ANNUAL REPORT 2019

Kashf FOUNDATION

Annual Report
2018 - 2019

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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. Set up in 1996 as the first specialized microfinance institution of Pakistan Kashf has successfully carved out a distinct and unique niche for itself in the microfinance sector. Kashf offers appraisal backed individual lending to its clients along with nonfinancial services to create 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 experiences of successful programs 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 also across the institution. With a 50% gender ratio at all staff tiers Kashf demonstrates best practice in gender diversity and leadership development. In 2019, Kashf achieved the milestone of surpassing the PKR 100 billion mark in cumulative disbursements.

VISION

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

MISSION

Serving all with dignity by providing high quality and sustainable microfinance services to low-income families and micro-entrepreneurs to enhance financial capabilities, alleviate household poverty and enable all, especially women, to become active agents of social and economic change.


Kashf Vocational School

CORE VALUES

COMMITMENT TO SERVICE WITH INTEGRITY AND RESPONSIBILITY:
Kashf Foundation ensures that all interactions with clients and amongst staff are based on honesty and mutual dignity with the aim of espousing integrity across the board and meeting all promises as per commitments.

COMMITMENT TO MERIT, DIVERSITY, DIGNITY OF ALL, AND TEAM-WORK:
Kashf Foundation believes in team work and dignity at the workplace which includes mutual respect and care for each other along with ensuring equal opportunities and a fair and transparent appraisal mechanism with access to adequate re-dressal channels.

COMMITMENT TO INNOVATION IN PRODUCTS AND PROCESSES:
Kashf Foundation believes in learning, adapting and growing thereby responding positively to change.

COMMITMENT TO INSTITUTIONAL AND CLIENT LEVEL 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.

COMMITMENT TO TRANSPARENCY AND FIDUCIARY RESPONSIBILITY:
Kashf Foundation ensures the highest level of quality in all outputs with the aim of being market leaders. Kashf ensures customer satisfaction through a respectful and professional attitude and aims towards a problem solving approach in all actions. Kashf conducts all its activities with complete transparency and high level of accountability for all its business practices.

COMMITMENT TO SOCIAL AND ENVIRONMENTAL RESPONSIBILITY:
Kashf Foundation is committed to a long-term sustainable approach to caring for and safeguarding the environment. Kashf constantly endeavors to balance environmental and social responsibility with its business goals.

CORPORATE INFORMATION

Board of Directors
Dr. Attiya Inayatullah, **Chairperson**
Mr. Syed Asim Zafar, **Director**
Mr. Tajammal Hussein, **Director**
Mr. Hassan Iqbal, **Director**
Ms. Rabia Khan, **Director**
Mr. Amjad Ali Arbab, **Director**
Ms. Fatima Asad-Said, **Director**
Mr. Arif Masud, **Director**

Board Committees
Board Credit, Program and Finance Committee
Mr. Asim Zafar – Chair
Mr Amjad Arbab – Member
Ms. Mehjabeen Abidi – 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

Board 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
Phones: + 92 (0) 42 35913595-7
Fax: + 92 (0) 42 35864021
Web: https://www2.deloitte.com/pk/en.html

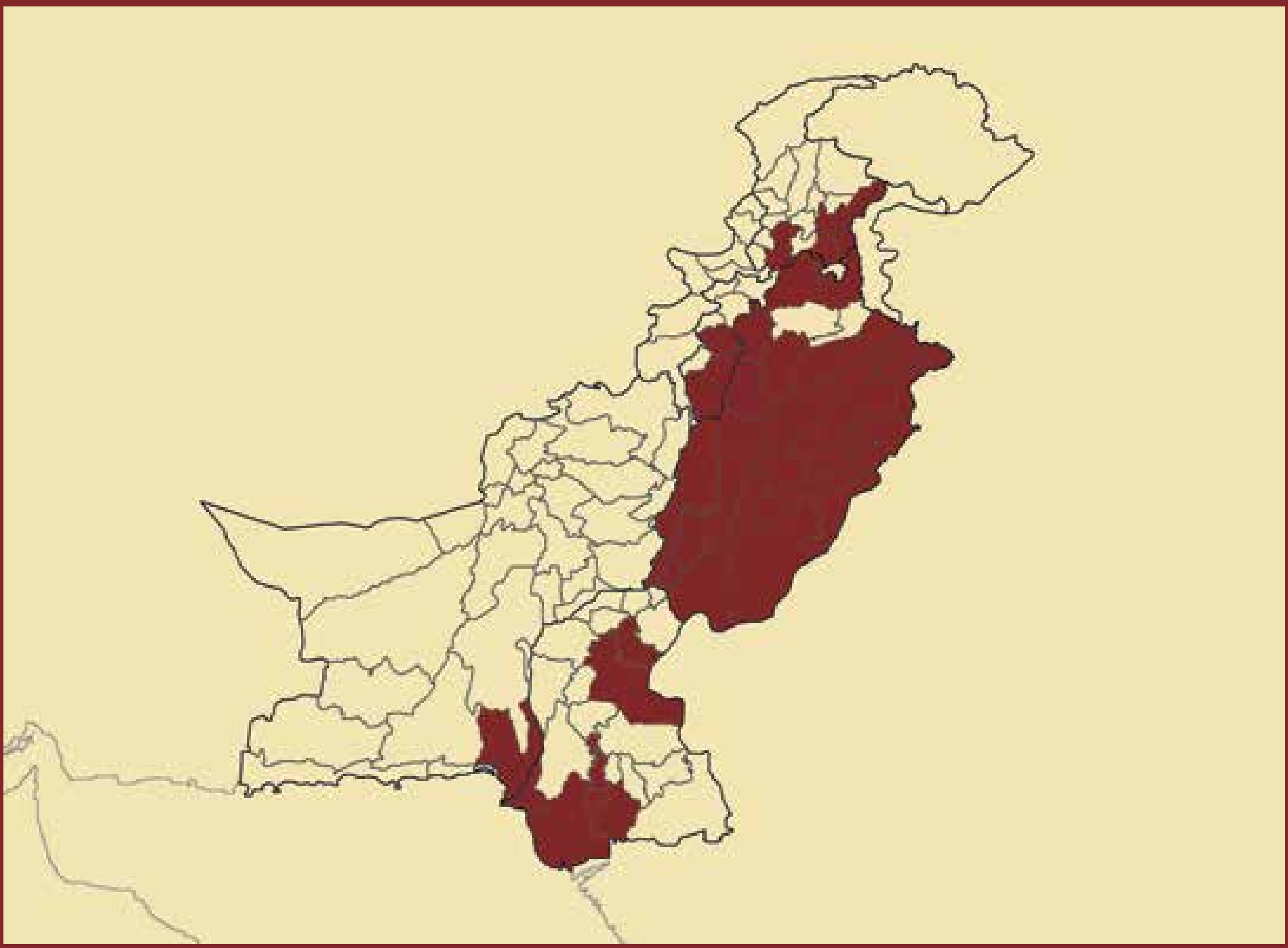
Legal Advisors
Mandviwalla and Zafar 7/B-1, Aziz Avenue,
Canal Bank Gulberg V, Lahore
Tel: +92 42 35715479
Web: www.mandviwallaandzafar.com

Tax Advisors
KPMG Taseer Hadi & Co
Chartered Accountants
351 Shadman-1, Jail Road, Lahore
Tel: +92(42) 111-576-484

Registered Head Office
1 C, Shahrah-e-Nazaria-e-Pakistan,
Lahore, Pakistan
Phone: +(92-42) 35248901-25
Website:www.kashf.org

Geographical Outreach

Kashf Foundation currently operates in 37 districts of Punjab, 14 districts in Sindh, 8 districts in KPK and 1 district in Balochistan through a network of 300 branches.



BOARD OF DIRECTORS

Dr. Attiya Inayatullah
Chairperson

Mr Syed Asim Zafar
Director

Dr. Attiya Inayatullah is globally recognized for her work in the fields of international relations, human rights, women's empowerment, population planning and social welfare. 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 initiated many women and child related legislations. She has also served as the Chairperson/President of International Planned Parenthood Federation for a decade.

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 Tajammal Hussain
Director

Mr Syed Hassan Iqbal
Director

Mr. Tajmmal 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 the Cambridge University, London School of Economics and trained to be a Chartered Accountant with Arther Andersen & Co., London.

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 Rabia Khan
Director

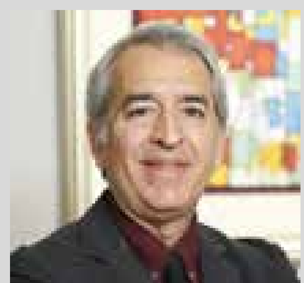
Ms. Rabia Khan is a lawyer by profession and also holds a Masters Degree in Policy and Management from the Carnegie Mellon University, USA. She has worked in the field of gender and development for many years with the Canadian International Development Agency (CIDA) and has also worked with the International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

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. She is the CEO of AbacusELS (a subsidiary of Abacus Consulting) which offers HR outsourcing solutions, and Ms. Asad-Said is responsible for strategically managing AbacusELS's alliance partnership with Mercer (a leading global HR consulting firm). She has over twenty years of experience in change management, organizational structuring and human capital development. After an MBA from LUMS, she started her career with Coopers & Lybrand International and then moved to PricewaterhouseCoopers before joining Abacus Consulting.

Mr Amjad Ali Arbab
Director

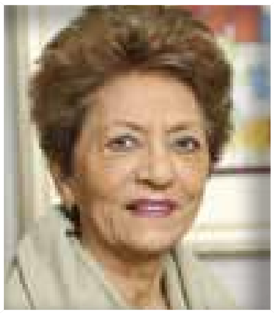
Mr. Amjad Arbab has been working in the development and commercial banking sectors for the past 30 years, with a focus on financial inclusion, SME, Agriculture and digital finance. Until recently he served as Senior Advisor, South Asia with CGAP/World Bank. Prior to this, he served as Regional Director 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. Arif Masud Mirza
Director

Mr. Arif Masud Mirza is a chartered accountant by profession and the Regional Head of Policy for ACCA MENASA (Middle East North Africa and South Asia) of the Association of Chartered Certified Accountants since 2014. Mr. Masud has headed senior positions at various organizations; he was the CEO/Head of ACCA Pakistan of the Association of Chartered Certified Accountants and Manager Finance & company secretary at International Investment Bank Ltd.

Chairperson's Message



Dear Friends and Supporters of Kashf

I am proud to re-affirm that despite the economic turbulence and high levels of inflation in this past year ,Kashf has remained true to its mission and stayed at the helm of gender focused microfinance in Pakistan. In terms of outreach, Kashf was the 5th largest microfinance provider in Pakistan and the largest women focused specialized microfinance institution at June 2019 closing. Kashf is also the largest provider of micro-insurance in Pakistan with almost 30% of the market share.

There are no short-cuts or easy fixes to address the multiple cultural, social and economic barriers that Pakistani women face, and the key to change is continued economic access coupled with holistic training and development packages that enhance capabilities. In this year, Kashf was able to train over 20,000 low-income women in financial literacy skills, graduate over 2,000 women micro-entrepreneurs through the business incubation labs, and reach out to over 8,000 males, 6,000 females and 7,000 youth via gender awareness campaigns. I am very proud to state that all these activities were funded by Kashf itself, and the Kashf Management has received approval from the Board of Directors to use a percentage of its income in coming years to fund a portion of its capacity building program via its own funds.

I had a chance to meet successful Kashf clients this year that were featured on Kashf's radio program 'Kashf Kahanian' and was truly inspired by the perseverance and courage of these women. One client from Chakwal, Bali Rani, left me in awe as she shared her journey from begging on the streets to becoming a trailblazing female rickshaw driver. Divorced at the age of 18, with two children to provide for, Bali became a beggar, but her conscience did not allow her to continue doing so. She thought of what example she was setting for her young children, and decided that she would do something that bring pride not shame to her and her family. Bali started taking on odd jobs to run her household, but decided that this was transitory till she could save enough money to buy a rickshaw on installments. She soon realized that her odd jobs would be insufficient to build savings as she was barely making ends meet through her income so she decided to ask her relatives and friends for a loan – but was turned away by everyone. Dejected and disheartened Bali cautiously approached Kashf fearing another rejection but was pleasantly surprised at the ease of accessing the loan. The loan enabled her to start her journey towards being a successful entrepreneur. Today, she is able to provide a better life to her family and also act as a role model in her community.

I wish the management and staff of Kashf the best of luck for the coming year where Kashf's role is even more pronounced as the economic conditions of the country are deteriorating putting more stress on the bottom of pyramid households whilst further increasing their needs for financial services. I am confident that Kashf will continue to serve its client base responsibility and commitment.

Regards,

Attiya Innayatullah
Chairman BOD

Managing Director's Message

Dear Friends and Supporters of Kashf,

While it has been a challenging year in terms of the economy for the country especially for low-income households, I am continually inspired by the resilience and fortitude of Kashf's clients. Our research with clients has shown that to cope with the impact of inflation on their cash-flows women entrepreneurs are working longer hours, diversifying into new business lines, and taking on additional jobs. To cater to the financial needs of the low-income segment, Kashf has been able to grow by 21% in terms of clients – closing the year at the half million female clients mark. Moreover, we have also been able to grow 35% in terms of amount disbursed since June 2018 which shows that Kashf has been able to service the growing needs of its client based and focus on client retention.

In line with Kashf's core value of client centric innovation, Kashf was able to initiate the pilot for a new hospital cash insurance product this year. The Kashf Care was introduced to better serve locations with limited availability of private hospitals especially in rural areas. Kashf was also able to mainstream its rural product, the Kashf Maweshi Karza to 11 more locations in this year closing the year with an active outreach of over 4,356 women livestock managers. Our focus on vocational skills and employability has also continued in this year. Through partnerships with the Coca Cola Company, Phillip Morris, the Government of the Netherlands and the United Nations Development Program, Kashf has run specialized programs to impart skills trainings with a major focus on creating employability for women and girls. One particularly exciting project was with ralli-workers in Sindh where we have been able to modernize this traditional craft through product diversification and have helped the artisans earn fair wages for their work.

Kashf Foundation also commissioned a third party impact assessment this year, to gauge the impact of its work. The findings showed that access to finance for enterprise growth and development has a positive impact on the cash flows of a business and subsequently the household. Clients who took a loan from Kashf reported better management of their businesses and higher profits. Clients also cited an increase in their personal income and savings which they attributed to the Kashf loan. The assessment also showed that the loans have impact beyond the economic aspects of the business; women who had taken a loan reported greater access to health care for themselves and their families, improvement in the quality and quantity of food consumed in their house, and enhanced food security.

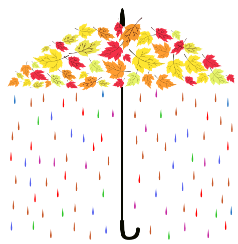
I am thankful to our supporters and friends for espousing our mission and vision and the Board of Directors for their continued support and mentorship. I would also like to thank the entire Kashf team for their hard work and dedication towards successfully achieving and meeting annual goals and outcomes.

Best Regards,

Roshaneh Zafar
MD Kashf Foundation

KASHF Foundation Social Performance Dashboard – June 2019

CERTIFIED BY THE SMART CAMPAIGN FOR CLIENT PROTECTION



Core Values

- Commitment to service with integrity and responsibility
- Commitment to merit, diversity, dignity of all, and team-work
- Commitment to innovation in products and process
- Commitment to institutional and client level responsibility
- Commitment to social and environmental responsibility

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

70% Rate of Retention

Volumes are based on the Annual Customer Satisfaction report

Programme Scale

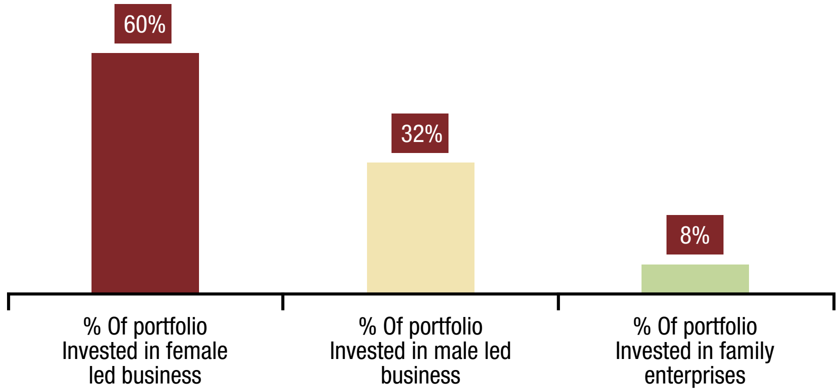
	June 2019	June 2018
Total Outreach	500,992	413,932
Individuals insured (Health & Life Insurance Programs)	1,713,999	1,611,893
Clients trained in non-financial programs	78,983	36,918

Portfolio Segmentation

	June 2019	June 2018
Business Loans	409,400	356,118
Loans for Emergency Needs	95,231	60,096
Loans for Ultra Poor	2,339	2,595
Loans for School Infrastructure Development	1,520	1,147

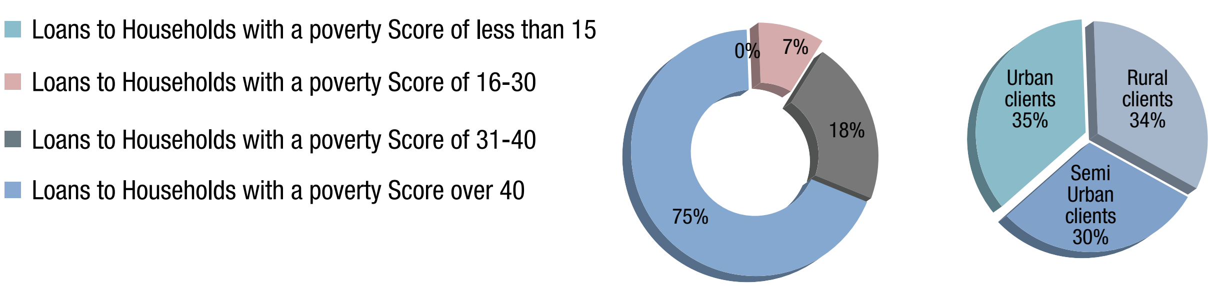
With respect to active clients, Kashf closed June 2019 with over half a million female clients. In terms of the loans disbursed, Business loans increased by 15%, loans for emergency needs increased by 46%, and loans for school infrastruction development increased by 32%. Consumption loans remained under the institutional threshold of 15% of total loans disbursed in the year.

Loan Utilization Snapshot

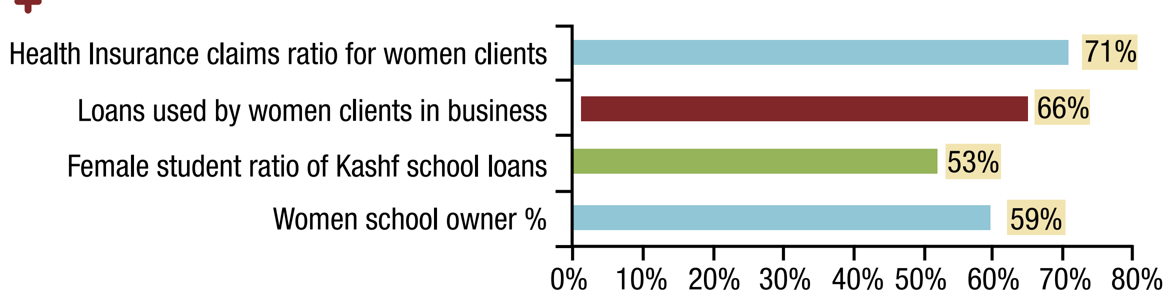


A majority of the loans, i.e. 60% were directly invested by clients in women led businesses, while 32% were used in male led businesses and 8% in joint businesses. Keeping in line with Kashf's focus on client retention, 75% of the loans were given to repeat clients who scored more than 40 on the poverty score whereas 25% of loans were disbursed amongst clients with poverty scores of less than 40, which highlights Kashf's focus on targeting low income clients effectively.

