

**Annual Report
2017-2018**

**Kashf
Foundation**







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About Kashf Foundation

Kashf is registered as a Non-Banking Micro Finance Company which is regulated by the Securities and Exchange Commission of Pakistan. Kashf was set up in 1996 as the first specialized microfinance institution of Pakistan and began operations as a Grameen replicator. Since then Kashf has successfully carved out a distinct and unique niche for itself in the microfinance sector at home and abroad by offering a suite of innovative and transformative products and services to low-income households especially women.

Kashf offers appraisal backed individual lending to its clients along with other non-financial services to have a transformative impact at the household level. Kashf believes in creating an enabling environment for women micro-entrepreneurs and is committed to creating products and services driven by client needs and demands which leverage on lessons from successful models from across the world. Kashf's main spheres of intervention include (1) Financial Services, (2) Insurance and Safety Nets, (3) Capacity Building Trainings, and (4) Social Advocacy Interventions.

Run by a senior and competent Management Team under the guidance of a diverse and capable Board of Directors Kashf ensures transparency, equity, and gender mainstreaming not just through its programmatic interventions but across the institution also. With a 50% gender ratio at all staff tiers Kashf demonstrates best practice in gender diversity and leadership development.

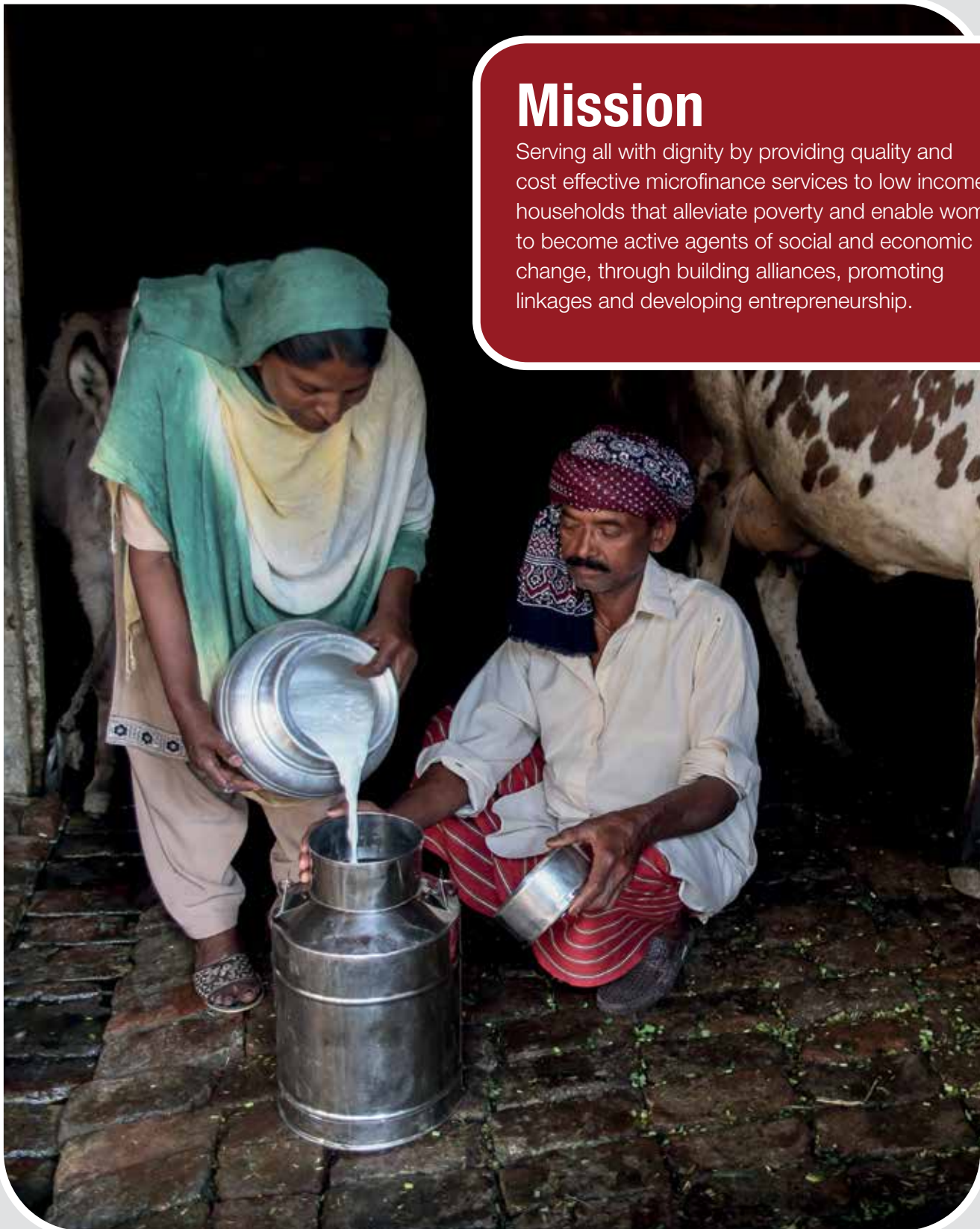


Vision

Financial services for all in
a poverty free and gender
equitable society

Mission

Serving all with dignity by providing quality and cost effective microfinance services to low income households that alleviate poverty and enable women to become active agents of social and economic change, through building alliances, promoting linkages and developing entrepreneurship.



Core Values

Commitment to Excellence

Kashf Foundation ensures the highest level of quality in all outputs with the aim of being 'market leaders'

Service

Kashf Foundation ensures customer satisfaction through a respectful and professional attitude with the aim of 'delighting the customer'

Integrity

Kashf Foundation ensures that all interactions with clients and staff are based on honesty and mutual dignity with the aim of espousing 'integrity across the board'

Responsibility

Kashf Foundation believes in meeting all promises as per commitments hence 'we do what we say and say what we do'

Innovation

Kashf Foundation believes in learning, adapting and growing, thereby 'responding positively to change'

Respect

Kashf Foundation believes in dignity at the workplace which includes mutual respect and care for each other thereby inculcating 'do unto others what you would like others to do unto you'

Reciprocity

Kashf Foundation believes in team work and ascribes to the motto 'all for one and one for all'

Action-Oriented

Kashf Foundation aims towards a problem solving approach in all actions thereby 'being part of the solution and not the problem'

Meritocracy

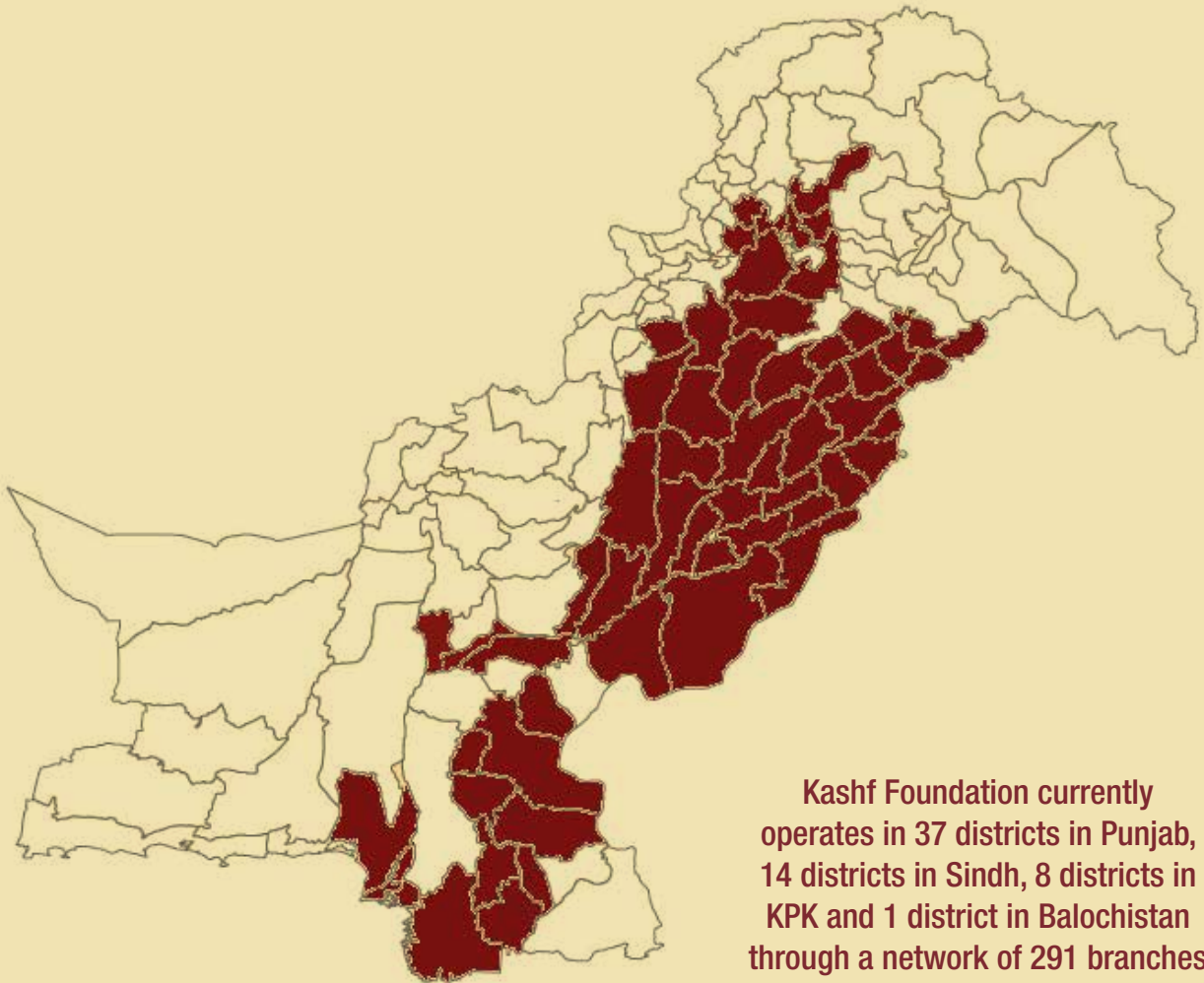
Kashf Foundation ensures equal opportunities and a fair and transparent appraisal mechanism with access to adequate redressal channels thereby 'processing feedback positively'

Sustainability

Kashf Foundation believes in the long-term sustainability of both the organization and clients thereby 'promoting self-sufficiency through continuous improvements in processes, products and services'.



