Kashf FOUNDATION

A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ORDINANCE, 2017

Annual Report June 2022

Women Succeeding Together...

25TH ANNIVERSARY

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Celebrating 25TH ANNIVERSARY

Client Testimonial - Alina Shafiq

"When I first started making these turbans, I used to work for someone else who used to provide me the materials. I was paid for my labor and a chunk of the profits went to the middleman. After a few years, I realized that I could set up my own business and I approached Kashf for a loan. Since then, I have been buying the raw materials myself and selling directly to the market. Through successive loans, I have been able to grow my income and business manifold. This has helped me settle my children and build my own house. I have also been able to create jobs at the community level by employing other women to work in my business."

Contents

Client Testimonial - Marina Khan

"I have been running a small school for almost a decade using informal credit from my family and friends. I had invested a lot in a new building and was prepared for additional student strength when Covid 19 hit Pakistan. Mere days after the new classes started there was a lockdown on schools and slowly student strength and fees dwindled. At this juncture, I tried to get a loan for the school, out of all possible options, Kashf was most appealing due to lesser documentation, good staff behavior, and easy loan eligibility requirements. The loan helped me to sustain my school and today my school is doing better than it ever has. The training for myself and teachers which was part of the loan package was also very helpful".

About Kashf Foundation

Kashf Foundation is registered as a Non-Banking Micro Finance Company regulated by the Securities and Exchange Commission of Pakistan. Kashf was set up in 1996 as the first specialized microfinance institution of Pakistan. Over the years, Kashf has successfully carved out a distinct and unique niche for itself in the microfinance sector by offering a suite of holistic, innovative, and transformative products and services to low-income households especially women. Kashf offers credit appraisal-backed individual loans to its clients along with other non-financial services to have a transformative impact at the household level, thus ensuring clients are able to build a strong credit history. Kashf believes in creating an enabling environment for women micro-entrepreneurs and is committed to creating products and services driven by client needs and demands which leverage on lessons from successful models from across the world.

Kashf's main spheres of intervention include:
(1) Financial Services
(2) Insurance and Safety Nets
(3) Capacity Building Trainings
(4) Social Advocacy Interventions

Financial Services

- Business Loans
- Loans for Emergency Needs
- Livestock Loans
- Shariah Compliant Loans
- Business Rehabilitation Loans

Insurance & Safety Nets

- Credit for Life Insurance
- Comprehensive Inpatient Health Insurance
- Hospital Cash Health Insurance
- Livestock Insurance

Capacity Building Trainings

- Financial Education Trainings
- Business Development Trainings
- Vocational Skills Trainings
- Maternal and Reproductive Health Trainings

Social Advocacy Interventions

- Social Theatre
- Television Dramas
- Gender Sensitization Workshops
- Public Awareness Campaigns

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.

Core Values

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

Corporate Information

Board of Directors

Dr. Hafiz A. Pasha	Chairperson
Ms. Rabia Khan	Director
Ms. Fatima Asad Khan	Director
Dr. Mehjabeen Abidi Habib	Director
Mr. Arif Masud Mirza	Director
Prof. Dr. Rukhsana David	Director
Dr. Ali Cheema	Director
Ms. Maliha Hamid Hussein	Director
Ms. Ameena Saiyid	Director
Ms. Sadia Khan	Director

Board Committees

Credit, Program and Finance Committee

Dr. Ali Cheema	Chair
Dr. Mehjabeen Abidi Habib	Member
Ms. Maliha Hamid Hussein	Member
Ms. Ameena Saiyid	Member

Audit Committee

Mr. Arif Masud Mirza	Chair
Ms. Fatima Asad Khan	Member

Investment Committee

Ms. Fatima Asad Khan	Chair
Mr. Arif Masud Mirza	Member
Ms. Maliha Hamid Hussein	Member

Human Resources Committee

Ms. Rabia Khan	Chair
Ms. Fatima Asad Khan	Member
Prof. Dr. Rukhsana David	Member

Information Technology Committee

Ms. Sadia Khan	Chair
Mr. Arif Masud Mirza	Member

Founder & Managing Director

Ms. Roshaneh Zafar

Chief Financial Officer

Mr. Shahzad Iqbal

Company Secretary

Ms. Saira Soofi

Auditors

KPMG Taseer Hadi & Co
Chartered Accountants
351 Shadman-1, Jail Road Lahore, Pakistan
Phone: +92 42 111-KPMGTH (574684)
Fax: +92 42 3742 990-7

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

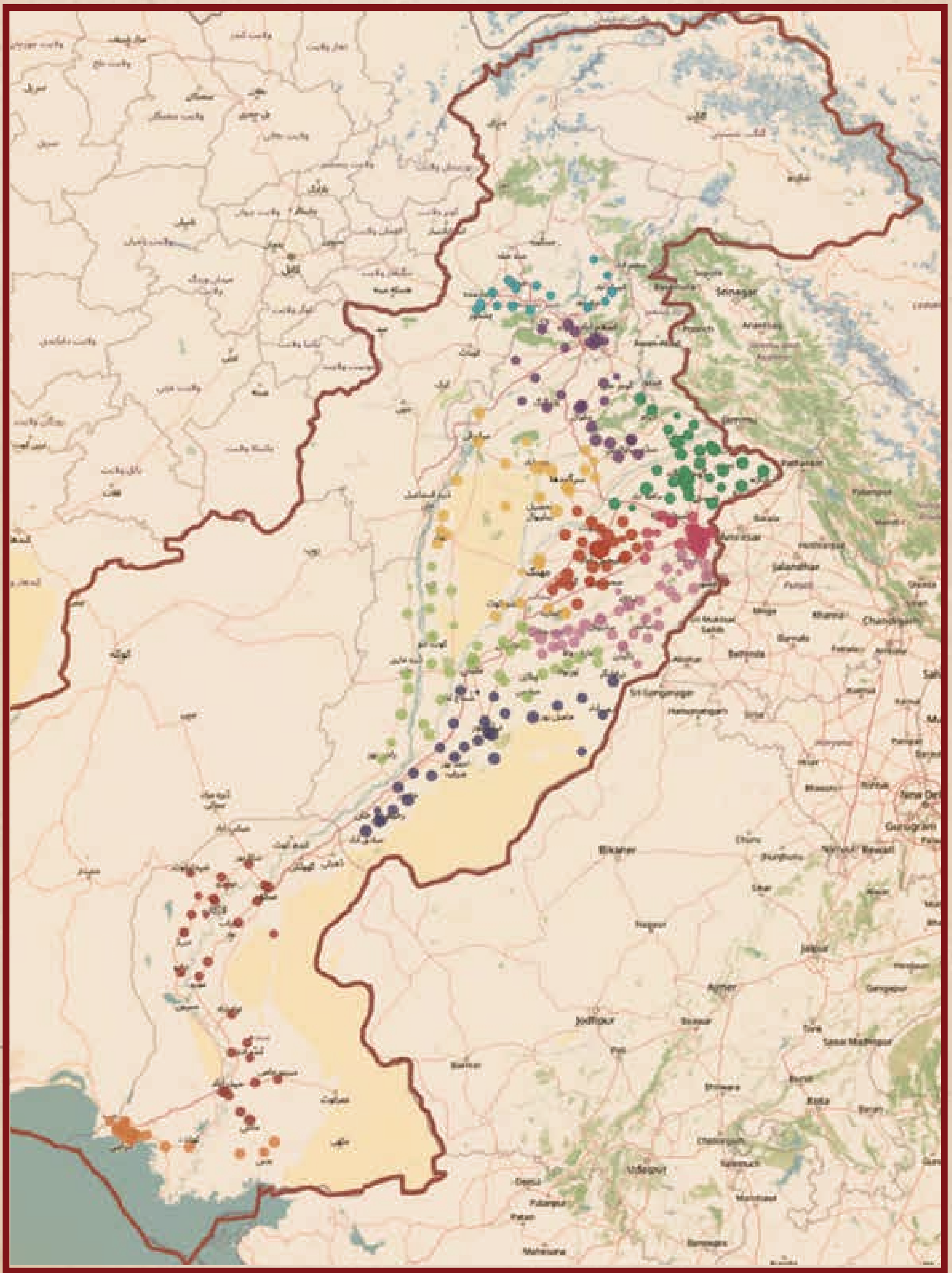
KPMG Taseer Hadi & Co
Chartered Accountants
351 Shadman-1, Jail Road Lahore, Pakistan
Phone: +92 42 111-KPMGTH (574684)
Fax: +92 42 3742 990-7

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, 17 districts in Sindh, 8 districts in KPK and 1 district in Balochistan through a network of 325 branches.



Chairperson's Message

Dear Friends and Supporters of Kashf,

Economic and political events in the past year have unfortunately further disadvantaged low-income households and women who have borne the brunt of the economic contraction caused by high inflation especially food inflation and rising costs of fuel and more recently by the devastating floods. During such times, the mandate of an organization such as Kashf Foundation becomes even more important. Cash strapped households need investment into their businesses and also require support with cash-flows. Consequently, Kashf has worked on diversifying its product offerings and is offering many different kinds of loan products. Under the leadership of the competent management, Kashf has managed to add to the economic opportunities available to thousands of women this year.

I am happy to note that despite the extremely difficult economic conditions over this year Kashf has been able to deliver on all financial and operational benchmarks; closing the year with 100% target achievement on all KPIs and an Operational Self Sustainability ratio of 134%, a Financial Self Sustainability ratio of 105% and disbursement of 692,463 loans worth PKR 34.45 billion. Kashf has also added 16 new branches to its outreach and been able to foster both financial inclusion and financial deepening to transform lives of low-income women entrepreneurs.

This year marks Kashf Foundation's 25th year anniversary and I and the Directors would like to congratulate all Kashf staff on this momentous milestone. I wish them success in coming years and encourage them to continue to add to their legacy through expanding to new geographic territories, introducing new products and services that are underwritten by a good credit policy, maintaining and fostering new relationships with funders, and continuing to keep clients at the center of their work.

In the end I would like to thank all our partners, funders, donors, the Board of Directors and the Kashf Management team for their hard work and effort in sustaining the Kashf mission.

Regards,
Dr. Hafiz A. Pasha
Chairperson
Board of Directors
Kashf Foundation

Managing Director's Message

Dear Friends of Kashf,

Against a backdrop of rising inflation, the devastating aftermath of flooding, and instability caused by political flux and economic contraction, it is easy to have a pessimistic outlook on the future, but instead of feeling defeated I choose to focus on the positives. C.S Lewis once wrote "hardships often prepare ordinary people for an extraordinary destiny" and in the past two years, Kashf staff and clients have shown extraordinary resolve to turn crises into opportunities. With client preferences and responsible finance as the guiding lights, Kashf has used technology, new products, improved processes and appropriate risk underwriting mechanisms to reach out to hundreds of thousands of low-income women in the last year. The developments in digitalization in Pakistan have led to new opportunities, which allowed Kashf to open over 90,000 mobile accounts for its female clientele, thus demonstrating that the digital gender divide can be overcome through consistent efforts. Despite the myriad challenges, we have closed the year with an active clientele of 592,460 and an outstanding portfolio of PKR 20 Billion.

This year marks Kashf's 25 year anniversary - a milestone that merits jubilation and celebration. In this special edition of our Annual Report, we share some of the key lessons from Kashf's twenty five year journey. When I started Kashf, there were many that challenged the idea of microfinance for women. But today, due to the work of Kashf and other players in the sector, the business case and impact of women centered microfinance has been demonstrated successfully. Kashf has contributed to creating economic opportunities through millions of loans for its clients. Kashf's journey has been extraordinary and I am very proud of what we have been able to achieve.

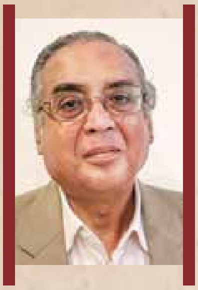
Kashf's success is based on the hundreds and thousands of micro-entrepreneurs that work tirelessly to build a better future for their families. On a recent field visit to Choa Saidan Shah I was touched by my conversation with a client running a small store which stocked clothes, cosmetics, laces, buttons and other sundry items. Baji Shumaila shared that while her husband's income is enough to cover household expenses and basic education for their 4 daughters, Shumaila wants her daughters to go to the best schools and colleges. Through a loan from Kashf she was able to set up a shop which enables her to fund her eldest daughter's college education and save money for educating the other 3 daughters. Shumaila told me that better education will open up doors to a better future for her daughters.

I would like to take this opportunity to thank Kashf's Board of Directors for their guidance, Kashf's staff for theirhard work and resilience, and Kashf clients for their inspirational resolve. I would also like to thank the international and local lenders that have supported our work and enabled Kashf to expand to new horizons.

Best Regards,

Roshaneh Zafar
Managing Director
Kashf Foundation

Board of Directors



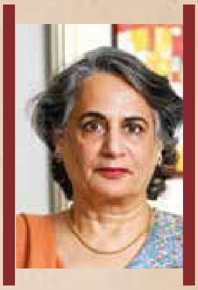
Dr. Hafiz A. Pasha
Non Executive Director

Occupation: Retired Civil Servant and Economist

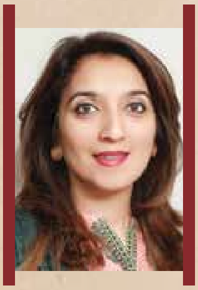
Dr. Hafiz A. Pasha is a retired civil servant and a leading economist with a PhD in Economics from Stanford University, and an M.A in Economics from University of Cambridge, U.K. He has held many notable national and international appointments including Advisor to the Prime Minister, Federal Minister for Finance and Economic Affairs, Founder Chairman of the Pakistan Poverty Alleviation Fund, Vice Chancellor/President of University of Karachi, Director of the Institute of Business Administration, Assistant Administrator at the UNDP, Regional Director of Bureau for Asia and the Pacific for the UNDP, Member Board of Governors for the World Bank, and Managing Director at the Institute of Public Policy (IPP).

Occupation: Gender Specialist

Ms. Rabia Khan is a lawyer by profession and also holds a Masters Degree in Public Policy and Management from the Carnegie Mellon University, USA. Ms. Khan 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. Ms. Khan is based in Karachi, she retired from Development Consulting in 2018 and currently co-manages an organic farm which includes production, marketing, and sales of organic produce. Since 2004 Ms. Khan has served as Director of Kaarvan Crafts Foundation, Lahore.



Ms. Rabia Khan
Non Executive Director



Ms. Fatima Asad Khan
Non Executive Director

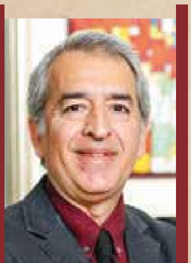
Occupation: Chief Executive Officer Abacus Consulting

Ms. Fatima Asad Khan is an integral member of the top leadership at Abacus Consulting. Ms. Khan's professional experience of over 24 years embodies thought leadership and delivering progressive solutions in Corporate Governance, Digital Transformation, Strategic Change, Human Capital Management, Enterprise Technology Solutions, and project leadership across multiple sectors and industries. An MBA graduate from LUMS, she started her career with Coopers & Lybrand International and then PricewaterhouseCoopers. Her leadership journey includes serving on various Boards as an independent director such as Lahore University of Management Sciences (LUMS), Faysal Bank, Kashf Foundation, Bata Pakistan, Abacus Consulting Technology (Private) Limited, Abacus ELS Pvt limited, Abacus Consulting (Private) Limited, Kaarvan Crafts Foundation and is also a member of YPO International and YPO Indus Chapter. She holds a Corporate Director Certification from Harvard Business School and is a member of the Harvard Corporate Directors, Diversity and Inclusion Hub Leadership Council, and Women Executives on Boards forums.

Occupation: Managing Director, Lightstone Publishers Pvt Limited

Ms. Ameena Saiyid is the Founder and Director of the Adab Festival and Founder and Managing Director of Lightstone Publishers (Pvt) Ltd in Pakistan. She served as the Managing Director of the Oxford University Press for 30 years, becoming the first woman in Pakistan to do so. In 2005, she became the first Pakistani woman to be awarded the Order of the British Empire for her services to women's rights, education, and intellectual property rights in Pakistan, and to Anglo-Pakistan relations. In 2018, she was awarded Sitara-e-Imtiaz by the President of Pakistan. She has held many notable positions including Secretary General of the Jinnah Society, Board Member of Habib University Foundation, Board Member of the Institute of Art and Culture, Lahore, President of the Overseas Investors' Chamber of Commerce and Industry, and Member of the federal education minister's Search Committee for the selection of scholars on Pakistan. Ms. Saiyid is also Trustee of the Vicky Noon Education Foundation, UK.

Ms. Ameena Saiyid
Non Executive Director



Mr. Arif Masud Mirza
Non Executive Director

Occupation: Chartered Accountant

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 Country Head of ACCA Pakistan of the Association of Chartered Certified Accountants and Manager Finance & company secretary at First International Investment Bank Ltd. He has rich experience as a technical advisor with Global Reporting Initiative (GRI) South Asia Advisory, Group, and Multi-stakeholder Steering Committee looking at initiating UN SDGs in companies, Technical advisor on the International Federation of Accountants (IFAC) Professional Accountancy Organization Development Committee (PAODC), Editorial Board of Accountancy Futures ACCA's international journal for business leaders, Editor of Policy and Insights Commentary ACCA's the Middle East, North Africa, and South Asia MENASA e-journal.

Occupation: Associate Professor, Economics, LUMS

Dr. Cheema holds a PhD in Economics from the University of Cambridge, U.K. He has remained associated with the Lahore University of Management Sciences (LUMS) as Associate Professor in Economics and Political Science since 2008. In addition, some of Dr. Cheema's notable professional affiliations include his positions as Director at the Mahbub ul Haq Resource Center, Member of the Board of Trustees at the Institute of Development Studies Sussex U.K., Member of the Rhodes Scholarship Selection Committee, Member of the Board at the Punjab Population Innovation Fund and Member of the Board at the International Growth Centre (IGC). He has also served as a technical member of the Government of Punjab's Working Group on Smart-Testing and Smart-Containment of the COVID-19 outbreak. Dr. Cheema has been awarded with numerous honors, awards, and fellowships including Harvard South Asia Initiative Fellow, the Cambridge Commonwealth Trust Bursary, and The Cambridge Journal of Economics Political Economy Society Fund Award. He is also a serving director of the State Bank of Pakistan.

Dr. Ali Cheema
Non Executive Director

Occupation: Consultant, Climate Change Specialist

Dr. Mehjabeen Abidi-Habib is a social ecologist and scholar of institutional innovations that change society based on social context, leadership, and adaptation in law and policy. Dr. Abidi-Habib has a PhD in Resilience from the Government College University Lahore, with a fellowship with the University of Oxford. The research emanating from this PhD was awarded the International 2007 Science and Society Award by the Resilience Alliance. Dr. Abidi-Habib has served on the Board of Directors of the Lahore Museum, Lahore Waste Management Company, Soan Valley Development Program, and the Lahore Zoo Advisory Committee. She has also served on the National Steering Committee on REDD+, and been an Advisor to the Pakistan Girl Guides Association.

