

Akhuwat

**Financial Statements
For the Year Ended**

June 30, 2020

Yousuf Adil

Chartered Accountants
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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, 2020, 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, 2020, 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.

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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 are 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: November 06, 2020

Place: Lahore

Engagement Partner:

Rana M. Usman Khan

AKHUWAT


STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020	2019
		-----Rupees-----	
ASSETS			
Non-current assets			
Property and equipment	5	1,442,771,046	1,428,496,179
Intangible assets	6	334,834	1,329,513
Other long term advances	7	123,845	314,743
		1,443,229,725	1,430,140,435
Current assets			
Advances, deposits, receivables and other assets	7	68,478,078	97,809,903
Investments	8	883,913,097	456,677,622
Cash and bank balances	9	416,811,162	240,280,952
		1,369,202,337	794,768,477
Total assets		2,812,432,062	2,224,908,912
FUNDS AND LIABILITIES			
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	10	21,985,570	15,106,488
Total liabilities		21,985,570	15,106,488
FUNDS			
Unrestricted			
General fund		24,970,140	23,391,074
Restricted			
Donated fund		2,732,071,349	2,183,830,672
Zakat fund		31,505,098	757,923
Rehabilitation fund		1,899,905	1,822,755
		2,765,476,352	2,186,411,350
Total funds		2,790,446,492	2,209,802,424
Total funds and liabilities		2,812,432,062	2,224,908,912
Contingencies and commitments	11		

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

DIA


Executive Director


Director

AKHUWAT

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

Note	Unrestricted	Restricted			2020	2019
	General fund	Donated fund	Zakat fund	Rehabilitation fund		
----- Rupees -----						
Income						
Operating income	12	268,069,172	-	-	268,069,172	322,908,610
Other income	13	103,758,663	-	-	117,650	103,876,313
Donations and zakat received	14	-	1,046,601,278	225,048,719	-	1,271,649,997
Expenditure						
Operating expenses	15.1	328,049,422	-	-	328,049,422	336,877,232
General and administrative expenses	16	42,199,347	-	-	42,199,347	31,776,100
Donated fund utilised	15.1	-	256,036,415	-	256,036,415	174,562,625
Donations paid		-	27,205,135	-	27,205,135	22,536,659
Corona disbursement		-	215,119,051	-	215,119,051	-
Zakat fund utilised	15.1	-	-	180,000,000	-	180,000,000
Zakat paid		-	-	14,301,544	-	14,301,544
Stipends paid		-	-	-	40,500	54,000
Total expenditure		370,248,769	498,360,601	194,301,544	40,500	1,062,951,414
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 for the year		1,579,066	548,240,677	30,747,175	77,150	580,644,068

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

DIA


Executive Director


Director

AKHUWAT

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Unrestricted	Restricted			Total
	General Fund	Donated fund	Zakat fund	Rehabilitation fund	
	Rupees				
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 of income over expenditure for the year	(7,506,063)	273,200,437	(40,200,418)	23,977	225,517,933
Other comprehensive income	-	-	-	-	-
Total comprehensive (loss) / 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
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

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

DNA


Executive Director


Director

AKHUWAT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
	Note	-----Rupees-----	
Cash flows from operating activities			
Surplus for the year		580,644,068	225,517,933
Adjustments for:			
Depreciation on property and equipment	5.2	97,967,683	22,801,623
Amortization of intangible assets	6	994,679	1,763,815
Impairment of intangible assets	16	-	10,365,025
Return on term deposit receipts		(54,700,102)	(27,119,953)
Return on bank deposits		(12,036,259)	(4,759,082)
Dividend income	13	(9,549,032)	-
Donation in kind receipt		(22,988,045)	(5,821,893)
Donation in kind disbursed		22,988,045	-
		<u>22,676,969</u>	<u>(2,770,465)</u>
		603,321,037	222,747,468
Changes in working capital			
Decrease / (increase) in advances, deposits, receivables and other assets		29,522,723	(10,448,106)
Increase / (decrease) in creditors, accrued and other liabilities		6,879,082	(2,960,625)
		<u>36,401,805</u>	<u>(13,408,731)</u>
Net cash generated from operating activities		639,722,842	209,338,737
Cash flows from investing activities			
Purchase of property and equipment	5	(112,242,550)	(368,976,782)
Purchase of investments		(2,930,375,346)	(1,021,089,331)
Proceeds from redemption / maturity of investments		2,512,688,903	1,109,820,453
Return on term deposit receipts		54,700,102	27,119,953
Return on bank deposits		12,036,259	4,759,082
Net cash used in investing activities		(463,192,632)	(248,366,625)
Net increase / (decrease) in cash and bank balances		176,530,210	(39,027,888)
Cash and bank balances at the beginning of the year		240,280,952	279,308,840
Cash and bank balances at the end of the year	9	416,811,162	240,280,952

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

DIA


Executive Director


Director

AKHUWAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 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 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 Society has been classified as a "Large Size Not for Profit Organization". Accordingly, the Society has applied International Financial Reporting Standards (IFRS) as applicable in Pakistan in preparation of these financial statements.