Geographical Outreach





Corporate Information

Board of Directors

Mr. Mueen Afzal, **Chairman**
 Dr. Attiya Inayatullah, **Director**
 Mr. Syed Asim Zafar, **Director**
 Mr. Tajammal Hussein, **Director**
 Mr. Hassan Iqbal, **Director**
 Mr. Riaz Hussain Khokar, **Director**
 Ms. Rabia Khan, **Director**
 Mr. Amjad Ali Arbab, **Director**
 Ms. Fatima Asad-Said, **Director**

Board Committees

Board Credit, Program and Finance Committee

Dr. Attiya Inayatullah – Chair
 Mr. Asim Zafar – Member
 Mr Amjad Arbab – Member

Board Audit Committee

Mr. Tajammul Hussein – Chair
 Mr. Syed Hasan Iqbal – Member
 Ms. Fatima Asad-Said – Member

Board Investment Committee

Mr. Tajammul Hussein – Chair
 Mr. Syed Hasan Iqbal – Member
 Ms. Fatima Asad-Said – Member

Human Resources Committee

Ms. Rabia Khan – Chair
 Ms. Fatima Asad-Said – Member
 Mr. Arif Masud Mirza – Member

Chief Financial Officer

Mr. Shahzad Iqbal

Company Secretary

Ms. Saira Soofi

Auditors

Deloitte
 134-A, Abubakar Block, New Garden Town,
 Lahore, Punjab
 Tel: + (92-42) 35913595-7
 Fax: + (92-42) 35864021
 Web: <https://www2.deloitte.com/pk/en.html>

Legal Advisors

Mandviwalla and Zafar
 7/B-1, Aziz Avenue, Canal Bank
 Gulberg V, Lahore
 Tel: +92 42 35715479
 Web: www.mandviwallaandzafar.com

Tax Advisors

KPMG Taseer Hadi & Co
 Chartered Accountants
 Main, 351-Jail Road, Shadman 1
 Shadman, Lahore
 042-111-576-484

Registered Head Office

1 C, Shahrah Nazrea-e-Pakistan, Lahore-Pakistan.
 Tel: +(92-42) 35248901-25
 Web: www.kashf.org



Board of Directors



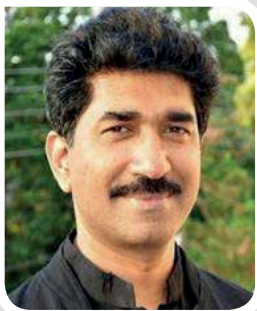
Mr. Mueen Afzal – Chairman

Mr. Mueen Afzal graduated with honors from the Punjab University before acquiring his M.A in Philosophy, Political Science and Economics from Oxford University in 1963. He has been part of the Civil Service of Pakistan since 1964, and has served in numerous key positions which include Federal Secretary General, Finance and Economic Affairs (1999 to 2002), Federal Secretary Finance (1996-1998), Secretary Health (1995 – 1996), Provincial Secretary Finance Punjab (1984-1986), and Provincial Secretary Finance Balochistan (1981-1984). He was awarded the Hilal-i-Imtiaz in 2002 in recognition of his distinguished public services.



Dr. Attiya Inayatullah – Director

Dr. Attiya Inayatullah is globally recognized for her work in the fields of international relations, human rights, women's empowerment, population and social development. She has served as Federal Minister for Women's Development, Population Planning and Social Welfare three times. As the longest serving woman parliamentarian she has a record of initiating women and child related legislation. She has also served as the Chairperson/President of International Planned Parenthood Federation for a decade.



Mr. Syed Asim Zafar – Director

Mr. Asim Zafar has served as the Chairman of South Asian Federation of Exchanges (SAFE), Chairman of the Lahore Stock Exchange and as a member of the board of Directors of the Lahore Stock Exchange (LSE), Zafar Securities, National Commodity Exchange and World Call Multi Media. Mr. Zafar has been pivotal in professionalizing and improving the performance of the Lahore Stock Exchange in his three terms as its Chair. Mr. Zafar holds a degree in Nuclear Engineering from Purdue University, USA and an MBA from Virtual University Pakistan.

Mr Syed Hassan Iqbal – Director

Mr. Hassan Iqbal has a Bachelors Degree of Chemical Engineering from Punjab University Lahore. He has worked with the ZELIN (PVT) Limited as an Assistant Manager Sales and has worked with the Mian Ghulam Mohiuddin (Individual Member, Lahore Stock Exchange) as a Managing Partner. Currently he is working in MGM Securities as a Nominee Director.



Ms. Fatima Asad-Said – Director

Ms. Fatima Asad-Said is an integral member of the top leadership at Abacus Consulting, a leading international professional services firm. Her portfolio includes leading the Human Capital Solutions business and internally the Corporate HR and PMO functions. She is also the CEO of AbacusELS (a subsidiary of AC) offering HR outsourcing solutions, and responsible for strategically managing the alliance partnership with Mercer, a leading global HR consulting firm. She has over twenty years of change management, organizational structuring and human capital development experience through strategic formulation and project management roles. An MBA from LUMS, she started her career with Coopers & Lybrand International and then moved to Price water house Coopers.



Ms Rabia Khan – Director

Ms. Rabia Khan is a lawyer by profession and also holds a Masters Degree in Policy and Management from the Carnegie Mellon University, USA. She has worked in the field of gender and development for many years with the Canadian International Development Agency (CIDA) and has also worked with the International Union for the Conservation of Nature (IUCN) on sustainable development. Currently, Ms. Khan works as a freelance consultant and is based in Karachi.





Mr Tajmammal Hussain – Director

Mr. Tajmammal Hussain is a Chartered Accountant with extensive experience and in-depth knowledge of business processes in a wide range of sectors including information technology, manufacturing, financial services, education and charities. Mr. Hussain is a partner of his own Accounting firm, Fakhruddin Yousafali and Company since 1991. He is a graduate of Cambridge University, London School of Economics and trained to be a Chartered Accountant with Arther Andersen & Co., London.



Mr Amjad Ali Arbab – Director

Mr. Amjad Arbab has been working in the development and commercial banking sectors for the past 30 years, with a focus on financial inclusion, SME, Agriculture and digital finance. Until recently he served as Senior Advisor, South Asia with CGAP/World Bank. Prior to this, he served as Regional Director at Enclude and has also been the CEO of the Microfinance Investment Support Facility for Afghanistan (MISFA). He was also a founding member of the management team of the Bank of Khyber in Pakistan's Khyber-Paktunkhwa Province. In addition, he has served in senior positions with the Aga Khan Rural Support Program and the Agricultural Development Bank of Pakistan. Amjad Arbab holds a Masters in International Relations from The Johns Hopkins University/SAIS, Washington DC as well as a Masters in Political Science from the University of Peshawar.



Mr. Riaz Hussain Khokhar – Director

Mr. Riaz Hussain Khokhar is a distinguished former diplomat who has served Pakistan in many capacities. He has served as Pakistan's Foreign Secretary from June 2002 to February 2005. Mr. Khokhar has also had the distinction of serving as Pakistan's Ambassador in the following countries; China (1999-2002), United States (1997-1999), India (1992-1997), and Bangladesh, (1986-1989). Mr. Khokhar has been recognized at multiple forums for his dedication and leadership. Currently, he is a consultant and does voluntary social work.



Chairman's Message



Dear Friends and Supporters of Kashf,

It gives me great pride to affirm that Kashf Foundation remains at the forefront of relentlessly striving for social and financial inclusion of women micro-entrepreneurs across Pakistan. This year Kashf was able to grow its portfolio significantly and on June 2018 the active client base for the institution was 414,000 with a network of 291 branches in 60 districts of Pakistan. This year Kashf has managed to serve its women entrepreneurs by disbursing loans worth over PKR 18 billion, providing a safety net to over 1.5 million individuals through its micro-health insurance services, offering its MF plus services in 10 districts to a range of community members and producing an acclaimed drama serial highlighting the plight of women titled Aakhri Station. Kashf's commitment to the twin goals of equality and inclusion has been well met with the institutional gender balance maintained at 50% across all tiers. This is a challenging task requiring utmost commitment, perseverance, strategic decision making and cultural openness of the entire team. Kashf has also demonstrated stable financial performance with the operational self-sustainability at 129%, financial self-sustainability at 124% and Portfolio at Risk over 30 days at 0.29%.

Unravelling and mitigating the multiple barriers women face across the country is a daunting task, which Kashf Foundation has tried to address through a multi-tiered and holistic approach by offering a wide range of products and services. I am reminded here of the courageous Marvi Karim, a resident of a small town in Badin, Sindh who faced extreme economic hardship and yet stood up to fight for her children's survival under the worst of circumstances. Despite lack of support from her family, she took a loan from Kashf to start a small paranda (hair tassels) making business, and subsequently took part in Kashf's training program. Within a year, through sustained focus and hard work Marvi's business became sustainable and she was even able to hire 4 other women to work for her. Not only that she was also able to train 15 other women in her community to help them become financially independent as well. Marvi remained undeterred by the social pressures that were heaped on her from all directions and is a living proof that there is nothing in the world that a woman cannot do. The Kashf portfolio is full of such resilient and strong women that may belong to small towns but their passion and resolution knows no bounds.

Kashf's journey towards empowering the lives of women nationwide has been made possible by the continuous support of all its partners, donors and friends, with special mention of the Government of Canada, the Pakistan Microfinance Investment Company, Punjab Skills Development Fund, OMV and the Coca-Cola Company along with all the commercial banks and international lenders especially Triodos, Incofin, Symbiotics, Tripple Jump, Proparco and FMO.

