Kashf FOUNDATION
A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017

KASHF FOUNDATION

ANNUAL REPORT 2023

FINANCIAL SERVICES FOR ALL

Kashf FOUNDATION

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

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Photographs: Hassan Kausar

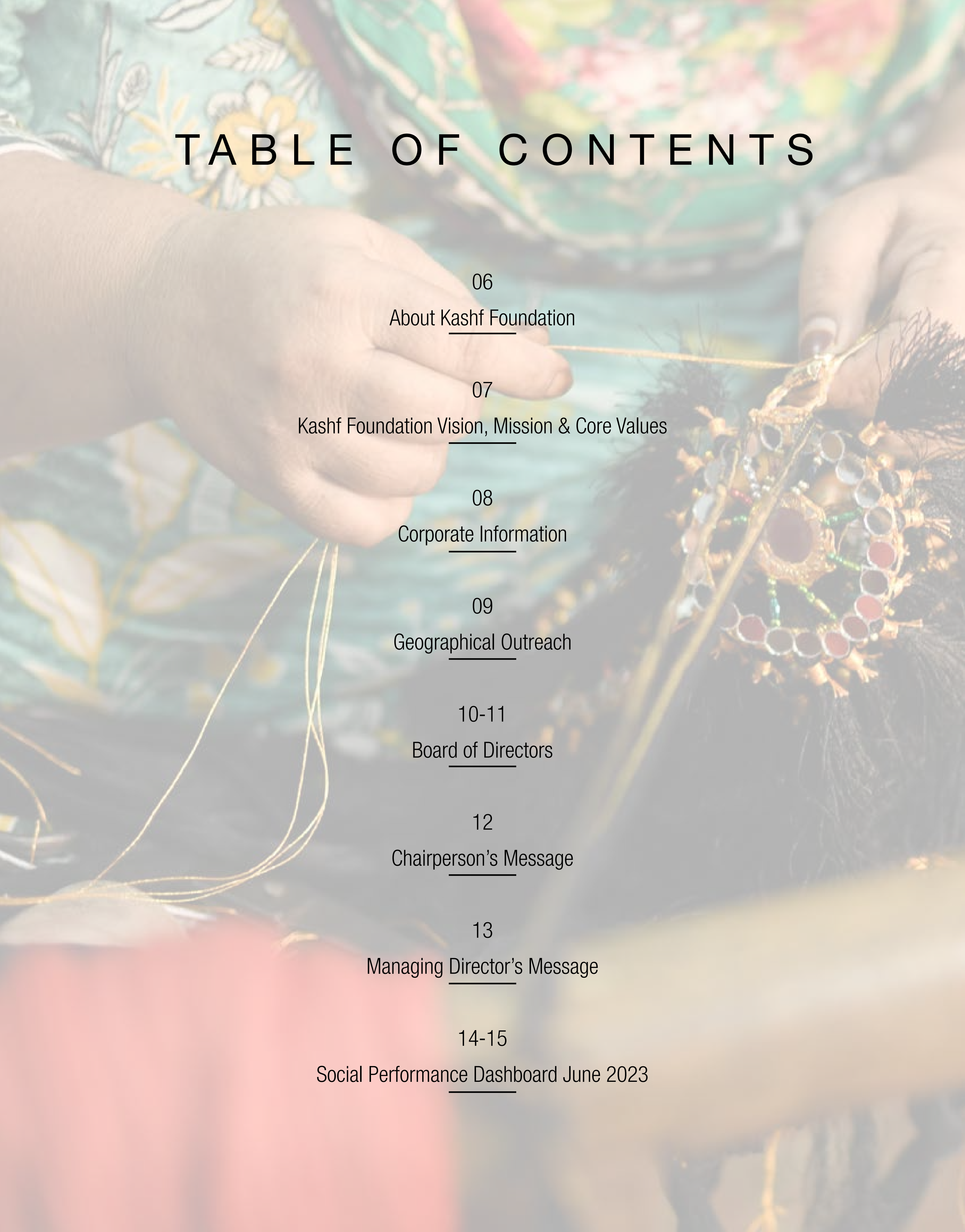
TRIBUTE TO SENATOR S M ZAFAR

Dec 6, 1930 - Oct 19, 2023

Founding Chairperson Kashf Foundation (1996-2006)

There can be no doubt that without my father's support and wisdom, I would never have had the courage to start Kashf Foundation or even begin to think about helping women through micro-loans. Even as I mourn his loss, I know that his irrepressible optimism and unwavering commitment to achieving excellence will be an abiding source of inspiration in my life and for all those whom he touched with his kindness and his thoughtfulness. I grew up hearing stories about his personal struggles and how his indomitable spirit and intellect carried him from humble beginnings to the pinnacle of the legal profession. He was blessed to have the opportunity to serve his country as Law Minister and as Senator.

His untiring commitment to promoting the collective good led him to establish societies to promote human rights, art, culture, and education and it was in that same spirit that he encouraged me to set up Kashf Foundation and guided me to establish a value-driven culture. He served as Kashf's first Board Chair from 1996-2006 and demonstrated the importance of establishing a strong and transparent governance structure. Throughout Kashf's twenty-eight years, he was the best mentor, guide, and friend and personally assisted us through the crisis of 2008 by sharing his insights and thoughts. He would sit with us every day in the crisis intervention room in Kashf's head office, getting continuous updates on the field situation, and would quote from history to encourage and motivate us so that we would not give up hope. He was the one who told me that every crisis carries a silver lining provided we are able to learn from it. His was a message of optimism and hope, something which will continue to inspire us for all times to come.



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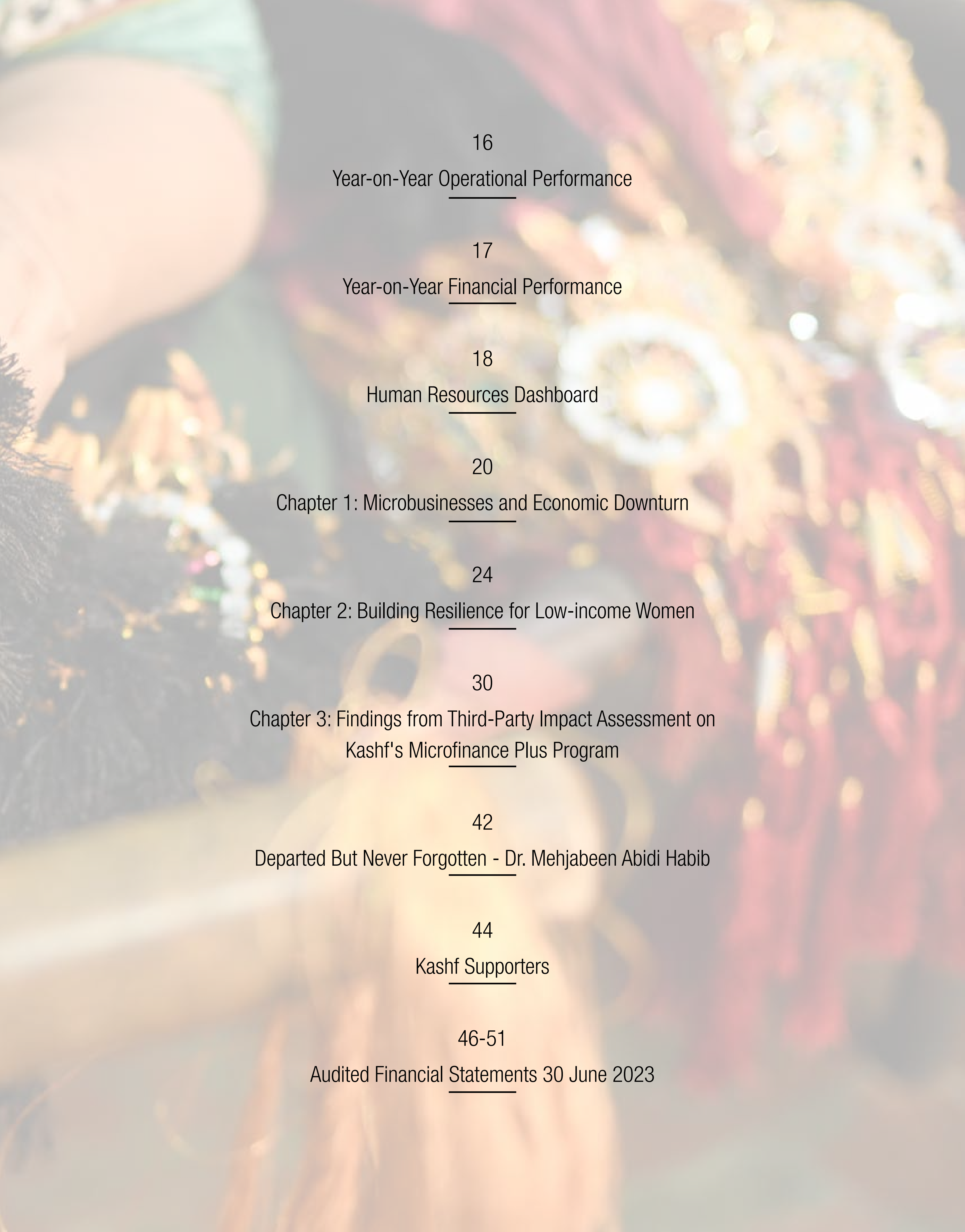


ABOUT KASHF FOUNDATION

Kashf Foundation is registered as a Non-Banking Microfinance Company regulated by the Securities and Exchange Commission of Pakistan. Kashf was established in 1996 as Pakistan's first specialized microfinance institution. Over the years, Kashf has successfully carved out a distinct and unique niche for itself in the microfinance sector, both domestically and internationally, by offering a comprehensive suite of holistic, innovative, and transformative products and services to low-income households, particularly women. Kashf provides credit appraisal-backed individual loans to its clients, alongside other non-financial services, to create a transformative impact at the household level. This approach ensures that clients can build a strong credit history. Kashf believes in creating an enabling environment for women micro-entrepreneurs and is committed to developing products and services driven by client needs and demands, leveraging lessons from successful models worldwide. Kashf's main spheres of intervention include;

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

Insurance and 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

CORE VALUES

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

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.

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
Ms. Ameena Saiyid - 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

Risk Management Committee
Mr. Hafiz A. Pasha - Chair
Mr. Arif Masud Mirza - Member
Dr. Ali Cheema - Member
Ms. Rabia Khan - Member
Ms. Fatima Asad Khan - Member

Management Committee
Roshaneh Zafar
Shahla Rehan
Mumtaz Iqbal
Faisal Saeed Malik
Shahzad Iqbal
Zainab Saeed
Mueen Afzal

Governance and Nomination Committee
Senator S M Zafar - Chair
Mr. Hafiz A. Pasha - Member
Ms. Rabia Khan - Member
Ms. Roshaneh Zafar - Member

Founder & Managing Director
Ms. Roshaneh Zafar

Chief Financial Officer
Mr. Shahzad Iqbal

Company Secretary
Ms. Saira Soofi

Auditors
A.F. FERGUSON & CO-Chartered Accountants [PWC Network]
308-Upper Mall, Shahrah-e-Quaid-e-Azam
Lahore, Pakistan
Tel: +92(42) 3519-9343-50

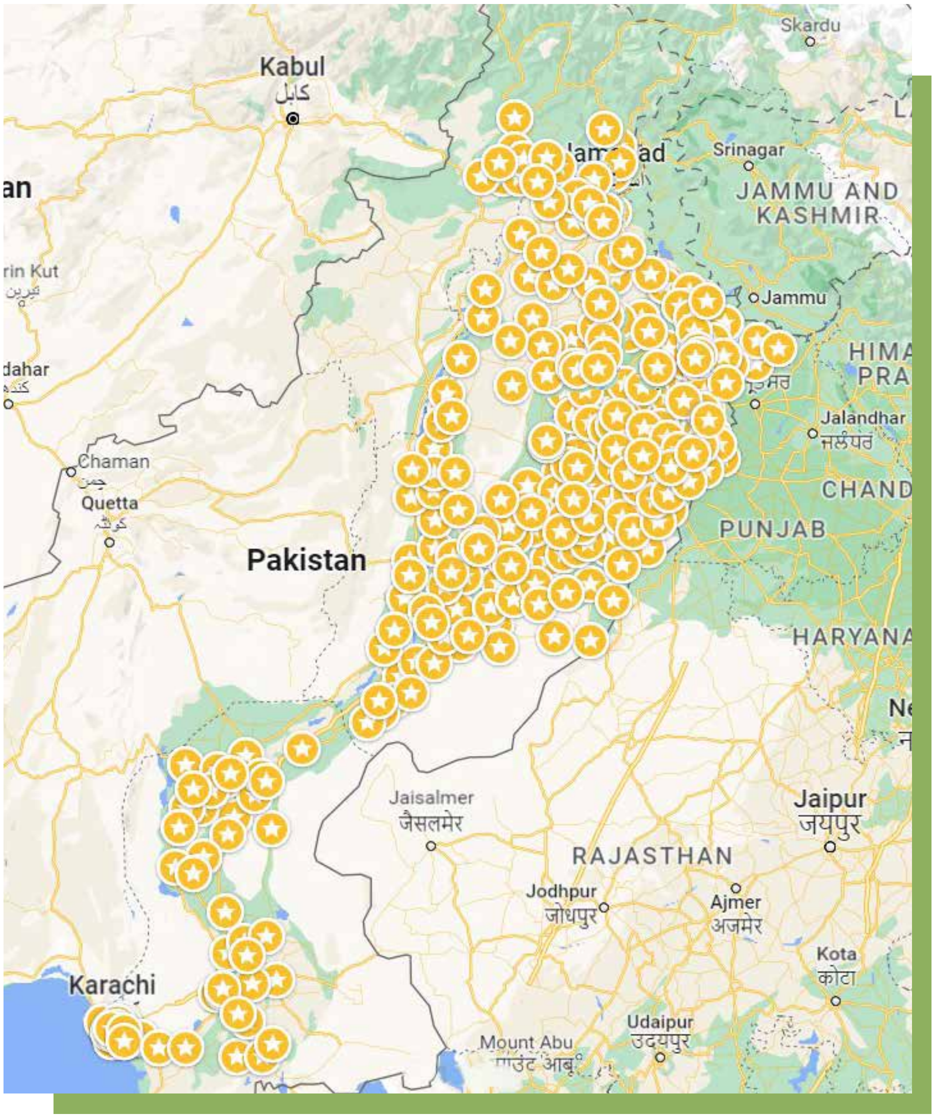
Legal Advisors
Mandviwalla and Zafar 7/B-1, Aziz Avenue,
Canal Bank Gulberg V, Lahore
Tel: +92 42 35715479
Web: www.mandviwallaandzafar.com

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

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, 21 districts in Sindh, 9 districts in KPK and 1 district in Balochistan through a network of 382 branches.



