

INDEPENDENT AUDITOR'S REPORT TO THE BOARD**Opinion**

We have audited the financial statements of **Akhuwat ("the Society")**, which comprise of the statement of financial position as at June 30, 2021, and the statement of income and expenditure and other comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Society as at June 30, 2021, 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 Society 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board of Directors ("the Board") 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 Board 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 Board is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

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 controls 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 Society's ability to continue as a going concern. If we conclude that 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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society 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.


Chartered Accountants

Date: December 23, 2021

Place: Lahore

Engagement Partner:

Rana M. Usman Khan

AKHUWAT

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2021	2020
		-----Rupees-----	
ASSETS			
Non-current assets			
Property and equipment	5	1,630,889,058	1,442,771,046
Intangible assets	6	938,228	334,834
Other long term advances	7.1	773,500	123,845
		<u>1,632,600,786</u>	<u>1,443,229,725</u>
Current assets			
Advances, deposits, receivables and other assets	7	144,348,174	68,478,078
Investments	8	1,388,279,750	883,913,097
Cash and bank balances	9	958,874,841	416,811,162
		<u>2,491,502,765</u>	<u>1,369,202,337</u>
Total assets		<u><u>4,124,103,551</u></u>	<u><u>2,812,432,062</u></u>
FUNDS AND LIABILITIES			
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	10	84,207,069	21,985,570
Total liabilities		<u>84,207,069</u>	<u>21,985,570</u>
FUNDS			
Unrestricted			
General fund		110,994,353	24,970,140
Restricted			
Donated funds		3,569,294,218	2,732,071,349
Zakat fund		357,703,559	31,505,098
Rehabilitation fund		1,904,352	1,899,905
		<u>3,928,902,129</u>	<u>2,765,476,352</u>
Total funds		<u>4,039,896,482</u>	<u>2,790,446,492</u>
Total funds and liabilities		<u><u>4,124,103,551</u></u>	<u><u>2,812,432,062</u></u>
Contingencies and commitments	11		

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


Executive Director


Director

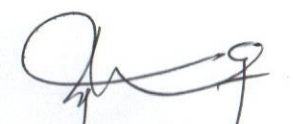
AKHUWAT

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

Note	Unrestricted	Restricted			2021	2020	
	General fund	Donated fund	Zakat fund	Rehabilitation fund			
----- Rupees -----							
Income							
Operating income	12	424,865,435	-	-	-	424,865,435	268,069,172
Other income	13	102,519,110	-	-	58,447	102,577,557	103,876,313
Donations received	14	-	1,171,798,749	-	-	1,171,798,749	1,046,601,278
Zakat received	14	-	-	511,984,262	-	511,984,262	225,048,719
		527,384,545	1,171,798,749	511,984,262	58,447	2,211,226,003	1,643,595,482
Expenditure							
Operating expenses	15.1	399,571,602	-	-	-	399,571,602	328,049,422
General and administrative expenses	16	41,788,730	-	-	-	41,788,730	42,199,347
Donated fund utilised	15.1	-	176,768,926	-	-	176,768,926	256,036,415
Donations paid		-	43,099,571	-	-	43,099,571	27,205,135
Corona disbursement		-	29,217,557	-	-	29,217,557	215,119,051
Program promotion		-	85,489,826	-	-	85,489,826	-
Zakat fund utilised	15.1	-	-	171,361,274	-	171,361,274	180,000,000
Zakat paid		-	-	14,424,527	-	14,424,527	14,301,544
Stipends paid		-	-	-	54,000	54,000	40,500
Total expenditure		441,360,332	334,575,880	185,785,801	54,000	961,776,013	1,062,951,414
Surplus of income over expenditure for the year		86,024,213	837,222,869	326,198,461	4,447	1,249,449,990	580,644,068
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		86,024,213	837,222,869	326,198,461	4,447	1,249,449,990	580,644,068