Sincerely,

Mueen Afzal
Chairman
Board of Directors
Kashf Foundation

Managing Director's Message



Dear Friends and Supporters of Kashf,

Despite a challenging operating environment, Kashf Foundation continues to strengthen the economic role of women through its holistic and diverse microfinance plus program. Kashf's unique approach provides support to women micro-entrepreneurs through the provision of women-centric and pro-poor financial and non-financial services, and relevant social advocacy campaigns. I take great pride in the fact that the year 2017-18 has been another successful year for the organization. The institution has expanded its outreach by adding 31 new branches to its network and has been able to extend its outreach to 414,000 clients - growing at a rate of 38% in terms of clients and 41% in terms of amount disbursed in the year.

Keeping client centricity at its core, the institution has continued to improve upon its existing products and services and has also successfully launched a rural finance product targeting women livestock managers to tap into the vast, unmet demand for financial access of rural women. In an effort to keep innovating, learning and evolving, Kashf has successfully digitized its field operations by rolling out tablets across its entire network for client onboarding. Moreover, Kashf has also pilot tested a credit scoring model which uses historical client level data to analyze and compute business and credit risk, which will enable Kashf to serve its clients more efficiently.

From the client's perspective, Kashf Foundation's capacity building programs have had immense impact in improving clients' standard of living, enhancing their decision-making skills, boosting self-confidence and impacting overall entrepreneurial capacities. In the last 3 years Kashf has been able to train 168,494 clients on systemized financial education, graduated 16,766 women from its Business Incubation Labs and in the past year, 4,747 clients have been educated on good parenting practices. Furthermore, Aakhri Station, Kashf's first mini-series successfully aired in March 2018 and was lauded as one of the best socially driven dramas from Pakistan this year. It subtly and realistically tackled issues of depression, mental health, HIV, acid attacks and more, conveying a positive message that women can be heroes of their own stories.

Staying true to its mission of women's empowerment Kashf Foundation has maintained a gender balanced workforce with equal representation of women across all tiers via strong anti-discriminatory policies and a free and fair environment. At each step, Kashf has invested in its staff to develop a diverse and professional team of motivated individuals that have relentlessly pursued excellence and have shown great commitment to Kashf's mission and vision. We are extremely thankful for the commitment and spectacular performance of all our team members who have been pivotal in ensuring that the organization fully met its goals for the year.

Kashf's journey would not have been possible without the support of its donors and friends who have continuously helped Kashf explore new avenues and opportunities for the financially excluded low-income women and marginalized communities. We also want to thank our highly committed and dynamic Board of Directors whose constant guidance and support have been pivotal to this year's success.

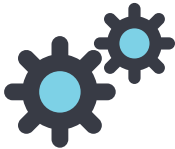
Best Regards,

Roshaneh Zafar
Managing Director
Kashf Foundation

Kashf Foundation Social Performance

Dashboard-June, 2018

Certified By the Smart Campaign for Client Protection



PROGRAM SCALE

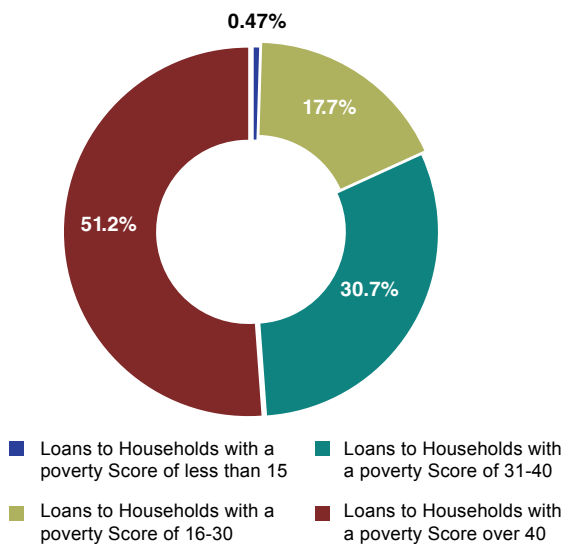
	June - 18	June - 17
Total Outreach	413,932	299,966
Individuals insured under life and health insurance schemes	1,611,893	1,285,037
% of Clients in Less developed areas	47%	21%



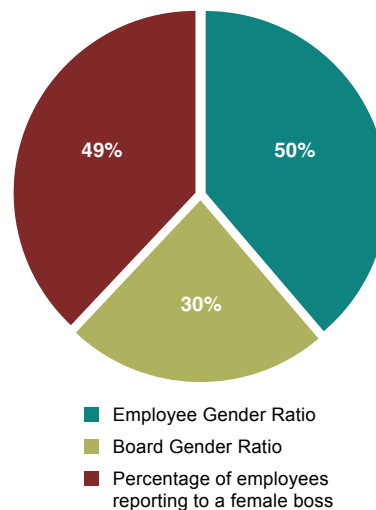
PORTFOLIO SEGMENTATION

	June - 18	June - 17
Business Loans	356,117	271,007
Loans for Emergency Needs	60,097	25,731
Loans for Ultra Poor	2,595	2,242
Loans for schools infrastructure development	1,147	986

PORTFOLIO PENETRATION

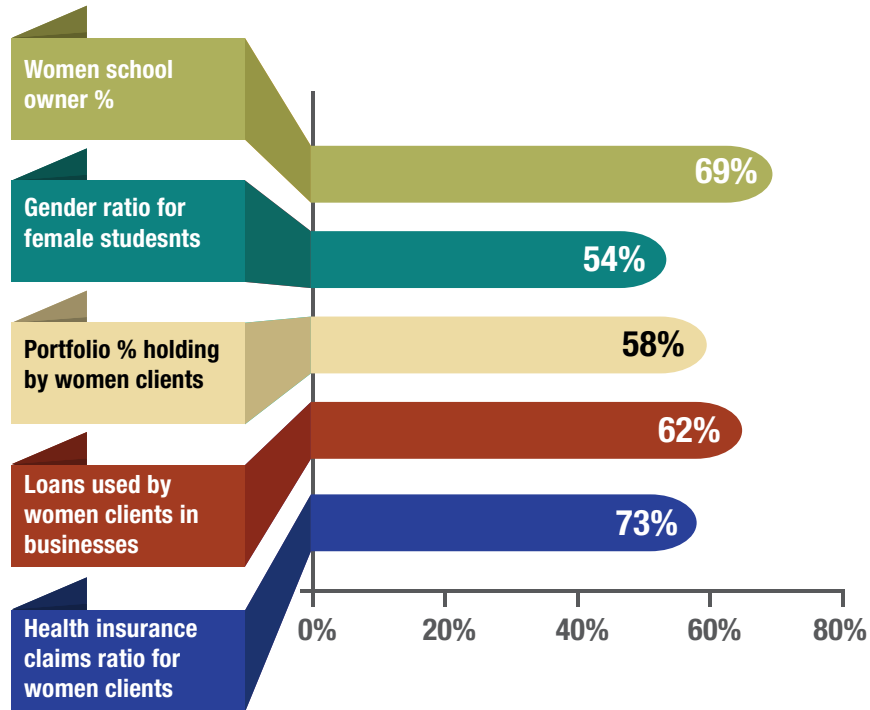


GENDER DIVERSITY AT THE WORKPLACE





GENDER FOCUSED PROGRAMMING



RESPONSIBLE FINANCE

	June - 18
Loans utilized for business purposes	93%
Consumer Protection Code violations reported	0.02%
Business trainings given to clients	1,191
Financial trainings given to clients	6,404
Good Parenting Trainings for clients	4,762
Gender Awareness Trainings given to non-clients, clients and their spouses	7,382
Vocational Trainings for non-clients	1,896
Credit bureau checks for loans disbursed	100%



CUSTOMER CARE



94% Customers are satisfied by the standards of customer care



89% Customers are satisfied by services and delivery channels



78% Customers are satisfied by the pricing



86% Customers are satisfied with product and services



75% Rate of Retention

An analysis of the Social Performance Dashboard shows that Kashf has been able to improve its overall social performance during the last year.

With respect to women led businesses, there has been a consistent improvement in the percentage of loans being invested in women led businesses over this period with 62% of the loans disbursed used by women directly in June 2018 as opposed to 50% in June 2017.

	Women Led Businesses	Joint Ownership	Male Led Businesses	Others
June 2018	62%	6%	30%	2%
June 2017	50%	12%	37%	2%

Kashf has been able to enhance the number of loans going to female led businesses through the following:

- Client centric modifications and changes to products and services to better serve the needs of women micro-entrepreneurs
- Introduction of new products and services to cater to the needs of women micro-entrepreneurs
- Staff training on client screening and loan targeting to women-led businesses

With respect to Kashf's mission of reaching excluded populations in less developed areas, Kashf has been able to significantly enhance the scope of its operations in this year with 47% of its clients belonging to less developed areas in June 2018 as compared to 21% in June 2017. Moreover, 50% of Kashf's loans in the year have been given to clients who scored 40 or less on the poverty score-card, which further demonstrates Kashf's focus on poverty. The remaining 50% of the loans went to households above 40 on the poverty score-card which accounts for repeat clients who have graduated from below the poverty line to 'transient non-poor' status or higher.

As a firm believer in leading by example, Kashf continued its focus on gender both on the client side and at the level of the institution. As the dashboard shows, Kashf maintained a 50% gender ratio in its staff base which is maintained at all field tiers. Furthermore, 49% of all Kashf staff report to a female boss which further demonstrates that women are not restricted to entry level positions at Kashf but also form an equal part of management positions. Kashf also has a 30% representation of women at the Board level.

Year on Year Financial Performance



Overall, Kashf Foundation's financial performance has improved consistently throughout this year, despite the fact that the organization reduced the interest rate to clients from 22% to 20% to account for improvements in the overall efficiency of the institution. As an organization, Kashf is committed to transforming the lives of its clients through providing affordable and cost effective financial services, hence any efficiencies realized in costs are passed on to clients in terms of reduction in the interest rate, whenever possible.

