

Akhuwat Islamic Microfinance

Financial Statements

For the year ended June 30, 2023.



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, 2023, 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, 2023 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.

Emphasis of Matter

We draw attention to the Note 11.1 to the financial statements which explains in detail the accrued service charges and withdrawal thereof from the revolving funds of the Punjab Small Industries Corporation (PSIC) as per the decision of the Finance Department of the Government of Punjab. The management is confident that their proactive communication / efforts will lead to the release of funds related to accrued service charges.

Our opinion is not modified in respect of above matter.

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.

Yousuf Adil

Chartered Accountants

Lahore

Date: October 10, 2023

UDIN: AR202310088jBxbJQovm

AKHUWAT ISLAMIC MICROFINANCE (A Company set up under Section 42 of Companies Act 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	273,642,812	50,166,098
Intangible assets	5	1,416,290	2,093,282
Microloans receivable	6	12,009,042,956	12,121,627,129
Long term advances and security deposits	7	55,697,236	49,391,930
		12,339,799,294	12,223,278,439
CURRENT ASSETS			
Microloans receivable	6	19,218,258,969	17,780,659,215
Short term investments	8	776,909,968	803,705,435
Receivables, prepayments and other assets	9	1,275,941,727	825,812,046
Advance tax	10	6,152,241	12,556,009
Cash and bank balances	11	3,210,267,748	4,265,082,109
		24,487,530,653	23,687,814,814
TOTAL ASSETS		36,827,329,947	35,911,093,253
LIABILITIES AND FUNDS			
LIABILITIES			
NON-CURRENT LIABILITIES			
Loan for credit pool	12	16,717,731,078	22,024,090,997
CURRENT LIABILITIES			
Loan for credit pool	12	13,488,258,581	10,029,550,245
Creditors, accrued and other liabilities	13	390,197,961	262,485,959
		13,878,456,542	10,292,036,204
TOTAL LIABILITIES		30,596,187,620	32,316,127,201
FUNDS			
UNRESTRICTED			
General fund		1,026,393,984	689,066,545
RESTRICTED			
Donated fund		4,437,589,785	2,273,997,193
Contributed fund		758,238,558	622,982,314
Reserves for loan loss		8,920,000	8,920,000
		5,204,748,343	2,905,899,507
TOTAL FUNDS		6,231,142,327	3,594,966,052
CONTINGENCIES AND COMMITMENTS	14	-	-
TOTAL LIABILITIES AND FUNDS		36,827,329,947	35,911,093,253


The annexed notes from 1 to 31 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Y/A

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, 2023

Unrestricted	Restricted			2023	2022
	General fund	Donated fund	Contributed fund		

Note ----- Rupees -----

Income

Operating income	15	2,429,879,426	-	-	1,074,400	2,430,953,826	1,850,156,847
Other income	16	243,167,297	-	-	-	243,167,297	143,192,715
Donations received	17	-	2,173,592,592	-	-	2,173,592,592	252,799,736
Contributions received	18	-	-	208,721,544	-	208,721,544	175,899,976
		2,673,046,723	2,173,592,592	208,721,544	1,074,400	5,056,435,259	2,422,049,274

Expenditure

Operational cost	19	1,859,781,824	-	-	-	1,859,781,824	1,775,822,326
General and administrative expenses	20	330,707,255	-	-	-	330,707,255	244,826,525
Marketing expense		82,600,060	-	-	-	82,600,060	58,605,456
Provision for loan loss	21	62,630,145	-	-	-	62,630,145	127,112,958
Donations paid		-	10,000,000	-	-	10,000,000	48,630,000
Death claims settled	22	-	-	73,465,300	1,074,400	74,539,700	86,560,500
		2,335,719,284	10,000,000	73,465,300	1,074,400	2,420,258,984	2,341,557,765
Surplus for the year		337,327,439	2,163,592,592	135,256,244	-	2,636,176,275	80,491,509

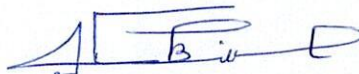
Other comprehensive income:

<i>Items that may be reclassified subsequently to income and e:</i>		-	-	-	-	-	-
<i>Items that will not be reclassified to income and expenditure</i>		-	-	-	-	-	-
		-	-	-	-	-	-
Total comprehensive income for the year		337,327,439	2,163,592,592	135,256,244	-	2,636,176,275	80,491,509

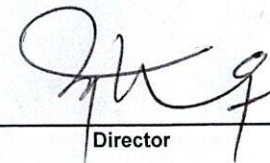
The annexed notes from 1 to 31 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial 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, 2023

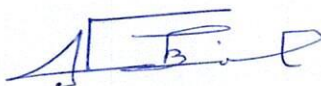
	Unrestricted	Restricted			Total
	General fund	Donated fund	Contributed fund	Reserves for loan loss	
----- Rupees -----					
Balance as at July 01, 2021	903,497,048	2,069,827,457	532,230,038	8,920,000	3,514,474,543
(Deficit) / Surplus for the year	(214,430,503)	204,169,736	90,752,276	-	80,491,509
Other 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
Balance as at July 01, 2022	689,066,545	2,273,997,193	622,982,314	8,920,000	3,594,966,052
Surplus for the year	337,327,439	2,163,592,592	135,256,244	-	2,636,176,275
Other comprehensive income	-	-	-	-	-
Total comprehensive income	337,327,439	2,163,592,592	135,256,244	-	2,636,176,275
Balance as at June 30, 2023	1,026,393,984	4,437,589,785	758,238,558	8,920,000	6,231,142,327

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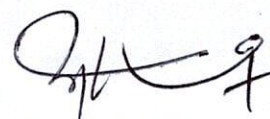
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Chief Executive Officer



Chief Financial 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, 2023

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		2,636,176,275	80,491,509
Adjustments for non-cash and other items			
Depreciation of property and equipment	4	24,547,867	24,118,695
Amortization of intangible assets	5	676,992	779,117
Loans written off	6.1 & 6.3	(4,510,405)	(22,561,540)
Return on term deposit receipts	16	(49,766,412)	(36,031,477)
Dividend income	16	(79,229,699)	(23,324,646)
Exchange gain	16	(2,408,652)	(10,023,817)
Gain on disposal of property and equipment		(13,000)	(320,692)
Provision against advance tax	10	8,767,946	-
Provision for loan loss	21	62,630,145	127,112,958
		(39,305,218)	59,748,598
		<u>2,596,871,057</u>	<u>140,240,107</u>
Changes in working capital			
Increase in microloans receivable		(1,381,960,571)	(8,594,985,807)
Increase in other long term advances and security deposits		(6,305,306)	(23,380,226)
Increase in receivables, prepayments and other assets		(451,304,431)	121,219,772
Increase in creditors, accrued and other liabilities		127,712,002	98,520,375
Cash generated from operations		(1,711,858,306)	(8,398,625,886)
Payments for:			
Income tax		(2,364,178)	(849,266)
Net cash generated from / (used in) operating activities		<u>882,648,573</u>	<u>(8,259,235,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4	(248,024,581)	(35,382,660)
Purchase of intangible assets	5	-	(64,233)
Purchase of investments		(6,282,656,387)	(5,554,546,200)
Redemption of investments		6,832,235,879	5,655,295,022
Return on term deposit receipts	16	49,766,412	36,031,477
Dividend income	16	79,229,699	23,324,646
Proceeds from disposal of property and equipment		13,000	421,000
Net cash generated from investing activities		<u>430,564,022</u>	<u>125,079,052</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan for credit pool received	12.22	3,007,160,000	11,518,708,535
Loan for credit pool repaid	12.22	(4,854,811,583)	(3,868,066,480)
Net cash (used in) / generated from financing activities		<u>(1,847,651,583)</u>	<u>7,650,642,055</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(534,438,988)</u>	<u>(483,513,938)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,265,082,109	5,138,572,230
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	16	2,408,652	10,023,817
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	<u>3,733,051,773</u>	<u>4,665,082,109</u>
CASH AND CASH EQUIVALENTS			
Cash and bank balances	11	3,210,267,748	4,265,082,109
Term deposit receipts	8.2	522,784,025	400,000,000
		<u>3,733,051,773</u>	<u>4,665,082,109</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director