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, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. 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

Effective from accounting period beginning on or after:

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 IAS 28 'Investments in Associates and Joint Ventures' - Long term interests in associates and joint ventures.

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement.

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 IFRS.

2.2.2 Impact of IFRS 16 - Leases

IFRS 16 Leases replaced IAS 17 Leases, the former lease accounting standard, and became effective for periods beginning on or after January 01, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Society's financial statements is described below.

IFRS 16 introduced a single, on - balance sheet accounting model for leases. However, all lease agreements entered into by the Society fall under the exception criteria of IFRS 16. Accordingly, application of IFRS 16 has no significant impact on the financial statements of the Society other than certain disclosures.

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:
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	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
Amendment to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	June 01, 2020
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Society is preparing the asset for its intended use.	January 01, 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).	January 01, 2023
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.	January 01, 2020
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs to include when assessing whether a contract is onerous.	January 01, 2022
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Certain annual improvements have also been made to a number of IFRSs.	

3 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that 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 4.3)
- Useful life of intangibles - (note 4.4)
- Classification of investments
- Impairment of non-financial assets
- Revenue recognition from contracts with customers

3.1 Change in accounting estimate

During the year, the Society has changed depreciation method of property and equipment from reducing balance method to straight line method and has also revised the useful lives of some furniture and fixtures from 3 years to 1 year for better presentation and to reflect the write-off of cost of an asset over its useful life. The change in accounting estimate has been accounted for prospectively in accordance with the requirements of IAS 8 (Accounting Policies, Change in Accounting Estimates and Errors).

The impact of change in estimates in the current year is provided below:

	Amount with estimate change	Amount without estimate change
	-----Rupees-----	
Depreciation	97,967,683	62,764,279
Net book value	1,442,771,046	1,477,974,450

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.

4.2 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 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.

4.4 Financial instruments

4.4.1 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.

4.4.2 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.

4.4.3 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.

4.5 Advances, deposits, receivables and other assets

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

4.6 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.

4.7 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.

Receivable from related party has been reported on net basis.

4.8 Cash and bank balances

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

4.9 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.

4.10 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.

4.11 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.

		2020	2019	
		-----Rupees-----		
5	Property and equipment	Note		
	Capital work in progress	5.1	528,485,546	473,107,758
	Operating fixed assets	5.2	914,285,500	955,388,421
			<u>1,442,771,046</u>	<u>1,428,496,179</u>
5.1	Capital work in progress			
	Balance as at July 1		473,107,758	552,712,941
	Additions during the year		55,377,788	314,687,093
	Transfers from capital work in progress		-	(394,292,276)
	Balance as at June 30		<u>528,485,546</u>	<u>473,107,758</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, 2018	371,418,941	159,361,497	3,514,894	9,743,647	5,820,958	11,907,956	561,767,893
Additions	25,517,198	-	11,392,493	17,330,854	2,440,303	3,430,734	60,111,582
Transfers / capitalised	-	394,292,276	-	-	-	-	394,292,276
Balance as at June 30, 2019	396,936,139	553,653,773	14,907,387	27,074,501	8,261,261	15,338,690	1,016,171,751
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
Accumulated depreciation:							
Balance as at July 1, 2018	-	32,451,579	344,386	1,115,166	1,259,613	2,810,963	37,981,707
Charge for the year	-	15,976,761	716,737	1,821,992	1,896,534	2,389,599	22,801,623
Balance as at June 30, 2019	-	48,428,340	1,061,123	2,937,158	3,156,147	5,200,562	60,783,330
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
Carrying amounts:							
Balance as at June 30, 2019	396,936,139	505,225,433	13,846,264	24,137,343	5,105,114	10,138,128	955,388,421
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
Rate of depreciation %		10	20-100	20	33.33	20	