In this year, the operational self-sufficiency has been maintained at 128.98% and the financial self-sufficiency at 124.00%. The ROA, ROE and Debt to Equity Ratio have also been maintained within acceptable benchmarks. Moreover, there has been a marked improvement in the administrative efficiency ratio from 22% in June 2017 to 18% in June 2018. This signifies that Kashf has capitalized on improved processes and procedures, undertaken efficient resource planning and enhanced branch level productivity to maintain sound financial health, while consistently improving the average loan size.

Financial Ratios	June 2018	June 2017
Operational Self Sufficiency	128.98%	128.78%
Financial Self Sufficiency	124.00%	124.00%
Adjusted Return on Assets	6.48%	6.29%
Adjusted Return on Equity	31.83%	34.80%
Debt-Equity Ratio	78:22	80:20

With respect to portfolio quality, despite a 38% increase in active clients – i.e. 413,932 clients in June 2018 over 299,966 clients in June 2017, Kashf has been able to maintain the overall Portfolio at Risk (PAR) over 30 days at 0.29%. This can be attributed to Kashf's robust risk management approach, strong oversight and monitoring, continued focus on screening and loan appraisals by field teams and enhanced focus on building human resource competencies. The table below shows the product wise PAR which has remained within acceptable institutional thresholds.

Portfolio at Risk > 30 days	June 2018	June 2017
Overall Portfolio at Risk > 30 days	0.29%	0.29%
Kashf Karobar Karza	0.30%	0.27%
Kashf Murabaha	0.17%	0.87%
Kashf School Sarmaya	1.07%	0.60%
Kashf Easy Loan	0.12%	0.02%





Kashf's Human Resources Dashboard



In line with its mission of transforming lives, Kashf Foundation provides a fair, equitable, and harassment-free workplace to its employees. Inclusion and diversity are key priorities for Kashf and the organization focuses on creating and upholding a distinctive culture which derives from Kashf's core values of integrity, responsibility, dignity, innovation, responsiveness, and sustainability. Based on the premise that embracing diversity is pivotal for a company's success Kashf's HR policies value and promote diversity. Diversity management does not mean giving minorities or excluded groups preferential treatment but is based on creating opportunities for learning, growth and development that help create a level playing field for all.

Gender is a key focus for Kashf, and even though Pakistan's female labor force participation rate is a mere 25% , Kashf has a 50% gender ratio in its staff base, which is the organizational benchmark. Kashf has been able to maintain gender diversity via specialized programs at multiple levels which start from the policies in place at the level of recruitment and extends through out the course of the employment with the institution. The following table shows the Gender Ratio across the field tiers.



	%age Females	%age Males
Business Development Officers	50%	50%
Branch Managers	52%	48%
Area Managers	49%	51%
Regional Managers	50%	50%

In this year, Kashf's staff base grew to 2,517 which is a 12% increase over last year. A majority of this expansion has been to enable Kashf to grow its branch operations. The table below shows the key Human Resources numbers for the year.

	June 2018	June 2017
Total Head Office Staff	94	98
Total Field Staff	2,423	2,241
Total Staff	2,517	2,339
Staff Gender Ratio	50%	50%
Yearly Turnover	20%	17%

¹ Asian Development Bank (2016) Policy Brief available at <https://www.adb.org/sites/default/files/publication/209661/female-labor-force-participation-pakistan.pdf>

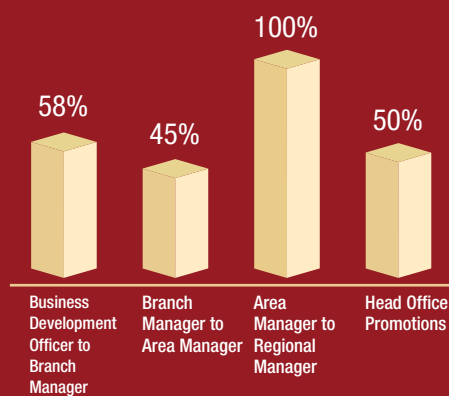


With respect to recruitment, Kashf hired around 1,100 staff members during the year, of whom 53% were females, emphasizing Kashf's continuing focus on recruiting and retaining women at all tiers.

	July 2017 – June 2018
Staff Recruited at Field Level	1,077
Staff Recruited at Head Office	18
Total Staff Recruited	1,095
Gender Ratio of Recruited Staff	53% Female

With respect to growth and internal promotions, 109 staff members have been promoted across the institution at different positions. For each new position, Kashf advertised internally and all positions have been open for application to all staff members that met the required criteria. Overall, promotions at Kashf are merit based and gender blind, however, 56% of the promoted staff this year have been females. This demonstrates the skill and ability of Kashf's female staff and also affirms the efficacy of Kashf's gender mainstreaming initiatives such as leadership trainings, staff pipelining, and succession planning being undertaken at the institutional level.

Percentage of Women Promoted at Each Level



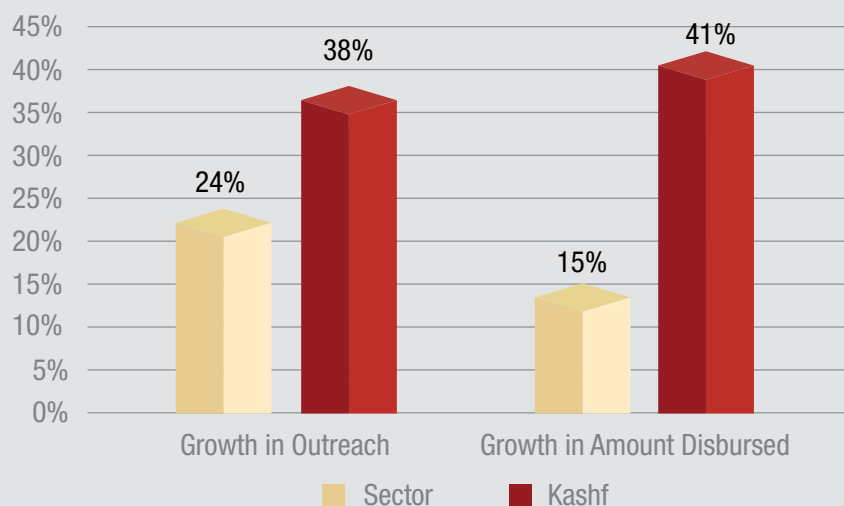


Leading the Way to Change through Women's Financial Inclusion



With a Gender Gap Index of 143², Pakistan is one of the worst performing countries in the world when it comes to the status of women and laws and policies relating to women's rights. Kashf's raison d'être has been to economically mainstream low-income women in Pakistan through the provision of pro-poor and women centric financial products and services to female micro-entrepreneurs, including credit and insurance services, along with capacity building trainings.

Kashf Versus Sector Growth Rates





At the end of June 2018, Kashf Foundation had 413,932 active clients which is a 38% increase over June 2017 numbers and is significantly higher than the industry growth rate of 24% . In terms of amount disbursed, Kashf's year on year growth rate has been 41%, i.e. PKR 18.1 billion compared to PKR 12.3 billion in the previous year, while the same has been 15%¹ for the sector as a whole. The growth in the outstanding portfolio has been 45% compared to June 2017. As already mentioned, Kashf has also successfully maintained a very high quality portfolio with PAR > 30 days at 0.29% compared to the sectoral PAR > 30 days of 1.0% at the end of June 2018.

	June 2018	June 2017
Active Clients	413,932	299,966
Active Loans	419,956	299,966
Loans Disbursed	436,727	309,472
Amount Disbursed	PKR. 18.13 billion	PKR 12.30 billion
Outstanding Portfolio	PKR 10.51 billion	PKR 7.23 billion
Portfolio At Risk > 30 days	0.29%	0.29%

² The Global Gender Gap Report 2017 – World Economic Forum

³ Microwatch Issue 44 (Apr-June 2017) and Issue 48 (Apr-June 2018)

The impetus behind this growth has been enhancing financial inclusion and serving a greater number of women from low-income households. The key drivers through which Kashf has been able to achieve this growth have included the following:

- Increase in operational footprint through opening new branches in existing and new areas
- Focus on optimizing existing products and services through improved policies and procedures
- New product development in order to enhance the client segments being served

Increase in Operational Footprint

Keeping in line with Kashf's strategic objective of deepening access in current markets and penetrating newer markets, Kashf has increased its distribution network by adding 31 new branches thereby closing June 2018 with 291 branches spanning across 60 districts in 4 provinces. All new branches have been opened after a thorough and in-depth assessment of the potential market size, nature and size of micro-businesses, overall banking infrastructure, women's participation in the local economy and demand for micro-loans. Kashf follows a market driven robust process for gathering branch level data, which is then analyzed and reviewed at the level of the area research committee based at the Head Office.

The new branches have been opened in the areas of Tando Adam and Larkana in Sindh, Layyah, Muzaffargarh, Faisalabad, Toba Tek Singh, Mandi Bahauddin, Narowal, Bahawalpur, Kasur, Chakwal and Attock in Punjab and Mardan and Nowshera in KPK. The table below shows Kashf's footprint across Baluchistan, Punjab, Sindh and KPK.

Province	Number of Districts	Number of Branches
Baluchistan	1	1
Punjab	37	229
Sindh	14	44
Khyber Pakhtoonkhwa	8	17
Total	60	291

Focus on Optimizing existing products and services

Keeping client centricity at the heart of its operations, Kashf revises product features, policies and processes on an on-going basis. Client advice and feedback is solicited through the following mechanisms; customer satisfaction surveys, exit client surveys, physical visits to over 45,000 clients in a year, review and collation of information from the client helpline, field visits by the Kashf Management Team and focus group discussions by the Market Research and Product Development department. In this year overall, client feedback suggested the need for enhancements in loan amounts, reduction in documentary requirements, revisions in income criteria for loan eligibility to accommodate inflation and support to multiple households in the same family unit. Kashf responded by incorporating changes in its policies and procedures to address all pain points identified.

With respect to Kashf's competitive positioning vis-à-vis other MFPs, Kashf clients highlight Kashf as a provider of choice due to the individual lending approach, positive behavior of the staff towards the clients, the easy to use and understand health insurance program, absence of any upfront deductions, and the fast turn-around time for repeat clients. However, with respect to competitive edge of other MFPs, clients state that other MFPs are offering a greater number of credit products, more flexibility on loan tenures, higher loan sizes, and easier collateral requirements.





