AKHUWAT

Financial Statements

For the Year Ended June 30, 2019.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS of Akhuwat

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Akhuwat** ("the Organization"), which comprise of the statement of financial position as at June 30, 2019, and the statement of income and expenditure, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with the 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 Organization 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 Auditor's 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 Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the 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, the management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization 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 1SAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to Fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization 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 the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner
Rana M. Usman Khan

Date: December 16, 2019
Lahore

AKHUWAT

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		-------------Rupees-------------	
ASSETS			
Property and equipment	5	**1,428,496,179**	1,076,499,127
Intangible assets	6	**1,329,513**	13,458,353
Receivables and other assets	7	**98,124,646**	87,676,540
Investment at fair value	8	**18,602,276**	198,708,744
Financial assets at amortised cost	9	**438,075,346**	346,700,000
Cash and cash equivalents	10	**240,280,952**	279,308,840
Total assets		**2,224,908,912**	2,002,351,604
FUNDS AND LIABILITIES			
Creditors, accrued and other liabilities	11	**15,106,488**	18,067,113
		15,106,488	18,067,113
FUNDS			
Unrestricted			
General fund		**23,391,074**	30,897,137
Restricted			
Donated fund		**2,183,830,672**	1,910,630,235
Zakat fund		**757,923**	40,958,341
Rehabilitation fund		**1,822,755**	1,798,778
		2,186,411,350	1,953,387,354
Total funds		**2,209,802,424**	1,984,284,491
Contingencies and commitments	12	**-**	-
Total funds and liabilities		**2,224,908,912**	2,002,351,604

The annexed notes from 1 to 23 form an integral part of these financial statements.

Executive Director

Director

AKHUWAT

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2019

	Note	Unrestricted fund	Restricted			2019	2018
		General fund	Donated fund	Zakat fund	Rehabilitation fund		
		Rupees					
Income							
Operating income	13	322,908,610	-	-	-	322,908,610	311,586,813
Other income	14	33,557,554	-	-	-	33,557,554	23,032,255
Donations received	15	-	470,299,721	113,647,314	-	583,947,035	744,638,692
Return on bank deposits		4,681,105	-	-	77,977	4,759,082	4,387,026
Expenditure							
Operating Expenses	16.1	336,877,232	-	-	-	336,877,232	430,733,485
General and administrative expenses	17	31,776,100	-	-	-	31,776,100	29,275,138
Donated fund utilised	16.1	-	174,562,625	-	-	174,562,625	-
Donations paid		-	22,536,659	-	-	22,536,659	36,533,013
Zakat fund utilised	16.1	-	-	141,000,000	-	141,000,000	68,970,000
Zakat paid		-	-	12,847,732	-	12,847,732	12,052,077
Stipends paid		-	-	-	54,000	54,000	54,000
		368,653,332	197,099,284	153,847,732	54,000	719,654,348	577,617,713
(Deficit)/Surplus for the year		(7,506,063)	273,200,437	(40,200,418)	23,977	225,517,933	506,027,073
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		(7,506,063)	273,200,437	(40,200,418)	23,977	225,517,933	506,027,073

The annexed notes from 1 to 23 form an integral part of these financial statements. DYK

Executive Director

Director

AKHUWAT

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Unrestricted	Restricted			
	General fund	Donated fund	Zakat fund	Rehabilitation fund	Total
	Rupees				
Balance as at June 30, 2017	151,941,148	1,981,980,145	45,032,939	1,811,296	2,180,765,528
Transferred during the year	-	(702,508,110)	-	-	(702,508,110)
Comprehensive income:					
(Deficit)/Surplus for the year	(121,044,011)	631,158,200	(4,074,598)	(12,518)	506,027,073
Other comprehensive income	-	-	-	-	-
Total comprehensive income	(121,044,011)	631,158,200	(4,074,598)	(12,518)	506,027,073
Balance as at June 30, 2018	30,897,137	1,910,630,235	40,958,341	1,798,778	1,984,284,491
Comprehensive income:					
(Deficit)/Surplus for the year	**(7,506,063)**	**273,200,437**	**(40,200,418)**	**23,977**	**225,517,933**
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**(7,506,063)**	**273,200,437**	**(40,200,418)**	**23,977**	**225,517,933**
Balance as at June 30, 2019	**23,391,074**	**2,183,830,672**	**757,923**	**1,822,755**	**2,209,802,424**