Dr. Mehjabeen A. Habib
Non Executive Director

Occupation: Principal of Kinnaird College for Women

Prof. Dr. Rukhsana David has been serving as Principal of the prestigious Kinnaird College for Women Lahore since 2010. Dr. David's notable teaching career also includes being the Head of the Fine Arts Department at Kinnaird College, an Assistant Professorship at the College of Art and Architecture at Al-Khair University Lahore, and a Lecturer for the Fine Arts Department at the University of Punjab. Dr. David serves as a Member of multiple Boards such as the University of Punjab, Lahore College for Women University, and International Council of Museums. Dr. David holds a PhD in the History of Art from the Lahore College for Women University, Lahore, as well as a Master in Fine Arts from the University of Punjab where she was also awarded a Gold Medal in Graphic Design.

Prof. Dr. Rukhsana David
Non Executive Director

Occupation: Independent Development Consultant

Ms. Maliha Hamid Hussein works as an independent development consultant with a broad range of development experience in diverse sectors. Ms. Hussein has extensive experience of working with all the major multilateral and bilateral agencies including the World Bank, the Asian Development Bank, and the United Nations Development Program. She has also been career diplomat with the Pakistan Foreign Service (1978-82). She currently serves as a Director of Sahil and previously held directorships in Pakistan Poverty Alleviation Fund and Enterprise & Development Consulting (Pvt.) Limited. Ms. Hussein obtained her M.Sc. in agricultural economics from Michigan State University and a certificate in international law, economics and politics from Oxford University, UK.

Ms. Maliha H. Hussein
Non Executive Director

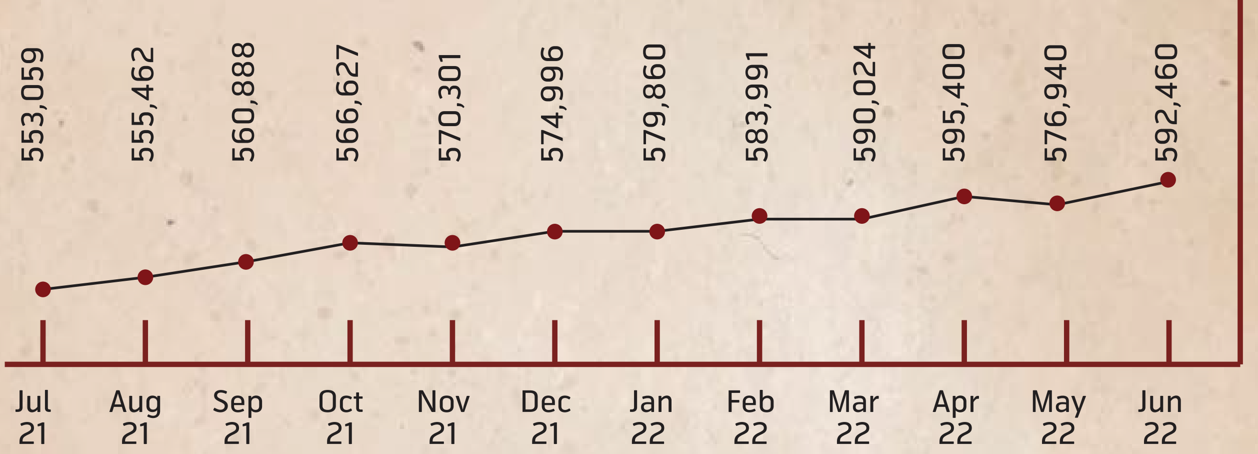
Occupation: Fintech Expert

Ms. Sadia Khan is a seasoned fintech executive with over twenty years of industry experience, 12 of which have been in C-suite roles with the last appointment being CEO of AutoSoft Dynamics. She has led several successful core banking and lending system migrations (Faysal Bank, Al Baraka Bank, Sindh Bank, PMRC), mobile wallet implementations (Finca Microfinance Bank, Allied Bank), and treasury system installations (Bank of Punjab, National Bank of Pakistan, Askari Bank). Before joining AutoSoft Ms. Khan worked with Deutsche Bank New York, NY. Ms. Khan completed her Bachelors in Computer Science from Rutgers, The State University of New Jersey. She is currently also a member of Board of Naseeb Online Services (Pvt.) Ltd.

Ms. Sadia Khan
Non Executive Director

Social Performance Dashboard

Outreach / Active Clients



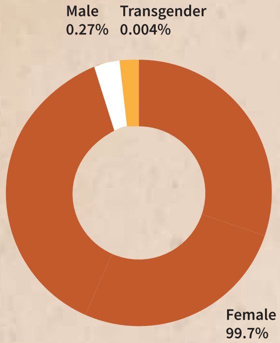
Capacity Building & Social Advocacy

Financial Education Trainings	Business Development Trainings	Maternal & Reproductive Health Trainings	Social Theatre
Women 25,477	**Women 1,143**	**Participants 13,581**	**Participants 11,858**

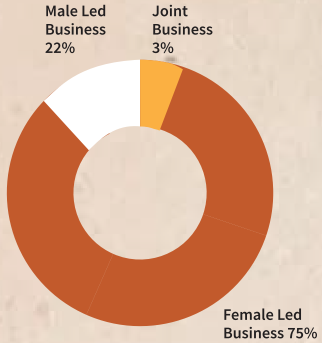
Social Safety Nets

Credit For Life Insurance	Health Insurance Policy Holder	Livestock Insurance Policy Holder
1 Million	**2 Million**	**39,503**

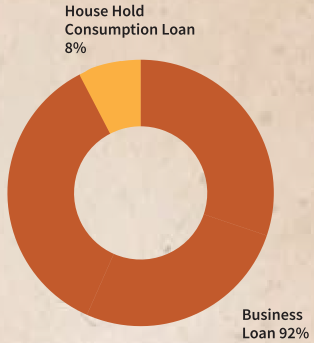
Portfolio Segmentation



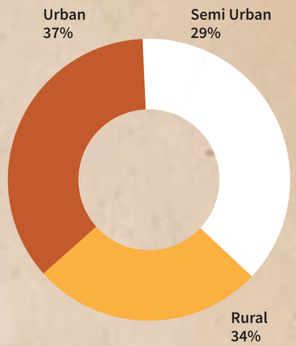
Gender



Loan Utilization



Product Type



Geographic

Customer Care

Client Satisfaction

Clients satisfied with customer care **98 %**

Clients satisfied with delivery channel **97 %**

Clients understand the pricing **93 %**

Customer Complaint Statistics

Received	Resolved	Resolution
18,130	18,130	100%

Net Promoter Score

Kashf Karobar Karza	Kashf Easy Loan	Kashf Murabaha	Kashf Maweshi Karza
36%	36%	64%	61%

Gender Diversity

70% Female Participation at the Board

Staff Gender Ratio **51%**

49% Staff Reporting to Female Manager

Digital Financial Inclusion

Mobile Wallets **116,157 Women**

Mobile Wallets Disbursements **PKR 5.564 Billion**

Client Testimonial - Tehmina Khan

"When my mother was single-handedly raising me and my brother – she acted as both our mother and my father, instilling in us the courage to break the gender stereotypes that plague our community. Things were going okay for us when we were besought by a tragedy – the tragic and untimely passing of my brother. My brother's death made it clearer to me that I had to become a financial contributor to my household. I worked with my mother on her multiple small businesses including the sale of second-hand clothes, cleaning sofas in other people's houses, and even setting up a cart selling fruits and vegetables. I learned how to drive a motorcycle and used my brother's tattered motorcycle for taking my mother to the market. I felt free and empowered when I was on the motorcycle. On my mother's advice, who has been a long-term client of Kashf Foundation, I took a loan to buy a new motorcycle. Today, I am registered with a leading ride-hailing app and earn a reasonable income monthly. A lot of women in our community have started using the ride-hailing bike option as they know I will be their driver. I have big dreams for myself and with Kashf's support I intend on making these dreams a reality."

Year-on-Year Operational Performance

Kashf Foundation closed June 2022 with 592,460 active clients denoting an 8% increase in terms of outreach compared to June 2021. In terms of the amount disbursed, Kashf made disbursements amounting to PKR 34.45 billion in this year compared to PKR 26.86 billion in the previous year which is a year-on-year growth of 28%. The average disbursement size for Kashf loans for the year was PKR 55,703. In terms of products, Kashf disbursed 422,747 Kashf Karobar Loans, 23,656 Kashf Murabaha, 104,342 Kashf Easy Loans and 40,371 Kashf Maweshi Karza loans. The Kashf Karobar Karza continues to be the main lending product for the Foundation with disbursements exceeding PKR 26.16 billion.

	LOANS DISBURSED July 21 - June 22
General Business Loan - Kashf Karobar Karza	422,747
Shariah Compliant Product - Kashf Murabaha	23,656
Livestock Loan - Kashf Maweshi Karza	40,371
School Finance Program - Kashf School Sarmaya	1,426
Consumption Loan - Kashf Easy Loan	104,342
Recapitalization Loan - Kashf Bahali Karza	3,016
Top-up Consumption Loan - Kashf Sahulat Karza	73,931
Consumption Loan - Kashf Fori Karza	22,974
	692,463

With respect to insurance, Kashf Foundation continued to be the market leader in the provision of micro-insurance in Pakistan with 37.3 % of the market share of the total policy holders in Pakistan. Kashf has provided over 3.17 million insurance policies under both life and health insurance in this year. With respect to the total sum insured across Pakistan, Kashf also holds the market share at 25.8 % with a monetary value of PKR 93.18 billion.

Year on-Year Financial Performance

In this year, Kashf's operational self-sufficiency increased to 134% from 115% in June 2021, while the financial self-sufficiency also increased to 105.44% from 104.66% in June 2021. The Return on Asset (ROA), Return on Equity (ROE), and Debt to Equity Ratio have also been maintained within acceptable benchmarks i.e. at 6.75%, 30.89% and 76:24 respectively. Moreover, the administrative efficiency ratio has remained stable despite the increased operating costs associated with inflation and fuel prices. This signifies that Kashf has capitalized on improved processes and procedures and undertaken efficient resource planning to maintain sound financial health despite difficult economic and operational circumstances.

	JUNE 2022	JUNE 2021
Operational Self Sufficiency	134%	115%
Financial Self Sufficiency	105%	105%
Adjusted Return on Assets	6.75%	3.10%
Adjusted Return on Equity	30.89%	15.88%
Debt-Equity Ratio	76:24	78:22
Administrative Efficiency	15.79%	16.21%

Client Testimonial - Fauzia Khalid

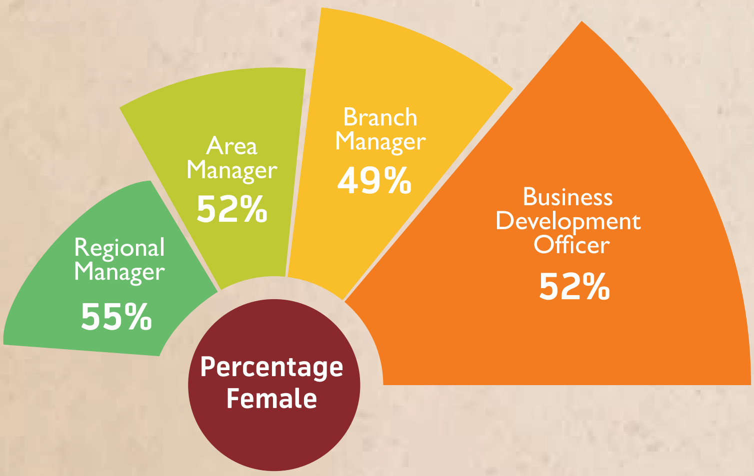
"I am very proud of this small shop that I am standing at right now but getting here has been a long journey – my married life did not start as I had imagined. Within a few months, I realized that my husband would not be able to provide for us. That's when I began a small business of selling home-cooked meals to the nearby hostel. The small venture became very successful but I needed to increase its scale to provide for our growing family. That is when I approached Kashf for a loan. Through the loan, I was able to buy larger pots and pans and fund the working capital needs of raw materials and gas bills. I also set up a portable cart in the market along with continuing my hostel food supply business. Through my hard work, support from Kashf, and the grace of Allah I have been able to provide for all the needs of my family. I was able to educate my children, settle them in their marriages, and also build a small house. I am eager to expand this small shop into a restaurant through the continued support from Kashf."

Kashf's Human Resource Dashboard

In line with its mission of transforming lives, Kashf Foundation provides a fair, equitable, and harassment-free workplace to its employees. Inclusion and diversity are key priorities for Kashf and the organization focuses on creating and upholding a distinctive culture which derives from Kashf's core values of integrity, responsibility, dignity, innovation, responsiveness, and sustainability.

	JUNE 2022	JUNE 2021
Total Head Office Staff	95	100
Total Field Staff	2775	2521
Operations and Administrative staff	2870	2621
Staff Gender Ratio	51%	50%
Yearly Turnover	14%	14%

Based on the premise that embracing diversity is pivotal for a company's success, Kashf's human resource policies value and promote diversity. In this year, Kashf's operational and administrative staff base was 2,870. The table shows the key human resources numbers for the year.



Gender is a key focus for Kashf, and even though Pakistan's female labor force participation rate is a mere 20.16%, Kashf has a 50% gender ratio in its staff base. Kashf has been able to maintain gender diversity via specialized programs at multiple levels which start from the policies in place at the level of recruitment and extends throughout the course of employment with Kashf. The table below shows the Gender Ratio across the field tiers.

Kashf's 25

As Kashf completes 25 years, we have collated some of the lessons learnt along the way. These lessons

Pearls of Wisdom

The Big Picture Mission is Pivotal
The starting point and the North Star for Kashf has been our core vision and institutional mission. As an institution, the single most important lesson from Kashf's success (and that of others) has been ensuring that the Big Picture Mission is not just restricted to incorporation documents but is a living and breathing reality for all involved with the company. Whenever we approach a new idea, a product, a partnership, or any change the first question we ask ourselves is whether it is a fit with our mission. We only proceed if the answer to this pivotal question is a resounding yes. This has helped us in avoiding mission drift and remaining focused on serving our core stakeholders in a meaningful and comprehensive manner.

Understand and Question Your own Assumptions – Companies run the risk of getting straitjacketed via the biases and assumptions of the leadership. Having a diverse management team and a focused and competent board of directors has ensured that we are questioning our own assumptions and theory of change. This has helped Kashf remain relevant whilst remaining mission driven and client focused.

Relationships Matter Most – We have learned that whether during business as usual or in times of stress what matters most is having strong relationships with our stakeholders. Relationships that are based on transparency and integrity pave the way for trust. Over the years, Kashf has been able to make changes to its lending methodology and processes which have been unequivocally accepted by clients due to their high levels of trust in Kashf. Similarly, Kashf's lenders have always been kept abreast about developments on endogenous and exogenous risks and these have been accommodated through positive-sum changes to enable Kashf to meet the needs of its clients.

Listen to the Clients – Perhaps, the second most important lesson we have learned is that success will only come if the needs and aspirations of the clients are kept at the center. Whether it is Kashf's products, processes, monitoring, screening, or evaluations the biggest contributor to success has been keeping the client's voice at the core. To remain customer focused, Kashf undertakes annual customer satisfaction surveys which are supplemented by ensuring field presence and client interaction for all staff cadres. We have also been engaging with third party research firms to measure and monitor impact and identify areas of improvement.

Year Journey

serve as guides for Kashf and the intention of sharing them is that others may also learn from our journey.

Know Institutional Limitations – This has by far been one of the most important lessons emanating from the past twenty five years. If an organization does not articulate or understand its boundaries, it will ultimately spread itself too thin and end up becoming a jack of all trades master of none. Given the fact that Kashf has always tried to remain true to its mission, knowing about your limitations enables you to make decisions that will have a positive impact on your business, your staff and your clients. Sometimes, saying "no" is considered to be a defeatist approach, but in reality applied knowledge is power as it will enable you to think out of the box and define strategies that are built on the strengths and competencies of the institution. Undoubtedly, from a transformational perspective scale and outreach matters, but positioning the organization as a women focused financial institution, that invests in women's lives is equally significant. Stopping to take stock of internal limitations at each phase of the organization's development is simply being smart.

Measure Gender Diversity – This would sound odd coming from an organization who's raison d'etre is the economic empowerment of women. It would seem that given Kashf's mission the achievement of gender diversity would happen automatically. However, it isn't that simple, as gender inclusion at all levels involves a mindset reboot, which cannot be achieved unless gender benchmarks are included across all institutional level goals. Transparency in measuring and monitoring such goals is equally important. As a first step, measuring the percentage of women clients is of course necessary but at the next level it is also important to determine what percentage of the loans were actually used by women led businesses directly. In fact to succeed as a women centric financial services provider continuously re-assessing goals and metrics becomes an important strategy of success.

Pearls of Wisdom

Building Leaders is Key – At one level this lesson sounds like a no brainer, especially in the context of an organization that is working for the betterment of low income households. In fact the notion of sustainable development is predicated on empowering local communities and staff through leadership opportunities. Many times organizations fall into the patriarchal trap by assuming that they know best, thus inadvertently by-passing possibilities for collaboration and growth. Building and sustaining opportunities for collaborative leadership has been an important focus for Kashf for not only does it allow for transference of local knowledge but it also enables the identification and nurturing of high potential leaders.

Promote Evidence Based Learning – We have learned that programs have a higher chance of being successful when features and processes are backed by relevant evidence. For this purpose, at Kashf, since the beginning we have had a dedicated research and development team. The research team at Kashf is responsible for undertaking client centric research to develop new programs, on-course existing programs, and improve existing processes.

Focus on both Financial Inclusion and Deepening Another key success factor has been Kashf's two pronged approach for market penetration. Kashf focuses on both financial inclusion and financial deepening. In new markets, where microfinance services are nascent, Kashf focuses on inclusion and opens branches wherein a majority of clients are first time users of microfinance. At the same time, Kashf also works at developing new products and services to meet the needs of more mature clients in developed microfinance markets. This dual approach provides Kashf with the tools to better serve the financial needs of women at the bottom of the pyramid.

Growth must be Measured and Organic – We have learnt that growth should be well planned and undertaken after proper scoping of potential and risks. Moreover, growth should be aligned with the organizations ability to arrange the required staff for the new locations in a manner that performance in existing locations is not impacted. Rapidly scaling without ensuring readiness at all levels can backfire. Kashf's growth trajectory has thus been organic and measured to make sure additions in the branches are properly managed with each branch having trained and certified staff that lays the proper foundation in terms of client selection for the years to come.

Constantly On-course to the Mission – Being a mission driven organization, an integral part of Kashf's success has been the ability to focus on our objectives and goals and to not be wavered by the 'in' trends of financial inclusion. Our approach to change and innovation is to first understand how the innovation will impact the lives of our customers and then try to adapt it for our business. For example Kashf's approach to digitalization was first and foremost to see how it could be leveraged on the back end to create efficiencies in processes which could be passed on to the clients. This included end to end digitalization of the loan formation and disbursement and use of AI based credit scoring models to improve turnaround time. The second step was to understand where Kashf could piggy back off existing infrastructure and expertise to present client facing solutions such as mobile wallet disbursements. This approach has helped Kashf avoid mission drift whilst improving client experience via technology.

