

AKHUWAT

FINANCIAL STATEMENTS

For the Year Ended

June 30, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Akhuwat** (the Organization) as at June 30, 2012, the related income and expenditure account, cash flow statement and statement of changes in funds together with the notes forming part thereof (herein after referred to as the financial statements) for the year then ended.

It is the responsibility of the Organization's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position of the Organization as at June 30, 2012 and of its deficit, changes in accumulated funds and cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The financial statements of the Organization for the year ended June 30, 2011 were audited by another firm of Chartered Accountants whose report dated May 25, 2012 expressed unqualified opinion thereon.

M. Yousuf Adil Saleem
Chartered Accountants

Engagement Partner

Talat Javed

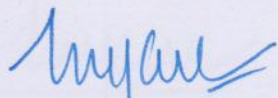
Date: March 11, 2014
Lahore

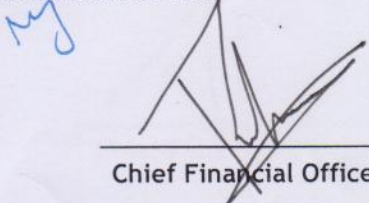
AKHUWAT

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012	2011 (Restated)
-----Rupees-----			
ASSETS			
Current assets			
Advances and other receivables	5	10,003,766	5,595,544
Current portion of micro loans portfolio	6	700,519,087	221,877,582
Investments	11.2	121,500,000	1,000,000
Cash and bank balances	7	500,962,415	31,490,462
		1,332,985,268	259,963,588
Non-current assets			
Property and equipment	8	37,892,988	19,948,177
Intangibles		364,320	364,320
Long term advances and security deposits	9	4,858,849	2,945,413
Micro loans portfolio	10	60,517,542	19,957,843
Investments	11	35,000,000	20,000,000
		138,633,699	63,215,753
		1,471,618,967	323,179,341
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	12	10,475,356	2,409,672
Provident fund payable	13	4,199,863	3,315,512
		14,675,219	5,725,184
Non-current liabilities			
Loan for credit pool	14	1,005,650,000	450,000
		1,020,325,219	6,175,184
		451,293,748	317,004,157
REPRESENTED BY			
Donated funds		515,365,766	380,540,581
General fund		(69,258,673)	(64,544,719)
Takaful fund		3,510,772	(588,148)
Rehabilitation fund		1,675,883	1,596,443
		451,293,748	317,004,157
Contingencies and commitments	15	-	-
		451,293,748	317,004,157

The annexed notes from 1 to 24 form an integral part of these financial statements.


Executive Director

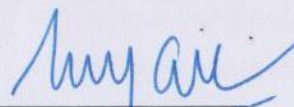

Chief Financial Officer

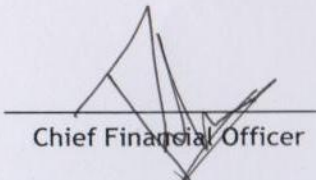
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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

		2012			2011		
		Microfinance Operations	Akhuwat Health Services	Total	Microfinance Operations (Restated)	Akhuwat Health Services	Total (Restated)
Note		----- Rupees -----					
Income							
Processing fee	16	19,442,575	-	19,442,575	7,945,254	-	7,945,254
Other income	17	15,387,644	-	15,387,644	3,783,083	-	3,783,083
Community donations	18	2,680,399	-	2,680,399	569,387	-	569,387
Operational donations	19	60,276,145	-	60,276,145	3,932,944	-	3,932,944
Income from AHS Clinic	20	-	704,210	704,210	-	487,860	487,860
		97,786,763	704,210	98,490,973	16,230,668	487,860	16,718,528
Expenditure							
General and administrative expenses	21	90,569,412	2,436,372	93,005,784	50,837,157	2,165,591	53,002,748
Programme assistance		5,200,834	-	5,200,834	6,466,930	60,400	6,527,330
Provision for loan loss	10.4	6,423,129	-	6,423,129	1,639,242	-	1,639,242
Death claims written off against Takaful fund		560,570	-	560,570	790,450	-	790,450
Funeral charges paid from Takaful fund		465,000	-	465,000	455,000	-	455,000
Advances written off		429,342	-	429,342	-	-	-
		103,648,287	2,436,372	106,084,659	60,188,779	2,225,991	62,414,770
Deficit for the year		(5,861,524)	(1,732,162)	(7,593,686)	(43,958,111)	(1,738,131)	(45,696,242)

The annexed notes from 1 to 24 form an integral part of these financial statements.