The annexed notes from 1 to 23 form an integral part of these financial statements. DYA

Executive Director

Director

AKHUWAT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		-------------Rupees-------------	
Cash flows from operating activities			
Surplus for the year		**225,517,933**	506,027,073
Adjustments for:			
Depreciation on property and equipment	5	**22,801,623**	18,544,592
Amortization of Intangible assets	6	**1,763,815**	2,154,085
Impairment of Intangible		**10,365,025**	-
Return on bank deposits and investments		**31,730,805**	(26,203,113)
Donation in kind		**(5,821,893)**	(144,696,500)
		60,839,375	(150,200,936)
		286,357,308	355,826,137
Changes in working capital			
Increase in receivables and other assets		**(10,448,106)**	(1,162,547)
Decrease in creditors, accrued and other liabilities		**(2,960,625)**	(19,443,064)
		(13,408,731)	(20,605,611)
Net cash generated in operating activities		**272,948,577**	335,220,526
Cash flows from investing activities			
Purchase of property and equipment	5	**(368,976,782)**	(495,883,112)
Purchase of intangible assets	6	**-**	(1,380,623)
Investments net		**88,731,122**	155,413,508
Return on bank deposits and investments		**(31,730,805)**	26,203,113
Net cash used in investing activities		**(311,976,465)**	(315,647,114)
Net (decrease) / increase in cash and cash equivalents		**(39,027,888)**	19,573,412
Cash and cash equivalents at the beginning of the year		**279,308,840**	2,214,691,943
Cash and cash equivalents transferred during the year		**-**	1,954,956,515
Cash and cash equivalents at the end of the year	10	**240,280,952**	279,308,840

The annexed notes from 1 to 23 form an integral part of these financial statements.

DYA

Executive Director

Director

AKHUWAT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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.

The principal charitable activities of the organization are:

- Providing education to needy students through different projects such as Punjab School Support Program, Narayan Jagannath Vaidya School Project, Akhuwat FIRST, Akhuwat College Kasoor and Akhuwat College Chakwal; and
- Provide basic health care to poor via clinics under the umbrella of Akhuwat Health Services (AHS).

Registered office of the Organization is situated at 19-Civic Center A-2 Township, Lahore.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Guideline for Accounting and Financial Reporting by Non Government / Non Profit Organization (NPO Guidelines) issued by the Institute of Chartered Accountants of Pakistan, As defined by the NPO Guidelines, the organization has been classified as a "Large Size Not for Profit Organization". Accordingly, the Organizaion has applied International Financial Reporting Standards (IFRS) as applicable in Pakistan in preparation of these financials statements.

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

These financial statements have been prepared under the historical cost convention except for the Investment at fair value which are measured at fair value.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. 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 beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the cassification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	January 01, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	January 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
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

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

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 beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
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
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

3 Summary of 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.

3.1 Financial Assets and Liabilities

Financial assets and financial liabilities are recognized when the Organization becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of a financial assets and financial liabilities are added to or deducted from the fair value of financial assets and financial liabilities as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value are recognized immediately in statement of income and expenditure.

The Organization recognizes its financial assets and liabilities within the following categories:

- at fair value;
- at amortized cost;

The classification depends on the nature and purpose for which the financial assets were acquired and a liability assumed and is determined at the time of initial recognition.

The Organization initially recognizes receivables and other assets on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value) are initially recognized on the trade date at which the Organization becomes a party to the contractual provisions of the instrument.

Gains and losses arising from changes in fair value of investments classified as financial assets and liabilities at fair value are recognized in statement of income and expenditure. fair value investments are in open ended mutual funds and are recorded at the daily net asset value per unit as reported by the respective fund on the website of Mutual Fund Association of Pakistan (MUFAP).

Unrealized gains on investment held on fair value are charged to statement of income and expenditure.

The Organization derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Organization derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Organization also derecognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3.2 Receivables

Receivables comprise of advances to staff, deposits for rented buildings, other receivables and receivable from related party of the Organisation.

3.3 Property and equipment

3.3.1 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.

3.3.2 Property and equipment

Property and equipment 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 property and equipment is charged to statement of income and expenditure on reducing method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note 9 to the financial statements.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted.

