Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Akhuwat Islamic Microfinance

Financial Statements For the Year Ended June 30, 2018.

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

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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, 2018, 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, 2018 and of its 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 Auditors' Report Thereon

We understand there will be no other information accompanying the financial statements. Accordingly, we do not have any obligation to report on such information.

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 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 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.

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

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 equity 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Deloitte Yousuf Adil
Chartered Accountants

Lahore
Date: September 16, 2018

AKHUWAT ISLAMIC MICROFINANCE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	2017
		------------Rupees------------	
ASSETS			
NON CURRENT ASSETS			
Equipment	7	72,985,768	-
Intangible assets	8	1,290,640	-
Long term microloans receivable	10	2,810,707,817	-
		2,884,984,225	-
CURRENT ASSETS			
Microloans receivable	10	13,590,510,918	-
Cash and bank balances	9	998,202,178	-
Receivables and other assets	11	367,015,381	-
		14,955,728,477	-
		17,840,712,702	-
LIABILITIES			
NON CURRENT LIABILITIES			
Loan for credit pool	13	15,798,748,300	-
CURRENT LIABILITIES			
Loan for credit pool	13	473,976,332	-
Creditors, accrued and other liabilities	12	80,033,584	666,315
		554,009,916	666,315
		16,352,758,216	666,315
FUNDS			
UNRESTRICTED			
General fund		188,592,061	(666,315)
RESTRICTED			
Donated fund		1,165,472,955	-
Contributed fund		125,150,029	-
Reserves for loan loss		8,739,441	-
		1,299,362,425	-
		1,487,954,486	(666,315)
CONTINGENCIES AND COMMITMENTS	14	-	-
		17,840,712,702	-

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive Officer

DYA

Director

AKHUWAT ISLAMIC MICROFINANCE

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	Note	Unrestricted general fund	Restricted			2018	For the period from Jan 26, 2017 to June 30, 2017
			Donated fund	Contributed fund	Reserves for loan loss		
		---------- Rupees ----------					
INCOME							
Operating income	15	1,548,032,108	-	-	1,723,906	1,549,756,014	-
Other income	16	60,075,065	-	-	-	60,075,065	-
Donations received during the year	17	-	263,114,845	-	-	263,114,845	-
Contributions received during the year	18	-	-	206,937,905	-	206,937,905	-
EXPENDITURE							
Operational cost	19	1,257,010,811	-	-	-	1,257,010,811	-
General and administrative expenses	20	106,667,017	-	-	-	106,667,017	666,315
Provision for loan loss	10.4	55,170,969	-	-	1,176,149	56,347,118	-
Donations paid during the year		-	150,000	-	-	150,000	-
Death claims settled during the year		-	-	81,880,333	-	81,880,333	-
		1,418,848,797	150,000	81,880,333	1,176,149	1,502,055,279	666,315
Surplus/ (deficit) for the year		189,258,376	262,964,845	125,057,572	547,757	577,828,550	(666,315)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		189,258,376	262,964,845	125,057,572	547,757	577,828,550	(666,315)

The annexed notes from 1 to 28 form an integral part of these financial statements.

DYA

Chief Executive Officer

Director

AKHUWAT ISLAMIC MICROFINANCE
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted general fund	Restricted			Total
		Donated fund	Contributed fund	Reserves for loan loss	
	----------	----------	Rupees	----------	----------
Balance as at Jan 26, 2017	-	-	-	-	-
Comprehensive income:					
Deficit for the year	(666,315)	-	-	-	(666,315)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	(666,315)	-	-	-	(666,315)
Balance as at June 30, 2017	(666,315)	-	-	-	(666,315)
Transferred during the year	-	702,508,110	200,092,457	8,191,684	910,792,251
Comprehensive income:					
Surplus for the year	189,258,376	262,964,845	125,057,572	547,757	577,828,550
Transfer within funds	-	200,000,000	(200,000,000)	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	189,258,376	462,964,845	(74,942,428)	547,757	577,828,550
Balance as at June 30, 2018	188,592,061	1,165,472,955	125,150,029	8,739,441	1,487,954,486

The annexed notes from 1 to 28 form an integral part of these financial statements.