BOARD OF DIRECTORS

Dr. Hafiz A. Pasha
Chairperson

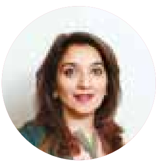
Occupation: Retired Civil Servant and Economist

Dr. Hafiz A. Pasha is a retired civil servant and a leading economist with a Ph.D. 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).

Ms. Rabia Khan
Non Executive Director

Occupation: Gender Specialist

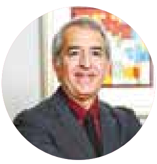
Ms. Rabia Khan is a lawyer by profession and also holds a Master's Degree in Public Policy and Management from Carnegie Mellon University, USA. Ms. Khan has worked in the field of Gender and Development for many years with the Canadian International Development Agency (CIDA) and has also worked with 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. Fatima Asad Khan
Non Executive Director

Occupation: Chief Executive Officer Abacus Consulting

Ms. Fatima Asad Khan is the CEO and Board member of Abacus Consulting. With over 24 years of professional experience, she has delivered progressive solutions in Corporate Governance, Digital Transformation, Strategic Change and Human Capital Management across multiple sectors and industries. Her leadership journey includes serving on various Boards as an independent director including Lahore University of Management Sciences (LUMS), Faysal Bank, Kashf Foundation, Bata Pakistan and Kaarvan Crafts. An MBA graduate from LUMS, 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.



Mr. Arif Masud Mirza
Non Executive Director

Occupation: Chartered Accountant

Arif Masud Mirza, a Chartered Accountant, has been ACCA MENASA's Regional Head of Policy for the Association of Chartered Certified Accountants since 2014. He has held pivotal roles, including serving as ACCA Pakistan's Country Head, Finance Manager and Company Secretary at First International Investment Bank Ltd. His extensive background includes positions as a technical advisor for the Global Reporting Initiative (GRI) South Asia Advisory Group and a member of the Multi-stakeholder Steering Committee for UN SDGs implementation in companies. Furthermore, he was a Technical advisor on the International Federation of Accountants (IFAC) Professional Accountancy Organization Development Committee (PAODC) and editor of Accountancy Futures and Policy and Insights Commentary MENASA e-journal.

Dr. Mehjabeen Abidi Habib
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 Ph.D. in Resilience from the Government College University Lahore, with a fellowship with the University of Oxford. The research emanating from this Ph.D. 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.

BOARD OF DIRECTORS

Dr. Rukhsana David
Non Executive Director

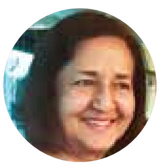
Occupation: Principal of Kinnaird College for Women
Prof. Dr. Rukhsana David has been serving as Principal of the prestigious Kinnaird College for Women Lahore since 2010. Dr. David's notable teaching career also includes being the Head of the Fine Arts Department at Kinnaird College, an Assistant Professorship 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 the International Council of Museums. Dr. David holds a Ph.D. 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.

Dr. Ali Cheema
Non Executive Director

Occupation: Associate Professor, Economics, LUMS
Dr. Cheema holds a Ph.D. 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). 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.

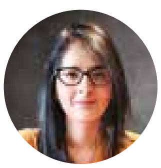
Ms. Maliha Hamid Hussein
Non Executive Director

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. Hussain 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 a 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. Ameena Saiyid
Non Executive Director

Occupation: Managing Director, Lightstone Publishers
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. 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. Sayd is also a Trustee of the Vicky Noon Education Foundation, UK



Ms. Sadia Khan
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 the Board of Naseeb Online Services (Pvt.) Ltd.

CHAIRPERSON'S MESSAGE

Dear Friends and Supporters of Kashf,

As we reflect on the past year, I am filled with a sense of admiration and gratitude for the remarkable resilience and unwavering hope that Kashf has witnessed and fostered. In a world faced with unprecedented challenges, Kashf has stood strong, empowering individuals and communities to overcome obstacles and build a brighter future.

We have witnessed firsthand the power of resilience, as our clients have demonstrated remarkable strength in the face of adversity. They have shown us that even in the most difficult circumstances, hope can flourish and transform lives. Kashf Foundation's commitment to resilience has been evident in our response to the internal and external risks. Despite the immense challenges it posed, we remained steadfast in our mission to support those in need. Kashf has implemented several crucial initiatives to address the internal and external risks by prioritizing client needs and aspirations through client-centric channels. These initiatives include the distribution of rations, customized loan rescheduling for clients, training and mentoring on business continuity and digital channels for micro-businesses. These measures aim to mitigate the adverse effects of the high inflation, climatic risks and economic instability by providing support to clients during these challenging times.

Moreover, even though this was an extremely challenging year, Kashf was able to deliver on all financial benchmarks; closing the year with an Operational Self Sustainability ratio of 131%, a Financial Self Sustainability ratio of 96.05% and disbursement of 849,785 loans worth PKR 45.47 billion through our 382 branches, with the support of our dedicated team of 3,866 staff members.

As we move forward, we remain committed to resilience and hope. We recognize that challenges will continue to arise, but we are confident in our ability to adapt, innovate, and overcome.

I extend my heartfelt gratitude to our dedicated staff, supporters, and partners, whose unwavering commitment has made our achievements possible. Together, we have built an organization that stands as a symbol of resilience and hope, empowering individuals to overcome adversity and create a better tomorrow.

With warm regards,

Dr. Hafiz A. Pasha
Chairperson
Kashf Foundation

MANAGING DIRECTOR'S MESSAGE

Dear Friends and Supporters of Kashf,

As I reflect back on the rollercoaster ride that was 2022, it's clear that it was a year filled with countless local and global challenges. From socio-economic turbulence to macro-economic shocks, natural disasters, and soaring food prices, the past year and a half has tested the resilience of our country. These hardships have had a domino effect on local businesses, especially small and medium entrepreneurs, though data collected from women led enterprises has shown that many such micro-businesses have braced the storm by maintaining high profitability. I am incredibly inspired by the unwavering spirit of our clients. Despite the mounting obstacles, they continue to work tirelessly to provide for their families in order to forge a better future.

In the world of microfinance, Kashf Foundation remains at the forefront by continuing to test new frontiers. We proudly introduced Pakistan's first-ever "Gender Bond" to institutional investors in the capital market. The gender bond is a privately placed term finance certificate which links investors and mutual funds to women led micro-enterprises, thus for the first time positioning women micro entrepreneurs as an investable asset class within local capital markets. All these measures have enabled Kashf to close the year with an impressive active clientele of 727,226 and a remarkable portfolio worth PKR 26.62 Billion. Our efforts were recognized with a place among the top three finalists at the prestigious European Microfinance Award 2022 and Kashf secured the Best Innovative Business Award at the Pakistan Banking Awards 2022.

While the significance of women-focused microfinance cannot be overstated, Kashf is committed to enhancing its impact by offering a range of complementary services. These include life, health, and livestock insurance, financial literacy programs, business management and vocational skills training, and social advocacy through mediums like drama and mainstream media. In the past two years alone, we have trained over 110,000 clients in financial management, graduated nearly 9,000 women from our Business Accelerator Training Program, and provided maternal and reproductive health education to thousands of women, mothers-in-law and men. Additionally, Kashf Foundation's television drama series, Kuch Ankahi, which aired in January 2023, garnered accolades as one of Pakistan's most socially impactful dramas. Through intelligent comedy, romance, and strong female characters, the series addressed issues such as limited professional opportunities for women, property inheritance, body shaming, minority rights, and sexual harassment that women face at all levels.

In closing, I want to express my heartfelt gratitude to our Board members, supporters, and the entire Kashf team for their unwavering support, dedication, and resilience in helping us fulfill our mission and vision. I would like to commend our field teams, particularly our Business Development Officers, who have shown remarkable diligence in the face of growing economic challenges and turmoil. I would also like to extend my thanks to the international and local lenders who have supported our work and enabled us to expand our horizons. With your continued support, we look forward to achieving our vision of financial inclusion and making a lasting impact on the lives of countless individuals in the future.

Best Regards,

Roshaneh Zafar
Managing Director
Kashf Foundation

SOCIAL PERFORMANCE DASHBOARD JUNE 2023

Social Saftey Nets

Credit For
Life Insurance
1.28 Million

Health Insurance
Policy Holders
2.48 Million

Livestock Insurance
Policy Holders
42,635

Client Outreach

Customer Care

Clients satisfied with Customer Care

95%

Clients satisfied with Alternative Delivery Channel

93%

Clients satisfied with Loan Processing Time

93%

Resolution of Customer Feedback

100%

Gender Diversity Ratios

	Female	Male
Staff	52%	48%
Management	49 %	51%
Board	70%	30%

Client's Capacity Building & Social Advocacy

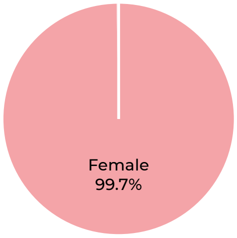
Financial Management Trainings
57,471 Women

Business Development Trainings
6,413 Women

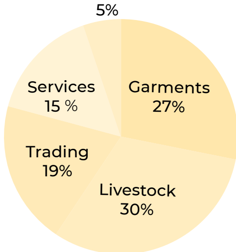
Maternal Health Trainings
24,677 Participants

Social Theatre
23,440 Participants

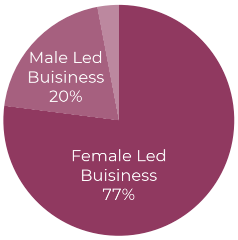
Portfolio Segmentation



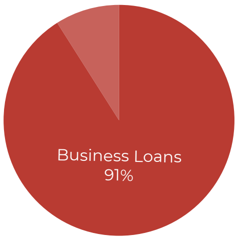
Gender



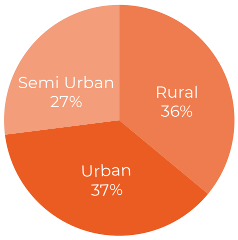
Business Trade



Loan Utilization



Product Type



Geographic

Women Inclusion Through Mobile Banking

PKR 6,969 Million Disbursed Through 161,086 Mobile Wallets

YEAR-ON-YEAR OPERATIONAL PERFORMANCE

Kashf Foundation closed June 2023 with 727,226 active clients denoting a 23% increase in terms of outreach compared to June 2022. In terms of the amount disbursed, Kashf made disbursements amounting to PKR 45.47 billion this year compared to PKR 34.45 billion in the previous year which is a year-on-year growth of 32%. The average disbursement size for Kashf loans for the year was PKR 58,201. In terms of products, Kashf disbursed 523,649 Kashf Karobar Loans, 27,475 Kashf Murabaha, 140,572 Kashf Easy Loans, 305 Home improvement loans, 2,077 Kashf School Sarmaya and 42,385 Kashf Maweshi Karza loans. The Kashf Karobar Karza continues to be the main lending product for the Foundation with disbursements exceeding PKR 34.56 billion.

Product	Loans Disbursed	Percentage
General Business Loan - Kashf Karobar Karza	523,649	62%
Home Improvement Loan	305	<1%
Shariah Compliant Product - Kashf Murabaha	27,475	3%
Shariah Compliant Product - Kashf Maweshi Murabaha	195	<1%
School Finance Program - Kashf School Sarmaya	2,077	<1%
Livestock Loan - Kashf Maweshi Karza	42,385	5%
Consumption Loan - Kashf Easy Loan	140,572	16%
Emergency Loan for Existing Clients - Kashf Sahulat Karza	68,274	8%
Consumption Loan - Kashf Fori Karza	43,502	5%
Kashf Top Up Karza	1,350	<1%
Kashf Sawari Karza	1	<1%
Total	849,785	100%

With respect to insurance, Kashf Foundation continued to be the market leader in the provision of micro-insurance in Pakistan with 41% of the market share of the total policyholders in Pakistan. Kashf has provided over 3.81 million insurance policies under both life and health insurance this year. With respect to the total sum insured across Pakistan, Kashf also holds the market share at 34.8% with a monetary value of PKR 103.2 billion.

YEAR-ON-YEAR FINANCIAL PERFORMANCE

In this year, Kashf's operational self-sufficiency decreased to 131% from 134% in June 2022, while financial self-sufficiency also decreased to 96.05% from 105.44% in June 2022. Moreover, the administrative efficiency ratio which measures operational effectiveness 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, and at the same time continues to offer affordable financial services to its clients.

Ratios	June 2023	June 2022
Operational Self Sufficiency	131%	134%
Financial Self Sufficiency	96.05%	105.44%
Debt-Equity Ratio	73:27	76:24
Administrative Efficiency	115.32%	15.79%

HUMAN RESOURCES 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 that derives from Kashf's core values of integrity, responsibility, dignity, innovation, responsiveness, and sustainability. 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 3,866. The table below shows the key human resources numbers for the year.

Ratios	June 2023	June 2022
Total Head Office Staff	104	95
Total Field Staff	3,203	2,775
Operations and Administrative staff	3,866	3,384
Staff Gender Ratio	52%	51%
Yearly Turnover	14%	14%

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.