Failures are Learning Opportunities – Kashf has never been shy of innovation and one of the most important lessons from this has been that the organization will never know what works best without trying it out. However, at Kashf when we try out new things we meticulously record both the successes and failures. In the case of the former, these researches and learning provide the blue print for scaling up and massification. While in the case of failures, the findings provide Kashf with invaluable lessons on how to improve on the programs in the future and what to avoid. This has helped Kashf remain on the cutting edge of innovation.

People are as Important as the Results – As an institution we have learnt to keep our focus on nurturing and growing our staff members. Providing for their life cycle needs, diverse career aspirations, and up-skilling needs have been a major focus for the organization. There is also a rigid defense of our institutional culture and values to ensure that the focus at any level is not just on the results but the process followed to achieve the end result.

Balance Impact with Sustainability – As an organization grows from an organic level to scale, an important parameter to consider is the balancing of impact and transformation with the sustainability of the organization. This particular challenge was extremely important as Kashf was the first microfinance institution that was not only specialized but offered products and services to women from low income communities, at the time when only 10% of funds were disbursed to females. The onus was to not only demonstrate that women are good credit risk but also that micro female entrepreneurs were a good business investment. This particular approach continues to be the litmus test for any products or services that the Foundation continues to provide its clients.

Invest in the Entrepreneurship Value Chain – As an organization Kashf continues to learn from its peers, particularly the ones that have been able to demonstrate impact on women's economic lives. The overarching design of all of Kashf's interventions rests on reducing the financial challenges that women entrepreneurs along with investing in their inherent capacity through well designed and relevant trainings. The key lesson that has emerged in designing such interventions is to make them adaptable and flexible to women's time requirements and ensuring that the training materials and content are driven from local contexts. Continuously gauging the impact of the trainings to improve overall methodology design is another very important feature of all capacity building initiatives, while embedding this within all financial products is key.

Celebrate Achievements – When Roger Bannister set out to achieve the four minute mile in 1954 he faced a number of nay sayers. However, that did not deter him and he achieved what had hitherto been considered impossible. Kashf has also been the Bannister for women's economic empowerment in Pakistan and has achieved many firsts which need to be celebrated. It was the first organization in Pakistan to become financially sustainable in 2003, thus proving the business case for women's financial inclusion. It was also the first organization to develop a micro credit for life insurance product for low income families, which led to many other insurance products like health, livestock etc. It was the first organization in Pakistan to issue a term finance certificate in 2007, which allowed the second tier markets to consider women micro-entrepreneurs as investable assets. Realizing the importance of private media, Kashf was the first MFI to sponsor and produce drama serials on mainstream TV channels to promote women's economic empowerment in 2012. Continuing on its pioneering role, Kashf was also the one of the first organizations to fund low cost private schools through its education finance program for which it also received the European MF award in 2016. Given the important role of women in the livestock sector, Kashf has also been an innovator when it comes to offering a specialized livestock product for women livestock producers which has livestock insurance as well. During the Covid crisis, Kashf was one of the first entities to conduct on going live research on the impact of Covid on its clients and subsequently was the first organization to offer mass rescheduling to all of its clients, thus leading to over 95% of its clients remaining credible post Covid.

Don't let a Crisis go to Waste – In the past twenty-five years, like any other organization, Kashf has seen and survived many a crisis. A crisis forces you to look for some silver linings in its midst and to seek opportunities where they may not have been before. The first crisis that Kashf faced in its young life was funding in order to scale up its growth. It was a catch 22 situation as most investors wanted sustainability as the first benchmark for investment and sustainability could only happen post scale. The funding crisis led the management to adopt better financial practices and systems, which ultimately encouraged donors to invest in the organization. The second and the bigger existential crisis happened in 2008, when massive delinquency took place across Kashf's network. Taking stock of the situation Kashf's management quickly revised its lending methodology and products, and actually came out stronger post the crisis.

Don't Fall Back on Your Laurels – Complacency can open up the organization to the risk of losing out to its competitors and can also affect the morale of the staff. Kashf has always been an organization that has tried to keep its promises and meet its goals, and sometimes a culture of achievement can be a reason for the organization to stop looking at its competitors. However, to combat this pitfall the organization has always promoted a learning approach and undertaken research on best practices of its competition in order to strengthen its own product offerings. The same goes for when clients wanted to move from group lending to individual lending and despite this being a path shattering move, the institution managed to remain relevant to its clients by making such a big change.

You can't Do it Alone – The days of command and control approaches are far gone, however, it is surprising how many organizations still continue with such an approach. Today organizations are faced by rapidly changing environments, the Covid pandemic being a case in point. A key realization was the understanding that the multiple business challenges emanating from Covid could not be be solved by one individual alone. It is important to develop a culture where a cacophony of voices, of opinions, of perspectives, is seen as positive way to resolve key issues and question underlying assumptions. Many a times disruptions lead to new opportunities.

Continously Raise the Bar – Kashf was initiated as a small action research program in 3 semi-urban communities outside Lahore. The first strategic plan was drafted for the organization in its first nine months of existence with a clear goal that the organization would achieve financial sustainability within the first five years post the action research phase. Essentially, this was the primary challenge the organization set for itself that an MFI targeting women micro entrepreneurs could be sustainable in Pakistan's context. However, at the same time it is important to identify the next big challenge so that innovation can be spurred across the entity and as a result institutional capacity can be further strengthened. Essentially bar-raising is about continuously testing the insights into your own organization and validating and improving end results. Raising the bar also allows the organization to embrace and pursue the unknown by ensuring that institutional curiosity remains alive and kicking.

Kashf
FOUNDATION

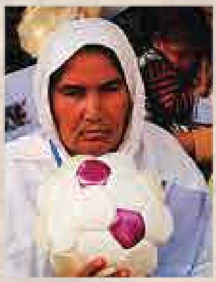
A COMPANY SET UP UNDER SECTION 42
OF THE COMPANIES ORDINANCE, 2017

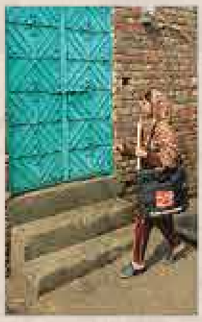
KASHF 25 YE

ARS JOURNEY







Messages From Kashf's Supporters

BIO

BIO wishes a very nice 25th birthday to Kashf Foundation and its entire team. We are very proud to be a close partner of your institution. We will do our utmost to continue to support you the best we can. Sincere congratulations for your work since your very first day. We wish you to be able to continue to create as much impact as you already did over the past 25 years.

The Bank of Punjab

During the past 25 years, Kashf has led the microfinance industry as the most innovative, socially conscious, sustainable and ethical organization. Today, Kashf Foundation stands as a harbinger of female empowerment, social literacy and financial inclusion. The team's commitment to the cause, ethos and vision make them champions in their field. The Bank of Punjab is a proud partner in Kashf's efforts to ensuring financial independence and uplifting of the most deserving and unserved segments of the society. BOP congratulates the entire Kashf family on this occasion and we reaffirm our commitment to support you in the journey ahead.

Finnfund

Finnfund would like to congratulate Kashf Foundation on its 25th Anniversary. It has been a pleasure to work with the highly skilled professionals of Kashf Foundation. We wish all the best for Kashf Foundation, and hope we will have fruitful cooperation in the years to come!

Frankfurt School

Congratulations on this big occasion! Kashf Foundation has always been very socially responsible and has shown utmost dedication towards woman's inclusion in business and the workplace. It has been a great cooperation. Cheers to future successes!

NBP

NBP conveys its sincere congratulations to Kashf Foundation on the completion of 25 years of services in the Microfinance Industry. Kashf is not only providing financial services but also plays an active role in the development and uplifting of the economy, by providing entrepreneurship and employment opportunities to the underprivileged section of Pakistan especially female entrepreneurs. Financial Inclusion and reaching out to the marginalized segments of society is very close to NBP's mission. NBP has found natural synergies with Kashf as we believe both institutions complement each other, since Kashf reaches to those segments of the population where NBP is not present.

OeEB

OeEB, the Development Bank of Austria, has been providing long-term financing to Kashf since 2019. Promoting gender equality and increasing financial inclusion are core goals within our strategy. Kashf is an excellent partner in this field with a longstanding track record of empowering female entrepreneurs in Pakistan by providing access to finance and training.
We look forward to continuing our successful partnership.

PMIC

Kashf Foundation has played a significant role in the growth of Pakistan's microfinance sector. Its strong governance and management structures, robust policies, its efforts in maintaining good portfolio quality, and adherence to global best practices make it one of the leading microfinance institutions in the country. Kashf Foundation's role in empowering women also needs to be commended as they have been providing sustainable access to finance to women clients, capacity - building training to help them grow their enterprises and transform the lives of their families. PMIC is proud of its partnership with the Kashf which has thrived over the years and helped transformed the lives of communities across Pakistan. We aspire to further strengthen our bond in years to come.

PROPARCO

PROPARCO is proud to support the Kashf mission and its wonderful work in the field of financial inclusion and women empowerment in Pakistan. With the vision of Ms. Roshaneh and the experienced management team, Kashf Foundation is a strong and committed institution we wish to work with in the long run. We congratulate Kashf Foundation for completing 25 years!

Symbiotics

Symbiotics highly appreciates the important role Kashf Foundation is playing in assisting marginalized individuals and developing the microfinance industry in Pakistan. Symbiotics is proud of its strong and long-term relationship with Kashf and respects how its management team has successfully navigated challenging times. We are delighted to continue supporting Kashf in achieving its vision of alleviating poverty throughout Pakistan.

Kashf's Supporters

ADB ASIAN DEVELOPMENT BANK	askaribank LIMITED	Bank Alfalah	BIO Investing in a Sustainable Future
BOP THE BANK OF PUNJAB	British International Investment	In partnership with Canada	Coca-Cola
DFC	faysalbank	finnfund	FMO Entrepreneurial Development Bank
Frankfurt School of Finance & Management Bankakademie | HfB	incofin INVESTMENT MANAGEMENT	InsuResilience InvestmentFund	JS BANK BARHNA HAI AAGEY
Jubilee INSURANCE	MCB Bank for Life	MICROVEST PURPOSEFUL INVESTING	NBP National Bank of Pakistan
OeEB Oesterreichische Entwicklungsbank AG	PAK CHINA	PAK OMAN	Philip Morris (Pakistan) Limited
PMIC Pakistan Microfinance Investment Company Limited	Proparco GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT	SILKBANK Yes we can	skoll FOUNDATION
Standard Chartered	symbiotics	UBL where you come first	UN WOMEN United Nations Entity for Gender Equality and the Empowerment of Women

KASHF FOUNDATION
(A Company setup Under Section 47
of Companies Act, 2017)

Audited Financial Statements for the Year Ended
30 JUNE 2022

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)
STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	7	793,888,324	861,896,243
Intangible assets	8	47,876,696	37,944,865
Investment property	9	103,424,250	88,150,750
Long term investments	10	180,515,000	180,515,000
Long term loans	11	1,221,141	217,730
Long term micro-credit loan portfolio	12	144,009,258	216,962
Financial assets used for hedging	13	1,267,147,107	103,255,478
Long term deposits	14	79,963,360	463,360
		2,618,045,136	1,272,660,388
CURRENT ASSETS			
Micro-credit loan portfolio	15	18,744,012,488	15,218,745,610
Kashf Murabaha portfolio	16	726,644,675	539,440,958
Accrued service charges	17	256,550,163	190,960,347
Short term investments	18	1,385,925,482	1,213,032,111
Financial assets used for hedging	13	1,319,960,982	51,112,473
Advances, deposits, prepayments and other receivables	19	868,932,977	604,887,258
Cash and bank balances	20	6,368,669,910	5,923,306,812
		29,670,696,677	23,741,485,569
		32,288,741,813	25,014,145,957
FUNDS AND LIABILITIES			
FUNDS			
Donated funds	21	237,005,711	240,035,924
Accumulated surplus		5,586,179,603	3,908,882,532
Loan loss reserve	22	984,148,137	823,285,358
Special reserve		96,745,255	-
Hedging reserve		26,558,614	23,427,241
Surplus on revaluation of land		300,203,137	300,203,137
		7,230,840,457	5,295,834,192
NON CURRENT LIABILITIES			
Long term financing	23	12,514,952,944	10,162,784,549
Lease liabilities	24	61,233,816	128,810,341
		12,576,186,760	10,291,594,890
CURRENT LIABILITIES			
Current portion of long term financing	23	10,464,087,155	8,071,550,336
Current portion of lease liabilities	24	77,981,155	68,511,543
Short term borrowings	25	392,146,482	43,415,547
Deferred grants	26	187,120,596	386,277,030
Accrued markup	27	600,709,509	417,198,716
Trade and other payables	28	759,669,699	439,763,703
		12,481,714,596	9,426,716,875
		32,288,741,813	25,014,145,957
CONTINGENCIES AND COMMITMENTS	29		

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

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 30 June 2022

	Note	2022 Rupees	2021 Rupees
Mark-up and other charges on micro-credit loan portfolio	30	6,408,831,370	4,839,852,835
Profit on Kashf Murabaha		244,251,949	161,225,292
Grant income	31	229,877,205	67,849,808
Return on investments and bank deposits	32	646,590,734	633,592,069
		7,529,551,258	5,702,520,004
Programme cost	33	(2,343,892,226)	(1,991,513,138)
Impairment loss on micro-credit loan and murabaha portfolio		(186,275,209)	(487,532,705)
Grant expenses	34	(229,877,205)	(67,849,808)
Finance cost	35	(2,664,032,863)	(2,021,523,557)
		(5,424,077,503)	(4,568,419,208)
		2,105,473,755	1,134,100,796
Management and administrative expenses	36	(515,180,219)	(434,591,950)
Other expenses	37	(1,379,380)	(28,426,040)
Other income	38	345,990,949	98,013,964
		(170,568,650)	(365,004,026)
Surplus for the year		1,934,905,105	769,096,770

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

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 30 June 2022

	2022 Rupees	2021 Rupees
Surplus for the year	**1,934,905,105**	769,096,770
Other comprehensive income		
Items to be reclassified to income and expenditure in subsequent periods:		
Cashflow hedges		
- effective portion of changes in fair value	**3,086,696,874**	(1,195,504,136)
- recalssified to income and expenditure	**(3,083,565,501)**	1,326,172,537
	3,131,373	130,668,401
Total comprehensive income for the year	**1,938,036,478**	899,765,171

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

Executive Officer

Chief Financial Officer

Director

KASHF FOUNDATION
(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)
STATEMENT OF ACCUMULATED FUNDS
For the year ended 30 June 2022

		Revenue reserves	Capital reserves				
	Donated funds	Accumulated surplus	Loan loss reserve	Special reserve	Hedging reserves	Surplus on revaluation of land	Total
	---- Rupees ----						
Balance as at 30 June 2020	235,395,910	3,284,676,599	678,394,521	-	(107,241,160)	300,203,137	4,391,429,007
Total comprehensive income							
Surplus for the year	-	769,096,770	-	-	-	-	769,096,770
Other comprehensive income for the year	-	-	-	-	130,668,401	-	130,668,401
	-	769,096,770	-	-	130,668,401	-	899,765,171
Micro-credit loan portfolio disbursed against donated funds	4,640,014	-	-	-	-	-	4,640,014
Transferred from general funds to loan loss reserve	-	(144,890,837)	144,890,837	-	-	-	-
Balance as at 30 June 2021	**240,035,924**	**3,908,882,532**	**823,285,358**	**-**	**23,427,241**	**300,203,137**	**5,295,834,192**
Total comprehensive income							
Surplus for the year	-	**1,934,905,105**	-	-	-	-	**1,934,905,105**
Other comprehensive income for the year	-	-	-	-	**3,131,373**	-	**3,131,373**
	-	**1,934,905,105**	-	-	**3,131,373**	-	**1,938,036,478**
Micro-credit loan portfolio write offs against donated funds	**(3,030,213)**	-	-	-	-	-	**(3,030,213)**
Transferred from general funds to loan loss reserve	-	**(160,862,779)**	**160,862,779**	-	-	-	-
Transferred from general funds to special reserve	-	**(96,745,255)**	-	**96,745,255**	-	-	-
Balance as at 30 June 2022	**237,005,711**	**5,586,179,603**	**984,148,137**	**96,745,255**	**26,558,614**	**300,203,137**	**7,230,840,457**

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

Executive Officer

Chief Financial Officer

Director

Celebrating 25 TH ANNIVERSARY

KASHF FOUNDATION
(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)
STATEMENT OF CASH FLOWS
For the year ended 30 June 2022

	2022 Rupees	2021 Rupees
Cash flow from operating activities		
Surplus for the year	1,934,905,105	769,096,770
Adjustments for non cash items:		
Depreciation	160,510,034	158,161,557
Amortization	5,504,391	3,694,052
Liabilities written back	(3,946,068)	(40,317,980)
Markup on lease liabilities	17,396,142	28,079,805
Return on investments and bank deposits	(646,590,734)	(633,592,069)
Amortization of transaction costs of long term loans	99,327,589	93,682,564
Finance cost	2,318,774,263	1,787,049,754
Gain on disposal of operating fixed assets	(7,015,905)	(6,039,091)
Gain on termination of lease	(8,259,141)	-
Grant income	(229,877,205)	(67,849,808)
Deferred loss on sale and lease back	-	924,408
Fair value gain on mutual funds	(100,637)	(109,258)
Fair value gain on investment property	(15,273,500)	(5,646,850)
Dividend income	(8,040,784)	(3,575,882)
Foreign exchange (gain) / loss	(249,277,638)	28,183,114
Impairment loss on micro-credit loan and murabaha	186,275,209	487,532,705
	1,619,406,016	1,830,177,021
Surplus before working capital changes	3,554,311,121	2,599,273,791
Working capital changes		
Increase in micro-credit loan portfolio	(3,830,080,734)	(3,437,615,083)
Increase in Kashf Murabaha	(212,360,446)	(133,739,445)
(Increase) / decrease in accrued service charges	(68,716,949)	446,481,900
Increase in advances, deposits, prepayments and other receivables	(72,413,798)	(21,802,132)
Increase in deferred grants	30,720,771	419,805,423
Increase in trade and other payables	167,370,477	96,875,996
	(3,985,480,679)	(2,629,993,341)
Cash used in operations	(431,169,558)	(30,719,550)
Finance cost paid	(2,135,263,470)	(1,981,569,284)
Long term loan - *net*	(1,003,411)	409,194
Long term deposit - *net*	(79,500,000)	4,515,300
Net cash used in operating activities	(2,646,936,439)	(2,007,364,340)
Cash flow from investing activities		
Capital expenditure incurred	(86,117,869)	(74,031,801)
Sale proceeds from disposal of operating fixed assets	10,242,396	7,283,383
Return received on investments and bank deposits	611,440,400	727,356,513
Investments - *net*	(48,812,297)	885,076,406
Net cash generated from investing activities	486,752,630	1,545,684,501
Cash flow from financing activities		
Transaction costs paid for long term loans	(34,369,163)	(118,083,917)
Payment of lease liabilities	(92,290,873)	(87,584,070)
Proceeds received against financing	11,848,920,474	7,425,584,253
Repayments of financing	(9,254,393,598)	(6,943,941,530)
Net cash generated from financing activities	2,467,866,840	275,974,736
Effect of exchange rate changes on opening cash and cash equivalents	137,680,067	(2,026,598)
Net increase / (decrease) in cash and cash equivalents	445,363,098	(187,731,701)
Cash and cash equivalents at the beginning of the year	5,923,306,812	6,111,038,513
Cash and cash equivalents at the end of the year	6,368,669,910	5,923,306,812

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

Executive Officer　　　　Chief Financial Officer　　　　Director

KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

INDEPENDENT AUDITOR'S 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 30 June 2022, and the statement of income and expenditure, 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, the statement of income and expenditure, 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 30 June 2022 and of the surplus and other comprehensive 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 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 auditors' report thereon.