DYA

Chief Executive Officer

Director

AKHUWAT ISLAMIC MICROFINANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	For the period from Jan 26, 2017 to June 30, 2017
		---------Rupees---------	
Cash flows from operating activities			
Surplus / (deficit) for the year / period		577,828,550	(666,315)
Adjustments for:			
Depreciation on equipment	7	18,613,276	-
Amortization of intangible assets	8	247,055	-
Return on bank deposits		(49,234,461)	-
Provision for loan loss	10.4	55,170,969	-
		24,796,839	-
		602,625,389	(666,315)
Changes in working capital			
Increase in microloans receivable		(3,446,558,827)	-
Increase in receivables and other assets		(322,019,361)	-
Increase in creditors, accrued and other liabilities		22,685,752	666,315
		(3,745,892,436)	666,315
Net cash used in operating activities		(3,143,267,047)	-
Cash flow from investing activities			
Purchase of equipment	7	(17,841,390)	-
Purchase of intangible assets	8	(1,537,695)	-
Return on bank deposits		49,234,461	-
Net cash generated from investing activities		29,855,376	-
Cash flow from financing activities			
Loan for credit pool received		2,156,657,334	-
Net cash generated from financing activities		2,156,657,334	-
Net decrease in cash and cash equivalents		(956,754,337)	-
Cash and cash equivalent at the beginning of the year / period		-	-
Transfer during the year / period		1,954,956,515	-
Cash and cash equivalents at the end of the year / period	9	998,202,178	-

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive Officer

Director

AKHUWAT ISLAMIC MICROFINANCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 General information

1.1 Legal status and nature of business

Akhuwat Islamic Microfinance (the "Company") was incorporated in Pakistan on January 26, 2017 as company limited by guarantee, not having share capital and licensed as association not for profit under Section 42 of the repealed Companies Ordinance, 1984. In January 2018, the Company has been licensed by Securities and Exchange Commission of Pakistan (SECP) to carry out investment finance services as a non-banking finance company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the "NBFC Rules") through a license of registration issued by SECP.

Principal activities of the Company are to promote, support and contribute towards the betterment of the social well being of individuals, groups and communities. The Company was established to provide interest free microloans and to launch ancillary programmes of various short and long term nature and is engaged in charitable activities, capacity building through interest-free microloans enhancement to poor with a view to make them self-reliant. Registered office of the Company is situated at 19-Civic Center A-2 Township, Lahore. The Company has 791 branches all over the country.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards in Pakistan applicable for the Company comprise of:

• International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

• Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

• Provisions of and directives issued under the Companies Act, 2017 and the NBFC Rules.

Where provisions of and directives issued under the Companies Act, 2017 and NBFC Rules differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 and NBFC Rules have been followed.

SECP vide Circular No. 19 -Reference No. SECP/ICAP/EM/34/2003/474 has deferred the applicability of IAS 39 'Financial Instruments: Recognition and Measurement' for non-banking finance companies engaged in Investment Finance Services. Accordingly, the requirements of the said standard have not been considered in the preparation of these financial statements.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses.	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets, change in nomenclature of primary statements, etc.

2.3 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	The Company is exempt from applying IAS 39 and is currently awaiting instructions from SECP as to the applicability of IFRS 9.
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Provision for loans considered doubtful for recovery - (note 5.6.1)
- Useful life of depreciable assets - (note 7)
- Useful life of intangibles - (note 8)

2.5 Non-comparability of corresponding figures

The corresponding figures in financial statements are not comparable with financial statements of current year as the corresponding figures comprise of period from January 26, 2017 to June 30, 2017 while current year financial statements comprises of year end June 30, 2018.

3 Significant transactions and events affecting the Company's financial position and performance

The Company's financial position and performance was particularly affected by the transfer of assets and liabilities from Akhuwat as disclosed in note 6.

4 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for:

- Certain foreign currency translation adjustments; and
- Fair value measurement of certain short term investment

5 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

5.1 Equipment

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Depreciation on all operating fixed assets is charged to income on reducing balance method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note to the financial statements.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each reporting date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of income and expenditure. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income in the year the asset is derecognized.

5.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified accumulated impairment loss. These are amortized using the straight line method at the rate of 33.33%. Amortization on additions is charged from the month in which an intangible asset is acquired, while no amortization is charged for the month in which intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

5.3 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at gross receipts given plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at repayable amounts, less any impairment losses/ provision for doubtful recovery.

Loans and receivables comprise of long term loans, micro credit loan portfolio, long term deposits, advances deposits and other receivables, and cash and cash equivalents of the Company.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

Borrowings

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at repayment values. Finance charges, if any, are accounted for on an accrual basis and are included in creditors and accruals to the extent of the amount remaining unpaid.

5.4 Leases

Operating leases

All the Company's assets are on operating lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight-line basis over the lease term.

