

Akhuwat Islamic Microfinance

Financial Statements

For the year ended June 30, 2022.



YOUSUF ADIL

Yousuf Adil
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INDEPENDENT AUDITOR'S 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, 2022, 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, 2022 and of the surplus or deficit and other comprehensive income, 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 Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of 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.


Chartered Accountants

Place: Lahore
Date: October 28, 2022
UDIN: AR2022100882R3Sb8MZ4

AKHUWAT ISLAMIC MICROFINANCE
(A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

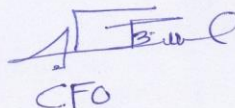
	Note	2022 -----Rupees-----	2021
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	50,166,098	39,002,441
Intangible assets	7	2,093,282	2,808,166
Microloans receivable	8	12,121,627,129	4,701,420,061
Long term advances and security deposits	9	49,391,930	26,011,704
		12,223,278,439	4,769,242,372
CURRENT ASSETS			
Microloans receivable	8	17,780,659,215	16,709,257,144
Short term investments	10	803,705,435	504,454,257
Receivables, prepayments and other assets	11	825,812,046	948,206,568
Advance tax		12,556,009	11,706,743
Cash and bank balances	12	4,265,082,109	5,138,572,230
		23,687,814,814	23,312,196,942
		35,911,093,253	28,081,439,314
LIABILITIES AND FUNDS			
NON CURRENT LIABILITIES			
Loan for credit pool	13	22,024,090,997	13,743,264,392
CURRENT LIABILITIES			
Loan for credit pool	13	10,029,550,245	10,659,734,795
Creditors, accrued and other liabilities	14	262,485,959	163,965,584
		10,292,036,204	10,823,700,379
		32,316,127,201	24,566,964,771
FUNDS			
UNRESTRICTED			
General fund		689,066,545	903,497,048
RESTRICTED			
Donated fund		2,273,997,193	2,069,827,457
Contributed fund		622,982,314	532,230,038
Reserves for loan loss		8,920,000	8,920,000
		2,905,899,507	2,610,977,495
		3,594,966,052	3,514,474,543
CONTINGENCIES AND COMMITMENTS			
	15	-	-
		35,911,093,253	28,081,439,314

The annexed notes from 1 to 33 form an integral part of these financial statements.

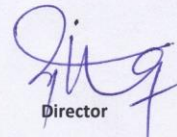
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Chief Executive Officer



CFO



Director

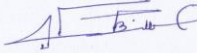
AKHUWAT ISLAMIC MICROFINANCE (A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	Unrestricted general fund	Restricted			2022	2021
		Donated fund	Contributed fund	Reserves for loan loss		
Note ----- Rupees -----						
OPERATING INCOME						
Operating income	16 1,848,744,047	-	-	1,412,800	1,850,156,847	1,766,723,655
Other income	17 143,195,008	-	-	-	143,195,008	67,139,475
Donations received	18 -	252,799,736	-	-	252,799,736	377,842,965
Contributions received	19 -	-	175,899,976	-	175,899,976	228,670,072
EXPENDITURE						
Operational cost	20 1,775,822,326	-	-	-	1,775,822,326	1,441,078,588
General and administrative expenses	21 244,828,818	-	-	-	244,828,818	213,851,575
Marketing expense	58,605,456	-	-	-	58,605,456	63,190,364
Provision for loan loss	22 127,112,958	-	-	-	127,112,958	61,574,350
Donations paid	-	48,630,000	-	-	48,630,000	34,631,000
Death claims settled	23 -	-	85,147,700	1,412,800	86,560,500	103,725,695
	2,206,369,558	48,630,000	85,147,700	1,412,800	2,341,560,058	1,918,051,572
(Deficit)/surplus for the year	(214,430,503)	204,169,736	90,752,276	-	80,491,509	522,324,595
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (deficit)/income for the year	(214,430,503)	204,169,736	90,752,276	-	80,491,509	522,324,595

The annexed notes from 1 to 33 form an integral part of these financial statements.

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 Chief Executive Officer


 CFO


 Director

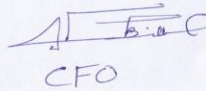
AKHUWAT ISLAMIC MICROFINANCE (A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Unrestricted general fund	Restricted			Total
		Donated fund	Contributed fund	Reserves for loan loss	
			Rupees		
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:					
Surplus for the year	50,201,336	343,211,965	126,697,777	2,213,517	522,324,595
Other comprehensive income	-	-	-	-	-
Total comprehensive income	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
Comprehensive income:					
(Deficit)/surplus for the year	(214,430,503)	204,169,736	90,752,276	-	80,491,509
Other comprehensive income	-	-	-	-	-
Total comprehensive income	(214,430,503)	204,169,736	90,752,276	-	80,491,509
Balance as at June 30, 2022	689,066,545	2,273,997,193	622,982,314	8,920,000	3,594,966,052

The annexed notes from 1 to 33 form an integral part of these financial statements.

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 Chief Executive Officer


 CFO


 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, 2022

	2022	2021
Note	-----Rupees-----	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	80,491,509	522,324,595
Adjustments for:		
Depreciation on property and equipment	6 24,118,695	19,827,799
Amortization of intangible assets	7 779,117	474,813
Return on bank deposits and investments	(83,782,290)	(55,209,526)
Gain on disposal of property and equipment	(320,692)	(145,089)
Provision for loan loss	22 127,112,958	61,574,350
	<u>67,907,788</u>	<u>26,522,347</u>
	148,399,297	548,846,942
Changes in working capital		
Increase in microloans receivable	(8,618,722,097)	(3,906,841,827)
Decrease in receivables and other assets	122,394,522	1,467,256,993
Increase in other long term advances - net	(23,380,226)	(8,717,278)
Increase in advance tax	(849,266)	(2,938,796)
Increase in creditors, accrued and other liabilities	98,520,375	14,519,878
	<u>(8,422,036,692)</u>	<u>(2,436,721,030)</u>
Net cash used in operating activities	(8,273,637,395)	(1,887,874,088)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	6 (35,382,660)	(12,967,876)
Purchase of intangible assets	7 (64,233)	(2,594,810)
Purchase of investments	(5,554,546,200)	(5,696,287,029)
Redemption of investment	5,655,295,022	5,713,463,652
Proceeds from disposal of property and equipment	421,000	293,436
Return on bank deposits and investment	83,782,290	55,209,526
	<u>149,505,219</u>	<u>57,116,899</u>
Net cash used in investing activities	149,505,219	57,116,899
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Loan for credit pool received - net	7,650,642,055	3,865,031,488
Net cash generated from financing activities	<u>7,650,642,055</u>	<u>3,865,031,488</u>
Net decrease in cash and cash equivalents (A+B+C)	(473,490,121)	2,034,274,299
Cash and cash equivalents at the beginning of the year	5,138,572,230	3,242,797,931
Cash and cash equivalents at the end of the year	4,665,082,109	5,277,072,230
CASH AND CASH EQUIVALENTS		
Cash and bank balances	12 4,265,082,109	5,138,572,230
Term deposit receipts	400,000,000	138,500,000
	<u>4,665,082,109</u>	<u>5,277,072,230</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

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 Chief Executive Officer


 CFO


 Director