Executive Director

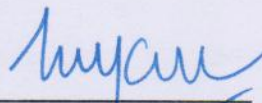

Chief Financial Officer


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CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011 (Restated)
	-----Rupees-----	
Cash flow from operating activities		
Deficit for the year	(7,593,686)	(45,696,242)
Adjustments for:		
Depreciation on property and equipment	801,852	466,269
Loss on disposal of property and equipment	43,835	-
Profit on bank deposits	(12,887,527)	(2,819,317)
Provision for loan loss	6,423,129	1,639,242
Advances written off	429,342	-
	(5,189,369)	(713,806)
	<u>(12,783,055)</u>	<u>(46,410,048)</u>
Change in working capital		
Increase in micro loans portfolio	(526,053,675)	(94,908,451)
Increase in advances and other receivables	(2,860,279)	(2,477,307)
Increase in creditors, accrued and other liabilities	8,065,684	1,470,252
Increase in provident fund payable	884,351	1,315,047
	(519,963,919)	(94,600,459)
Net cash used in operating activities	<u>(532,746,974)</u>	<u>(141,010,507)</u>
Cash flow from investing activities		
Purchase of property and equipment	(18,793,178)	(2,698,616)
Sale proceeds from disposal of property and equipment	2,680	-
Purchase of intangible assets	-	(104,400)
Purchase of investments	(135,500,000)	-
Profit on bank deposits	9,426,148	2,689,298
Net cash used in investing activities	<u>(144,864,350)</u>	<u>(113,718)</u>
Cash flow from financing activities		
Donations received	141,883,277	143,413,546
Loan for credit pool received / (paid)	1,005,200,000	(524,000)
Net cash from financing activities	<u>1,147,083,277</u>	<u>142,889,546</u>
Net increase in cash and cash equivalents	469,471,953	1,765,321
Cash and cash equivalent at the beginning of the year	31,490,462	29,725,141
Cash and cash equivalents at the end of the year	<u>500,962,415</u>	<u>31,490,462</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.


Executive Director

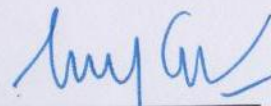

Chief Financial Officer

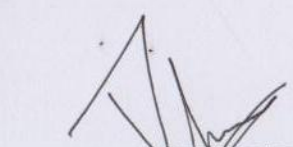
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STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED JUNE 30, 2012

	Donated funds	General fund	Takaful fund	Rehabilitation fund	Total
	----- Rupees -----				
Balance as at June 30, 2010 as previously reported	233,443,722	(16,237,865)	912,553	1,066,401	219,184,811
Effect of change in accounting policy as per note 4.7	5,666,193	(5,666,193)	-	-	-
Balance as at June 30, 2010 - restated	239,109,915	(21,904,058)	912,553	1,066,401	219,184,811
Deficit for the year - restated	-	(43,958,111)	(1,738,131)	-	(45,696,242)
Donations received during the year - restated	141,430,666	-	1,482,880	500,000	143,413,546
Income from Rehabilitation fund	-	-	-	102,042	102,042
Stipends paid out of Rehabilitation fund	-	72,000	-	(72,000)	-
Death claims realized during the year transferred from Takaful fund to General fund	-	1,245,450	(1,245,450)	-	-
Balance as at June 30, 2011 - restated	380,540,581	(64,544,719)	(588,148)	1,596,443	317,004,157
Deficit for the year	-	(5,861,524)	(1,732,162)	-	(7,593,686)
Donations received during the year	134,825,185	-	6,856,652	75,000	141,756,837
Income from Rehabilitation fund	-	-	-	126,440	126,440
Stipends paid out of Rehabilitation fund	-	122,000	-	(122,000)	-
Death claims realized during the year transferred from Takaful fund to General fund	-	1,025,570	(1,025,570)	-	-
Balance as at June 30, 2012	515,365,766	(69,258,673)	3,510,772	1,675,883	451,293,748

