

AKHUWAT ISLAMIC MICROFINANCE

Financial Statements

For the Year Ended June 30, 2021.

INDEPENDENT AUDITORS' REPORT**To the members of Akhuwat Islamic Microfinance****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of Akhuwat Islamic Microfinance (the Company) which comprise the statement of financial position as at June 30, 2021, and the statement of income and expenditure and other comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure and other comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the surplus, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

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

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Yousuf Adil
Chartered Accountants

Lahore
Date: October 20, 2021

AKHUWAT ISLAMIC MICROFINANCE
(A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021	2020
-----Rupees-----			
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	39,002,441	46,010,711
Intangible assets	7	2,808,166	688,169
Microloans receivable	8	4,701,420,061	2,215,299,139
Other long term advances	9	26,011,704	17,294,426
		4,769,242,372	2,279,292,445
CURRENT ASSETS			
Microloans receivable	8	16,709,257,144	15,350,110,589
Short term investments	10	504,454,257	383,130,880
Receivables, prepayments and other assets	11	959,913,311	2,424,231,508
Cash and bank balances	12	5,138,572,230	3,242,797,931
		23,312,196,942	21,400,270,908
		28,081,439,314	23,679,563,353
LIABILITIES AND FUNDS			
NON CURRENT LIABILITIES			
Loan for credit pool	13	13,743,264,392	19,247,529,392
CURRENT LIABILITIES			
Loan for credit pool	13	10,659,734,795	1,290,438,307
Creditors, accrued and other liabilities	14	163,965,584	149,445,706
		10,823,700,379	1,439,884,013
		24,566,964,771	20,687,413,405
FUNDS			
UNRESTRICTED			
General fund		903,497,048	853,295,712
RESTRICTED			
Donated fund		2,069,827,457	1,726,615,492
Contributed fund		532,230,038	405,532,261
Reserves for loan loss		8,920,000	6,706,483
		2,610,977,495	2,138,854,236
		3,514,474,543	2,992,149,948
CONTINGENCIES AND COMMITMENTS	15	-	-
		28,081,439,314	23,679,563,353

The annexed notes from 1 to 32 form an integral part of these financial statements.

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 Chief Executive Officer


 Director

AKHUWAT ISLAMIC MICROFINANCE (A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

Note	Unrestricted general fund	Restricted			2021	2020	
		Donated fund	Contributed fund	Reserves for loan loss			
----- Rupees -----							
OPERATING INCOME							
Operating income	16	1,762,756,738	-	-	3,966,917	1,766,723,655	1,883,994,548
Other income	17	67,139,475	-	-	-	67,139,475	85,587,839
Donations received	18	-	377,842,965	-	-	377,842,965	386,068,230
Contributions received	19	-	-	228,670,072	-	228,670,072	246,164,062
EXPENDITURE							
Operational cost	20	1,441,078,588	-	-	-	1,441,078,588	1,420,360,330
General and administrative expenses	21	277,041,939	-	-	-	277,041,939	225,261,987
Provision for loan loss	8.6.1	61,574,350	-	-	-	61,574,350	67,924,225
Donations paid		-	34,631,000	-	-	34,631,000	-
Death claims settled	22	-	-	101,972,295	1,753,400	103,725,695	75,653,190
		1,779,694,877	34,631,000	101,972,295	1,753,400	1,918,051,572	1,789,199,732
Surplus for the year		50,201,336	343,211,965	126,697,777	2,213,517	522,324,595	812,614,947
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		50,201,336	343,211,965	126,697,777	2,213,517	522,324,595	812,614,947

The annexed notes from 1 to 32 form an integral part of these financial statements.


 Chief Executive Officer


 Director

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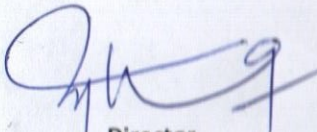
AKHUWAT ISLAMIC MICROFINANCE (A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Unrestricted general fund	Restricted			Total
		Donated fund	Contributed fund	Reserves for loan loss	
	----- Rupees -----				
Balance as at June 30, 2019	598,216,157	1,340,547,262	233,801,614	6,969,968	2,179,535,001
Comprehensive income / (loss):					
Surplus / (deficit) for the year	255,079,555	386,068,230	171,730,647	(263,485)	812,614,947
Other comprehensive income	-	-	-	-	-
Total comprehensive income / (loss)	255,079,555	386,068,230	171,730,647	(263,485)	812,614,947
Balance as at June 30, 2020	853,295,712	1,726,615,492	405,532,261	6,706,483	2,992,149,948
Comprehensive income / (loss):					
Surplus / (deficit) for the year	50,201,336	343,211,965	126,697,777	2,213,517	522,324,595
Other comprehensive income	-	-	-	-	-
Total comprehensive income / (loss)	50,201,336	343,211,965	126,697,777	2,213,517	522,324,595
Balance as at June 30, 2021	903,497,048	2,069,827,457	532,230,038	8,920,000	3,514,474,543

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The annexed notes from 1 to 32 form an integral part of these financial statements.


 Chief Executive Officer


 Director

AKHUWAT ISLAMIC MICROFINANCE
(A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
Note	-----Rupees-----	
Cash flows from operating activities		
Surplus for the year	522,324,595	812,614,947
Adjustments for:		
Depreciation on property and equipment	6 19,827,799	28,703,424
Amortization of intangible assets	7 474,813	240,634
Return on bank deposits and investments	(55,209,526)	(66,603,424)
Gain on disposal of property and equipment	(145,089)	-
Foreign currency exchange gain	-	(4,485,122)
Provision for loan loss	8.6.1 & 11.3.1 61,574,350	67,924,225
	<u>26,522,347</u>	<u>25,779,737</u>
	<u>548,846,942</u>	<u>838,394,684</u>
Changes in working capital		
Increase in microloans receivable	(3,906,841,827)	(3,683,869,645)
Decrease / (increase) in receivables and other assets	1,464,318,197	(1,418,476,934)
Increase in creditors, accrued and other liabilities	14,519,878	72,693,647
	<u>(2,428,003,752)</u>	<u>(5,029,652,932)</u>
Net cash used in operating activities	<u>(1,879,156,810)</u>	<u>(4,191,258,248)</u>
Cash flows from investing activities		
Purchase of property and equipment	6 (12,967,876)	(9,189,902)
Purchase of intangible assets	7 (2,594,810)	(176,345)
(Increase) / decrease in other long term advances - net	(8,717,278)	3,075,401
Purchase of investments - net	(121,323,377)	(253,130,880)
Proceeds from disposal of property and equipment	293,436	-
Return on bank deposits and investments	55,209,526	66,603,424
Net cash used in investing activities	<u>(90,100,379)</u>	<u>(192,818,302)</u>
Cash flows from financing activities		
Loan for credit pool received - net	3,865,031,488	3,633,403,777
Net cash generated from financing activities	<u>3,865,031,488</u>	<u>3,633,403,777</u>
Net increase / (decrease) in cash and cash equivalents	<u>1,895,774,299</u>	<u>(750,672,773)</u>
Cash and cash equivalents at the beginning of the year	<u>3,242,797,931</u>	<u>3,993,470,704</u>
Cash and cash equivalents at the end of the year	<u>5,138,572,230</u>	<u>3,242,797,931</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.


Chief Executive Officer


Director