Kashf's Top of Mind Recall

- Staff behaviour is excellent
- Health insurance is a great addition
- There are no up-front deductions
- Turn around time is low (for repeat clients)

Key Differentiators of Other MFPs

- Competitors are offering more credit products
- Competitors offer greater flexibility on loan tenures
- Competitors are offering larger loans
- Competitors have easier collateral requirements





New Product Development

Some of the products that have been suggested by clients through the various client feedback solicitation mechanisms have included a larger loan size product for female livestock managers for dairy and calf-fattening, loans for home improvement, and the introduction of an emergency loan for existing loan clients to meet emergency expenses such as school fees for their children, and/or utility bills.

For every product developed at Kashf Foundation, there is an in-depth client and market assessment undertaken to assess potential, understand client needs, and develop product features. Once the product is developed, it is pilot tested to assess applicability and relevance. After a 9 – 12 months pilot an end of pilot evaluation is undertaken to review product performance. Based on modification suggested in the pilot phase, the product is then rolled out.

⁴ Kashf Foundation, Client Satisfaction Survey (March, 2018) – undertaken with 400 clients across 20 branches, Exit Client Research (May 2018) – undertaken with 160 clients across 20 branches, and Competitor Review (March 2018) undertaken with 250 clients across 5 highest penetrated markets



In this year, Kashf pilot tested a livestock product for rural women in a newly set-up rural branch which was developed after in-depth client and market research in rural Punjab and Sindh. Once the product prototypes were created they were pilot tested in a newly set-up rural branch in Sahiwal. In the course of the pilot (September 2017 – June 2018) Kashf was able to disburse 797 livestock loans with a cumulative amount of PKR 48 million and an average disbursement size of PKR 55,449. A pilot evaluation was then undertaken and findings have shown that the loan size has been highly valued by the clients and they have considered the livestock training to be helpful in increasing their knowledge on better feeding practices, disease prevention and timely vaccinations and improved animal care which will assist them in the long term to improve the quality and productivity of their livestock. The evaluation also suggested some changes to the product which have been undertaken and Kashf plans to roll-out these products to 10 new rural branches in the next year. Furthermore, Kashf also aims to start research on an agricultural loan and home improvement loans in the upcoming year.



“

When I was getting the loan to buy a new cow, I was sold the insurance and I did not think I would really benefit from it since I was sure nothing would ever happen to my animal as I have perfect record of keeping my animals well. But after 7 months my cow developed a contagious disease and she passed away. I was heart-broken and worried, I called the BDO who informed the [insurance] surveyor who was at my door in 2 hours. After that the BDO guided me on how to file the claim and not only was my outstanding loan waived off, I also received PKR 20,000 in compensation. After that I took another loan from Kashf and have bought an even better animal.

Irshad Bibi from Sahiwal

”



Kashf also introduced the Kashf Sahulat Karza (KSK) in this year, a consumption loan available for existing clients to help them meet unplanned/emergency expenses. Within the year, 6,038 KSK loans amounting to PKR 30 million have been disbursed.

⁵ Pilot Evaluation of Kashf Foundation's Livestock Loan Product – May 2018 undertaken by MEDA, Canada.

“

Being the sole provider of my family, comprising of my elderly mother and 3 children, I was quite tense when we had a sudden increase in the electricity bill. I did not want to use the business profits I had because I planned to buy more merchandize from it to sell in the upcoming month of Ramazan. I approached my Business Development Officer for a Kashf Sahulat Karza and it was approved within a day. I was able to pay the bill and am now paying back the money easily with my monthly installment as my business is doing very well since I bought new varieties of cloth to sell.

Rukhsana Baji from Faislabad

”



Financial Products and Services

With respect to product-wise growth, Kashf has been able to enhance outreach from its main lending product, the Kashf Karobar Karza (KKK), by 31% compared with June 2017. The Kashf Easy Loan (KEL), introduced in 2016 to cater to the segment of women that requires smaller loan sizes of up to PKR 15,000, doubled in terms of number of loans in this year with a disbursement of 56,140 loans over the year. Kashf's Shariah Compliant Murabaha product which is available in Khyber Pakhtoonkhwa grew by 75% over last year and 13,448 KM loans have been disbursed this year, as compared to 7,704 last year.

The tables below show the product wise growth in the year:

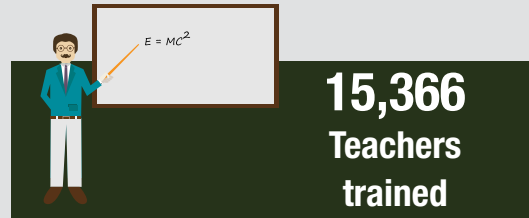
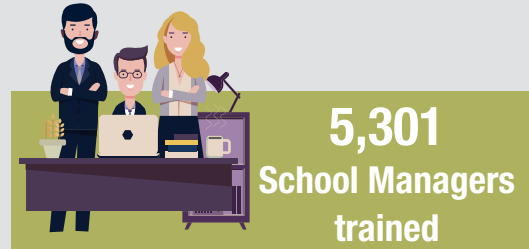
Number of Loans			
	June 2018	June 2017	Percentage Increase
Kashf Karobar Karza	356,615	272,724	31%
Kash Easy Loan	56,140	25,845	117%
Kashf Murabaha	13,448	7,704	75%
Kashf School Sarmaya	1,034	894	16%
Kashf Khudmukhtar Sarmaya	2650	2305	15%
Kashf Maweshi Karza	802	0	New Product
Kashf Sahulat Karza	6,038	0	New Product

Amount Disbursed (Millions)			
	June 2018	June 2017	Percentage Increase
Kashf Karobar Karza	16,480	11,431	44%
Kash Easy Loan	842	388	117%
Kashf Murabaha	535	279	92%
Kashf School Sarmaya	140	116	21%
Kashf Khudmukhtar Sarmaya	53	46	15%
Kashf Maweshi Karza	49	0	New Product
Kashf Sahulat Karza	30	0	New Product

Kashf's customized and innovative education finance product, the Kashf School Sarmaya (KSS), which integrates access to finance and training and capacity building, has impacted the lives of 155,000 children from July 2017-June 2018 through the provision of credit, school management trainings, and teacher trainings to 1,034 schools. The KSS portfolio has grown by 16% this year compared to last year.



Cumulative Outcomes of KSS Program



“

Last year I experienced a rising increase in the number of students in my school. It became difficult for me to accommodate all the children in the school's small premises. However financial constraints prevented me from adding more classrooms. It was Kashf's School Sarmaya product which provided me credit to construct additional rooms in my school, while through the training program I was able to become aware of modern teaching techniques to improve the quality of education. The delight I saw on my students' faces when they were moved to new and spacious rooms was a source of pride for me that I was working on the right goal.

Principal Shakeela Talat Grammar High School in Faisalabad

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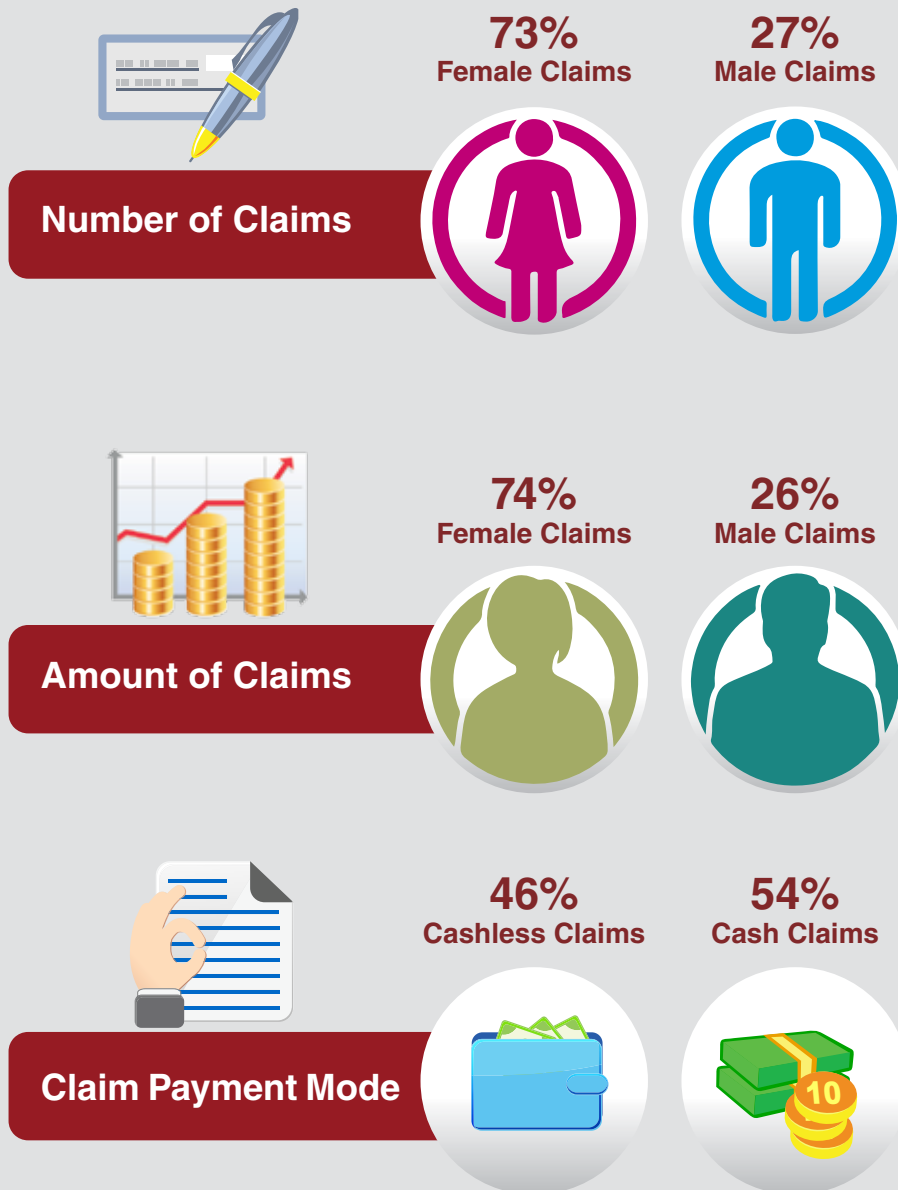
Insurance and Safety Nets

Low-income households are very vulnerable to endogenous and exogenous shocks and require well-designed and affordable products and services that can provide safety nets in times of need. Credit for life insurance, which was pioneered by Kashf Foundation in the early 2000s, is an effective and useful product that helps protect Kashf clients by relieving them and their families of the burden to pay back the outstanding loan in case of the death of the client or her spouse while also providing them a burial pay-out to help with funeral expenses. This year Kashf has provided life insurance to 783,629 low-income individuals (clients and their nominees/husbands). This denotes a 35% increase over June 2017 closing numbers.