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

KPMG

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 the 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 the 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 the 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.

KPMG

KPMG Taseer Hadi & Co.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the 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, 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)

Other Matter

The financial statements of the Company for the year ended 30 June 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 11 October 2021.

The engagement partner on the audit resulting in this independent auditor's report is Fahad Bin Waheed.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 11 October 2022

UDIN: AR202210089yMeodjY8U

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)
STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	7	793,888,324	861,896,243
Intangible assets	8	47,876,696	37,944,865
Investment property	9	103,424,250	88,150,750
Long term investments	10	180,515,000	180,515,000
Long term loans	11	1,221,141	217,730
Long term micro-credit loan portfolio	12	144,009,258	216,962
Financial assets used for hedging	13	1,267,147,107	103,255,478
Long term deposits	14	79,963,360	463,360
		2,618,045,136	1,272,660,388
CURRENT ASSETS			
Micro-credit loan portfolio	15	18,744,012,488	15,218,745,610
Kashf Murabaha portfolio	16	726,644,675	539,440,958
Accrued service charges	17	256,550,163	190,980,347
Short term investments	18	1,385,925,482	1,213,032,111
Financial assets used for hedging	13	1,319,960,982	51,112,473
Advances, deposits, prepayments and other receivables	19	868,932,977	604,887,258
Cash and bank balances	20	6,368,669,910	5,923,306,812
		29,670,696,677	23,741,485,569
		32,288,741,813	25,014,145,957
FUNDS AND LIABILITIES			
FUNDS			
Donated funds	21	237,005,711	240,035,924
Accumulated surplus		5,586,179,603	3,908,882,532
Loan loss reserve	22	984,148,137	823,285,358
Special reserve		96,745,255	-
Hedging reserve		26,558,614	23,427,241
Surplus on revaluation of land		300,203,137	300,203,137
		7,230,840,457	5,295,834,192
NON CURRENT LIABILITIES			
Long term financing	23	12,514,952,944	10,162,784,549
Lease liabilities	24	61,233,816	128,810,341
		12,576,186,760	10,291,594,890
CURRENT LIABILITIES			
Current portion of long term financing	23	10,464,087,155	8,071,550,336
Current portion of lease liabilities	24	77,981,155	68,511,543
Short term borrowings	25	392,146,482	43,415,547
Deferred grants	26	187,120,596	386,277,030
Accrued markup	27	600,709,509	417,198,716
Trade and other payables	28	759,669,699	439,763,703
		12,481,714,596	9,426,716,875
		32,288,741,813	25,014,145,957
CONTINGENCIES AND COMMITMENTS	29		

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 30 June 2022

	Note	2022 Rupees	2021 Rupees
Mark-up and other charges on micro-credit loan portfolio	30	**6,408,831,370**	4,839,852,835
Profit on Kashf Murabaha		**244,251,949**	161,225,292
Grant income	31	**229,877,205**	67,849,808
Return on investments and bank deposits	32	**646,590,734**	633,592,069
		7,529,551,258	5,702,520,004
Programme cost	33	**(2,343,892,226)**	(1,991,513,138)
Impairment loss on micro-credit loan and murabaha portfolio		**(186,275,209)**	(487,532,705)
Grant expenses	34	**(229,877,205)**	(67,849,808)
Finance cost	35	**(2,664,032,863)**	(2,021,523,557)
		(5,424,077,503)	(4,568,419,208)
		2,105,473,755	1,134,100,796
Management and administrative expenses	36	**(515,180,219)**	(434,591,950)
Other expenses	37	**(1,379,380)**	(28,426,040)
Other income	38	**345,990,949**	98,013,964
		(170,568,650)	(365,004,026)
Surplus for the year		**1,934,905,105**	769,096,770

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 COMPREHENSIVE INCOME
For the year ended 30 June 2022

	2022 Rupees	2021 Rupees
Surplus for the year	**1,934,905,105**	769,096,770
Other comprehensive income		
Items to be reclassified to income and expenditure in subsequent periods:		
Cashflow hedges		
- effective portion of changes in fair value	**3,086,696,874**	(1,195,504,136)
- recalssified to income and expenditure	**(3,083,565,501)**	1,326,172,537
	3,131,373	130,668,401
Total comprehensive income for the year	**1,938,036,478**	899,765,171

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 ACCUMULATED FUNDS
For the year ended 30 June 2022

		Revenue reserves	Capital reserves				
	Donated funds	Accumulated surplus	Loan loss reserve	Special reserve	Hedging reserves	Surplus on revaluation of land	Total
	----------	----------	----------	Rupees	----------	----------	
Balance as at 30 June 2020	235,395,910	3,284,676,599	678,394,521	-	(107,241,160)	300,203,137	4,391,429,007
Total comprehensive income							
Surplus for the year	-	769,096,770	-	-	-	-	769,096,770
Other comprehensive income for the year	-	-	-	-	130,668,401	-	130,668,401
	-	769,096,770	-	-	130,668,401	-	899,765,171
Micro-credit loan portfolio disbursed against donated funds	4,640,014	-	-	-	-	-	4,640,014
Transferred from general funds to loan loss reserve	-	(144,890,837)	144,890,837	-	-	-	-
Balance as at 30 June 2021	**240,035,924**	**3,908,882,532**	**823,285,358**	**-**	**23,427,241**	**300,203,137**	**5,295,834,192**
Total comprehensive income							
Surplus for the year	-	**1,934,905,105**	-	-	-	-	**1,934,905,105**
Other comprehensive income for the year	-	-	-	-	**3,131,373**	-	**3,131,373**
	-	**1,934,905,105**	-	-	**3,131,373**	-	**1,938,036,478**
Micro-credit loan portfolio write offs against donated funds	**(3,030,213)**	-	-	-	-	-	**(3,030,213)**
Transferred from general funds to loan loss reserve	-	**(160,862,779)**	**160,862,779**	-	-	-	-
Transferred from general funds to special reserve	-	**(96,745,255)**	-	**96,745,255**	-	-	-
Balance as at 30 June 2022	**237,005,711**	**5,586,179,603**	**984,148,137**	**96,745,255**	**26,558,614**	**300,203,137**	**7,230,840,457**

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 CASH FLOWS
For the year ended 30 June 2022

	2022 Rupees	2021 Rupees
Cash flow from operating activities		
Surplus for the year	**1,934,905,105**	769,096,770
Adjustments for non cash items:		
Depreciation	**160,510,034**	158,161,557
Amortization	**5,504,391**	3,694,052
Liabilities written back	**(3,946,068)**	(40,317,980)
Markup on lease liabilities	**17,396,142**	28,079,805
Return on investments and bank deposits	**(646,590,734)**	(633,592,069)
Amortization of transaction costs of long term loans	**99,327,589**	93,682,564
Finance cost	**2,318,774,263**	1,787,049,754
Gain on disposal of operating fixed assets	**(7,015,905)**	(6,039,091)
Gain on termination of lease	**(8,259,141)**	-
Grant income	**(229,877,205)**	(67,849,808)
Deferred loss on sale and lease back	**-**	924,408
Fair value gain on mutual funds	**(100,637)**	(109,258)
Fair value gain on investment property	**(15,273,500)**	(5,646,850)
Dividend income	**(8,040,784)**	(3,575,882)
Foreign exchange (gain) / loss	**(249,277,638)**	28,183,114
Impairment loss on micro-credit loan and murabaha	**186,275,209**	487,532,705
	1,619,406,016	1,830,177,021
Surplus before working capital changes	**3,554,311,121**	2,599,273,791
Working capital changes		
Increase in micro-credit loan portfolio	**(3,830,080,734)**	(3,437,615,083)
Increase in Kashf Murabaha	**(212,360,446)**	(133,739,445)
(Increase) / decrease in accrued service charges	**(68,716,949)**	446,481,900
Increase in advances, deposits, prepayments and other receivables	**(72,413,798)**	(21,802,132)
Increase in deferred grants	**30,720,771**	419,805,423
Increase in trade and other payables	**167,370,477**	96,875,996
	(3,985,480,679)	(2,629,993,341)
Cash used in operations	**(431,169,558)**	(30,719,550)
Finance cost paid	**(2,135,263,470)**	(1,981,569,284)
Long term loan - *net*	**(1,003,411)**	409,194
Long term deposit - *net*	**(79,500,000)**	4,515,300
Net cash used in operating activities	**(2,646,936,439)**	(2,007,364,340)
Cash flow from investing activities		
Capital expenditure incurred	**(86,117,869)**	(74,031,801)
Sale proceeds from disposal of operating fixed assets	**10,242,396**	7,283,383
Return received on investments and bank deposits	**611,440,400**	727,356,513
Investments - *net*	**(48,812,297)**	885,076,406
Net cash generated from investing activities	**486,752,630**	1,545,684,501
Cash flow from financing activities		
Transaction costs paid for long term loans	**(34,369,163)**	(118,083,917)
Payment of lease liabilities	**(92,290,873)**	(87,584,070)
Proceeds received against financing	**11,848,920,474**	7,425,584,253
Repayments of financing	**(9,254,393,598)**	(6,943,941,530)
Net cash generated from financing activities	**2,467,866,840**	275,974,736
Effect of exchange rate changes on opening cash and cash equivalents	**137,680,067**	(2,026,598)
Net increase / (decrease) in cash and cash equivalents	**445,363,098**	(187,731,701)
Cash and cash equivalents at the beginning of the year	**5,923,306,812**	6,111,038,513
Cash and cash equivalents at the end of the year	**6,368,669,910**	5,923,306,812

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

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

1 The Company and its operations

Kashf Foundation (the Company) was incorporated in Pakistan on 15 February 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 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 341 (2021: 325) branches in Pakistan.

2 Statement of compliance

2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan 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;
- Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations);
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued 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 The State Bank of Pakistan (SBP), vide BPRD circular letter No. 03 of 2022 dated 05 July 2022 has deferred the applicability of IFRS 9 "Financial Instruments" till 01 January 2024. However, the Company has early adopted the standard during the year ended 30 June 2019.

3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following which are stated at fair values / present values:

- Revaluation of freehold land;
- Certain foreign currency translation adjustments;

- Fair value measurement of investment property;
- Fair value measurement of certain short term investment; and
- Right of use of assets and corresponding lease liabilities.

The financial statements are presented in Pakistani Rupees ("RS") which is the company's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

4 New standards / amendments to approved accounting standards and interpretations

4.1 There are a number of amendments and interpretations that are effective from 01 July 2021 however, these do not have any significant effect on the financial statements.

4.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 01 January 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that may arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This amendment enables the fair value measurement of biological assets on a post-tax basis.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 01 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing.

An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 01 January 2022.

- Classification of liabilities as current or non-current (Amendments to IAS 1) apply retrospectively for the annual periods beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include :

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 01 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments are not likely to have a material impact on the Company's financial statements.

5 Use of accounting estimates, judgements and assumptions

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differs 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 are as follows:

	Note
- Impairment of micro-credit loans and murabaha portfolio	6.4.4
- Fair value of derivatives (cross currency swaps)	6.5
- Lease term	6.10

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 item measured at fair value includes fair value measurements of cross currency swaps.

6 Summary of significant accounting policies

The significant accounting policies adopted for the preparation of the financial statements are set out below. The accounting policies have been consistently applied to all the years presented.

6.1 Property and equipment

Owned

These are stated at cost less accumulated depreciation and any identified impairment loss except land which is stated at revalued amount less any identified impairment loss. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

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 benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major repairs and improvements are capitalized and the carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income and expenditure account as and when incurred.

Increase in carrying amount arising of revaluation of land is credited to revaluation surplus on land account except for a reversal of deficit already charged to income and expenditure account. A revaluation deficit is recognized in income and expenditure, except for a deficit directly offsetting a previous surplus, in which case the deficit is taken to revaluation surplus on land.

Depreciation is calculated using the straight line method so as to write off the property and equipment, over their expected useful lives. Depreciation is calculated at the rates stated in note 7.1. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. The effect of any revision are charged to income and expenditure account for the year, when the changes arise. Depreciation on additions to property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized in statement of income and expenditure for the year.

Impairment

The Company assesses at each reporting 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.

When impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

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.

6.2 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. These are amortized using the straight line method over their estimated useful life.

Full month's amortization is charged in the month of addition while no amortization is charged in the month of deletion.

Subsequently the expenditure is capitalized when it increases the future economic benefits embodied in the specific assets to which it relates.

The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

6.3 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 statement of income and expenditure. 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 statement of income and expenditure.

6.4 Financial instruments

6.4.1 Financial assets - Classification and measurement

Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through other comprehensive income ("FVOCI"), or through profit or loss ("FVTPL"); and

- Those to be measured at amortized cost.

The classification depends upon entity's business model for managing the financial assets and the contractual terms of the cash flows.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and

- The designation of certain financial assets with respect to subsequent measurement either through income and expenditure or other comprehensive income.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including an interest / markup or dividend income, are recognised in statement of income and expenditure.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using effective interest method. The amortized cost is reduced by impairment losses, if any. Interest / markup income, foreign exchange gains, losses and impairment are recognised in statement of income and expenditure.

Debt investment at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of income and expenditure. Other net gains and losses are recognised in statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to statement of income and expenditure.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised in statement of income and expenditure unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of income and expenditure.

6.4.2 Financial liabilities - Classification and measurement

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of income and expenditure. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of income and expenditure. Any gain or loss on derecognition is recognised in statement of income and expenditure.

6.4.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in statement of income and expenditure.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

6.4.4 Impairment

The Company recognizes loss allowances for ECL on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI

An impairment loss is recognized if the carrying amount of assets exceeds its estimated recoverable amount. Impairment losses are recognized in income and expenditure. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the losses has decreased or no longer exists.

Additional information about how the Company measures allowance for impairment is detailed in note 42.2 of the financial statements.

6.4.5 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 recognized in statement of income and expenditure.

6.4.6 Off setting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal enforceable right to set off the transaction and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.5 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 recognized in statement of income and expenditure.

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 recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized 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 recognized immediately in statement of income and expenditure.

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 statement of income and expenditure in the same period or periods as the hedged expected future cash flows affect statement of income and expenditure.

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 statement of income and expenditure.

6.6 Investment in associates

Investments in 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 statement of income and expenditure.

6.7 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 6.4.4 is followed for recording of impairment loss.

6.8 Cash and cash equivalents

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

6.9 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.

6.10 Leases

6.10.1 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by taking average of the interest rates from its various external financing.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income and expenditure if the carrying amount of the right-of-use asset has been reduced to zero.

6.10.2 Right-of-use asset

The Company recognizes right-of-use asset at lease commencement date. The right-of-use asset is initially measured at cost which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of lease liability. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of the operating fixed assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability. Right-of-use assets are disclosed in the property and equipment as referred in note 7.1 to these financial statements.

6.11 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.

6.12 Loan loss reserve

General reserve up to 5% of the outstanding loan portfolio is created that is recognized in statement of accumulated funds.

6.13 Special reserve

The Company is required under the requirements of Non-Banking Finance Companies and Notified Entities Regulations, to maintain a special reserve to which an appropriation equal to 5% of the after tax surplus is made.

6.14 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.

6.15 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 statement of financial position, as deferred income, that is amortized over the useful life of the asset.

Grants related to project expenses are recognized as revenue in the statement of income and expenditure 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.

6.16 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.

6.17 Income 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 investments and bank deposits is recognized when earned. Dividend is recognized as income when right to receive dividend is established.

6.18 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 reporting 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 statement of income and expenditure.

6.19 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 reporting date and adjusted to reflect the current best estimate.

6.20 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.

