



IQBAL YASIR & CO.
Chartered Accountants

AKHUWAT ISLAMIC MICROFINANCE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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, 2025 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 material 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, the statement of income and expenditure and other comprehensive income, the statement of changes in funds, the statement of cash flow 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, 2025 and of the 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 Note 12.1.1 to the financial statements, which explains in detail the matter relating to adjustment of accrued service charges of Punjab Small Industries Corporation.

Our opinion is not modified in respect of this matter.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. Other information comprises the information included in the director's report for the year ended June 30, 2025, but does not include the financial statements and our auditor's report thereon. *72*

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of 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 the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Report on Other Legal and Regulatory Requirements

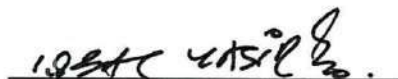
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, 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;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980, (XVIII of 1980).

Other Matter Paragraph

The financial statements of the Company for the year ended June 30, 2024, were audited by another auditor, who expressed an unmodified opinion in their report dated November 29, 2024.

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Yasir Riaz** 



Lahore.

Date: October 07, 2025.

UDIN: AR2025102006gUISCEOL

AKHUWAT ISLAMIC MICROFINANCE (A Company set up under Section 42 of Companies Act, 2017)

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2025

	Note	2025	2024
		Rupees	
ASSETS			
Non-current assets			
Property and equipment	4	341,255,857	280,279,879
Intangible assets	5	639,310	1,378,368
Microloans receivables	6	40,840,000,212	10,364,594,536
Long term advances	7	74,250,092	69,937,859
		41,256,145,471	10,716,190,642
Current assets			
Current portion of microloan receivables	6	20,358,332,276	13,890,882,157
Short term investments	8	2,642,475,943	2,454,377,456
Receivables, prepayments and other assets	9	2,386,819,719	1,311,660,847
Advance tax	10	18,287,662	5,639,459
Cash and bank balances	11	4,266,265,764	3,108,425,932
		29,672,181,364	20,770,985,851
Total assets		70,928,326,834	31,487,176,493
FUNDS AND LIABILITIES			
Funds			
Unrestricted			
General fund		7,298,036,374	8,661,236,159
Restricted			
Donated fund		5,644,660,437	5,320,908,129
Contributed fund		1,043,772,012	920,894,670
Reserves for loan loss		8,920,000	8,920,000
		6,697,352,449	6,250,722,799
Total funds		13,995,388,823	14,911,958,958
Non-current liabilities			
Loan for credit pool	12	45,531,311,967	14,815,146,887
Current liabilities			
Current portion of loan for credit pool	12	10,834,983,396	1,285,484,554
Creditors, accrued and other liabilities	13	566,642,648	474,586,094
		11,401,626,045	1,760,070,648
Contingencies and commitments	14		
Total liabilities		56,932,938,011	16,575,217,535
Total funds and liabilities		70,928,326,834	31,487,176,493

The annexed notes from 1 to 35 form an integral part of these financial statements.

		
Chief Executive	Chief Financial 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, 2025

	Note	Unrestricted	Restricted			2025	2024
		General fund	Donated Fund	Contributed Fund	Reserve for loan loss		
		Rupees					
Income							
Operating income	15	3,135,655,191	-	-	600,000	3,136,255,191	1,768,811,243
Other income	16	535,439,087	-	-	-	535,439,087	520,940,728
Donations received	17	-	323,752,308	-	-	323,752,308	884,568,344
Contribution received	18	-	-	216,281,406	-	216,281,406	239,898,261
Unwinding of amortized income	19	30,155,465,072	-	-	-	30,155,465,072	8,351,786,995
		33,826,559,350	323,752,308	216,281,406	600,000	34,367,193,064	11,766,005,571
Expenditure							
Operational cost	20	2,104,904,928	-	-	-	2,104,904,928	1,896,080,880
General and administrative expenses	21	344,630,872	-	-	-	344,630,872	316,104,126
Marketing expense		2,116,508	-	-	-	2,116,508	14,923,390
Provision for loan loss	22	612,332,245	-	-	-	612,332,245	34,178,419
Donations paid		-	-	-	-	-	1,250,000
Death claims settled	23	-	-	93,404,064	600,000	94,004,064	78,413,649
Finance cost	24	32,125,774,582	-	-	-	32,125,774,582	9,887,283,789
		35,189,759,135	-	93,404,064	600,000	35,283,763,199	12,228,234,253
Deficit for the year		(1,363,199,785)	323,752,308	122,877,342	-	(916,570,136)	(462,228,682)
Other comprehensive income:							
Items that may be reclassified subsequently to income and expenditure		-	-	-	-	-	-
Items that will not be reclassified to income and expenditure		-	-	-	-	-	-
		-	-	-	-	-	-
Total comprehensive income for the year		(1,363,199,785)	323,752,308	122,877,342	-	(916,570,136)	(462,228,682)

The annexed notes from 1 to 35 form an integral part of these financial statements.