Depreciation on addition to property and equipment 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 and expenditure 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.

3.4 Intangible assets

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 website development charges and software capitalized as assets and are amortized over their useful life, which is three to ten year.

3.5 Impairment

The carrying amount of the fixed assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment losses are also recognised in the profit or loss, however, it is restricted to the original cost of the asset.

3.6 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.

3.7 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 Organisation.

3.8 Provisions

Provisions are recognized when the Organization 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.

3.9 Taxation

Provision for taxation is recognised based on taxable income, if any, for the year determined in accordance with prevailing Law and regulation. The organization has been approved as a non-profit organization under section 2(36) of the Income Tax Ordinance, 2001 by the Commissioner Inland Revenue as it is working as a non-profit organization evaluated positively by Pakistan Centre for Philanthropy. The income of the organization is subject to 100% tax credit under section 100(C) of the Income Tax Ordinance, 2001.

3.10 Revenue recognition

3.10.1 Unrestricted/General fund

Operational income is calculated on the basis defined respective contractual agreements.

3.10.2 Restricted funds

The Organization has adopted the restricted fund method for recognition of revenue relating to following funds, as prescribed by in "Standards for Not-for-Profit Organizations (NPOs)" :

a) Donated fund

Donations received from general public are recognized on receipt basis and presented in Donated Fund. Donations received in kind are measured at the market value prevailing at the time of relevant transactions.

b) Zakat fund

Zakat received from general public is recognized on receipt basis, presented in Zakat Fund and is used mainly for Akhuwat Colleges and University.

c) Rehabilitation fund

The return on Rehabilitation fund is recognized on time proportion basis by reference to the principal outstanding and the applicable rate of return. This fund is used only for paying stipends to heirs of victims of suicide bomb attack.

3.10.3 Return on bank deposits

Return on deposits is recognised when earned.

4 Transfer of Microloans operations

The Board of Directors of the Organization, in their meeting held on September 11, 2016, approved the transfer of its microloans operations to the Company - Akhuwat Islamic Microfinance. The Company is an associated concern of the Organization 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:

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

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

5 Property and equipment

	Free hold land	Buildings on free hold land	Furniture, fixture and office equipment	Vehicles	Construction in progress	Total
	----------------	----------------	----------------Rupees	----------------	----------------	----------------
Cost:						
Balance as at July 1, 2017	222,734,735	85,289,997	76,130,904	48,204,340	147,919,284	580,279,260
Transferred to related party	-	-	(68,217,463)	(38,160,575)	-	(106,378,038)
Additions	143,411,982	74,071,500	11,166,058	1,864,191	410,065,881	640,579,612
Transfers / capitalised	5,272,224	-	-	-	(5,272,224)	-
Disposals	-	-	-	-	-	-
Balance as at June 30, 2018	371,418,941	159,361,497	19,079,499	11,907,956	552,712,941	1,114,480,834
Balance as at July 1, 2018	**371,418,941**	**159,361,497**	**19,079,499**	**11,907,956**	**552,712,941**	**1,114,480,834**
Additions	**25,517,198**	-	**31,163,650**	**3,430,734**	**314,687,093**	**374,798,675**
Transfers / capitalised	-	**394,292,276**	-	-	**(394,292,276)**	-
Disposals	-	-	-	-	-	-
Balance as at June 30, 2019	**396,936,139**	**553,653,773**	**50,243,149**	**15,338,690**	**473,107,758**	**1,489,279,509**
Accumulated depreciation:						
Balance as at July 1, 2017	-	18,350,477	22,037,282	11,669,740	-	52,057,499
Accumulated depreciation on transfers to related party	-	-	(21,789,267)	(10,831,117)	-	(32,620,384)
Charge for the year	-	14,101,102	2,471,150	1,972,340	-	18,544,592
Disposals	-	-	-	-	-	-
Balance as at June 30, 2018	-	32,451,579	2,719,165	2,810,963	-	37,981,707
Balance as at July 1, 2018	-	**32,451,579**	**2,719,165**	**2,810,963**	-	**37,981,707**
Charge for the year	-	**15,976,761**	**4,435,263**	**2,389,599**	-	**22,801,623**
Disposals	-	-	-	-	-	-
Balance as at June 30, 2019	-	**48,428,340**	**7,154,428**	**5,200,562**	-	**60,783,330**
Carrying amounts:						
Balance as at June 30, 2018	371,418,941	126,909,918	16,360,334	9,096,993	552,712,941	1,076,499,127
Balance as at June 30, 2019	**396,936,139**	**505,225,433**	**43,088,721**	**10,138,128**	**473,107,758**	**1,428,496,179**
Rate of depreciation %		**10**	**10-33.33**	**20**		