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


Executive Director


Director

AKHUWAT

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Unrestricted general fund	Restricted			Total
	General Fund	Donated fund	Zakat fund	Rehabilitation fund	
	----- Rupees -----				
Balance as at June 30, 2019	23,391,074	2,183,830,672	757,923	1,822,755	2,209,802,424
Comprehensive income:					
Surplus of income over expenditure for the year	1,579,066	548,240,677	30,747,175	77,150	580,644,068
Other comprehensive income	-	-	-	-	-
Total comprehensive income	1,579,066	548,240,677	30,747,175	77,150	580,644,068
Balance as at June 30, 2020	24,970,140	2,732,071,349	31,505,098	1,899,905	2,790,446,492
Comprehensive income:					
Surplus of income over expenditure for the year	86,024,213	837,222,869	326,198,461	4,447	1,249,449,990
Other comprehensive income	-	-	-	-	-
Total comprehensive income	86,024,213	837,222,869	326,198,461	4,447	1,249,449,990
Balance as at June 30, 2021	110,994,353	3,569,294,218	357,703,559	1,904,352	4,039,896,482

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


Executive Director



Director

AKHUWAT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
Note	-----Rupees-----	
Cash flows from operating activities		
Surplus for the year	1,249,449,990	580,644,068
Adjustments for:		
Depreciation on property and equipment	5.2 79,794,929	97,967,683
Amortization of intangible assets	6 465,699	994,679
Return on term deposit receipts	(64,514,931)	(54,700,102)
Return on bank deposits	(12,873,407)	(12,036,259)
Dividend income	13 (12,415,138)	(9,549,032)
Donation in kind receipt	(72,750)	(22,988,045)
Donation in kind disbursed	72,750	22,988,045
	(9,542,848)	22,676,969
	1,239,907,142	603,321,037
Changes in working capital		
(Increase) / decrease in advances, deposits, receivables and other assets	(76,519,751)	29,522,723
Increase in creditors, accrued and other liabilities	62,221,499	6,879,082
	(14,298,252)	36,401,805
Net cash generated from operating activities	1,225,608,890	639,722,842
Cash flows from investing activities		
Purchase of property and equipment	5 (267,983,845)	(112,242,550)
Proceeds from sale of property and equipment	70,904	-
Purchase of intangibles	(1,069,093)	-
Purchase of investments	(6,409,956,979)	(2,930,375,346)
Proceeds from redemption / maturity of investments	5,918,005,464	2,512,688,903
Return on term deposit receipts	13 64,514,931	54,700,102
Return on bank deposits	13 12,873,407	12,036,259
Net cash used in investing activities	(683,545,211)	(463,192,632)
Net increase in cash and cash equivalents	542,063,679	176,530,210
Cash and cash equivalents at beginning of the year	416,811,162	240,280,952
Cash and cash equivalents at end of the year	9 958,874,841	416,811,162

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

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 Executive Director


 Director

AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1 General information

1.1 Legal status and nature of operation

Akhuwat ("the Society") was registered in Pakistan on January 24, 2003 as a society, under the Societies Registration Act, 1860.

The principal charitable activities of the Society are:

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

Registered office of the Society is situated at 19-Civic Center, Sector A-II Township, Lahore.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) as applicable in Pakistan and Accounting Standard for Not for Profit Organisations (NPOs) issued by the Institute of Chartered Accountants of Pakistan.

2.1.1 Functional and presentation currency

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

2.1.2 Basis of measurement

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

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, interpretations and amendments are either not relevant to the Society's operations or are not expected to have significant impact on the Society's financial statements other than certain additional disclosures:

2.2.1 Standards or interpretations with no significant impact

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions

Effective from accounting period beginning on or after:
June 01, 2020

Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS

January 01, 2020

Amendments to IFRS 3 'Business Combinations' - Definition of a business

January 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting

January 01, 2020

Policies, Changes in Accounting Estimates and Errors' - Definition of material

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform

January 01, 2020

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

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 Society's operations or are not expected to have significant impact on the Society's financial statements other than certain additional disclosures, based on preliminary assessment by the management.