5.5 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

5.6.1 Provision for loans considered doubtful for recovery

Company has been licensed by SECP to carry out the 'Investment Finance Services' as a Non-Banking Finance Company under rule 5 of the NBFC Rules as amended through S.R.O. 1002 (i)/2015. The NBFC Rules and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC and NE Regulations) describe the basis for recording of provisions for doubtful debts. Accordingly, specific and general provisions have been determined on the basis of prescribed requirements and charged to income and expenditure account. Judgement by management is required in the estimation of the amount and timing of future cash flows while determining the extent of additional provision required. Such estimates are based on assumption about a number of factors including credit loss history. Actual cash flows may differ resulting in subsequent changes to the provisions.

5.7 Recognition of grants and donations

Grants are recognized when there is reasonable assurance that the entity will comply with the relevant conditions, if any, and the grant will be received.

Grants related to assets are initially recognized at fair value in statement of financial position, as deferred income, that is amortized over the useful life of the asset.
Grants related to project expenses are recognized as revenue in the income and expenditure account on a systematic basis in the same periods in which the expenses are incurred, on a net basis i.e. offset the grant against the related expenditure.

Grants where no conditions are associated by the donor with its utilization are recognized as income in the period in which it is received.

5.8 Taxation

The Company is entitled to one hundred percent tax credit of the income tax payable, including minimum and final taxes payable, under section 100(C) of the Income Tax Ordinance, 2001. Therefore, no provision of income tax has been accounted for in these financial statements.

5.9 Revenue recognition

Unrestricted / General fund

Service charges are recognized on the basis defined in the agreements with lenders or when the right to receipt is established.

Processing fee for microloans collected from borrowers is recognized on receipt basis.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Restricted funds

The Company has adopted the restricted fund method for recognition of its following funds, as prescribed in Accounting Standards for Not-for-Profit Companies (NPOs).

Donated fund

Donations received from general public under the donated fund are recognized on receipt basis and are used for providing microloans and for paying donations. Donations received in kind are measured at the market value prevailing at the time of the transaction.

Contributed fund

The voluntary contribution by borrowers, 1% of loan amount is recognized on receipt basis and used to write off loans of deceased / disabled borrowers and to pay funeral charges to the heirs of deceased borrowers. The accumulated balance is reflected in Contributed fund.

Reserves for loan loss

As per the agreement between the Company and Prime Minister Interest Free Loan Scheme, a reserve for loan losses to be maintained of outstanding portfolio under this scheme. This reserve is used for the write-off of loans given under this scheme.

6 Transfer of Microloans operations

The Board of Directors of the Akhuwat (a society registered under Societies Registration Act, 1860), in their meeting held on September 11, 2016, approved the transfer of its microloans operations to the Company. Akhuwat is an associated concern of the Company due to common directorship.

The transaction resulted in transfer of microloans portfolio, credit pool and other associated balances of Akhuwat to the Company. As per the decision of the Board, the balances related to microloans operations, related assets, loan for credit pool, other related liabilities and funds of the Akhuwat, based on its audited financial statements as at June 30, 2017, were transferred with effect from July 01, 2017. Summary of balances transferred are mentioned below:

	---------Rupees---------
ASSETS	
Cash and cash equivalents	1,954,956,515
Microloans receivable	13,009,830,877
Receivables and other assets	44,996,020
Equipment	73,757,654
Total assets transferred	15,083,541,066
LIABILITIES	
Creditors, accrued and other liabilities	35,013,291
Loan for credit pool	14,116,067,298
Total liabilities transferred	14,151,080,589
FUNDS	
Donated fund	702,508,110
Contributed fund	200,092,457
Reserves for loan loss	8,191,684
Total funds transferred	910,792,251

The Company considers the transfer as a 'Common Control Transaction' and accordingly has recognized the transferred assets and liabilities at respective book values. These transactions have been presented in these financial statements as transfers from related party.

7 Equipment

	Furniture, fixture and office equipment	Vehicles	Total
	----------------------------------Rupees----------------------------------		
Cost:			
Balance as at Jan 26, 2017	-	-	-
Transfer from related party	-	-	-
Additions	-	-	-
Disposals	-	-	-
Balance as at June 30, 2017	-	-	-
Balance as at July 1, 2017	-	-	-
Transfer from related party	46,447,508	27,310,146	73,757,654
Additions	11,455,011	6,386,379	17,841,390
Disposals	-	-	-
Balance as at June 30, 2018	57,902,519	33,696,525	91,599,044
Accumulated depreciation:			
Balance as at Jan 26, 2017	-	-	-
Charge for the year	-	-	-
Disposals	-	-	-
Balance as at June 30, 2017	-	-	-
Balance as at July 1, 2017	-	-	-
Charge for the year	12,181,126	6,432,150	18,613,276
Disposals	-	-	-
Balance as at June 30, 2018	12,181,126	6,432,150	18,613,276
Carrying amount:			
Balance as at June 30, 2017	-	-	-
Balance as at June 30, 2018	45,721,393	27,264,375	72,985,768
Rate of depreciation %	20% - 33.33%	20%	

