

AKHUWAT

FINANCIAL STATEMENTS

For the Year Ended

June 30, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Akhuwat** (the Organization) as at June 30, 2013, 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 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, 2013 and of its surplus, cash flows and changes in accumulated funds for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.


Chartered Accountants

Engagement Partner
Talat Javed

June 26, 2014
Lahore

AKHUWAT

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013	2012
		-----Rupees-----	
ASSETS			
Current assets			
Advances and other receivables	5	22,655,428	10,003,766
Current portion of micro loans portfolio	6	1,480,487,462	700,519,087
Investments	11	140,000,000	121,500,000
Cash and bank balances	7	895,053,847	500,962,415
		<u>2,538,196,737</u>	<u>1,332,985,268</u>
Non-current assets			
Property and equipment	8	94,950,257	37,892,988
Intangibles		2,174,566	364,320
Long term advances and security deposits	9	5,771,513	4,858,849
Micro loans portfolio	10	66,114,739	60,517,542
Investments	11	74,428,743	35,000,000
		<u>243,439,818</u>	<u>138,633,699</u>
TOTAL ASSETS		<u>2,781,636,555</u>	<u>1,471,618,967</u>
EQUITY AND LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	12	33,316,015	10,475,356
Provident fund payable	13	5,231,410	4,199,863
		<u>38,547,425</u>	<u>14,675,219</u>
Non-current liabilities			
Loan for credit pool	14	2,105,039,399	1,005,650,000
TOTAL LIABILITIES		<u>2,143,586,824</u>	<u>1,020,325,219</u>
Equity			
Donated funds		634,940,104	515,365,766
General fund		(14,654,537)	(69,258,673)
Takaful fund		(3,482,829)	3,510,772
Rehabilitation fund		1,647,449	1,675,883
Contributed fund		19,599,544	-
		<u>638,049,731</u>	<u>451,293,748</u>
Contingencies and commitments	15	-	-
TOTAL EQUITY AND LIABILITIES		<u>2,781,636,555</u>	<u>1,471,618,967</u>

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


Executive Director


Chief Financial Officer

AKHUWAT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	2013			2012			
	Microfinance Operations	Akhuwat Health Services	Total	Microfinance Operations	Akhuwat Health Services	Total	
Note ----- Rupees -----							
Income							
Operational income							
Processing fee	16	20,828,836	-	20,828,836	19,442,575	-	19,442,575
Community donations	17	2,899,338	-	2,899,338	2,680,399	-	2,680,399
Service fee	18	148,372,727	-	148,372,727	58,976,145	-	58,976,145
Operational donations	19	53,761,550	-	53,761,550	1,300,000	-	1,300,000
Income from AHS Clinic	20	-	837,220	837,220	-	704,210	704,210
		225,862,451	837,220	226,699,671	82,399,119	704,210	83,103,329
Non operational income							
Other income	21	28,239,432	-	28,239,432	15,387,644	-	15,387,644
Total income		254,101,883	837,220	254,939,103	97,786,763	704,210	98,490,973
Expenditure							
General and administrative expenses	22	181,995,253	2,454,666	184,449,919	90,569,412	2,436,372	93,005,784
Program assistance		7,263,627	-	7,263,627	5,200,834	-	5,200,834
Provision for loan loss	10.4	10,238,867	-	10,238,867	6,423,129	-	6,423,129
Death claims written off against Takaful fund		-	-	-	560,570	-	560,570
Funeral charges paid from Takaful fund		-	-	-	465,000	-	465,000
Advances written off		-	-	-	429,342	-	429,342
		199,497,747	2,454,666	201,952,413	103,648,287	2,436,372	106,084,659
Surplus/(deficit) for the year		54,604,136	(1,617,446)	52,986,690	(5,861,524)	(1,732,162)	(7,593,686)