Ratios	%age Females	%age Males
Business Development Officer	52%	48%
Branch Manager	50%	50%
Area Manager	51%	49%
Regional Manager	55%	45%


Kashf

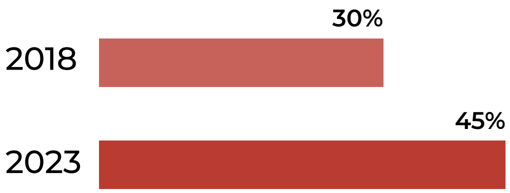
CHAPTER 1: MICROBUSINESSES AND ECONOMIC DOWNTURN

Pakistan's economy has been experiencing a severe downward spiral, characterized by poor economic policies that have led to high rates of unemployment, negative growth rates which are compounded by escalating inflation (especially food inflation), volatility in currency prices, an unsustainable trade balance and low foreign reserves. The situation was exacerbated by devastating floods in July-August 2022 wherein nearly one-third of the country was submerged under water, leaving behind a trail of destruction that included the loss of over 1,100 lives, destruction of over 325,000 houses, reduction of over 735,000 livestock to pestilence and disease, and damage to over 2 million acres of crop[1]. The looming issue of climate risk combined with economic and financial crisis has been at the forefront of the country's inability to post a positive GDP growth in the past fiscal year where the real GDP grew at 0.29%[2].

Impact of Inflation on Low-Income Households

Inflation, especially food inflation is highly regressive in nature as it impacts low-income households disproportionately since they tend to spend a higher percentage of their household income on food. Kashf has undertaken a longitudinal research with its clients on inflation covering the period August 2018 to March 2023[3]. This research highlights that overall food dependency in low-income households is growing as the percentage of income spent on meeting food expenses has increased from 30% of their income in 2018 to 45% of their income in 2023. The question to ask is whether incomes have kept pace with the increase in food prices in real terms or whether in the light of spending a greater percentage of their income on food has forced households to cut back on other essential expenses.

Food expenses as a percentage of monthly expenditures



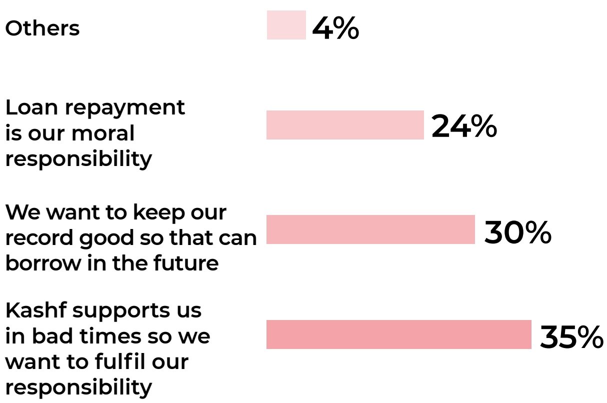
The study further highlights that the economic stress on low-income households has been additionally impacted by the reduction in household income due to economic contraction. Research on inflation[4] also showed that 50% of respondents in March 2023 reported a decrease in household income whereas 40% had reported the same in October 2022, in other words in a period of 12 months one out of two households surveyed were facing income reduction. When asked about about the reason for the decrease in income, respondents stated that there have been losses in businesses, a decrease in profit margins, a reduction in several earning members in the household, and reduced demand for products and services. When asked about coping mechanisms being employed to meet expenses to deal with rising prices and falling incomes, a majority of respondents said that they are cutting back on non-essential expenses, working more hours, reducing the quality and/or quantity of food, and using savings or selling assets. A small percentage of respondents also cited removing children from school, sending children to work, and being unable to pay utility bill payments.

1 United Nations, 2022
2 Pakistan Economic Survey 2022-23, Federal Bureau of Statistics Report
3 The research is done bi-annually, every March and October.
4 Kashf Foundation, Inflation Research, 2023

Despite the economic difficulties reported by respondents, it is interesting to note that more than 99% of Kashf's clients are paying back their instalments on time. The same has been observed across the microfinance sector, with the Pakistan Microfinance Network reporting overall portfolio at risk 30 days for Non-Banking Microfinance Companies at 3%[5]. To understand this trend better, Kashf undertook research to determine client motivation for making timely repayments.

As the chart shows, 35% of respondents reported that they wanted to fulfil their responsibility as Kashf had supported them in their time of need when other avenues were not available. Moreover, 30% of respondents said they wanted their repayment record to be good so they could secure future loans, and 24% reported that loan repayment was their moral responsibility which is why they continued to make repayments even in the face of challenging circumstances. In other words, the above analysis highlights that repayment of loans is a key priority for low-income households, even in a highly volatile economic environment, as it is an important mechanism for managing cashflows and ensuring access to future loans.

Motivation to make loan repayments

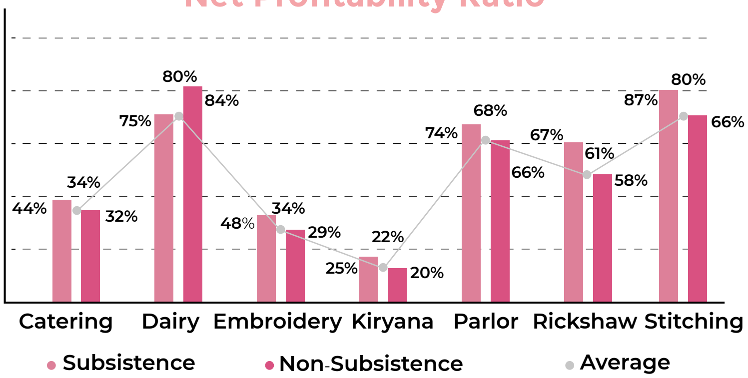


Clients have also anecdotally reported business income stability even in the face of a macroeconomic downturn which implies that micro-businesses are somewhat decoupled from the overall economy. To investigate this further, Kashf undertook a Net Profitability Research[6] with the 7 most common micro-businesses in Kashf's productive loan portfolio. These businesses included stitching, embroidery, beauty parlours, kiryana (grocery store), dairy, catering, and rickshaw businesses. All the businesses interviewed were operating in the informal economy; six businesses for every trade were selected; three of which were operating at subsistence level (at a very basic level) and three were operating at non-subsistence level (businesses being operated at a larger scale).
The interviews recorded the monthly cash flows of the businesses to calculate the net profitability ratio. Changes in cash flows resulting from seasonal demand for businesses were also accounted for while calculating monthly revenues.

5 Pakistan Microfinance Network, Microwatch data, March 2023
6 Kashf Foundation, Net Profitability of Micro-Businesses, November 2022

The Top-Line Outlook For The Net Profitability Ratios Shows That Micro-Businesses Were Doing Well Despite The Overall Macroeconomic Contraction And The Rising Food Prices.

Net Profitability Ratio



A deeper dive into the data shows the following trends

	Subsistence				Non Subsistence			
	Monthly Revenue	Monthly Cost	Net Profit	Net Profitability Ratio	Monthly Revenue	Monthly Cost	Net Profit	Net Profitability Ratio
Catering	72,533	40,489	32,045	44%	541,500	370,317	171,183	32%
Dairy	50,000	12,604	37,397	75%	80,100	13,014	67,086	84%
Embroidery	147,000	76,312	70,687	48%	358,000	255,127	102,874	29%
Kiryana	152,667	114,061	38,606	25%	240,000	192,978	47,023	20%
Parlour	27,047	7,452	20,928	74%	79,685	27,135	52,550	66%
Rickshaw	62,200	20,622	41,578	67%	113,667	47,610	66,857	58%
Stitching	26,850	3,463	23,388	87%	89,779	21,396	68,383	66%

As the table shows, the dairy and stitching businesses had the highest net profitability ratios (80% each) while the Kiryana businesses had the lowest net profitability ratios at 22%. Comparing subsistence and non-subsistence level businesses, it was observed that the monthly revenues for non-subsistence businesses across the board were higher than the subsistence businesses. However, due to the higher costs of running the businesses, the net profitability ratio for subsistence-level businesses was higher for almost all businesses except dairy.

The research also showed that generally, micro-businesses had higher net profitability ratios when they had close proximity to the market, the women involved in the business were more mobile, and micro-entrepreneurs were able to source materials or inputs at wholesale rates. On the other hand, the factors that negatively impacted profitability were working through middlemen/agents (this included conventional agents and technology platforms such as food-hailing applications in the case of catering businesses) and the time spent by the women micro-entrepreneurs on unpaid care activities.

Thus, the small size of micro-businesses allows the micro-entrepreneurs to run them at a low cost of operations with extremely low overhead costs. Moreover, these businesses are part of the informal economy and in a majority of cases below taxable limits which further reduces overhead costs. Furthermore, all these businesses deal almost exclusively in cash which reduces fees linked to banking, payments, and digitalization for these businesses. On a policy level, the research showed the important role that micro businesses are playing in sustaining low-income families and the contributions they are making to the local economy. With high levels of inflation and macroeconomic contraction, the role of small-scale production and entrepreneurial activity is more important than ever. The need is thus heightened for creating even greater access to micro-finance solutions and related eco-system opportunities.

CHAPTER 2: BUILDING RESILIENCE FOR LOW-INCOME WOMEN

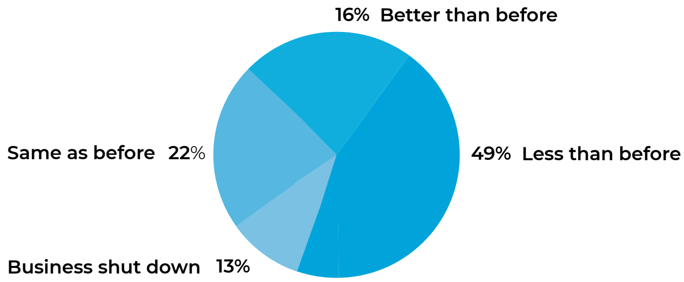
According to the Inform Risk Index 2023 “Pakistan has among the highest disaster risk levels in the world, ranking 24th out of 191 nations. Three factors influence this risk: exposure and hazards, vulnerability and coping capacity”. Moreover, the World Bank's Unbreakable Report posits that low-income families are more than twice as likely to experience the negative consequences of natural disasters and climate change. This is because they reside in particularly vulnerable regions, with inconsequential building regulations and limited or no access to financing and risk coverage. Pakistan, especially its Southern province of Sindh, was impacted by historically unprecedented flooding in July-August 2022.
Given the significant consequences of climate risk on poverty outcomes, there is a need for microfinance organizations to develop and tailor financial products and services to better enable adaptability and resilience to climate-based risks within vulnerable households. To understand the impact of floods on the economic resilience of women from low-income households, the Kashf Foundation undertook qualitative research with women from 40 households 9 months after the floods. The research was based on an in-depth semi-structured format and the discussion focused on the impact of the floods on their livelihoods, houses, and livestock.

Impact on Livelihoods

There was a decrease in the number of earning members reported by respondents from 3 to 2 per household when comparing pre-flood numbers to post-flood. The decrease in earning members was attributed to the reduction in overall economic activity, loss of assets and raw materials during floods, and business closures due to reduced demand. Moreover, while none of the respondents reported only one earning member before the flood, 8% reported this after the flood. 5% of respondents reported no earning member and subsequently no income in the household after the floods.

Post floods 1 out of 2 women-led businesses were earning considerably less than before the floods.

Change in respondent's business income post floods



The respondents were also asked about the state of their business income post floods. All of the respondents were women running their micro-businesses; 49% of respondents reported that their business income was less than what it was before, 22% said it was the same as before and 16% said it was better than before. Businesses related to essential commodities such as grocery stores and dairy or milk were quicker to recover from the impact of floods, however given the qualitative nature of the study a definitive claim cannot be made.

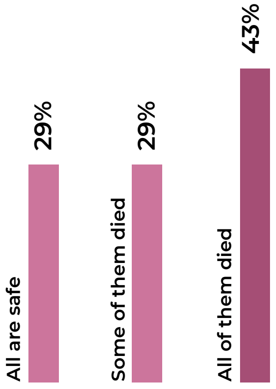
Impact on Livestock

Livestock is an important source of income and is considered an easy-to-liquidate asset for low-income households in times of need; in most cases, livestock, especially goats, is a way of saving for women. Therefore, respondents were also asked about livestock and how it was impacted by floods. Of the respondents, 53% had livestock at the time of floods. Half of them had large animals (cows or buffaloes) while half had small animals (goats or sheep). 43% of the respondents stated that all their livestock had perished as a result of flooding. Smaller animals such as goats/sheep were lost either due to drowning or disease after the floods, while larger animals like cows or buffaloes were mainly impacted by the spread of disease or electrocution post floods. 29% of respondents stated that some of the livestock survived while 29% stated that all of their livestock is safe.

The loss of livestock by 70% of households means loss of income and the loss of an important asset that could have been en-cashed when the households were cash-strapped (due to the floods). Additionally, since livestock acts as an important source of nutrition for these households, through milk and meat, the loss of livestock can have a long-term negative impact on the health of children and other family members, especially given the context of high levels of malnourishment and stunting in Sindh. The death of livestock due to disease post floods also reflects that there was a lack of accessible veterinary services in disaster-hit areas. Consequently, households that lost their livestock were further pushed into multi-dimensional poverty.

Impact of flood on livestock

4 out of 10 households lost their livestock post the floods which is a major source of their income and savings.



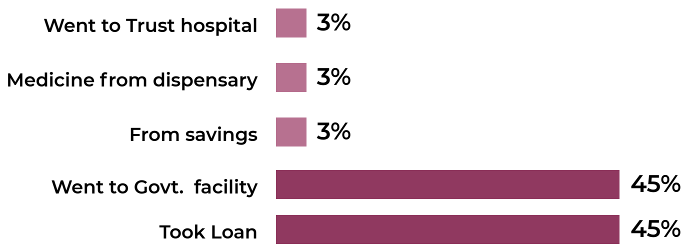
Impact on Health

81% of respondents stated that they or an immediate family member had needed medical treatment in the wake of flooding. A majority of diseases reported were either waterborne diseases and/or viral diseases, which though requiring medical intervention, did not require hospitalization in most of the cases.

