

Kashf Foundation
Financial Statements
For the Year Ended
June 30, 2020.

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, 2020, and the statement of income and expenditure and the statement of comprehensive income, the statement of changes in accumulated funds, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, 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 the statement of comprehensive income, the statement of changes in accumulated funds 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, 2020 and of the income, the changes in accumulated funds 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 Auditors' 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

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.

Auditors' 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 the statement of comprehensive income, the statement of changes in accumulated funds 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 auditors' report is Rana M. Usman Khan.

Deloitte Yousuf Adil
Chartered Accountants

Lahore
Date: October 05, 2020

Kashf Foundation (A Company Setup Under Section 42 of Companies Act, 2017)
Statement of Financial Position
As at June 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
<u>Non-current assets</u>			
Property and equipment	5	732,425,128	664,047,530
Intangible assets	6	23,490,152	14,890,873
Investment property	7	82,503,900	82,503,900
Long term investments	8	-	-
Long term loans	9	626,924	916,982
Long term micro-credit loan portfolio	10	35,743,313	6,412,016
Financial assets used for hedging	11	540,788,445	1,145,411,333
Long term deposits	12	4,978,660	4,978,660
		1,420,556,522	1,919,161,294
<u>Current assets</u>			
Micro-credit loan portfolio	13	12,228,496,867	13,262,691,419
Kashf Murabaha portfolio	14	405,701,513	418,468,817
Accrued service charges	15	637,442,247	162,095,998
Short term investments	16	2,301,094,893	1,482,377,335
Financial assets used for hedging	11	809,083,642	576,910,532
Advances, deposits, prepayments and other receivables	17	566,258,692	448,652,934
Cash and bank balances	18	6,111,038,513	2,606,202,690
		23,059,116,367	18,957,399,725
		24,479,672,889	20,876,561,019
FUNDS AND LIABILITIES			
<u>Funds</u>			
Donated funds	19	235,395,910	235,395,910
Reserves	20	3,978,633,956	3,753,454,533
Hedging reserve		(107,241,160)	129,210,385
Surplus on revaluation of land	21	300,203,137	209,478,137
		4,406,991,843	4,327,538,965
<u>Non-current liabilities</u>			
Long term financing	22	13,014,743,858	9,874,066,637
Lease liabilities	23	-	8,782,489
		13,014,743,858	9,882,849,126
<u>Current liabilities</u>			
Current portion of long term financing - secured	22	5,998,382,280	5,751,337,833
Lease liabilities	23	8,269,385	7,578,652
Short term borrowings	24	133,555,461	127,050,252
Deferred grants	25	34,321,415	46,539,166
Accrued markup	26	632,807,411	433,079,199
Trade and other payables	27	250,601,236	300,587,826
		7,057,937,188	6,666,172,928
Contingencies and commitments	28		
		24,479,672,889	20,876,561,019

The annexed notes 1 to 47 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, 2020

	Note	2020 Rupees	2019 Rupees
Mark-up and other charges on micro-credit loan portfolio	29	4,979,034,703	4,547,644,042
Profit on Kashf Murabaha		171,858,449	133,370,678
Grant income	30	79,129,085	58,456,184
Return on investments and bank deposits	31	626,108,560	258,806,186
		5,856,130,797	4,998,277,090
Programme cost	32	(2,174,153,000)	(1,669,160,187)
Grant expenses	33	(79,129,085)	(57,277,910)
Finance cost	34	(2,622,723,654)	(1,722,369,494)
		(4,876,005,739)	(3,448,807,591)
		980,125,058	1,549,469,499
Management and administrative expenses	35	(410,998,612)	(467,278,114)
Other expenses	36	(375,466,765)	(1,254,238)
Other income	37	31,519,742	112,785,158
		(754,945,635)	(355,747,194)
Surplus for the year		225,179,423	1,193,722,305

The annexed notes 1 to 47 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 Comprehensive Income
For the year ended June 30, 2020

	2020 Rupees	2019 Rupees
Surplus for the year	225,179,423	1,193,722,305
<u>Items that may be reclassified subsequently to statement of income and expenditure</u>		
Hedging reserve - changes in fair value	(372,449,778)	1,722,321,865
Hedging reserve – reclassified to profit or loss	135,998,233	(1,593,111,480)
<u>Items that may not be reclassified subsequently to statement of income and expenditure</u>		
Surplus on revaluation of property plant and equipment	90,725,000	-
Total comprehensive income for the year	<u>79,452,878</u>	<u>1,322,932,690</u>