Ill health is another major shock that impacts low-income households and most clients cannot access proper health care facilities due to the prohibitively high costs associated with diagnosis and treatment. In case when they seek treatment, low-income persons frequently report that they have to either take on debt from informal sources at a high cost or use savings and divest household assets to pay for healthcare expenses. Kashf has been able to effectively address this issue with its innovative, easy to use and women-centric Health Insurance Program, known as the Kashf Sehatmand Zindagi Bima. From July 2017 to June 2018, Kashf has been able to provide health insurance coverage to 1,538,580 individuals – an 18% increase over June 2017 numbers.

⁶ Utilization of Health Microinsurance in Punjab: Research Brief for Kashf Foundation – June 2018 by Lahore School of Economics' Centre for Research

An independent third party research conducted on the cumulative claims data revealed that around 70% of the total claims have come for gastrointestinal, gynecological and respiratory diseases. This has been followed by an additional 10% for chronic medical conditions pertaining to kidney, heart, liver and pancreas. Program utilization has been most concentrated in the districts of Lodhran, Faisalabad, Okara and Khushab (areas with a dearth and lower quality of public health infrastructure) with 40% of claims since inception being received from these regions. The research concluded that the women-centricity of the product has been commendable, as women have been the most active users of the program.





“

When I first heard I was expecting a baby, I did not get concerned about how I would pay for the expenses of delivery. This was a moment for celebration as I knew that the Kashf Health Insurance had me covered. The health insurance provides us security and easy access to a reliable health care facility, which is an important safety net for people like us,

Zubaida from Sukkur

”



Deepening Financial Inclusion via Microfinance-Plus Services



At the elementary level, financial inclusion pertains to providing access to underserved groups that have traditionally been excluded from access to formal and informal financial services. However, access is only the starting point – for long term transformation low-income households also require additional products and services that can help enhance capabilities to make the newly found access more meaningful. These include interventions that have the potential to:

- Enhance financial management skills so that financial decision-making at the household level can be improved;
- Improve and build-on business management skills so that the scale and scope of micro-businesses can be enhanced;
- Augment vocational skills to build new skills and/or enhance existing skills to improve the employability of women micro-entrepreneurs;
- Create acceptance and enhance value ascribed to the work and earnings of women through dialogue and debate on issues linked to women's economic role through gender sensitization trainings and social theatre performances.
- Generate awareness and create constructive debate in society regarding the impact of various issues on women through mainstream media campaigns.

Kashf Foundation thus, compliments its financial access program with client level opportunities for learning and capacity building to create an environment where women micro-entrepreneurs can flourish. Historically, these programs have been supported fully by grants however, in this year the Kashf management has successfully sought a board level approval to use 10% of its earnings on these programs which means that regardless of grant support, in order to partially sustain some of these highly valued activities Kashf will be using its own funds which it will continue to augment by grants.



Financial Education Trainings

Over the years, Kashf has run numerous financial capacity building trainings with its clients, including basic numeracy and health trainings. Kashf formally mainstreamed its financial education trainings from 2010–2016 where more than 1.5 million low-income women micro-entrepreneurs were provided access to some form of financial and/or business education trainings. Kashf was able to pilot, test, and roll-out these trainings with the support of Global Affairs Canada. At the end of the grant period, the program was continued on a relatively smaller scale in 5 priority districts i.e. Attock, Abbottabad, Sargodha, Bahawalpur, and Badin. At the same time, a third party assessment of the program was commissioned to understand the impact and highlight areas of improvement. Building on from the lessons from the third party assessment, Kashf Foundation re-initiated an updated version of the program in March 2018 through its own funds.

In the current year 7,399 clients were trained in the financial education program from Kashf's own resources, compared to 40,075 in the previous year which were supported by a grant from the Canadian government.

Over 1.5 million women trained on better financial practices



Increased income and saving of women entrepreneurs



Improved budgeting and cash flow management

IMPROVED FINANCIAL CAPABILITIES OF WOMEN MICRO ENTREPRENEURS

“

When I had started my business of Hand Embroidery in a small community in Haripur, I thought it would be easy to manage cash-flows and profit and loss for a business. However my business was barely breaking even and it wasn't even growing. When I enrolled in Kashf's Systemized Financial Education trainings and acquired the knowledge of budgeting and learnt tools for managing my financial transactions, my revenues began to grow. I began saving much more and increased my income by PKR 20,000 within a short span of 4 months,

Mariam Bibi from Haripur

”



Business Incubation Labs

An important facet of financial deepening is helping women micro-entrepreneurs grow the scale of their micro-businesses and help them enhance productivity to create economic and social multipliers. Kashf was able to create content, pilot, test and roll-out business development and incubation services through its over-arching capabilities building program from 2010-2016 wherein over 25,000 women micro-entrepreneurs took part in a Business Incubation Lab program. The program offers business management trainings that focus on product innovation, product marketing & packaging, and creating beneficial forward and back-ward linkages. Based on lessons and identification of impact drivers via a third party impact assessment of the program, Kashf re-launched the program in 21 districts which include Lahore, Kasur, Gujranwala, Gujrat, Sheikhpura, Nankana, Faisalabad, Sargodha, Attock, Haripur, Abbottabad, Peshawar, Multan, Bahawalpur, Lodhran, Khairpur, Thatta, Badin, Hyderabad, Kotri and Karachi. In the current year, 1,503 women micro-entrepreneurs graduated from the program compared to 5,789 in the previous year.



“

I had been running an embellishment business in the town of Multan since the past 2 years, but the revenues were not growing nor was I getting increasing number of orders. I was often given the feedback by clients that my prices were too high but I couldn't figure out a way to reduce them. Kashf's BIL training enhanced my negotiation and communication skills and I was able to acquire raw materials at a lower rate from vendors now, which reduced my costs significantly. My market linkages were developed during the BIL program and I was able to acquire larger orders. Now I manage to gain profits of around PKR 35,000 every month and have even increased my employee base by 5 workers now,

Bushra Bibi from Multan

”

Vocational Skills Trainings

Kashf also offers demand-driven vocational skills through specialized vocational training centers located in the heart of the communities to enable women to build skills that can improve their employability and increase household incomes. Along with the vocational skills trainings, these programs also offer sessions on entrepreneurship, business management, networking and negotiation skills, financial management, and communication skills. While a majority of the trainings are in traditional fields, Kashf is also trying to break stereotypes and focus on non-traditional skills such as football stitching.

To date, Kashf has provided trainings on vocational skills to over 3,000 women and girls across 10 districts. In this year Kashf trained 1,515 women in the trades of football stitching, tailoring, hand embellishment and embroidery, fashion designing and beautician work. These programs are available free of cost to Kashf clients and young girls and women from the community and have been implemented with the financial support of the Punjab Skills Development Fund, Coca-Cola Foundation and OMV. Kashf is also providing adult educational services through 4 centers for Adolescent & Adult Literacy and Training in Thatta, Badin and Sajawal districts in partnership with the Sindh Education Foundation. Currently, 785 students are enrolled in this program.

“

A lot of my friends in the community knew how to stitch footballs. Their skill and speed would fascinate me since I had seen women stitching clothes, but football stitching was not very common in our community. When Kashf established a football stitching center in Jalalpur Jattan for women and girls I immediately registered myself. After 3 months of training, I have developed market linkages with 2 local vendors and have started getting orders from them. I am now in a position to support my family and am taking active part in household decision making,

Fauzia from Gujrat

”



Gender Trainings

The Gender Training program is aimed at changing attitudes and mindsets about gender roles and stereotypes amongst participants. These trainings are undertaken with men, women and adolescents. Kashf recognizes that men's support is vital to advancing gender equality and women's empowerment therefore the program uses the concept of 'He for She' i.e. helping males from the community recognize the importance of women's economic participation, education, and rights so they can become advocates of the same at the community level. Adolescent boys are targeted to influence change in mind-sets at an early age.

These trainings use participatory and interactive learning techniques, resulting in an overall increase in awareness among community and family members. In this year 921 Trainings have been conducted with 3,496 males, 2,896 females and 2,496 youth participants across Kashf's network compared to 22,787 trainings with 11,375 males, 1,403 females and 10,009 youth participants in the previous year.



“

Kashf's Gender Trainings made me realize that ultimately everyone in the community needs to get involved if we want our society to progress. We have to respect women, ensure they receive a proper education, and arrange suitable marriages for them where they will be able to lead lives with dignity. We have to turn the tides ourselves. Since the time I allowed my wife to work on her embroidery business, the environment of our house has improved tremendously and we [her and myself] work together like a team.

Mohammad Sadiq, Khan Bela, Participant of Gender Training



”

Social Theatre Performances

Kashf undertakes Social Theatre Performances to create awareness and generate debate at the community level about important social issues faced by low-income households, especially women. These performances are undertaken in the local languages and dialects so that participants can effectively engage with the content. The methodology used to develop and undertake these performances is based on the concept of theater for development, which treats the participants of the theater activities as active participants instead of passive by-standers who are encouraged to change the outcomes of the play.