When asked about how respondents funded their medical treatment, 45% stated they had to borrow money to pay for their expenses while the remaining visited a government or charitable institution to get free treatment. Only 3% of respondents had any savings which they could use to fund their medical expenses.

Though the majority of the respondents had comprehensive in-patient health insurance, they were not able to use it due to the exclusion of OPD treatments. This highlights the need for rethinking offerings in terms of health insurance for calamity-prone areas to provide more holistic and relevant solutions such as low-cost health clinics, revision of terms and conditions for health insurance, and creating better awareness of public health infrastructure.

How did you cope with medical expenses?

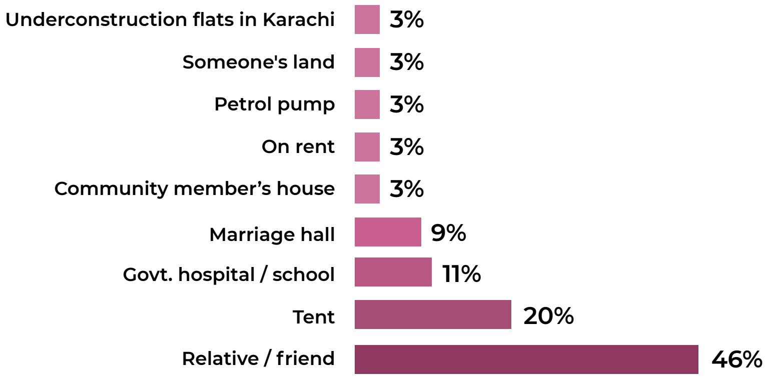


Flooding and Relocation

All the respondents reported flooding in their community and also reported that they had received flood warnings prior to flood water reaching their communities. 88% of respondents were forced to leave their houses when flood waters started rising. Of these, 46% had to take refuge in a relative's or friend's house and 20% lived in a tent outside of their house. The remaining 12% who did not leave their house either experienced flash flooding where water levels receded in a day or two (2.5%), had nowhere to go (2.5%) or chose to stay within the boundary wall of the house despite damage to roofs or walls due to rainwater (7.5%). A majority of respondents relocated with their entire family while few, around 9%, reported moving without their husbands who stayed back to take care of livestock.

8 out of 10 households had to relocate from their communities after the floods.

In case of relocation, where did you relocate?

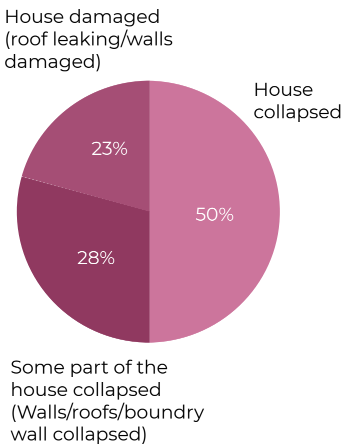


1 out of 2 households completely lost their homes to the floods.

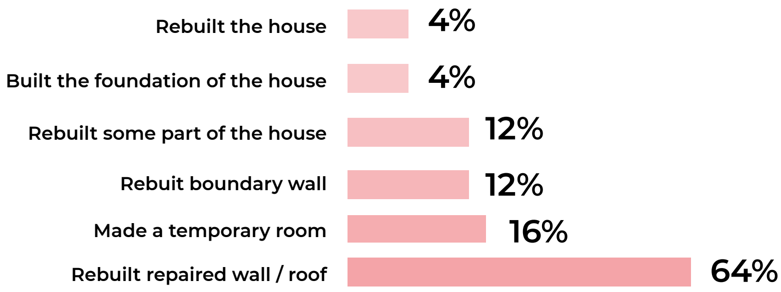
What was the condition of your house when you returned?

When respondents, that had returned were asked about the status of their houses 50% reported they returned to a completely damaged house, while 23% of respondents said that some part of their house had collapsed and 23% said that their house was partially damaged. The destruction caused by the floods shows that housing structures were unable to withstand the impact of heavy rainfall or flash floods. This presents the need for interventions in rebuilding and reconstruction with flood proofing and climate resilience included in the design and materials used.

When asked about the repairs undertaken after returning to their houses; 43% of respondents said they had not gotten any repairs done due to the lack of resources or capital. The major reason behind this was the lack of savings or income which led people to continue to live in temporary structures for an extended period. 57% of respondents had gotten some repairs done which can be seen in the following chart.



Repairs undertaken



When respondents who undertook repairs or reconstruction were asked if they had incorporated any changes in house repairs that would help in minimizing damages in case of another flood 56% responded in the negative. This denotes that in case of future flooding, 56% of the houses will suffer the same fate in terms of damage. The respondents who stated that they had incorporated some flood proofing reported using one or two of the following: higher plinths (75%), using cement instead of mud/clay (62%) and creating water outlets/drains (12%). This further highlights the need for communities to be given technical assistance and tools to rebuild flood-resilient houses by using master plans/prototypes that can withstand the impact of flooding and to use locally sourced, sustainable and long-lasting building materials.

Future Preparedness/Resilience

Throughout the in-depth interviews, it was very evident from the conversations that the respondents were ill-prepared for a future flood event. These themes came up in the research team's questions regarding the diversification of businesses/income streams, building moveable assets, formal savings, and materials and construction methods used for rebuilding /reconstructing. When asked pointedly about their level of preparedness for another flood occurring, 78% of respondents said that they were not prepared while 7% reported being prepared.

How prepared do you feel if another flood happens?

Kashf's Approach

Kashf aims to develop a medium to long-term strategy to improve resilience against climate events for low-income households, especially women, in Sindh through a multi-pronged approach focusing on creating new and flexible financial products based on community needs in the wake of climate events, introducing interventions for home reconstruction (financial products and technical assistance for flood-proofing), investing in health care, creating climate and disaster linked insurance products, and enhancing disaster preparedness amongst the communities via training and capacity building interventions.

Customized Loan Products	Reconstruction and Rebuilding	Access to Health	Climate linked Insurance	Trainings
Flexible Repayment Schedules	Housing Loans	Telehealth	Cash Coverage In Case of Climatic Trigger	Pre-Disaster Prepardness Training
Emergency Cash	Technical Assistance for Climate Proofing	Immunization and Nutrition Programs	Climate Linked Livestock Insurance Improvements	Emergency Medical Care
Asset Recapitalization	Community Level Climate Proofing	Overhaul of Health Insurance	Products to Enhance Resilience of Households	Rescue and Relief Skills

CHAPTER 3: FINDINGS FROM THIRD-PARTY IMPACT ASSESSMENT ON KASHF'S MICROFINANCE PLUS PROGRAM

Kashf's microfinance plus program impacts the socio-economic empowerment of clients by enhancing their progress in 4 distinct dimensions. These include the economic dimension, the capabilities dimension, the empowerment dimension and the well-being dimension. This chapter provides findings from an Impact Assessment Study commissioned by Kashf to a Third Party .

Methodology of Impact Assessment

A statistically significant sample was drawn for the impact assessment using a sampling technique that accounted for appropriate geographic coverage and ensured the representation of beneficiaries across selected service lines. The service lines chosen for the impact assessment were the Business Loan, the Financial Literacy Training, the Business Training, and the Maternal and Reproductive Health Training. 1,897 unique beneficiaries were surveyed based on the identified service streams. These unique beneficiaries had benefited from one or a combination of service streams, and therefore, the total number of respondents across these streams was 3,290 (full sample).

A survey instrument was designed for each Service Line which was pilot tested and necessary revisions and improvements were made to the survey flow and language before finalization. Data collection took place in person via tablets by enumerators hired and trained by the Third Party Impact Assessment firm.

Digitized data was submitted on a rolling basis by the enumerators which was reviewed by the Quality Assurance teams at both the Third Party Impact Assessment firm and Kashf Foundation. Following compilation, cleaning and verification, a final database was prepared corresponding to the instruments used. Data was coded/labelled to allow for accessibility and understanding. Collected data and information were analyzed with the application of multiple economic and statistical techniques.

Topline Results

The Impact Assessment shows that Kashf's microfinance plus program has positively impacted the socio-economic empowerment of women clients from low-income households by enhancing their economic status (evidenced through higher income, savings, and business profits), their capabilities (evidenced through knowledge of financial education and business education), their empowerment (evidenced through improved self-perception, increased decision-making, improved perception in the household) and their well-being (evidenced through improved knowledge about maternal and reproductive health, improved food security, and improved access to health). These findings are especially relevant amidst the backdrop of economic recession, inflation, food inflation and low demand.

Demographic Characteristics

Based on the demographic analysis, it can be observed that the typical Kashf client is a 37-year-old woman with an average family size of 6 and an average of 2 earners per household.

Demographic Characteristics of Kashf Clients

Average Age: 37
Average Family Size: 6
Average Number of Earners: 2

32% Had never attended school	**61%** Had a mobile phone	**63%** Were self employed

Increase in Income

- An increase of Rs.14,439 was reported in the average household income after the loan.
- Clients that attended trainings reported a higher average increase in household income compared to the other cohorts.
- Regression analysis shows that with every 100 rupee increase in the loan amount, the household income increased by Rs.14.

Increase in Savings

- An increase of Rs.5,310 was reported in the average household monthly savings after the loan.
- Clients that attended the trainings reported a higher average increase in savings.
- Regression analysis shows that with every 100 rupee increase in loan, the household savings increased by Rs.5.

Impact on Business Outcomes

- **An average increase of Rs.10,897 was reported in businesses revenue before and after the loan.**

  Participants that had undergone trainings showed a higher absolute increase in business revenue compared to other cohorts.

  Regression analysis shows that when loan amount increases by Rs.100, the business revenue increases by Rs.15.

- **An average increase of Rs.5,666 was reported in business profit before and after the loan.**

  Participants that had undergone Trainings showed a higher increase in profit.

  Regression analysis shows that with the increase in loan amount by Rs.100, the business profit increases by Rs.7.

- **38% of the respondents reported an increase in the number of employees in their business after taking Kashf's loan.**

  A higher percentage of respondents who had taken both the loan and business trainings reported an increase in the number of employees after taking a loan from Kashf.

  None of the respondents have reported a downsizing in employee.

Impact on Capabilities of Beneficiaries: Financial Knowledge & Practices

Bank Account Opening

- 50% reported knowlege of account opening
- 28% had opened bank accounts

Calculating Profit and Loss

- 88% of the beneficiaries stated that they could calculate profit/loss
- 71% reported doing this for their business

Making Business Budgets

- 83% respondents reported that they knew how to make a budget for their business
- 77% were putting this learning into practice
- A high percentage of respondents attributed this increased knowledge to Kashf's Financial Education Trainings

Capabilities of Beneficiaries: Business Acumen and Practices

Open a mobile wallet

- 48% business training respondents reported knowlege of opening a Mobile Wallet
- 31% respondents had opened Mobile Wallet Account

Calculate Profit and Loss

- 91% respondents knew how to calculate business profit and loss
- 78% respondents were doing this for their business post training

Making a Business Budget

- 87% respondents knew how to make a business budget
- 85% respodents reported making business budgets

Use Internet for Business

- 85% respondents reported knowing how to use the internet for business
- 52% reported practice of using internet for business

Make/Receive Digital Payments

- 52% respondents reported knowledge of making and receiving digital payments
- 36% reported making and receiving digital payments

More than three-fourths of the respondents attributed knowledge relating to business education aspects to Kashf's Business Training

Impact on Empowerment of Beneficiaries

Impact on Perception of Self/ Ability

- 70% women viewed themselves more positively regarding their own abilities after being part of the Kashf Program.
- A larger number of respondents who had been part of the trainings reported “improved a lot” compared to the loan only cohort.

Participation in Various Realms of Life

- 21% respondents reported that after Kashf’s loan they were able to facilitate other women in their business activity.
- 13% reported that since joining Kashf’s program they actively participate in discussions/activities aimed at the well-being of women and girls.

Decision-Making Authority

- 50% respondents said that their decision making regarding household savings has increased.
- 43% reported more authority over use of business income.
- 45% reported increased decision making authority on household expenditures.

Increased Respect and Self-Worth

- 86% of the respondents reported increased respect in the household after participation in the Kashf program.
- 72% of the respondents reported improved self-worth. A higher number of respondents reported higher self-worth who had participated in Trainings with the loan.

Change in Relationships

- 48% of respondents reported improvement in their relationship with their spouse after participation in the Kashf program.
- 41% reported improved in relationships with other males in the household.
- 45% reported an improvement in relationships with other women in the household.

Change in Relationships

- A high percentage of respondents reported that they did not face physical violence and/or verbal/ psychological abuse.
- 2% respondents reported that the incidence of physical violence has reduced since joining Kashf’s program.
- 3% said that the incidence of verbal and psychological abuse has decreased.

Impact on Well-Being

Access to Health Facilites

41% Reported improvement in Access to Health Facilities

34% Reported Access to Health Facilities staying the same

11% Reported reduction in Access to Health Facilities

15% Had not visited the hospital in the last year

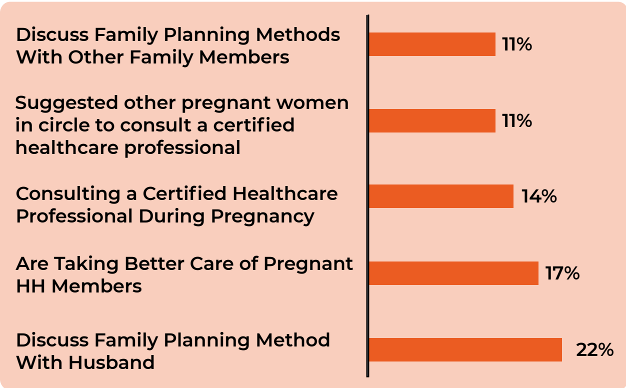
Reasons due to which Access to Health Facilities has Increased

Change in Understanding about Maternal and Reproductive Health

More than 90% of the respondents that had undergone reproductive and maternal health trainings reported increased understanding about maternal and reproductive health.A high percentage of respondents attributed this increase in understanding to Kashf's trainings.