6 Intangible assets

	Website	ERP software	Total
	----------------------	Rupees	----------------------
Cost:			
Balance as at July 1, 2017	596,180	20,100,398	20,696,578
Additions	-	1,380,623	1,380,623
Write off	-	-	-
Balance as at June 30, 2018	596,180	21,481,021	22,077,201
Balance as at July 1, 2018	**596,180**	**21,481,021**	**22,077,201**
Additions	**-**	**-**	**-**
Write off	**-**	**(19,069,992)**	**(19,069,992)**
Balance as at June 30, 2019	**596,180**	**2,411,029**	**3,007,209**
Accumulated amortization:			
Balance as at June 30, 2017	257,606	6,207,157	6,464,763
Charge for the year	59,618	2,094,467	2,154,085
Write off	-	-	-
Balance as at June 30, 2018	317,224	8,301,624	8,618,848
Balance as at June 30, 2018	**317,224**	**8,301,624**	**8,618,848**
Charge for the year	**27,896**	**1,735,919**	**1,763,815**
Write off	**-**	**(8,704,967)**	**(8,704,967)**
Balance as at June 30, 2019	**345,120**	**1,332,576**	**1,677,696**
Carrying amounts:			
Balance as at June 30, 2018	278,956	13,179,397	13,458,353
Balance as at June 30, 2019	**251,060**	**1,078,453**	**1,329,513**
Rate of amortization %	**10**	**10 - 33.33**	

		Note	2019	2018
			---------Rupees---------	
7	**Receivables and other assets**			
	Advance tax	7.1	**6,617,086**	6,056,633
	Advances to staff	7.2	**1,062,331**	1,136,812
	Advances to suppliers		**56,699,731**	40,249,483
	Security deposit		**2,140,100**	779,200
	Prepaid rent		-	166,142
	Office supplies		-	1,945,181
	Receivable from related parties	7.3	**27,253,523**	31,993,645
	Other receivables	7.4	**4,351,875**	5,349,444
			98,124,646	87,676,540
7.1	**Movement of advance tax**			
	Balance as at July 1		**6,056,633**	5,765,260
	Additions during the year		**560,453**	291,373
			6,617,086	6,056,633
	Write off during the year		-	-
	Balance as at June 30		**6,617,086**	6,056,633

7.2 These represent long term loans to employees for construction of new house, repair/maintenance of existing house and for their personal needs. These loans are payable over a period of 1 to 3 years by way of equal monthly instalments, are secured against respective personal gurantees and are markup free.

7.3 This represents the amount receivable from Akhuwat Islamic Microfinance in respect of assets transferred in the year ended June 30, 2017.

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

		Note	2019	2018
			---------Rupees---------	
8	**Investment at fair value**			
	NAFA Separately Managed Account		-	92,111,568
	UBL-Separately Managed Account I & II		**18,602,276**	106,597,176
			18,602,276	198,708,744
9	**Financial assets at amortised cost**			
	Term deposit receipts	9.1	**138,075,346**	86,700,000
	Term deposit receipts - NJV Project	9.2	**300,000,000**	260,000,000
			438,075,346	346,700,000

9.1 These term deposit receipts are held in Islamic banking accounts and will mature up to July 03, 2020. It carries return rates ranging from 5.45% to 12.25% (2018: 5.50% to 10.90%) per annum.

9.2 These term deposit receipts are held in Islamic banking accounts against endowment fund created by Government of Sindh, Education Department for NJV School Project. It carries return rates ranging from 6.87% to 11.55% (2018: 5.50% to 5.75%) per annum.

