526,293	361,913,403
Expenses			
Salaries, allowances and benefits		308,884,931	226,770,879
Utility and communication		68,462,456	43,140,439
Repairs and maintenance		26,271,287	20,673,661
Printing and stationery		8,312,632	7,115,954
Rent rates and taxes		497,138	404,080
Travelling and conveyance		290,390	269,791
Fuel expenses		10,161,758	8,674,716
Depreciation	8.1.1	27,120,821	27,265,013
Insurance		2,150,564	1,989,368
Office supplies		1,018,474	784,874
Promotional expenses		842,043	520,010
Subscription & registration		189,891	141,870
Training and vocational		552,470	343,620
Others		64,660	1,203,007
Allocation of administrative expenses	16.2	44,733,243	36,866,467
		499,552,758	376,163,749
Excess of expense over income		(9,026,465)	(14,250,346)

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		Rupees	
15 OTHERS			
Fatimiyah sports & recreation		(16,832,619)	(13,534,639)
Burial services		(8,196,171)	(6,998,377)
Seminars, meetings, commemoration		(7,886,299)	(6,138,322)
Hall facilities		(7,618,774)	(6,103,911)
Transportation services		(4,206,050)	(4,236,304)
Membership services		(3,734,705)	(2,714,460)
Allama Hajji Ghulam Ali Library		(1,781,474)	(1,473,077)
Matrimonial services		(62,361)	(678,020)
Other welfare activity		(2,669,034)	(3,669,364)
Excess of expense over income		(52,987,488)	(45,546,474)
16 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits		65,997,260	59,903,683
Utility and communication		7,084,905	4,657,950
Repairs and maintenance		7,062,200	5,787,051
Office supplies		2,329,437	1,942,879
Depreciation	8.1.1	1,653,758	1,229,965
Fuel		3,202,269	2,895,309
Printing and stationery		1,079,525	994,882
Insurance		887,196	667,775
Rent, rates and taxes		787,691	683,124
Travelling and conveyance		98,245	72,550
Promotional expenses		25,430	41,400
Fees and subscription		23,200	12,240
Others	16.1	2,309,674	1,195,885
		92,540,790	80,084,693
16.1	The others administrative includes Rs: 1.3 million relating to election expenses for the term 2024-27		
16.2 DISTRIBUTION OF ADMINISTRATIVE EXPENSES			
Education		34,403,817	31,345,152
Medical		44,733,243	36,866,467
Others		13,403,730	11,873,074
		92,540,790	80,084,693

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

17 TAXATION

The KPSIAJ has not recognized provision for current and deferred tax in accordance with the provision of Section 100C of Income Tax Ordinance, 2001 (ITO), which states that KPSIAJ shall be allowed a tax credit equal to one hundred percent of the tax payable, including minimum tax and final taxes payable under any of the provisions of the ITO, subject to the following conditions:

- Return has been filed.
- Tax required to be deducted or collected has been deducted or collected and paid.
- Withholding tax statements for immediately preceding tax year have been filed; and
- The administrative and management expenditure does not exceed 15% of the total receipts.

The KPSIAJ has complied with the aforementioned conditions of the ITO and has also obtained a certificate from Pakistan Centre of Philanthropy.

18 TRANSACTIONS WITH RELATED PARTIES

Related parties include the Managing Committee Members (MCM), associated undertakings in which MCM hold common directorship, key position or their close family members and key management personnel of the KPSIAJ.

Details of transactions with related parties, other than those which have been disclosed explicitly elsewhere in these financial statements are as follows:

Relationship	Amount outstanding at year end	30 June 2024	30 June 2023
Rupees			
Close family members of MCM	Liabilities	-	1,985,594
Relationship	Transactions during the year		
Close family members of MCM	Payment against purchases	-	51,379,510
	Payment against services	-	396,000
	Salaries paid	-	-
Managing Committee Members	Donation received	10,687,845	4,143,602
	Consultant share paid	4,078,928	1,474,461

The Managing Committee Members (MCM) do not draw any remuneration and work on an honorary basis.

KHOJA (PIRHAI) SHIA ISNA ASHERI JAMAAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

19 PROVIDENT FUND DISCLOSURE

KPSIAJ operates a contributory provident fund for all its permanent employees. Salaries, wages and other benefits include Rs. 18.49 million (2023: Rs. 15.86 million) in respect of provident fund contribution made by the KPSIAJ.