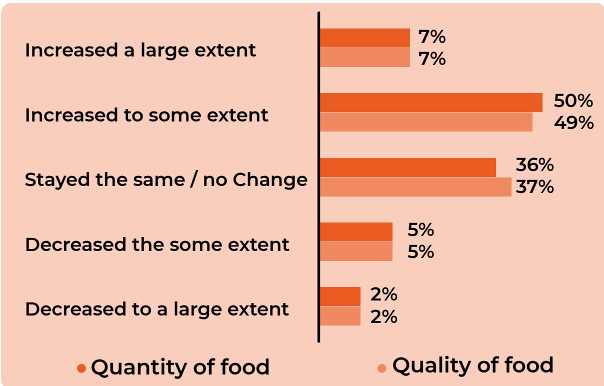
- 91% knew precautions for reduction of infant mortality
- 97% understood birth spacing
- 99% knew importance of balanced diet in pregnancy
- 99% knew family planning methods
- 96% knew importance of vaccination for children
- 97% knew importance of certified professional to deliver babies
- 92% knew precautions for reduction of maternal mortality
- 95% knew importance of antenatal checkups

Change in Practice After Maternal and Reproductive Health Training

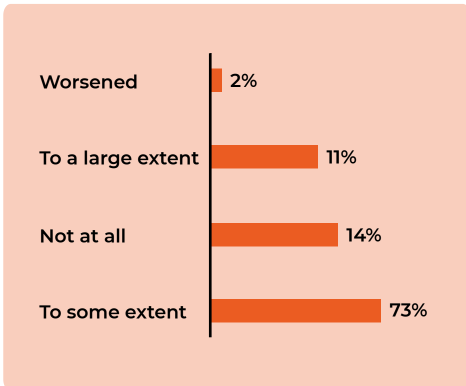


Impact on Food Security

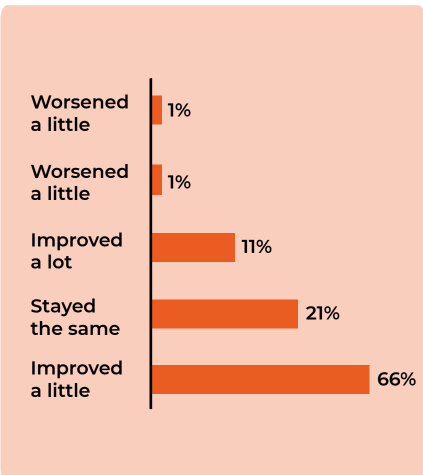
Quality and Quantity of Food



Extent to which enhanced disposable income impacted food security



Impact on Overall Quality of Life



DEPARTED BUT NEVER FORGOTTEN DR. MEHJABEEN ABIDI HABIB

Jan 1963 - May 2023

Dr. Mehjabeen Abidi Habib, an eminent figure in the fields of ecology and environmental preservation, peacefully departed on May 26, 2023, at the age of 60. She confronted her final battle with cancer with an unwavering grace and strength that had defined her remarkable life. Dr. Mehjabeen's life journey was nothing short of extraordinary. Born and nurtured within the embrace of diverse cultures during her formative years, she developed an appreciation for local communities and preserving nature.

Dr. Mehjabeen's dedication to empowering women and their communities spanned over two impactful decades. As a climate expert at the Kash Foundation, she played a pivotal role in developing the "Kashf Climate Risk Framework," ensuring that all Kashf's indicators, products, and services were in line with the provisions of UN SDG 7. As a board member as well, she actively contributed to shaping various facets of Kashf over the past three years, leaving an indelible mark on our organization's policies and business strategies.

In commemorating the life of Dr. Mehjabeen Abidi Habib, we celebrate a lifetime devoted to conserving, and cherishing the natural world. Her passing is a loss not only to the environmental community but to all who had the privilege of knowing her.

MESSAGES FROM KASHF SUPPORTERS

Global Affairs Canada

The collaborative spirit that defines our partnership has been exemplary. The synergy between Kashf Foundation's mandate and Canada's Feminist International Assistance Policy (FIAP) has been a testament to what can be achieved through shared vision and purpose. Kashf's transparent and open communication and willingness to adapt to an ever-changing and challenging operating context, coupled with our mutual trust, have formed the bedrock of this successful collaboration. Together, we've tackled challenges head-on, such as the COVID pandemic; political instability; and, rising inflation, demonstrating resilience and determination in the pursuit of a more equal and just society in Pakistan.

Most importantly, we extend our heartfelt congratulations to the incredible women micro-entrepreneurs who have been the key to our joint success.

Finnfund

The promotion of rights of women and girls is a long term priority of Finnish development policy and one of the key objectives of the United Nation's Sustainable Development Goals. Finnfund promotes financial inclusion by investing in selected financial service providers. Finnfund and Kashf Foundation share the commitment to empowering women through enabling services and we are happy to have partnered since year 2021 with Kashf, a true pioneer in Pakistan. The cooperation has gone well, and Finnfund will continue to support Kashf Foundation in the future especially to develop and implement its environment and client protection framework.

Symbiotics Investments

We want to express our gratitude for the remarkable journey we have embarked on since 2017 with the Kashf Foundation. Our partnership has been instrumental in achieving our mission. It enables us to flow money from our European investors to microentrepreneurs in Pakistan, improving the socio-economic inclusion of women and alleviating household poverty. Through our joint efforts, we have structured the first-ever local currency loan by any international institution in the microfinance sector of Pakistan. This has eliminated hedging costs for Kashf and offers our investors a new currency to diversify their local currency portfolio. Looking ahead, Symbiotics Investments is eager to explore new horizons and further collaborate on new thematic loans to create lasting and positive change in poor communities in Pakistan.

Oesterreichische Entwicklungsbank (OeEB)

Promoting gender equality is key for poverty alleviation and sustainable development. Kashf Foundation has been a pioneer in empowering female entrepreneurship in Pakistan for many years. We are proud to work with a partner who shares our commitment to improving financial inclusion and reducing inequalities and look forward to continuing our fruitful cooperation.

KASHF SUPPORTERS

ADB ASIAN DEVELOPMENT BANK	askaribank	British International Investment	BIO Investing in a Sustainable Future
BlueOrchard Impact Investment Managers	BOP THE BANK OF PUNJAB	In partnership with Canada	DFC
finnfund	FMO Entrepreneurial Development Bank	Frankfurt School of Finance & Management German Excellence. Global Relevance.	HBL HABIB BANK حبیب بینک
InsuResilience InvestmentFund	JS BANK	Jubilee INSURANCE	MCB Bank for Life
MICROVEST PURPOSEFUL INVESTING	NBP National Bank of Pakistan	OeEB	PAK CHINA INVESTMENT COMPANY LIMITED
PAK OMAN	PMIC Pakistan Microfinance Investment Company Limited	Proparco GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT	
SILKBANK Yes we can	skoll FOUNDATION	Standard Chartered	symbiotics

KASHF FOUNDATION

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Mark-up and other charges on micro-credit loan portfolio	33	8,777,444,166	6,407,430,485
Profit and other charges on Kashf murabāha portfolio	34	339,842,914	245,652,834
Grant income	35	263,915,302	229,877,205
Return on investments and bank deposits	36	1,078,473,286	646,590,734
		10,459,675,668	7,529,551,258
Programme cost	37	(3,044,078,292)	(2,343,892,226)
Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges		(120,472,951)	(186,275,209)
Grant expenses	38	(263,915,302)	(229,877,205)
Finance cost	39	(4,593,881,615)	(2,664,032,863)
		(8,022,348,160)	(5,424,077,503)
		2,437,327,508	2,105,473,755
Management and administrative expenses	40	(525,900,811)	(515,180,219)
Other expenses	41	-	(1,379,380)
Other income	42	682,529,278	345,990,949
		156,628,467	(170,568,650)
SURPLUS FOR THE YEAR		2,593,955,975	1,934,905,105

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
SURPLUS FOR THE YEAR	2,593,955,975	1,934,905,105
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Items that may be reclassified to statement of income and expenditure in subsequent periods:		
Cashflow hedges		
- effective portion of changes in fair value	2,799,222,804	3,086,696,874
- reclassified to income and expenditure	(3,004,100,334)	(3,083,565,501)
- reclassification of forward points to income and expenditure	287,503,494	-
	82,625,964	3,131,373
Items that will not be reclassified to statement of income and expenditure in subsequent periods:		
Surplus on revaluation of freehold land	435,744,740	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,112,326,679	1,938,036,478

The annexed notes 1 to 52 form an integral part of these financial statements.

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

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

			Revenue reserves	Capital reserves				
	Note	Donated funds	Accumulated surplus	Loan loss reserve	Special reserve	Hedging reserves	Surplus on revaluation of land	Total
					Rupees			
Balance as at July 1, 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 disbursed against donated funds		(3,030,213)	-	-	-	-	-	(3,030,213)
Transferred from general funds to loan loss reserve	22	-	(160,862,779)	160,862,779	-	-	-	-
Transferred from general funds to special reserve	23	-	(96,745,255)	-	96,745,255	-	-	-
Balance as at June 30, 2022		237,005,711	5,586,179,603	984,148,137	96,745,255	26,558,614	300,203,137	7,230,840,457
Total comprehensive income								
Surplus for the year		-	2,593,955,975	-	-	-	-	2,593,955,975
Other comprehensive income for the year		-	-	-	-	82,625,964	435,744,740	518,370,704
		-	2,593,955,975	-	-	82,625,964	435,744,740	3,112,326,679
Transferred from general funds to loan loss reserve	22	-	(348,978,361)	348,978,361	-	-	-	-
Transferred from general funds to special reserve	23	-	(129,697,799)	-	129,697,799	-	-	-
Balance as at June 30, 2023		237,005,711	7,701,459,418	1,333,126,498	226,443,054	109,184,578	735,947,877	10,343,167,136

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Cash flow from operating activities			
Surplus for the year		2,593,955,975	1,934,905,105
Adjustments for non cash items:			
Depreciation	6.3	187,769,472	160,510,034
Amortisation	7.1.1	7,184,992	5,504,391
Liabilities written back	42	(132,722,675)	(3,946,068)
Markup on lease liabilities	27.2	17,222,029	17,396,142
Return on investments and bank deposits	36	(1,078,473,286)	(646,590,734)
Amortisation of transaction costs of long term loans	39	92,505,649	99,327,589
Finance cost on borrowings	39	3,931,155,690	2,318,774,263
Gain on disposal of property and equipment	42	(38,071,006)	(7,015,905)
Gain on termination of lease	42	(3,572,688)	(8,259,141)
Reclassification from intangibles	7.2	3,874,727	-
Adjustment in right-of-use assets and lease liabilities	6.1 & 27	1,300,202	-
Grant income	35	(263,915,302)	(229,877,205)
Fair value gain on mutual funds	42	(5,699,493)	(100,637)
Fair value gain on investment property	42	(10,000,000)	(15,273,500)
Dividend income	42	(7,494,056)	(8,040,784)
Foreign exchange gain - net	42	(451,058,394)	(249,277,638)
Reclassification of forward points	39	287,503,494	-
Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges		120,472,951	186,275,209
		2,657,982,306	1,619,406,016
Surplus before working capital changes		5,251,938,281	3,554,311,121
Working capital changes			
(Increase) / decrease in current assets			
Increase in micro-credit loan portfolio		(6,731,984,089)	(3,830,080,734)
Increase in Kashf murabaha portfolio		(270,964,297)	(212,360,446)
Increase in accrued service charges		(181,271,966)	(68,716,949)
Increase in advances, deposits, prepayments and other receivables		(64,115,601)	(72,413,798)
		(7,248,335,953)	(4,183,571,927)
Increase / (decrease) in current liabilities			
Increase in deferred grants		518,588,107	30,720,771
Increase in trade and other payables		(190,281,585)	167,370,477
		328,306,522	198,091,248
Cash used in operations		(1,668,091,150)	(431,169,558)
Finance cost paid		(3,605,992,205)	(2,135,263,470)
Long term loans disbursed - net		(3,462,063)	(1,003,411)
Long term deposit paid - net		(64,600,000)	(79,500,000)
Net cash used in operating activities		(5,342,145,418)	(2,646,936,439)
Cash flow from investing activities			
Capital expenditure incurred		(679,768,060)	(86,117,869)
Sale proceeds from disposal of operating fixed assets		39,249,814	10,242,396
Return received on investments and bank deposits		1,000,408,404	611,440,400
Long term and short term investments made - net		(2,078,014,915)	(48,812,297)
Net cash (used in) / generated from investing activities		(1,718,124,757)	486,752,630
Cash flow from financing activities			
Transaction costs paid for long term loans		(139,479,007)	(34,369,163)
Payment of lease liabilities		(104,910,735)	(92,290,873)
Long term and short term financing obtained - net		6,337,494,451	2,594,526,876
Net cash generated from financing activities		6,093,104,709	2,467,866,840
Effect of exchange rate changes on cash and cash equivalents		127,314,665	137,680,067
Net (decrease) / increase in cash and cash equivalents		(839,850,801)	445,363,098
Cash and cash equivalents at the beginning of the year		6,368,669,910	5,923,306,812
Cash and cash equivalents at the end of the year	20	5,528,819,109	6,368,669,910

