

**KASHF FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

## 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



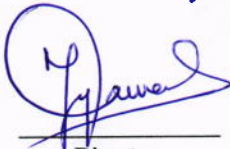
Kashf Foundation (A Company Setup Under Section 42 of Companies Act, 2017)  
Statement of Financial Position  
As at June 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
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
		<b>1,919,161,294</b>	<b>1,088,651,097</b>
<b><u>Current assets</u></b>			
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
		<b>18,957,399,725</b>	<b>13,300,384,497</b>
		<b>20,876,561,019</b>	<b>14,389,035,594</b>
<b>FUNDS AND LIABILITIES</b>			
<b><u>Funds</u></b>			
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
		<b>4,327,538,965</b>	<b>2,995,420,476</b>
<b><u>Non-current liabilities</u></b>			
Long term financing	23	9,882,849,126	7,072,914,184
<b><u>Current liabilities</u></b>			
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
		<b>6,666,172,928</b>	<b>4,320,700,934</b>
Contingencies and commitments	29		
		<b>20,876,561,019</b>	<b>14,389,035,594</b>

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)
<b>Surplus for the year</b>		<b>1,193,722,305</b>	<b>821,268,706</b>

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DYN

  
**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

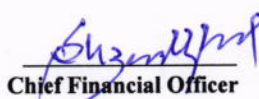
	2019 Rupees	2018 Rupees
Surplus for the year	1,193,722,305	821,268,706
<b><u>Items that may be reclassified subsequently to statement of income and expenditure</u></b>		
Fair value gain on available-for-sale investment	-	562,821
Hedging reserve - changes in fair value	1,722,321,865	-
Hedging reserve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

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

	Reserves				Hedging reserve	Surplus on revaluation of land and building	Total
	Donated funds	General reserve	Loan loss reserve	Fair value reserve for available for sale assets			
	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
<b><u>Total comprehensive surplus</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)
	-	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)	-	-	-
<b><u>Total comprehensive surplus</u></b>							
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	4,327,538,965

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DYA

Chief Executive Officer

Chief Financial Officer

Director



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

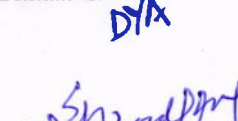
Cash Flow Statement


For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
<b><u>Cash flow from operating activities</u></b>			
Surplus for the year		1,193,722,305	821,268,706
<b><u>Adjustments for non cash items:</u></b>			
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
		<u>1,501,524,407</u>	<u>1,006,006,827</u>
Surplus before working capital changes		2,695,246,712	1,827,275,533
<b><u>Effect on cash flow due to working capital changes</u></b>			
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
		<u>(3,287,129,883)</u>	<u>(3,371,098,683)</u>
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		<u>(2,107,441,838)</u>	<u>(2,424,877,093)</u>
<b><u>Cash flow from investing activities</u></b>			
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		<u>(237,053,553)</u>	<u>(262,113,433)</u>
<b><u>Cash flow from financing activities</u></b>			
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		<u>3,230,782,384</u>	<u>2,466,795,715</u>
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	<u>2,606,202,690</u>	<u>1,719,915,697</u>

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

  
Chief Executive Officer

  
Chief Financial Officer

  
Director