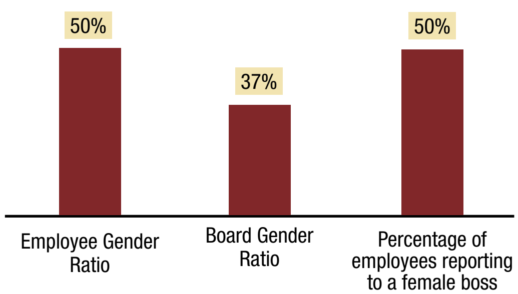
PORTFOLIO PENETRATION



Gender Focussed Programming



GENDER DIVERSITY AT THE WORKPLACE

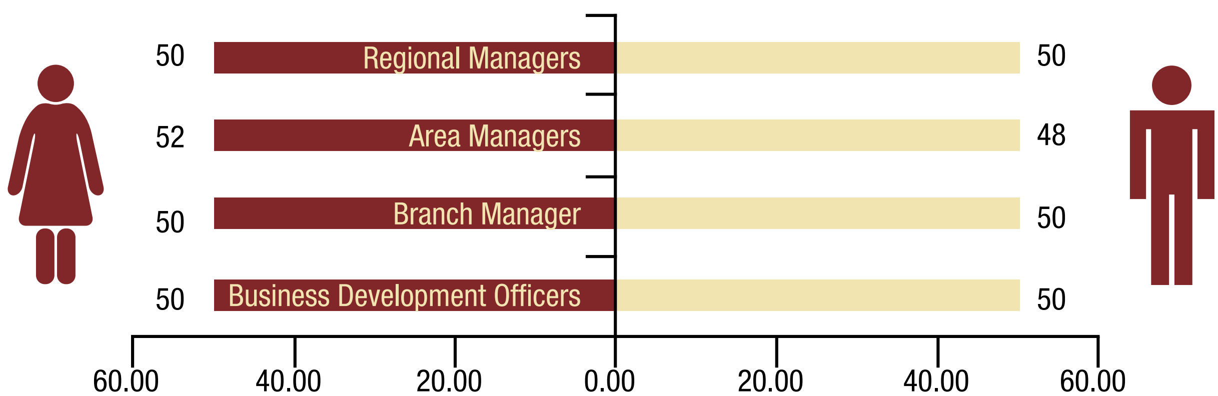


RESPONSIBLE FINANCE

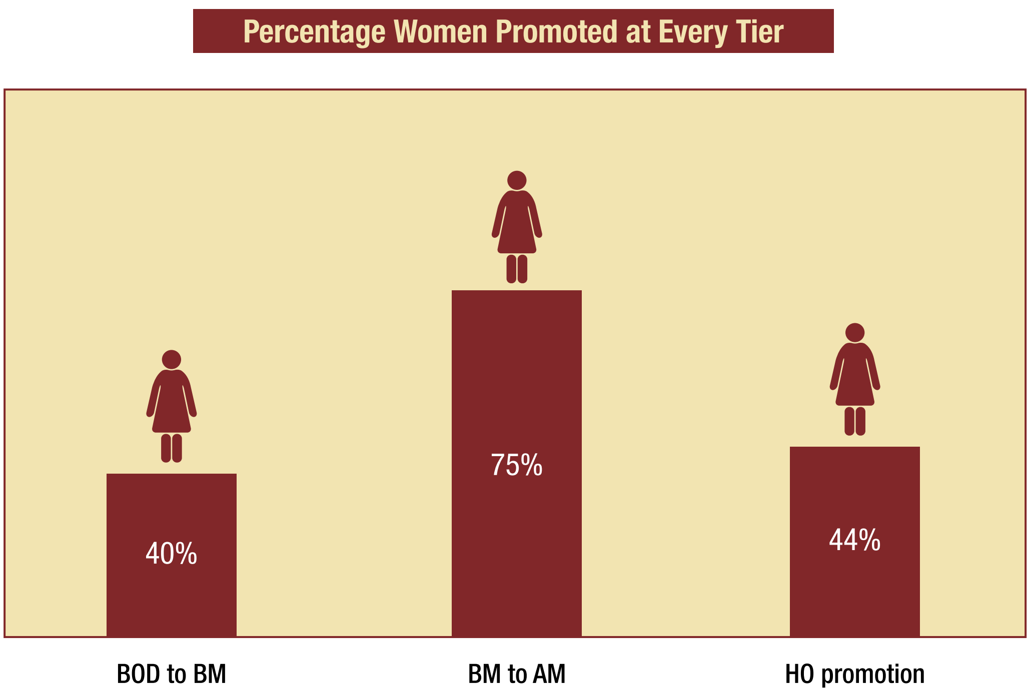
Jan-19 to June-19	
Loans utilized for business purposes	93%
Consumer Protection Code violation reported	0.27%
Business trainings given to clients	1,516
Financial training given to clients	10,712
Good Painting Trainings for clients	10,159
Gender Awareness Trainings to clients and their spouses	10,778
Vocational Trainings for non-clients	965
Credit bureau checks for loans disbursed	100%

Kashf's ethos of women empowerment is demonstrated not only through client level outcomes but also through institutional outcomes. Kashf maintained a 50% gender ratio in its staff base and continued to drive diversity through inclusive programs and policies. In terms of leadership development for women, there is 37% representation of women at the board level. Moreover, 50% of all Kashf employees report to a female boss. These indicators signify that women form an integral part of the management level at the organization. The following graph shows the gender ratio across the field tiers.

Gender Ratio Across the Field Tiers



With respect to growth and internal promotions, 128 staff members were promoted at different tiers of the organization. Promotions are purely merit- based and gender blind with 45% of the promoted staff being female. The graph below showcases the percentage of women promoted at each level highlighting the skill and ability of Kashf's female staff.


Percentage Women Promoted at Every Tier
75%
40%
44%
BOD to BM
BM to AM
HO promotion

STEEL MAGNOLIAS

Feroza Bibi from Thatta

Born in a low-income household in Thatta, Feroza Bibi was sent to work as a domestic helper at the age of 7. Life was extremely tough and Feroza's only respite from life's hardships was the time she spent in the evenings with her grandmother. Her grandmother was a skilled artisan and Feroza enjoyed watching her craft masterpieces from rags. Seeing Feroza's interest, her grandmother started teaching her stitching and embroidery. Feroza was an eager learner and found great joy in stitching baskets, colorful socks, pillowcases and other small items. Over time, Feroza had managed to build a small inventory of her creations. However, before her plans of turning her hobby into a business venture could materialize, Feroza's marriage was fixed and she moved to her husband's house.

Marriage brought along further financial hardships for Feroza as her husband's income from working as a daily laborer was insufficient and often unreliable. Conditions worsened after the birth of her twin daughters and Feroza struggled to make ends meet. Financial duress further increased when her daughters got seriously ill and Feroza (while pregnant with another child) had to run from pillar to post to seek financial support for her children's medical treatment. It was at this time that Feroza realized that her limited economic resources would always be insufficient to provide for her children.

As a result of this realization, Feroza decided to take matters into her own hand – she went back to her parents' house to collect the items she had once made as a hobby. She sold them and used the money she earned to buy raw materials for creating more items. With the initial investment in herself, Feroza stitched, embroidered and crafted around a hundred small items. The quality of the items was so good that she was able to sell all her inventory in no time. The news of Feroza's merchandize with low prices and high quality spread quickly. Pleased with her success and extra income, Feroza recognized the need to scale up her business. She asked around and found out that some women in her community had taken a loan from Kashf and decided to visit the Kashf branch herself to see if she could access funding for her business. From the first loan she accessed from Kashf, she was able to begin her journey as a successful entrepreneur.

Today, Feroza is recognized as a skilled and successful entrepreneur and often displays her wares in exhibitions. She employs twenty-five other people in her business and also teaches young apprentices. Feroza Bibi is living testament to the fact that no obstacle can hinder a determined woman. Her story highlights that access to financial opportunities can enable women to lead better lives and provide a better future for their children.

Shamsa Naveed from Sahiwal

In Pakistan's patriarchal society, women are often regarded inferior to men – while these ideas are far from the truth, many women generally succumb to this narrative. There are however, some women who challenge the status quo and refuse to accept themselves as inferiors. It is the efforts of these women which are helping Pakistan slowly move toward a more gender equitable society. Shamsa Naveed is one such woman.

Shamsa who is the eldest in a family of twelve, as per custom, was married at a very young age. Her husband thought she was useless and inferior, and was physically and emotional abusive towards her from the onset of their marriage. Shamsa silently took his ill-treatment but gave up when he became sexually abusive towards their daughter. She knew she had to take her daughter out of his reach, so she mustered the courage to leave her husband's house. Her family, which was already struggling financially, begrudgingly took Shamsa and her daughter in.

Shamsa did not want to further burden her family and therefore decided to become a contributor to household income. Not knowing what to do, she would go from door to door to stitch people's clothes. The start of this journey was very challenging - she often had to hear humiliating comments regarding her inability to make her marriage successful and she was often told that there is no place in society for a single mother. Sometimes people would ask her to stitch their clothes but would later refuse to pay her. Other times people would find an excuse to pay her less than the agreed amount. Despite facing all these obstacles, Shamsa did not give up. In fact, as time went on, she became more resolute. Resolving to transform the work that she does into a proper business, Shamsa visited Kashf Foundation.

Shamsa got herself enrolled into a vocational training course that was being offered by Kashf. After her training, she took a loan from Kashf and started her own stitching business. Over the years, she has managed to expand her enterprise, and create employment opportunities for numerous others from her community. From her income she has been able to send her daughter to school, fund all expenses for her daughter and heserlf, and has also supported her parents with her sibling's weddings. "My goal now is to save up enough money for a house, just a little space that I can call my own. There is nothing quite as comforting as being the owner of your own home."

Shamsha's journey embodies lessons of hope, determination and willpower. It teaches us that women have great potential and strength. Given an enabling environment, and a little bit of support, they can achieve a great deal of success.

Rozeena Sabir from Mardan

When Rozeena Sabir came to Kashf, she was struggling to make ends meet. Her husband had a government job which was unable to provide for the expenses of their five children and medical expenses for her ailing father in law. Rozeena's husband was a kind husband and a doting father, but was helpless in the face of rising prices and a meager salary. Rozeena decided to change her future by actively contributing to the family's income. The community she lived in had a severe drinking water problem and water borne diseases were rampant. There were numerous cases of stomach related ailments, ranging from common diarrhea, to life threatening diseases such as Hepatitis. The community had little to no access to a hospital or trained doctors, and a lot of people, especially children, were suffering the consequences.

Rozeena had a brilliant idea - if she could find a marketable solution which could address the water issue, she was sure to be successful. She approached her local Kashf Foundation office, and got her first loan. She used the loan to stock up on healthy and clean water in bulk, which she sold to her neighbors in small packages at a nominal rate. The response was phenomenal; a lot of families considered it a Godsend. They clamored for refills, and Rozeena reminiscently remarks "I was officially in business!". Her business was not only economically viable and adding to her family income, it had a positive impact on the entire community. There was a significant impact on the awareness of water quality, and the community saw a general decrease in the instances of health issues. "It gives me great joy to provide access to clean water to my clients. The community trusts me more than they trust the companies, as they know I would never gamble with their health by giving them impure or bacteria infested water."

Rozeena is able to manage her business better and undertake better financial decision-making as a result of the skills she was able to acquire from the financial education and business development trainings she accessed from Kashf Foundation. She is able to provide a nurturing environment to her children who are able to go to school as a result of her additional income. Rozina's daughter has dreams of becoming a doctor which Rozeena supports whole heartedly as she feels their community would be benefit greatly from having a qualified doctor available. Four years ago, Rozeena was on the brink of financial failure. Today, she owns a thriving social business which is not just economically viable but is also providing a great service to her community.

Microfinance: A Ladder out of Economic Turbulence

Espousing Economic Stability during Macro and Micro Economic Uncertainty

With a depreciating currency, high levels of inflation – especially food inflation, increasing levels of unemployment and high incidence of indirect regressive taxation, the current economic environment is putting low-income households in Pakistan under increasing pressure.

The table on the right shows the Year on Year (YoY) and Month on Month (MoM) inflation for the last year compiled by the State Bank of Pakistan. Many experts predict that the economic situation is going to worsen before stabilizing in 18 – 24 months.

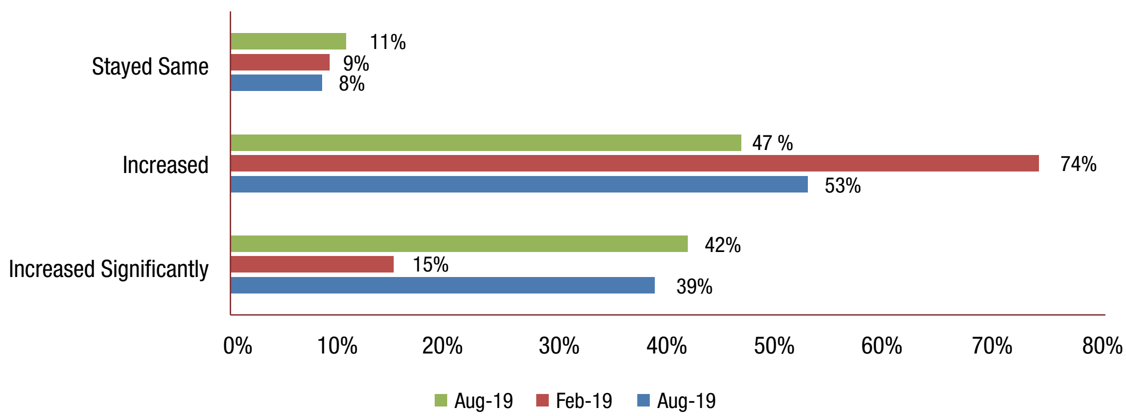
Monthly CPI Data – State Bank of Pakistan						
	General		Food		Non-Food	
	YoY	MoM	YoY	MoM	YoY	MoM
June 2019	8.9	0.4	8.2	0.4	9.3	0.4
Mar 2019	9.4	1.4	8.4	2.9	10.1	0.5
Dec 2018	6.2	(0.4)	0.9	(1.4)	9.8	0.2
Oct 2018	6.8	2.3	2.7	1.9	9.6	2.6
June 2018	5.2	0.6	3.0	0.8	6.7	0.4

The price of gas, house rent, education, milk, vegetables, wheat flour, transport services and fruit are in the top 15 contributors to YoY Consumer Price Index increase[1] for July 2019. All these items are essential to the survival of low-income households, and the negative impact of increase in prices is disproportionately high for them, since demand for such products is essentially inelastic. According to analyses undertaken on numerous data sets on spending patterns of rich and poor across countries, it has been seen that poor families spend a much larger share of their income on basic necessities such as food, utilities and health care. Whereas, rich families are able to devote a much bigger chunk of their spending to education and saving for retirement[2]. Kashf research with its clients has shown similar trends, with clients spending over 30% of their income on food expenses alone – within client cohorts households with higher incomes spent a higher absolute amount on food expenses but a lower proportion of their total income on food expenses[3]. This fact is further corroborated by research undertaken as part of the Portfolios of the Poor project, where low income households not only spend a greater amount of their income on food items but they also lack the ability to make lump sum payments over time, thus highlighting a huge vulnerability to outside shocks[4].

1 State Bank of Pakistan, Inflation Monitor July 2019
2 One such analysis done by the NPR for the US can be found on: https://www.npr.org/sections/money/2012/08/01/157664524/how-the-poor-the-middle-class-and-the-rich-spend-their-money
3 A series of similar studies were undertaken over a year entitled Kashf Foundation Research Department (August 2018, February 2019, and August 2019) "*Client Expenses Study: A Review of Inflationary Pressures on Food Security and Over-indebtedness*"
4 Portfolios of the Poor, Daryl Collins, Jonathan Morduch, Stuart Rutherford & Orlanda Ruthven, 2009

In a series of studies, undertaken by Kashf Foundation, clients were asked about changes in food prices, a majority of respondents reported increase in food prices as a significant concern. The following chart shows the client responses from August 2018, February 2019 and August 2019; the research demonstrated that over the year, around 90% of respondents felt that food prices had increased compared to six months ago. A comparative analysis of the studies undertaken in August 2019, February 2019 and August 2018 showed that the increase in food prices was more evident in August 2019 as 92% respondents stated that prices had increased. In other words, the consistent increase in food prices over the 12 month period was creating considerable financial stress on low income families, as can be seen in the following graph.

HAVE FOOD PRICES CHANGED?



In order to deal with economic duress, low-income households employ various coping mechanisms – these usually start with productive and positive measures such as increasing work hours, rationalizing expenses, adding an additional business line or starting a new business, etc. However, there is a great risk that these can turn into adverse coping mechanisms which can negatively impact family well-being, such as pulling children out from school, relying on child labor and consuming fewer meals.

Microfinance institutions, such as Kashf Foundation, are an important safety net for low-income households in times of economic downturn. Access to finance and ancillary services such as health insurance and capacity building interventions can equip low-income households with the required liquidity and capability to earn additional income through new product lines and new businesses, while managing unforeseen contingencies. According to a study undertaken by the Kashf Research Department on Coping Mechanisms employed by clients to deal with inflation in August 2019, 24% of respondents reported working more hours to increase income and 7% stated starting a new business/job to meet the income-expense gap. This illustrates the ability of the Kashf program to support and augment economic stability at the household level for low-income households.

In the current environment, there is thus a heightened need for credit and there is an even greater role that has to be played by the microfinance sector to generate economic stability for low-income households. Keeping in mind the environmental context, it is important that clients do not take on unproductive debt or go beyond their debt absorption capacity. In order to address this risk, Kashf conducts a cash-flow analysis for all potential clients to assess the net debt absorptive capacity of both the household and the business enterprise. The Business Development Officers coach and guide the clients about the importance of the productive use of capital and the same messages are re-iterated at the time of the disbursement by the Branch Manager. Loan Utilization Checks are undertaken by Business Development Officers and the Field Audit teams to ensure proper utilization of the loans. Moreover, all applications for credit are verified through Credit Information Bureaus across the branches, to identify cases of over indebtedness resulting from parallel loans.

In an impact assessment commissioned by Kashf Foundation with a third party assessor[5], the impact of food inflation and the benefit of the loan with respect to food security were assessed. Survey respondents were asked if they felt changes in the prices of food items over the past year - 56% reported an increase of a large extent while 34% reported an increase to some extent. In light of rising prices respondents were asked how they managed to maintain smooth household consumption of food in the face of rising prices; 48% stated that consumption needs were managed through better budgeting of income, and 44% of clients stated that smooth consumption was managed as a result of increased income due to the loan. Both the enhanced ability to budget and the increase income have been results of the Kashf loan and Kashf training programs.

Factors that Helped with Smoothening Consumption	
Factor	**Cited By**
Better Budgeting of Income	48%
Increased Income	44%
Reduction in Quality of Food Purchased	7%
Reduced Consumption	4%
Borrowed from Friends & Family	2%

In order for microfinance providers to continue to service microfinance clients in this environment it is pivotal for the sector to monitor levels of market saturation, parallel lending and over-indebtedness. Expansion should be focused on under-served markets rather than intensifying access in existing markets. Moreover, improvements in lending processes and methodologies need to be undertaken – this includes training staff to better determine household debt absorption through more effective business and household cash-flow analysis. Furthermore, to reduce misuse of loans there should be an enhanced emphasis on loan utilization checks as in harder economic times clients are often faced with difficult tradeoffs between short term needs and long term development goals. Additionally, microfinance

5 Semiotics Private Limited – Impact Assessment of Kashf's Products and Services, 2019.

institutions must undertake early detection of risks through detailed review of portfolio quality on factors such as geography, product, and business sector to identify early signs of portfolio quality deterioration. The Pakistan Microfinance Network should also generate alerts for geographies that have breached an agreed upon Portfolio at Risk (PAR) threshold since they receive data on portfolio quality from all actors in the sector.

At the level of the policy makers, it is important that policy interventions should be based on solid research, and directed at the actual drivers of risk in the sector. There is wide agreement that policy makers should avoid overreaction and implementation of the negative policy interventions such as interest rates caps, payment moratoriums, and excessively conservative regulatory actions, such as increasing capital or reserve requirements or limiting branch expansion. In times of high inflation, governments should espouse policies that maintain macroeconomic stability. Governments can also strengthen social safety nets and food security through conditional cash transfers or nutrition and social protection programs, as maintaining adequate caloric intake becomes a supreme concern at the time of high food inflation.

Health Insurance: A Critical Social Safety Net

In times of economic downturn, low-income households are faced with difficult choices and often have to prioritize expenditure on food over other household expenses – this includes spending toward health related expenses. Access to healthcare becomes even more limited in hard economic times. As a developing country, Pakistan continues to struggle to provide access to social services to its ever-growing population. Statistics from the health sector paint an abysmal picture of the situation. According to the Pakistan Bureau of Statistics, there is only 1 doctor for 957 people, only 1 bed for 1,580 citizens and only 103,777 registered nurses which comes to about 1 registered nurse for 1,995 citizens[6] . Moreover, treatable non-communicable diseases account for over 58% of all deaths in Pakistan. The Government spends less than 1.5% of the GDP[7] on health expenses and there is an inadequate supply of public hospitals which a majority of the people use, hence there is overcrowding in public hospitals leading to excessive wait times and delays. Moreover, the quality of services provided by public hospitals is extremely poor.

To help ease the burden of healthcare, Kashf has been working to develop appropriate health related interventions for enabling clients' access to better quality health-services. These interventions include support with curative health care expenditure through a comprehensive in-patient health insurance coverage, and support for loss of wages through a hospital cash product. This support becomes even more important in trying economic times.