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	1,889,628,074	793,888,324
Intangible assets	7	38,617,623	47,876,696
Investment property	8	-	103,424,250
Long term investments	9	1,515,041,241	187,973,040
Long term loans	10	4,683,203	1,221,141
Long term micro-credit loan portfolio	11	125,343,694	144,009,258
Long term Kashf murabaha portfolio	12	3,979,475	-
Financial assets used for hedging	13	1,674,557,786	1,267,147,107
Long term deposits	14	149,563,360	84,963,360
		5,401,414,456	2,630,503,176
CURRENT ASSETS			
Micro-credit loan portfolio	15	25,353,329,147	18,744,012,488
Kashf Murabaha portfolio	16	1,012,914,280	726,644,675
Accrued service charges	17	439,397,389	256,550,163
Short term investments	18	2,577,479,811	1,406,813,241
Financial assets used for hedging	13	3,711,773,107	1,319,960,982
Advances, deposits, prepayments and other receivables	19	1,146,027,509	835,587,178
Cash and bank balances	20	5,528,819,109	6,368,669,910
		39,769,740,352	29,658,238,637
		45,171,154,808	32,288,741,813
FUNDS AND LIABILITIES			
FUNDS			
Donated funds	21	237,005,711	237,005,711
Accumulated surplus		7,701,459,418	5,586,179,603
Loan loss reserve	22	1,333,126,498	984,148,137
Special reserve	23	226,443,054	96,745,255
Hedging reserve	24	109,184,578	26,558,614
Surplus on revaluation of land	25	735,947,877	300,203,137
		10,343,167,136	7,230,840,457
NON CURRENT LIABILITIES			
Long term financing	26	16,258,482,379	12,514,952,944
Lease liabilities	27	52,321,467	61,233,816
		16,310,803,846	12,576,186,760
CURRENT LIABILITIES			
Current portion of long term financing	26	15,987,442,896	10,464,087,155
Current portion of lease liabilities	27	54,483,938	77,981,155
Short term borrowings	28	437,716,757	392,146,482
Deferred grants	29	441,793,401	187,120,596
Accrued markup	30	925,872,994	600,709,509
Trade and other payables	31	669,873,840	759,669,699
		18,517,183,826	12,481,714,596
CONTINGENCIES AND COMMITMENTS	32	-	-
		45,171,154,808	32,288,741,813

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

KASHF FOUNDATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023

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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 June 30, 2023, 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 June 30, 2023 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 and the Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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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.

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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 June 30, 2022, were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated October 11, 2022.

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

A. F. Ferguson & Co.
Chartered Accountants

Lahore

Date: October 6, 2023

UDIN: AR202310092y0iFhTnE7

KASHF FOUNDATION
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	1,889,628,074	793,888,324
Intangible assets	7	38,617,623	47,876,696
Investment property	8	-	103,424,250
Long term investments	9	1,515,041,241	187,973,040
Long term loans	10	4,683,203	1,221,141
Long term micro-credit loan portfolio	11	125,343,694	144,009,258
Long term Kashf murabaha portfolio	12	3,979,475	-
Financial assets used for hedging	13	1,674,557,786	1,267,147,107
Long term deposits	14	149,563,360	84,963,360
		5,401,414,456	2,630,503,176
CURRENT ASSETS			
Micro-credit loan portfolio	15	25,353,329,147	18,744,012,488
Kashf Murabaha portfolio	16	1,012,914,280	726,644,675
Accrued service charges	17	439,397,389	256,550,163
Short term investments	18	2,577,479,811	1,406,813,241
Financial assets used for hedging	13	3,711,773,107	1,319,960,982
Advances, deposits, prepayments and other receivables	19	1,146,027,509	835,587,178
Cash and bank balances	20	5,528,819,109	6,368,669,910
		39,769,740,352	29,658,238,637
		45,171,154,808	32,288,741,813
FUNDS AND LIABILITIES			
FUNDS			
Donated funds	21	237,005,711	237,005,711
Accumulated surplus		7,701,459,418	5,586,179,603
Loan loss reserve	22	1,333,126,498	984,148,137
Special reserve	23	226,443,054	96,745,255
Hedging reserve	24	109,184,578	26,558,614
Surplus on revaluation of land	25	735,947,877	300,203,137
		10,343,167,136	7,230,840,457
NON CURRENT LIABILITIES			
Long term financing	26	16,258,482,379	12,514,952,944
Lease liabilities	27	52,321,467	61,233,816
		16,310,803,846	12,576,186,760
CURRENT LIABILITIES			
Current portion of long term financing	26	15,987,442,896	10,464,087,155
Current portion of lease liabilities	27	54,483,938	77,981,155
Short term borrowings	28	437,716,757	392,146,482
Deferred grants	29	441,793,401	187,120,596
Accrued markup	30	925,872,994	600,709,509
Trade and other payables	31	669,873,840	759,669,699
		18,517,183,826	12,481,714,596
CONTINGENCIES AND COMMITMENTS	32	-	-
		45,171,154,808	32,288,741,813

The annexed notes 1 to 52 form an integral part of these financial statements.

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

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Mark-up and other charges on micro-credit loan portfolio	33	8,777,444,166	6,407,430,485
Profit and other charges on Kashf murabaha portfolio	34	339,842,914	245,652,834
Grant income	35	263,915,302	229,877,205
Return on investments and bank deposits	36	1,078,473,286	646,590,734
		10,459,675,668	7,529,551,258
Programme cost	37	(3,044,078,292)	(2,343,892,226)
Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges		(120,472,951)	(186,275,209)
Grant expenses	38	(263,915,302)	(229,877,205)
Finance cost	39	(4,593,881,615)	(2,664,032,863)
		(8,022,348,160)	(5,424,077,503)
		2,437,327,508	2,105,473,755
Management and administrative expenses	40	(525,900,811)	(515,180,219)
Other expenses	41	-	(1,379,380)
Other income	42	682,529,278	345,990,949
		156,628,467	(170,568,650)
SURPLUS FOR THE YEAR		2,593,955,975	1,934,905,105

The annexed notes 1 to 52 form an integral part of these financial statements.

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

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
SURPLUS FOR THE YEAR	2,593,955,975	1,934,905,105
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Items that may be reclassified to statement of income and expenditure in subsequent periods:		
Cashflow hedges		
- effective portion of changes in fair value	2,799,222,804	3,086,696,874
- reclassified to income and expenditure	(3,004,100,334)	(3,083,565,501)
- reclassification of forward points to income and expenditure	287,503,494	-
	82,625,964	3,131,373
Items that will not be reclassified to statement of income and expenditure in subsequent periods:		
Surplus on revaluation of freehold land	435,744,740	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,112,326,679	1,938,036,478

The annexed notes 1 to 52 form an integral part of these financial statements.

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

KASHF FOUNDATION
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	Donated funds	Revenue reserves: Accumulated surplus	Capital reserves: Loan loss reserve	Capital reserves: Special reserve	Capital reserves: Hedging reserves	Capital reserves: Surplus on revaluation of land	Total
					Rupees			
Balance as at July 1, 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 disbursed against donated funds		(3,030,213)	-	-	-	-	-	(3,030,213)
Transferred from general funds to loan loss reserve	22	-	(160,862,779)	160,862,779	-	-	-	-
Transferred from general funds to special reserve	23	-	(96,745,255)	-	96,745,255	-	-	-
Balance as at June 30, 2022		237,005,711	5,586,179,603	984,148,137	96,745,255	26,558,614	300,203,137	7,230,840,457
Total comprehensive income								
Surplus for the year		-	2,593,955,975	-	-	-	-	2,593,955,975
Other comprehensive income for the year		-	-	-	-	82,625,964	435,744,740	518,370,704
		-	2,593,955,975	-	-	82,625,964	435,744,740	3,112,326,679
Transferred from general funds to loan loss reserve	22	-	(348,978,361)	348,978,361	-	-	-	-
Transferred from general funds to special reserve	23	-	(129,697,799)	-	129,697,799	-	-	-
Balance as at June 30, 2023		237,005,711	7,701,459,418	1,333,126,498	226,443,054	109,184,578	735,947,877	10,343,167,136

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive Officer	Chief Financial Officer	Director

KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Cash flow from operating activities			
Surplus for the year		2,593,955,975	1,934,905,105
Adjustments for non cash items:			
Depreciation	6.3	187,769,472	160,510,034
Amortisation	7.1.1	7,184,992	5,504,391
Liabilities written back	42	(132,722,675)	(3,946,068)
Markup on lease liabilities	27.2	17,222,029	17,396,142
Return on investments and bank deposits	36	(1,078,473,286)	(646,590,734)
Amortisation of transaction costs of long term loans	39	92,505,649	99,327,589
Finance cost on borrowings	39	3,931,155,690	2,318,774,263
Gain on disposal of property and equipment	42	(38,071,006)	(7,015,905)
Gain on termination of lease	42	(3,572,688)	(8,259,141)
Reclassification from intangibles	7.2	3,874,727	-
Adjustment in right-of-use assets and lease liabilities	6.1 & 27	1,300,202	-
Grant income	35	(263,915,302)	(229,877,205)
Fair value gain on mutual funds	42	(5,699,493)	(100,637)
Fair value gain on investment property	42	(10,000,000)	(15,273,500)
Dividend income	42	(7,494,056)	(8,040,784)
Foreign exchange gain - net	42	(451,058,394)	(249,277,638)
Reclassification of forward points	39	287,503,494	-
Expected credit losses on micro-credit loan portfolio, Kashf murabaha portfolio and accrued service charges		120,472,951	186,275,209
		2,657,982,306	1,619,406,016
Surplus before working capital changes		5,251,938,281	3,554,311,121
Working capital changes			
(Increase) / decrease in current assets			
Increase in micro-credit loan portfolio		(6,731,984,089)	(3,830,080,734)
Increase in Kashf murabaha portfolio		(270,964,297)	(212,360,446)
Increase in accrued service charges		(181,271,966)	(68,716,949)
Increase in advances, deposits, prepayments and other receivables		(64,115,601)	(72,413,798)
		(7,248,335,953)	(4,183,571,927)
Increase / (decrease) in current liabilities			
Increase in deferred grants		518,588,107	30,720,771
Increase in trade and other payables		(190,281,585)	167,370,477
		328,306,522	198,091,248
Cash used in operations		(1,668,091,150)	(431,169,558)
Finance cost paid		(3,605,992,205)	(2,135,263,470)
Long term loans disbursed - net		(3,462,063)	(1,003,411)
Long term deposit paid - net		(64,600,000)	(79,500,000)
Net cash used in operating activities		(5,342,145,418)	(2,646,936,439)
Cash flow from investing activities			
Capital expenditure incurred		(679,768,060)	(86,117,869)
Sale proceeds from disposal of operating fixed assets		39,249,814	10,242,396
Return received on investments and bank deposits		1,000,408,404	611,440,400
Long term and short term investments made - net		(2,078,014,915)	(48,812,297)
Net cash (used in) / generated from investing activities		(1,718,124,757)	486,752,630
Cash flow from financing activities			
Transaction costs paid for long term loans		(139,479,007)	(34,369,163)
Payment of lease liabilities		(104,910,735)	(92,290,873)
Long term and short term financing obtained - net		6,337,494,451	2,594,526,876
Net cash generated from financing activities		6,093,104,709	2,467,866,840
Effect of exchange rate changes on cash and cash equivalents		127,314,665	137,680,067
Net (decrease) / increase in cash and cash equivalents		(839,850,801)	445,363,098
Cash and cash equivalents at the beginning of the year		6,368,669,910	5,923,306,812
Cash and cash equivalents at the end of the year	20	5,528,819,109	6,368,669,910

The annexed notes 1 to 52 form an integral part of these financial statements.

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

1 Corporate and general information

1.1 Legal status and operations

Kashf Foundation ("the Company") was incorporated in Pakistan on February 15, 2007 as a public company limited by guarantee, not having a share capital and licensed as a non-profit organization under section 42 of the Companies Ordinance, 1984 (now 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 rule 5 of 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 11 (2022: 10) regional offices, 68 (2022: 61) area offices and 382 (2022: 341) 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 Standards or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017, NBFC Rules and NBFC Regulations have been followed.

2.2 The Securities and Exchange Commission of Pakistan (SECP) through an S. R. O. 1827 (I) / 2022, dated September 29, 2022 has notified that IFRS 9 shall be applicable for the preparation of financial statements of NBFCs for reporting period / year ending on or after June 30, 2024 (SECP through this notification permitted earlier application of IFRS 9). This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model. However, the company has early adopted the standard during the year ended June 30, 2019.

2.3 Interpretations and amendments to published approved accounting standards that became effective during the year

Certain amendments and interpretations to approved accounting standards are effective for the annual period beginning on or after July 1, 2022 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements.

2.4 **Standard, Interpretations and amendments to published approved accounting standards that are not yet effective**

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 1, 2023 or later periods, but the Company has not early adopted them:

Standard or Interpretation		Effective date (Annual periods beginning on or after)
IAS 8	Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors	January 01, 2023
IFRS 17	Insurance contracts	January 01, 2023
IAS 1	Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	January 01, 2023
IAS 12	Amendment to IAS 12 - 'Income taxes on deferred tax related to assets and liabilities arising from a single transaction' and 'International tax reform - pillar two model rules'	January 01, 2023
IAS 1	Amendment to IAS 1 – 'Classification of liabilities as current or non-current' and 'Non-current liabilities with covenants'	January 01, 2024
IFRS 16	Amendment to IFRS 16 – Leases' related to sale and lease back after the date of transaction	January 01, 2024
IAS 7 & IFRS 7	Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements	January 01, 2024

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

3 **Basis of preparation**

3.1 **Basis of measurement**

These financial statements have been prepared under the historical cost convention, except where specific basis of measurement has been mentioned in relevant notes. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 **Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures have been rounded off to the nearest rupee, unless otherwise stated.