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, 2013

	2013	2012
	-----Rupees-----	
Cash flow from operating activities		
Surplus / (deficit) for the year	52,986,690	(7,593,686)
Adjustments for:		
Depreciation on property and equipment	2,261,081	801,852
Loss on disposal of property and equipment	-	43,835
Profit on bank deposits	(25,937,337)	(12,887,527)
Provision for loan loss	10,238,867	6,423,129
Advances written off	-	429,342
	(13,437,389)	(5,189,369)
	<u>39,549,301</u>	<u>(12,783,055)</u>
Change in working capital		
Increase in micro loans portfolio	(795,804,439)	(526,053,675)
Increase in advances and other receivables	(11,624,679)	(2,860,279)
Increase in creditors, accrued and other liabilities	22,840,659	8,065,684
Increase in provident fund payable	1,031,547	884,351
	(783,556,912)	(519,963,919)
Net cash used in operating activities	<u>(744,007,611)</u>	<u>(532,746,974)</u>
Cash flow from investing activities		
Purchase of property and equipment	(59,318,350)	(18,741,518)
Sale proceeds from disposal of property and equipment	-	2,680
Purchase of intangible assets	(1,810,246)	-
Purchase of investments	(57,928,743)	(135,500,000)
Profit on bank deposits	24,910,354	9,426,148
Increase in long term deposits	(912,664)	(51,660)
Net cash used in investing activities	<u>(95,059,649)</u>	<u>(144,864,350)</u>
Cash flow from financing activities		
Donations received	114,169,749	141,883,277
Contribution received net of claims paid	19,599,544	-
Loan for credit pool received	1,099,389,399	1,005,200,000
Net cash from financing activities	<u>1,233,158,692</u>	<u>1,147,083,277</u>
Net increase in cash and cash equivalents	394,091,432	469,471,953
Cash and cash equivalent at the beginning of the year	500,962,415	31,490,462
Cash and cash equivalents at the end of the year	<u>895,053,847</u>	<u>500,962,415</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 EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Donated fund	General fund	Takaful fund	Rehabilitation fund	Contributed fund	Total
	----- Rupees -----					
Balance as at June 30, 2011	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)	-	-
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
Surplus/(deficit) for the year	-	54,604,136	(1,617,446)	-	-	52,986,690
Donations received during the year	119,574,338	-	8,186,416	-	-	127,760,754
Contribution received during the year	-	-	-	-	23,533,784	23,533,784
Zakat Paid during the year	-	-	(13,562,571)	-	-	(13,562,571)
Income from Rehabilitation fund	-	-	-	93,566	-	93,566
Stipends paid out of Rehabilitation fund	-	-	-	(122,000)	-	(122,000)
Death claims paid and advances written off during the year	-	-	-	-	(3,934,240)	(3,934,240)
Balance as at June 30, 2013	<u>634,940,104</u>	<u>(14,654,537)</u>	<u>(3,482,829)</u>	<u>1,647,449</u>	<u>19,599,544</u>	<u>638,049,731</u>

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


Executive Director


Chief Financial Officer

AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 172 (2012: 74) branches all over the country.

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

The terms of micro finance scheme were approved on September 18, 2009 to be 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. At the year end, out of the total funds provided by PIDSA the funds aggregating to Rs. 37.570 million are available to Organisation for the purpose of disbursement to the borrowers on revolving basis.

Furthermore following assets were purchased under the terms of said agreement currently used by the Organisation but are property of PIDSA:

Assets	2013	2012
	-----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, 2013

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	2013	2012
	-----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 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.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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.

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.

Interest income is recognized on a time-apportioned basis using the effective rate of return.

Income from community donations, sale of hides and sale of books and Compact Discs is recognized on receipt basis.

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 amortised cost using effective interest method.

4.11 Use of critical accounting estimates and judgments

The preparation of financial statements is in conformity with the Approved Accounting Standards require 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.

4.12 Contributed fund

Contributed fund has been created for providing takaful services to the borrowers. Borrowers voluntarily contribute 1% of disbursed amount in takaful pool for death and disable coverage. Takaful pool funds are invested in Sharia Compliance products including those offered by islamic bank and mudarabah companies. Return on the investment will become the part of takaful pool.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

4.13 Advances and other receivables

Advances and other receivables are carried at their fair value. Balances considered bad and irrecoverable are written off when identified.

