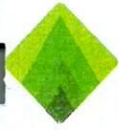


AKHUWAT ISLAMIC MICROFINANCE

Financial Statements

For the Year Ended June 30, 2024.



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, 2024, 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, 2024 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 Matters

- i. We draw attention to the Note 13.1.1 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.
- ii. We draw attention to Note 33 of the financial statements, which provides detailed information regarding the change in accounting policy for microloans receivable and loan for credit pool. This change reflects the first-time adoption of IFRS 9.

Our opinion is not modified in respect of above matters.

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

Landre

Date: November 29, 2024

UDIN: AR202410088XB4EIfkqg

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

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

| | Note | 2024 Rupees | 2023 Rupees (Restated) |
|---|------|-----------------------|------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property and equipment | 5 | 280,279,879 | 273,642,812 |
| Intangible assets | 6 | 1,378,368 | 1,416,290 |
| Microloans receivable | 7 | 10,364,594,536 | 7,378,009,279 |
| Long term advances | 8 | 69,937,859 | 34,354,236 |
| | | 10,716,190,642 | 7,687,422,617 |
| CURRENT ASSETS | | | |
| Microloans receivable | 7 | 13,890,882,157 | 15,923,514,823 |
| Short term investments | 9 | 2,454,377,456 | 776,909,968 |
| Receivables, prepayments and other assets | 10 | 1,311,660,847 | 1,297,284,727 |
| Advance tax | 11 | 5,639,459 | 6,152,241 |
| Cash and bank balances | 12 | 3,108,425,932 | 3,210,267,748 |
| | | 20,770,985,851 | 21,214,129,507 |
| TOTAL ASSETS | | 31,487,176,493 | 28,901,552,124 |
| LIABILITIES AND FUNDS | | | |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Loan for credit pool | 13 | 14,815,146,887 | 10,668,914,958 |
| CURRENT LIABILITIES | | | |
| Loan for credit pool | 13 | 1,285,484,554 | 2,468,251,565 |
| Creditors, accrued and other liabilities | 14 | 474,586,094 | 390,197,961 |
| | | 1,760,070,648 | 2,858,449,526 |
| TOTAL LIABILITIES | | 16,575,217,535 | 13,527,364,484 |
| FUNDS | | | |
| UNRESTRICTED | | | |
| General fund | | 8,661,236,159 | 10,169,439,297 |
| RESTRICTED | | | |
| Donated fund | | 5,320,908,129 | 4,437,589,785 |
| Contributed fund | | 920,894,670 | 758,238,558 |
| Reserves for loan loss | | 8,920,000 | 8,920,000 |
| | | 6,250,722,799 | 5,204,748,343 |
| TOTAL FUNDS | | 14,911,958,958 | 15,374,187,640 |
| CONTINGENCIES AND COMMITMENTS | 15 | - | - |
| TOTAL LIABILITIES AND FUNDS | | 31,487,176,493 | 28,901,552,124 |

The annexed notes from 1 to 36 form an integral part of these financial statements.


Chief Executive Officer

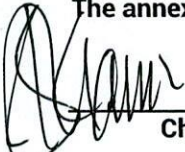

Chief Financial Officer


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, 2024

| | Note | Unrestricted | Restricted | | | 2024 | 2023 |
|---|------|------------------------|--------------------|--------------------|------------------------|----------------------|----------------------|
| | | General fund | Donated fund | Contributed fund | Reserves for loan loss | | |
| ----- Rupees ----- | | | | | | | |
| Income | | | | | | | |
| Operating income | 16 | 1,767,639,743 | - | - | 1,171,500 | 1,768,811,243 | 2,430,953,826 |
| Other income | 17 | 520,940,728 | - | - | - | 520,940,728 | 243,167,297 |
| Donations received | 18 | - | 884,568,344 | - | - | 884,568,344 | 2,173,592,592 |
| Contributions received | 19 | - | - | 239,898,261 | - | 239,898,261 | 208,721,544 |
| Unwinding of amortized income | 20 | 8,351,786,995 | - | - | - | 8,351,786,995 | - |
| | | 10,640,367,466 | 884,568,344 | 239,898,261 | 1,171,500 | 11,766,005,571 | 5,056,435,259 |
| Expenditure | | | | | | | |
| Operational cost | 22 | 1,888,071,161 | - | - | - | 1,888,071,161 | 1,859,781,824 |
| General and administrative expenses | 23 | 325,468,851 | - | - | - | 325,468,851 | 330,707,255 |
| Marketing expense | | 14,923,390 | - | - | - | 14,923,390 | 82,600,060 |
| Provision for loan loss | 24 | 34,178,419 | - | - | - | 34,178,419 | 62,630,145 |
| Donations paid | | - | 1,250,000 | - | - | 1,250,000 | 10,000,000 |
| Death claims settled | 25 | - | - | 77,242,149 | 1,171,500 | 78,413,649 | 74,539,700 |
| Unwinding of amortized cost | 26 | 9,885,928,783 | - | - | - | 9,885,928,783 | - |
| | | 12,148,570,604 | 1,250,000 | 77,242,149 | 1,171,500 | 12,228,234,253 | 2,420,258,984 |
| (Deficit)/Surplus for the year | | (1,508,203,138) | 883,318,344 | 162,656,112 | - | (462,228,682) | 2,636,176,275 |
| 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 | | (1,508,203,138) | 883,318,344 | 162,656,112 | - | (462,228,682) | 2,636,176,275 |