	Effective from accounting period beginning on or after:
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

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 17 – Insurance Contracts

3 Use of estimates and judgments

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

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

- Useful life of depreciable assets - (note 4.1.2)
- Useful life of intangibles - (note 4.2)
- Classification of investments
- Impairment of non-financial assets - (note 4.1.3)

4 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.

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. It consists of expenditure incurred in the course of their construction and installation.

4.1.2 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment losses. Freehold land is carried at cost less any identified impairment loss. Depreciation on all depreciable operating fixed assets is charged to statement of income and expenditure on straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note 5 to the financial statements.

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

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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of 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 recognised in the statement of income and expenditure.

4.1.3 Impairment of non-financial assets

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 statement of income and expenditure for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sell or value in use. Reversal of impairment losses are also recognised in the statement of income and expenditure, however, it is restricted to the original cost of the asset.

4.2 Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Society 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.

The Society's intangible assets have finite useful life and comprise of website development charges and software capitalized as assets and are amortized over their useful life, which is three to ten years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.3 Financial instruments

4.3.1 Financial assets

IFRS 9 introduced requirements for the classification and measurement of financial assets and the impact for the Organization mainly comprise of

- a) new classification requirements for financial assets, and
- b) new impairment model requirements for financial assets.

All recognised financial assets are measured initially at fair value and subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

4.3.2 Classification of financial assets

a) Financial assets measured at amortized cost

A financial asset measured at amortized cost is initially measured at its fair value plus transaction costs that are directly attributable to its acquisition.

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition less the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Society carries cash and bank balances and investments in term deposit receipts at amortized cost.

b) Investments in equity instruments classified as at FVTPL

Investments in equity instruments are classified as at FVTPL, unless the Society designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Investments measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in statement of income and expenditure.

Investments in equity instruments classified as at FVTPL in these financial statements include investments in mutual funds.

4.3.3 De-recognition

All investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership.

4.4 Impairment of financial assets

The Society recognises loss allowance for expected credit losses in respect of financial assets measured at amortised cost. The loss allowances is measured at an amount equal to lifetime expected credit losses.

4.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Society has currently legally enforceable right to set-off the recognised amounts and the Society intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.6 Cash and cash equivalents

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

4.7 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 Society.

4.8 Taxation

Provision for taxation is recognised based on taxable income, if any, for the year determined in accordance with prevailing Law and regulation. The Society 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 Society is subject to 100% tax credit under section 100(C) of the Income Tax Ordinance, 2001 thus no provision for taxation has been recognized.

4.9 Revenue recognition

Unrestricted / General fund

The Society has been handed over the management and control of specified government owned schools under a license agreement in return for consideration on the basis of number of students. The Society acts as a principal in arranging for services under the license agreement and accordingly recognizes revenue in the gross amount of contribution to which it expects to be entitled in exchange for specified services transferred to the counterparty. Service charges are calculated on the basis defined as per respective contractual agreements.

Token fee received at Akhuwat Health Clinic is recognized on receipt basis.

Donations for school operations are recognised as income as and when received. Donations are also recognised as revenue on receivable basis, when the inflows can be reliably measured and the collection is reasonably assured.

Gain or losses on sale of investments are included in statement of income and expenditure on the date at which the transaction takes place.

Restricted funds

The Society has adopted the restricted fund method for recognition of revenue relating to following funds, as prescribed by NPO guidelines:

a) Donated fund

Donations received from general public are recognised 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 recognised on receipt basis, presented in Zakat fund and is used mainly for Akhuwat educational programmes.

c) Rehabilitation fund

The return on Rehabilitation fund is recognised on time proportion basis with 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 attacks of Wah Cantt 2008.