6 Intangible assets

Website	ERP software	Total
-----Rupees-----		
Cost:		
Balance as at July 1, 2018	596,180	21,481,021
Write off	-	(19,069,992)
Balance as at June 30, 2019	596,180	2,411,029
Balance as at July 1, 2019	596,180	2,411,029
Balance as at June 30, 2020	596,180	2,411,029
Accumulated amortization:		
Balance as at July 1, 2018	317,224	8,301,624
Charge for the year	27,896	1,735,919
Write off	-	(8,704,967)
Balance as at June 30, 2019	345,120	1,332,576
Balance as at July 1, 2019	345,120	1,332,576
Charge for the year	123,238	871,441
Balance as at June 30, 2020	468,358	2,204,017
Carrying amounts:		
Balance as at June 30, 2019	251,060	1,078,453
Balance as at June 30, 2020	127,822	207,012
Rate of amortization %	10	10 - 33.33

7 Advances, deposits, receivables and other assets

Note	2020	2019
-----Rupees-----		
Advances to suppliers	21,652,275	56,699,731
Advances to staff	7.1 836,789	1,062,331
Advance tax	7.2 6,733,847	6,617,086
Security deposits - unsecured	2,163,300	2,438,800
Receivable from related party - unsecured	7.3 22,353,044	27,253,523
Other receivables	7.4 10,865,695	4,053,175
Office supplies	3,996,973	-
	68,601,923	98,124,646

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:

	2020	2019
-----Rupees-----		
Up to one year	712,944	747,588
Over one year	123,845	314,743
	836,789	1,062,331

7.2 Movement of advance tax

Balance as at July 1	6,617,086	6,056,633
Additions during the year	116,761	560,453
Balance as at June 30	6,733,847	6,617,086

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

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

		2020	2019
	Note	-----Rupees-----	
8 Investments			
8.1 Investments in equity instruments classified as at FVTPL			
NBP Islamic Daily Dividend Fund		200,700,985	-
Al Meezan Rozana Amdani Fund		76,667,232	-
Al-Ameen Islamic Active Principal Preservation Plan-III		18,766,703	18,003,959
Al-Ameen Islamic Cash Fund		5,302,462	54,148
NBP Money Market Fund		206,308	184,018
Al-Ameen Islamic Asset Allocation Fund		282,154	260,033
Al-Ameen Shariah Stock Fund		111,907	100,118
		<u>302,037,751</u>	<u>18,602,276</u>
8.1.1	All Investments have been made in shariah compliant mutual funds.		
8.2 Financial assets measured at amortised cost			
Term deposit receipts - NJV Project	8.2.1	550,000,000	300,000,000
Term deposit receipts - others	8.2.2	31,875,346	138,075,346
		<u>581,875,346</u>	<u>438,075,346</u>
		<u>883,913,097</u>	<u>456,677,622</u>
8.2.1	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 June 30, 2021. It carries return rates ranging from 6.75% to 12.92% (2019: 6.87% to 11.55%) per annum.		
8.2.2	These term deposit receipts are held in various banks and will mature up to July 16, 2020. It carries return rates ranging from 6.88% to 13.25% (2019: 5.45% to 12.25%) per annum.		
9 Cash and bank balances	Note	2020	2019
		-----Rupees-----	
Cash at bank			
- current accounts		223,724,925	11,871,275
- saving accounts	9.1	192,966,075	228,395,016
		<u>416,691,000</u>	<u>240,266,291</u>
Cash in hand		120,162	14,661
		<u>416,811,162</u>	<u>240,280,952</u>
9.1	These balances are held in various bank accounts and carry return rate ranging from 3.75% to 12.25% (2019: 4.65% to 5.98%) per annum.		
10 Creditors, accrued and other liabilities	Note	2020	2019
		-----Rupees-----	
Accrued expenses		7,729,384	5,584,651
Health takaful payable	10.1	4,230,060	3,221,124
EOBI payable		344,760	-
Other liabilities		9,681,366	6,300,713
		<u>21,985,570</u>	<u>15,106,488</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, 2020 and June 30, 2019.		
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	2020	2019
		-----Rupees-----	
Commitments under low value leases		<u>6,318,305</u>	<u>6,223,338</u>
12 Operating income			
Service charges	12.1	264,709,972	318,820,290
Income from AHS clinic	12.2	3,359,200	4,088,320
		<u>268,069,172</u>	<u>322,908,610</u>
12.1	This represents service charges received from Punjab School Support Programme (PSSP) to meet operational expenses of multiple schools under the ambit of PSSP.		