The annexed notes from 1 to 36 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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

| | Note | 2024 Rupees | 2023 Rupees |
|---|-------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Deficit)/Surplus for the year | | (462,228,682) | 2,636,176,275 |
| Adjustments for non-cash and other items | | | |
| Depreciation of property and equipment | 5 | 24,839,152 | 24,547,867 |
| Amortization of intangible assets | 6 | 633,222 | 676,992 |
| Loans written off | 7.6.1 | (22,849,622) | (4,510,405) |
| Dividend income | 17 | (129,732,330) | (79,229,699) |
| Exchange gain | 17 | - | (2,408,652) |
| Gain on disposal of property and equipment | 17 | (599,200) | (13,000) |
| Unwinding of amortized cost | 26 | 9,885,928,783 | - |
| Unwinding of amortized income | 20 | (8,351,786,995) | - |
| Income tax | | 512,782 | 6,403,768 |
| Provision of service Charges | 10.2 | 78,414,166 | - |
| Provision for loan loss | 24 | 34,178,419 | 62,630,145 |
| | | 1,519,538,377 | 8,097,016 |
| | | 1,057,309,695 | 2,644,273,291 |
| Changes in working capital | | | |
| Decrease in microloans receivable | | 10,653,236 | (1,381,960,571) |
| Increase in other long term advances | | (35,583,623) | (6,305,306) |
| Decrease in receivables, prepayments and other assets | | (14,376,120) | (451,304,431) |
| Decrease in creditors, accrued and other liabilities | | 84,388,133 | 127,712,002 |
| Cash generated from operations | | 45,081,626 | (1,711,858,306) |
| Net cash generated from / (used in) operating activities | | 1,102,391,321 | 932,414,985 |
| Purchase of property and equipment | 5 | (31,476,219) | (248,024,581) |
| Purchase of intangible assets | 6 | (595,300) | - |
| Purchase of investments | | (19,590,877,999) | (6,282,656,387) |
| Redemption of investments | | 18,004,502,543 | 6,832,235,879 |
| Dividend income | 17 | 129,732,330 | 79,229,699 |
| Proceeds from disposal of property and equipment | | 599,200 | 13,000 |
| Net cash (used in) / generated from investing activities | | (1,488,115,445) | 380,797,610 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Loan for credit pool received | 13.20 | 8,285,663,000 | 3,007,160,000 |
| Loan for credit pool repaid | 13.20 | (6,123,803,513) | (4,854,811,583) |
| Net cash (used in) / generated from financing activities | | 2,161,859,487 | (1,847,651,583) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | 1,776,135,363 | (534,438,988) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 3,210,267,748 | 4,265,082,109 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 17 | - | 2,408,652 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 4,986,403,111 | 3,733,051,773 |
| CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 12 | 3,108,425,932 | 3,210,267,748 |
| Term deposit receipts | 9.2 | 1,877,977,179 | 522,784,025 |
| | | 4,986,403,111 | 3,733,051,773 |

The annexed notes from 1 to 36 form an integral part of these financial statements.

YK


Chief Executive Officer


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, 2024

| | Unrestricted | Restricted | | | Total |
|---|------------------------|----------------------|--------------------|------------------------|-----------------------|
| | General fund | Donated fund | Contributed fund | Reserves for loan loss | |
| ----- Rupees ----- | | | | | |
| Balance as at July 01, 2022 (Restated) | 689,066,545 | 2,273,997,193 | 622,982,314 | 8,920,000 | 3,594,966,052 |
| (Deficit) / Surplus for the year | 337,327,439 | 2,163,592,592 | 135,256,244 | - | 2,636,176,275 |
| Other comprehensive income | - | - | - | - | - |
| Changes due to restatement | 9,143,045,313 | - | - | - | 9,143,045,313 |
| Total comprehensive income | 9,480,372,752 | 2,163,592,592 | 135,256,244 | - | 11,779,221,588 |
| Balance as at June 30, 2023 (Restated) | 10,169,439,297 | 4,437,589,785 | 758,238,558 | 8,920,000 | 15,374,187,640 |
| 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 | - | - | - | - | - |
| Total comprehensive income | (1,508,203,138) | 883,318,344 | 162,656,112 | - | (462,228,682) |
| Balance as at June 30, 2024 | 8,661,236,159 | 5,320,908,129 | 920,894,670 | 8,920,000 | 14,911,958,958 |

YK

The annexed notes from 1 to 36 form an integral part of these financial statements.


 Chief Executive Officer


 Chief Financial Officer


 Director