5	Property and equipment	Note	2021	2020
			-----Rupees-----	
	Capital work in progress	5.1	763,817,823	528,485,546
	Operating fixed assets	5.2	867,071,235	914,285,500
			<u>1,630,889,058</u>	<u>1,442,771,046</u>
5.1	Capital work in progress			
	Balance as at July 1		528,485,546	473,107,758
	Additions during the year		235,332,277	55,377,788
	Balance as at June 30		<u>763,817,823</u>	<u>528,485,546</u>

5.2 Operating fixed assets

	Freehold land	Buildings on freehold land	Furniture and fixtures	Office equipment	Computer equipment	Vehicles	Total
	-----Rupees-----						
Cost:							
Balance as at July 1, 2019	396,936,139	553,653,773	14,907,387	27,074,501	8,261,261	15,338,690	1,016,171,751
Additions	3,737,527	-	30,721,556	9,147,040	9,507,138	3,751,501	56,864,762
Balance as at June 30, 2020	400,673,666	553,653,773	45,628,943	36,221,541	17,768,399	19,090,191	1,073,036,513
Balance as at July 1, 2020	400,673,666	553,653,773	45,628,943	36,221,541	17,768,399	19,090,191	1,073,036,513
Additions	5,552,507	-	2,961,376	15,445,504	6,008,223	2,683,958	32,651,568
Disposals	-	-	-	-	(72,930)	-	(72,930)
Balance as at June 30, 2021	406,226,173	553,653,773	48,590,319	51,667,045	23,703,692	21,774,149	1,105,615,151
Accumulated depreciation:							
Balance as at July 1, 2019	-	48,428,340	1,061,123	2,937,158	3,156,147	5,200,562	60,783,330
Charge for the year	-	55,782,868	26,954,095	7,084,137	4,394,487	3,752,096	97,967,683
Balance as at June 30, 2020	-	104,211,208	28,015,218	10,021,295	7,550,634	8,952,658	158,751,013
Balance as at July 1, 2020	-	104,211,208	28,015,218	10,021,295	7,550,634	8,952,658	158,751,013
Charge for the year	-	55,778,560	5,363,136	9,047,475	5,254,303	4,351,455	79,794,929
Depreciation on disposals	-	-	-	-	(2,026)	-	(2,026)
Balance as at June 30, 2021	-	159,989,768	33,378,354	19,068,770	12,802,911	13,304,113	238,543,916
Carrying amounts:							
Balance as at June 30, 2020	400,673,666	449,442,565	17,613,725	26,200,246	10,217,765	10,137,533	914,285,500
Balance as at June 30, 2021	406,226,173	393,664,005	15,211,965	32,598,275	10,900,781	8,470,036	867,071,235
Rate of depreciation %		10	20	20	33.33	20	

6 Intangible assets

Software and Website
-----Rupees-----

Cost:

Balance as at July 1, 2019	3,007,209
Balance as at July 1, 2020	3,007,209
Addition	1,069,093
Balance as at June 30, 2021	4,076,302
Accumulated amortization:	
Balance as at July 1, 2019	1,677,696
Charge for the year	994,679
Balance as at June 30, 2020	2,672,375
Balance as at July 1, 2020	2,672,375
Charge for the year	465,699
Balance as at June 30, 2021	3,138,074
Carrying amounts:	
Balance as at June 30, 2020	334,834
Balance as at June 30, 2021	938,228
Rate of amortization %	10 - 33.33

7 Advances, deposits, receivables and other assets

Note

2021

2020

-----Rupees-----

Advances to suppliers		45,445,908	21,652,275
Advances to staff	7.1	1,470,317	836,789
Security deposits - unsecured		9,755,410	2,163,300
Receivable from related party - unsecured	7.2	22,353,044	22,353,044
Other receivables	7.3	6,644,895	10,865,695
Accrued service charges		52,076,578	-
Advance tax	7.4	5,579,167	6,733,847
Office supplies		1,022,855	3,996,973
		144,348,174	68,601,923

7.1 These represent 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 installments and are secured against respective personal guarantees and are markup free. Maturity of advances to staff is as follows:

	2021	2020
	-----Rupees-----	
Up to one year	1,470,317	712,944
Over one year	773,500	123,845
	2,243,817	836,789

7.2 This represents the amount receivable from Akhuwat Islamic Microfinance in respect of assets transferred on July 01, 2017.