		2013	2012
		-----Rupees-----	
5	Advances and other receivables		
	Advance tax	2,046,870	2,205,387
	Accrued income	1,026,983	3,693,440
	Other receivables	14,944,798	2,261,315
	Current portion of long term advances to staff - unsecured		
	- Motorcycle loans	442,680	259,150
	- Housing loans	3,523,618	771,792
	- Personal loans	670,479	812,682
		4,636,777	1,843,624
		<u>22,655,428</u>	<u>10,003,766</u>
6	Current portion of micro loans portfolio -unsecured		
	Educational loans	3,967,390	162,375
	Franchisee loans	-	2,309,500
	Individual loans	1,476,520,072	698,047,212
		<u>1,480,487,462</u>	<u>700,519,087</u>
7	Cash and bank balances		
	Cash at bank		
	- In current accounts	42,878,027	22,562,615
	- In saving accounts	846,695,235	475,652,095
		889,573,262	498,214,710
	Cash in hand	5,480,585	2,747,705
		<u>895,053,847</u>	<u>500,962,415</u>
7.1	These carry profit rate ranging from 4.75% to 5.5% (2012: 6% to 6.7%) per anum.		
8	Property and equipment		
	Capital work in progress	8.1	30,411,698
	Operating fixed assets	8.2	21,371,098
			<u>94,950,257</u>
8.1	Capital work in progress		
	Civil work	8.1.1	28,638,586
	Mobilization advance	8.1.2	4,851,329
			<u>30,411,698</u>

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, 2013

8.2 Operating fixed assets

	COST			ACCUMULATED DEPRECIATION			Book value as at June 30, 2013	Rate of depreciation %
	As at July 01, 2012	Additions	As at June 30, 2013	As at July 01, 2012	Charge for the year	As at June 30, 2013		
-----Rupees-----								
Free hold land	16,465,615	33,807,860	50,273,475	-	-	-	50,273,475	-
Buildings on free hold land	935,000	-	935,000	438,103	49,690	487,793	447,207	10
Furniture, fixture and office equipment	6,199,728	4,491,432	10,691,160	1,865,222	1,358,824	3,224,046	7,467,114	10-33.33
Vehicles	92,600	7,129,250	7,221,850	18,520	852,567	871,087	6,350,763	20
	23,692,943	45,428,542	69,121,485	2,321,845	2,261,081	4,582,926	64,538,559	

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)	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	20
	21,473,315	2,219,628	23,692,943	1,525,138	796,707	2,321,845	21,371,098	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

		2013	2012
		-----Rupees-----	
9	Long term advances and security deposits		
	Long term advances to staff - considered good		
	- Motor cycle loans	9.1 666,720	839,870
	- Housing loans	9.2 4,671,010	3,844,202
	- Personal loans	9.3 2,468,427	1,738,401
		7,806,157	6,422,473
	Less: current portion of long term advances to staff - unsecured	5 (4,636,777)	(1,843,624)
		3,169,380	4,578,849
	Long term security deposits	2,602,133	280,000
		<u>5,771,513</u>	<u>4,858,849</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 6,279,015	3,735,330
	Franchisee loans	10.2 5,133,221	4,673,500
	Individual loans	10.3 1,550,696,934	760,230,100
		1,562,109,170	768,638,930
	Less: provision for loan loss	10.4 (15,506,969)	(7,602,301)
		1,546,602,201	761,036,629
	Less: current portion of microloans portfolio	6 (1,480,487,462)	(700,519,087)
		<u>66,114,739</u>	<u>60,517,542</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 program 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:		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 -----Rupees-----	2012
Choti		250,000	250,000
Doors of Awareness		-	120,000
Farz Foundation		395,000	395,000
Kawish Welfare Trust		1,614,000	1,614,000
Kharpur Sindh (formerly: Sojho-Kherpur)		200,000	200,000
Muslim Aid		-	240,000
Rural Community Development Society		-	100,000
SE Trading Company		-	1,454,500
The Pakistan Society for the Rehabilitation of the Disable		300,000	300,000
Connecting Chain		1,500,000	-
PCCM		874,221	-
		<u>5,133,221</u>	<u>4,673,500</u>
<p>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 Program 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, 2013 is 99.87% (2012: 99.86%) of cumulative due.</p> <p>Included in these loans is an amount of Rs.Nil (2012: Rs. 172,400) representing loans given to the employees of the Organization on similar terms as to other borrowers.</p>			
<p>10.4 Provision for loan loss</p>			
Balance as at July 1, 2012		7,602,301	2,391,407
Charge for the year		10,238,867	6,423,129
		<u>17,841,168</u>	<u>8,814,536</u>
Written off against individual loans		(2,334,199)	(1,212,235)
Balance as at June 30, 2013		<u>15,506,969</u>	<u>7,602,301</u>
<p>11 Investments</p>			
Term deposit receipts (TDRs)		214,428,743	156,500,000
Maturing within twelve months	11.2	(140,000,000)	(121,500,000)
		<u>74,428,743</u>	<u>35,000,000</u>
<p>11.1 Investments include TDRs with variable maturity, classified as held to maturity at profit rates ranging from 5.31% to 11.81% per annum (2012: 10.42% to 11.75% per annum)</p>			
<p>11.2 Maturing within twelve months</p>			
		<u>140,000,000</u>	<u>121,500,000</u>
<p>12 Creditors, accrued and other liabilities</p>			
Accrued expenses		4,015,306	649,836
Profit payable to PSIC	12.1	19,958,782	2,614,798
Other liabilities		9,341,927	7,210,722
		<u>33,316,015</u>	<u>10,475,356</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. 2,000 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.