Chief Executive


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, 2025

	Note	2025	2024
		Rupees	
Cash Flows From Operating Activities			
Deficit for the year		(916,570,136)	(462,228,682)
Adjustments for non-cash and other items			
Depreciation of property and equipment	4.2	29,296,885	24,839,152
Amortization of intangible assets	5	739,058	633,222
Loans written off		(17,255,594)	(22,849,622)
Dividend income on mutual funds	16	(112,433,054)	(129,732,330)
Gain on disposal of property and equipment	16	(58,966)	(599,200)
Unwinding of amortized cost	24	28,934,023,071	9,885,928,783
Unwinding of amortized income	19	(30,155,465,072)	(8,351,786,995)
Exchange (gain) / loss		(179,517)	49,548
Provision of service charges	20	14,732,260	78,414,166
Impact of modification of loan for credit pool	24	3,190,410,179	-
Return on investment in term deposit receipts		7,560,274	16,772,834
Reversal of provision of advance tax		(11,679,157)	2,911,211
Provision for loan loss	22	612,332,245	34,178,419
		2,492,022,613	1,538,759,188
Operating profit before working capital changes		1,575,452,477	1,076,530,506
Effect of working capital changes			
(Increase)/Decrease in microloans receivable	6	(54,410,045,238)	10,653,236
Increase in receivables, prepayments and other assets	9	(1,097,271,889)	(20,084,129)
Decrease in creditors, accrued and other liabilities	13	92,056,554	84,388,133
Cash (used in) / generated from operations		(55,415,260,573)	74,957,240
Tax paid		(969,046)	(2,398,429)
Net cash (outflows) / inflows from operating activities		(53,840,777,142)	1,149,089,317
Cash flows from investing activities			
Purchase of property and equipment	4.1	(90,272,863)	(31,476,219)
Purchase of intangible assets	5	-	(595,300)
Long term advances to employees	7	(4,312,233)	(46,697,996)
(Increase) in investment - net		(93,185,669)	(1,586,375,456)
Dividend income on mutual funds	16	112,433,054	129,732,330
Proceeds from disposal of property and equipment		58,966	599,200
Net cash outflows from investing activities		(75,278,745)	(1,534,813,441)
Cash flows from financing activities			
Loan for credit pool - net		55,168,808,538	2,161,859,487
Net cash inflows from financing activities		55,168,808,538	2,161,859,487
Net increase in cash and cash equivalents		1,252,752,651	1,776,135,363
Cash and cash equivalents at the beginning of the year		4,986,403,111	3,210,267,748
Cash and cash equivalents at end of the year	30	6,239,155,762	4,986,403,111

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

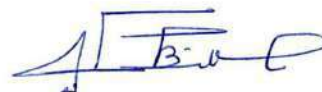
AKHUWAT ISLAMIC MICROFINANCE (A Company set up under Section 42 of Companies Act, 2017)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Unrestricted	Restricted			Total
	General fund	Donated fund	Contributed fund	Reserves for loan loss	
	Rupees				
Balance as at July 01, 2023	10,169,439,297	4,437,589,785	758,238,558	8,920,000	15,374,187,640
(Deficit) / Surplus for the year	(1,508,203,138)	883,318,344	162,656,112	-	(462,228,682)
Other comprehensive income for the year	-	-	-	-	-
Balance as at June 30, 2024	8,661,236,159	5,320,908,129	920,894,670	8,920,000	14,911,958,958
Balance as at July 01, 2024	8,661,236,159	5,320,908,129	920,894,670	8,920,000	14,911,958,958
(Deficit) / Surplus for the year	(1,363,199,785)	323,752,308	122,877,342	-	(916,570,135)
Other comprehensive income for the year	-	-	-	-	-
Balance as at June 30, 2025	7,298,036,374	5,644,660,437	1,043,772,012	8,920,000	13,995,388,823

The annexed notes from 1 to 35 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director