Health Insurance

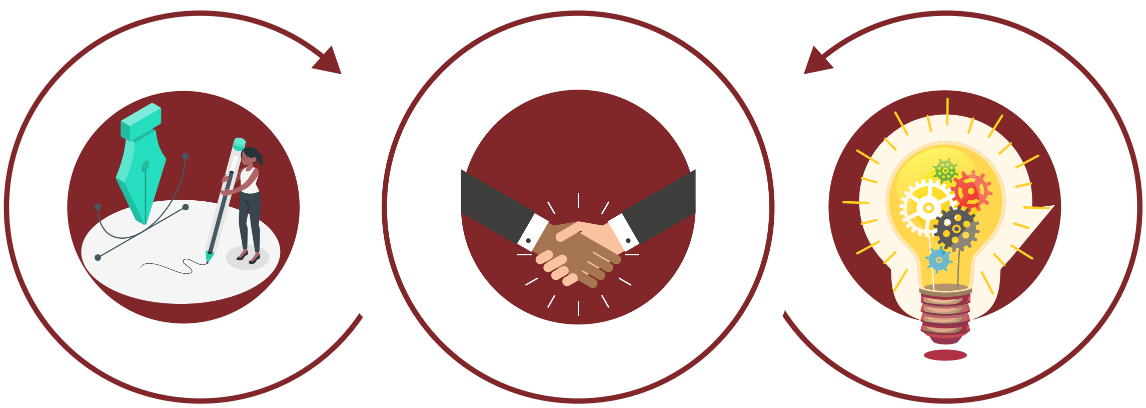
Kashf has been the pioneer in bringing insurance to low-income households; in 2002 Kashf was the first microfinance institution to offer a credit for life insurance cover to its clients. The rationale for introducing

6 Pakistan Bureau of Statistics
7 Pakistan Economic Survey 2017-18

the product was simple enough, but Kashf had to undertake significant canvassing with insurance companies before a mutual agreement on product features and price could be reached. Kashf's efforts paid off and the first of its kind credit for life insurance was introduced by Kashf Foundation. This product not only had positive spill-overs for clients, but also had a large-scale demonstration effect across the microfinance sector and today the credit-for-life product has become an industry practice.

Kashf rolled out its health insurance the Kashf Sehatmand Zindagi Bima (KSZB) product in 2015, and by June 2019 over 1.6 million individuals were covered through the micro health-insurance product. Cumulatively, 64,515 claims amounting to over PKR 1.12 billion have been paid out, while 50% of these were cashless, thus not imposing an immediate financial burden on the client's household. An analysis of the health insurance claims processed has shown that more than 72% of the claims and 73% of the total claims value was used by women. The average claim amount for females was PKR 17,745 while that for males was PKR 16,544. Moreover, cumulatively PKR 5,217,612 was given as work-compensation to 6,917 families with an average pay-out of over PKR 754 per family.

The key success factors for the product have been:



Design Features

Easy to understand for the client

Client Centric

Mandatory (exemptions for existing insured)

Product Flexibility (Panel & Non-Panel)

Staggered payment of Premium

Ongoing Innovative solutions

Kashf Commitment to Success

Board and Management Buy in

Team Level buy-in through continuous training of Field Staff

Kashf led empanelment of hospitals for Cashless option

Dedicated Head Office team (with qualified doctor) to review and advise on claims

Commitment of the health insurance company

Innovative Marketing

Using Social Theatre Performances to create awareness about insurance

Creating a module within the Systemized Financial Education Training

Created buzz in the communities by sharing stories of women who have recieved claims

Kashf Sehatmand Zindagi Bima – Key Features

- Family coverage (Upto PKR 30,000 per person)
- Type of coverage: in-patient
- Monthly premium payments
- C-Section and Normal Delivery Covered
- No exclusions for pre-existing conditions
- Emergency/Accident coverage
- Loss of income cover for major breadwinner

One of the challenges being faced in the health insurance space for low-income households is linked to the geographic concentration of private hospitals. In a large number of Kashf branches, especially those working in rural areas, there is a lack of availability of private hospitals but in many of these areas there is access to public hospitals at the tehsil or district level. Keeping this in view, Kashf worked with an insurance company to create the Kashf Care Product which is a hospital-cash insurance product, i.e. it provides a standard compensation for each night spent in the hospital by the client or her husband in case of hospitalization. The insurance also provides this pay-out in all cases irrespective of whether the hospital accessed is public or private.

Kashf Care Product – Key Features

- Coverage for client and nominee
- PKR 1,000/night for hospital stay and PKR 2,000/night for ICU stay
- Type of coverage: in-patient
- Monthly premium payments
- PKR 13,000 for C-section
- No exclusions for pre-existing conditions
- Easy claim process via Whatsapp

Kashf Foundation commissioned an Impact Assessment study where KSZB beneficiaries were interviewed by a third party firm to assess the impact of the product. When respondents were asked about changes in access to health facilities before and after the insurance, 65% claimants said they opted for a private facility after accessing the health insurance. The same research showed that 92% of the female claimants of the insurance felt that their access to health care has improved. Further, claims related to maternity showed that half of the claimants now had access to a medical facility, or access to a better medical facility as a result of KSZB[1].

A research study undertaken by the Lahore School of Economics on administrative data of Sehatmand Zindagi Bima[2] for the years 2009-2016 showed the following results:

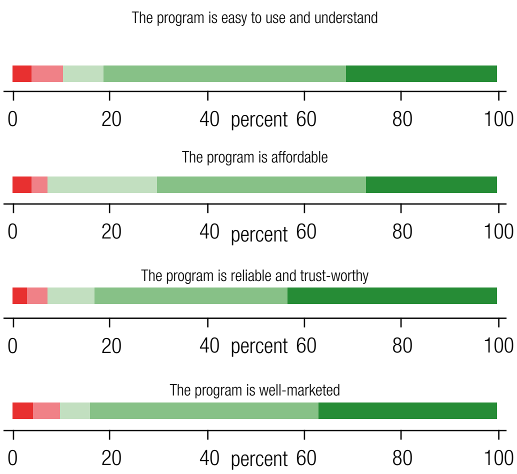
1. **Women** were the most active users of the program, which has positive implications for improving **physical health, psychological well-being** and **status** within the household.
2. At the branch level a one-off compositional change was seen in the client base immediately after the roll-out of the program in 2014, but no compositional change in the client base was seen over the succeeding 3 years. This shows that **adverse selection** is not taking place as a result of the bundling of the insurance with the loan.
3. The data showed that clients that have given birth since 2014 and have lower possibility of giving birth in the future are more likely to renew their loan with Kashf which demonstrates that younger clients are not enrolling in the loan program to just avail maternity benefits. This further corroborates the fact that **adverse selection** is not taking place.
4. Bundling health insurance with microcredit has resulted in greater client retention which provides a promising outlook for future innovations in micro-insurance and micro-finance.

Moreover, focus group discussions undertaken under the same research project showed that insurance claimants have a favorable perception of the program. Additionally, program claimants reported improved perceptions about physical health compared to non-claimants. These results are signified by the green and dark green bars in the graphs below:

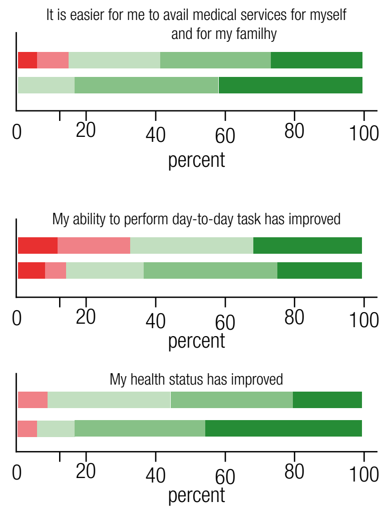
The same study showed that on the Satisfaction with Life Scale (Deiner 1985) greater proportion of non-users (signified by the red and lightest green bars) report being dissatisfied with life as compared to program users.

1 Semiotics Private Limited – Impact Assessment of Kashf's Products and Services 2019.
2 Dr. Hamna Ahmad, Mr. Muhammad Ahmad Nazif, and Ms. Sadia Hussain (2019) – Utilization of Health Microinsurance Program – Center for Research in Economics and Business at the Lahore School of Economics

Administrative features of program

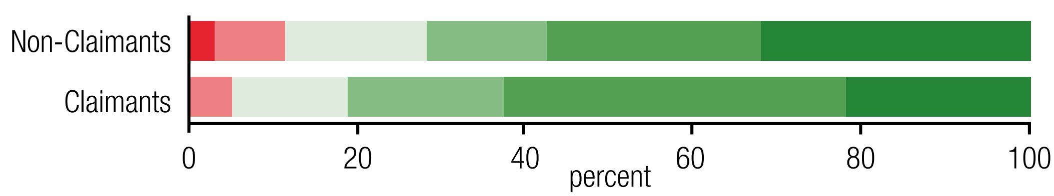


Proportions about physical health



- In most ways my ife is close to my ideal.
- The conditions of my life are excellent.
- I am satisfied with my life.
- So far I have gotten the important things I want in life.
- If I could live my life over, I would change almost nothing.

Like Satisfaction Index



Kashf's health insurance is thus a key intervention for enhancing access of low-income households to high quality health-care services. Good health and timely access to healthcare facilities is a key step in ensuring income stability and smooth consumption at the household level. Since access to health becomes more constrained in times of economic downturn as the proportion of income left for expenses other than food related expenditures significantly reduces – the importance of a well-designed health insurance product becomes even greater as a social safety net and for the protection of the household's long terms assets both human and financial.

Understanding Social Impact on Client Well-being and Resilience

To understand the impact of its program, along with internal evaluations, Kashf periodically commissions third party impact assessments to evaluate program impact and identify areas of improvement. The impact assessments allow the organization to understand its overall results within the context of its target group and to identify areas of improvements, which then feed into new and improved products and services. Keeping in view the economic downturn it becomes even more important to assess impact of the microfinance services on client well-being.

In 2019, Kashf commissioned an impact assessment which was undertaken by Semiotics Private Limited based on a sample size of 2,600 randomly selected respondents from across Kashf's network.

Economic Impact of Products and Services

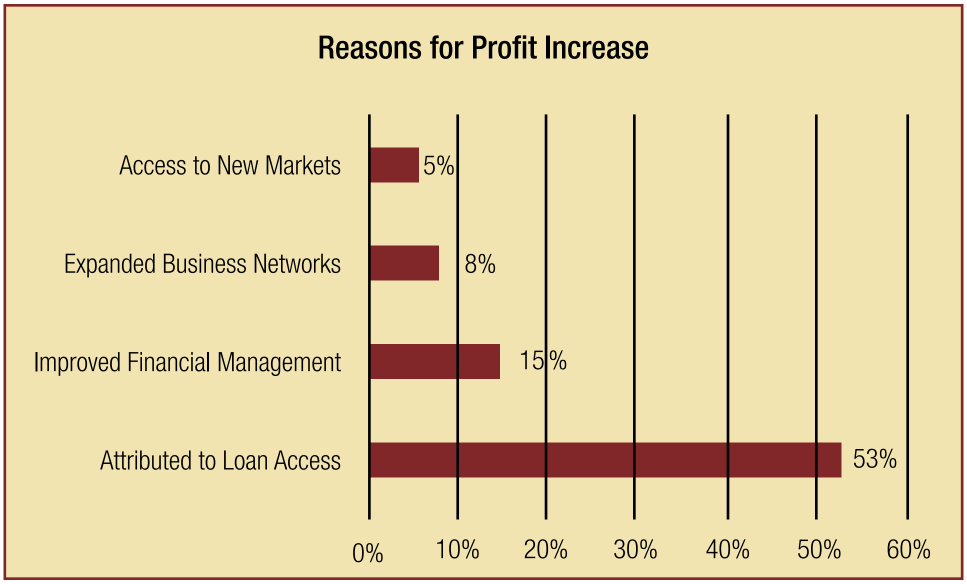
Survey results showed that the Kashf program had a very positive impact on key economic outcomes i.e. average revenue and monthly profits. Regression analysis conducted on the dataset demonstrated that the difference for revenues and profits – prior to Kashf loan and after Kashf loan – is statistically significant. This means that the difference can indeed be attributed to the micro-loans provided to the client for their enterprises.

Key Characteristics of Respondents

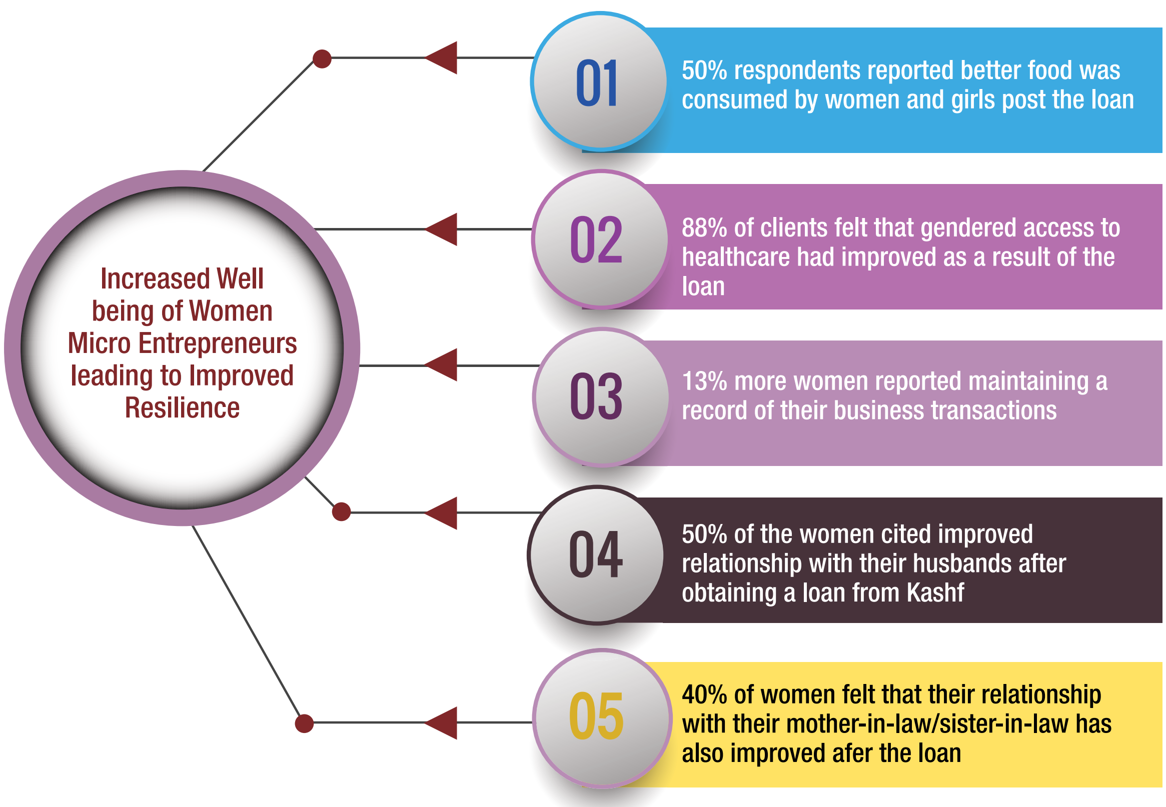
- Kashf was the primary mechanism for promoting financial inclusion as 92% of respondents had only taken a loan from Kashf.
- Program was highly inclusive:
  - 22% of respondents belonged to minority groups
  - High level of inclusion of women without spouses
  - Lower average educational attainments compared to national statistics

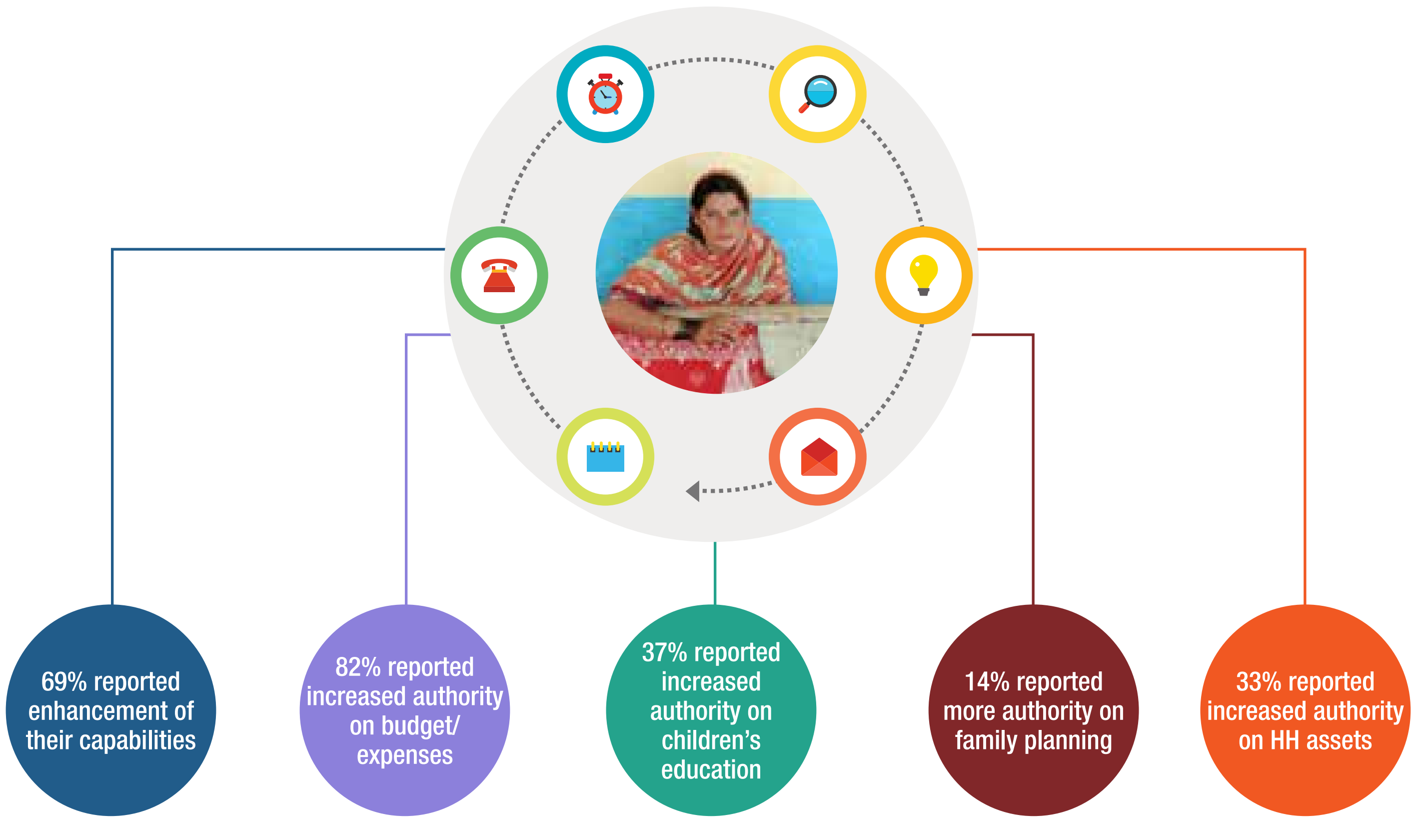
- Average Revenue **increased by 37%** after the loan
- Average Profits **increased by 43%** after the loan
- 99% of respondents attributed the increase to the Kashf Karobar Karza (KKK) loan

10 Personal income refers to the income used as salary by the entrepreneur for household/ personal expenses



Clients also reported an increase in their personal incomes and savings after Kashf loan. The average monthly personal income generated by KKK clients increased by nearly 50% after obtaining the loan (from Rs. 7,349 prior to obtaining the loan to Rs. 11,353 after the loan). Regression analysis demonstrated that the change in income before and after Kashf loan is significant. Therefore, this change can be attributed to the loans provided.





INCREASED PARTICIPATION & AUTHORITY OF WOMEN IN THE HOUSEHOLD

The third party evaluation has demonstrated that the Kashf program is highly inclusive having a diverse range of beneficiaries. The findings showed that access to finance for enterprise setup/expansion has positive impacts on the cash flow of a business and subsequently the household. Clients who took a loan from Kashf reported better management of their businesses and higher profits. Clients also cited an increase in their personal income and savings which they attributed to the Kashf loan. All these changes help enhance household level well-being and create household level resilience to macro-economic instability.

The assessment also showed that the loans have impact beyond the economic aspects of the business; women who had taken a loan reported greater access to health care for themselves and their families, improvement in the quality and quantity of food consumed in their house, and enhanced food security. Financial independence also led to more autonomy in decisions relating to their children along with a greater influence on determining household financial and budgeting priorities. Moreover, women in the program reported a positive change in the relationship with their spouse after taking the loan, and most importantly in their own perception of themselves as women entrepreneurs. In other words, the social and economic transformation which is directly attributed to the microfinance services enables low-income households to be better prepared for and to handle both endogenous and exogenous shocks.