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

7.4 Movement of advance tax

Balance as at July 1	6,733,847	6,617,085
Additions during the year	489,522	116,761
Refund adjusted	(1,644,202)	-
Balance as at June 30	5,579,167	6,733,847

8	Investments	Note	2021 -----Rupees-----	2020
	Investments in mutual funds - at FVTPL			
	Meezan Rozana Amdani Fund		18,864,220	76,667,232
	NBP Islamic Daily Dividend Fund		12,090,566	200,700,985
	NBP Money Market Fund		220,111	206,308
	Al-Ameen Islamic Asset Allocation Fund		330,390	282,154
	Al-Ameen Shariah Stock Fund		149,852	111,907
	Al-Ameen Islamic Cash Fund		66,208	5,302,462
	Al-Ameen Islamic Cash Plan-I		13,104,403	-
	Al-Ameen Islamic Active Principal Preservation Plan-III		-	18,766,703
			<u>44,825,750</u>	<u>302,037,751</u>
	Financial assets measured at amortised cost			
	Term deposit receipts - NJV Project	8.1	800,000,000	550,000,000
	Term deposit receipts - others	8.2	543,454,000	31,875,346
			<u>1,343,454,000</u>	<u>581,875,346</u>
			<u>1,388,279,750</u>	<u>883,913,097</u>

8.1 These term deposit receipts are held in Islamic banking accounts against endowment fund created by Government of Sindh, Education Department for NJV School Project and will mature up to February 30, 2022. It carries return rates ranging from 6.50% to 12.92% (2020: 6.75% to 12.92%) per annum.

8.2 These term deposit receipts are held in various banks and will mature up to July 16, 2021. It carries return rates ranging from 6.50% to 10.60% (2020: 6.88% to 13.25%) per annum.

9	Cash and bank balances	Note	2021 -----Rupees-----	2020
	Cash at bank			
	- current accounts		340,202,190	223,724,925
	- saving accounts	9.1	618,591,700	192,966,075
			958,793,890	416,691,000
	Cash in hand		80,951	120,162
			<u>958,874,841</u>	<u>416,811,162</u>

9.1 These balances are held in various bank accounts and carry return rate ranging from 3.75% to 12.25% (2020: 4.65% to 5.98%) per annum.

10	Creditors, accrued and other liabilities	Note	2021 -----Rupees-----	2020
	Creditors		50,194,496	4,185,975
	Accrued expenses		2,891,993	3,756,260
	Advance from Sindh Education Foundation		13,590,500	-
	Health takaful payable	10.1	4,745,678	4,230,060
	EOBI payable		418,868	344,760
	Advance from Punjab Poverty Alleviation Fund		2,139,959	-
	Other liabilities		10,225,575	9,468,515
			<u>84,207,069</u>	<u>17,799,595</u>

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

11 Contingencies and commitments

11.1 There are no contingencies as at June 30,2021 and June 30,2020.

11.2 Commitments for low value leases**Low value lease arrangements**

Low value lease payments represent rentals payable by the Society for certain properties. Leases are negotiated for up to 1 year and rentals are fixed for the lease term.