4 **Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates, associated assumptions and judgments are continually evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

		Note
-	Useful lives, residual values and impairment of property and equipment	4.1
-	Revaluation of investment property and property and equipment	4.2
-	Expected credit loss on micro-credit loans, Kashf murabaha portfolio and accrued markup	4.3
-	Fair value of derivative financial instruments	4.4
-	Lease term and discount rate for lease liabilities	4.5
-	Allocation of head office expenses	4.6
-	Provisions and contingencies	4.7

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4.1 **Useful lives, residual values and impairment of property and equipment**

Estimates with respect to depreciable lives, residual values, and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, as explained in Note 5.3, the Company reviews the value of the assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

4.2 **Revaluation of investment property and property and equipment**

Revaluation of freehold land is carried out by independent professional valuers. The Company follows revaluated revaluations depends upon the changes in fair values of the items being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

4.3 **Expected credit loss on micro-credit loans, Kashf murabaha portfolio and accrued markup**

At each reporting date, impairment on receivables is determined under expected credit loss model in accordance with the guidance provided in IFRS 9. Judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of impairment required. Such estimates are based on assumption about a number of factors including credit history of the counterparty, forecasted macroeconomic factors and varied credit variable affecting the repayment capacity of the borrowers. Actual cash flows may differ resulting in subsequent changes to the provisions.

4.4 **Fair value of derivative financial instruments**

The Company reviews changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies / interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

4.5 **Lease term and discount rate for lease liabilities**

Estimates with respect to lease term are based on the analysis of the management of the Company keeping in view the contractual arrangement with the lessors. The rate used to discount future lease payments under lease agreements represents the Company's incremental borrowing rate.

4.6 **Allocation of head office and field expenses to grant expense**

Expenses of the Company include both directly and indirectly attributable expenses allocated to management and administrative expenses and grant expenses, respectively on the basis of total employees hours chargeable for administrative and operational. The management estimates that expenses incurred at the field offices are operational in nature while expenses incurred at the head office can be bifurcated into administrative expenditure and operational expenditures, respectively. Management's judgement is involved in determining the nature of expenses incurred at the head office and assessing whether the hours spent by the respective staff / employee thereon, is a reasonable reflection of the portion of expense(s) that can be considered as an administrative activity.

4.7 **Provisions and contingencies**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5 Significant accounting policies

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 and currency forwards.

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5.2 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.

5.3 Property and equipment

Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount, being the fair value at the date of revaluation. 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.

Any revaluation increase arising on the revaluation of freehold land recognised in other comprehensive income and presented as a separate component of equity as "Surplus on revaluation of land", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income and expenditure, in which case the increase is credited to the income and expenditure to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of assets is charged to income and expenditure to the extent that it exceeds the balance, if,any, held in the revaluation surplus on freehold land relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to accumulated surplus.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repair and maintenance are charged to income and expenditure account as and when incurred.

Depreciation

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 6.1. 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 derecognised 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 recognised in statement of income and expenditure for the year.

Impairment

The Company assesses at each statement of financial position date whether there is any indication that property and equipment 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 amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income and expenditure. 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 recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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 recognised as income.

De-recognition of asset

An item of property and equipment is derecognised upon disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognised in income and expenditure.

5.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the organization and if the cost of such asset can be measured reliably. Cost of the intangible asset includes its purchase cost and any directly attributable cost of preparing the asset for its intended use.

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 disposal.

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 significant, at each reporting date.

The Company assesses at each statement of financial position date whether there is any indication that intangible 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 amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income and expenditure. 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 recognised, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

5.5 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 recognised 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.

5.6 Income

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company, the amount of revenue and the associated cost incurred or to be incurred can be measured reliably and performance obligations are satisfied by transferring control of a good or service to a customer, either at a point in time or over time, of an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the aforementioned principle by applying the following steps:

- Identify the contract with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price of the contract.
- Allocate the transaction price to each of the separate performance obligations in the contract.
- Recognize the revenue when (or as) the Company satisfies a performance obligation.

(a) Mark-up and other charges on micro-credit loan portfolio and profit on Kashf Murabaha

Revenue from service charges on micro-credit loan portfolio is accounted for on accrual basis and collected with loan installments. Service charges on micro-credit loans are recognised using effective yield method at prevailing mark-up rates for loan products.

Profit on Murabaha is recognised 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 recognised on accrual basis.

(b) Grant Income

Funds provided by donors to subsidise operating and administrative expenses are recognised as grant income as per terms of agreements with donors. Funds utilised for acquiring fixed assets are taken to deferred grant and amortized over the useful life of the assets. Grants related to capacity building are taken to deferred grant and amortized as actual expenses incurred on account of capacity building.

(c) Return on investments and bank deposits

Return on investments and bank deposits is recognised when earned. Dividend is recognised as income when right to receive dividend is established.

5.7 Non-derivative financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in income and expenditure for the year.

Major categories of financial assets represent investments, advances, deposits, micro-credit portfolio, other receivables and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and mainly comprise creditors, accrued expenses, lease liabilities and other payables.

The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition. Subsequent to the initial recognition, loans, receivables and financial assets were carried at amortised cost using the effective interest method.

5.7.1 Non-derivative 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 Company'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.

5.7.2 Non-derivative 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 recognised in statement of income and expenditure. Any gain or loss on derecognition is recognised in statement of income and expenditure.

5.7.3 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 recognised 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 statement of income and expenditure.

5.7.4 Provision for expected credit losses

The Company recognizes loss allowances for expected credit losses on:

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

An impairment loss is recognised if the carrying amount of assets exceeds its estimated recoverable amount. Impairment losses are recognised in income and expenditure. Impairment losses recognised 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 46.2 of the financial statements.

5.7.5 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 recognised in statement of income and expenditure.

5.7.6 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.

5.8 Derivative financial instruments

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

Hedging

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.

The Company assesses hedge effectiveness by considering three aspects:

- The economic relationship between the hedged item and the hedged instrument by considering the movement of variation in the hedged item and hedged instrument.
- A change in the credit risk of the hedging instrument or the hedged item as it must not be of such magnitude that it dominates the value changes that result from that economic relationship.
- The hedge ratio used for hedge accounting purposes is in line with risk management objectives of the Company.

The sources of hedge ineffectiveness could be:

- The fair value of the hedging instrument on the hedge relationship designation date, if not zero
- Differences in the timing, or changes to the forecasted amount, of the cashflows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items

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.

Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income and expenditure.

Amounts accumulated in equity are reclassified to the income and expenditure in the periods when the hedged item affects income and expenditure i.e. when the hedged financial income or expense is recognised or when the forecasted transaction occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to reserves are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to income and expenditure.

5.9 Investment in associates

Investments in associates are initially recognised 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 recognised 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 recognised in the statement of income and expenditure.

5.10 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 credit terms.

The criteria mentioned in note 5.7.4 is followed for recording of expected credit losses.

5.11 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.

5.12 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.

5.13 Foreign currency translations

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 the exchange rate prevailing at the financial position date. Transactions in foreign currencies are translated into Rupees at the spot rates. All non-monetary items are translated into Rupees at exchange rates prevailing on the dates of transactions or on dates when fair values are determined. Exchange differences are included in income and expenditure, if any.

The Company hedges its foreign currency loans and designates a hedging relationship between a hedging instrument and a hedged item. For hedging relationships that meet the qualifying criteria in IFRS 9, the Company accounts for the gain or loss on the hedging instrument and the hedged item in accordance with the special hedge accounting provisions of IFRS 9.

5.14 Leases

5.14.1 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 considering Pakistan revaluation rates (PKRV rates) prevailing at lease inception date as base rates and adjust them reflecting lease term and risk involved by comparing them with KIBOR rates prevailing as at that date and the average spread that is being charged to the Company on its long term loans having the same tenure.

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.

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5.14.2 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 6.1 to these financial statements.

5.15 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.16 Loan loss reserve

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

5.17 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.

5.18 Employee retirement benefits - defined contribution plan

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

5.19 Recognition of grants and donations

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

Grants related to assets other than biological assets, are initially recognised 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 recognised 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 recognised as income in the period in which it is received.

5.20 Taxation

The Company has obtained a certificate to be recognized as a non-profit organization under Clause (36) of Section 2 of the Income Tax Ordinance, 2001, in order to avail tax credit from income tax under section 100C to the said Ordinance. However, the status of non-profit organisation is pending adjudication as disclosed in note 32.1.1. Consequently, no provision for income tax has been made in these financial statements.

5.21 Provisions

Provisions are recognised 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.

5.22 Contingent liabilities

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

6 Property and equipment

6.1 Operating fixed assets

	Owned assets						Right-of-use assets	
	Freehold land	Building on freehold land	Furniture and fixtures	Office equipments	Computer equipments	Vehicles	Rented premises	Total
	Rupees							
Net carrying value basis								
Year ended June 30, 2023								
Opening Net Book Value (NBV)	355,725,000	129,976,908	41,698,970	46,490,228	52,700,751	43,381,879	123,914,588	793,888,324
Additions (at cost)	408,030,260	540,502	14,729,611	17,327,073	121,357,098	115,982,870	75,595,667	753,563,081
Revaluation (fair value)	435,744,740	-	-	-	-	-	-	435,744,740
Transfer from investment property	100,000,000	13,424,250	-	-	-	-	-	113,424,250
Disposals (at NBV)	-	-	(198,969)	(493,192)	(486,647)	-	(19,074,880)	(20,253,688)
Transfers (at NBV)	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	1,030,839	1,030,839
Depreciation charge	-	(9,350,590)	(8,662,706)	(12,855,240)	(47,304,850)	(24,908,826)	(84,687,260)	(187,769,472)
Closing Net Book Value	1,299,500,000	134,591,070	47,566,906	50,468,869	126,266,352	134,455,923	96,778,954	1,889,628,074
Gross carrying value basis								
As at June 30, 2023								
Cost	1,299,500,000	197,350,236	99,177,933	125,490,582	377,380,461	191,178,230	301,363,949	2,591,441,391
Accumulated depreciation	-	(62,759,166)	(51,611,027)	(75,021,713)	(251,114,109)	(56,722,307)	(204,584,995)	(701,813,317)
Net Book Value	1,299,500,000	134,591,070	47,566,906	50,468,869	126,266,352	134,455,923	96,778,954	1,889,628,074
Depreciation rate % per annum	-	5%	10%	10% - 20%	33.33%	20%	Lease term	
Net carrying value basis								
Year ended June 30, 2022								
Opening net book value (NBV)	355,725,000	139,146,182	44,358,792	52,662,029	50,546,938	48,604,290	170,853,012	861,896,243
Additions (at cost)	-	-	6,380,630	7,547,627	43,606,370	13,147,020	42,919,322	113,600,969
Disposals (at NBV)	-	-	(1,168,979)	(1,006,892)	(531,425)	(519,195)	(17,872,363)	(21,098,854)
Transfers (at NBV)	-	-	-	(1,426,224)	1,426,224	-	-	-
Adjustments	-	-	-	-	-	-	-	-
Depreciation charge	-	(9,169,274)	(7,871,473)	(11,286,312)	(42,347,356)	(17,850,236)	(71,985,383)	(160,510,034)
Closing Net Book Value	355,725,000	129,976,908	41,698,970	46,490,228	52,700,751	43,381,879	123,914,588	793,888,324
Gross carrying value basis								
As at June 30, 2022								
Cost	355,725,000	183,385,484	85,121,523	108,773,059	260,668,563	97,654,190	284,883,313	1,376,211,132
Accumulated depreciation	-	(53,408,576)	(43,422,553)	(62,282,831)	(207,967,812)	(54,272,311)	(160,968,725)	(582,322,808)
Net Book Value	355,725,000	129,976,908	41,698,970	46,490,228	52,700,751	43,381,879	123,914,588	793,888,324
Depreciation rate % per annum	-	5%	10%	10% - 20%	33.33%	20%	Lease term	

