



AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying balance sheet as at **June 30, 2002** of **Akhuwat** and the related revenue account for the year then ended. These financial statements are the responsibility of the director's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We state that we have obtained all the information and explanations which we have required and report that in our opinion the annexed Balance Sheet and Income and Expenditure Account exhibit respectively a true and fair view of the state of the affairs of the organization at June 30, 2002 and of the surplus/(deficit) for the year then ended according to the best of our information and the explanations given to us and as shown by the books of the organization.

August 09, 2002
Lahore



Ale Imran & Co.
Chartered Accountants

AKHUWAT
BALANCE SHEET AS AT JUNE, 2002

	Notes	2002 Rupees	2001 Rupees
LONG TERM ASSETS			
Long Term Micro credit loan portfolio - unsecured, considered good	3	26,000	216,000
Long term Advances	4	105,000	-
		131,000	216,000
CURRENT ASSETS			
Short term Micro credit loan portfolio - unsecured, considered good	5	770,400	-
Cash and bank balances	6	194,973	58,100
		965,373	58,100
TOTAL ASSETS		1,096,373	274,100
CURRENT LIABILITIES			
Creditors, accrued and other liabilities		NIL	NIL
		NIL	NIL
Contingencies & Commitments	7		
NET ASSETS		1,096,373	274,100
REPRESENTED BY:			
GENERAL RESERVE			
Opening balance		274,100	-
Surplus for the year		822,273	274,100
		1,096,373	274,100
		1,096,373	274,100

-These accounts should be read in conjunction with the annexed notes.



 Executive Director

AKHUWAT
STATEMENT OF INCOME
FOR THE YEAR ENDED 30 JUNE, 2002

	<u>Notes</u>	<u>2002</u> Rupees	<u>2001</u> Rupees
INCOME			
Grants recognized as income	8	973,000	289,989
Membership fee	9	16,800	-
		989,800	289,989
EXPENSES			
General and administration expenses	10	167,527	15,889
		<u>822,273</u>	<u>274,100</u>
Surplus for the year transferred to general reserve			

-These accounts should be read in conjunction with the annexed notes.



Executive Director

1. The Company and its operations

Akhuwat is a non-profit organization established to provide interest-free micro credit and to launch ancillary programs of various short and long term nature. The society is principally engaged to carry on the following objectives: -

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

2 Significant Accounting Policies

2.1 Accounting Convention

The accounts are prepared under the historical cost convention.

2.2 Basis of Preparation

These accounts have been prepared in accordance with the requirements of International Accounting Standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standard Interpretations Committee of the IASC as applicable in Pakistan.

AKHUWAT
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2002

	<u>2002</u> Rupees	<u>2001</u> Rupees
3 LONG TERM MICRO CREDIT LOAN PORTFOLIO - unsecured, considered good		
Enterprise Loans	<u>26,000</u>	<u>216,000</u>

These are long term interest free micro credit loans given to needy students to meet their educational expenses. Borrowers will repay the loan after completing their education and getting the job.

4 LONG TERM ADVANCES	<u>105,000</u>	<u>NIL</u>
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Represents advances made to initiate interest free micro credit programme in different areas of Pakistan.

5 SHORT TERM MICRO CREDIT LOAN PORTFOLIO - unsecured, considered good		
Group Loans	5.1	<u>770,400</u>
		<u>NIL</u>

5.1 Represents micro credit interest free loans given to female entrepreneurs for productive/income generating activities on social collateral i.e. all members of group are responsible for each other. Membership fee for each loan is Rs. 400. Repayment period of loan is ten months.

AKHUWAT
 NOTES TO THE ACCOUNTS
 FOR THE PERIOD ENDED JUNE 30, 2002

	<u>2002</u> Rupees	<u>2001</u> Rupees
6 Cash and Bank Balances		
Cash at Bank		
Current Account - Local currency	29,395	24,000
Saving Account-Local currency	80,500	-
	109,895	24,000
Cash in Hand	85,078	34,100
	<u>194,973</u>	<u>58,100</u>

7 Contingencies & Commitments

The Contingencies and Commitments as on June 30, 2002 stands at Nil (2001 : Nil).

8 Grants recognized as Income	<u>973,000</u>	<u>289,989</u>
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Grants represents funds provided by the Board of Directors of Akhuwat and local philanthropist to disburse interest free micro credit loans to the poor in urban slums and to subsidize the operating and administrative expense of Akhuwat

9 Membership Fee	<u>16,800</u>	<u>NIL</u>
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Represents membership fee deposited by the borrowers to access the loan and other benefits.

AKHUWAT
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 2002

		<u>2002</u> Rupees	<u>2001</u> Rupees
10 General and Administration Expenses			
Salaries and Benefits	10.1	137,500	10,500
Printing		20,250	-
Stationery		4,777	5,389
Registration Fee		5,000	-
		<u>167,527</u>	<u>15,889</u>

10.1 This represents salaries of loan officers, Directors and Professional staff of Finance Internal Audit, Social Mobilization and Information Technology department are working on voluntary bases and nothing has been paid to them during the year.

11 General

- Figures have been rounded off to the nearest rupee.
- Prior year figures have been rearranged wherever necessary for comparison purposes.



Executive Director