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.

Kashf Foundation

(A Company Setup Under Section 42 of Companies Act, 2017)

Audited Financial Statements for the Year ended 30 June 2019

Deloitte.

Deloitte Yousuf Adil
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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, 2019, 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, 2019 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 that 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).

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: October 18, 2019

Kashf Foundation *(A Company Setup Under Section 42 of Companies Act, 2017)*
Statement of Financial Position
As at June 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property and equipment	6	**664,047,530**	653,213,973
Intangible assets	7	**14,890,873**	2,913,744
Investment property	8	**82,503,900**	82,503,900
Long term investments	9	**-**	340,000,000
Long term loans	10	**916,982**	-
Long term micro-credit loan portfolio	11	**6,412,016**	5,040,820
Financial assets used for hedging	12	**1,145,411,333**	-
Long term deposits	13	**4,978,660**	4,978,660
		1,919,161,294	1,088,651,097
Current assets			
Micro-credit loan portfolio	14	**13,262,691,419**	10,086,321,778
Kashf Murabaha portfolio	15	**418,468,817**	296,766,595
Accrued service charges	16	**162,095,998**	116,614,493
Short term investments	17	**1,482,377,335**	707,369,851
Financial assets used for hedging	12	**576,910,532**	-
Advances, deposits, prepayments and other receivables	18	**448,652,934**	373,396,083
Cash and bank balances	19	**2,606,202,690**	1,719,915,697
		18,957,399,725	13,300,384,497
		20,876,561,019	14,389,035,594
FUNDS AND LIABILITIES			
Funds			
Donated Funds	20	**235,395,910**	226,210,110
Reserves	21	**3,753,454,533**	2,553,196,980
Fair value reserve		**-**	6,535,249
Hedging reserve		**129,210,385**	-
Surplus on revaluation of land	22	**209,478,137**	209,478,137
		4,327,538,965	2,995,420,476
Non-current liabilities			
Long term financing	23	**9,882,849,126**	7,072,914,184
Current liabilities			
Current portion of long term financing - secured	24	**5,758,916,485**	3,676,872,876
Short term borrowings	25	**127,050,252**	128,683,828
Deferred grants	26	**46,539,166**	17,197,416
Accrued markup	27	**433,079,199**	292,719,482
Trade and other payables	28	**300,587,826**	205,227,332
		6,666,172,928	4,320,700,934
Contingencies and commitments	29		
		20,876,561,019	14,389,035,594

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

Chief Executive Officer **Chief Financial Officer** **Director**

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

Statement of Income and Expenditure

For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Mark-up and other charges on micro-credit loan portfolio	30	4,547,644,042	3,317,823,962
Profit on Kashf Murabaha		133,370,678	83,176,314
Grant income	31	58,456,184	68,200,125
Return on investments and bank deposits	32	258,806,186	173,310,888
		4,998,277,090	3,642,511,289
Programme cost	33	(1,669,160,187)	(1,311,381,094)
Grant expenses	34	(57,277,910)	(65,843,575)
Finance cost	35	(1,722,369,494)	(1,067,812,427)
		(3,448,807,591)	(2,445,037,096)
		1,549,469,499	1,197,474,193
Management and administrative expenses	36	(467,278,114)	(321,962,378)
Other expenses	37	(1,254,238)	(124,787,782)
Other income	38	112,785,158	70,544,673
		(355,747,194)	(376,205,487)
Surplus for the year		1,193,722,305	821,268,706

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

DYK

Chief Executive Officer

Chief Financial Officer

Director

Kashf Foundation *(A Company Setup Under Section 42 of Companies Act, 2017)*
Statement of Comprehensive Income
For the year ended June 30, 2019

	2019 Rupees	2018 Rupees
Surplus for the year	**1,193,722,305**	821,268,706
Items that may be reclassified subsequently to statement of income and expenditure		
Fair value gain on available-for-sale investment	-	562,821
Hedging reserve - changes in fair value	**1,722,321,865**	-
Hedging reserve – reclassified to profit or loss	**(1,593,111,480)**	-
Total comprehensive surplus for the year	**1,322,932,690**	821,831,527

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

Chief Executive Officer | **Chief Financial Officer** | **Director**

Kashf Foundation *(A Company Setup Under Section 42 of Companies Act, 2017)*
Statement of Changes in Equity
For the year ended June 30, 2019

	Donated funds	Reserves: General reserve	Reserves: Loan loss reserve	Fair value reserve for available for sale assets	Hedging reserve	Surplus on revaluation of land and building	Total
	Rupees						
Balance as at June 30, 2017	216,660,110	1,553,542,684	179,411,861	5,972,428	-	209,478,137	2,165,065,220
Total comprehensive surplus							
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)
	-	820,242,434	-	562,821		-	820,805,255
Micro-credit loan portfolio disbursed against grant	9,550,000	-	-	-	-	-	9,550,000
Transferred from general funds to loan loss reserve	-	(222,200,608)	222,200,608	-	-	-	-
Balance as at June 30, 2018	226,210,110	2,151,584,510	401,612,469	6,535,249	-	209,478,137	2,995,420,475
Impact of adoption of IFRS 9 -Mutual Fund (Note 2.4.1)	-	6,535,249	-	(6,535,249)	-	-	-
Total comprehensive surplus							
Surplus for the year	-	1,193,722,305	-	-	-	-	1,193,722,305
Other comprehensive income for the year - IFRS 9	-	-	-	-	129,210,385	-	129,210,385
	-	1,193,722,305	-	-	129,210,385	-	1,322,932,690
Micro-credit loan portfolio disbursed against grant	9,185,800	-	-	-	-	-	9,185,800
Transferred from general funds to loan loss reserve	-	(114,807,019)	114,807,019	-	-	-	-
Balance as at June 30, 2019	**235,395,910**	**3,237,035,045**	**516,419,488**	-	**129,210,385**	**209,478,137**	[illegible]

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

DYA

Chief Executive Officer

Chief Financial Officer

Director

Kashf FOUNDATION

Kashf Foundation *(A Company Setup Under Section 42 of Companies Act, 2017)*
Cash Flow Statement
For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Cash flow from operating activities			
Surplus for the year		**1,193,722,305**	821,268,706
Adjustments for non cash items:			
Depreciation	*6.1*	**94,767,630**	43,658,867
Amortization	7.1	**1,266,671**	549,215
Impairment on loan to associate		**-**	121,239,936
Liabilities written back		**(210,295)**	-
Lease markup		**2,226,323**	436,515
Return on investments and bank deposits		**(258,806,186)**	(173,310,888)
Amortization of transaction costs of long term loans		**56,625,964**	30,245,037
Finance cost		**1,660,743,987**	1,035,282,063
Loss/ (gain) on disposal of fixed assets		**(1,644,379)**	(8,983,501)
Grant income		**(58,456,184)**	(68,200,125)
Bad debts recovered		**(8,691,515)**	(5,786,774)
Deferred loss on sale and lease back		**2,773,220**	1,848,812
Fair value gain on Investment Property		**-**	(12,502,400)
Exchange gain		**(57,265,335)**	(22,778,631)
Provision/ (reversal of provision) for loan loss		**68,194,506**	64,308,701
		1,501,524,407	1,006,006,827
Surplus before working capital changes		**2,695,246,712**	1,827,275,533
Effect on cash flow due to working capital changes			
Increase in micro-credit loan portfolio		**(3,237,243,828)**	(3,160,744,963)
Increase in Kashf Murabaha		**(121,702,222)**	(139,105,951)
Increase in accrued service charges		**(45,481,505)**	(29,329,594)
Increase in advances, deposits, prepayments and other receivables		**(75,256,851)**	(102,027,252)
Increase/ (decrease) in deferred grants		**96,983,734**	25,574,956
Increase in trade and other payables		**95,570,789**	34,534,121
		(3,287,129,883)	(3,371,098,683)
Cash (used in) / generated from operations		**(591,883,171)**	(1,543,823,150)
Finance cost paid		**(1,515,558,667)**	(881,053,943)
Net cash (used in) / generated from operating activities		**(2,107,441,838)**	(2,424,877,093)
Cash flow from investing activities			
Capital expenditure incurred		**(121,581,109)**	(127,085,567)
Sale proceeds from disposal of operating fixed assets		**4,380,501**	18,338,551
Long term deposits		**(916,982)**	(3,615,500)
Return on investments and bank deposits		**253,972,598**	134,413,431
Long term investment - net		**340,000,000**	183,333,331
Short term investment - net		**(712,908,561)**	(467,497,679)
Net cash (used in) / generated from investing activities		**(237,053,553)**	(262,113,433)
Cash flow from financing activities			
Transaction costs paid for borrowings		**(80,258,337)**	(27,219,858)
Payment of asset subject to finance lease		**(13,356,531)**	(18,620,569)
Proceeds received against financing		**7,180,400,000**	6,179,314,343
Repayments of financing		**(3,856,002,748)**	(3,666,678,201)
Net inflow / (outflow) from financing activities		**3,230,782,384**	2,464,795,715
Net increase in cash and cash equivalents		**886,286,993**	(220,194,811)
Cash and cash equivalents at the beginning of the year		**1,719,915,697**	1,940,110,508
Cash and cash equivalents at the end of the year	*41*	**2,606,202,690**	1,719,915,697

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

DYA

Chief Executive Officer | **Chief Financial Officer** | **Director**

1 Reporting entity

Kashf Foundation (the Company) was incorporated in Pakistan on February 15, 2007 as a public company limited by guarantee, not having a share capital and licensed as a non-profit organization under section 42 of the Companies Act, 2017. In October 2016, the Company received license from Securities and Exchange Commission of Pakistan (SECP) to carry out investment finance services as a non-banking finance company under the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules).

The principal activity of the Company is to provide cost effective micro-finance services to poor households in order to enhance their economic role and allow self-employed individuals the sustained opportunity of matching existing skills with financial resources. The Company also provides non-financial services in the form of training through 12 (2018: 23) vocational training centers both to its borrowers and to its staff. Registered office of the Company is situated at 1-C, Shahrah Nazaria e Pakistan, Lahore. The Company has 300 (2018 : 291) branches in Pakistan.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards in Pakistan applicable for the Company comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of, and directives issued under the Companies Act, 2017 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations); and
- International Financial Reporting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017, NBFC Rules and NBFC Regulations differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

The following accounting standards, amendments and interpretations are effective for the year ended June 30, 2019.

2.2.1 Standards or interpretations with no significant impact	**Effective from accounting period beginning on or after:**
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

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

2.2.2 Standards impacting financial statements

The following new standards become applicable for the year ended June 30, 2019 which have required changes to the Company's accounting policies:

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

The impact of adoption of these new standards is disclosed in note 2.4.

Kashf FOUNDATION

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 dates mentioned.

	Effective from accounting period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019

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

The management is evaluating the impact of these new accounting standards and interpretations on the financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.4 **Adoption of new accounting standards**

The following changes in standards have taken place effective from July 01, 2018:

2.4.1 **Impact of IFRS 9 - Financial Instruments**

IFRS 9 replaces certain provisions of IAS 39 - "Financial Instruments: Recognition and Measurement" (IAS 39) that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IFRS 9 the financial instruments, excluding derivatives, are accounted for at amortised cost, fair value through other comprehensive income or fair value through profit or loss depending on the nature of the relevant contractual cash flows and the business model in which it is held.

The Company was exempt from applying IAS 39 in the prior periods and has adopted IFRS 9 Financial Instruments with initial date of application of 1 July 2018. In accordance with the transition provision of IFRS 9, the Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information or prior periods. Hedge accounting, however, has been recorded prospectively as per the transition provision of IFRS 9.

The adoption of IFRS 9 from July 01, 2018 has resulted in changes in relevant accounting policies and adjustment to the loan portfolio amounts recognized in the financial statements. IFRS 9 requires implementation of a new impairment model based on expected credit losses (ECL).

Financial assets	Original classification	New classification under IFRS 9	Original carrying amount	New carrying amount under IFRS 9
			(Rupees in thousand)	
Long term loans	Loans and receivables	At amortized cost	-	-
Long term micro-credit portfolio	Loans and receivables	At amortized cost	5,040,820	5,040,820
Long term deposits	Loans and receivables	At amortized cost	4,978,660	4,978,660
Long term investments	Held to maturity	At amortized cost	340,000,000	340,000,000
Micro-credit loan portfolio	Loans and receivables	At amortized cost	10,086,321,778	10,086,321,778
Kashf Murabaha	Loans and receivables	At amortized cost	296,766,595	296,766,595
Accrued service charges	Loans and receivables	At amortized cost	116,614,493	116,614,493
Short term investments - Mutual Fund	FVTOCI	FVTPL	11,535,248	11,535,248
Short term investments - Others	Held to maturity	At amortized cost	707,369,851	707,369,851
Advances, deposits, prepayments and other receivables	Loans and receivables	At amortized cost	373,396,083	373,396,083
Cash and bank balances	Loans and receivables	At amortized cost	1,719,915,697	1,719,915,697

Financial liabilities	Original classification	New classification under IFRS 9	Original carrying amount	New carrying amount under IFRS 9
			(Rupees in thousand)	
Long term financing	At amortized cost	At amortized cost	7,072,914,184	7,072,914,184
Current portion of long term financing	At amortized cost	At amortized cost	3,676,872,876	3,676,872,876
Short term borrowings	At amortized cost	At amortized cost	128,683,828	128,683,828
Trade and other payables	At amortized cost	At amortized cost	205,227,332	205,227,332

Hedge Accounting

IFRS 9 requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Company uses bespoke cross currency swaps to hedge individual loans i.e. the variability in cash flows associated arising from changes in foreign exchange and interest rates relating to foreign currency borrowings. The Company designates the entire fair value of the cross currency swaps as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

2.4.2 Impact of IFRS-15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenues' and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 Revenue from contracts with customers with initial date of application of 1 July 2018. In accordance with the transition provision of IFRS 15, the Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information or prior periods.

The Company policy for revenue recognition under different contracts with customers meets the IFRS 15 recognition criteria so it stands same as follows:
The Company provides loan products to the clients in separately identifiable contacts. The contracts entered into with the clients includes one performance obligation i.e. the provision of loan amount to the client.
Mark-up against the loans provided is recognised when the Company satisfies a performance obligation under a contract by providing the promised service i.e. the loan amount to the client. The service is considered to be provided over a period of time i.e. the loan term.

2.4.2.1 Effect of changes in accounting policy

The Company has applied IFRS 15 using the modified retrospective approach for transition, taking into consideration the exemption allowing it not to restate comparative information or prior periods. The above mentioned revised policy do not have any significant impact on these financial statements as the revised policy do not have an impact on the timing or the amount of revenue recognition from the contracts.

2.5 Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect 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 recognized 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 Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets - (note 6.1)
- Useful life of intangible assets- (note 7.1)
- Provision for loan losses - (note 5.6.1)
- Revaluation of freehold land - (note 6.1)

2.5.1 Measurement of fair values

A number of the accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. If third party information, such as broker quotes, is used to measure fair values, then the management assesses the evidence obtained independently or from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. The significant items measured at fair value include:

- Fair value measurements of cross currency swaps - (note 12)
- Fair value measurements of investment property - (note 8.4)

3 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for:

- Revaluation of freehold land;
- Certain foreign currency translation adjustments;
- Fair value measurement of investment property; and
- Fair value measurement of certain short term investment.

4 Change in accounting estimate

During the year, depreciation method is changed on all operating fixed assets from reducing balance method to straight line method for better presentation and to better reflect the write off of cost of an asset over its estimated useful life. The change in accounting estimate has been accounted for prospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The impact of the estimate change is presented below:

	Amount with estimate change	Amount without estimate change
	(Rupees in thousand)	
As at June 30, 2019		
Depreciation	94,767,628	67,028,592
Net book value	664,047,530	691,786,566

5 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

5.1 Property and equipment

Operating fixed assets except land, are stated at cost less accumulated depreciation and any identified impairment loss. Land is stated at revalued amount. Depreciation on all operating fixed assets is charged to income 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 6 to the financial statements.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of income and expenditure currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income in the year the asset is derecognized.

5.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified accumulated impairment loss. These are amortized using the straight line method at the rate of 20% to 33.33%. Amortization on additions is charged from the month in which an intangible asset is acquired, while no amortization is charged for the month in which intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

5.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured using fair value model with any change therein recognized in income and expenditure account. The Company has valued investment properties using external valuator at reporting date. When the use of properties changes such that it is transferred to property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting, similarly when the property recorded as property and equipment is transferred to investment property, it is recorded at fair value determined at reclassification date and surplus on such property at that time is credited to surplus on revaluation amount and deficit is charged to profit or loss account.

5.4 **Financial instruments**

5.4.1 **Financial assets**

IFRS 9 introduced new requirements for the classification and measurement of financial assets and the impact for the Company mainly comprise of a) new classification requirements for financial assets b) new impairment model requirements for financial assets, and c) new hedge accounting requirements.

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

Classification of financial assets

a) Debt instruments measured at amortised cost

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

Amortised cost and effective interest method.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus 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 amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised 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 Company carries cash and cash equivalents, loan portfolio, investments, deposits and advances at amortized cost.

b) Financial instruments measured at fair value and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. The Company designates these derivatives as hedging instruments to hedge the variability in cash flows associated with foreign currency debt attributable to changes in foreign currency rates and foreign currency denominated interest rates.

These financial instruments, upon meeting specified conditions, are measured subsequently at fair value through other comprehensive income (FVTOCI).

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company does not possess any financial assets classified as at FVTOCI.

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company carries mutual funds classified as at FVTPL.

Impairment of financial assets

The Company recognises allowance for impairment of loan portfolio at higher of: a) applicable regulatory requirements, b) loss allowance for expected credit losses (ECL) calculated as per IFRS 9 requirements, and c) minimum internal provisioning thresholds. The amount of impairment allowances there against is updated at each reporting date.

The Company determines ECL for loan portfolio using general approach. The expected credit losses on loan portfolio assets are determined using probabilistic estimation of future expected cash flows, adjusted for factors that are specific to the loan portfolios and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of the expected credit loss allowance

The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios.

Write-off policy

The Company writes off loan assets that are past due 180 days from the maturity date. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognised in profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Investment in subsidiaries and associates

Investments in subsidiaries and associates are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit or loss account.

Kashf Murabaha

In Murabaha transactions, the Company advances funds to the person known as agent at that time. Agent purchases the goods on behalf of the Company. Agent takes the possession of goods and offers to purchase the goods from the company which when accepted is binding on both parties. The customer agrees to pay to the Company, the cost of goods plus profit agreed by the participants on a credit terms of twelve equal monthly installments.

The criteria mentioned in note 5.4.1 is followed for recording of provision.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances. In the balance sheet, finances under mark-up arrangements are shown separately.

5.4.2 Financial liabilities

Subsequent measurement of financial liabilities

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowings from financial institutions and others

Loans and borrowings are initially recorded at the proceeds received. Transaction costs directly attributable to obtaining the loans and borrowings are deducted in determining the proceeds received on initial recognition. In subsequent periods, borrowings are stated at amortized cost using effective yield method. Finance charges are accounted for on an accrual basis and are included in creditors and accruals to the extent of the amount remaining unpaid. Arrangement fees and other transaction costs are also amortized over the term of loan using effective yield method.

Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Kashf FOUNDATION

Hedge Accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. These derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates these derivatives as hedging instruments to hedge the variability in cash flows associated with foreign currency denominated loans.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

5.4.3 Leases

Finance lease

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease.

Each lease payment is allocated between the liability and the finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to income over the lease term.

The assets' residual values and estimated useful lives are reviewed, at each financial year end and adjusted if impact on depreciation is significant. Depreciation of leased assets is charged to statement of income and expenditure.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

5.5 Trade and other payables

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 Company.

5.6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.6.1 Provision for loan losses

The NBFC Rules and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC and NE Regulations) describe the basis for recording of provisions for doubtful debts. Accordingly, specific and general provisions have been determined considering the prescribed requirements and management estimates.

Specific provision

Specific provision is created against balances which are known to have financial issues based on their repayments being overdue for certain days. It is created when a balance remains unpaid for following days:

Overdue Range	Percentage of Specific Provision
30-89 Days	25%
90-179 Days	50%
180 Days or more	100%

Additional provision can also be made if recovery of a specific balance is considered doubtful by the management. Loan losses (write-offs) are charged against the allowance for loan losses when management believes that the principal is unlikely to be recovered.

General provision

Provision for loan losses is recorded on monthly basis to maintain the overall provision at adequate levels for doubtful loans that are outstanding but yet not collected. For this purpose additional provision is recognised at 1% of the outstanding micro-credit loan portfolio.

Accordingly the specific and general provisions recognised during the year are charged to the statement of income and expenditure.