	Note	2021 -----Rupees-----	2020
Commitments under low value leases		<u>3,922,354</u>	<u>6,318,305</u>
12 Operating income			
Service charges	12.1	420,781,215	264,709,972
Income from AHS clinic	12.2	4,084,220	3,359,200
		<u>424,865,435</u>	<u>268,069,172</u>
12.1	It includes service charges received from Punjab School Support Programme (PSSP) to meet operational expenses of multiple schools under the ambit of PSSP and hostel charges from Sindh Education Foundation (SEF) for NJV.		
12.2	This represents token fee received from the patients visiting the AHS clinic for outdoor check-ups.		
13 Other income	Note	2021 -----Rupees-----	2020
Income from financial assets			
Return on term deposit receipts		64,514,931	54,700,102
Return on bank deposits		12,873,407	12,036,259
Dividend income		12,415,138	9,549,032
Exchange Gain		5,972,023	853,697
Income from assets other than financial assets			
Income from hide collection		-	22,321,324
Miscellaneous		6,743,611	4,298,249
		<u>102,519,110</u>	<u>103,758,663</u>
14	This mainly represents donations and zakat received from public, normally used for Akhuwat Colleges and to pay zakat and donations.		
15 Operating expenses	Note	2021 -----Rupees-----	2020
Salaries, wages and benefits		453,610,970	429,981,524
Uniform, appreciation, and other expenses		18,273,025	22,991,250
Communication		4,473,068	3,799,959
Travelling and conveyance		4,753,485	9,599,237
Fuel		14,231,877	9,735,252
Utilities		20,075,676	18,055,147
Consultancy services		1,295,693	1,172,170
Bank charges		154,601	186,511
Depreciation	5.2	70,675,894	82,028,902
Stationary		4,314,203	7,866,657
Office supplies		15,285,902	19,599,499
Printing and postage		1,792,627	535,117
Fee and subscription		4,015,950	2,839,349
Hostel amenities		39,272,469	37,192,644
Repair and maintenance		42,256,662	59,872,886
Rent		8,501,548	7,991,347
Staff training		375,330	3,594,180
Security		11,924,613	11,721,443
Programm promotions		6,561,885	8,692,298
Amortization	6	129,608	-
Khawaja sira stipend		9,531,300	10,207,791
Hide collection expense		-	9,673,028
Medicine		6,680,680	4,270,518
Miscellaneous	15.1	<u>9,514,735</u>	<u>2,479,128</u>
		<u>747,701,802</u>	<u>764,085,837</u>

15.1 Operating expenses for the year amounting to Rs 748 million (2020 : Rs 764 million) are allocated to General, Donated and Zakat fund based on utilization. The allocation of expenses to these funds is as follows:

	Note	2021 -----Rupees-----	2020
Unrestricted - General fund		399,571,602	328,049,422
Restricted - Donated fund		176,768,926	256,036,415
Restricted - Zakat fund		171,361,274	180,000,000
		<u>747,701,802</u>	<u>764,085,837</u>

16 **General and administrative expenses**

Salaries, wages and benefits		12,026,824	6,848,233
Depreciation	5.2	9,119,038	15,938,781
Programm promotions		5,955,945	9,290,284
Consultancy services		3,225,018	3,593,645
Bank charges		2,359,082	2,088,466
Amortization	6	336,090	994,679
Auditors' remuneration	16.1	961,950	874,500
Travelling and conveyance		371,481	330,060
Fuel		663,290	238,506
Repair and maintenance		2,682,783	230,780
Utilities		600	19,500
Office supplies		206,276	229,522
Communication		-	92,004
Printing and postage		17,813	18,400
Hostel amenities		843,726	421,636
Stationary		1,950	18,686
Security		-	33,933
Rent		116,667	-
Student expenses		582,989	-
Staff training		4,275	-
Miscellaneous		2,312,934	937,732
		<u>41,788,730</u>	<u>42,199,347</u>

16.1 **Auditors' remuneration**

Annual audit fee	874,500	795,000
Out of pocket expenses	87,450	79,500
	<u>961,950</u>	<u>874,500</u>

17 **Transactions with related party**

Related parties comprise of the Organizations with common directors and key management personnel. The Society 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:

Entity name	Nature of transaction	2021 -----Rupees-----	2020
Associated undertaking -	Expenses paid on behalf of related party	-	4,900,480
Akhuwat Islamic Microfinance	Donations collected on behalf of the related party	-	21,395,688

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

18 **Remuneration of directors and executives**

	2021		2020	
	Number of persons	Amount Rupees	Number of persons	Amount Rupees
Directors	7	-	9	-
Executives	25	46,827,524	23	42,805,123

19 Financial risk management

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

- Credit risk
- Market risk
- Liquidity risk

There have been no substantive changes in the Society'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, 2020, unless otherwise noted.