The annexed notes from 1 to 24 form an integral part of these financial statements.


Executive Director


Chief Financial Officer

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1 General information

1.1 Legal status and nature of business

Akhuwat (the Organization) was registered in Pakistan on May 13, 2003 as a society, under the Societies Registration Act, 1860. It has 74 (2011: 52) branches in the province of Punjab.

The Organization was established to provide interest free micro credit and to launch ancillary programmes of various short and long term nature. The Organization is principally engaged to carry on the following objectives:

- Organizing women in particular and men in general into socially viable community groups called Self Help Groups.
- Providing interest-free micro-credit finance services to the poor women through Self Help Groups and the individuals.
- Capacity building through interest-free micro-credit enhancement to the poor in urban areas with a view to make them self-reliant.
- Creating avenues for self-employment and broadening scope of opportunities available to the poor.
- Identifying people/organizations desirous of planning and executing such programmes elsewhere and providing them with necessary support and resources.

The Organization is also operating a clinic, under the umbrella of Akhuwat Health Services (AHS), aimed at providing subsidized health services to the poor.

The Organization is managing four funds, out of these Donated funds and General fund are used for providing microfinance as well as operational expenses of the Organization, at the discretion of Board of Directors, Takaful Fund is only used for writing off loans of deceased borrowers, providing them funeral charges and for Akhuwat Health Services expenses, whereas Rehabilitation fund is used only for stipends to heirs of victims of suicide bomb attack.

Following assets were purchased under the terms of a micro finance scheme approved on September 18, 2009 supported by Pakistani Italian Debt for Development Swap Agreement (PIDSA) signed in Islamabad on November 04, 2006 between the Government of the Italian Republic and the Government of the Islamic Republic of Pakistan to provide Rs. 46 million. These assets are in use of the Organization but are property of PIDSA.

Assets	2012	2011
	-----Rupees-----	
Computers	159,529	159,529
Furniture and fixture	91,898	91,898
Office equipment	347,626	347,626
Vehicles	722,600	722,600
	<u>1,321,653</u>	<u>1,321,653</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Following assets were purchased under the agreement made on November 29, 2010 between Plan International, Inc. (Plan), a non-profit international humanitarian child focused development organization and Akhuwat. Plan has approved the budget amounting to Rs. 4.15 million for the period November 1, 2010 to October 30, 2011. These assets are in use of the Organization but are property of Plan.

Assets	2012	2011
	-----Rupees-----	
Laptops	<u>360,000</u>	<u>360,000</u>

1.2 The financial statements are presented in Pak Rupee, which is the Organization's functional and presentation currency.

2 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of the Accounting and Financial Reporting Standards for Medium-Sized Entities (MSEs) and guidelines for NGO's engaged in microfinance issued by the Institute of Chartered Accountants of Pakistan (ICAP).

The above mentioned framework has been applied as per the clarification provided by The Punjab Small Industries Corporation (PSIC) through its letter dated February 12, 2014.

3 Basis of measurement

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements is in conformity with the Approved Accounting and Financial Reporting Standards for MSEs and the guidelines issued by ICAP that requires the use of certain critical accounting estimates and judgments in application of accounting policies. The area involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.11.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for change in accounting policy as mentioned in Note 4.7.

4.1 Property and equipment

4.1.1 Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any. The amount is transferred to the respective category under the operating fixed assets when the assets are ready for intended use.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

4.1.2 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is carried at cost less any identified impairment loss. Depreciation on all operating fixed assets is charged to profit 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 8.2 to the financial statements.