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

		2020	2019
	Note	-----Rupees-----	
13 Other income			
Income from financial assets			
Return on term deposit receipts		54,700,102	27,119,953
Return on bank deposits		12,036,259	4,759,082
Loss on remeasurement of investments at FVTPL		-	(70,253)
Dividend income		9,549,032	-
Income from assets other than financial assets			
Income from hide collection		22,321,324	-
Miscellaneous		5,151,946	6,507,854
		<u>103,758,663</u>	<u>38,316,636</u>

14 This mainly represents donations and zakat received from general public which are normally used for Akhuwat Colleges and for paying of zakat and donations.

		2020	2019
	Note	-----Rupees-----	
15 Operating Expenses			
Salaries, wages and benefits		429,981,524	399,010,145
Depreciation	5.2	82,028,902	16,836,602
Repair and maintenance		59,872,886	62,532,362
Hostel amenities		37,192,644	48,894,107
Student expenses		22,991,250	12,251,575
Utilities		18,055,147	15,621,881
Security expenses		11,721,443	11,388,583
Office supplies		19,599,499	14,187,416
Khawaja sira stipend		10,207,791	-
Fuel expenses		9,735,252	7,585,491
Travelling and conveyance		9,599,237	15,539,103
Programmed assistance		8,692,298	4,882,287
Rent		7,991,347	13,161,660
Hide collection expense		9,673,028	-
Stationary		7,866,657	10,728,438
Communication		3,799,959	2,826,106
Staff training		3,594,180	2,334,110
Consultancy services		1,172,170	1,948,010
Printing and postage		535,117	831,184
Bank charges		186,511	28,084
Fees and subscription		2,839,349	2,932,044
Medicine expense		4,270,518	3,612,029
Miscellaneous		2,479,128	5,308,640
	15.1	<u>764,085,837</u>	<u>652,439,857</u>

15.1 Total expenses for the year amounting to Rs 764 million (2019 : Rs 652 million) are allocated to General, Donated and Zakat fund based on utilization. The allocation of expenses to these funds is as follows:

		2020	2019
	Note	-----Rupees-----	
Unrestricted - General fund		328,049,422	336,877,232
Restricted - Donated fund		256,036,415	174,562,625
Restricted - Zakat fund		180,000,000	141,000,000
		<u>764,085,837</u>	<u>652,439,857</u>

		2020	2019
	Note	-----Rupees-----	
16 General and administrative expenses			
Salaries, wages and benefits		6,848,233	880,910
Depreciation	5.2	15,938,781	5,965,021
Programmed promotions		9,290,284	2,443,693
Consultancy		3,593,645	2,929,365
Bank charges		2,088,466	562,998
Amortization	6	994,679	1,763,815
Auditors' remuneration	16.1	874,500	721,500
Hostel amenities		421,636	462,378
Travelling and conveyance		330,060	546,625
Fuel expenses		238,506	-
Repair and maintenance		230,780	370,934
Office supplies		229,522	183,928
Communication		92,004	189,271
Security expenses		33,933	-
Utilities		19,500	14,717
Stationary		18,686	-
Printing and stationary		18,400	13,627
Rent		-	377,675
Staff training		-	1,042,000
Impairment of intangible		-	10,365,025
Miscellaneous		937,732	2,942,618
		<u>42,199,347</u>	<u>31,776,100</u>
16.1 Auditors' remuneration			
Annual audit fee		795,000	721,500
Out of pocket expenses		79,500	-
		<u>874,500</u>	<u>721,500</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:

		2020	2019
		-----Rupees-----	
Entity name	Nature of transaction		
Associated undertaking -	Expenses paid on behalf of related party	4,900,480	4,419,022
Akhuwat Islamic Microfinance	Donations collected on behalf of the related party	21,395,688	-
	Donations received	-	50,000,000

Akhuwat Islamic Microfinance is an associated undertaking of the Society due to common directorship. This amount is unguaranteed with no specific date of payment.

18 Remuneration of directors and executives

	Number of persons	2020 Rs.	Number of persons	2019 Rs.
Directors	9	-	9	-
Executives	23	42,805,123	23	46,353,591

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, 2019, 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, 2020 and 2019 is as follows:

	Note	2020 -----Rupees-----	2019
Investments in equity instruments classified as at FVTPL	8.1	302,037,751	18,602,276
Financial assets measured at amortised cost	8.2	581,875,346	438,075,346
Bank balances	9	416,691,000	240,266,291
Receivable from related party	7	22,353,044	27,253,523
Security deposits	7	2,163,300	2,140,100
Advances to staff	7	836,789	1,062,331
		<u>1,325,957,230</u>	<u>727,399,867</u>