7 Property and equipment

7.1 Operating fixed assets

2022

	Cost / revalued amount						Accumulated Depreciation				Net book value
	As at 1 July 2021	Additions	Disposals / write offs	Transfers	As at 30 June 2022	Rate %	As at 1 July 2021	Depreciation for the year	Disposals / write offs	Transfers	As at 30 June 2022	as at 30 June 2022
	Rupees						Rupees					
Owned assets												
Freehold land	355,725,000	-	-	-	355,725,000	-	-	-	-	-	-	355,725,000
Building on freehold land	183,385,484	-	-	-	183,385,484	5	44,239,302	9,169,274	-	-	53,408,576	129,976,908
Furniture and fixtures	83,308,953	6,380,630	(4,573,060)	5,000	85,121,523	10	38,950,161	7,871,473	(3,404,081)	5,000	43,422,553	41,698,970
Office equipments	108,172,032	7,547,627	(5,017,708)	(1,928,892)	108,773,059	10-20	55,510,003	11,286,312	(4,010,816)	(502,668)	62,282,831	46,490,228
Computer equipments	226,741,512	43,606,370	(11,603,211)	1,923,892	260,668,563	33.33	176,194,574	42,347,356	(11,071,786)	497,668	207,967,812	52,700,751
Vehicles	90,034,581	13,147,020	(5,527,411)	-	97,654,190	20	41,430,291	17,850,236	(5,008,216)	-	54,272,311	43,381,879
	1,047,367,562	70,681,647	(26,721,390)	-	1,091,327,819		356,324,331	88,524,651	(23,494,899)	-	421,354,083	669,973,736
Right-of-use assets												
Rented premises	282,911,364	42,919,322	(40,947,373)	-	284,883,313	Lease term	112,058,352	71,985,383	(23,075,010)	-	160,968,725	123,914,588
	282,911,364	42,919,322	(40,947,373)	-	284,883,313		112,058,352	71,985,383	(23,075,010)	-	160,968,725	123,914,588
Total	1,330,278,926	113,600,969	(67,668,763)	-	1,376,211,132		468,382,683	160,510,034	(46,569,909)	-	582,322,808	793,888,324

2021

	Cost / revalued amount						Accumulated Depreciation				Net book value
	As at 1 July 2020	Additions	Disposals / write offs	Transfers	As at 30 June 2021	Rate %	As at 1 July 2020	Depreciation for the year	Disposals / write offs	Transfers	As at 30 June 2021	as at 30 June 2021
	Rupees						Rupees					
Owned assets												
Freehold land	355,725,000	-	-	-	355,725,000	-	-	-	-	-	-	355,725,000
Building on freehold land	183,385,484	-	-	-	183,385,484	5	35,070,028	9,169,274	-	-	44,239,302	139,146,182
Furniture and fixtures	82,965,963	569,650	(226,660)	-	83,308,953	10	31,499,788	7,661,119	(210,746)	-	38,950,161	44,358,792
Office equipments	101,047,514	8,097,552	(973,034)	-	108,172,032	10-20	45,630,925	10,842,064	(962,986)	-	55,510,003	52,662,029
Computer equipments	238,783,081	13,237,039	(25,278,608)	-	226,741,512	33.33	145,712,921	54,805,453	(24,323,800)	-	176,194,574	50,546,938
Vehicles	40,177,022	33,978,795	(4,935,854)	20,814,618	90,034,581	20	22,076,516	9,218,767	(4,935,854)	15,070,862	41,430,291	48,604,290
	1,002,084,064	55,883,036	(31,414,156)	20,814,618	1,047,367,562		279,990,178	91,696,677	(30,433,386)	15,070,862	356,324,331	691,043,231
Right-of-use assets												
Rented premises	226,337,325	56,574,039	-	-	282,911,364	Lease term	49,917,436	62,140,916	-	-	112,058,352	170,853,012
Vehicles	21,693,022	-	(878,404)	(20,814,618)	-		11,361,780	4,323,964	(614,882)	(15,070,862)	-	-
	248,030,347	56,574,039	(878,404)	(20,814,618)	282,911,364		61,279,216	66,464,880	(614,882)	(15,070,862)	112,058,352	170,853,012
Total	1,250,114,411	112,457,075	(32,292,560)	-	1,330,278,926		341,269,394	158,161,557	(31,048,268)	-	468,382,683	861,896,243

7.2 Details of disposals of property and equipment

Particulars of assets	Particulars of buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Relationship with the Company	Mode of disposal
		--------	--------	Rupees	--------	--------		
Owned assets								
Vehicles								
Honda CD-70	Sajida Bibi	71,985	71,985	-	22,000	22,000	Employee	As per policy
Suzuki Swift	Muhamamd Afzal	1,235,323	1,235,323	-	1,461,000	1,461,000	Employee	As per policy
Suzuki Swift	Muhamamd Sajjad	1,235,323	1,235,323	-	1,520,000	1,520,000	Employee	As per policy
Suzuki WagonR	Sana Ullah Farrukh	1,121,790	747,860	373,930	1,391,000	1,017,070	Employee	As per policy
Suzuki WagonR VXL	Muhammad Yousaf	1,089,490	944,225	145,265	1,381,000	1,235,735	Employee	As per policy
Suzuki Mehran VXR	Muhammad Adnan	773,500	773,500	-	685,000	685,000	Third Party	Auction
Computer equipments	Various buyers	6,786,093	6,390,238	395,855	2,278,857	1,883,002	Third Party	Auction
Furniture and fixtures	Various buyers	2,601,346	2,077,967	523,379	581,520	58,141	Third Party	Auction
Office equipments	Various buyers	3,579,147	2,634,118	945,029	922,019	(23,010)	Third Party	Auction
		18,493,997	**16,110,539**	**2,383,458**	**10,242,396**	**7,858,938**		
Assets written off		8,227,393	7,384,360	843,033	-	(843,033)		
	2022	**26,721,390**	**23,494,899**	**3,226,491**	**10,242,396**	**7,015,905**		
	2021	31,414,156	30,433,386	980,770	7,283,383	6,302,613		

7.3 Allocation of depreciation

	2022 Rupees	2021 Rupees
Programme cost	**103,799,697**	107,602,191
Management and administrative expenses	**44,822,254**	46,788,557
Grant expenses	**11,888,083**	3,770,809
	160,510,034	158,161,557

7.4 Had there been no revaluation, the carrying value of freehold land would have amounted to Rs. 93.5 million (2021: Rs. 93.5 million). The plot area is 5.27 kanal and situated at the 1-C, Main Nazaria Pakistan, Opposite Expo Centre, Mouza Niaz Baig, Lahore.

7.5 The forced sale value of the revalued land had been assessed at Rs. 302.4 million at the time of revaluation.

7.6 Cost of operating fixed assets include cost of fully depreciated assets that are still in use amounting to Rs. 177.39 million (2021: 98.40 million).

8 Intangible assets

	Note	2022 Rupees	2021 Rupees
Software and licenses	8.1	**21,566,749**	27,071,140
Capital work in progress	8.2	**26,309,947**	10,873,725
		47,876,696	37,944,865

8.1 Software and licenses

	2022							
	Cost			Accumulated amortization			Net book value as at 30 June 2022	Rate %
	As at 1 July 2021	Additions	As at 30 June 2022	As at 1 July 2021	Amortization for the year	As at 30 June 2022		
	Rupees							
Licenses	8,840,649	-	8,840,649	3,204,980	640,996	3,845,976	4,994,673	20%
Software	30,053,235	-	30,053,235	8,617,764	4,863,395	13,481,159	16,572,076	33.33%
	38,893,884	-	**38,893,884**	**11,822,744**	**5,504,391**	**17,327,135**	**21,566,749**	

	2021							
	Cost			Accumulated amortization			Net book value	
	As at 1 July 2020	Additions	As at 30 June 2021	As at 1 July 2020	Amortization for the year	As at 30 June 2021	as at 30 June 2021	Rate %
	Rupees							
Licenses	3,979,609	4,861,040	8,840,649	2,645,124	559,856	3,204,980	5,635,669	20%
Software	6,615,859	23,437,376	30,053,235	5,483,568	3,134,196	8,617,764	21,435,471	33.33%
	10,595,468	28,298,416	38,893,884	8,128,692	3,694,052	11,822,744	27,071,140	

8.1.1 Allocation of amortization

	2022 Rupees	2021 Rupees
Management and administrative expenses	**4,682,807**	3,625,587
Grant expenses	**821,584**	68,465
	5,504,391	3,694,052

8.1.2 Cost of intangible assets include cost of fully amortized assets that are still in use amounting to Rs. 7.64 million (2021: 5.88 million).

8.2 Capital work in progress

Software

	2022 Rupees	2021 Rupees
Balance as at 01 July	**10,873,725**	21,023,376
Additions	**15,436,222**	12,787,725
Transfers	**-**	(22,937,376)
Balance as at 30 June	**26,309,947**	10,873,725

9 Investment property

	2022 Rupees	2021 Rupees
Balance as at 01 July	**88,150,750**	82,503,900
Gain from fair value measurement	**15,273,500**	5,646,850
Balance as at 30 June	**103,424,250**	88,150,750

The Company's investment properties consist of freehold land and building on freehold land of 2.006 kanal situated at 19 Aibak Block, New Garden Town, Lahore, which have been leased to third party in 2017. As at 30 June 2022 and 2021, the fair values of the properties are based on valuations performed by Tristar International Consultant (Private) Limited, an accredited independent valuer. The valuer is a specialist in valuing these types of investment properties. At the time of valuation, the forced sale value of the investment property had been assessed at Rs. 87.9 million (2021: 74.9 million).

	Note	2022 Rupees	2021 Rupees
Rental income derived from investment properties	38	**4,977,000**	5,328,948

10 Long term investments	Note	2022 Rupees	2021 Rupees
Investment in associate	10.1	-	-
Investment in term finance certificates	10.2	180,515,000	180,515,000
		180,515,000	180,515,000

10.1 Investment in associate - Kashf Holding (Private) Limited

	2022	2021
900,000 (2021: 900,000) fully paid shares of Rs 10/- each at cost, equity held 30.2% (2021: 30.2%)	63,000,000	63,000,000
Value of investment based on net assets as shown in the un-audited financial statements as at 30 June 2022 (2021: un-audited)		
Accumulated share of loss of associate - based on audited financial statements	(63,000,000)	(63,000,000)
	-	-

Summary of financial information of the associate is as follows:	31 Dec 2021 Rupees Audited	31 Dec 2020 Rupees Audited
Total assets	59,112,779	59,036,317
Total liabilities	636,472,284	379,746,687
Total equity	(577,359,505)	(320,710,370)
Loss for the year	(256,649,135)	(8,404,927)

Share of loss amounting to Rs. 174.36 million (2021: Rs. 96.85 million) has been restricted to cost of investment in associate. The principal activity of the Kashf Holding (Private) Limited is making investment in its associated undertaking. The registered office of the Company is situated at 1-C, Shahrah Nazarea-e-Pakistan, Lahore, Pakistan.

10.2 This represents term finance certificates purchased from Bank Alfalah Limited on 15 January 2021. The instrument carries markup of 9.03% per annum with maturity of three years.

11 Long term loans	Note	2022 Rupees	2021 Rupees
Related party - unsecured			
Loan to Kashf Holding (Private) Limited	11.1	220,239,935	220,239,935
Less: Accumulated impairment	11.2	(220,239,935)	(220,239,935)
		-	-
Loan to employees - unsecured	11.3	1,221,141	217,730
		1,221,141	217,730

11.1 This represents a loan given under an agreement to Kashf Holding (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 20 January 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 01 July 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. 18 million was received in 2021 from KHL as mentioned in note 38. Total Rs. 41 million has been received from KHL so far.

11.2 Movement in accumulated impairment:	Note	2022 Rupees	2021 Rupees
Balance as at 01 July		220,239,935	238,239,935
Less: Reversal due to recovery of loan	38	-	(18,000,000)
Balance as at 30 June		220,239,935	220,239,935

11.3 These are interest free loans. Impact of discounting of these interest free loans is immaterial.

12	Long term micro-credit loan portfolio *-unsecured*	Note	2022 Rupees	2021 Rupees
	Kashf School Sarmaya	12.1	44,182,484	48,274,490
	Kashf Karobar Karza	12.2	398,559,701	-
	Kashf Muwaishi Karza	12.3	153,851,146	394,657,117
			596,593,331	442,931,607
	Due within one year:			
	Kashf School Sarmaya		(35,483,230)	(46,169,940)
	Kashf Karobar Karza		(296,687,036)	-
	Kashf Muwaishi Karza		(118,556,562)	(393,985,750)
			(450,726,828)	(440,155,690)
	Less: Impairment allowance on long term micro-credit loans	15.8	(1,857,245)	(2,558,955)
			144,009,258	216,962

12.1 Kashf school sarmaya karza represent micro-credit loans for educational activities with loan amount ranging from Rs 80,000 to Rs 500,000 each. The outstanding balance is repayable along with service charges and life insurance over a period of eighteen months to twenty four months, payable in equal monthly installments. The effective yield on these loans ranges from 35.60% to 35.94% (2021: 35.60% to 35.94%) per annum.

12.2 Kashf karobar karza represents micro-credit loans for productive/income generating activities. The initial loan amount is Rs. 30,000 and the maximum loan amount of Rs. 225,000 each. The outstanding balance is repayable along with service charges and kashf sehatmand zindagi bema over a period of eighteen to twenty four months in equal monthly installments. The effective yield on these loans is from 35.46% to 35.61% (2021: nill) per annum.

12.3 Kashf muwaishi karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with an individual loan amount of Rs. 80,000 to Rs. 250,000. The outstanding balance is payable over a period upto eighteen months to twenty four months, payable in equal monthly installments. The effective yield on this loan ranges from 35.46% to 35.61% (2021:35.46% to 35.61%) per annum.

12.4 Impact of discounting of long term micro-credit loan is considered immaterial.

13 Financial assets / (liabilities) used for hedging

The Company enters into derivative 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 reporting date, taking into account the current market conditions (rate parity, volatility, yield curve).

	Derivative Contracts Number	Fair Values Rupees	Notional Amounts USD
30 June 2022			
MCB Bank Limited	2	263,479,646	3,776,786
Standard Chartered Bank Limited	10	1,390,396,308	40,100,399
Habib Bank Limited	4	933,232,135	19,925,000
		2,587,108,089	63,802,185
Less: Current portion		(1,319,960,982)	(29,673,038)
		1,267,147,107	34,129,147

	Derivative Contracts Number	Fair Values Rupees	Notional Amounts USD
30 June 2021			
MCB Bank Limited	4	263,674,078	8,425,357
Faysal Bank Limited	1	(6,957,360)	1,500,000
Standard Chartered Bank Limited	5	(76,474,893)	23,500,837
Habib Bank Limited	4	(25,873,874)	27,924,909
		154,367,951	61,351,103
Less: Current portion		(51,112,473)	(21,548,948)
		103,255,478	39,802,155

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Since the hedge is effective during the year, therefore, all the gain on hedging transaction has been recognized in other comprehensive income.

		Note	2022 Rupees	2021 Rupees
14	**Long term deposits**			
	Security deposit:			
	- against repayment guarantee from Silk Bank		79,500,000	-
	- against electricity connection		463,360	463,360
			79,963,360	463,360

			2022 Rupees	2021 Rupees
15	**Micro-credit loan portfolio - *unsecured***			
	Kashf Karobar Karza	15.1	14,660,190,223	12,584,621,733
	Kashf Bahali Karza	15.2	94,874,995	1,459,368,767
	Kashf Easy Loan	15.3	1,378,047,907	1,215,441,620
	Kashf Sahulat Karza	15.4	137,013,506	22,442,033
	Kashf Fori Karza	15.5	137,546,453	-
	Kashf Muwaishi Karza	15.6	2,095,762,280	-
	Kashf School Sarmaya	15.7	95,552,629	-
			18,598,987,993	15,281,874,153
	Accrued service charges		257,708,837	189,751,177
	Current portion of long term micro-credit loan portfolio	12	450,726,828	440,155,690
			19,307,423,658	15,911,781,020
	Less: Accrued service charges disclosed separately in statement of financial position	17	(257,708,837)	(189,751,177)
	Less: Impairment allowance on micro-credit loans	15.8	(305,702,333)	(478,345,889)
	Less: Modification loss on financial assets		-	(24,938,344)
			18,744,012,488	15,218,745,610

15.1 Kashf karobar karza represents micro-credit loans for productive/income generating activities. The initial loan amount is Rs. 30,000 and the maximum loan amount cannot exceed Rs. 150,000 each. The outstanding balance is repayable along with service charges and kashf sehatmand zindagi bema over a period of twelve months in equal monthly installments. The effective yield on these loans is 35.91% (2021: 35.91%) per annum.

15.2 Kashf bahali karza represents micro-credit loans to clients whose businesses were impacted by multiple lockdowns due to Covid outbreak. It was launched in December 2020 with sunset clause till January 2022. The basic purpose of the loan is to provide liquidity to those clients whose businesses were illiquid and injection of liquidity help them to revive their business and livelihood. The loan ranges from Rs. 50,000 to Rs. 150,000. The outstanding balance is repayable along with service charges and kashf sehatmand zindagi bema over a period of twelve months in equal monthly installments. The effective yield on these loans is 35.91% (2021: 35.91%) per annum.

15.3 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 a minimum amount of Rs. 20,000 and maximum amount is Rs. 25,000. The outstanding balance is payable over a period of twelve months in equal monthly installments. The effective yield on this loan is 36.74% (2021: 36.74%) per annum.

15.4 Kashf sahulat karza represents micro-credit loans provided to such clients who have already obtained kashf karobar karza for their domestic use with a minimum amount of Rs. 5,000 and maximum amount is Rs. 7,000. The outstanding balance is payable over a period of six months in equal monthly installments. The effective yield on this loan is 36.79% (2021: 36.79%).

15.5 Kashf fori karza represents micro-credit loans provided to clients for their domestic use with a fixed amount of Rs. 10,000. The outstanding balance is payable over a period of upto nine months in equal monthly installments. The effective yield on this loan is 35.91% to 60.00% (2021: nill).

15.6 Kashf muwaishi karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with an individual loan amount of Rs. 80,000 to Rs. 150,000. The outstanding balance is payable over a period of six months to twelve months, payable in equal monthly installments. The effective yield on this loan 35.72% (2021: 35.50%) per annum.

15.7 Kashf school sarmaya Karza represent micro-credit loans for educational activities with loan amount ranging from Rs. 80,000 to Rs. 500,000 each. The outstanding balance is repayable along with service charges and life insurance over a period of twelve months, payable in equal monthly installments. The effective yield on this loan is from 37.07% (2021: 37.07%) per annum.

15.8 Movement in impairment allowance

	2022 Rupees	2021 Rupees
Balance as at 01 July	**480,904,844**	491,485,767
Impairment loss for the year	**157,991,347**	475,503,118
	638,896,191	966,988,885
Written off against impairment allowance	**(331,336,613)**	(486,084,041)
Balance as at 30 June	**307,559,578**	480,904,844

Break up of impairment allowance among non-current and current portion is as follows:

Non-current portion	**1,857,245**	2,558,955
Current portion	**305,702,333**	478,345,889
	307,559,578	480,904,844

15.9 Number of loans

Considered good	**594,936**	502,291
Considered doubtful	**29,394**	55,749
Less: Loans written off	**(17,029)**	(22,102)
	12,365	33,647
	607,301	535,938

15.10 Aging analysis of loan portfolio - (long term and short term)

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.

	2022 Percentage	2021 Percentage	2022 Rupees	2021 Rupees
Not due yet	**98.07%**	95.54%	**18,824,512,343**	15,023,090,589
1-29 days	**0.31%**	0.68%	**59,695,097**	107,304,511
30-89 days	**0.06%**	2.45%	**11,138,418**	385,271,035
90-179 days	**0.05%**	1.10%	**10,071,197**	173,621,662
More than 180 days	**1.51%**	0.23%	**290,164,269**	35,517,963
	100%	100%	**19,195,581,324**	15,724,805,760

15.11 Portfolio by segment

	2022 Rupees	2021 Rupees
Micro enterprise		
Agriculture and livestock	**5,524,032,143**	4,239,273,673
Services	**2,767,530,653**	2,697,232,372
Trading	**2,981,762,377**	2,477,535,137
Manufacturing	**551,564,829**	572,880,386
	11,824,890,002	9,986,921,568
General loan		
Domestic	**1,621,574,839**	1,241,302,290
School	**139,765,010**	48,379,308
Food production and services	**802,185,034**	779,801,975
Garments and handicrafts	**4,807,166,439**	3,668,400,619
	7,370,691,322	5,737,884,192
	19,195,581,324	15,724,805,760

16 Kashf Murabaha portfolio	Note	2022 Rupees	2021 Rupees
Kashf Murabaha receivable		908,391,923	661,535,276
Less: Unearned Murabaha income		(156,481,587)	(111,515,286)
	16.1	751,910,336	550,019,990
Less: Impairment allowance on Murabaha	16.2	(25,265,661)	(10,579,032)
		726,644,675	539,440,958

16.1 Murabaha facility was introduced in 2014 to provide financing facility under Islamic (Shariyah) principles. It represents the outstanding balance of cost of goods sold under Murabaha agreement. Facility ranges between Rs. 30,000 to Rs. 150,000 each. The outstanding balance is repayable along with profit on Murabaha over a period of twelve months. Profit is allocated at the rate of 20.8% (2021: 20.8%) on terms of Murabaha agreement.