The asset's residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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 item will flow to the Organization 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.

Gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.2 Intangibles

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of web site development charges capitalized and it is considered that it has an indefinite useful life.

Useful life of such an asset is reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

The change in the useful life assessment from indefinite to finite will be accounted for as a change in an accounting estimate.

Intangible assets with indefinite useful life are not amortized but are assessed at each balance sheet date for any indication that intangible 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 amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

4.3 Micro loans portfolio

Advances are stated net of provisions for non-performing advances. A provision is made at the rate of 1% of the total outstanding balance of individual loan portfolio on year end. Individual loans outstanding for more than 90 days after their expiry are written off.

4.4 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.5 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 Organization.

4.6 Staff retirement benefits

The Organization operates an unapproved defined contribution provident fund scheme for its permanent employees, who opt for the scheme. Monthly deductions are made from the salaries of the employees at the rate of 10% of basic salary. The Organization recognizes an equal charge in the income and expenditure account. The accumulated amount has been recognized as a liability in the balance sheet.


4.7 Recognition of grants and donations

Grants received for providing loans are directly recognized in the Donated funds. Other funds provided by the donor to subsidize operating and administrative expenses are recognized directly as income, in the period of receipt. Donations received in kind are measured at the market value prevailing at the time of the transaction.

During the year, the management has changed its accounting policy for donations received from members. As a result now donations received from members are directly recognized in the Donated funds. This change in accounting policy has been accounted for retrospectively. The effect on last year's income and expenditure account and balance sheet items have been disclosed in note 22.

4.8 Taxation

The Organization has been granted exemption from tax by the Commissioner of Income Tax under clause 58 Part I of the Second Schedule of the Income Tax Ordinance, 2001.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

4.9 Revenue recognition

Service charges are calculated on the basis defined in the agreements with loaners and are recognized as income as soon as the right to receive is established.

Processing fee for micro credit loans collected from members 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.

4.10 Investments

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are measured at cost.

4.11 Use of critical accounting estimates and judgments

The preparation of financial statements is in conformity with the Approved Accounting and Reporting Standards for MSEs issued by ICAP that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the organization's accounting policies. The organization uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Organization's financial statements or where judgment was exercised in application of accounting policies are as follows:

- 1) Useful life of operating fixed assets; and
- 2) Provision for loan loss.

5	Advances and other receivables	Note	2012	2011
			-----Rupees-----	
	Advance tax		2,205,387	1,621,563
	Accrued income		3,693,440	232,061
	Other receivables		2,261,315	2,098,467
	Current portion of long term advances to staff - unsecured			
	- Motorcycle loans		259,150	336,090
	- Housing loans		771,792	284,000
	- Personal loans		812,682	1,023,363
		9	1,843,624	1,643,453
			10,003,766	5,595,544
6	Current portion of micro loans portfolio -unsecured			
	Educational loans		162,375	-
	Franchisee loans		2,309,500	300,000
	Individual loans		698,047,212	221,577,582
		10	700,519,087	221,877,582

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AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

		2012	2011
		-----Rupees-----	
7	Cash and bank balances		
	Cash at bank		
	- In current accounts	22,562,615	16,361,794
	- In saving accounts	475,652,095	14,679,693
		498,214,710	31,041,487
	Cash in hand	2,747,705	448,975
		<u>500,962,415</u>	<u>31,490,462</u>
7.1	These carry profit rate ranging from 6% to 6.7% (2011: 6%) per anum.		
8	Property and equipment		
	Capital work in progress	8.1	16,521,890
	Operating fixed assets	8.2	21,371,098
			19,948,177
		<u>37,892,988</u>	<u>19,948,177</u>
8.1	Capital work in progress		
	Civil Work	8.1.1	11,670,561
	Mobilization Advance	8.1.2	4,851,329
			16,521,890

8.1.1 This represents the expenditure being incurred on the construction of new head office building on a site situated at Township, Lahore. The construction contract has been made with Izhar Construction (Private) Limited on "cost plus" basis.