5.6.2 Loan Loss Reserve

General reserve up to 5% of the outstanding micro-credit loan portfolio is created. Provision for doubtful loans is charged to Statement of Income and Expenditure from this reserve and remaining part is recognized in Statement of Changes in Equity.

5.7 Employee retirement benefits - defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 10% of basic salary per month.

5.8 Recognition of grants and donations

Grants are recognized when there is reasonable assurance that the entity will comply with the relevant conditions, if any, and the grant will be received.

Grants related to assets other than biological assets, are initially recognized at fair value in balance sheet, as deferred income, that is amortized over the useful life of the asset.

Grants related to project expenses are recognized as revenue in the income and expenditure account on a systematic basis in the same periods in which the expenses are incurred, on a net basis i.e. offset the grant against the related expenditure.

Grants where no conditions are associated by the donor with its utilization are recognized as income in the period in which it is received.

5.9 Taxation

The Company is entitled to one hundred percent tax credit of the income tax payable, including minimum and final taxes payable, under section 100(C) of the Income Tax Ordinance, 2001. Therefore, no provision of income tax has been accounted for in these financial statements.

5.10 Revenue recognition

Mark-up on micro-credit loans are recognized using effective yield method at prevailing mark-up rates for loan products. Profit on Murabaha is recognized on an accrual basis. Profit on Murabaha transactions for the period is accounted for on the culmination of Murabaha transactions. The portion of profit not due is deferred and treated as Bai Muajjal and profit on Bai Muajjal is recognized on accrual basis.

Return on bank deposits is recognized when earned. Documentation and administration fee collected from micro-credit loan customers is recognized on receipt basis. Dividend is recognized as income when right to receive dividend is established.

5.11 Foreign currencies

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

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date except for the loans referred to in note 23. Transactions in foreign currencies are translated into Pak Rupees at the exchange rate prevailing at the date of transaction. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Foreign exchange gains and losses on these translations are recognized in the income and expenditure account.

5.12 Contract Liabilities

Contract liability is measured at fair value of the consideration received for services that are not yet delivered to customers.

5.13 Contingent Liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6 Property and equipment

6.1 Operating fixed assets

	Note	As at July 01, 2018	Additions	Disposals/ transfer	As at June 30, 2019	Rate %	As at July 01, 2018	For the year	Disposals/ transfer	As at June 30, 2019	Net book value as at June 30, 2019
		2019									
		Cost/ revalued amount					**Depreciation**				
		Rupees					Rupees				
Owned assets											
Freehold land	6.1	265,000,000	-	-	265,000,000		-	-	-	-	265,000,000
Building on freehold land		182,628,466	757,018	-	183,385,484	5.00	16,324,636	9,576,118	-	25,900,754	157,484,730
Furniture and fixtures		78,229,440	3,002,397	(5,085,746)	76,146,091	10.00	17,892,423	10,945,179	(3,628,308)	25,209,294	50,936,797
Vehicles		21,131,341	5,693,866	(771,246)	26,053,961	20.00	5,474,586	6,130,820	(259,080)	11,346,326	14,707,635
Office equipment		91,711,418	8,434,193	(1,964,864)	98,180,747	10.00	22,804,635	16,285,513	(1,822,000)	37,268,148	60,912,599
Computer equipment		113,959,047	90,449,835	(2,849,725)	201,559,157	33.33	61,798,257	45,675,843	(2,643,436)	104,830,664	96,728,493
		752,659,712	108,337,309	(10,671,581)	850,325,440		124,294,537	88,613,473	(8,352,824)	204,555,186	645,770,254
Leased assets											
Leased vehicles		30,105,210	-	(656,232)	29,448,978		5,256,412	6,154,157	(238,867)	11,171,702	18,277,276
Total		**782,764,922**	**108,337,309**	**(11,327,813)**	**879,774,418**		**129,550,949**	**94,767,630**	**(8,591,691)**	**215,726,888**	**664,047,530**

	As at July 01, 2017	Additions	Disposals	As at June 30, 2018	Rate %	As at July 01, 2017	For the year	Disposals	As at June 30, 2018	Net book value as at June 30, 2018
	2018									
	Cost/ revalued amount					Depreciation				
	Rupees					Rupees				
Owned assets										
Freehold land	265,000,000	-	-	265,000,000		-	-	-	-	265,000,000
Building on freehold land	181,622,715	1,005,751	-	182,628,466	5	7,567,612	8,757,024	-	16,324,636	166,303,830
Furniture and fixtures	57,840,293	28,654,731	(8,265,584)	78,229,440	10	17,215,135	5,313,699	(4,636,411)	17,892,423	60,337,017
Vehicles	16,140,501	14,578,756	(9,587,916)	21,131,341	20	6,085,686	3,513,505	(4,124,605)	5,474,586	15,656,755
Office equipment	87,359,963	4,728,173	(376,718)	91,711,418	10	15,489,813	7,486,296	(171,474)	22,804,635	68,906,783
Computer equipment	70,711,010	43,591,207	(343,170)	113,959,047	30	47,640,407	14,443,698	(285,848)	61,798,257	52,160,790
	678,674,482	92,558,618	(18,573,388)	752,659,712		93,998,653	39,514,222	(9,218,338)	124,294,537	628,365,175
Leased assets										
Leased vehicles	8,412,186	21,693,024	-	30,105,210		1,111,767	4,144,645	-	5,256,412	24,848,798
Total	687,086,668	114,251,642	(18,573,388)	782,764,922		95,110,420	43,658,867	(9,218,338)	129,550,949	653,213,973

	Note	2019 Rupees	2018 Rupees
6.2 Allocation of depreciation			
Program cost	*33*	**37,122,186**	16,755,703
Management and administrative expenses	*36*	**49,980,310**	22,900,910
Grant expenses	*34*	**7,665,142**	3,998,821
		94,767,638	43,655,434

6.3 Had there been no revaluation, the net book value of freehold land would have amounted to Rs. 83.3 million (2018: Rs. 83.3 million).

6.4 The forced sale value of the revalued land had been assessed at Rs. 202 million at the time of revaluation.

6.5 The cost of the assets as on June 30,2019 include fully depreciated assets amounting to Rs. 82.98 million (2018: Rs. 69.05 million) which are still in use of the company.

7 Intangible assets

	Note	2019 Rupees	2018 Rupees
Intangible assets	*7.1*	**3,406,873**	2,913,744
Intangible assets under development	*7.2*	**11,484,000**	-
		14,890,873	**2,913,744**

7.1 Intangible assets

2019

Particulars	Cost: As at July 01,	Cost: Additions/ (deletions)	Cost: As at June 30, 2019	Amortization: For the year	Amortization: As at June 30, 2019	Net book value as at June 30, 2019	Rate %
	Rupees						
Licenses	3,979,609	-	3,979,609	491,400	2,153,724	1,825,885	20%
Software	4,361,959	1,759,800	6,121,759	775,271	4,540,771	1,580,988	33.33%
	8,341,568	**1,759,800**	**10,101,368**	**1,266,671**	**6,694,495**	**3,406,873**	

2018

Particulars	Cost: As at July 01, 2017	Cost: Additions/ (deletions)	Cost: As at June 30, 2018	Amortization: For the year	Amortization: As at June 30, 2018	Net book value as at June 30, 2018	Rate %
	Rupees						
Licenses	1,522,609	2,457,000	3,979,609	409,500	1,662,324	2,317,285	20%
Software	3,356,000	1,005,959	4,361,959	139,715	3,765,500	596,459	33.33%
	4,878,609	3,462,959	8,341,568	549,215	5,427,824	2,913,744	

7.1.1 Amortization charged for the year, amounting to Rs. 1.266 million (2018: Rs. 0.549 million) has been allocated to management and administrative expenses.

7.2 Intangible assets under development

2019

Particulars	As at July 1, 2018	Additions	Transfers	As at June 30, 2019
	Rupees			
Software	-	11,484,000	-	11,484,000
	-	**11,484,000**	-	**11,484,000**

8 Investment properties

	Note	2019 Rupees	2018 Rupees
Reclassification from operating fixed assets		**70,001,500**	70,001,500
Changes in fair value	*8.1 & 8.2*	**12,502,400**	12,502,400
		82,503,900	**82,503,900**

8.1 It includes freehold land and building on freehold land situated at 19 Aibak Block, New Garden Town, Lahore, which have been leased to third party in 2017. The fair value of investment property was determined by Tri Star International Private Limited, independent property valuer.

8.2 Changes in fair value are recognized in the statement of income and expenditure. All gains are unrealized.

8.3 The forced sale value of freehold land and building as at June 30, 2019 is Rs. 70.13 million.

8.4 **Measurement of fair values**

The fair value measurement for the investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique used in determining the fair value of the land and building is based on the detailed inspection of the properties and numerous independent market inquiries from local active realtors in the vicinity.

Significant unobservable inputs used in determining the fair value of land and building includes;

- independent access to the premises
- sale ability
- encroachment status
- utilization of the property (domestic or commercial)
- pending government dues

9 Long term investments	Note	2019 Rupees	2018 Rupees
Fair value through profit or loss			
Investment in associate - Kashf Holding (Pvt.) Limited			
900,000 (2018: 900,000) fully paid shares of Rs 10/- each at cost, equity held 30.2% (2018: 30.2%)	*9.1*	**63,000,000**	63,000,000
Value of investment based on net assets as shown in the unaudited financial statements as at June 30, 2019 (2018: unaudited)			
Accumulated share of loss of associate - based on unaudited financial statements		**(63,000,000)**	(63,000,000)
		-	-
Investments designated at Amortized Cost			
Term deposit certificate	*9.2*	**340,000,000**	-
Less: current maturity		**(340,000,000)**	-
		-	
Investments classified as Held to maturity			
Term deposit certificate		-	340,000,000
Less: current maturity		-	-
		-	340,000,000
		-	340,000,000

9.1 **Summary of financial information of the associate is as follows:**	(Un-audited) 2019 Rupees	(Un-audited) 2018 Rupees
Total assets	**81,087,802**	71,707,254
Total liabilities	**475,054,067**	446,335,750
Total equity	**(393,966,265)**	(374,628,496)
Loss for the year	**(16,964,398)**	(23,337,399)

Share of loss amounting to Rs 118.97 million (2018: Rs. 113.14 million) has been restricted to cost of investment in associate.

9.2 These deposits have been pledged as security against financing availed from commercial banks as referred to in note 23 and 25. These carry markup rates ranging from 10% to 11.5% per annum. These deposits are on a roll over basis with maturity coinciding with the maturity of respective financing from the bank.

		Note	2019 Rupees	2018 Rupees
10	**Long term loans - considered good**			
	Long term loan to related party - unsecured			
	Loan to associate	*10.1*	-	261,239,935
	Less: Impairment on loan to associate		-	(261,239,935)
			-	-
	Loan to Employees		**916,982**	-
			916,982	-

10.1 This represents a loan given under an agreement to Kashf Holdings (Private) Limited (KHL), an associated undertaking. The loan along with mark-up was receivable in 20 equal quarterly installments starting from September, 2013. In 2013, the Company had rescheduled this loan. The loan along with mark-up was receivable in two installments due on 31 December 2015 and 31 December 2019 amounting to Rs. 160.52 million and Rs. 301.98 million respectively. In 2015, the Company carried out second rescheduling of this loan through a resolution in Board of Directors' meeting dated 20 June 2015. The loan along with mark-up was receivable in two installments due on 31 December 2018 and 31 December 2020 amounting to Rs. 130 million and Rs. 378.72 million respectively. The Board of Directors decided in the board meeting held on January 20, 2018, to fully impair the loan as no recovery had been received from past 5 years.

Kashf Foundation has rescheduled this loan through a third addendum dated July 1, 2019. The loan is payable in 11 annual installments starting from year 2020. The rescheduled loan carries mark-up at the rate of 1 year KIBOR plus 2% per annum. Rs. 23 million was received during the year from KHL as mentioned in note 38.

		Note	2019 Rupees	2018 Rupees
11	**Long term micro-credit loan portfolio**			
	Kashf School Sarmaya Karza - unsecured	*11.1*	**129,693,030**	92,022,873
	Asset Backed Lending - unsecured	*11.2*	-	44,782
	Kashf Muwaishi Karza - unsecured	*11.3*	**206,313,785**	-
			336,006,815	92,067,655
	Due within one year:			
	Kashf School Sarmaya Karza - unsecured		**(123,388,482)**	(86,931,136)
	Asset Backed Lending - unsecured		-	(44,782)
	Kashf Muwaishi Karza - unsecured		**(206,141,550)**	-
			(329,530,032)	(86,975,918)
	Less: Provision for doubtful loans		**(64,767)**	(50,917)
			6,412,016	5,040,820

11.1 Kashf School Sarmaya Karza represent micro-credit loans for educational activities with loan amount ranging from Rs 60,000 to Rs 300,000 each. The outstanding balance is repayable along with service charges, documentation fee and life insurance over a period of twelve months or 18 months, as applicable in equal monthly installments. The effective yield on these loans ranges from 38.40% to 40.10% (2018: 38.00% to 39.45%) per annum.

11.2 Asset Backed Lending represent micro-credit loans provided to established businesses who require financial assistance for further growth of business. The loan amount ranges from Rs 50,000 to Rs 150,000 each. The outstanding balance is repayable along with service charges over a period of 12 months or 18 months, as applicable in equal monthly installments. The product is discontinued during the year.

11.3 Kashf Muwaishi Karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with an amount of Rs. 30,000 to Rs. 150,000. The outstanding balance is payable over a period of twelve months or eighteen months, as applicable in equal monthly installments. The effective yield on this loan is 34.40% (2018: 29.00%).

12 Financial assets used for hedging

The Company enters into derivate transactions with scheduled banks in Pakistan to hedge its foreign currency exposures associated with foreign currency loans. In general, the Company enters into bespoke cross currency swap agreements for each individual foreign currency loan. The foreign currency loans hedged by the Company are given in note 23.1.2.

The Company measures the fair value of hedging instruments, which are non-exchange-traded, based on price quotes obtained from the counterparties/broker dealers. The counterparty price quotes reflect the amounts that the Company expects to receive or pay to terminate the contract at the balance sheet date, taking into account the current market conditions (rate parity, volatility, yield curve).

Bank	Derivative Contracts	Fair Values	Notional Amounts
		Rupees	USD
MCB Bank Limited	12	1,736,087,615	42,384,044
Faysal Bank Limited	1	(13,765,750)	3,000,000
Balance as at 30 June 2019	**13**	**1,722,321,865**	**45,384,044**

Bank	Derivative Contracts	Fair Values	Notional Amounts
		Rupees	USD
MCB Bank Limited	9	235,188,475	30,896,000
JS Bank Limited	1	15,488,247	1,000,000
Balance as at 30 June 2018	10	250,676,722	31,896,000

		Note	2019 Rupees	2018 Rupees
13	**Long term deposits**			
	Leased asset security		**4,515,300**	4,515,300
	Security deposit		**463,360**	463,360
			4,978,660	4,978,660

		Note	2019 Rupees	2018 Rupees
14	**Micro-credit loan portfolio**			
	Kashf Karobar Karza - unsecured	*14.1*	**12,032,348,388**	9,520,910,442
	Kashf Khudmukhtar Sarmaya - unsecured	*14.2*	**24,315,947**	28,953,675
	Kashf Easy loan - unsecured	*14.3*	**1,021,929,424**	513,958,686
	Kashf Muwaishi Karza - unsecured		**-**	32,235,342
	Kashf Sahulat Karza - unsecured	*14.4*	**22,829,578**	24,124,767
	Kashf Zariye Karza - unsecured	*14.5*	**3,254,152**	-
			13,104,677,489	**10,120,182,912**
	Current portion of long term micro credit loan portfolio	*11*	**329,530,032**	86,975,918
			13,434,207,521	10,207,158,830
	Less: Provision for doubtful loans	*14.6*	**(171,516,102)**	(120,837,052)
			13,262,691,419	10,086,321,778

14.1 Kashf Karobar Karza represents micro-credit loans for productive/income generating activities. The initial loan amount is Rs. 20,000 and the maximum loan amount cannot exceed Rs. 120,000 each. The outstanding balance is repayable along with service charges, documentation fee and Kashf Sehatmand Zindagi Bema over a period of twelve months in equal monthly installments. The effective yield on these loans is 37.40% (2018: 37.68%) per annum.

14.2 Kashf Khudmukhtar Sarmaya represent micro-credit loans for those households who are deprived of opportunities to earn income with loan amount of Rs. 20,000 each. The outstanding balance is payable over a period of twelve months in equal monthly installments. This facility is interest free and is given to poor people who cannot afford to begin a new business.

14.3 Kashf Easy Loan represents micro-credit loans provided to such clients who want to run their business at small scale or want to fulfil personal financial needs at easy terms with an amount of Rs. 20,000. The outstanding balance is payable over a period of twelve months in equal monthly installments. The effective yield on this loan is 40.00% (2018: 38.12%) per annum.

14.4 Kashf Sahulat Karza represents micro-credit loans provided to such clients who have already obtained Kashf Karobar Karza for their domestic use with a fixed amount of Rs. 5,000. The outstanding balance is payable over a period of six months in equal monthly installments. The effective yield on this loan is 34.40% (2018: 26.00%)

14.5 Kashf Zariye Karza represents micro-credit loans provided to clients for crop production with amounts ranging from Rs. 50,000 to Rs. 100,000. The outstanding balance is payable over a period of three, six or twelve months, as applicable in equal monthly installments. The effective yield on this loan is 34.40%.

	Note	2019 Rupees	2018 Rupees
14.6 Provision for doubtful loans			
Balance as at July 01		**120,887,969**	70,665,935
Charge for the year		**64,049,972**	61,481,722
Provision reversed during the year		**-**	-
		184,937,941	132,147,657
Written off against provision		**(13,357,072)**	(11,259,688)
Balance as at 30 June	*14.6.1*	**171,580,869**	120,887,969

14.6.1 The Company recognises provision for doubtful loans at higher of applicable regulatory requirements, Expected Credit Losses and internal provisioning threshold:

	2019 Rupees	2018 Rupees
Provision under the policy of the Company		
-General	**133,808,148**	101,807,880
-Specific	**37,772,721**	19,080,089
	171,580,869	120,887,969
Provision under Expected Credit Losses as per IFRS 9	**135,054,518**	-
Provision under NBFC and NE Regulations		
-General	**67,014,558**	50,964,146
-Specific	**37,772,721**	19,080,089
	104,787,279	70,044,235

	Note	2019 In numbers	2018 In numbers
14.7 Number of loans			
Considered good		**484,318**	400,683
Considered doubtful		**8,489**	7,280
Less: Loans written off		**(785)**	(785)
		7,704	6,495
	43	**492,022**	407.178

14.8 Aging analysis of loan portfolio

The Company's main indicator of loan delinquency is the Portfolio-At-Risk ratio. Loans are segregated into classes depending on the number of days they are overdue. For each class of loan, the outstanding principal balance of such loan is divided by the principal balance of the gross loan portfolio for loan loss percentage.

Loans are considered at risk if any payment has fallen due and remained unpaid for more than 1 day. The Company does not convert mark-up on late payment into principal.

	Percentage	2019 Rupees	2018 Rupees
Current maturity	98.83%	**13,283,581,789**	10,083,455,467
1-29 days	0.73%	**98,016,336**	98,463,173
30-89 days	0.14%	**19,120,436**	10,642,386
90-179 days	0.10%	**13,946,263**	6,540,098
More than 180 days	0.20%	**26,019,480**	13,149,443
	100%	**13,440,684,304**	10,212,250,567

	Note	2019 Rupees	2018 Rupees
14.9 Portfolio by segment			
Micro enterprise			
Agriculture and livestock		**3,644,020,168**	2,588,468,316
Services		**4,767,016,598**	3,755,649,568
Trading		**2,361,238,467**	1,931,364,700
Manufacturing		**729,841,930**	601,965,746
		11,502,117,163	8,877,448,330

General loan

		2019	2018
Home improvement		-	348,338
Domestic		**1,044,763,928**	520,355,629
School		**129,727,790**	92,446,268
Food production and services		-	198,387
Garments and handicrafts		**763,846,180**	674,808,948
Transport		**229,243**	46,644,667
		1,938,567,141	1,334,802,237
		13,440,684,304	10,212,250,567

15 Kashf Murabaha portfolio

	Note	2019	2018
15.1 Kashf Murabaha receivable		**508,352,431**	360,236,363
Less: Unearned Murabaha income		**(84,665,405)**	(60,252,028)
	15.1.1	**423,687,026**	299,984,335
Less: Provision for doubtful Murabaha	*15.1.2*	**(5,218,209)**	(3,217,740)
		418,468,817	296,766,595

15.1.1 Murabaha facility was introduced in 2014 to provide financing facility under Islamic (Shariyah) principles. It represents the cost of goods sold under Murabaha agreement. Facility ranges between Rs. 20,000 to Rs. 120,000 each. The outstanding balance is repayable along with profit on Murabaha over a period of twelve months. Profit is allocated at the rate of 20% on terms of Murabaha agreement.