		Note	2019	2018
			---------Rupees---------	
10	**Cash and cash equivalents**			
	Cash at bank			
	- In current accounts		**11,871,275**	52,796,591
	- In saving accounts	**10.1**	**228,395,016**	226,512,249
			240,266,291	279,308,840
	Cash in hand		**14,661**	-
			240,280,952	279,308,840

10.1 These balances are held in various bank accounts and carry return rate ranging from 4.65% to 5.98% (2018: 3.07% to 4.65%) per annum.

		Note	2019	2018
			---------Rupees---------	
11	**Creditors, accrued and other liabilities**			
	Accrued expenses		**5,584,651**	10,610,946
	Health takaful payable	**11.1**	**3,221,124**	2,458,129
	EOBI payable		**-**	780
	Other liabilities		**6,236,956**	4,571,076
	Provident fund payable	**11.2**	**63,757**	426,182
			15,106,488	18,067,113

11.1 This represents the reserve created for the Health Takaful of employees.

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

12 Contingencies and commitments

There are no contingencies and commitments as at June 30, 2019 and June 30, 2018.

		Note	2019	2018
			---------Rupees---------	
13	**Operating income**			
	Service charges	**13.1**	**318,820,290**	308,952,373
	Income from AHS Clinic	**13.2**	**4,088,320**	2,634,440
			322,908,610	311,586,813

13.1 These represent the service charges received from Punjab School Support Programme (PSSP) to meet operational expenses of multiple schools under the ambit of PSSP.

13.2 This represents the token fee received from the patients visiting the AHS clinic for outdoor checkups.

		2019	2018
		---------Rupees---------	
14	**Other income**		
	Loss on Investment at fair value	**(70,253)**	(16,600,761)
	Return on Term Deposit Receipts	**27,119,953**	21,857,569
	Income from hide collection	**-**	13,560,348
	Miscellaneous	**6,507,854**	4,215,099
		33,557,554	23,032,255

15 This mainly represents monetary donations, received from general public, which are normally used for Akhuwat Colleges and for paying of zakat and donations (Non-monetary donations during the year include furniture and fixture with estimated fair values of Rs. 5.8 million).

		Note	2019	2018
16	**Operating Expenses**		---------Rupees---------	
	Salaries, wages and benefits		**399,010,145**	297,614,678
	Hostel amenties		**48,894,107**	26,391,761
	Student expenses		**12,251,575**	3,553,686
	Travelling and conveyance		**15,539,103**	12,480,215
	Communication		**2,826,106**	2,346,460
	Printing and postage		**831,184**	1,053,622
	Repair and maintenance		**62,532,362**	61,977,175
	Depreciation	5	**16,836,602**	11,952,940
	Miscellaneous expense		**8,920,669**	5,153,910
	Utilitiies		**15,621,881**	6,010,961
	Office supplies		**14,187,416**	30,249,247
	Security expenses		**11,388,583**	4,543,715
	Stationary		**10,728,438**	6,057,408
	Rent		**13,161,660**	11,348,240
	Fees and subcription		**2,932,044**	1,751,749
	POL		**7,585,491**	6,290,723
	Consultancy services		**1,948,010**	841,460
	Bank charges		**28,084**	50,428
	Programmed assistance		**4,882,287**	3,883,940
	Staff training		**2,334,110**	6,151,167
		16.1	**652,439,857**	499,703,485

16.1 Total expenses for the year amounting to Rs 652 million (2018 : 499 million) are allocated to General, Donated and Zakat fund based on utilzation. The allocation of expenses to these funds is as follows:

	2019	2018
	---------Rupees---------	
General fund	**336,877,232**	430,733,485
Donated fund	**174,562,625**	-
Zakat fund	**141,000,000**	68,970,000
	652,439,857	499,703,485

	Note	2019	2018
		---------Rupees---------	

17 General and administrative expenses

	Note	2019	2018
Salaries, wages and other benefits		**880,910**	691,016
Printing and stationary		**13,627**	126,879
Rent		**377,675**	234,190
Travelling and conveyance		**546,625**	5,933,030
Programmed assistance		**2,443,693**	7,125,281
Depreciation	5	**5,965,021**	6,737,611
Repair and maintenance		**370,934**	1,686,653
Communication		**189,271**	135,537
Utilities		**14,717**	68,719
Office supplies		**183,928**	151,724
Hostal amenities		**462,378**	121,261
Consultancy charges		**2,929,365**	3,051,026
Staff training		**1,042,000**	54,880
Bank charges		**562,998**	97,770
Miscellaneous		**2,942,618**	305,476
Impairment of intangible		**10,365,025**	-
Amortization	6	**1,763,815**	2,154,085
Auditors' remuneration	17.1	**721,500**	600,000
		31,776,100	29,275,138