16.2 Movement in impairment allowance	2022 Rupees	2021 Rupees
Balance as at 01 July	10,579,032	13,945,122
Impairment loss for the year	25,156,729	11,158,507
	35,735,761	25,103,629
Written off against impairment allowance	(10,470,100)	(14,524,597)
Balance as at 30 June	25,265,661	10,579,032

16.3 Number of Murabaha's

Considered good	21,761	18,148
Considered doubtful	632	1,395
Less: Clients written off	(555)	(676)
	77	719
	21,838	18,867

16.4 Aging analysis of Murabaha portfolio

The Company's main indicator of Murabaha loan delinquency is the portfolio-at-risk ratio. Murabaha are segregated into classes depending on the number of days they are overdue. For each class of Murabaha, the outstanding principal balance of such Murabaha is divided by the principal balance of the gross Murabaha portfolio for Murabaha 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 profit on late payment into principal.

	2022 Percentage	2021 Percentage	2022 Rupees	2021 Rupees
Not due yet	99.21%	97.69%	745,962,824	537,330,166
1-29 days	0.52%	0.40%	3,933,202	2,189,346
30-89 days	0.09%	1.16%	681,914	6,368,328
90-179 days	0.04%	0.59%	301,184	3,250,826
More than 180 days	0.14%	0.16%	1,031,212	881,324
	100%	100%	751,910,336	550,019,990

16.5 Murabaha portfolio by segment	2022 Rupees	2021 Rupees
Micro enterprise		
Agriculture and livestock	139,482,272	109,431,699
Services	129,337,843	106,726,450
Trade	367,387,667	249,090,393
Manufacturing	11,381,141	12,534,894
	647,588,923	477,783,436
General loan		
Food production and services	33,396,955	28,313,843
Garments and handicrafts	70,924,458	43,922,711
	104,321,413	72,236,554
	751,910,336	550,019,990

		Note	2022 Rupees	2021 Rupees
17	**Accrued service charges**			
	Micro-credit loans		**257,708,837**	189,751,177
	Murabaha		**3,198,478**	2,439,189
	Less: Impairment allowance		**(4,357,152)**	(1,230,019)
			256,550,163	190,960,347

		Note	2022 Rupees	2021 Rupees
18	**Short term investments**			
	Investments classified as at FVTPL			
	Faysal Income and Growth Fund (144,068 units (2021: 132,666 units))		**15,426,815**	14,170,044
	NBP Money Market Fund (6,484,637 units(2021: 5,950,107 units))		**68,419,405**	62,722,458
			83,846,220	76,892,502
	Investments at Amortized Cost			
	Term deposit certificates			
	- Local currency		**700,000,000**	700,000,000
	- Foreign currency		**502,079,262**	386,139,609
		18.1	**1,202,079,262**	1,086,139,609
	Term finance certificates	18.2	**100,000,000**	50,000,000
			1,302,079,262	1,136,139,609
			1,385,925,482	1,213,032,111

18.1 These term deposits carry mark-up ranging from 3.25% to 15.15% (2021: 3.25% to 9%) per annum. The term deposit certificates with JS Bank and Silk Bank Limited aggregating to Rs. 450 million with the maturity of one year have been pledged as security against running financing facility availed from commercial banks.

18.2 These term finance certificates carry markup ranging from 9.93% to 17.42% (2021: 9.60%) per annum having maturity date of 31 December 2022.

		Note	2022 Rupees	2021 Rupees
19	**Advances, deposits, prepayments and other receivables**			
	Advance to employees against expenses		**2,491,369**	431,520
	Advances to agents against Murabaha		**3,755,000**	7,510,000
	Short term deposits		**770,500**	670,500
	Prepayments		**16,572,141**	16,178,500
	Accrued return on investments and bank deposits		**90,274,821**	55,124,487
	Unearned Murabaha income	16	**156,481,587**	111,515,286
	Advance tax recoverable		**436,538,732**	343,187,382
	Documentation fee receivable		-	362,269
	Advances to suppliers		**9,154,740**	5,931,903
	Provident fund trust receivables		**4,500,787**	-
	Insurance claims receivables		**40,232,895**	21,293,889
	Commission receivable		**23,893,206**	16,924,275
	Other receivables	19.1	**84,267,199**	25,757,247
			868,932,977	604,887,258

	Note	2022 Rupees	2021 Rupees
19.1 Other receivable includes:			
Takaful contribution		**13,441,068**	8,662,774
Employee field discrepancies		**6,152,896**	2,889,452
CMS charges		**4,529**	4,529
Insurance Premium		**28,478,185**	7,628,405
Receivable from third parties		**36,190,521**	6,572,087
		84,267,199	25,757,247

20 Cash and bank balances

	Note	2022 Rupees	2021 Rupees
Cash in hand		**3,721,551**	5,708,696
Balance at banks:			
In current accounts - local currency		**95,349,626**	64,916,191
In saving accounts - local currency		**5,668,484,286**	5,402,241,777
- foreign currency		**601,114,447**	450,440,148
	20.1	**6,269,598,733**	5,852,681,925
		6,368,669,910	5,923,306,812

20.1 Cash with banks in saving accounts carry mark-up at rates ranging from 8.25 % to 15% (2021: 5% to 8.5%) per annum.

21 Donated funds

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

22 Loan loss reserve

Loan loss reserve has been created at the rate of 5% of outstanding loan portfolio of the Company. This reserve is used for the write-off of loans given under Pakistan Micro Finance Investment Company (PMIC) scheme and is replenished by the Company from general reserve.

	Note	2022 Rupees	2021 Rupees
23 Long term financing			
Long term loans	23.1	**12,514,952,944**	10,162,784,549

23.1 Long term loans

	Note	2022 Rupees	2021 Rupees
Local currency loans	23.1.1	**9,979,959,961**	8,708,161,771
Foreign currency loans	23.1.2	**10,538,055,724**	9,559,715,891
Translation loss on foreign currency loans	23.2	**2,560,549,475**	130,940,710
		23,078,565,160	18,398,818,372
Less: Unamortized transaction cost		**(99,525,061)**	(164,483,487)
		22,979,040,099	18,234,334,885
Less: Current portion of long term loan		**(10,464,087,155)**	(8,071,550,336)
		12,514,952,944	10,162,784,549

23.1.1 **Local currency loans**

Sr. No.	Lender	Type	2022 Rupees	2021 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
Local currency - secured								
1	JS Bank Limited	Term Finance Facility	**181,818,182**	545,454,545	1 M KIBOR + 1.85%	6 installments ending on 27 Dec 2022	Monthly	The loan is secured against the first pari-passu charge on all present and future current assets with 25% margin.
2	Askari Bank Limited	Long Term Finance	**41,666,667**	208,333,333	3 M KIBOR + 2%	1 installment ending on 22 Aug 2022	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.
3	MCB Bank Limited	Demand Finance-I	**125,000,000**	250,000,000	6 M KIBOR+2.25%	4 installments ending on 27 April 2023	Quarterly	The loan is secured against the first 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%.
4	MCB Bank Limited	Demand Finance-II	**375,000,000**	500,000,000	6 M KIBOR+2%	12 installments ending on 21 May 2025	Quarterly	The loan is secured against the first 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%.
5	Pak-China Investment Company Limited	Term Finance Facility	**222,222,222**	311,111,111	3 M KIBOR + 2.5%	5 installments ending on 18 September 2024	Quarterly	The loan is secured against the first 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%.
6	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	-	109,000,000	6 M KIBOR + 3%	-	Quarterly	This loan has been fully repaid during the year.

Sr. No.	Lender	Type	2022 Rupees	2021 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
7	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	-	132,000,000	6 M KIBOR + 3%	-	Quarterly	This loan has been fully repaid during the year.
8	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	-	1,891,750,000	6 M KIBOR + 3%	-	Quarterly	This loan has been fully repaid during the year.
9	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	**262,500,000**	612,500,000	6 M KIBOR + 3%	3 installments ending on 31 Dec 2022	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
10	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	**3,837,500,000**	1,354,750,000	6 M KIBOR + 3.1%	10 installments ending on 30 Sep 2024	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
11	National Bank of Pakistan	Term Loan	**312,500,000**	562,500,000	3 M KIBOR + 2%	5 installments ending on 31 July 2023	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.
12	The Bank of Punjab	Term Finance Facility	**166,666,667**	333,333,333	3 M KIBOR + 1.9%	4 installments ending on 28 April 2023	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.
13	Pak Oman Investment Company Limited	Term Finance Certificates	**833,333,333**	1,500,000,000	3 M KIBOR + 2.25%	5 installments ending on 30 September 2023	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. These term finance certificates are listed on Pakistan Stock Exchange.

Sr. No.	Lender	Type	2022 Rupees	2021 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
14	Bank Alfalah Limited	Term Finance Facility-II	**40,028,175**	200,140,873	3.00%	1 installments ending on 01 October 2022	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio) with the margin of 25%.
15	Bank Alfalah Limited	Term Finance Facility-III	**39,457,715**	197,288,575	3.00%	1 installments ending on 01 October 2022	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio) with the margin of 25%.
16	State Bank of Pakistan	Term Finance Facility	**374,900,000**	-	6 M KIBOR + 0.5%	Bullet payment on 30 June 2026	Semi annually	The loan is secured against the repayment guarantee from Silk Bank of Rs. 415 million.
17	State Bank of Pakistan	Term Finance Facility	**617,367,000**	-	6 M KIBOR + 0.5%	Bullet payment on 30 June 2025	Semi annually	The loan is secured against the repayment guarantee from Silk Bank of Rs. 190 million and Rs. 500 million from Bank of Punjab.
18	National Bank of Pakistan	Term Loan	**1,000,000,000**	-	3 M KIBOR + 1.25%	12 installments ending on 31 December 2026	Quarterly	The loan is secured against first pari-passu charge on all present and future current assets (other than the investment portfolio) with 25% margin amounting to pkr 1,334 million in addito to NBP existing charge.
19	Standard Chartered Bank	Term Loan	**800,000,000**	-	1 Y KIBOR + 2%	4 installments ending on 21 June 2023	Quarterly	The loan is secured against first pari-passu charge on all present and future current assets (other than the investment portfolio) with 25% margin.
20	The Bank of Punjab	Term Finance Facility	**750,000,000**	-	3 M KIBOR + 1.9%	9 installments ending on 29 Sep 2024	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.
			9,979,959,961	8,708,161,771				

23.1.2 Foreign currency loans

Sr. No.	Lender	Type	Cross Currency Swap	Note	2022 Rupees	2021 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
21	Proparco	Term Loan	Converted by MCB	23.1.2.1	82,607,143	247,821,429	13.20%	1 installment ending on 20 November 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 133% of outstanding loan amount.
22	FMO	MASSIF Facility	Converted by MCB	23.1.2.2	-	144,562,500	13.30%	-	Semi Annually	This loan has been fully repaid during the year.
23	Microvest	Senior Term Loan Senior Term Loan	Converted by MCB -	23.1.2.3	- -	29,106,000 350,097	3 M KIBOR + 3.75% 3 M LIBOR + 4.15%	- -	Quarterly Quarterly	This loan has been fully repaid during the year.
24	Overseas Private Investment Corporation	Term Loan	Converted by MCB	23.1.2.4	425,534,375	668,696,875	3 M KIBOR + 3.55%	7 installments ending on 15 January 2024	Quarterly	The loan is secured against pari passu charge including a margin of 10% above the total OPIC principal amount.
25	GLS Alternative Investments-Mikrofinanzfonds	Term Loan	Converted by FBL	23.1.2.5	-	244,050,000	6 M KIBOR + 4.10%	-	Yearly	This loan has been fully repaid during the year.
26	OESTERREICHISCHE ENTWICKLUNGSBANK AG-OeEB	Term Loan	Converted by SCB	23.1.2.6	972,625,000	1,361,675,000	6 M KIBOR + 2.90%	5 installments ending on 19 July 2024	Semi annually	Unsecured loan.
27	GLS Alternative Investments-Mikrofinanzfonds	Term Loan	Converted by SCB	23.1.2.7	152,677,800	305,355,600	3 M KIBOR + 2.04%	1 installment ending on 10 February 2023	Quarterly	Unsecured loan.
		Term Loan	-		2,048,467	3,150,874	3 M LIBOR + 4.1%	1 installment ending on 10 February 2023	Quarterly	
28	Asian Development Bank	Term Loan	Converted by HBL	23.1.2.8	617,400,000	1,234,800,000	6 M KIBOR + 2.16%	2 installments ending on 11 February 2023	Semi annually	Unsecured loan.
		Term Loan	Converted by SCB		445,995,318	891,990,633	6 M KIBOR + 1.65%	2 installments ending on 11 February 2023	Semi annually	Unsecured loan.
		Term Loan	-		5,736	8,822	6 M Libor + 4.25%	2 installments ending on 11 February 2023	Semi annually	

Sr. No.	Lender	Type	Cross Currency Swap	Note	2022 Rupees	2021 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
29	BlueOrchard - Insu Resilience	Term Loan	Converted by HBL	23.1.2.9	1,235,520,000	1,235,520,000	6 M KIBOR + 2.22%	2 installments ending on 28 January 2024	Semi annually	Unsecured loan.
		Term Loan	-		15,363,503	11,815,778	6 M LIBOR + 4.15%	2 installments ending on 28 January 2024	Semi annually	
30	Incofin CVSO	Term Loan	Converted by SCB	23.1.2.10	199,688,924	399,377,848	6 M KIBOR + 2.7%	1 installment ending on 8 December 2022	Semi annually	Unsecured loan.
		Term Loan	-		1,274,089	1,959,765	6 M LIBOR + 4.5%	1 installment ending on 8 December 2022	Semi annually	
31	Incofin MEF	Term Loan	Converted by SCB	23.1.2.11	794,722,500	794,722,500	6 M KIBOR + 2.6%	2 installments ending on 8 December 2023	Semi annually	Unsecured loan.
		Term Loan	-		10,242,335	7,877,185	6 M LIBOR + 4.5%	2 installments ending on 8 December 2023	Semi annually	
32	Finnfund	Term Loan	Converted by HBL	23.1.2.12	635,600,000	794,500,000.00	6 M KIBOR + 3.64%	4 installments ending on 17 February 2024	Semi annually	Unsecured loan.
		Term Loan	Converted by SCB		637,000,000	-	11.05%	4 installments ending on 17 February 2024	Semi annually	Unsecured loan.
33	CDC	Term Loan	Converted by HBL	23.1.2.13	709,425,000	1,182,374,995	7.50%	3 installments ending on 21 December 2023	Semi annually	Unsecured loan.
		Term Loan	Converted by SCB		801,800,000	-	6 M KIBOR + 3.65%	3 installments ending on 21 December 2023	Semi annually	Unsecured loan.
34	Symbiotics	Term Loan	Converted by SCB	23.1.2.14	979,821,437	-	6 M KIBOR + 3.55%	2 installments ending on 30 November 2024	Semi annually	Unsecured loan.
		Term Loan			4,097	-	6 M LIBOR + 4.15%	2 installments ending on 30 November 2024	Semi annually	
35	Proparco	Term Loan	Converted by SCB	23.1.2.15	890,750,000	-	6 M KIBOR + 3.45%	4 installments ending on 15 May 2025	Semi annually	Unsecured loan.
		Term Loan			928,750,000	-	6 M KIBOR + 4.1%	4 installments ending on 15 May 2025	Semi annually	Unsecured loan.
					10,538,055,724	9,559,715,891				

23.1.2.1 The Company entered into cross currency swap agreement with MCB Bank on 24 April 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%.

23.1.2.2 The Company entered into cross currency swap agreement with MCB Bank on 21 May 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%.

23.1.2.3 The Company entered into cross currency swap agreement with MCB Bank on 25 October 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%.

23.1.2.4 The Company entered into cross currency swap agreement with MCB Bank on 14 February 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%.

23.1.2.5 The Company entered into cross currency swap agreement with Faysal Bank on 26 June 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%.

23.1.2.6 The Company entered into cross currency swap agreement with Standard Chartered Bank on 01 November 2019. Loan is translated at the exchange rate of Rs. 155.62/USD converting the liability of USD 10,000,000 to Rs. 1,556,200,000 and the interest rate is converted from 6 Month LIBOR plus 4% to a variable rate of 6M KIBOR plus 2.90%.

23.1.2.7 The Company entered into cross currency swap agreement with Standard Chartered Bank on 21 February 2020. Loan is translated at the exchange rate of Rs. 154.22/USD converting the liability of USD 1,980,000 to Rs. 305,355,600 and the interest rate is converted from 3 Month LIBOR plus 4.1% to a variable rate of 3M KIBOR plus 2.04%.

23.1.2.8 The Company entered into cross currency swap agreement with Habib Bank Ltd for first Tranche of Loan on 12 February 2020. Loan is translated at the exchange rate of Rs. 154.35/USD converting the liability of USD 9,999,930 to Rs. 1,543,489,195.50 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 2.16%.

The Company entered into cross currency swap agreement with Standard Chartered Bank for second Tranche of Loan on 09 April 2020. Loan is translated at the exchange rate of Rs. 167.25/USD converting the liability of USD 6,666,596.66 to Rs. 1,114,988,291.39 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 1.65%.

23.1.2.9 The Company entered into cross currency swap agreement with Habib Bank Ltd on 29 July 2020. Loan is translated at the exchange rate of Rs. 166.40/USD converting the liability of USD 7,425,000 to Rs. 1,235,520,000 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 2.22%.

23.1.2.10 The Company entered into cross currency swap agreement with Standard Chartered Bank on 09 December 2020. Loan is translated at the exchange rate of Rs. 160.55/USD converting the liability of USD 2,487,560.50 to Rs. 399,377,847.91 and the interest rate is converted from 6 Month LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.7%.

23.1.2.11 The Company entered into cross currency swap agreement with Standard Chartered Bank on 09 December 2020. Loan is translated at the exchange rate of Rs. 160.55/USD converting the liability of USD 4,950,000 to Rs. 794,722,500 and the interest rate is converted from 6 Month LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.6%.

23.1.2.12 The Company entered into cross currency swap agreement with Habib Bank Ltd for first tranche of Loan on 18 February 2021. Loan is translated at the exchange rate of Rs. 158.9/USD converting the liability of USD 5,000,000 to Rs. 794,500,000 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 3.64%.

The Company entered into cross currency swap agreement with Standard Chartered Bank for second tranche of Loan on 15 July 2021. Loan is translated at the exchange rate of Rs. 159.25/USD converting the liability of USD 5,000,000 to Rs. 796,250,000 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a fixed rate of 11.05%.