85 theatre performances have been undertaken in this year in Badin, Thatta, Khairpur, DG Khan, Kasur, Multan, Chakwal, Lahore and Faisalabad, where 10,000 individuals participated as compared with 110 performances covering 11,000 individuals last year. Two themes were developed and executed in this year – the first one focused on the importance of education and was delivered in Sindh, where there is a greater proportion of out of school children, while the second theme focused on child safeguarding and the importance of trusting your children and was delivered in Punjab.





“

This [theatre performance on child sexual abuse] really affected me; I think it was the acting of the girl that played the survivor of child sexual abuse that created this impact. I am going make a conscious effort of shielding the children in my community from such evil people.

Bushra Bibi from Multan

”

Television Dramas



Kashf entered into the sphere of using television dramas to create awareness about issues faced by low-income households, especially women, in 2013 with its first television drama *Rehai* which focused on the effects of child marriage and showcased the myriad issues that women from low-income communities face. In 2016, Kashf produced the drama *Udaari* which focused on the issue of child sexual abuse. *Udaari* was not just a success in terms of critical acclaim but also won the hearts and minds of people and became the most successful drama of the year. In 2017-2018, Kashf continued its mainstream advocacy work with support from the Department of Foreign Affairs and Trade of the Government of Australia to create a mini-series titled *Aakhri Station*.

Aakhri Station comprised of 7 episodes which followed the individual journeys of transformation of 7 unrelated women who coincidentally happened to be travelling in the same train compartment. Over the 7 episodes, the women (and audiences) witnessed each individual story unravel and saw the perseverance and courage of each woman in their specific contexts. The mini-series took on some very serious themes including domestic violence, acid attacks, HIV, forced prostitution, displacement of women from their homes for work and/or due to civil war, and mental health and well-being. The mini-series was directed by the award winning director Sarmad Khoosat and was written by veteran writer Amina Mufti. *Aakhri Station* received great critical acclaim from viewers, film makers, and the media. The representation of women as heroes of their own stories instead of feeble bystanders was appreciated by audiences.

“

The women of Aakhri Station are tough and persevere. They have been wronged and face hardships due to no fault of their own. Yet, they find the strength and courage to build each other up. The story is a celebration of the tenacity and strong camaraderie of the principal female characters.

Amina Mufti – Writer Aakhri Station

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“

I feel greatly privileged to direct a series that challenged the blatant misogyny and patriarchal setup of our society. Each episode is a gut-wrenching ride and a cry for justice. The drama I believe has succeeded in provoking thought and raising awareness.

Sarmad Khoosat – Director Aakhri Station

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“

I played the role of Farzana – an educated working woman who faces emotional and psychological abuse at the hand of her husband and finally calls it quits when her husband physically abuses her. After my episode aired, I constantly had women come to me and say ‘your story is my story in reality’. The story really resonated with the audience and provided them with an opportunity for catharsis.

Malika Zafar – Actor Aakhri Station

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“

I played the role of a rich woman who seemed to have everything in life but was never happy because she had clinical depression. I feel the show pushed the envelope in breaking the stigma attached to mental health and depression. I think it gave people the opportunity to recognize and identify depression and gave hope to those living with it that they could seek help.

Sanam Saeed – Actor, Aakhri Station

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Radio Programming



In this year, Kashf experimented with a new mass medium i.e. radio. Radio programming has great potential as it can span large distances, reach a large number of people, has a relatively low per unit cost, has the ability to reach those who are illiterate, and even reach those people who are off-grid or do not have access to electricity. Moreover, since the stimuli from radio are auditory (i.e. based on speech, music, sounds, noises and silences) the listener is compelled to support the sound messages using his/her imagination. Other media do not have the ability to stimulate such activation of a person's imagination. Radio can therefore, be a great tool for changing mind-sets and educating diverse groups of people .

As a first project, Kashf Foundation adapted the script for its television series Rehaii - which as mentioned earlier, focused on early marriage and its effect on women, the family and the community, for radio. This included a re-writing of the entire script with auditory clues and removal of all visual references. To produce and record the show, Kashf collaborated with Light Storm Studios. The radio show was directed by Adeel Hashmi and numerous popular voice actors were used in the production which included veteran actors such as Samiya Mumtaz, Zain Khalid, and Aima Khan. The radio program was aired as 15 minute episodes twice a week on FM 101 across Lahore, Sialkot, Multan, Islamabad and Faisalabad.

⁸ Aliza Duby (1990) The Effectiveness of Radio as an Educational Medium, Educational Media International

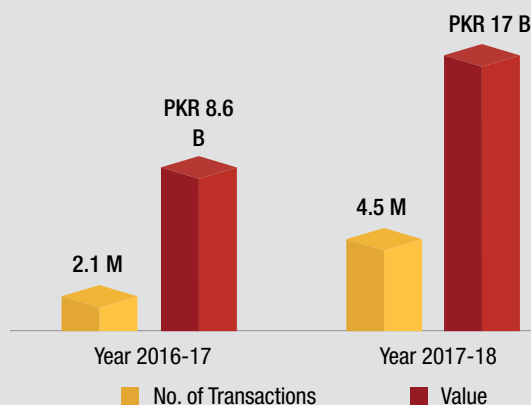
Revitalizing Kashf Processes through Technology to Transform Client Experience

Kashf Foundation continuously revises and re-invents internal processes and procedures to enhance institutional efficiency so that client experience with Kashf can be improved. Technology has been a key driver for change at Kashf. The organization's internally developed loan management system the 'Miracle Worker' was one of the first customized MIS to be developed and used by micro-finance institutions in Pakistan. Based on evolving institutional needs, the Miracle Worker has undergone numerous development iterations over the years and most recently these iterations have been undertaken to take advantage of the new opportunities provided by digital finance. In the recent past there have been rapid advances in digital finance across the world; Pakistan is also catching onto global developments and some estimates predict that digital finance has the potential to cross USD 36 billion by 2025 and boost GDP by 7% by creating over 4 million jobs .

Digital finance gives microfinance institutions a unique opportunity to serve hitherto un-accessed populations and optimize existing processes and products to better serve existing clients. In this year Kashf made significant technology related changes to make use of the increasing penetration of digital finance to change back-end processes with the aim of increasing client convenience, reducing costs, and improving loan turnaround.

Repayments Collections at Alternate Delivery Channels (ADCs)

At June 2018 closing, all Kashf clients across the network were making loan repayments at ADCs – the value and incidence of ADC transactions thus grew from 2.1 million transactions amounting to PKR 8.6 billion in 2016-2017 to 4.5 million transactions amounting to PKR 17 billion in 2017-2018.



⁹ State Bank of Pakistan's report titled "Digital Financial Services Innovation Challenge Facility"

This signifies a 114% increase in number of transactions and a 98% increase in transaction value. Kashf clients do not have to pay any transaction fees on the repayments that they make at the ADCs as these are embedded in the cost of business.

The use of ADCs has enhanced the number of channels available to clients and has given them greater flexibility with respect to the time and location for making repayments. It has also reduced costs associated with travel to the branch (which is located within a 10 kms radius) and has helped clients reduce time away from income generating activities. A spillover of this change has been the enhanced use of digital finance by low-income households and increased financial literacy with respect to demanding receipts for their transactions. At the level of the institution, the change has increased efficiency by removing the need for a Branch Accountant to be present at the Head Office to receive repayments, reduced costs of branch level insurance, and reduced time spent by the Branch Manager and Senior Business Development Officer in cash-handling and bank deposits.

Digitization of Client On-boarding



In this year, Kashf Foundation has also completely digitized the client onboarding process across all branches. This has been undertaken through the creation of a tablet application for loan management and provision of tablets to all field staff. In order to enhance staff acceptability and ease of use for the tablets, Kashf has undertaken the following:

- Centralized training on using the tablet and the newly developed application for all Staff Members. In this process over 2,000 staff members have been trained by IT and HR at the Head Office
- Ensuring that the customized application developed has both online and offline modes in case of poor connectivity or a sudden loss of connectivity

■ Designated trouble-shooting and complaint personnel at the Head Office



The shifting to the tablet has been a means to enhance efficiency in numerous processes including (1) eliminating the need for copies of client level documentary requirements such as client CNIC and client pictures, (2) eliminating delays in entering information on the system which was done via Branch Accountants from manual forms onto the MIS before the introduction of tablets - according to a time-mapping exercise undertaken, prior to using tablets it took 59 minutes for client level data entry into the system which has reduced by about half i.e. 36 minutes, (3) quicker processing of loan applications as information entered by the Business Development Officer can instantly be sent to the Branch Manager tablet for review and screening, (4) greater empowerment of Business Development Officers by having complete control over data collection and data entry, and (5) greater accuracy of information entered into the MIS due to reduction in transcription errors.

Credit Scoring Model

Another technology based innovation that Kashf has tested in this year has been the introduction of the credit scoring algorithm for disbursing repeat clients. Incidentally, the entire credit scoring enterprise has only been possible because of Kashf's long-term focus on technology as a result of which Kashf maintained historic client level data in its MIS which highlights the far-reaching importance of leveraging technology from the onset.

The credit scoring algorithm(s) being used have been developed by a renowned data-science company which has used Kashf's client level data for the past 20 years and undertaken an extensive exercise of data training to develop 5 distinct models (algorithms) that can predict client repayments for the 5 major geographic blocks where Kashf works. These models ascribe weightages and values to 21 distinct client level indicators and compute a credit score for each repeat client. Based on the credit score values, Kashf organizes the client into three distinct categories; secure, low-risk and high-risk. For each scoring category, there is a different screening level and requirement for branch staff.

The overall experience in the pilot branches has been very encouraging as there has been a significant reduction in loan turnaround time and the branches have been able to realize target achievement by the third week of each month. The timely service to clients has built trust and increased the satisfaction level of clients. Moreover, productivity and caseload per BDO has increased by 16%, on average an increase of around 53 clients per Business Development Officer has been seen across the pilot branches. The total active clients have also increased by 16% on average while the average outstanding amount for the branches has increased by 41.5% which signifies higher levels of repeat client retention in the branches.



KASHF SUPPORTERS

Kashf would like to thank the following organizations for their continuing generosity and commitment to Kashf's mission and vision in this year.