17.1 Auditors' remuneration

	2019	2018
Annual audit fee	**721,500**	600,000
Out of pocket expenses	**-**	-
	721,500	600,000

18 Transactions with related party

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

Relationship with party	Nature of transaction	2019	2018
		---------Rupees---------	
Associated undertaking	Adjusted on behalf of the Organization	**4,419,022**	10,325,419
Akhuwat Islamic Microfinance	Assets transferred during the year	-	15,083,541,066
	Liabilities and funds transferred	-	(15,061,872,840)
	Donations received	**50,000,000**	-

Akhuwat Islamic Microfinance is an associated undertaking of the Organization due to common directorship.

19 Financial risk management

The Organization 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 Organization'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 Credit risk of the Organization 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 Organization 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.

Exposure to credit risk at June 30, 2019 and 2018 is as follows:

	Note	2019	2018
		---------Rupees---------	
Cash and cash equivalents	10	**240,266,291**	279,308,840
Investment at fair value	8	**18,602,276**	198,708,744
Financial assets at amortised cost	9	**438,075,346**	346,700,000
Advances to staff	7	**1,062,331**	1,136,812
Security deposit	7	**2,140,100**	779,200
Receivable from related party	7	**27,253,523**	31,993,645
		727,399,867	858,627,241

	Rating		Rating Agency	2019	2018
	Short term	Long term		---------Rupees---------	
Habib Bank Limited	A-1+	AAA	JCR-VIS	**104,148,480**	17,897,481
Bank Islami Pakistan Limited	A-1	A+	PACRA	**68,845,479**	181,968,541
Bank of Punjab Limited	A-1+	AA	PACRA	**29,761,441**	13,079,362
Faysal Bank Limited	A-1+	AA	JCR-VIS	**23,821,917**	1,129,086
Meezan Bank Limited	A-1+	AA+	JCR-VIS	**7,761,367**	15,955,743
Bank Al Falah Limited	A-1+	AA+	PACRA	**3,769,077**	1,368,289
Dubai Islamic Bank	A-1+	AA	JCR-VIS	**764,188**	581,334
NRSP Microfinance Bank	A-1	A	PACRA	**449,663**	331,141
Bank Al Habib Limited	A-1+	AA+	PACRA	**429,607**	-
United Bank Limitd	A-1+	AAA	JCR-VIS	**207,123**	152,773
Alied Bank Limited	A-1+	AAA	PACRA	**96,559**	219,101
U Microfinance Bank Limited	A-1	A	JCR-VIS	**75,164**	95,376
National Bank of Pakistan	A-1+	AAA	PACRA	**58,805**	40,344,381
Telenor Microfinance Bank Limited	A-1	A+	PACRA	**49,391**	121,548
Al Baraka Bank	A-1	A	PACRA	**17,873**	6,054,131
Muslim Commercial Bank	A-1+	AAA	PACRA	**10,157**	10,553
				240,266,291	279,308,840

Market Risk — Market risk includes price risk and currency risk, which arise in the normal course of the Organization'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 Organization is exposed to the currencies in which donations or funding are received and the respective functional currency of the Organization. The Organization is not exposed to any currency risk currently.

The Organization's financial performance is subject to some degree of risk due to changes in profit rates; however, the Organization's statements of financial position have significantly less profit rate risk that of a traditional financial institution.