8 Intangible assets

Cost:	Software	Total
	---------------Rupees---------------	
Balance as at Jan 26, 2017	-	-
Additions	-	-
Disposals	-	-
Balance as at June 30, 2017	-	-
Balance as at July 1, 2017	-	-
Additions	1,537,695	1,537,695
Disposals	-	-
Balance as at June 30, 2018	**1,537,695**	**1,537,695**
Accumulated ammortization:		
Balance as at Jan 26, 2017	-	-
Charge for the year	-	-
Disposals	-	-
Balance as at June 30, 2017	-	-
Balance as at July 1, 2017	-	-
Charge for the year	247,055	247,055
Disposals	-	-
Balance as at June 30, 2018	247,055	247,055
Carrying amount:		
Balance as at June 30, 2017	-	-
Balance as at June 30, 2018	1,290,640	1,290,640
Rate of amortization %	20% - 33%	

		Note	2018	2017
			---------Rupees---------	
9	**Cash and bank balances**			
	Cash at bank			
	Current accounts		360,601,570	-
	Saving accounts	9.1	635,830,486	-
			996,432,056	-
	Cash in hand		1,770,122	-
			998,202,178	-

9.1 These balances are held in islamic banking accounts and carry return rate ranging from 3.07% to 4.65%.

		Note	2018	2017
			---------Rupees---------	
10	**Long term microloans receivable**			
	Individual loans	10.1	16,560,190,492	-
	Educational loans	10.2	6,697,119	-
			16,566,887,611	-
	Due within one year:			
	Individual loans		(13,590,510,918)	
	Less: provision for loan loss	10.4	(165,668,876)	-
			2,810,707,817	-
10.1	**Individual loans**			
	Balance as at July 1		-	-
	Transferred during the year		13,127,641,498	-
	Disbursed during the year		21,633,965,978	-
			34,761,607,476	-
	Recovered during the year		(18,180,502,458)	-
			16,581,105,018	-
	Written off during the year		(20,914,526)	-
	Balance as at June 30		16,560,190,492	-

These represent interest free loans given to individuals for productive/ income generating activities against personal guarantees. Application form fee of Rs. 200 is charged and borrowers are also encouraged to contribute voluntarily out of their own savings / income towards the Community Donation Programme. These loans have a repayment term ranging from 1 year to 2.5 years. Further related detail of individual loans are as follows:

10.2 These are long term interest free microloans given to needy students for their educational expenses.

	Note	2018	2017
		---------Rupees---------	
Total amount disbursed till year end	10.3	65,341,442,257	-
Borrowers as at June 30:			
- Total		2,767,547	-
- Male		1,613,771	-
- Female		1,153,776	-
Number of active loans at June 30		965,612	-
Recovery percentage		99.95%	-

10.3 The interest free microloan programme was previously managed by Akhuwat till year 2017 and since the programme inception, the total amount disbursed is Rs. 65.341 billion.

10.4 Provision for loan loss

General provision

Provision for loan losses is created on monthly basis to maintain the allowance at adequate levels for doubtful loans that are outstanding but yet not collected. For this purpose general provision of 0.5% is required as per NBFC and NE Regulations 2008.

Specific provision

Specific provision is created against balances which are known to have financial issues based on their repayments being overdue for certain days as per NBFC and NE Regulations 2008. It is created when a balance remains unpaid for following days:

Overdue Range	Percentage of Specific Provision
60-90 Days	25%
90-180 Days	50%
180 Days or more	100%

Loan losses (write-offs) are charged against the allowance for loan losses when management believes that the principal is unlikely to be recovered.