Details of net assets and investments of the fund based on the unaudited financial statements of the fund are as follows:

	<u>30 June 2024</u>	<u>30 June 2023</u>
	Rupees	
Size of the fund - net assets	<u>184,999,456</u>	<u>158,600,707</u>
Cost / fair value of investments made	<u>175,158,258</u>	<u>145,759,209</u>
Percentage of the investments made	<u>95%</u>	<u>92%</u>

20 FINANCIAL RISK MANAGEMENT

The Managing Committee Members (MCM) of the KPSIAJ has overall responsibility for the establishment and oversight of the KPSIAJ's risk management framework. The MCM is also responsible for developing and monitoring the KPSIAJ's risk management policies. The KPSIAJ's risk management policies are established to identify and analyze the risk faced by the KPSIAJ, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the KPSIAJ's activities.

KPSIAJ's activities expose it to a variety of financial risks such as:

- Credit risk
- Liquidity risk and
- Market risk

20.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparty to the financial instrument fails to perform as contracted.

Credit risk arises from the inability of the issuers of the instruments the relevant financial institutions or other counterparties to fulfill their contractual obligations resulting in financial loss to the KPSIAJ. The credit risk of the KPSIAJ mainly arises from its investments in representing failure of the investee companies in repayment of principal and / or the return due on such investments. The KPSIAJ is also exposed to counterparty credit risk on bank balances, long term deposits, accrued income and other receivable balances.

20.1.1 Credit risk management

The KPSIAJ assesses all counterparties for credit risk before contracting with them. It is the KPSIAJ's policy to enter into financial contracts with reputable and creditworthy counterparties. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk before any credit enhancements at the reporting date was:

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	<u>30 June 2024</u>	<u>30 June 2023</u>
	<u>Rupees</u>	
Deposits	3,604,710	3,558,710
Investments	181,872,507	229,389,931
Advances and other receivables	78,306,858	72,465,750
Bank balances	269,140,319	53,109,078
	<u>532,924,394</u>	<u>358,523,469</u>

Deposits

The KPSIAJ has deposited various amounts as security to suppliers against provisioning of different services. The management does not expect to incur material losses on such deposits and consider such amounts receivable on the termination of service contract from respective suppliers.

Investments

The KPSIAJ manages credit risk arising from term deposit receipts by making investments in commercial banks having satisfactory credit rating.

There is no significant credit risk against other investments as majority is in Government securities.

Additionally, the KPSIAJ has invested in Sukuk Ijarah which further diversifies the investment portfolio why maintaining a low credit risk.

Advances and other receivables

These represent amount receivable mainly from corporate clients, management considers that such amount is due under agreement and counterparties pay the respective amount in normal course. In event of default management reserves right to claim its due under agreement with counterparties.

Nonetheless a significant portion of the receivable have already been received subsequent to the year end.

Bank balances

The KPSIAJ kept surplus liquidity with banks having long term credit rating. Currently, the surplus funds are kept with banks having following ratings:

	Rating agency	Rating	
		Short term	Long term
Bank Al Habib	PACRA	A1+	AAA
Habib Metropolitan Bank	PACRA	A1+	AA+
NIUT - Mutual Fund	PACRA	-	AA-(f)

20.2 Liquidity risk management

Liquidity risk reflects the KPSIAJ's inability in raising funds to meet commitments. Management closely monitors KPSIAJ's liquidity and cash flow position This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

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Ultimate responsibility for liquidity risk management rests with the MCM, which has built an appropriate liquidity risk management framework for the management of the KPSIAJ's short, medium and long-term funding and liquidity management requirements. The KPSIAJ manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

20.2.1 Reconciliations of movements of liabilities in cashflows arising from funding activities :

	2024		
	Long term loan	Accrued expenses and other liabilities	Total
Balance as at July 2023	-	124,250,870	124,250,870
Changes from financing cash flows			
Proceeds from loan under SBP scheme	-	-	-
Repayment of loan under SBP scheme	-	-	-
Net changes in others	-	78,043,640	78,043,640
Total changes from financing activities	-	78,043,640	78,043,640
Other changes:			
Interest expense	-	-	-
Interest paid	-	-	-
	-	-	-
Balance as at 30 June 2024	-	202,294,510	202,294,510
	2023		
	Long term loan	Accrued expenses and other liabilities	Total and
Balance as at July 2022	21,138,220	49,648,980	70,787,200
Changes from financing cash flows			
Proceeds from loan under SBP scheme	-	-	-
Repayment of loan under SBP scheme	(21,138,220)	-	(21,138,220)
Net changes in others	-	74,601,890	74,601,890
Total changes from financing activities	(21,138,220)	74,601,890	53,463,670
Other changes:			
Interest expense	-	81,657	81,657
Interest paid	-	(81,657)	(81,657)
	-	-	-
Balance as at 30 June 2023	-	124,250,870	124,250,870

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20.2.2 Liquidity and interest risk

The following schedule provides the detail of KPSIAJ's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the KPSIAJ can be requested to pay. The table includes both interest and principal cash flows:

	Carrying amount	Contractual cash flows	Less than one year	More than one year	No stated maturity
30 June 2024					
Rupees					
Long term loan	-	-	-	-	-
Accrued and other liabilities:					
Accrued expenses	11,799,492	11,799,492	11,799,492	-	-
Funds for specific purposes	142,221,706	142,221,706	142,221,706	-	-
Other liabilities	69,095,249	69,095,249	69,095,249	-	-
	223,116,447	223,116,447	223,116,447	-	-
30 June 2023					
Rupees					
Long term loan	-	-	-	-	-
Accrued and other liabilities:					
Accrued expenses	10,122,894	10,122,894	10,122,894	-	-
Funds for specific purposes	105,408,984	105,408,984	105,408,984	-	-
Other liabilities	29,540,929	29,540,929	29,540,929	-	-
	145,072,807	145,072,807	145,072,807	-	-

20.3 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices affect KPSIAJ's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. KPSIAJ is exposed to interest rate risk as at 30 June 2024.

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20.3.1 Interest rate risk management

Interest rate risks the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from financial assets and financial liabilities as stated below.

At the reporting date, the interest rate profile of the KPSIAJ significant interest bearing financial instruments was as follows:

	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	<u>Effective interest rate (in %)</u>		<u>Carrying amounts (in rupees)</u>	
Variable interest-bearing financial instrument				
Financial assets				
Bank balances	<u>18.75% to 19.50%</u>	<u>18.50% to 19.25%</u>	<u>269,140,319</u>	<u>53,109,078</u>
Fixed interest-bearing financial instrument				
Financial assets				
Term deposit receipt	<u>14.60% to 20.25%</u>	<u>14.60% to 20.00%</u>	<u>20,000,000</u>	<u>20,000,000</u>
Government securities (T-Bills)	<u>20.14% to 22.87%</u>	<u>21.98% to 22.74%</u>	<u>187,756,587</u>	<u>343,285,697</u>
sukuk Ijarah	<u>21.88% to 22.44%</u>	<u>-</u>	<u>130,990,530</u>	<u>-</u>
Financial liabilities				
Loan under SBP scheme	<u>0.00%</u>	<u>0.00%</u>	<u>-</u>	<u>-</u>

Cashflow from sensitivity analysis for variable rate instruments

For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates would have decreased / (increased) profit for the year by the amounts shown below.

	<u>Income and expenditure 100</u>	
	<u>bps</u>	
	<u>Increase</u>	<u>Decrease</u>
	<u>Rupees</u>	
As at 30 June 2024		
cashflow sensitivity – variable rate financial assets	<u>2,691,403</u>	<u>(2,691,403)</u>
As at 30 June 2023		
cashflow sensitivity -- variable rate financial assets	<u>531,091</u>	<u>(531,091)</u>

The above sensitivity is not necessarily indicative of the actual effect of changes in interest rate as those are based on management's best estimate of possible change of interest rate in future.

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20.3.2 Foreign exchange risk management:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The KPSIAJ is not involved in foreign exchange transaction as a result it is not exposed to any such risk.

20.3.3 Fair value 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 KPSIAJ is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms:

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the KPSIAJ is current bid price.

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 Measurements' requires the KPSIAJ to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Unobservable inputs for the asset or liability (level 3).

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The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy.

On balance sheet financial instruments

	30 June 2024		30 June 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	Amortized cost		Amortized cost	
	Rupees			
Financial assets not measured at fair values				
Deposits	3,604,710	-	3,558,710	-
Investments	181,872,507	-	229,389,931	-
Advances and other receivables	78,306,858	-	72,465,750	-
Cash and bank balances	269,140,319	-	53,109,078	-
	<u>532,924,394</u>	<u>-</u>	<u>358,523,469</u>	<u>-</u>
Financial liabilities not measured at fair values				
Long term loan	-	-	-	-
Accrued and other liabilities:				
Accrued expenses	11,799,492	-	10,122,894	-
Funds for specific purposes	142,221,706	-	105,408,984	-
Other liabilities	69,095,249	-	29,540,929	-
	<u>223,116,447</u>	<u>-</u>	<u>145,072,807</u>	<u>-</u>

KPSIAJ has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair values.

20.3.4 Capital risk management:

KPSIAJ finances its operations primarily from the revenue received through medical, education and other services and donations. Apart from these, KPSIAJ also solicits donations for welfare as well as for financing its capital projects.

KPSIAJ is not exposed to any externally imposed capital requirement.

21 GENERAL

21.1 Certain corresponding figures have been reclassified for a better comparison.

21.2 These financial statements were authorized for issue by the Managing Committee of KPSIAJ on **09 December 2024**.


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Asker Ali Basrawala
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