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

Credit risk of the Society arises principally from the investments, cash held with banks, advances, deposits, receivables and other assets. The carrying amount of financial assets represents the maximum credit exposure.

Exposure to credit risk at June 30, 2021 and 2020 is as follows:

	Note	2021 -----Rupees-----	2020
Financial assets measured at amortised cost	8	1,343,454,000	581,875,346
Bank balances	9	958,793,890	416,691,000
Security deposits - unsecured	7	9,755,410	2,163,300
Receivable from related party - unsecured	7	22,353,044	22,353,044
Other receivable	7	6,644,895	10,865,695
Accrued service charges	7	52,076,578	-
		<u>2,334,356,344</u>	<u>1,033,948,385</u>

Bank Name	Rating		Rating Agency	2021	2020
	Short term	Long term		-----Rupees-----	
Bank Islami Pakistan Limited	A1	A+	PACRA	392,779,101	179,492,965
Habib Bank Limited	A-1+	AAA	VIS	433,599,352	173,887,970
Faysal Bank Limited	A-1+	AA	VIS	11,462,226	17,595,034
Meezan Bank Limited	A-1+	AAA	VIS	67,294,664	17,425,432
Bank Al Falah Limited	A1+	AA+	JCR-VIS	3,625,714	5,993,230
NRSP Microfinance Bank Limited	A1	A	PACRA	786,224	5,902,135
Bank of Punjab	A1+	AA+	PACRA	27,737,515	5,652,492
Dubai Islamic Bank	A-1+	AA	VIS	1,129,817	4,666,896
Allied Bank Limited	A1+	AAA	PACRA	996,951	2,525,740
Telenor Microfinance Bank Limited	A-1	A+	PACRA	1,212,454	1,420,393
Bank Al Habib Limited	A1+	AAA	PACRA	627,781	1,376,170
National Bank of Pakistan	A1+	AAA	PACRA	1,275,956	305,020
United Bank Limited	A-1+	AAA	VIS	13,123,059	224,222
U Microfinance Bank Limited	A-1	A+	VIS	168,743	179,566
Al Baraka Bank Limited	A-1	A+	VIS	57,385	28,965
MCB Bank Limited	A1+	AAA	PACRA	680,967	14,770
Sindh Bank	A-1	A+	VIS	2,235,981	-
				<u>958,793,890</u>	<u>416,691,000</u>

Market Risk — Market risk includes price risk and currency risk, which arise in the normal course of the Society'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 Society is exposed to the currencies in which donations or funding are received and the respective functional currency of the Society.

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

- The tenor mismatch between assets and liabilities is far less.
- The short-term nature of the Society 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, 2021:

	Profit Sensitive	Non-Profit	Total
	Balances	Sensitive Balances	
----- Rupees -----			
Cash and bank balances	618,591,700	340,202,190	958,793,890
Investments in mutual funds - at FVTPL	-	44,825,750	44,825,750
Financial assets measured at amortised cost	1,343,454,000	-	1,343,454,000
Other receivables	-	33,578,771	33,578,771
Total assets	1,962,045,700	418,606,711	2,380,652,411
Creditors, accrued and other liabilities	-	84,207,069	84,207,069
Total liabilities	-	84,207,069	84,207,069
Open position	1,962,045,700	334,399,642	2,296,445,342

Below is a consideration of profit rate risk by term of asset and liability as of June 30, 2020.