As per the applicable NBFC and NE Regulations, the Company is required to maintain following specific and general provisions:

	2018	2017
	---------Rupees---------	
Specific Provision	40,960,153	-
General Provision	82,569,125	-
	123,529,278	-

The Company has recognized the following specific and general provisions as at June 30:

	Note	2018	2017
		---------Rupees---------	
Specific Provision		40,960,153	-
General Provision		124,708,723	-
	10.4.1	165,668,876	-

10.4.1 Movement of provision during the year

		2018	2017
Balance as at July 01		-	-
Transferred from related party during the year		131,412,433	
Charge for the year		55,170,969	-
		186,583,402	
Written off against individual loans		(20,914,526)	
Balance as at June 30		165,668,876	-

11 Receivables and other assets

	Note	2018	2017
Advance tax		7,748,414	-
Advances to staff	11.1	34,282,751	-
Advances to suppliers		23,338,769	-
Security deposit		13,709,688	-
Accrued income		273,349,700	-
Prepaid rent		964,880	-
Office supplies		4,572,996	-
Other receivables	11.2	9,048,183	-
		367,015,381	-

11.1 These represent long term loans to employees for purchase of motorcycles, construction of new house, repair/maintenance of existing house and for their personal needs. These loans are payable over a period of 1 to 7 years by way of equal monthly installments.

11.2 It includes petty cash and operational advance(s) given to employees against official expenses.

		Note	2018	2017
			---------Rupees---------	
12	**Creditors, accrued and other liabilities**			
	Profit payable to PSIC	12.1	3,072,932	-
	Profit payable to GB	12.1	10,092,538	-
	Profit Payable to PMIFL	12.1	13,161,654	-
	Profit Payable to TEVTA	12.1	1,463,619	-
	Profit Payable to FATA	12.1	2,754,056	-
	Profit Payable to PSIC - Disable	12.1	14,164	-
	Profit payable to AJK	12.1	23,704	-
	Accrued expenses		7,382,976	-
	Health Takaful Payable	12.2	5,461,528	-
	EOBI payable		1,219,920	-
	Payable to related parties		31,993,645	516,315
	Other liabilities		3,392,848	150,000
			80,033,584	666,315

12.1 This represents the amount payable in respect of profit earned on the loan amount received from lenders and held in saving accounts. This profit is maintained for the purpose of disbursement to and recovery from the individual borrowers and the same is payable to lenders as per the loan agreements.

12.2 This represents the reserve created for payment for employees under Health Takaful Scheme.

		Note	2018	2017
			---------Rupees---------	
13	**Loan for credit pool**			
	Loan from PSIC	13.2	12,000,000,000	-
	Loan from GB	13.3	575,000,000	-
	Loan from Lend with Care	13.4	71,148,300	-
	Loan from PMIFL	13.5	446,000,000	-
	Loan from TEVTA	13.6	500,000,000	-
	Loan from FATA	13.7	500,000,000	-
	Loan from Agriculture Department	13.8	2,000,000,000	-
	Loan from individuals		43,476,332	-
	Loan from AJK	13.9	57,100,000	-
	Loan from PSPA	13.10	80,000,000	-
			16,272,724,632	-

13.1	**Particulars of loan for credit pool**			
	Up to one year		473,976,332	-
	Over one year		15,798,748,300	-
			16,272,724,632	-

13.2 This amount represents interest free loan received from Punjab Small Industries Corporation (PSIC) for a period of five years. The loan amount is to be used on a revolving basis to provide interest free microloans. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 7% of the disbursed amount from PSIC to meet its operational expenses. The agreement was further extended on October 24, 2017 and is continued for five years.

13.3 This amount represents interest free loan received from the Government of Gilgit-Baltistan (GB) started from April 15, 2013. The loan amount is to be used on a revolving basis to provide interest free microloans. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 10% of the disbursed amount from GB to meet its operational expenses. The agreement was further extended on February 16, 2018 and is continued for five years.

13.4 This amount represents interest free loan received from Care International, UK. The loan amount is to be used on a revolving basis to provide interest free microloans. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of USD 3,500 per annum to meet its operational expenses.

13.5 This represents interest free loan received from Pakistan Poverty Alleviation Fund under Prime Minister Interest Free Loan Scheme (PMIFL). Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 10% of loan received inclusive of loan loss fund as explained in note 15.4.

13.6 This represents interest free loan received from Technical Education & Vocational Training Authority (TEVTA) for a period of five years starting from October 09, 2015. The loan amount is to be used on a revolving basis to provide interest free microloans to TEVTA graduates. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 8% of the disbursed amount from TEVTA to meet its operational expenses.

13.7 This represents interest free loan received from FATA Development Authority for a period of five years starting from September 22, 2015. The loan amount is to be used on a revolving basis to provide interest free microloans to the people of FATA. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 10% of the disbursed amount from FATA Development Authority to meet its operational expenses.