	Rating		Rating Agency	2020 -----Rupees-----	2019
	Short term	Long term			
Bank Islami Pakistan Limited	A1	A+	PACRA	179,492,965	68,845,479
Habib Bank Limited	A-1+	AAA	JCR-VIS	173,887,970	104,148,480
Faysal Bank Limited	A1+	AA	PACRA	17,595,034	23,821,917
Meezan Bank Limited	A-1+	AA+	JCR-VIS	17,425,432	7,761,367
Bank Al Falah Limited	A-1+	AA+	JCR-VIS	5,993,230	3,769,077
NRSP Microfinance Bank Limited	A1	A	PACRA	5,902,135	449,663
Bank of Punjab	A1+	AA	PACRA	5,652,492	29,761,441
Dubai Islamic Bank	A-1+	AA	JCR-VIS	4,666,896	764,188
Allied Bank Limited	A1+	AAA	PACRA	2,525,740	96,559
Telenor Microfinance Bank Limited	A1	A+	PACRA	1,420,393	49,391
Bank Al Habib Limited	A1+	AA+	PACRA	1,376,170	429,607
National Bank of Pakistan	A1+	AAA	PACRA	305,020	58,805
United Bank Limited	A-1+	AAA	JCR-VIS	224,222	207,123
U Microfinance Bank Limited	A1	A	JCR-VIS	179,566	75,164
Al Baraka Bank Limited	A1	A	PACRA	28,965	17,873
MCB Bank Limited	A1+	AAA	PACRA	14,770	10,157
				<u>416,691,000</u>	<u>240,266,291</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, 2020:

	Profit Sensitive Balances	Non-Profit Sensitive	Total
	-----Rupees-----		
Cash and bank balances	192,966,075	223,724,925	416,691,000
Investments in equity instruments classified as 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	<u>774,841,421</u>	<u>551,115,809</u>	<u>1,325,957,230</u>
Creditors, accrued and other liabilities	-	21,985,570	21,985,570
Total liabilities	-	21,985,570	21,985,570
Open position	<u>774,841,421</u>	<u>529,130,239</u>	<u>1,303,971,660</u>

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 bank balances	228,395,016	11,885,936	240,280,952
Investments in equity instruments classified as at FVTPL	-	18,602,276	18,602,276
Financial assets measured at amortised cost	438,075,346	-	438,075,346
Other receivables	-	30,455,954	30,455,954
Total assets	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

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 / (decreased) profit by Rs. 7.75 million (2019: Rs. 6.66 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.

	Up to 1 year	1 year to 3 years	More than 3 years	Total
	----- Rupees -----			
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
At June 30, 2019:				
Cash and bank balances	240,280,952	-	-	240,280,952
Financial assets measured at amortised cost	438,075,346	-	-	438,075,346
Investments in equity instruments classified as at FVTPL	18,602,276	-	-	18,602,276
Advances, deposits, 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

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, 2020 and 2019:

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 Society's financial assets which are carried at fair value:

	2020			Total
	Level 1	Level 2	Level 3	
Investments classified at FVTPL	Rupees			
Al Meezan Rozana Amdani Fund	76,667,232	-	-	76,667,232
NBP Islamic Daily Dividend Fund	200,700,985	-	-	200,700,985
NBP Money Market Fund	206,308	-	-	206,308
Al-Ameen Islamic Asset Allocation Fund	282,154	-	-	282,154
Al-Ameen Shariah Stock Fund	111,907	-	-	111,907
Al-Ameen Islamic Cash Fund	5,302,462	-	-	5,302,462
Al-Ameen Islamic Active Principal Preservation Plan-III	18,766,703	-	-	18,766,703
	302,037,751	-	-	302,037,751
	2019			Total
	Level 1	Level 2	Level 3	
Investments classified at FVTPL	Rupees			
Al Meezan Rozana Amdani Fund	-	-	-	-
NBP Islamic Daily Dividend Fund	-	-	-	-
NBP Money Market Fund	184,018	-	-	184,018
Al-Ameen Islamic Asset Allocation Fund	260,033	-	-	260,033
Al-Ameen Shariah Stock Fund	100,118	-	-	100,118
Al-Ameen Islamic Cash Fund	54,148	-	-	54,148
Al-Ameen Islamic Active Principal Preservation Plan-III	18,003,959	-	-	18,003,959
	18,602,276	-	-	18,602,276

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
Return on bank deposits	Other income	For better presentation	4,759,082
Other receivables	Security deposits - unsecured	For better presentation	298,700

22 Date of authorization

These financial statements were authorized on November 06, 2020 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.

DYA



Executive Director



Director