8.1.2 This represents the amount paid in advance to mobilize the sub-contractor for the construction of new head office building.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

8.2 Operating fixed assets as at June 30, 2012

	COST			ACCUMULATED DEPRECIATION			Book value as at June 30, 2012	Rate of depreciation %	
	As at July 01, 2011	Additions / (disposals)	Impairment adjustment	As at June 30, 2012	As at July 01, 2011	Charge for the year/ (on disposals)			As at June 30, 2012
-----Rupees-----									
Free hold land	16,465,615	-	-	16,465,615	-	-	-	16,465,615	-
Buildings on free hold land	935,000	-	-	935,000	382,892	55,211	438,103	496,897	10
Furniture, fixture and office equipment	4,072,700	2,178,688 (51,660)	-	6,199,728	1,142,246	728,121 (5,145)	1,865,222	4,334,506	10-33.33
Vehicles	-	92,600	-	92,600	-	18,520	18,520	74,080	10
	21,473,315	2,271,288 (51,660)	-	23,692,943	1,525,138	801,852 (5,145)	2,321,845	21,371,098	

Operating fixed assets as at June 30, 2011

	COST			ACCUMULATED DEPRECIATION			Book value as at June 30, 2011	Rate of depreciation %	
	As at July 01, 2010	Additions	Impairment adjustment	As at June 30, 2011	As at July 01, 2010	Charge for the year			As at June 30, 2011
-----Rupees-----									
Free hold land	16,120,035	435,580	(90,000)	16,465,615	-	-	-	16,465,615	-
Buildings on free hold land	935,000	-	-	935,000	321,546	61,346	382,892	552,108	10
Furniture, fixture and office equipment	1,809,664	2,263,036	-	4,072,700	737,323	404,923	1,142,246	2,930,454	10-33.33
Vehicles	-	-	-	-	-	-	-	-	10
	18,864,699	2,698,616	(90,000)	21,473,315	1,058,869	466,269	1,525,138	19,948,177	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 -----Rupees-----	2011
9 Long term advances and security deposits			
Long term advances to staff - considered good			
- Motor cycle loans	9.1	839,870	993,750
- Housing loans	9.2	3,844,202	2,169,065
- Personal loans	9.3	1,738,401	1,426,051
		6,422,473	4,588,866
Less: current portion of long term advances to staff - unsecured	5	(1,843,624)	(1,643,453)
		4,578,849	2,945,413
Long term security deposits		280,000	-
		<u>4,858,849</u>	<u>2,945,413</u>

9.1 These represent long term loans to employees for purchase of motorcycles. This amount is payable over a period of 3 to 7 years by way of equal installments ranging from Rs. 750 to Rs. 1,000 per month.

9.2 Housing loans are provided to employees for purchase of house in a housing scheme, construction of house and repair and maintenance of an existing house.

9.3 This represents long term loans given to permanent employees of Akhuwat for personal use. This amount is payable in unequal installments over a period of more than one year.

10 Micro loans portfolio -Unsecured

Educational loans	10.1	3,735,330	1,932,150
Franchisee loans	10.2	4,673,500	3,154,000
Individual loans	10.3	760,230,100	239,140,682
		768,638,930	244,226,832
Less: provision for loan loss	10.4	(7,602,301)	(2,391,407)
		761,036,629	241,835,425
Less: current portion of microloans portfolio	6	(700,519,087)	(221,877,582)
		<u>60,517,542</u>	<u>19,957,843</u>

10.1 These are long term interest-free micro loans given to needy students to meet their educational expenses.

10.2 This represents interest-free loans given to enterprise cum training institutes in different areas of Pakistan as part of the Organization's franchise programme developed to promote its objectives through partner organizations. Though these loans are treated as Qarz-e-Hasana with repayment terms of 1.5 years to 5 years; however, some of these loans do not have a specific repayment term. Details of franchisee loans are as follows:

Choti	250,000	250,000
Doors of Awareness	120,000	-
Farz Foundation	395,000	400,000
Kawish Welfare Trust	1,614,000	1,614,000
Kharpur Sindh (formerly: Sojho-Kherpur)	200,000	200,000
Muslim Aid	240,000	240,000
Rural Community Development Society	100,000	150,000
SE Trading Company	1,454,500	-
The Pakistan Society for the Rehabilitation of the Disabled	300,000	300,000
	<u>4,673,500</u>	<u>3,154,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

10.3 This represents loans given to individuals for productive/income generating activities against a personal guarantee. An application form fee of Rs. 100 is charged and borrowers are also encouraged to contribute voluntarily out of their own savings/income towards Community Donation Programme boxes provided at the time of disbursement of loans. Insurance fee of 1% of the principal amount is received up front from borrowers if the borrowed amount exceeds Rs. 5,000 (optional). These loans have a repayment term ranging from 1 year to 5 years. Cumulative recovery as on June 30, 2012 is 99.86 % (2011:99.85%) of cumulative due.

Included in these loans is an amount of Rs. 172,400 (2011: Rs.429,490) representing loans given to the employees of the Organization on similar terms as to other borrowers.

		2012	2011
	Note	-----Rupees-----	
10.4 Provision for loan loss			
Balance as at July 1		2,391,407	1,472,692
Charge for the year		6,423,129	1,639,242
		<u>8,814,536</u>	<u>3,111,934</u>
Written off against individual loans		(1,212,235)	(720,527)
Balance as at June 30		<u>7,602,301</u>	<u>2,391,407</u>
11 Investments			
Term deposit receipts (TDRs)		156,500,000	21,000,000
Maturing within twelve months	11.2	(121,500,000)	(1,000,000)
		<u>35,000,000</u>	<u>20,000,000</u>

11.1 Investments include TDRs with variable maturity, classified as held to maturity at profit rates ranging from 10.42% to 11.75% per annum (2011: 10.00% to 10.38% per annum)

11.2 Maturing within twelve months 121,500,000 1,000,000

12 Creditors, accrued and other liabilities

Accrued expenses		649,836	1,390,289
Profit payable to PSIC	12.1	2,614,798	-
Other liabilities		7,210,722	1,019,383
		<u>10,475,356</u>	<u>2,409,672</u>

12.1 This represents the amount payable to Punjab Small Industries Corporation (PSIC) in respect of profit earned on the loan amount received from PSIC 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 PSIC as per the loan agreement.

13 Provident fund payable

This represents the amount payable to employees in respect of provident fund scheme established in 2007. .

14 Loan for credit pool

This includes an interest free loan of Rs. 1,000 million received from Punjab Small Industries Corporation (PSIC) for a period of five years. The loan amount will be used on a revolving basis to provide interest free micro loans under the terms explained in Note 10.3 above. Akhuwat is entitled to receive service charges @ 7% of the disbursed amount from PSIC to meet its operational needs.

AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

		2012	2011
		-----Rupees-----	
15	Contingencies and commitments		
	Contingencies	Nil	Nil
	Commitments in respect of educational loans	<u>2,662,790</u>	<u>2,784,300</u>
16	Processing fee		
	This represents loan application fee of Rs.100 and optional insurance fee of 1% of the principal amount, charged up-front from the borrowers of individual loans. Loans less than or equal to Rs. 5,000 are not considered for insurance option.		
17	Other income		
	Profit on bank deposits and TDRs	17.1 12,887,527	2,819,317
	Sale of books and compact disks	11,250	46,450
	Income from hide collection	587,363	417,545
	Income from fine	400	20,670
	Miscellaneous	1,901,104	479,101
		<u>15,387,644</u>	<u>3,783,083</u>
17.1	Effective profit rate on deposits ranges from 5.00% to 9.80% per annum (2011: 5.00% to 9.91% per annum) and profit rate on TDRs ranges from 10.42% to 11.75% per annum (2011: 10.00% to 10.38% per annum).		
18	Community donations		
	This represents donations collected from donation boxes placed at different community centres and retail stores.		
19	Operational donations		
	These represent donations given by donors for day to day operational expenses.		
20	Income from AHS Clinic		
	This represents the token fee received from the patients visiting the health clinic both for outdoor checkups and for indoor treatments.		

AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

21 General and administrative expenses

Note	2012			2011		
	Microfinance Operations	Akhuwat Health Services	Total	Microfinance Operations	Akhuwat Health Services	Total
	-----Rupees-----					
	56,097,107	1,722,000	57,819,107	32,990,098	1,544,207	34,534,305
	726,451	15,480	741,931	717,442	6,842	724,284
	7,501,844	5,050	7,506,894	3,676,363	3,030	3,679,393
	2,517,624	3,070	2,520,694	1,093,283	1,599	1,094,882
	1,057,947	37,450	1,095,397	475,483	27,611	503,094
	2,353,206	-	2,353,206	423,014	-	423,014
	743,064	50,249	793,313	488,549	41,840	530,389
	2,245,904	-	2,245,904	596,668	-	596,668
	380,500	-	380,500	50,000	-	50,000
	621,072	-	621,072	210,041	-	210,041
	801,852	-	801,852	466,269	-	466,269
Audit 21.1	400,000	-	400,000	175,837	-	175,837
Utilities	869,612	60,130	929,742	730,850	59,980	790,830
Repair and maintenance	1,837,823	33,420	1,871,243	972,113	28,521	1,000,634
Rent	3,304,577	223,608	3,528,185	1,689,375	198,660	1,888,035
Staff training	1,978,427	4,654	1,983,081	1,747,472	4,650	1,752,122
Premium for Takaful arrangement	3,033,756	-	3,033,756	-	-	-
Donations to IDPs	3,291,712	-	3,291,712	3,585,293	-	3,585,293
Rehabilitation expense	122,000	-	122,000	72,000	-	72,000
Miscellaneous	684,934	281,261	966,195	677,007	248,651	925,658
	90,569,412	2,436,372	93,005,784	50,837,157	2,165,591	53,002,748

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AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	-----Rupees-----	
21.1 Auditors' remuneration		
Annual audit fee	300,000	100,000
Out of pocket expenses	100,000	75,837
	400,000	175,837

22 Restatement of financial statements

The comparative financial statements have been restated due to the following reason:

During the year, the management has changed the accounting policy for recognition of members' donations. Previously such donations were recognized to Income and Expenditure Account which now has been changed to recognize these donations to "Donated Funds" directly in Statement of Changes in Funds.

The management has accounted for the above change in accounting policy with retrospective effect and comparative statements have been restated in accordance with the treatments specified in Section 12 of the Accounting and Financial Reporting standards for MSEs issued by ICAP "Accounting Policies, Changes in Accounting Estimates and Errors".

22.1 The effect of retrospective restatement on the income and expenditure account and balance sheet for the year ended June 30, 2011 is given below:

	As earlier reported	Effect of Restatement	Restated Balance
	-----Rupees-----		
Income and expenditure account:			
- Community donations	14,326,810	13,757,423	569,387
- Deficit for the year	(31,938,819)	(13,757,423)	(45,696,242)
Balance sheet:			
- Donated funds	361,116,965	19,423,616	380,540,581
- General fund	(45,121,103)	(19,423,616)	(64,544,719)

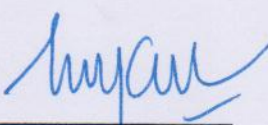
22.2 The effect of restatement on the income and expenditure and balance sheet has been accounted for correctly in the financial statements of the organization for the year ended June 30, 2012.

23 Date of authorization for issue

These financial statements were authorized for issue on _____ by the Board of Directors of the Organization.

24 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.



Executive Director



Chief Financial Officer