		2013	2012
	Note	-----Rupees-----	
15	Contingencies and commitments		
	Contingencies	Nil	Nil
	Commitments in respect of educational loans	643,800	2,662,790
16	Processing fee		
	This represents loan application fee of Rs.100 charged from each applicant.		
17	Community donations		
	This represents donations collected from donation boxes placed at different community centers and retail stores.		
18	Service fee		
	This represents service charges received from:		
	Punjab Small Industries Corporation (PSIC)	139,300,000	58,976,145
	Youth Affair Department, government of Gilgit Baltistan	9,072,727	-
		148,372,727	58,976,145
19	Operational donations		
	Donations	51,511,550	1,300,000
	State Bank (ISF) for business plan	2,250,000	-
		53,761,550	1,300,000
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.		
21	Other income		
	Profit on bank deposits and TDRs	25,937,337	12,887,527
	Sale of books and compact disks	44,840	11,250
	Income from hide collection	1,278,922	587,363
	Income from fine	100	400
	Miscellaneous	978,233	1,901,104
		28,239,432	15,387,644

AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

22 General and administrative expenses

Note	2013			2012		
	Microfinance Operations	Akhuwat Health Services	Total	Microfinance Operations	Akhuwat Health Services	Total
	-----Rupees-----					
Salaries, wages and other benefits	122,270,792	1,919,990	124,190,782	56,097,107	1,722,000	57,819,107
Contribution to provident fund	737,509	8,519	746,028	726,451	15,480	741,931
Travelling and conveyance	14,742,013	3,250	14,745,263	7,501,844	5,050	7,506,894
Printing and photocopy	3,194,443	-	3,194,443	2,517,624	3,070	2,520,694
Stationery	3,415,811	5,065	3,420,876	1,057,947	37,450	1,095,397
Communication	3,647,524	7,481	3,655,005	2,353,206	-	2,353,206
Office supplies	2,076,055	4,765	2,080,820	743,064	50,249	793,313
Consultancy charges	5,170,511	-	5,170,511	2,245,904	-	2,245,904
Fee and subscription	125,238	-	125,238	380,500	-	380,500
Bank charges	1,228,274	-	1,228,274	621,072	-	621,072
Depreciation	2,261,081	-	2,261,081	801,852	-	801,852
Audit	753,000	-	753,000	400,000	-	400,000
Utilities	1,893,086	13,798	1,906,884	869,612	60,130	929,742
Repair and maintenance	933,898	19,074	952,972	1,837,823	33,420	1,871,243
Rent	8,900,460	245,969	9,146,429	3,304,577	223,608	3,528,185
Staff training	5,672,389	-	5,672,389	1,978,427	4,654	1,983,081
Premium for Takaful arrangement	-	-	-	3,033,756	-	3,033,756
Donations to IDPs	1,073,700	-	1,073,700	3,291,712	-	3,291,712
Rehabilitation expense	-	-	-	122,000	-	122,000
Miscellaneous	3,899,469	226,755	4,126,224	684,934	281,261	966,195
	<u>181,995,253</u>	<u>2,454,666</u>	<u>184,449,919</u>	<u>90,569,412</u>	<u>2,436,372</u>	<u>93,005,784</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

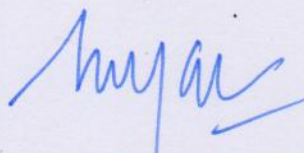
	2013	2012
	-----Rupees-----	
22.1 Auditors' remuneration		
Annual audit fee	500,000	300,000
Out of pocket expenses	253,000	100,000
	<u>753,000</u>	<u>400,000</u>

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