	Profit Sensitive	Non-Profit	Total
	Balances	Sensitive Balances	
----- Rupees -----			
Cash and bank balances	192,966,075	223,724,925	416,691,000
Investments in mutual funds - at FVTPL	-	302,037,751	302,037,751
Financial assets measured at amortised cost	581,875,346	-	581,875,346
Other receivables	-	25,353,133	25,353,133
Total assets	774,841,421	551,115,809	1,325,957,230
Creditors, accrued and other liabilities	-	21,985,570	21,985,570
Total liabilities	-	21,985,570	21,985,570
Open position	774,841,421	529,130,239	1,303,971,660

The Society 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 Society's statement of financial position into different time frames in which assets or liabilities mature. Note that the Society 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 profit by Rs. 19.62 million (2020: Rs. 7.75 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 Society'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 Society'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 Society 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 Society'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 Society deposits and in unencumbered liquid securities.

Liquidity management is the responsibility of senior management of the Society and is overseen by the board of directors.

At June 30, 2021:	Up to	1 year to	More than	Total
	1 year	3 years	3 years	
----- Rupees -----				
Cash and bank balances	958,874,841	-	-	958,874,841
Financial assets measured at amortised cost	1,343,454,000	-	-	1,343,454,000
Investments in equity instruments classified as at FVTPL	44,825,750	-	-	44,825,750
Advances, deposits, receivables and other assets	84,881,849	773,500	-	85,655,349
	2,432,036,440	773,500	-	2,432,809,940
		-	-	
Creditors, accrued and other liabilities	84,207,069	-	-	84,207,069
	84,207,069	-	-	84,207,069
Liquidity gap	2,347,829,371	773,500	-	2,348,602,871
At June 30, 2020:				
Cash and bank balances	416,811,162	-	-	416,811,162
Financial assets measured at amortised cost	581,875,346	-	-	581,875,346
Investments in equity instruments classified as at FVTPL	302,037,751	-	-	302,037,751
Advances, deposits, receivables and other assets	25,229,288	123,845	-	25,353,133
	1,325,953,547	123,845	-	1,326,077,392
		-	-	
Creditors, accrued and other liabilities	21,985,570	-	-	21,985,570
	21,985,570	-	-	21,985,570
Liquidity gap	1,303,967,977	123,845	-	1,304,091,822

Counterparty Risk — the Society's exposure to the financial loss associated with balances held in other financial institutions is managed in accordance with prescribed limits. The Society looks at counterparty exposure on a monthly basis to make sure that the Society 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 Society. Such assets are largely transactional in nature (generated by the routine payments). In addition, a minimum amount of cash and liquid securities is held to ensure sufficient liquidity for the Society. While the Society 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 Society 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 Society's classification of each class of financial assets and liabilities and their fair values at June 30, 2021 and 2020:

Fair Value Measurement — As per the requirements of IFRS 7, Financial Instruments — Disclosures, we have disclosed the following fair value measurement hierarchy 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 Society's financial assets which are carried at fair value:

	2021			Total
	Level 1	Level 2	Level 3	
	Rupees			
Investments classified at FVTPL	44,825,750	-	-	44,825,750

	2020			Total
	Level 1	Level 2	Level 3	
	Rupees			
Investments classified at FVTPL	302,037,751			302,037,751

21 Reclassification of corresponding figures

Following corresponding figures have been reclassified where necessary to reflect more appropriate presentation of events and transactions for the purpose of presentation:

From	To	Reason	Rupees
Creditors, accrued and other liabilities - Accrued expenses	Creditors	For better presentation	3,973,124
Creditors, accrued and other liabilities - Other liabilities	Creditors	For better presentation	212,851
Other Income - Miscellaneous	Exchange Gain	For better presentation	853,697

22 Date of authorization

These financial statements were authorized on _____ by the Board of Directors of the Society.

23 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.

24 General

Figures have been rounded off to the nearest Rupee.

YX



Executive Director



Director