15.1.2 Provision for doubtful Murabaha		**2019 Rupees**	2018 Rupees
Balance as at July 01		**3,217,740**	1,595,074
Charge for the year		**2,091,143**	2,789,604
Provision reversed during the year		-	-
		5,308,883	4,384,678
Written off against provision		**(90,674)**	(1,166,938)
Balance as at 30 June	*15.1.2.1*	**5,218,209**	3,217,740

15.1.2.1 The Company recognises provision for doubtful loans at higher of applicable regulatory requirements, Expected Credit Losses and internal provisioning threshold:

	Note	**2019 Rupees**	2018 Rupees
Provision under the policy of the Company			
-General		**4,224,715**	2,996,049
-Specific		**993,494**	221,691
		5,218,209	3,217,740
Provision under Expected Credit Losses as per IFRS 9		**4,948,843**	-
Provision under NBFC and NE Regulations			
-General		**2,113,468**	1,498,813
-Specific		**993,494**	221,691
		3,106,962	1,720,504

15.2 Number of Murabahas	**2019 Numbers**	2018 Numbers
Considered good		
Considered doubtful	**283**	230
Less: Clients written off	**(9)**	(82)
	274	148
	16,468	12,778

15.3 Aging analysis of murabaha portfolio

The Company's main indicator of Murabaha loan delinquency is the Portfolio-At-Risk ratio. Loans are segregated into classes depending on the number of days they are overdue. For each class of loan, the outstanding principal balance of such loan is divided by the principal balance of the gross loan portfolio for loan loss percentage.

Loans are considered at risk if any payment has fallen due and remained unpaid for more than 1 day. The Company does not convert service charges on late payment into principal.

	Percentage	2019 Rupees	2018 Rupees
Current maturity	98.76%	**418,453,127**	297,109,342
1-29 days	0.91%	**3,873,049**	2,361,667
30-89 days	0.08%	**334,787**	348,737
90-179 days	0.05%	**232,532**	60,165
More than 180 days	0.20%	**793,531**	104,424
	100%	**423,687,026**	299,984,335

15.4 Portfolio by segment *Note*

	2019 Rupees	2018 Rupees
Micro enterprise		
Agriculture and livestock	**88,512,616**	63,750,162
Services	**144,469,657**	100,694,875
Trade	**167,413,176**	99,169,122
Manufacturing	**15,324,263**	10,254,891
	415,719,712	273,869,050
General loan		
Food production and services	-	13,431
Garments and handicrafts	**7,892,316**	10,695,144
Transport	**74,998**	15,159,204
School	-	247,506
	7,967,314	26,115,285
	423,687,026	299,984,335

16 Accrued service charges

	2019 Rupees	2018 Rupees
Accrued service charges	**163,749,552**	116,614,493
Less: Provision under Expected Credit Losses - IFRS 9	**(1,653,554)**	-
	162,095,998	-

17 Short term investments

	2019 Rupees	2018 Rupees
Investments designated at FVTPL		
Faysal Income and Growth Fund:		
114,906 units (2018 103,650 units)	**11,535,249**	-
Fair value gain	**678,086**	-
	12,213,335	-
Investments designated at Amortized Cost		
Term deposit certificates	**1,130,164,000**	-
Current maturity of long-term investments	**340,000,000**	-
	1,470,164,000	-
Investments classified as Available for sale		
Faysal Income and Growth Fund:		
103,650 units (2018 103,650 units)	-	10,972,428
Fair value gain	-	562,821
	-	11,535,249
Investments classified as Held to maturity		
Term deposit certificates	-	695,833,332
Current maturity of long-term investments	-	-
	-	695,833,332
	1,482,377,335	**707,368,581**

17.1 These term deposits carry mark-up ranging from 6% to 14% (2018: 5.% to 10%) per annum. These deposits, except Silk Bank and JS bank term deposit certificates, have been pledged as security against financing facility availed from commercial banks as referred to in note 23 and 25.

18 Advances, deposits, prepayments and other receivables

	2019 Rupees	2018 Rupees
Advance to employees against expenses	**1,248,017**	2,085,874
Advances to agents against Murabaha	**5,700,000**	1,392,000
Short term deposits	**388,500**	503,500
Prepayments	**8,094,252**	8,263,013
Accrued return on investments and bank deposits	**80,142,975**	75,309,387
Unearned Murabaha income	**84,665,405**	60,252,028
Advance tax recoverable	**142,962,834**	88,606,130
Deferred loss on sale and lease back of vehicles	**3,697,623**	6,470,843
Documentation fee receivable	**39,191,109**	78,057,968
Advances to suppliers	**19,658,439**	2,770,994
Receivables from donors	**16,253,582**	11,682,254
Insurance claims receivables	**16,171,616**	23,738,787
Commission receivable	**12,218,429**	7,742,452
Other receivables	**18,293,516**	6,554,216
Less: Provision for doubtful receivables	**(33,363)**	(33,363)
	18,260,153	6,520,853
	448,652,934	373,396,083

	Note	2019 Rupees	2018 Rupees
18.1 Provision on documentation fee receivable			
Documentation fee receivable		**39,590,900**	78,057,968
Less: Provision under Expected Credit Losses		**(399,791)**	-
		39,191,109	78,057,968
18.2 Movement in provision for doubtful receivables			
Balance as at July 01		**33,363**	151,432
Charge for the year		-	-
		33,363	151,432
Written off against provision		-	(118,069)
Balance as at June 30		**33,363**	33,363

19 Cash and bank balances

	Note	2019 Rupees	2018 Rupees
Cash in hand		**2,206,253**	2,165,659
Balance at banks:			
In current accounts - local currency		**72,947,915**	82,555,481
In saving accounts - local currency		**2,524,705,931**	1,363,023,449
- foreign currency		**6,342,591**	272,171,108
	19.1	**2,531,048,522**	1,635,194,557
		2,606,202,690	1,719,915,697

19.1 Cash with banks in saving accounts carry mark-up at rates ranging from 7% to 13% (2018: 4% to 7%) per annum.

20 Donated funds

Donated funds represent grants utilized for micro lending operations only when all the attached conditions are complied by the Company.

	Note	2019 Rupees	2018 Rupees
21 Reserves			
General reserves	*21.1*	**3,237,035,045**	2,151,584,511
Reserve for loan loss	*21.2*	**516,419,488**	401,612,469
		3,753,454,533	2,553,196,980

21.1 General reserves

General reserves represent surplus of receipt over the expenditures as per Statement of Income and Expenditure.

21.2 Loan loss reserve

Reserve for loan loss has been created at the rate of 5% of outstanding micro-credit loan portfolio of the Company. This reserve is used for the write-off of loans given under this scheme and is replenished by the Company from general reserve.

	Note	2019 Rupees	2018 Rupees
22 Surplus on revaluation of land			
As at July 01		**209,478,137**	209,478,137
Add: surplus arising on revaluation of land during the year	*22.1*	-	-
		209,478,137	209,478,137

22.1 This represents surplus resulting from revaluation of land carried out latest by August 01, 2016 by M/s. Anjum Adil & Associates. The revalued amounts of said properties have been determined on the basis of detailed inspection of the properties and numerous independent market inquiries from local active realtors in the vicinity.

	Note	2019 Rupees	2018 Rupees
23 Long term financing			
Long term loans	*23.1*	**9,874,066,637**	7,057,103,980
Liabilities subject to finance lease	*23.2*	**8,782,489**	15,810,204
		9,882,849,126	7,072,914,184
23.1 Long term loans			
Local currency loans	*23.1.1*	**8,411,503,676**	7,258,828,685
Foreign currency loans	*23.1.2*	**5,699,739,053**	3,521,042,500
Translation loss on foreign currency loans	*23.1.3*	**1,593,111,480**	-
		15,704,354,209	10,779,871,185
Less: Unamortized transaction cost		**(78,949,739)**	(55,317,366)
		15,625,404,470	10,724,553,819
Less: Payable within one year	*24*	**(5,751,337,833)**	(3,667,449,839)
		9,874,066,637	7,057,103,980

23.1.1 Local currency loans

Loan #	Lender	Type	2019 Rupees	2018 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
Local currency - secured								
1	JS Bank	Term Finance Facility	**266,666,667**	666,666,667	1M KIBOR + 2%	8 installments ending on 15 February 2020	Monthly	The loan is secured against the first pari-passu charge on present and future current assets with 25% margin. Furthermore lien kept on cash deposit equivalent to 20% of facility amount (i.e. Rs. 200 million).
2	JS Bank	Term Finance Facility	**909,090,909**	-	1M KIBOR + 1.85%	33 installments starting from 27 April 2019	Monthly	The loan is secured against the first pari-passu charge on all present and future current assets with 25% margin.
3	Askari Bank Limited	Term Finance Facility-III	**62,500,000**	187,500,000	6M KIBOR + 2.25%	1 installments ending on 05 September 2019	Semi Annually	The loan is secured against the first pari passu charge on all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with 25% margin. Furthermore perfected lien on deposit amounting to Rs. 50 million for the entire tenure of facility.
4	Askari Bank Limited	Long Term Finance-IV	**375,000,000**	-	3M KIBOR + 2%	12 installments starting from 26 November 2018	Quarterly	The loan is secured against the first pari passu charge on all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with 25% margin.
5	MCB Bank Limited	Demand Finance-I	-	40,775,956	3M KIBOR+2%	-	Quarterly	This loan has been fully repaid during the year.
6	MCB Bank Limited	Demand Finance-III(i)	-	140,625,000	6M KIBOR+2.25%	-	Quarterly	This loan has been fully repaid during the year.
7	MCB Bank Limited	Demand Finance-III(ii)	-	125,000,000	3Y KIBOR+1.16%	-	Quarterly	This loan has been fully repaid during the year.
8	MCB Bank Limited	Demand Finance-IV	**375,000,000**	500,000,000	6M KIBOR+2.25%	12 installments ending on 27 April 2022	Quarterly	The loan is secured against the 1st pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with the margin of 25%.
9	MCB Bank Limited	Demand Finance-V	**500,000,000**	-	6M KIBOR+2%	16 installments starting from 21 August 2020	Quarterly	The loan is secured against the 1st pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with the margin of 25%.
10	Bank Alfalah Limited	Term Finance Facility-II	**200,000,000**	400,000,000	3 M KIBOR + 2%	4 installments ending on 26 Apr 2020	Quarterly	The loan is secured against the 1st pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with the margin of 25%.
11	Acumen Pakistan	Term Loan	**25,000,000**	41,666,667	6M KIBOR +2%	6 installments ending on 9 Nov 2020	Quarterly	The loan is secured against micro-loans and related receivables (means all the moveable current assets other than the investment portfolio and the asset forming part of the PPAF security) with a 25% margin.

Loan #	Lender	Type	2019 Rupees	2018 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
12	Pak-China Investment Company Limited	Syndicated Term Finance Facility	**240,000,000**	480,000,000	6M KIBOR + 2%	02 installments ending on 09 May 2020	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming a part of PPAF) with 25% margin. Furthermore, lien on deposit account amounting to Rs. 90 million (15% of syndicate amount) maintained specifically for Syndicate Term Finance Facility. SBP duly issued a guarantee in favor of the Bank securing 40% of the outstanding loan and payable to the Bank as partial security for the obligations.
13	Pak-China Investment Company Limited	Term Finance Facility	**400,000,000**	-	3M KIBOR + 2.5%	9 installments starting from 18 September 2019	Semi Annually	The loan is secured against the 1st pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with the margin of 25%.
14	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	**545,000,000**	872,000,000	6M KIBOR + 3%	05 installments ending on 23 May 2022	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets with the margin of 20%.
15	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	**396,000,000**	528,000,000	6M KIBOR + 3%	06 installments ending on 20 Sep 2020	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets with the margin of 20%.
16	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	**1,959,000,000**	1,500,000,000	6M KIBOR + 3%	08 installments starting from 31 Mar 2020	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets with the margin of 10%.
17	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	**700,000,000**	-	6M KIBOR + 3%	08 installments starting from 31 Mar 2021	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
18	Silk Bank Limited	Term Finance Facility-II	**18,750,000**	31,250,000	6M KIBOR+3%	6 installments ending on 24 Nov 2020	Quarterly	The loan is secured against mortgage charge of Rs. 62.5 million over property located at House# 19 Aibak Block, New Garden Town, Lahore.
19	United Bank Limited	Term Finance Facility	-	166,666,667	6M KIBOR+2%	-	Semi Annually	This loan has been fully repaid during the year.
20	United Bank Limited	Term Finance Facility	**150,000,000**	250,000,000	6M KIBOR+1.5%	03 installments ending on 20 September 2020	Semi Annually	1st Pari Passu Charge on all Present & Future Current Assets (excluding the investment portfolio & asset forming part of PPAF) on 75% of the facility amount + 25% deposit maintained of financing amount.
21	Pakistan Poverty Alleviation Fund	Prime Minister's Interest Free Loan	**26,996,100**	28,677,728	Interest Free Loan	Full loan amount at the end of loan term in December 2019	Interest Free Loan	The loan is fully and completely secured against microcredit sub loans created/ financed from the proceeds of the loan. PPAF will maintain a first charge on all such sub loans and these will be under the exclusive lien of PPAF until the decision is communicated by PPAF within the Agreement Period or at the conclusion of this Financing Agreement or subsequent Agreements amending this agreement.

Loan #	Lender	Type	2019 Rupees	2018 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
22	National Bank of Pakistan	Term Loan	812,500,000	1,000,000,000	3 M KIBOR + 2%	13 installments ending on 31 July 2022	Quarterly	The loan is secured against first pari-passu charge on all present and future current assets (other than the investment portfolio and the asset forming part of the PPAF security) with a 25% margin.
23	The Bank of Punjab	Term Loan	150,000,000	300,000,000	6 M KIBOR + 2%	02 installments ending on 06 April 2020	Semi Annually	The loan is secured against first pari-passu charge on all present and future current assets (other than the investment portfolio and the asset forming part of the PPAF security) with a 25% margin.
24	The Bank of Punjab	Term Finance Facility	300,000,000	-	3 M K + 2%	08 installments starting from 15 July 2019	Quarterly	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
			8,411,503,676	7,258,828,685				

23.1.1.1 SECP has granted relaxation of regulation 17 of Non-Banking Finance Companies and Notified Entities Regulation, 2008 relating to maximum exposure of an NBFC to a single person or a Group to PMIC for Kashf Foundation up to a limit of Rs. 4.1 billion.

Kashf FOUNDATION

23.1.2 **Foreign currency loans**

Loan #	Lender	Type	Cross Currency Swap	Note	2019 Rupees	2018 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
25	Blue Orchard Impact Investment Managers	Senior Term Loan	Converted by MCB	*23.1.2.1*	**105,490,000**	158,235,000	12.20%	02 installments ending on 15 May 2020	Semi Annually	The loan is secured against the pari-passu charge over current assets for a total amount of 125% of the principle amount
26	Incofin CVBA	Term Loan	Converted by MCB	*23.1.2.2*	-	207,603,000	13.58%	-	Semi Annually	This loan has been fully repaid during the year
		Term Loan			-	2,428,000	7.75%	-	Semi Annually	
27	Symbiotics SICAV (Lux)-Global Microfinance Fund	Syndicated Term Loan	Converted by MCB	*23.1.2.3*	**311,404,500**	311,404,500	12.07%	Bullet payment on 10 Mar 2020	Semi Annually	The loan is secured against hypothecation of all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security) equivalent to 100% of outstanding loan amount
		Syndicated Term Loan			**4,920,000**	3,642,000	6M LIBOR + 5%	Bullet payment on 10 Mar 2020	Semi Annually	
28	Triodos Investment Management B V	Term Loan	Converted by MCB	*23.1.2.4*	**280,554,120**	467,590,200	14.25%	03 installments ending on 01 Sep 2020	Semi Annually	The loan is secured against the pari-passu charge on all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security)
		Term Loan			**3,345,600**	4,127,600	6M LIBOR +6.10%	03 installments ending on 01 Sep 2020	Semi Annually	
29	Triple Jump	Term Loan	Converted by JS Bank	*23.1.2.5*	-	104,850,000	13.10%	-	Semi Annually	This loan has been fully repaid during the year
30	Triple Jump	Term Loan	Converted by MCB	*23.1.2.6*	-	207,484,200	13.51%	-	Semi Annually	This loan has been fully repaid during the year
		Term Loan			-	2,428,000	6M LIBOR + 5.75%	-	Semi Annually	
31	Symbiotics SICAV (Lux)-Global Microfinance Fund	Syndicated Term Loan	Converted by MCB	*23.1.2.7*	**316,500,000**	316,500,000	12.40%	Bullet payment on 15 Sep 2020	Semi Annually	The loan is secured against hypothecation of all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security) equivalent to 100% of outstanding loan amount
32	Proparco	Term Loan	Converted by MCB	*23.1.2.8*	**578,250,000**	578,250,000	13.20%	07 installments starting from 20 Nov 2019	Semi Annually	The loan is secured against the first ranking pari -passu charge on all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security) equivalent to 100% of outstanding loan amount
33	BANK IM BISTUM ESSEN eG	Term Loan	Converted by MCB	*23.1.2.9*	**514,000,000**	578,250,000	12.50%	08 installments ending on 26 April 2021	Quarterly	The loan is secured against the first ranking pari -passu charge on all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security) equivalent to 100% of outstanding loan amount
34	FMO	MASSIF Facility	Converted by MCB	*23.1.2.10*	**433,687,500**	578,250,000	13.30%	06 installments ending on 15 May 2022	Semi Annually	The loan is secured against the first ranking pari -passu charge on all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security) equivalent to 100% of outstanding loan amount

35	Microvest	Senior Term Loan	Converted by MCB	*23.1.2.11*	328,020,000	-	14.10%	09 installments starting from 15 June 2019	Quarterly	The loan is secured against the pari-passu charge over current assets for a total amount of 110% of the principle amount.
		Senior Term Loan	-		4,373,333	-	3 Months LIBOR+4.15%	09 installments starting from 15 June 2019	Quarterly	
36	Microvest	Senior Term Loan	Converted by MCB	*23.1.2.12*	261,954,000	-	3MK+3.75%	09 installments starting from 15 Sep 2019	Quarterly	The loan is secured against the pari-passu charge over current assets for a total amount of 110% of the principle amount.
		Senior Term Loan	-		3,280,000	-	3 Months LIBOR+4.15%	09 installments starting from 15 Sep 2019	Quarterly	
37	Insu Resilience Investment Fund, SICAV-RAIF	Senior Unsecured Term Loan	Converted by MCB	*23.1.2.13*	392,931,000	-	6 M K + 4%	04 installments starting from 28 March 2019	Semi annually	Unsecured Loan.
		Senior Unsecured Term Loan	-		4,920,000	-	6 Months LIBOR+4.5%	04 installments starting from 28 March 2019	Semi annually	
38	Incofin CVSO	Term Loan	Converted by MCB	*23.1.2.14*	687,159,000	-	6 M K + 2.9%	02 installments starting from 8 July 2020	Semi annually	Unsecured Loan.
		Term Loan	-		8,200,000	-	6.20%	02 installments starting from 8 July 2020	Semi annually	
39	Overseas Private Investment Corporation	Term Loan	Converted by MCB	*23.1.2.15*	972,650,000	-	3 Months KIBOR+ 3.55%	16 installments starting from 15 April 2020	Quarterly	The loan is secured against pari passu charge including a margin of 10% above the total OPIC principal amount.
40	GLS Alternative Investments-Mikrofinanzfonds	Term Loan	Converted by FBL	*23.1.2.16*	488,100,000	-	6 Months KIBOR+ 4.10%	2 installments starting from 30 April 2021	Yearly	Unsecured Loan.
					[illegible]	3,521,042,500				

23.1.2.1 The Company entered into cross currency swap agreement with MCB Bank on September 20, 2017. Loan is translated at the exchange rate of Rs. 105.49/USD converting the liability of USD 2,000,000 to Rs. 210,980,000 and the interest rate is converted from USD 6M LIBOR plus 5% per annum to a fixed rate of 12.2%.

23.1.2.2 The Company entered into cross currency swap agreement with MCB Bank on December 19, 2016. Loan is translated at the exchange rate of Rs. 104.85/USD converting the liability of USD 1,980,000 to Rs. 207,603,000 and the interest rate is converted from 7.75% per annum to a fixed rate of 13.58%.

23.1.2.3 The Company entered into cross currency swap agreement with MCB Bank on March 14, 2017. Loan is translated at the exchange rate of Rs. 104.85/USD converting the liability of USD 2,970,000 to Rs. 311,404,500 and the interest rate is converted from USD 6M LIBOR plus 5% per annum to a fixed rate of 12.07%.