13.8 This represents interest free loan received from Government of Punjab, Agriculture Department regarding disbursement of interest free loan under "Khadem-i-Punjab E-Credit Scheme" for a period of five years starting from December 08, 2016. The loan amount is to be used on a revolving basis to provide interest free microloans to the small farmers, tenants and share croppers, having landholding up to 2.5 acres of agriculture land. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 5.90% of the disbursed amount from GoPb to meet its operational expenses.

13.9 This represents interest free loan received from Azad Kashmir Small Industries Corporation for a period of five years starting from April 09, 2018. The loan amount is to be used on a revolving basis to provide interest free microloans. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 7% of the disbursed amount to meet its operational expenses.

13.10 This represents interest free loan received from Punjab Small Industries Corporation (PSIC) Punjab Social Protection Authority (PSPA) for a period of two years starting from August 21, 2017. The loan amount is to be used on a revolving basis to provide interest free microloans. Akhuwat Islamic Microfinance is entitled to receive service charges at the rate of 6% of the disbursed amount to meet its operational expenses.

14 Contingencies and commitments

There are no contingencies and commitments as at June 30, 2018 and June 30, 2017.

15	Operating income	Note	2018	For the period from Jan 26, 2017 to June 30, 2017
			---------Rupees---------	
	Operational income / service charges - net	15.1	1,388,848,942	-
	Processing fee	15.2	157,268,100	-
	Income from Community Donation Programme	15.3	1,915,066	-
			1,548,032,108	-
	Reserve for loan loss	15.4	1,723,906	-
			1,549,756,014	-

15.1 This represents the service charges against disbursement of interest free microloans to meet operational expenses and are net of provision for invoiced amount of Rs. 167 million where recovery is doubtful.

15.2 This represents fee received from prospective borrowers Rs. 200 per application form.

15.3 This represents donations collected through donation boxes placed at different community centers and retail stores.

15.4 This represents reserve for loan loss created for loan from PMIFL.

16	Other income	2018	For the period from Jan 26, 2017 to June 30, 2017
		---------Rupees---------	
	Profit on bank deposits	49,234,461	-
	Bad debts recovered	2,351,818	-
	Miscellaneous	8,488,786	-
		60,075,065	-

17 This represents donations received from general public which are used for providing interest free microloans and for paying donation.

18 The amount represents the voluntary contributions by borrowers at the rate of 1% of loan amount which is used to write off loans of deceased / disabled borrowers and to pay funeral charges to the heirs of deceased borrowers.

19	Operational cost	Note	2018	For the period from Jan 26, 2017 to June 30, 2017
			---------Rupees---------	
	Salaries, wages and benefits		1,011,528,728	-
	Stationery		31,810,824	-
	Rent		79,858,396	-
	Travelling and conveyance		24,086,236	-
	Depreciation	7	18,613,276	-
	Program promotion donation		17,524,799	-
	Repair and maintenance		11,096,631	-
	Communication		10,450,743	-
	Utilities		12,158,692	-
	Office supplies		17,081,143	-
	Consultancy services		5,797,338	-
	Staff training		8,500,381	-
	Security expenses		688,389	-
	Bank charges		40,975	-
	Fees and subscription		364,436	-
	Miscellaneous		7,409,824	-
			1,257,010,811	-

	Note	2018	For the period from Jan 26, 2017 to June 30, 2017
		---------Rupees---------	

20 General and administrative expenses

	Note	2018	For the period from Jan 26, 2017 to June 30, 2017
Salaries, wages and benefits		68,046,362	-
Stationery		2,054,591	-
Rent		419,721	-
Travelling and conveyance		2,257,688	-
Program promotion donation		2,793,159	-
Repair and maintenance		3,087,028	-
Communication		2,683,583	-
Utilities		1,260,408	-
Office supplies		2,615,343	-
Consultancy services		2,130,025	-
Staff training		690,852	-
Security expenses		290,651	-
Amortization	8	247,055	-
Auditor's remuneration	20.1	900,000	150,000
Bank charges		331,172	-
Fees and subscription		300,000	516,315
Miscellaneous		16,559,379	-
		106,667,017	666,315

20.1 Auditors' remuneration

	2018	For the period from Jan 26, 2017 to June 30, 2017
Annual audit fee	800,000	150,000
Out of pocket expenses	100,000	-
	900,000	150,000

21 Transactions with related party

Related parties comprise of the organizations with common directors and key management personnel. The Company in the normal course of business carries out various transactions with its related parties. The balance due from related parties have been disclosed in the relevant notes to the financial statements. Details of transactions with related parties are as follows:

Entity name	Nature of transaction	2018	For the period from Jan 26, 2017 to June 30, 2017
		---------Rupees---------	
Akhuwat	Expenses paid on behalf of the company	10,325,419	516,315
Akhuwat	Assets transferred during the year	15,083,541,066	-
Akhuwat	Liabilities and funds transferred	(15,061,872,840)	-

Akhuwat is an associated undertaking of the Company due to all directors being common.