23.1.2.13 The Company entered into cross currency swap agreement with Habib Bank Ltd for first tranche of loan on 25 June 2021. Loan is translated at the exchange rate of Rs. 157.65/USD converting the liability of USD 7,499,965 to Rs. 1,182,369,482.25 and the interest rate is converted from 6 Month LIBOR to a fixed rate of 7.50%.

The Company entered into cross currency swap agreement with Standard Chartered Bank for second tranche of loan on 21 December 2021. Loan is translated at the exchange rate of Rs. 178/USD converting the liability of USD 6,000,000 to Rs. 1,068,000,000 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6 month KIBOR plus 3.65%.

23.1.2.14 The Company entered into cross currency swap agreement with Standard Chartered Bank on 22 December 2021. Loan is translated at the exchange rate of Rs. 178.15/USD converting the liability of USD 5,499,980 to Rs. 979,821,437 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 3.55%.

23.1.2.15 The Company entered into cross currency swap agreement with Standard Chartered Bank for first tranche of loan on 22 December 2021. Loan is translated at the exchange rate of Rs. 178.15/USD converting the liability of USD 5,000,000 to Rs. 890,750,000 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6 month KIBOR plus 3.45%.

The Company entered into cross currency swap agreement with Standard Chartered Bank for second tranche of loan on 27 April 2022. Loan is translated at the exchange rate of Rs. 185.75/USD converting the liability of USD 5,000,000 to Rs. 928,750,000 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6 month KIBOR plus 4.10%.

23.2 Translation loss on foreign currency loans

Foreign currency loans have been translated to Pakistan Rupees using spot rate as at the reporting date.

24 Lease liabilities

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) is 15.425%. The amount of future payments and the period during which they will become due are:

	2022 Rupees	2021 Rupees
Period ending 30 June		
2022	-	84,458,668
2023	**86,432,306**	92,774,903
2024	**56,191,588**	43,823,482
2025	**11,918,222**	2,253,273
2026	**930,152**	574,782
2027	**147,590**	-
	155,619,858	223,885,108
Less: Future finance charges	**(16,404,887)**	(26,563,224)
	139,214,971	197,321,884
Less: Current maturity of long term lease liability	**(77,981,155)**	(68,511,543)
	61,233,816	128,810,341

24.1 Set out below are the carrying amounts of lease liabilities and the movement during the year:

	Note	2022 Rupees	2021 Rupees
Balance as at 01 July		**197,321,884**	200,252,110
Additions during the year		**42,919,322**	56,574,039
Markup on lease liabilities		**17,396,142**	19,158,457
		257,637,348	275,984,606
Less: Lease rentals paid		**(92,290,873)**	(78,662,722)
Less: Lease termination		**(26,131,504)**	-
Balance as at 30 June		**139,214,971**	197,321,884

25 Short term borrowings

	Note	2022 Rupees	2021 Rupees
Short term running finance - secured	25.1	**348,452,459**	-
KIVA loan - foreign currency loan - unsecured	25.2	**43,694,023**	43,415,547
		392,146,482	43,415,547

25.1 This represents utilized amount of short term running finance facilities under mark-up arrangements available from MCB aggregating to Rs. 500 million (2021: Rs. 500 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 45 bps per annum (2021: 3 months KIBOR plus 45 bps per annum). This is secured against lien on term deposit certificate of Rs. 400 million of JS Bank (2021: secured against lien on term deposit certificate of Rs. 300 million of JS Bank) .This facility is expiring on 28 February 2023.

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

	OMV (Pakistan) Exploration GmbH	Pakistan Poverty Alleviation Fund	Coca Cola Foundation	I-Care Foundation	Sindh Education	UN Women Fund	Philip Morris	Skoll Foundation	UNDP	PMIC - OI	FMO	GAC	Miscellaneous local donations	Deferred grants for assets	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2020	12,961	346,229	15,245,615	1,720	-	-	12,402,900	-	18,999	-	-	-	1,290,741	5,002,250	34,321,415
Funds received in cash	-	1,845,941	-	-	3,652,250	1,845,000	-	-	-	2,004,787	7,783,541	406,160,203	85,250	-	425,376,972
Funds utilized for assets	-	-	(763,631)	-	-	-	(351,400)	-	(18,999)	-	-	(34,468,450)	-	38,594,980	2,992,500
	12,961	2,192,170	14,481,984	1,720	3,652,250	1,845,000	12,051,500	-	-	2,004,787	7,783,541	373,691,753	1,375,991	43,597,230	462,690,887
Funds utilized															
Lending	-	-	(4,640,000)	-	-	-	-	-	-	-	-	-	-	-	(4,640,000)
Recognized as income-															
asset amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,839,274)	(3,839,274)
service level agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	(90,738)	(90,738)
operating expenses	-	(2,184,831)	(8,537,106)	-	(1,903,000)	(1,845,000)	(8,400,487)	-	-	-	(7,619,094)	(33,270,426)	(158,790)	-	(63,919,796)
	-	(2,184,831)	(13,177,106)	-	(1,903,000)	(1,845,000)	(8,400,487)	-	-	-	(7,619,094)	(33,270,426)	(158,790)	(3,930,012)	(72,483,808)
Adjustment against grant receivable	-	-	-	-	(1,749,250)	-	-	-	-	(2,164,787)	-	-	-	-	(3,914,037)
Transferred to other income	-	-	-	-	-	-	-	-	-	160,000	(164,447)	-	-	(5,565)	(10,012)
As at 30 June 2021	12,961	7,339	1,304,816	1,720	-	-	3,651,013	-	-	-	-	340,421,327	1,216,201	39,661,653	386,277,030
Funds received in cash	-	-	-	6,977,377	216,788	-	9,900,000	15,740,000	-	-	-	-	662,714	-	33,496,879
Funds utilized for assets	-	-	-	(180,000)	-	-	(1,601,376)	-	-	-	-	(16,762,577)	-	22,083,171	3,540,218
Service level agreement	-	-	-	-	-	-	-	-	-	-	-	(1,135,527)	-	1,135,527	-
	12,961	7,339	1,304,816	6,799,097	216,788	-	11,949,638	15,740,000	-	-	-	322,523,223	1,878,915	62,880,351	423,323,128
Funds utilized															
Recognized as income -															
asset amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,709,667)	(12,709,667)
service level agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,092,740)	(1,092,740)
operating expenses	-	-	(27,198)	(4,560,383)	(159,000)	-	(5,702,399)	(15,740,000)	-	-	-	(188,356,765)	(53,390)	(1,475,663)	(216,074,798)
	-	-	(27,198)	(4,560,383)	(159,000)	-	(5,702,399)	(15,740,000)	-	-	-	(188,356,765)	(53,390)	(15,278,070)	(229,877,205)
Grant returned	-	-	-	-	-	-	(6,247,239)	-	-	-	-	-	-	-	(6,247,239)
Transferred to other income	(12,961)	(7,339)	-	-	(57,788)	-	-	-	-	-	-	-	-	-	(78,088)
As at 30 June 2022	-	-	1,277,618	2,238,714	-	-	-	-	-	-	-	134,166,458	1,825,525	47,612,281	187,120,596

27	Accrued mark-up	Note	2022 Rupees	2021 Rupees
	Markup on:			
	- long term loans		600,473,950	412,572,334
	- short term borrowings		235,559	4,626,382
			600,709,509	417,198,716

28 Trade and other payables

	Note	2022 Rupees	2021 Rupees
Accrued expenses		142,321,837	49,930,104
Provident fund payable	28.1	-	-
Insurance premium payable		91,037,186	76,180,323
Deferred Murabaha income		156,481,587	111,515,286
Claims payable		12,624,481	16,515,086
Cash Management System (CMS) charges payable		29,933,417	25,451,029
Staff Bonus payable		206,907,326	86,626,083
Other liabilities		120,363,865	73,545,792
		759,669,699	439,763,703

28.1 Provident fund:

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 30 June 2022:

	Note	(Un-audited) 2022 Rupees	Audited 2021 Rupees
Size of the fund - total assets		1,133,391,307	982,305,881
Cost of investments made	28.2	759,353,574	706,160,432
Percentage of investments - (% of total assets)		67.00%	71.89%
Fair value of investments made		769,267,555	709,353,574

28.2 The break-up of investments is as follows:

	2022		2021	
	Rupees	%	Rupees	%
Term deposit receipts	650,000,000	85.60%	630,000,000	89.21%
Mutual funds	98,523,574	12.97%	65,330,432	9.25%
Term finance certificate	10,830,000	1.43%	10,830,000	1.53%
	759,353,574	100%	706,160,432	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 30 June 2022 (2021: Nil)

30 Mark-up and other charges on micro-credit loan portfolio	2022 Rupees	2021 Rupees
Mark-up charges on:		
- Kashf Karobar Karza	5,013,607,039	3,825,554,253
- Kashf Zariye Karza	-	9,947
- Kashf School Sarmaya	29,066,133	8,639,266
- Kashf Easy Loan	516,870,214	267,991,583
- Kashf Muwaishi Karza	417,920,777	111,575,370
- Kashf Sahulat Karza	43,573,245	969,134
- Kashf Bahali Karza	263,621,036	189,912,245
- Kashf Fori Karza	25,772,001	-
Reversal of modification loss	24,945,873	350,509,275
Loan documentation fees	-	32,321
Commission on insurance	73,455,052	84,659,441
	6,408,831,370	4,839,852,835

		Note	2022 Rupees	2021 Rupees
31	**Grant income**			
	Grant related to projects	26	216,074,798	63,919,796
	Amortization of grant related to assets		12,709,667	3,839,274
	Service level agreement		1,092,740	90,738
			229,877,205	67,849,808

		Note	2022 Rupees	2021 Rupees
32	**Return on investments and bank deposits**			
	Return on term deposit receipts			
	- Local		66,802,328	129,659,047
	- Foreign		14,270,130	13,317,700
			81,072,458	142,976,747
	Return on term finance certificates		24,132,752	12,225,242
	Return on bank deposits			
	- Local		540,010,332	478,060,506
	- Foreign		1,375,192	329,574
			541,385,524	478,390,080
			646,590,734	633,592,069

		Note	2022 Rupees	2021 Rupees
33	**Programme cost**			
	Salaries, wages and benefits		1,594,115,633	1,373,984,015
	Travel and conveyance		171,677,494	146,970,856
	Insurance		222,263,170	167,156,367
	Office rent		-	4,893,019
	Seminar, workshop, research and staff training expenses		12,845,222	3,871,716
	Entertainment		48,955,400	33,068,033
	Printing and stationery		50,425,767	19,623,793
	Communication		23,682,885	23,964,202
	Legal and professional charges		56,450,812	70,892,285
	Depreciation - owned assets		31,814,314	45,461,275
	Depreciation - right of use assets		71,985,383	62,140,916
	Utilities		23,960,623	17,740,006
	Repair and maintenance		10,322,385	7,752,565
	Office supplies		19,786,687	9,679,195
	Security		5,606,451	4,314,895
			2,343,892,226	1,991,513,138

		Note	2022 Rupees	2021 Rupees
34	**Grant expenses**			
	Salaries, wages and benefits		97,081,043	42,389,381
	Travel and conveyance		18,074,501	2,783,836
	Insurance		558,707	117,880
	Office rent		378,000	2,247,300
	Seminar, workshop, research and staff training expenses		13,379,170	4,963,240
	Printing and stationery		2,823,381	1,327,565
	Communication		3,331,669	1,046,609
	Depreciation - owned assets		11,888,083	3,770,809
	Amortization		821,584	68,465
	Amortization - prepayments		1,092,740	-
	Utilities		2,100,515	1,934,118
	Repair and maintenance		1,375,000	1,107,522
	Office supplies		2,254,915	2,513,129
	Media campaign		56,269,638	2,970,600
	Corona relief fund		15,793,390	159,790
	Miscellaneous		1,179,206	449,564
	Loss on disposal of operating fixed assets		1,475,663	-
			229,877,205	67,849,808

		Note	2022 Rupees	2021 Rupees
35	**Finance cost**			
	Mark-up on long term loans		2,317,966,061	1,787,049,754
	Mark-up on short term borrowings		808,202	4,874,182
	Markup on lease liabilities	24.1	17,396,142	23,205,623
	Bank and other charges		228,534,869	112,711,434
	Amortization of transaction costs of long term loans		99,327,589	93,682,564
			2,664,032,863	2,021,523,557

36 Management and administrative expenses

	Note	2022 Rupees	2021 Rupees
Salaries, wages and benefits		**346,700,231**	282,275,927
Travel and conveyance		**17,650,608**	12,586,732
Insurance		**975,267**	871,710
Seminar, workshop, research and staff training expenses		**5,087,382**	2,705,456
Entertainment		**9,063,615**	6,162,081
Printing and stationery		**1,622,191**	658,060
Communication		**5,298,401**	5,773,272
Legal and professional charges	36.1	**8,799,846**	6,465,230
Depreciation - owned assets		**44,822,254**	46,788,548
Utilities		**9,031,569**	16,668,871
Repair and maintenance		**12,987,219**	15,021,040
Office supplies		**2,919,462**	2,794,853
Security		**552,338**	613,645
Amortization		**4,682,807**	3,625,587
Auditor's remuneration	36.2	**2,400,000**	2,060,000
Advertisement		**7,615,178**	27,144,471
Miscellaneous		**34,971,851**	1,452,059
Loss on leased vehicles		**-**	924,408
		515,180,219	434,591,950

36.1 Shariah Advisor Remuneration

Kashf foundation has appointed Al Hamd Shariah Advisory Services (Private) Limited as its Shariah advisor for the review of the mechanism of Islamic portfolio with effect from 07 June 2021 with the remuneration of Rs. 42,500 per month (2021: 42,500 per month).

36.2 Auditors' remuneration

	Note	2022 Rupees	2021 Rupees
Statutory audit fee		**2,100,000**	1,995,000
Out of pocket expenses		**300,000**	65,000
		2,400,000	2,060,000

37 Other expenses

	Note	2022 Rupees	2021 Rupees
Donations		**164,750**	242,926
Foreign exchange loss - net		**-**	28,183,114
Others		**1,214,630**	-
		1,379,380	28,426,040

38 Other income

	Note	2022 Rupees	2021 Rupees
Income from financial assets:			
Write off recovered		**13,364,189**	807,828
Liabilities written back		**3,946,068**	40,317,980
Foreign exchange gain - net		**249,277,637**	-
Fair value gain on mutual funds		**100,637**	109,258
Fair value gain on the investment property		**15,273,500**	5,646,850
Repayment of loan from associate		**-**	18,000,000
Dividend income		**8,040,784**	3,575,882
Income from assets other than financial assets:			
Income from rent	38.1	**14,420,445**	13,913,898
Gain on disposal of operating fixed assets		**8,491,568**	6,039,091
Gain on termination of lease		**8,259,141**	-
Miscellaneous income		**24,816,980**	9,603,177
		345,990,949	98,013,964

38.1 This amount includes rental income derived from investment property amounting to Rs. 4.9 million (2021: Rs. 5.3 million).

39 Remuneration of chief executive, directors and executives

	Chief Executive Officer		Executives	
	2022	2021	2022	2021
Managerial remuneration	**25,796,832**	23,885,952	**294,905,029**	248,005,020
Bonus	**4,299,472**	-	**46,502,552**	-
Provident Fund contribution	**1,687,944**	1,592,397	**19,249,187**	16,242,374
Allowances and others	**8,701,103**	8,266,545	**50,366,027**	46,606,974
	40,485,351	33,744,894	**411,022,795**	310,854,368
Number	**1**	1	**129**	101

39.1 Total number of directors of the Company as at 30 June 2022 were 10 (2021: 10). 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:

	2022 Numbers	2021 Numbers
As at 30 June	**3,384**	3,115
Average number of employees	**3,250**	3,163

41 Ratios	Note	2022 Percentage	2021 Percentage
Portfolio at risk	41.1	**1.89%**	4.39%
Adjusted return on assets	41.2	**6.75%**	3.10%
Adjusted return on equity	41.3	**30.89%**	15.88%
Operational self-sufficiency	41.4	**134.00%**	115.00%
Financial self-sufficiency	41.5	**105.44%**	104.66%
Surplus as a percentage of total receipts	41.6	**24.57%**	13.26%
Management and administrative expenses as percentage of total receipts	41.7	**6.54%**	7.48%

	Note	2022 Numbers	2021 Numbers
Active loan:			
- as at 30 June	15.9 & 16.3	**629,139**	554,805
Active clients:			
- as at 30 June		**592,460**	550,090
- disbursements during the year	41.8	**692,463**	547,617

41.1 Portfolio at risk

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

41.2 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.

41.3 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.

41.4 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.

41.5 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.

41.6 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.

41.7 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.

41.8 Disbursements during the year

The Company has disbursed micro-credit loan amounting to Rs. 34.45 billion (2021: Rs. 26.86 billion) during the year.

42 Risk management of financial instruments

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

42.1 Risk management framework

The Board of Directors have the 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.

42.2 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.

42.2.1 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:

	2022	2021
	Rupees	Rupees
Long term investments	**180,515,000**	180,515,000
Short term investments	**1,385,925,482**	1,213,032,111
Long term loans	**1,221,141**	217,730
Long term deposits	**79,963,360**	463,360
Bank balances	**6,364,948,359**	5,917,598,116
Financial assets used for hedging	**2,587,108,089**	154,367,951
Micro-credit loan portfolio	**18,888,021,746**	15,218,962,572
Kashf Murabaha portfolio	**726,644,675**	539,440,958
Accrued Service charges	**256,550,163**	190,960,347
Advances, deposits and other receivable	**243,939,408**	119,770,398
	30,714,837,423	23,535,328,543

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.

	2022	2021
	Rupees	Rupees
Banking companies and financial institutions	**10,599,681,431**	7,466,194,268
Micro-credit loan and murabaha portfolio	**19,871,216,584**	15,949,363,877
Others	**243,939,408**	119,770,398
	30,714,837,423	23,535,328,543

42.2.2 Balances with banking companies

The Company has balances and investments with banks amounting to Rs. 7,847 million as at 30 June 2022. These are held with banks and financial institutions counterparties, which are rated A to AAA+, based on the credit ratings from rating agencies.

Impairment on these financial assets has been measured on a 12 months expected loss basis and reflects short term maturities of the exposure. The company considers that these balances has low credit risk based on the external ratings of the counterparties.

12 month probability of default are based on historical data supplied by VIS rating agency for each credit rating. Loss given default (LGD) parameters generally reflects assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures.

