

**KASHF FOUNDATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

## INDEPENDENT AUDITORS' REPORT

### To the members of Kashf Foundation

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Kashf Foundation (the Company) which comprise the statement of financial position as at June 30, 2018, and the statement of income and expenditure and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

## **Responsibilities of Management and Board of Directors for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

## **Other matter**

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

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

*Deloitte Yousuf Adil*  
Chartered Accountants

**Lahore**

**Date:** September 29, 2018

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

**Statement of Financial Position**

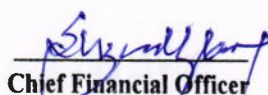
As at June 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Property and equipment	7	653,213,973	593,209,581	565,740,929
Intangible assets	8	2,913,744	-	253,766
Investment property	9	82,503,900	70,001,500	-
Long term investments	10	340,000,000	523,333,333	195,000,000
Long term loans	11	-	121,998,640	261,239,935
Long term micro-credit loan portfolio	12	5,040,820	33,361,661	14,006,108
Long term deposits	13	4,978,660	1,363,160	463,360
		1,088,651,097	1,343,267,875	1,036,704,098
<b><u>Current assets</u></b>				
Micro-credit loan portfolio	14	10,086,321,778	6,967,351,449	4,363,624,672
Kashf Murabaha	15	296,766,595	157,660,644	139,097,188
Short term investments	16	707,369,851	239,309,351	432,275,052
Advances, deposits, prepayments and other receivables	17	373,396,083	234,320,186	132,469,610
Accrued service charges		116,614,493	87,284,899	70,728,681
Cash and bank balances	18	1,719,915,697	1,940,110,508	1,225,894,209
		13,300,384,497	9,626,037,037	6,364,089,412
		<b>14,389,035,594</b>	<b>10,969,304,912</b>	<b>7,400,793,510</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Donated funds	19	226,210,110	216,660,110	206,585,110
Reserves	20	2,553,196,980	1,732,954,546	1,154,827,972
Fair value reserve on investments		6,535,249	5,972,428	5,602,475
Surplus on revaluation of land	21	209,478,137	209,478,137	201,647,080
		2,995,420,476	2,165,065,221	1,568,662,637
<b><u>Non-current liabilities</u></b>				
Long term financing - secured	22	7,072,914,184	4,587,682,917	1,965,127,183
<b><u>Current liabilities</u></b>				
Current portion of long term financing - secured	23	3,676,872,876	3,727,981,199	3,436,038,424
Short term borrowings	24	128,683,828	96,789,785	134,036,657
Deferred grants	25	17,197,416	59,822,585	34,937,589
Accrued markup	26	292,719,482	138,491,363	115,020,235
Trade and other payables	27	205,227,332	193,471,842	146,970,785
		4,320,700,934	4,216,556,774	3,867,003,690
Contingencies and commitments	28			
		<b>14,389,035,594</b>	<b>10,969,304,912</b>	<b>7,400,793,510</b>

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



Chief Executive



Chief Financial Officer



Director

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

Statement of Income and Expenditure

For the year ended June 30, 2018

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

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

Y/A



Chief Executive



Chief Financial Officer



Director

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

Statement of Comprehensive Income

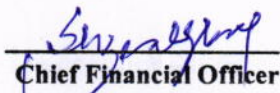
For the year ended June 30, 2018

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

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

DYA

  
Chief Executive

  
Chief Financial Officer

  
Director



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

Statement of Changes in Equity

For the year ended June 30, 2018

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

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

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Chief Executive



Chief Financial Officer



Director



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

**Cash Flow Statement**

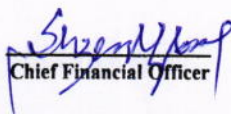
For the year ended June 30, 2018

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


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



Chief Executive



Chief Financial Officer



Director