23.1.2.4 The Company entered into cross currency swap agreement with MCB Bank on October 20, 2016. Loan is translated at the exchange rate of Rs. 104.70/USD converting the liability of USD 4,466,000 to Rs. 467,590,200 and the interest rate is converted from USD 6M LIBOR plus 6.10% per annum to a fixed rate of 14.25%.

23.1.2.5 The Company entered into cross currency swap agreement with JS Bank on December 20, 2016. Loan is translated at the exchange rate of Rs. 104.85/USD converting the liability of USD 1,000,000 to Rs. 104,850,000 and the interest rate is converted from 7% per annum to a fixed rate of 13.10%.

23.1.2.6 The Company entered into cross currency swap agreement with MCB Bank on February 09, 2017. Loan is translated at the exchange rate of Rs. 104.79/USD converting the liability of USD 1,980,000 to Rs. 207,484,200 and the interest rate is converted from USD 6M LIBOR plus 5.75% per annum to a fixed rate of 13.51%.

23.1.2.7 The Company entered into cross currency swap agreement with MCB Bank on November 03, 2017. Loan is translated at the exchange rate of Rs. 105.5/USD converting the liability of USD 3,000,000 to Rs. 316,500,000 and the interest rate is converted from USD 6M LIBOR plus 5% per annum to a fixed rate of 12.40%.

23.1.2.8 The Company entered into cross currency swap agreement with MCB Bank on April 24, 2018. Loan is translated at the exchange rate of Rs. 115.65/USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from 7.37% per annum to a fixed rate of 13.20%.

23.1.2.9 The Company entered into cross currency swap agreement with MCB Bank on May 07, 2018. Loan is translated at the exchange rate of Rs. 115.65/USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from USD 3M LIBOR plus 4.15% per annum to a fixed rate of 12.50%.

23.1.2.10 The Company entered into cross currency swap agreement with MCB Bank on May 21, 2018. Loan is translated at the exchange rate of Rs. 115.65/USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from USD 6M LIBOR plus 4.75% per annum to a fixed rate of 13.30%.

23.1.2.11 The Company entered into cross currency swap agreement with MCB Bank on August 24, 2018. Loan is translated at the exchange rate of Rs. 124.25/USD converting the liability of USD 2,970,000 to Rs. 369,022,500 and the interest rate is converted from USD 3M LIBOR plus 4.15% per annum to a fixed rate of 14.10%.

23.1.2.12 The Company entered into cross currency swap agreement with MCB Bank on October 25, 2018. Loan is translated at the exchange rate of Rs. 132.3/USD converting the liability of USD 1,980,000 to Rs. 261,954,000 and the interest rate is converted from USD 3M LIBOR plus 4.15% per annum to a variable rate of 3M KIBOR plus 3.75%.

23.1.2.13 The Company entered into cross currency swap agreement with MCB Bank on October 25, 2018. Loan is translated at the exchange rate of Rs. 132.3/USD converting the liability of USD 3,960,000 to Rs. 523,908,000 and the interest rate is converted from USD 6M LIBOR plus 4.50% per annum to a variable rate of 6M KIBOR plus 4%.

23.1.2.14 The Company entered into cross currency swap agreement with MCB Bank on January 21, 2019. Loan is translated at the exchange rate of Rs. 138.82/USD converting the liability of USD 4,950,000 to Rs. 687,159,000 and the interest rate is converted from 6.20% per annum to a variable rate of 6M KIBOR plus 2.9%.

23.1.2.15 The Company entered into cross currency swap agreement with MCB Bank on February 14, 2019. Loan is translated at the exchange rate of Rs. 138.95/USD converting the liability of USD 7,000,000 to Rs. 972,650,000 and the interest rate is converted from 6.15% per annum to a variable rate of 3M KIBOR plus 3.55%.

23.1.2.16 The Company entered into cross currency swap agreement with Faysal Bank on June 26, 2019. Loan is translated at the exchange rate of Rs. 162.70/USD converting the liability of USD 3,000,000 to Rs. 488,100,000 and the interest rate is converted from 6.90% per annum to a variable rate of 6M KIBOR plus 4.10%.

23.1.3 Translation loss on foreign currency loans

Foreign currency loans have been translated to Pakistan Rupees using spot rate as at June 30, 2019. In the prior period the foreign currency loans had been recorded using contracted foreign currency swap rates.

23.2 Liabilities against assets subject to finance lease

The liabilities against assets subject to finance lease pertain to lease of vehicles. The amount of future payments for the lease and the period in which the lease payments will become due are as follows:

	Note	2019 Rupees	2018 Rupees
Present value of minimum lease payments		**16,361,141**	25,233,241
Less: current portion shown under current liabilities	24	**(7,578,652)**	(9,423,037)
		8,782,489	15,810,204

The minimum lease payments have been discounted at an implicit interest rate ranging from 9.17% to 15.87% (2018: 8.63% to 9.42%) per annum to arrive at their present value. Rentals are paid monthly in advance. Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreement, the lessee has the option to purchase the assets after expiry of the lease term by adjusting the deposit amount against the residual value of the asset.

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	2019		
	Present value of MLPs	**Finance cost for future periods**	Minimum lease payments (MLPs)
	--------	**Rupees**	--------
Not later than one year	**7,578,652**	**1,624,117**	9,202,769
Later than one year but not later than five years	**8,782,489**	**602,206**	9,384,695
	16,361,141	**2,226,323**	18,587,464

	2018		
	Present value of MLPs	Finance cost for future periods	Minimum lease payments (MLPs)
	--------	Rupees	--------
Not later than one year	9,423,037	1,922,784	11,345,821
Later than one year but not later than five years	15,810,204	1,497,790	17,307,994
	25,233,241	3,420,574	28,653,815

24 Current maturity of long term financing	Note	2019 Rupees	2018 Rupees
Long term loans		**5,751,337,833**	3,667,449,839
Liabilities against assets subject to finance lease		**7,578,652**	9,423,037
		5,758,916,485	3,676,872,876

25 Short term borrowings

	Note	2019	2018
Short term running finance - secured	25.1	-	47,777,189
KIVA Loan - foreign currency loan			
Opening		**80,906,639**	96,789,785
Disbursed during the year		**188,978,000**	144,957,000
Less: Repaid on recovery from individual borrowers		**(156,083,220)**	(160,840,146)
Exchange loss		**13,248,833**	-
	25.2	**127,050,252**	80,906,639
		127,050,252	128,683,828

25.1 Short term running finance under mark-up arrangement includes one facility availed from MCB Bank Limited (MCB) having maximum limit up to Rs. 500 million and two facilities from Silk Bank Limited having maximum limits up to Rs. 45 million and Rs. 400 million. Finances from MCB are secured against term deposit certificates with other banks as referred to in note 17. The facilities availed from Silk Bank of Rs. 45 million and Rs. 400 million are secured against TDR amounting to Rs.50 million and first Pari Passu charge of Rs. 534 million on all present and future current assets respectively. Mark-up is paid quarterly and ranges from three month KIBOR plus 0.45% per annum to TDR Rate plus 2% per annum (2018: three month KIBOR plus 0.45% per annum to TDR Rate plus 2% per annum).

25.2 This represents interest free loan obtained from KIVA Micro funds, a California based non-profit, public benefit corporation. KIVA operates a web based business that provides microfinance loans to individuals and groups of developing countries through local lenders of those countries. The Company is registered under KIVA and is solely responsible for collection of loans from borrowers and repayment to KIVA.

26 Deferred grants

	Punjab Skills Development Fund (PSDF)	OMV (Pakistan) Exploration GmbH	Pakistan Poverty Alleviation Fund	Coca Cola Foundation	Canadian International Development Agency (CIDA)	Stewart Farm	I-Care Foundation	European Award	Sindh Education	AUS Aid	UN Women Fund	Philip Morris	Proparco	Netherland's Government	UNDP	PMIC	Miscellaneous local donations	Deferred grants for fixed assets	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees
As at June 30, 2017	-	3,648,035	3,534,838	13,926,565	-	1,466,392	1,720	7,282,763	1,776,742	15,545,726	-	-	-	-	-	-	1,127,483	11,512,321	59,822,585
Funds received	10,564,266	-	3,000,000	-	7,821,270	-	-		8,207,000	-	735,000	-	-	-	-	-	2,749,035	-	33,076,571
Funds utilized for assets	(422,600)	-	-	-	-	-	-		(2,037,673)	-	-	-	-	-	-	-	-	3,500,273	1,040,000
Grant receivable	13,855,489	-	1,469,802	-	-	-	-		-	-	-	-	-	-	-	-	-	-	15,325,291
	23,997,155	3,648,035	8,004,640	13,926,565	7,821,270	1,466,392	1,720	7,282,763	7,946,069	15,545,726	735,000	-	-	-	-	-	3,876,518	15,012,594	109,264,447
Funds utilized																			
Lending	-	-	-	(9,550,000)	-	-	-		-	-	-	-	-	-	-	-	-	-	[illegible]
Recognized as income-asset amortization	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	(3,998,821)	[illegible]
Recognized as income-operating expenses	[illegible]	(3,285,957)	(5,356,548)	(4,376,568)	[illegible]	-	-	(7,282,763)	(7,946,069)	(15,545,726)	(735,000)	-	-	-	-	-	(678,877)	-	[illegible]
	(16,996,936)	(3,285,957)	(5,356,548)	(13,926,568)	[illegible]	-	-	[illegible]	[illegible]	(15,545,726)	(735,000)	-	-	-	-	-	[illegible]	[illegible]	(77,750,125)
Adjustment against grant receivable	(4,227,802)	-	(1,492,266)	-	(5,824,410)	-	-		-	-	-	-	-	-	-	-	-	-	(11,544,478)
Transferred to other income	(2,772,428)	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	(2,772,428)
As at June 30, 2018	(11)	362,078	1,155,826	(3)	-	1,466,392	1,720	-	-	-	-	-	-	-	-	-	3,197,641	11,013,773	17,197,416
Funds received in cash	17,702,160	-	4,374,071	14,887,657	-	-	-		4,645,766	-	9,225,000	16,773,360	864,977	2,508,800	8,998,441	-	4,081,770	-	84,062,002
Funds utilized for assets	(5,000)	-	-	(173,200)	-	-	-		-	-	-	(379,312)	-	-	(1,557,373)	-	-	2,114,885	-
Grant receivable	8,297,802	-	22,448	-	-	-	-		1,544,524	-	-	-	-	-	-	5,763,000	-	-	15,627,774
	25,994,951	362,078	5,552,345	14,714,454	-	1,466,392	1,720	-	6,190,290	-	9,225,000	16,394,048	864,977	2,508,800	7,441,068	5,763,000	7,279,411	13,128,658	116,887,192
Funds utilized																			
Lending	-	-	-	(8,870,000)	-	-	-		-	-	-	-	-	-	-	-	(315,800)	-	[illegible]
Recognized as income - asset amortization	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	(7,665,142)	[illegible]
Recognized as income - operating expenses	[illegible]	[illegible]	(4,039,722)	(2,802,798)	-	(788,800)	-		(6,190,290)	-	-	(9,866,740)	(864,977)	(1,134,729)	(5,843,041)	(474,600)	(525,442)	-	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	-	(788,800)	-	-	[illegible]	-	-	[illegible]	[illegible]	(1,134,729)	(5,843,041)	(474,600)	(841,242)	[illegible]	[illegible]
Adjustment against grant receivable	-	-	(1,469,799)	-	-	-	-		-	-	-	-	-	-	-	-	-	-	(1,469,799)
Transferred to other income	(1,236,243)	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	(1,236,243)
As at June 30, 2019	6,833,488	27,395	42,824	3,041,656	-	677,592	1,720	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	5,288,400	6,438,169	5,463,516	46,539,166

26.1 Cumulative donations received since incorporation

Sr. No	Donor Agency	Grants received upto June 30, 2019 Rupees	Grants received upto June 30, 2018 Rupees	Purpose
1	Pakistan Poverty Alleviation Fund	**165,167,971**	160,793,900	To finance capital, operational and training costs of branches and operational support for interest free loan product/project.
2	CAF America	**4,031,993**	4,031,993	For charitable, religious, scientific, literary or educational purposes.
3	Department For International Development	**941,297,881**	941,297,881	To finance recruitment and training of new and existing staff, start-up and running costs of new branches, disbursement of emergency loans, research and marketing for franchise portfolio, capacity building and gender empowerment training of clients.
4	Skoll Foundation	**94,644,346**	94,644,346	For charitable purpose.
5	MEDA Pakistan	**23,323,459**	23,323,459	To promote gender empowerment and social advocacy.
6	Global Giving Fund	**373,544**	373,544	For web portal at the official site of Global Giving Fund, which shall collect the grants for Kashf health insurance project and remits the same to the Foundation.
7	Grameen Foundation	**3,430,817**	3,430,817	For micro lending product.
8	Canadian International Development Agency (CIDA)	**689,725,135**	689,725,135	This represents a grant of CIDA amounting to CAD $ 7.927 million for financial literacy and business development services for women for a period of 5 years as per agreement. The revised timeline of the project extended to August 2017.
9	TIDES	**2,135,396**	2,135,396	For operational support of branches.
10	Financial Inclusion Program (FIP)	**24,680,213**	24,680,213	To enhance human resource, credit rating and product planning exercise.
11	Coca Cola Foundation	**87,963,188**	73,075,531	For micro lending product and vocational trainings to girls.
12	Coca Cola Beverages Pakistan Limited	**3,500,000**	3,500,000	For micro lending product.
13	Shakespeare Globe	**6,786,394**	6,786,394	For representing Pakistani culture in UK through theatre performance.
14	Ernst & Young	**13,600,005**	13,600,005	For micro lending product.
15	Sosense	**296,424**	296,424	For micro lending product.

Sr. No	Donor Agency	Grants received upto June 30, 2019 Rupees	Grants received upto June 30, 2018 Rupees	Purpose
16	Stewart farm	**1,806,392**	1,806,392	For the purpose of conducting a shariya compliance.
17	KIVA	**40,000**	40,000	In kind grant for micro lending products.
18	International Industries Limited	**500,000**	500,000	For micro lending product.
19	Local Donor	**14,821,517**	10,739,747	For micro lending product and other non core expenses support.
20	I-Care Foundation	**822,704**	822,704	For micro lending product (Kashf Murabaha).
21	Aman Foundation	**6,284,009**	6,284,009	To finance capital and operational costs of 2 branches (Bin Qasim and Gulshan-e-Hadeed).
22	OMV (Pakistan) Exploration GmbH	**19,212,627**	19,212,627	To finance capital and operational expenditure for 3 new branches (Khairpur, Chundiko and Ranipur) 3 vocational training centres ,and area office.
23	Punjab Skills Development Fund (PSDF)	**56,050,321**	38,348,161	To finance capital and operational expenditure for vocational training to girls.
24	Telenor	**1,309,000**	1,309,000	Tablets given to branch managers for operational purposes .
25	AusAid	**15,545,726**	15,545,726	To finance production of drama "Akhri station".
26	European Award	**10,875,348**	10,875,348	Prize money.
27	Sindh Education Foundation	**15,732,766**	11,087,000	Adolescents and Adults Learning & Training Program.
28	UN Women Fund	**9,960,000**	735,000	Kashf serial & Creative Workshop.
29	Philip Morris	**16,773,359**	-	To finance operational and capital cost for Skill training to women / Girls in Hyderabad, Sawabi, Mardan and Sahiwal.
30	Proparco	**864,977**	-	Contributed funds for the development of Asset Liability management system / ALCO assignment from PWC.
31	Netherland's Government	**2,508,800**	-	To provide Systemized Financial Education - (SEF) training to clients of Kashf.
32	UNDP	**8,998,441**	-	Delivery of services for awareness, trainings and mentoring services regarding entrepreneurship to youth.
33	PMIC	**1,356,000**	-	To provide training to staff of 850 low cost private schools.
		2,244,418,753	2,159,000,752	

27 Accrued mark-up

	Note	2019 Rupees	2018 Rupees
Markup on :			
- long term loans		405,365,767	270,229,014
- short term borrowings		2,067,624	1,456,326
Cash Management System charges payable		25,645,808	21,034,142
		433,079,199	292,719,482

28 Trade and other payables

	Note	2019 Rupees	2018 Rupees
Accrued expenses		85,124,787	30,370,826
Provident fund payable	28.1 & 28.2	-	-
Insurance premium payable		60,173,336	54,723,849
Deferred murabaha income		84,665,405	57,153,723
Retention money		-	2,125,516
Deferred documentation fee		-	22,947,025
Claims payable		11,328,795	5,179,069
Other liabilities		59,295,503	32,727,324
		300,587,826	205,227,332

28.1 Provident fund related disclosures:

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un - audited financial statements of the provident fund as at June 30, 2019:

	(Un-audited) 2019 Rupees	2018 Rupees
Size of the fund - total assets	658,636,002	542,035,624
Cost of investments made	488,500,000	381,566,371
Percentage of investments - (% of total assets)	74.17%	70.40%
Fair value of investments	488,584,674	389,517,060

28.2 The break-up of investments is as follows:

	2019		2018	
	Rupees	%	Rupees	%
Term Deposit Receipts	480,000,000	98.24%	380,000,000	97.56%
Mutual Funds	8,584,674	1.76%	9,517,060	2.44%
	488,584,674	100%	389,517,060	100%

The investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

29 Contingencies and commitments

There were no significant contingencies and commitments as at June 30, 2019 (2018: Nil).

		Note	2019 Rupees	2018 Rupees
30	**Mark-up and other charges on micro-credit loan portfolio**			
	Mark-up charges on:			
	- Kashf Karobar Karza		3,985,586,644	2,988,436,655
	- Kashf Zariye Karza		307,996	-
	- Kashf Ibtadai Karobar Karza		-	2,003
	- Kashf Aitbar Karza		5,502	10,823
	- Kashf School Sarmaya		41,485,746	34,431,931
	- Kashf Easy Loan		300,321,465	141,977,203
	- Asset Backed Lending		1,771	287,527
	- Kashf Muwaishi Karza		37,207,700	3,552,740
	- Kashf Sahulat Karza		8,071,438	1,453,857
	Loan documentation fees		101,035,780	106,151,223
	Commission on insurance		73,620,000	41,520,000
			4,547,644,042	3,317,823,962
31	**Grant income**			
	Grant related to projects		50,791,042	64,201,304
	Amortization of grant related to assets	26	7,665,142	3,998,821
			58,456,184	68,200,125
32	**Return on investments and bank deposits**			
	Return on investments		103,261,777	63,107,016
	Return on bank deposits		155,544,409	110,203,872
			258,806,186	173,310,888
33	**Programme cost**			
	Salaries, wages and benefits		1,113,333,592	888,587,149
	Travel and conveyance		126,822,149	99,231,569
	Insurance		115,888,600	47,686,522
	Office rent		54,493,073	48,070,863
	Provision/ (reversal of provision) for loan loss		68,194,506	64,308,701
	Seminar, workshop, research and staff training expenses		38,180,209	46,789,721
	Entertainment		33,609,301	24,027,226
	Printing and stationery		17,175,018	13,643,634
	Communication		19,865,933	17,471,867
	Legal and professional charges		19,737,084	14,746,774
	Depreciation	6.2	37,122,186	16,755,703
	Utilities		11,790,299	9,618,109
	Repair and maintenance		5,886,562	7,783,883
	Office supplies		4,881,340	9,231,565
	Security		2,180,335	3,427,807
			1,669,160,187	1,311,381,093
34	**Grant expenses**			
	Salaries, wages and benefits		32,179,658	28,021,311
	Travel and conveyance		2,801,592	2,412,772
	Insurance		11,522	-
	Office rent		2,833,161	2,905,516
	Seminar, workshop, research and staff training expenses		7,915,714	6,285,310
	Printing and stationery		808,322	1,459,255
	Communication		109,236	95,110
	Depreciation	6.2	7,665,142	3,998,821
	Utilities		327,648	192,970
	Repair and maintenance		223,874	228,168
	Office supplies		328,926	1,979,453
	Media Campaign		-	15,545,726
	Miscellaneous		2,073,115	2,719,163
			57,277,910	65,843,575

	Note	2019 Rupees	2018 Rupees
35 Finance cost			
Mark-up on long term loans		**1,515,011,638**	941,321,492
Mark-up on finances under mark-up arrangements		**14,196,273**	510,840
Unwinding of discount on interest free loan		**1,178,274**	2,526,439
Finance lease rentals/ Ijarah financing rentals		**2,226,323**	436,515
Bank charges		**130,357,802**	90,923,292
Amortization of transaction costs of loans and borrowings		**56,625,964**	30,245,037
Loss on leased vehicles		**2,773,220**	1,848,812
		1,722,369,494	1,067,812,427

	Note	2019 Rupees	2018 Rupees
36 Management and administrative expenses			
Salaries, wages and benefits		**324,997,740**	228,098,328
Travel and conveyance		**13,398,109**	9,696,913
Insurance		**876,218**	709,701
Seminar, workshop, research and staff training expenses		**8,359,202**	12,594,557
Entertainment		**6,598,527**	3,769,543
Printing and stationery		**1,607,541**	1,072,400
Communication		**6,808,165**	6,535,982
Legal and professional charges		**26,629,142**	19,773,870
Depreciation	*6.2*	**49,980,310**	22,900,910
Utilities		**13,030,045**	7,665,575
Repair and maintenance		**1,062,672**	1,228,888
Office supplies		**2,411,699**	1,743,584
Security		**600,253**	570,267
Amortization	*7.1*	**1,266,670**	549,215
Auditor's remuneration	*36.1*	**800,000**	800,000
Advertisement		**8,454,693**	4,156,533
Miscellaneous		**397,128**	96,112
		467,278,114	321,962,378
36.1 Auditors' remuneration			
Statutory audit fee		**800,000**	800,000

	Note	2019 Rupees	2018 Rupees
37 Other expenses			
Impairment on loan to associate		**-**	121,239,936
Transfer of property and equipment as donation		**1,254,238**	3,547,846
		1,254,238	124,787,782

Kashf FOUNDATION

	2019 Rupees	2018 Rupees
38 Other income		
Income from financial assets:		
Bad debt recovered	**8,691,515**	5,786,774
Liabilities written back	**210,295**	-
Foreign exchange gain	**57,265,335**	22,778,631
Fair value gain on Mutual Funds	**678,086**	-
Repayment of loan from associate	**23,000,000**	-
Income from assets other than financial assets:		
Income from rent	**11,850,300**	10,773,000
Gain on measurement of investment property	-	12,502,400
Gain on sale of property and equipment	**2,898,617**	12,531,347
Miscellaneous income (including income from pass books)	**8,191,010**	6,172,521
	112,785,158	70,544,673

39 Remuneration of chief executive, directors and executives

	Chief Executive Officer		Executives	
	2019	2018	**2019**	2018
	---Rupees---		---Rupees---	
Managerial remuneration	**25,983,612**	25,039,956	**197,309,856**	283,718,531
Allowances and others	**17,326,250**	1,991,434	**89,035,413**	42,899,076
	43,309,862	27,031,390	**286,345,269**	326,617,607
Number	**1**	1	**70**	266

39.1 Total number of directors of the Company as at June 30, 2019 were 8 (2018: 9). None of the director is paid any remuneration.