The annexed notes 1 to 47 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)
Cash Flow Statement
For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<u>Cash flow from operating activities</u>			
Surplus for the year		225,179,423	1,193,722,305
<i>Adjustments for non cash items:</i>			
Depreciation	5.1	96,374,011	94,767,630
Amortization	6.1	1,434,197	1,266,671
Liabilities written back		(668,077)	(210,295)
Lease markup		2,222,342	2,226,323
Return on investments and bank deposits		(626,108,560)	(258,806,186)
Amortization of transaction costs of long term loans		86,228,011	56,625,964
Finance cost		2,531,500,077	1,660,743,987
Gain on disposal of fixed assets		(206,081)	(1,644,379)
Grant income		(79,129,085)	(58,456,184)
Deferred loss on sale and lease back		2,773,224	2,773,220
Fair value gain on mutual fund		(48,863)	-
Dividend income		(1,694,984)	-
Exchange gain		(3,389,329)	(57,265,335)
Modification loss on financial assets		375,447,618	-
Provision for loan loss		368,318,299	68,194,506
		2,753,052,800	1,510,215,922
Surplus before working capital changes		2,978,232,223	2,703,938,227
<u>Effect on cash flow due to working capital changes</u>			
Decrease / (increase) in micro-credit loan portfolio		292,073,854	(3,245,935,343)
Decrease / (increase) in Kashf Murabaha		3,896,349	(121,702,222)
Increase in accrued service charges		(497,451,810)	(45,481,505)
Increase in advances, deposits, prepayments and other receivables		(51,633,026)	(75,256,851)
Decrease in deferred grants		66,911,334	96,983,734
(Increase) / decrease in trade and other payables		(49,318,513)	95,570,789
		(235,521,812)	(3,295,821,398)
Cash generated from / (used in) operations		2,742,710,411	(591,883,171)
Finance cost paid		(2,331,771,865)	(1,515,558,667)
Net cash generated from / (used in) operating activities		410,938,546	(2,107,441,838)
<u>Cash flow from investing activities</u>			
Capital expenditure incurred		(93,159,884)	(121,581,109)
Sale proceeds from disposal of operating fixed assets		9,305,880	4,380,501
Long term loan		290,058	(916,982)
Return on investments and bank deposits		557,362,604	253,972,598
Long term investment - net		-	340,000,000
Short term investment - net		(813,584,382)	(712,908,561)
Net cash used in investing activities		(339,785,724)	(237,053,553)
<u>Cash flow from financing activities</u>			
Transaction costs paid for borrowings		(147,360,406)	(80,258,337)
Payment of asset subject to lease		(10,314,098)	(13,356,531)
Proceeds received against financing		7,869,353,322	7,180,400,000
Repayments of financing		(4,277,995,817)	(3,856,002,748)
Net cash generated from financing activities		3,433,683,001	3,230,782,384
Net increase in cash and cash equivalents		3,504,835,823	886,286,993
Cash and cash equivalents at the beginning of the year		2,606,202,690	1,719,915,697
Cash and cash equivalents at the end of the year		6,111,038,513	2,606,202,690

The annexed notes 1 to 47 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 Changes in Accumulated Funds
For the year ended June 30, 2020

	Reserves					Surplus on revaluation of land and building	Total
	Donated funds	General reserve	Loan loss reserve	Hedging reserve	Rupees		
Balance as at June 30, 2018	226,210,110	2,158,119,759	401,612,469	-	209,478,137	2,995,420,475	
<u>Total comprehensive surplus</u>							
Surplus for the year	-	1,193,722,305	-	-	-	1,193,722,305	
Other comprehensive income for the year	-	-	-	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	4,327,538,965	
<u>Total comprehensive surplus</u>							
Surplus for the year	-	225,179,423	-	-	-	225,179,423	
Other comprehensive income for the year	-	-	-	(236,451,545)	90,725,000	(145,726,545)	
	-	225,179,423	-	(236,451,545)	90,725,000	79,452,878	
Transferred from general funds to loan loss reserve	-	(161,975,033)	161,975,033	-	-	-	
Balance as at June 30, 2020	235,395,910	3,300,239,435	678,394,521	(107,241,160)	300,203,137	4,406,991,843	

The annexed notes 1 to 47 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director