A COMPANY SET UP UNDER SECTION 42
OF THE COMPANIES ORDINANCE 1984

Financial Statements for the year ended 30 June, 2018

Independent Auditors' Report

To the members of Kashf Foundation Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Kashf Foundation (the Company) which comprise the statement of financial position as at June 30, 2018, and the statement of income and expenditure and other comprehensive income, the statement of changes in equity, 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, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the board of directors regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other matter

The annual financial statements of the Company for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who vide their report dated September 28, 2017 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Deloitte Yousuf Adil

Chartered Accountants

Lahore

Date: September 29, 2018

Kashf Foundation (A Company Licensed Under Section 42 of Companies Act, 2017)

Statement of Financial Position

As at June 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
ASSETS				
<u>Non-current assets</u>				
Property and equipment	7	653,213,973	593,209,5815	65,740,929
Intangible assets	8	2,913,744	-2	53,766
Investment property	9	82,503,900	70,001,500	-
Long term investments	10	340,000,000	523,333,3331	95,000,000
Long term loans	11	-	121,998,6402	61,239,935
Long term micro-credit loan portfolio	12	5,040,820	33,361,661	14,006,108
Long term deposits	13	4,978,660	1,363,160	463,360
		1,088,651,097	1,343,267,8751	,036,704,098
<u>Current assets</u>				
Micro-credit loan portfolio	14	10,086,321,778	6,967,351,4494	,363,624,672
Kashf Murabaha	15	296,766,595	157,660,6441	39,097,188
Short term investments	16	707,369,851	239,309,3514	32,275,052
Advances, deposits, prepayments and other receivables	17	373,396,083	234,320,1861	32,469,610
Accrued service charges		116,614,493	87,284,899	70,728,681
Cash and bank balances	18	1,719,915,697	1,940,110,5081	,225,894,209
		13,300,384,497	9,626,037,0376	,364,089,412
		14,389,035,594	10,969,304,912	7,400,793,510
EQUITY AND LIABILITIES				
<u>Equity</u>				
Donated funds	19	226,210,110	216,660,1102	06,585,110
Reserves	20	2,553,196,980	1,732,954,5461	,154,827,972
Fair value reserve on investments		6,535,249	5,972,4285	,602,475
Surplus on revaluation of land	21	209,478,137	209,478,1372	01,647,080
		2,995,420,476	2,165,065,2211	,568,662,637
<u>Non-current liabilities</u>				
Long term financing - secured	22	7,072,914,184	4,587,682,9171	,965,127,183
<u>Current liabilities</u>				
Current portion of long term financing - secured	23	3,676,872,876	3,727,981,1993	,436,038,424
Short term borrowings	24	128,683,828	96,789,785	134,036,657
Deferred grants	25	17,197,416	59,822,585	34,937,589
Accrued markup	26	292,719,482	138,491,3631	15,020,235
Trade and other payables	27	205,227,332	193,471,8421	46,970,785
		4,320,700,934	4,216,556,7743	,867,003,690
Contingencies and commitments	28			
		14,389,035,594	10,969,304,912	7,400,793,510

The annexed notes 1 to 48 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

Kashf Foundation (A Company Licensed Under Section 42 of Companies Act, 2017)

Statement of Income and Expenditure

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Mark-up and other charges on micro-credit loan portfolio	29	3,317,823,962	2,322,646,402
Profit on Kashf Murabaha		83,176,314	59,033,855
Grant income	30	68,200,125	90,845,206
Return on investments and bank deposits	31	173,310,888	125,598,057
		3,642,511,289	2,598,123,520
Programme cost	32	(1,311,381,094)	(955,401,843)
Grant expenses	33	(65,843,575)	(88,488,658)
Finance cost	34	(1,067,812,427)	(644,072,995)
		(2,445,037,096)	(1,687,963,496)
		1,197,474,193	910,160,024
Management and administrative expenses	35	(321,962,378)	(244,500,259)
Other expenses	36	(124,787,782)	(140,400,465)
Other income	37	70,544,673	52,867,273
		(376,205,487)	(332,033,451)
Surplus for the year		821,268,706	578,126,573

The annexed notes 1 to 48 form an integral part of these financial statements.

D/K



Chief Executive



Chief Financial Officer



Director

Kashf Foundation (A Company Licensed Under Section 42 of Companies Act, 2017)

Statement of Comprehensive Income

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees (Restated)
Surplus for the year	821,268,706	578,126,573
<i>Items that may be reclassified subsequently to statement of income and expenditure</i>		
Fair value gain on available-for-sale investment	562,821	369,953
Surplus on revaluation of land	-	7,831,057
Total comprehensive income for the year	821,831,527	586,327,583

The annexed notes 1 to 48 form an integral part of these financial statements.

DYK



Chief Executive



Chief Financial Officer



Director

Kashf Foundation (A Company Licensed Under Section 42 of Companies Act, 2017)

Statement of Changes in Equity

For the year ended June 30, 2018

	Donated funds	Reserves		Fair value reserve	Surplus on revaluation of land	Total
		General reserve	Loan loss reserve			
----- Rupees -----						
Balance as at June 30, 2016 <i>(Restated)</i>	206,585,110	1,086,607,057	68,220,915	5,602,475	201,647,080	1,568,662,637
<i>Total comprehensive income (Restated)</i>						
Surplus for the year	-	578,126,573	-	-	-	578,126,573
Other comprehensive income - Remeasurement of AFS securities	-	-	-	369,953	-	369,953
Surplus on revaluation of land	-	-	-	-	7,831,057	7,831,057
	-	578,126,573	-	369,953	7,831,057	586,327,583
Micro-credit loan portfolio disbursed against grant	10,075,000	-	-	-	-	10,075,000
Transferred from general reserve to loan loss reserve	-	(111,190,946)	111,190,946	-	-	-
Balance as at June 30, 2017 <i>(restated)</i>	216,660,110	1,553,542,684	179,411,861	5,972,428	209,478,137	2,165,065,220
<i>Total comprehensive income</i>						
Surplus for the year	-	821,268,706	-	-	-	821,268,706
Other comprehensive income - Remeasurement of AFS securities	-	-	-	562,821	-	562,821
Prior year adjustments	-	(1,026,272)	-	-	-	(1,026,272)
Surplus on revaluation of land	-	-	-	-	-	-
	-	820,242,434	-	562,821	-	820,805,255
Micro-credit loan portfolio disbursed against grant	9,550,000	-	-	-	-	9,550,000
Transferred from general reserve to loan loss reserve	-	(222,200,608)	222,200,608	-	-	-
Balance as at June 30, 2018	226,210,110	2,151,584,511	401,612,469	6,535,249	209,478,137	2,995,420,475

The annexed notes 1 to 48 form an integral part of these financial statements.

DYK



Chief Executive



Chief Financial Officer



Director

Kashf Foundation (A Company Licensed Under Section 42 of Companies Act, 2017)

Cash Flow Statement

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
<u>Cash flow from operating activities</u>			
Surplus for the year		821,268,706	578,126,573
<i>Adjustments for non cash items:</i>			
Depreciation	7.1	43,658,867	25,818,356
Amortization	8	549,215	253,766
Impairment on loan to associate		121,239,936	140,000,000
Liabilities written back		-	(22,562,996)
Lease markup		436,515	416,187
Return on investments and bank deposits		(173,310,888)	(125,598,057)
Amortization of transaction costs of long term loans		30,245,037	13,821,793
Finance cost		1,065,527,100	594,573,356
(Gain) / loss on disposal of fixed assets		(8,983,501)	37,890
Grant income		(68,200,125)	-
Bad debts recovered		(5,786,774)	-
Deferred loss on sale and lease back		1,848,812	-
Property and equipment written off		-	362,575
Fair value gain on investment property		(12,502,400)	(4,868,000)
Exchange gain		(22,778,631)	-
Provision/ (reversal of provision) for loan loss		64,308,701	29,617,621
		1,036,251,864	651,872,492
Surplus before working capital changes		1,857,520,570	1,229,999,065
<u>Effect on cash flow due to working capital changes</u>			
Increase in micro-credit loan portfolio		(3,160,744,963)	(2,652,699,951)
Increase in Kashf Murabaha		(139,105,951)	(18,563,456)
Increase in accrued service charges		(29,329,594)	(16,556,218)
Increase in advances, deposits, prepayments and other receivables		(102,027,252)	(80,559,208)
Increase/ (decrease) in deferred grants		25,574,956	34,959,996
Increase in trade and other payables		34,534,121	69,064,053
		(3,371,098,683)	(2,664,354,784)
Cash (used in) operations		(1,513,578,113)	(1,434,355,719)
Finance cost paid		(911,298,981)	(571,102,228)
Net cash (used in) operating activities		(2,424,877,094)	(2,005,457,947)
<u>Cash flow from investing activities</u>			
Capital expenditure incurred		(127,085,567)	(106,302,605)
Sale proceeds from disposal of operating fixed assets		18,338,551	3,410,888
Long term deposits		(3,615,500)	(1,658,505)
Return on investments and bank deposits		134,413,431	104,306,689
Long term investment - net		183,333,331	(328,333,333)
Short term investment - net		(467,497,679)	193,335,655
Net cash (used in) investing activities		(262,113,433)	(135,241,211)
<u>Cash flow from financing activities</u>			
Transaction costs paid for borrowings		(27,219,858)	(57,583,962)
Payment of asset subject to finance lease		(18,620,569)	(2,338,230)
Proceeds received against financing		6,179,314,343	6,447,168,645
Repayments of financing		(3,666,678,201)	(3,472,800,818)
Net inflow from financing activities		2,466,795,715	2,914,445,636
Net increase in cash and cash equivalents		(220,194,812)	773,746,477
Cash and cash equivalents at the beginning of the year		1,940,110,508	1,166,364,031
Cash and cash equivalents at the end of the year	40	1,719,915,697	1,940,110,508

The annexed notes 1 to 48 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director



A COMPANY SET UP UNDER SECTION 42
OF THE COMPANIES ORDINANCE 1984

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