- The tenor mismatch between assets and liabilities is far less.
- The short-term nature of the Organization 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, 2019:

	Profit Sensitive Balances	Non-Profit Sensitive Balances	Total
	----------	Rupees	----------
Cash and cash equivalents	**228,395,016**	**11,885,936**	**240,280,952**
Investment at fair value	**-**	**18,602,276**	**18,602,276**
Financial assets at amortised cost	**438,075,346**	**-**	**438,075,346**
Other Receivables	**-**	**30,455,954**	**30,455,954**
	666,470,362	**60,944,166**	**727,414,528**
Creditors, accrued and other liabilities	**-**	**15,106,488**	**15,106,488**
Total liabilities	**-**	**15,106,488**	**15,106,488**
Open position	**666,470,362**	**45,837,678**	**712,308,040**

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	226,548,971	52,796,591	279,345,562
Investment at fair value	-	198,708,744	198,708,744
Financial assets at amortised cost	346,700,000	-	346,700,000
Receivables and other assets	-	33,909,657	33,909,657
Total assets	573,248,971	285,414,992	858,663,963
Creditors, accrued and other liabilities	-	18,067,113	18,067,113
Total liabilities	-	18,067,113	18,067,113
Open position	573,248,971	267,347,879	840,596,850

The Organization has performed profit rate simulations based on the above GAP analysis to estimate the effect on net profit margin for differing levels of immediate and ongoing changes to market profit rates. A GAP analysis consists of separating the Organization's statement of financial position into different time frames in which assets or liabilities mature. Note that the Organization can influence certain profit rates, e.g. deposit and lending rates, whereas other profit rates are determined by exogenous factors in the economy.

A reasonably possible change of 100 basis points in profit rates at the reporting date would have increased / (decreased) profit by amounts by Rs. 6.01 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 Organization'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 Organization'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 Organization 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 Organization'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 Organization deposits and in unencumbered liquid securities.

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

At June 30, 2019:	Up to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total
	---------- Rupees ----------				
Cash and cash equivalents	**240,280,952**	**-**	**-**	**-**	**240,280,952**
Investment at fair value	**18,602,276**	**-**	**-**	**-**	**18,602,276**
Financial assets at amortised cost	**438,075,346**		**-**	**-**	**438,075,346**
Receivables and other assets	**30,141,209**	**314,743**	**-**	**-**	**30,455,952**
	727,099,783	**314,743**	**-**	**-**	**727,414,526**
Creditors, accrued and other liabilities	**15,106,488**	**-**	**-**	**-**	**15,106,488**
	15,106,488	**-**	**-**	**-**	**15,106,488**
Liquidity gap	**711,993,295**	**314,743**	**-**	**-**	**712,308,038**
At June 30, 2018:					
Cash and cash equivalents	279,345,562	-	-	-	279,345,562
Investment at fair value	198,708,744	-	-	-	198,708,744
Financial assets at amortised cost	341,500,000	5,200,000	-	-	346,700,000
Receivables and other assets	33,909,657	-	-	-	33,909,657
	853,463,963	5,200,000	-	-	858,663,963
Creditors, accrued and other liabilities	18,067,113	-	-	-	18,067,113
	18,067,113	-	-	-	18,067,113
Liquidity gap	835,396,850	5,200,000	-	-	840,596,850

Counterparty Risk — the Organization's exposure to the financial loss associated with balances held in other financial institutions is managed in accordance with prescribed limits. The Organization looks at counterparty exposure on a monthly basis to make sure that Organization holds liquid funds with Organizations 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 Organization. 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 Organization. While the Organization 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 Organization placements, where the Organization is able to take active decisions with respect to the selection of counterparties and the maturity of placements.

20 Financial assets and liabilities — accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

The table below sets out the Organization's classification of each class of financial assets and liabilities and their fair values at June 30, 2019 and 2018:

Fair Value Measurement —As per the requirements of IFRS 7, Financial Instruments — Disclosures, we have disclosed the following fair value measurement hierarchy in the above table for financial assets and liabilities:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 — Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Funds/Organization's financial assets which are carried at fair value:

	2019			
Investment at fair value	Level 1	Level 2	Level 3	Total
	Rupees			
NAFA Separately Managed Account	-	-	-	-
UBL-Separately Managed Account I & II	18,602,276	-	-	18,602,276
	18,602,276	-	-	18,602,276

	2018			
Investment at fair value	Level 1	Level 2	Level 3	Total
	Rupees			
NAFA Separately Managed Account	92,111,568	-	-	92,111,568
UBL-Separately Managed Account I & II	106,597,176	-	-	106,597,176
	198,708,744	-	-	198,708,744

21 Date of authorization

These financial statements were authorized on 16 DEC 2019 by the Board of Directors of the Organization.

22 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.

23 General

Figures have been rounded off to the nearest Rupee. DYK

Executive Director

Director