22 Financial risk management

The Company's principal business activities by their nature involve assuming certain financial risks in order to achieve the desired financial and social returns. These risks include:

- Credit risk
- Market risk
- Liquidity risk

There have been no substantive changes in the Company's exposure to these risks, its objectives, policies and processes for managing these risks or the methods used to measure them from the year ended June 30, 2018, unless otherwise noted.

Credit Risk — Credit risk is the potential for financial loss resulting from the failure of a client or counterparty to honor its financial or contractual obligations. Credit risk arises from the Company's microfinance activities.

Credit risk of the Company arises principally from the investments, trade debts, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its borrowers. The management continuously monitors the credit exposure towards the borrowers and makes required provision and write off the necessary balances.

The Company's aggregate loan portfolio was Rs. 16.566 billion. The Company's total allowances for impairments totaled Rs. 165.668 million at June 30, 2018, a coverage ratio of 1% of total loans.

The Company conducts annual historical loan-loss migration analysis across its portfolio in order to determine the probability of default, defined as all loans in arrears in excess of 90 days, as well as an examination of other current observable factors (e.g. macroeconomic, operational, policy and systems changes, political risk, etc.) in order to establish credit reserves.

The observations collected in 2018 were included in the migration analysis that forms the statistical base of the credit risk calculation. The migration analysis performed on advances portfolio estimates the probability of default of a loan portfolio over a year based on historical observations.

Exposure to credit risk at June 30, 2018 is as follows:

	Note	2018	2017
		---------Rupees---------	
Cash and cash equivalents	9	998,202,178	-
Microloans receivable-net	10	16,401,218,735	-
Accrued income	11	273,349,700	-
Advances to staff	11	34,282,751	-
Security deposit	11	13,709,688	-
		17,720,763,052	-

- Impaired Loans — Impaired loans are loans for which the Company determines that it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan agreement.

- Past Due but Not Impaired Loans — Past due, but not impaired loans are loans where contractual amounts are past due, but the Company believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Company.

- Allowances for Impairment — the Company establishes an allowance for impairment losses that represents an estimate of probable or expected losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets with respect to losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

- Write-Off Policy — the Company writes off a loan (and any related allowances for impairment losses) after the specified days. These days are based on the Company's policy. Charge-off decisions are generally based on past due status.

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. At the year end, the Company has bank balances with the following banks:

	Rating		Rating Agency	2018	2017
	Short term	Long term		--------Rupees--------	
Habib Bank Limited	A-1+	AAA	JCR-VIS	665,633,523	-
MCB	A1+	AAA	PACRA	150,798,269	-
Bank Islami	A1	A+	PACRA	104,896,610	-
United Bank Limited	A-1+	AAA	JCR-VIS	29,777,673	-
Telenor Microfinance Bank Limited	A1	A+	PACRA	26,655,395	-
National Bank of Pakistan	A1+	AAA	PACRA	11,591,860	-
Karakoram Cooperative Bank Limit	N/A	N/A	N/A	6,850,240	-
Silk Bank Limited	A-2	A-	JCR-VIS	200,000	-
Meezan Bank	A-1+	AA	JCR-VIS	28,486	-
				996,432,056	-

Due to the Company's long standing business relationships with banks and after giving due consideration to their strong financial standing, management does not expect non-performance by them on their obligations to the Company. Accordingly, the credit risk is minimal.

Market Risk — Market risk includes price risk and currency risk, which arise in the normal course of the Company's business:

• Price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from profit rate risk or currency risk.

• Interest rate is the risk is that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates.

• Currency risk is the extent to which the Company is exposed to the currencies in which donations or funding are received and the respective functional currency of the Company. The Company is not exposed to any currency risk currently.

The Company's financial performance is subject to some degree of risk due to changes in profit rates; however, due to nature of operations, the Company has significantly less interest rate risk that of a traditional financial institution.

• The tenor mismatch between assets and liabilities is far less.

• The short-term nature of the Company's loans to clients renders the benefit of prepayments to be immaterial — thus, changes in market rates have an immaterial effect on prepayments.