40 Number of employees

The Company has employed following number of persons including permanent and contractual staff:

	2019	2018
	- - - - - (Number of persons) - - - - -	
As at June 30	**3,068**	2,838
Average number of employees	**2,953**	2,590

	Note	**2019 Rupees**	2018 Rupees
41 Cash and cash equivalents			
Cash and bank balances	*19*	**2,606,202,690**	1,719,915,697

42 Changes in liabilities arising from financing activities

	2018 Rupees	Cash flow Rupees	**2019 Rupees**
Long term finance	10,749,787,060	4,891,978,551	**15,641,765,611**
Short term borrowings	128,683,828	(1,633,576)	**127,050,252**
	10,878,470,888	4,890,344,975	**15,768,815,863**

		2019 %	2018 %
43 Ratios			
Portfolio at risk	*43.1*	**1.17%**	1.25%
Adjusted Return on Assets	*43.2*	**6.77%**	6.48%
Adjusted Return on Equity	*43.3*	**32.60%**	31.83%
Operational self-sufficiency	*43.4*	**131.00%**	128.98%
Financial self-sufficiency	*43.5*	**119.02%**	124.00%
Surplus as a percentage of total receipts	*43.6*	**23.36%**	22.12%
Management and administrative expenses as percentage of total receipts	*43.7*	**9.35%**	8.84%
		2019 In numbers	2018 In numbers
Active loan:			
- as at 30 June	*14.7 & 15.2*	**508,490**	419,956
Active clients:			
- as at 30 June		**500,992**	413,932
- disbursements during the year	*43.8*	**536,042**	436,727

43.1 Portfolio at risk

The value of all outstanding loans that have one or more installments of principal overdue more than 1 day. This item includes the entire unpaid principal balance, including both overdue and future installments, but not accrued interest. It also does not include loans that have been restructured or rescheduled.

43.2 Adjusted Return on Assets

Adjusted return on Assets ("ROA") is calculated using adjusted earnings in the numerator for the last twelve months and using average total assets in the denominator.

43.3 Adjusted Return on Equity

This calculates the rate of return of the Company on the average equity for the period. Adjusted return on equity ("ROE") is calculated using adjusted earnings in the numerator for the last twelve months and using average equity in the denominator.

43.4 Operational self-sufficiency

Measures how well the Company covers its costs through operating revenues. It is calculated using operating income as numerator and denominator includes operating expense, financial expense and loan-loss provision expense are also included in this calculation, as they are normal (and significant) cost of operating.

43.5 Financial self-sufficiency

This ratio measures how well the Company covers its costs, taking into account a certain adjustments to operating expenses. The purpose of these adjustments is to model how well the Company could cover its costs if its operations that are unsubsidized and it was funding its expansion with commercial-cost liabilities. It is calculated in the same manner as operational self-sufficiency except the adjustment to the operating expenses for operations of the entity that are unsubsidized and it was funding its expansion with commercial cost liabilities along with the impact of inflation.

43.6 Surplus as a percentage of total receipts

This ratio represents the proportion of surplus against gross income of the Company. This measures how well the Company is managing its expenses over total receipts. This is calculated using surplus for the year as numerator and denominator includes total receipts for the year.

43.7 Management and administrative expenses as a percentage of total receipts

This ratio represents the proportion the management and admin expenses against gross income of the Company. This is calculated using the management and admin expenses for the year as numerator and denominator includes gross income for the year.

43.8 Disbursements during the year

The Company has disbursed micro-credit loan amounting to Rs. 24.5 billion (2018: Rs. 18.13 billion) during the year.

44 Risk management of financial instruments

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

44.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

44.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

44.2.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2019 Rupees	2018 Rupees
Long term investments	*44.2.2*	-	340,000,000
Long term loans	*10*	**916,982**	-
Micro-credit loan portfolio	*11 & 13*	**13,269,103,435**	10,091,362,598
Kashf Murabaha portfolio	*14.1*	**418,468,817**	296,766,595
Advances, deposits and other receivable	*44.2.3*	**296,347,831**	274,441,066
Short term investments	*44.2.2*	**1,482,377,335**	707,369,851
Bank balances	*44.2.2*	**2,603,996,437**	1,717,750,038
Financial assets used for hedging	*44.2.2*	**1,722,321,865**	-
		18,071,210,837	13,427,690,148

44.2.2 Credit quality of investments and bank balances

The credit quality of major financial asset that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Name of Bank	Rating Agency	2019 Short term	2019 Long term	2019 Rupees	2018 Rupees
MCB Bank Ltd	PACRA	A1+	AAA	**1,837,161,102**	200,890,255
Habib Bank Ltd	VIS	A1+	AAA	**19,191,146**	14,233,306
Faysal Bank Ltd	PACRA	A1+	AA	**6,997,722**	5,731,203
Allied Bank Ltd	PACRA	A1+	AAA	**16,880,682**	6,539,213
The Bank of Punjab	PACRA	A1+	AA	**7,937,716**	27,352,055
Bank Al-Habib Ltd	PACRA	A1+	AA+	**9,648,486**	14,233,306
Silk Bank Ltd	VIS	A2	A-	**2,719,693,830**	1,587,891,095
Soneri Bank Ltd	PACRA	A1+	AA-	**1,655,793**	39,030,424
JS Bank Ltd	PACRA	A1+	AA-	**656,382,579**	51,163,911
Standard Chartered Bank Ltd	PACRA	A1+	AAA	**14,702,112**	3,979,268
Askari Bank Ltd	PACRA	A1+	AA+	**50,707,691**	153,535
Tameer Microfinance Bank Ltd	PACRA	A1	A+	**8,704,459**	22,733,139
Apna Microfinance Bank Ltd	PACRA	A3	BBB+	**1,416,587**	1,491,262
Meezan Bank Ltd	VIS	A1+	AA+	**7,652**	11,451
Mobilink Microfinance Bank Ltd	PACRA	A1	A	**30,137,220**	16,348,319
NRSP Microfinance Bank Ltd	PACRA/VIS	A1	A	**95,831,104**	209,162,891
Sindh Bank Ltd	VIS	A1	A+	**19,770,938**	14,645,932
United Bank Ltd	VIS	A1+	AAA	**91,386,804**	141,931,868
Khushali Microfinance Bank Ltd	VIS	A1	A+	**7,186,878**	6,851,642
Bank Alfalah	PACRA	A1+	AA+	**285,531**	29,386,350
Dubai Islamic Bank	VIS	A1+	AA	**50,000,000**	50,000,000

National Bank of Pakistan	PACRA/VIS	A1+	AAA	**13,805**	-
FINCA Microfinance Bank Ltd	VIS	A1	A	**665**	-
BankIslami Pakistan Ltd	PACRA	A1	A+	**150,000,000**	-
State Bank of Pakistan	-	-	-	**781,800**	-
Faysal Income & Growth Fund	PACRA		A(f)	**12,213,335**	11,535,249
Central Depository Company	-	-	-	-	-
				5,808,695,637	2,455,295,674

44.2.3 **Other financial assets**

Advances, deposits, prepayments and other receivables are mostly due from employees & financial institutions. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered with in a period of six months.

Concentration risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

	2019	2018
	Rupees	Rupees
Banks	**5,796,482,302**	2,828,894,027
Mutual fund	**12,213,335**	11,535,249
Investment company	-	-
Employee	**916,982**	-
Others	-	52,958,840
	5,809,612,619	2,893,388,116

44.2.4 **Loans and advances**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies for the different product portfolios with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations with forward looking factors. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) by product type. This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

Expected Credit Loss Measurement

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

-The remaining lifetime PD as at the reporting date;
-The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

-Quantitative test based on movement in days past due; and
-Forbearance / restructuring status.

Multiple economic scenarios form the basis of determining the PD at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different PD. Forward-looking information comprises of expected inflation projections

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

-The contract is past due more than 90 days; or
-The credit obligations reflected in the contract is unlikely to be paid to the Company such as deceased borrowers.

Write-off

When periodic collective historical recovery analysis indicates that the Company does not expect significant additional recoveries after certain months in default ("MID"), it is the policy of the Company to write-off loans on a collective basis.

Amounts of financial assets that were written off during the reporting period amounted to Rs. 13.4 million.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

-Probability of default (PD);
-Loss given default (LGD);
-Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data.

44.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The following are the remaining contractual maturities of financial liabilities, including interest payments:

	2019			
	Carrying amount	**Contractual Cash flows**	**Up to one year or less**	**More than one year**
	Rupees			
Trade and other payables	266,191,551	266,191,551	266,191,551	-
Long term loans and borrowings	15,720,715,350	17,846,354,261	6,899,281,128	10,947,073,133
Short term borrowing	127,050,252	127,050,252	127,050,252	-
	16,113,957,153	**18,239,596,064**	**7,292,522,931**	**10,947,073,133**

	2018			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Trade and other payables	205,227,332	205,227,332	205,227,332	-
Long term loans and borrowings	10,805,104,426	9,579,145,590	4,322,001,543	5,257,144,047
Short term borrowing	128,683,828	128,683,828	128,683,828	-
	11,139,015,586	9,913,056,750	4,655,912,703	5,257,144,047

44.4 Market risk

Market risk is the risk that the value or cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to interest rate risk and currency risk only.

44.4.1 Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to change in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are US dollars

44.4.1 (a) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2019	2018
	USD	USD
Liabilities		
Borrowings	**1,102,876**	849,434
Mark-up accrued on borrowings	**28,536**	3,271
Net balance sheet exposure	**1,131,412**	852,705

44.4.1 (b) Exchange rates applied during the year

The following significant exchange rates have been applied during the year:

	Average rate for the year		**Reporting date rate**	
	2019	2018	**2019**	2018
USD to PKR	**142.70**	113.13	**164.00**	121.40

44.4.1 (c) Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% basis points against the foreign currencies with all other variables held constant, before tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and trade and other payables.

	2019	2018
Effect on profit or loss	**Rupees**	Rupees
US Dollar	**16,145,249**	9,646,225

44.4.1 (d) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on bank deposits, short term borrowings and long term borrowing. The interest rate profile of the Company's interest-bearing financial instruments at the balance sheet date was as under:

	Effective rate		Carrying amount	
	2019	2018	**2019**	2018
Fixed rate instruments	**Rupees**	Rupees	**Rupees**	Rupees
Financial assets:				
Short term investment	**5.70% to 13.95%**	5.0% to 9%	**1,130,164,000**	695,833,333
Long term investsnents	**0.00%**	6.04% to 10%	-	340,000,000
Loan portfolio	**34.40% to 40.10%**	35.32% to 39.35%	**13,269,103,435**	10,086,321,778
Advances to employees against salary	**0%**	0%	**1,248,017**	2,085,874
Long term loans	**0%**	0%	**916,982**	-
			14,401,432,434	11,124,240,985

	Effective rate		Carrying amount	
	2019	2018	**2019**	2018
Financial liabilities	**Rupees**	Rupees	**Rupees**	Rupees
Borrowings:				
MCB Bank	0.00%	7.95%	-	125,000,000
Incofin-Hedged	0.00%	13.58%	-	207,603,000
Symbiotics-Hedged	12.70%	12.70%	**311,404,500**	311,404,500
Triodos-Hedged	14.25%	14.25%	**280,554,120**	467,590,200
Triple Jump -Hedged	0.00%	13.10%	-	104,850,000
Triple Jump -Hedged	0.00%	13.51%	-	207,484,200
Blue Orchard -Hedged	12.20%	12.20%	**105,490,000**	158,235,000
Symbiotics-Hedged	12.40%	12.40%	**316,500,000**	316,500,000
FMO-Hedged	13.30%	13.30%	**433,687,500**	578,250,000
Proparco-Hedged	13.20%	13.20%	**578,250,000**	578,250,000
BIB-Hedged	12.50%	12.50%	**514,000,000**	578,250,000
Microvest 3M-Hedged	14.10%	0.00%	**328,020,000**	-
			2,867,906,120	3,633,416,900
Floating rate instruments				
Financial assets:				
Long term investments	**0.00%**	6 months' KIBOR	-	50,000,000
			-	50,000,000

	Effective rate		Carrying amount	
	2019	2018	**2019**	2018
	Rupees	Rupees	**Rupees**	Rupees
Financial liabilities are:				
Borrowings	**7.95% to 17.22%**	7.67% to 14.25%	**15,704,355,126**	10,779,872,102
Finance under mark-up arrangements	**7.38% to 13.13%**	6.59% to 10%	-	47,777,189
KIVA	**0.00%**	**0.00%**	**127,050,252**	80,906,639
			15,831,405,378	10,908,555,930

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) surplus for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

Cash flow sensitivity analysis on variable rate financial assets

	Profit or loss 100 bps	
	Increase Rupees	Decrease Rupees
As at June 30, 2019		
Cash flow sensitivity-Variable rate financial assets	-	-
As at June 30, 2018		
Cash flow sensitivity-Variable rate financial assets	500,000	(500,000)

Cash flow sensitivity analysis on variable rate financial liabilities

	Profit or loss 100 bps	
	Increase Rupees	Decrease Rupees
As at June 30, 2019		
Cash flow sensitivity-Variable rate financial liabilities	158,314,054	(158,314,054)
As at June 30, 2018		
Cash flow sensitivity-Variable rate financial liabilities	109,085,559	(109,085,559)

The sensitivity analysis prepared is not necessarily indicative of the effects on Surplus for the year and assets / liabilities of the Company.

44.4.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

44.4.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The financial instrument held by the Company does not trade on the stock exchange and has therefore, no correlation with the equity index of the stock exchange. Therefore, it is not possible to measure the impact of the change in equity index on the Company's loss for the period.

Fair value measurement of financial instruments

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 the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements in fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value. The fair value hierarchy has the following levels:

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

Transfer between levels of the fair value hierarchy is recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2019							
	Carrying amount				Fair value			
June 30, 2019	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
	Rupees							
Financial assets - measured at fair value								
Available-for-sale - Mutual funds	-	12,213,335	-	12,213,335	-	-	-	-
	-	12,213,335	-	12,213,335	-	-	-	-
Financial assets - not measured at fair value								
Long term investments	-	-	-	-	-	-	-	-
Long term loans	916,982	-	-	916,982	-	-	-	-
Micro-credit loan portfolio	13,269,103,435	-	-	13,269,103,435	-	-	-	-
Kashf Murabaha	418,468,817	-	-	418,468,817	-	-	-	-
Accrued service charges	162,095,998	-	-	162,095,998	-	-	-	-
Advances, deposits and other receivables	211,682,426	-	-	211,682,426	-	-	-	-
Short term investments	1,482,377,335	-	-	1,482,377,335	-	-	-	-
Financial assets used for hedging	-	1,722,321,865	-	1,722,321,865	-	1,722,321,865	-	1,722,321,865
Cash and bank balances	2,606,202,690	-	-	2,606,202,690	-	-	-	-
	18,150,847,683	1,722,321,865	-	19,873,169,548	-	1,722,321,865	-	1,722,321,865
Financial liabilities - not measured at fair value								
Long term financing	9,882,849,126	-	-	9,882,849,126	-	-	-	-
Current portion of long term financing - secured	5,758,916,485	-	-	5,758,916,485	-	-	-	-
Short term borrowings	127,050,252	-	-	127,050,252	-	-	-	-
Accrued markup	433,079,199	-	-	433,079,199	-	-	-	-
Trade and other payables	170,197,351	-	-	170,197,351	-	-	-	-
	16,372,092,413	-	-	16,372,092,413	-	-	-	-
Non Financial assets - measured at fair value								
Freehold land	-	-	265,000,000	265,000,000	-	-	265,000,000	265,000,000
Investment property	-	-	82,503,900	82,503,900	-	-	82,503,900	82,503,900
	-	-	347,503,900	347,503,900	-	-	347,503,900	347,503,900

June 30, 2018	2018							
	Carrying amount				Fair value			
	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------							
Financial assets - measured at fair value								
Available-for-sale - Mutual funds	-	11,535,249	-	11,535,249	11,535,249	-	-	11,535,249
	-	11,535,249	-	11,535,249	11,535,249	-	-	11,535,249
Financial assets - not measured at fair value								
Long term investments	340,000,000	-	-	340,000,000	-	-	-	-
Long term loans	-	-	-	-	-	-	-	-
Micro-credit loan portfolio	10,091,362,598	-	-	10,091,362,598	-	-	-	-
Kashf Murabaha	296,766,595	-	-	296,766,595	-	-	-	-
Accrued service charges	116,614,493	-	-	116,614,493				
Advances, deposits and other receivables	214,189,038	-	-	214,189,038	-	-	-	-
Short term investments	707,369,851	-	-	707,369,851	-	-	-	-
Cash and bank balances	1,719,915,697	-	-	1,719,915,697	-	-	-	-
	13,486,218,272	-	-	13,486,218,272	-	-	-	-
Financial liabilities - not measured at fair value								
Long term financing	7,072,914,184	-	-	7,072,914,184	-	-	-	-
Current portion of long term financing - secured	3,676,872,876	-	-	3,676,872,876	-	-	-	-
Short term borrowings	128,683,828	-	-	128,683,828	-	-	-	-
Accrued markup	292,719,482	-	-	292,719,482	-	-	-	-
Trade and other payables	125,126,584	-	-	125,126,584				
	11,296,316,954	-	-	11,296,316,954	-	-	-	-
Non Financial assets - measured at fair value								
Freehold land	-	-	265,000,000	265,000,000	-	-	265,000,000	265,000,000
Investment property	-	-	82,503,900	82,503,900	-	-	82,503,900	82,503,900
	-	-	347,503,900	347,503,900	-	-	347,503,900	347,503,900

46 Related party transactions

The related parties and associated undertakings comprise associated company, company in which directors are interested, staff retirement fund, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes. Amounts due from directors and key management personnel (if any) are shown under receivables and remuneration of directors and key management personnel as disclosed in note 38. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	2019 Rupees	2018 Rupees
Provident fund	Contribution	**124,897,830**	53,101,765
Kashf Holdings (Private) Limited	Repayment of loan installment	**23,000,000**	-

47 Date of authorization for issue

These financial statements were authorized for issue on 18 OCT 2019 by the Board of Directors of the Company.

48 General

- Figures have been presented in Pakistani Rupee.
- Figures have been rounded off to the nearest Rupee.

Chief Executive Officer | **Chief Financial Officer** | **Director**

Kashf FOUNDATION

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

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