	2022	2021
	Rupees	Rupees
Bank balances	**6,364,948,359**	5,917,598,116
Short term investments	**1,302,079,262**	1,136,139,609
Long term investments	**180,515,000**	180,515,000
	7,847,542,621	7,234,252,725

42.2.3 **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	Short term	Long term	2022 Rupees	2021 Rupees
MCB Bank Ltd	PACRA	A1+	AAA	136,671,430	172,578,365
Habib Bank Ltd	VIS	A1+	AAA	56,475,457	29,560,438
Faysal Bank Ltd	PACRA	A1+	AA	22,897,154	15,553,698
Allied Bank Ltd	PACRA	A1+	AAA	11,276,610	8,722,119
The Bank of Punjab	PACRA	A1+	AA+	76,909,939	15,888,806
Bank Al-Habib Ltd	PACRA	A1+	AAA	31,781,515	18,983,399
Silk Bank Ltd	VIS	A2	A-	6,311,000,291	5,055,376,128
Soneri Bank Ltd	PACRA	A1+	AA-	214,682,965	1,037,163,079
JS Bank Ltd	PACRA	A1+	AA-	472,181,926	350,951,634
Standard Chartered Bank Ltd	PACRA	A1+	AAA	2,181,049	21,111,603
Askari Bank Ltd	PACRA	A1+	AA+	2,755,690	1,693,980
Apna Microfinance Bank Ltd	PACRA	A3	BBB+	1,720,780	7,154,626
Meezan Bank Ltd	VIS	A1+	AAA	8,155	7,652
Mobilink Microfinance Bank Ltd	PACRA	A1	A	14,090,375	115,041,501
NRSP Microfinance Bank Ltd	PACRA	A1	A	86,446,784	86,166,782
Sindh Bank Ltd	VIS	A1	A+	27,095,176	45,485,181
United Bank Ltd	VIS	A1+	AAA	37,006,022	23,733,926
Khushali Microfinance Bank Ltd	VIS	A1	A	8,191,968	13,613,738
Bank Alfalah	PACRA	A1+	AA+	183,949,746	181,424,761
National Bank of Pakistan	PACRA	A1+	AAA	969,790	188,343
BankIslami Pakistan Ltd	PACRA	A1	A+	46,872,905	12,991
State Bank of Pakistan	-	-	-	-	3,116
Faysal Income & Growth Fund	PACRA	-	A(f)	15,426,815	14,170,044
NBP Financial Sector Income Fund	PACRA	-	A+(f)	68,419,405	62,722,458
U Micro Finance Bank	-	A1	A	72,258,594	25,793,296
Telenor microfinance Bank Ltd.	PACRA	A1	A	30,118,302	8,038,297
Central Depository Company	-	-	-	-	5,756
				7,931,388,841	7,311,145,717

The Company has not recognized an impairment allowance on investments classified at amortized cost and bank balances during the year ended 30 June 2022, as the impact was immaterial.

42.2.4 **Micro-credit loan and Murabaha portfolio**

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.

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.

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. Forwardlooking 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. 352.8 million (2021: Rs. 500.6 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.

42.2.5 **Other financial assets**

Long term loans, deposits, and other receivables are mostly due from employees and financial institutions. The Company has assessed based on historical experience, that the expected credit loss associated with these financial assets is generally trivial. There are reasonable grounds to believe that these amounts will be recovered with in a period of six months. Hence, no additional allowance has been recognized in these financial statements.

42.3 **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset or such obligations which will have to be settled in a manner unfavorable to the Company. 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 Company's approach to managing liquidity is to ensure, as for as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The following are the remaining contractual maturities of financial liabilities, including interest payments:

	2022			
	Carrying amount	**Contractual Cash flows**	**Up to one year or less**	**More than one year**
	Rupees			
Long term financing	23,078,565,160	23,078,565,160	10,464,087,155	12,614,478,005
Short term borrowing	392,146,482	392,146,482	392,146,482	-
Accrued mark-up on borrowings	600,709,509	600,709,509	600,709,509	-
Trade and other payables	603,188,112	603,188,112	603,188,112	-
Lease liabilities	139,214,971	155,619,858	86,432,306	69,187,552
	24,813,824,234	24,830,229,121	12,146,563,564	12,683,665,557

	2021			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Long term financing	18,398,818,372	18,398,818,372	8,071,550,336	10,327,268,036
Short term borrowing	43,415,547	43,415,547	43,415,547	-
Accrued mark-up on borrowings	417,198,716	417,198,716	417,198,716	-
Trade and other payables	216,171,305	216,171,305	216,171,305	-
Lease liabilities	197,321,884	223,885,108	84,458,668	139,426,440
	19,272,925,824	19,299,489,048	8,832,794,572	10,466,694,476

42.4 **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 objective of the market risk management is to manage and control market risk exposures with acceptable parameters, while optimizing return. The Company is exposed to interest rate risk and currency risk only.

42.4.1 **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.

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:

	2022 USD	2021 USD
Liabilities		
Borrowings	371,257	440,129
Mark-up accrued on borrowings	9,749	5,993
	381,006	446,122

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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	
	2022	2021	**2022**	2021
USD to PKR	**178.01**	162.92	**204.85**	157.54

Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% basis points against the foreign currencies with all other variables held constant, surplus 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 currency loans and foreign currency bank account.

Effect on surplus	**2022 Rupees**	2021 Rupees
US Dollar	**6,782,288**	7,268,220

The weakening of the PKR against foreign currency would have had an equal but opposite impact on the surplus.

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

42.4.2 **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 financing. The interest rate profile of the Company's interest-bearing financial instruments at the reporting date was as under:

	Effective rate		Carrying amount	
	2022	2021	**2022**	2021
Fixed rate instruments	**%**	%	**Rupees**	Rupees
Financial assets:				
Short term investment	**3.25% to 17.42 %**	3.25% to 9.6 %	**1,302,079,262**	1,136,139,609
Long term investment	**9.03%**	9.03%	**180,515,000**	180,515,000
Micro-credit loan portfolio	**34% to 60%**	34% to 37.06%	**18,888,021,746**	15,218,962,572
			20,370,616,008	16,535,617,181
Financial liabilities:				
Long term financing:				
FMO-Hedged	**-**	13.30%	**-**	144,562,500
Proparco-Hedged	**13.20%**	13.20%	**82,607,143**	247,821,429
Bank Alfalah Ltd	**3.00%**	3.00%	**40,028,175**	200,140,873
Bank Alfalah Ltd	**3.00%**	3.00%	**39,457,715**	197,288,575
CDC	**11.75%**	11.75%	**709,425,000**	1,182,374,996
Finnfund	**11.05%**	-	**637,000,000**	-
			1,508,518,033	1,972,188,373

Floating rate instruments

	Effective rate		Carrying amount	
	2022	2021	**2022**	2021
	%	%	**Rupees**	Rupees
Financial liabilities:				
Borrowings	**8.66% to 19.17%**	9.22% to 11.74%	**21,570,047,127**	16,426,629,999
			21,570,047,127	16,426,629,999

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 2022.

Cash flow sensitivity analysis on variable rate financial liabilities	100 bps	
	Increase Rupees	**Decrease Rupees**
As at June 30, 2022	**215,700,471**	**(215,700,471)**
As at June 30, 2021	164,266,299	(164,266,299)

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

42.4.3 **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 surplus for the period.

43 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.

	2022							
	Carrying amount				Fair value			
	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
As at 30 June 2022	Rupees							
Financial assets - measured at fair value								
Financial assets used for hedging	-	2,587,108,089	-	2,587,108,089	-	2,587,108,089	-	2,587,108,089
Mutual funds	-	83,846,220	-	83,846,220	83,846,220	-	-	83,846,220
	-	2,670,954,309	-	2,670,954,309	83,846,220	2,587,108,089	-	2,670,954,309
Financial assets - not measured at fair value								
Long term investments	180,515,000	-	-	180,515,000	-	-	-	-
Long term loans	1,221,141	-	-	1,221,141	-	-	-	-
Long term deposits	79,963,360	-	-	79,963,360	-	-	-	-
Micro-credit loan portfolio	18,888,021,746	-	-	18,888,021,746	-	-	-	-
Kashf Murabaha	726,644,675	-	-	726,644,675	-	-	-	-
Accrued service charges	256,550,163	-	-	256,550,163	-	-	-	-
Advances, deposits and other receivables	243,939,408	-	-	243,939,408	-	-	-	-
Short term investments	1,302,079,262	-	-	1,302,079,262	-	-	-	-
Cash and bank balances	6,368,669,910	-	-	6,368,669,910	-	-	-	-
	28,047,604,665	-	-	28,047,604,665	-	-	-	-
Financial liabilities - not measured at fair value								
Long term financing	12,514,952,944	-	-	12,514,952,944	-	-	-	-
Current portion of long term financing	10,464,087,155	-	-	10,464,087,155	-	-	-	-
Short term borrowings	392,146,482	-	-	392,146,482	-	-	-	-
Accrued markup	600,709,509	-	-	600,709,509	-	-	-	-
Trade and other payables	603,188,112	-	-	603,188,112	-	-	-	-
	24,575,084,202	-	-	24,575,084,202	-	-	-	-
Non Financial assets - measured at fair value								
Freehold land	-	-	355,725,000	355,725,000	-	355,725,000	-	355,725,000
Investment property	-	-	103,424,250	103,424,250	-	-	103,424,250	103,424,250
	-	-	459,149,250	459,149,250	-	355,725,000	103,424,250	459,149,250

	2021							
	Carrying amount				Fair value			
As at 30 June 2021	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								
Financial assets used for hedging	-	154,367,951	-	154,367,951	-	154,367,951	-	154,367,951
Mutual funds	-	76,892,502	-	76,892,502	76,892,502	-	-	76,892,502
	-	231,260,453	-	231,260,453	76,892,502	154,367,951	-	231,260,453
Financial assets - not measured at fair value								
Long term investments	180,515,000	-	-	180,515,000	-	-	-	-
Long term loans	217,730	-	-	217,730	-	-	-	-
Long term deposits	463,360	-	-	463,360	-	-	-	-
Micro-credit loan portfolio	15,218,962,572	-	-	15,218,962,572	-	-	-	-
Kashf Murabaha	539,440,958	-	-	539,440,958	-	-	-	-
Accrued service charges	190,960,347	-	-	190,960,347	-	-	-	-
Advances, deposits and other receivables	120,132,667	-	-	120,132,667	-	-	-	-
Short term investments	1,136,139,609	-	-	1,136,139,609	-	-	-	-
Cash and bank balances	5,923,306,812	-	-	5,923,306,812	-	-	-	-
	23,310,139,055	-	-	23,310,139,055	-	-	-	-
Financial liabilities - not measured at fair value								
Long term financing	10,162,784,549	-	-	10,162,784,549	-	-	-	-
Current portion of long term financing	8,071,550,336	-	-	8,071,550,336	-	-	-	-
Short term borrowings	43,415,547	-	-	43,415,547	-	-	-	-
Accrued markup	417,198,716	-	-	417,198,716	-	-	-	-
Trade and other payables	216,171,305	-	-	216,171,305	-	-	-	-
	18,911,120,453	-	-	18,911,120,453	-	-	-	-
Non Financial assets - measured at fair value								
Freehold land	-	-	355,725,000	355,725,000	-	355,725,000	-	355,725,000
Investment property	-	-	88,150,750	88,150,750	-	-	88,150,750	88,150,750
	-	-	443,875,750	443,875,750	-	355,725,000	88,150,750	443,875,750

44 Reconciliation of movements of liabilities to cash flows arising from financing activities.

	30 June 2022			
	Liabilities			
	Long term loans	Short term borrowings	Lease liabilities	Total
	---------- Rupees ----------			
Balance as at 01 July 2021	18,234,334,885	43,415,547	197,321,884	18,475,072,316
Changes from financing activities				
Transaction cost paid	(34,369,163)	-	-	(34,369,163)
Proceeds received against financing	11,206,067,000	642,853,474	-	11,848,920,474
Repayments of financing	(8,955,928,977)	(298,464,621)	-	(9,254,393,598)
Payment of lease liabilities	-	-	(92,290,873)	(92,290,873)
Total changes from financing cash flows	**2,215,768,860**	**344,388,853**	**(92,290,873)**	**2,467,866,840**
Other changes				2,467,866,840
Transaction cost amortised	99,327,589	-	-	99,327,589
Translation loss on foreign currency loans	2,429,608,765	4,342,082	-	2,433,950,847
Interest expense on lease liabilities	-	-	17,396,142	17,396,142
Addition to lease liabilities	-	-	42,919,322	42,919,322
Termination of lease liabilities	-	-	(26,131,504)	(26,131,504)
Total liability related other changes	**2,528,936,354**	**4,342,082**	**34,183,960**	**2,567,462,396**
Closing as at 30 June 2022	**22,979,040,099**	**392,146,482**	**139,214,971**	**23,510,401,552**

	30 June 2021			
	Liabilities			
	Long term loans	Short term borrowings	Lease liabilities	Total
	Rupees			
Balance as at 01 July 2020	19,013,126,138	133,555,461	200,252,110	19,346,933,709
Changes from financing activities				
Transaction cost paid	(118,083,917)	-	-	(118,083,917)
Proceeds received against financing	6,849,740,099	575,844,154	-	7,425,584,253
Repayments of financing	(6,280,386,069)	(663,555,461)	-	(6,943,941,530)
Payment of lease liabilities	-	-	(87,584,070)	(87,584,070)
Total changes from financing cash flows	451,270,113	(87,711,307)	(87,584,070)	275,974,736
Other changes				
Transaction cost amortised	93,682,564	-	-	93,682,564
Translation loss on foreign currency loans	(1,323,743,930)	(2,428,607)	-	(1,326,172,537)
Interest expense on lease liabilities	-	-	28,079,805	28,079,805
Addition to lease liabilities	-	-	56,574,039	56,574,039
Total liability related other changes	(1,230,061,366)	(2,428,607)	84,653,844	(1,147,836,129)
Closing as at 30 June 2021	18,234,334,885	43,415,547	197,321,884	18,475,072,316

45 Related party transactions

The Company's related parties comprises of directors, key management personnel, associated companies, company in which directors are interested and employee retirement fund. Amount due from and to related parties are shown in respective notes. Remuneration of key management personnel is disclosed in note 39. Transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows;

Name of parties and basis of relationship with the Company	Nature of transaction	2022	2021
		Rupees	Rupees
Kashf foundation provident fund trust	Contribution	**83,114,634**	76,877,130
Kashf Holdings (Private) Limited - associated company	Repayment of loan installment	-	18,000,000

46 Subsequent events

Subsequent to the year end due to the heavy rain fall, flood crisis has affected the clientele of Sindh and Upper Punjab region of the Company. The crisis is expected to impact the repayment behavior of the clients which directly relates to the recovery percentage of the Company. The total amount of impact is not yet determinable. The management is in the process to clearly analyze the clients who are seriously touched by this crisis and to determine the impact on the Company's recovery percentage and loan portfolio.

47 Reclassification

Corresponding figures have been re-classified and re-arranged, wherever necessary, for the purpose of comparison and fair presentation, however no significant reclassification has been made.

48 Date of authorization for issue

These financial statements were authorized for issue on 03 Oct 2022 by the Board of Directors of the Company.

Chief Executive Officer

Chief Financial Officer

Director

سالانہ شریعہ ایڈوائزری رپورٹ

برائے جون 2022

ہم نے کشف فاؤنڈیشن کی فائنانسنگ پراڈکٹ **کشف مرابحہ** کا 30 جون، سال 2022 کے معاملات کا جائزہ لیا۔ ہمارے جائزے کی بنیاد پر اس عرصے میں ہونے والی اہم سرگرمیاں درج ذیل ہیں:

فائنانسنگ:

کشف فاؤنڈیشن نے KPK میں اپنے مختلف کلائنٹس کو مرابحہ کی مالیاتی سہولیات فراہم کی ہیں۔ ہم تصدیق کرتے ہیں کہ مرابحہ کی تمام ٹرانزیکشن منظور شدہ دستاویزات کے ذریعے عمل میں لائی گئی ہیں۔

بینک اکاؤنٹ :

آپریشنل اور ڈسبرسمینٹ کے لیے، کشف فاؤنڈیشن ایک کنونشل بینک کے کرنٹ اکاؤنٹ کو استعمال کر رہا ہے۔ ہم تجویز دیتے ہیں کہ مرابحہ کے تمام بینک اکاؤنٹس، اسلامی بینکوں یا کنونشل بینکوں کی اسلامی برانچوں کے ذریعے عمل میں لائے جائیں۔

تکافل:

کشف فاؤنڈیشن نے خطرات کو کم کرنے کے لیے تکافل کمپنیز سے COVERAGE حاصل کیا، اس موقع پر کشف مرابحہ کے لیے کسی بھی کنونشل انشورنس سے کوئی COVERAGE حاصل نہیں کیا گیا۔

خلاصہ:

کشف فاؤنڈیشن کی انتظامیہ KPK میں آفر کیے جانے والے **کشف مرابحہ** کو انجام دینے میں شرعی احکام کی پابندی کے لیے تمام تر توجہ کے ساتھ کوشاں ہے اور مؤثر طریقے سے عمل کر رہی ہے ۔ اللہ تعالیٰ ہمیں اس ذمہ داری میں کامیابی عطا فرمائے، ہر قدم پر ہماری مدد فرمائے، اور ہمیں ہر رکاوٹ اور مشکل سے دور رکھے۔

محمد ابراہیم

مفتی محمد ابراہیم عیسیٰ

الحمد شریعہ ایڈوائزری سروسز (پرائیوٹ) لمیٹڈ

الرحمٰن

مفتی عبید الرحمٰن زبیری

Alhamd Shariah Advisory Services (Pvt.) Ltd.

Annual Shariah Advisor's Report

For the period ended June 30, 2022

We reviewed the affairs of the KASHF MURABAHA offered by **KASHF FOUNDATION** in Khyber Pakhtunkhwa province for the year ended June 30, 2022.

Based on our review, the following were the major activities/developments in respect of Shariah that took place during this period:

FRESH DISBURSEMENTS:
Kashf Foundation has disbursed Murabaha financing facilities to the different clients in KPK. We confirm that approved documents of Murabaha were used in the execution of the Murabaha transactions.

BANK ACCOUNTS:
For operational and disbursement purposes, the Kashf Foundation is operating the current account maintained with a conventional bank. We recommend that all Murabaha accounts should be maintained with Islamic banks or Islamic windows of conventional banks.

TAKAFUL:
For risk mitigation, Kashf Foundation effectively adopted and maintained Takaful coverage(s) with Takaful companies and did not obtain any coverage(s) from conventional insurance companies.

CONCLUSION:
The Management of Kashf Foundation has effectively shown its sincerity to comply with Shariah Rulings in its true spirit for KASHF MURABAHA offered in KPK. May Almighty grant us success in this assignment help us at every step, and keep us away from every hindrance and difficulty.

Mufti Muhammad Ibrahim Essa
CEO & Director
Alhamd Shariah Advisory Services (Pvt.) Limited
September 21, 2022

Mufti Ubaid ur Rahman Zubairi
Director

Alhamd Shariah Advisory Services (Pvt.) Ltd.

25TH ANNIVERSARY

www.kashf.org

Kashf FOUNDATION

A COMPANY SET UP UNDER SECTION 42
OF THE COMPANIES ORDINANCE, 2017

کشف فاؤنڈیشن: 1-C شاہراہ نظریہ پاکستان، جوہر ٹاؤن لاہور

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