Below is a consideration of profit rate risk by term of asset and liability as of June 30, 2018:

	Profit Sensitive Balances	Non-Profit Sensitive Balances	Total
	----------	Rupees	----------
Cash and cash equivalents	635,830,486	362,371,692	998,202,178
Microloans receivable-net	-	16,401,218,735	16,401,218,735
Receivables and other assets	-	321,342,139	321,342,139
	635,830,486	17,084,932,566	17,720,763,052
Creditors, accrued and other liabilities	-	80,033,584	80,033,584
Loan for credit pool	-	16,272,724,632	16,272,724,632
Total liabilities	-	16,352,758,216	16,352,758,216
Open position	635,830,486	732,174,350	1,368,004,836

A reasonably possible change of 10 basis points in profit rates at the reporting date would have increased / (decreased) profit by amounts by Rs. 6 million. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Liquidity Risk — Liquidity risk management includes (at a minimum) the identification, measurement and establishment of limits on potential losses arising from the difficulty of renewing liabilities under normal market conditions. The Company's funding and liquidity objective is to fund its existing asset base (and maintain sufficient excess liquidity) so that it can operate under unusual / adverse market conditions. At the aggregate level, the Company's goal is to ensure that there is sufficient funding in amount and tenor so that adequate liquid resources are available for all operating activities. The liquidity framework requires that entities be liquidity self-sufficient or net providers of liquidity. The primary sources of funding are non-profit bearing loans for credit pool and donations.

The Company works to ensure that the structural tenor of these funding sources is sufficiently long in relation to the tenor of its asset base. In fact, the key goal of the Company's asset-liability management is to ensure that there is excess tenor in the liability structure so as to provide excess liquidity to fund all assets. The excess liquidity resulting from a longer term liability tenor can effectively offset potential downward pressures on liquidity that may occur under market stress. This excess funding is held in the form of Company deposits and in unencumbered liquid securities.

Liquidity management is the responsibility of senior management of the Company and is overseen by the board of directors. The Company maintains legal reserve requirements in accordance with local regulations.

A traditional view of the Company's liquidity is provided by a GAP analysis. Considering the contractual terms of client loans, the Company has a substantial amount of excess liquidity in the under 1 year timeframe.

At June 30, 2018:	Up to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total
	Rupees				
Cash and bank balances	998,202,178	-	-	-	998,202,178
Long term microloans receivable	13,590,510,918	2,805,144,748	5,563,069	-	16,401,218,735
Receivables and other assets	286,666,900	11,161,787	3,370,223	20,143,229	321,342,139
	14,875,379,996	2,816,306,535	8,933,292	20,143,229	17,720,763,052
Creditors, accrued and other liabilities	80,033,584	-	-	-	80,033,584
Loan for credit pool	473,976,332	8,670,500,000	7,057,100,000	71,148,300	16,272,724,632
	554,009,916	8,670,500,000	7,057,100,000	71,148,300	16,352,758,216
Liquidity gap	14,321,370,080	(5,854,193,465)	(7,048,166,708)	(51,005,071)	1,368,004,836

The Company's statements of financial position remain liquid owing to the short asset tenor.

Counterparty Risk — the Company's exposure to the financial loss associated with balances held in other financial institutions is managed in accordance with prescribed limits. The Company looks at counterparty exposure on a monthly basis to make sure that Company holds liquid funds with Companies of high reputation or to invest in mutual funds.

The level of counterparty risk incurred reflects the nature and purpose of the assets held by the Company (aside from its loan portfolio). Such assets are largely transactional in nature (generated by the routine payments by clients). In addition, a minimum amount of cash and liquid securities is held to ensure sufficient liquidity for the Company. While the Company tries to generate some income from these assets, the overriding objective is to ensure their secure placement and high level of availability — risk considerations predominate. This is particularly visible in the area of Company placements, where the Company is able to take active decisions with respect to the selection of counterparties and the maturity of placements.

23 Number of employees

The average and total number of employees during year ended June 30, 2018 are as follows:

	2018	2017
	Number of Employees	
Total number of employees at head office as at June 30	247	-
Total number of employees at branches as at June 30	4,159	-
Average number of employees at head office during the year	236	-
Average number of employees at branches during the year	3,981	-

	Number of persons	2018	For the period from Jan 26, 2017 to June 30, 2017
		Rupees	
24 Remuneration of chief executive, directors and executives			
Chief executive	1	-	-
Directors	6	-	-
Executives	5	13,481,463	-
Total		13,481,463	-

25 **Fair values of financial assets and liabilities**

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

26 **Date of authorization**

These financial statements were authorized on 16 SEP 2018 by the Board of Directors of the Company.

27 **Corresponding figures**

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made during the year.

28 **General**

Figures have been rounded off to the nearest Rupee.

DYM

Chief Executive Officer

Director