6.2 **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								
Mehran VXR LEB-17A-7578	Ms Afshan	439,202	439,202	-	907,000	907,000	Employee	As per policy
Mehran VXR LEB-17A-7547	Mr Munir	439,202	439,202	-	855,600	855,600	Employee	As per policy
Mehran VXR LEB-17A-5788	Mr Kashif Bhatti	439,202	439,202	-	775,786	775,786	Employee	As per policy
Mehran VXR LEB-17A-5762	Ms Shazia Aslam	439,202	439,202	-	841,000	841,000	Employee	As per policy
Mehran VXR LEB-17A-7561	Ms Salma Shafi	439,202	439,202	-	878,000	878,000	Employee	As per policy
Mehran VXR LEB-17A-7568	Ms Heena Siddiqui	439,202	439,202	-	780,786	780,786	Employee	As per policy
Mehran VXR LE-17-6247	Mr Nasir Iqbal	656,230	656,230	-	863,000	863,000	Employee	As per policy
Mehran VXR LE-17-6237	Mr Nadia Imdad	656,230	656,230	-	826,786	826,786	Employee	As per policy
Mehran VXR LEB-17A-5799	Mr Saif Ullah	439,202	439,202	-	775,786	775,786	Employee	As per policy
Mehran VXR LEB-17A-7569	Mr Rai Ali Wafa	439,202	439,202	-	860,786	860,786	Employee	As per policy
Mehran VXR LEB-17A-5804	Ms Sana Riaz	439,202	439,202	-	990,000	990,000	Employee	As per policy
Mehran VXR LEB-17A-5733	Mr Naveed Aslam	439,202	439,202	-	1,006,000	1,006,000	Employee	As per policy
Mehran VXR LEB-17A-7585	Ms Tanzeela	439,202	439,202	-	935,000	935,000	Employee	As per policy
Mehran VXR LEB-17A-5791	Mr Qasim	439,202	439,202	-	880,000	880,000	Employee	As per policy
Mehran VXR LEC-17A-2683	Mr Dil Nawaz	439,201	439,201	-	827,786	827,786	Employee	As per policy
Mehran VXR LEB-17A-7620	Mr Rana Salman	439,202	439,202	-	870,000	870,000	Employee	As per policy
Mehran VXR LEC-17A-2685	Ms Nusrat Nawaz	439,202	439,202	-	817,000	817,000	Employee	As per policy
Mehran VXR LEB-17A-5801	Mr Babar Ali	439,202	439,202	-	954,000	954,000	Employee	As per policy
Mehran VXR LEC-17A-2681	Ms Anam Amjad	439,202	439,202	-	953,500	953,500	Employee	As per policy
Mehran VXR LEB-17A-7617	Mr Iftikhar Hussain	439,202	439,202	-	970,000	970,000	Employee	As per policy
Mehran VXR LEB-17A-5802	Ms Saira Khan	439,202	439,202	-	1,010,000	1,010,000	Employee	As per policy
Mehran VXR LEB-17A-7580	Mr Shazam	439,202	439,202	-	775,786	775,786	Employee	As per policy
Mehran VXR LEB-17A-7573	Mr Arif	439,202	439,202	-	820,000	820,000	Employee	As per policy
Mehran VXR LEB-17A-7614	Mr Anser Parveen	756,695	756,695	-	819,000	819,000	Employee	As per policy
Suzuki WagonR VXL BLJ-18-705	Ms Humaira William	1,066,000	1,066,000	-	1,677,786	1,677,786	Employee	As per policy
Mehran VXR LEB-17A-7605	Ms Samrina	756,695	756,695	-	822,700	822,700	Employee	As per policy
Mehran VXR LE-16A-3571	Mr Asif	673,350	673,350	-	837,000	837,000	Third Party	Auction
Mehran VXR LEC-17A-4868	Mr Asif	439,202	439,202	-	866,500	866,500	Third Party	Auction
Mehran VXR LEB-17A-5796	Mr Mujahid Abbas	439,202	439,202	-	775,786	775,786	Third Party	Auction
Mehran VXR LEB-17A-5726	Mr Habib Ullah Asad Khan	439,202	439,202	-	940,000	940,000	Third Party	Auction
Mehran VXR LE-17-6246	Mr Asif	656,230	656,230	-	775,786	775,786	Third Party	Auction
Mehran VXR LEB-17A-5795	Mr Awais	439,202	439,202	-	826,000	826,000	Third Party	Auction
Mehran VXR LEB-17A-5785	Mr Nafees Butt	439,202	439,202	-	780,786	780,786	Third Party	Auction
Mehran VXR LEB-17A-7584	Mr Saleem Nasir	756,695	756,695	-	853,000	853,000	Third Party	Auction
Mehran VXR LE-17-6241	Mr Amir	656,230	656,230	-	775,786	775,786	Third Party	Auction
Mehran VXR LEB-17A-5920	Mr Hassan	439,202	439,202	-	793,000	793,000	Third Party	Auction
Mehran VXR LE-17-6239	Mr Nafees Butt	656,230	656,230	-	775,786	775,786	Third Party	Auction
Mehran VXR LEB-17A-7608	Mr Ilyas	439,202	439,202	-	813,000	813,000	Third Party	Auction
Mehran VXR BKG-17-530	M/s Suzuki South	439,202	439,202	-	857,500	857,500	Third Party	Auction
Mehran VXR BLD-19-019	Mr Saeed	439,202	439,202	-	809,000	809,000	Third Party	Auction
Mehran VXR BLD-17-035	M/s Suzuki South	439,202	439,202	-	865,500	865,500	Third Party	Auction
Mehran VXR LE-16A-3574	Mr Waheed	674,580	674,580	-	867,786	867,786	Third Party	Auction
Mehran VXR BKG-17-531	M/s Suzuki South	439,202	439,202	-	843,000	843,000	Third Party	Auction
Mehran VXR BLD-17-013	M/s Suzuki South	439,202	439,202	-	847,000	847,000	Third Party	Auction
Computer equipments	Various buyers	683,364	572,468	110,896	406,210	295,314	Third Party	Auction
Furniture and fixtures	Various buyers	673,201	474,232	198,969	137,300	(61,669)	Third Party	Auction
Office equipments	Various buyers	592,550	113,525	479,025	311,000	(168,025)	Third Party	Auction
		24,407,945	**23,619,055**	**788,890**	**39,249,814**	**38,460,924**		
Assets subject to insurance claim		2,574,165	2,392,754	181,411	-	(181,411)		
Assets written off		1,404,671	1,196,164	208,507	-	(208,507)		
	2023	**28,386,781**	**27,207,973**	**1,178,808**	**39,249,814**	**38,071,006**		
	2022	26,721,390	23,494,899	3,226,491	10,242,396	7,015,905		

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	Note	2023 Rupees	2022 Rupees
6.3 Allocation of depreciation			
Programme cost	37	130,830,427	103,799,697
Grant expenses	38	12,929,494	11,888,083
Management and administrative expenses	40	44,009,551	44,822,254
		187,769,472	160,510,034

6.4 Cost of property and equipment include cost of fully depreciated assets that are still in use amounting to Rs. 240.26 million (2022: Rs. 177.39 million). The breakup of such fully depreciated assets is as follows:

	2023 Rupees	2022 Rupees
Furniture and fixtures	9,299,947	6,455,367
Office equipments	14,706,262	12,390,667
Computer equipments	199,775,071	153,917,856
Vehicles	16,474,134	4,629,080
	240,255,414	177,392,970

6.5 The Company has elected to measure land using the revaluation model. The fair value of the Company's land is determined on triennial basis by an independent professionally qualified valuer. The revaluation was carried out by M/s Tristar International Consultants (Private) Limited, an accredited independent valuer, on the basis of assessment of fair market values. Revaluation performed on June 30, 2023 has resulted in revaluation surplus of Rs. 435.74 (2020: Rs. 90.73 million).

6.6 Had there been no revaluation, the carrying value of freehold land would have amounted to Rs. 522 million (2022: Rs. 93.5 million). The plots are situated at 1-A, 1-B and 1-C, Shahrah Nazaria-e-Pakistan, Opposite Expo Centre, Mouza Niaz Baig (plots area being 7.92 kanal) and 19-Aibak Block, New Garden Town, Lahore (plot area being 2.006 kanal).

6.7 The forced sale value of the revalued land had been assessed at Rs. 1,104.57 million (2020: Rs. 302.4 million) at the time of revaluation.

6.8 An amount of Rs. 2.80 million was received by the Company from an insurance company as compensation for the assets damaged during last year. This amount has been included in 'Other income' in the statement of income and expenditure.

6.9 During the year, land and building situated at 19-Aibak Block, New Garden Town, Lahore was transferred from investment property measured at fair value to its freehold land as the Company decided to use it as an owner occupied property. The valuation techniques and significant unobservable inputs used in measuring the fair value of the investment property at the date of transfer were the same as those applied to investment property at the reporting date (see note 8.1).

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7 Intangible assets

	Note	2023 Rupees	2022 Rupees
Software and licenses	7.1	37,515,123	21,566,749
Capital work in progress	7.2	1,102,500	26,309,947
		38,617,623	47,876,696

7.1 Software and licenses

	2023							
	Cost			Accumulated amortisation			Net book value as at June 30, 2023	Rate %
	As at July 1, 2022	Additions	As at June 30, 2023	As at July 1, 2022	Amortisation for the year	As at June 30, 2023		
	Rupees							
Software	30,053,235	22,435,220	52,488,455	13,481,159	6,183,177	19,664,336	32,824,119	16.90 to 30.77
Licenses	8,840,649	698,146	9,538,795	3,845,976	1,001,815	4,847,791	4,691,004	16.9 to 20
	38,893,884	23,133,366	62,027,250	17,327,135	7,184,992	24,512,127	37,515,123	

	2022							
	Cost			Accumulated amortisation			Net book value as at June 30, 2022	Rate %
	As at July 1, 2021	Additions	As at June 30, 2022	As at July 1, 2021	Amortisation for the year	As at June 30, 2022		
	Rupees							
Software	30,053,235	-	30,053,235	8,617,764	4,863,395	13,481,159	16,572,076	16.90 to 30.77
Licenses	8,840,649	-	8,840,649	3,204,980	640,996	3,845,976	4,994,673	16.9 to 20
	38,893,884	-	38,893,884	11,822,744	5,504,391	17,327,135	21,566,749	

7.1.1 Allocation of amortisation

	Note	2023 Rupees	2022 Rupees
Grant expenses	38	2,537,479	821,584
Management and administrative expenses	40	4,647,513	4,682,807
		7,184,992	5,504,391

7.1.2 Cost of intangible assets include cost of fully amortized intangible assets that are still in use amounting to Rs. 10.10 million (2022: 7.64 million).

7.2 Capital work in progress

Software

	Note	2023	2022
Balance as at July 1		26,309,947	10,873,725
Additions during the year		1,102,500	15,436,222
Transfers to software and licenses	7.1	(22,435,220)	-
Reclassification to management and administrative expenses		(3,874,727)	-
Balance as at June 30		1,102,500	26,309,947

		Note	2023 Rupees	2022 Rupees
8	**Investment property**			
	Balance as at July 1		103,424,250	88,150,750
	Gain from fair value measurement	42	10,000,000	15,273,500
	Transfer to property and equipment		(113,424,250)	
	Balance as at June 30		-	103,424,250

8.1 Measuring investment property at fair value

The Company's investment property consisted of freehold land and building on freehold land of 2.006 kanal situated at 19 Aibak Block, New Garden Town, Lahore, which had been leased to third party since 2017. The investment property was transferred to property and equipment during the year. Immediately, before the transfer, it was revalued to fair value and a gain of Rs. 10 million was recognised as revaluation surplus in the statement of income and expenditure.

As at June 30, 2023 and June 30, 2022, the fair values of the properties are based on valuations performed by M/s Tristar International Consultant (Private) Limited, an accredited independent valuer. The valuer has appropriate qualifications and recent experience and is a specialist in valuing these types of investment properties.

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties in the locality, and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Fair value hierarchy disclosures for investment properties are in note 47.

8.2 At the time of valuation, the forced sale value of the investment property had been assessed at Rs. 96.41 million (2022: Rs. 87.91 million).

		Note	2023 Rupees	2022 Rupees
8.3	Rental income derived from investment properties	42.1	4,029,380	4,977,000

			2023	2022
9	**Long term investments**	**Note**	**Rupees**	**Rupees**
	Investment in associate	9.1	-	-
	Investments at Amortized Cost			
	Investment in Pakistan Investment Bonds	9.2	1,111,084,529	-
	Investment in term finance certificates	9.3	403,956,712	187,973,040
			1,515,041,241	187,973,040

9.1 Investment in associate - Kashf Holding (Private) Limited

900,000 (2022: 900,000) fully paid shares of Rs. 10 / - each at cost, equity held 30.2% (2022: 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 June 30, 2023 (2022: un-audited)		
Accumulated share of loss of associate		
- based on un-audited financial statements	(63,000,000)	(63,000,000)
	-	-

Summary of financial information of the associate is as follows:	**December 31, 2022**	**December 31, 2021**
	Rupees	**Rupees**
	Audited	**Audited**
Total assets	2,833,664	59,112,779
Total liabilities	575,355,848	636,472,284
Total equity	(572,522,184)	(577,359,505)
Loss for the year	(93,673,824)	(256,649,135)

Share of loss amounting to Rs. 222.90 million (2022: Rs. 194.61 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 Nazaria-e-Pakistan, Lahore.

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9.2 **Investment in Pakistan Investment Bonds**

			2023			2022			
Particulars	Note	Effective rate of interest % per annum	Principal amount	Accrued interest Rupees	Amortised cost	Principal amount	Accrued interest Rupees	Amortised cost	Maturity date
Pakistan Investment Bond	9.2.1	18.91%	494,259,000	11,467,847	505,726,847	-	-	-	February 9, 2025
Pakistan Investment Bond	9.2.1	18.39%	488,734,000	12,473,287	501,207,287	-	-	-	February 9, 2026
Pakistan Investment Bond	9.2.1	18.86%	17,016,760	393,001	17,409,761	-	-	-	February 9, 2025
Pakistan Investment Bond	9.2.1	16.12%	85,276,360	1,464,274	86,740,634	-	-	-	February 9, 2025
			1,085,286,120	25,798,409	1,111,084,529	-	-	-	

9.2.1 This represents Pakistan Investment Bonds purchased during the year. The instruments carry markup from 16.12% to 18.91% per annum with maturity of two to three years.

9.3 **Investment in term finance certificates**

			2023			2022			
Particulars	Note	Rate of interest % per annum	Principal amount	Accrued interest Rupees	Amortised cost	Principal amount	Accrued interest Rupees	Amortised cost	Maturity date
JS Bank Limited	9.3.1	24.07%	400,000,000	3,956,712	403,956,712	-	-	-	June 30, 2033
Bank Alfalah Limited		9.03%	-	-	-	180,515,000	7,458,040	187,973,040	January 15, 2024
			400,000,000	3,956,712	403,956,712	180,515,000	7,458,040	187,973,040	

9.3.1 This represent term finance certificates amounting to Rs. 400 million (2022: Nil) acquired during the year. The instrument carries markup of 24.07% per annum with maturity of ten years.

10	Long term loans	Note	2023 Rupees	2022 Rupees
	Related party - unsecured			
	Loan to Kashf Holding (Private) Limited	10.1	220,239,935	220,239,935
	Less: Accumulated impairment	10.2	(220,239,935)	(220,239,935)
			-	-
	Loan to employees - unsecured	10.3	4,683,203	1,221,141
			4,683,203	1,221,141

10.1 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 December 31, 2015 and December 31, 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 June 20, 2015. The loan along with mark-up was receivable in two installments due on December 31, 2018 and December 31, 2020 amounting to Rs. 130 million and Rs. 378.72 million respectively. The Board of Directors decided in the board meeting held on January 20, 2018 to fully impair the loan as no recovery had been received from past 5 years.

Kashf Foundation has rescheduled this loan through a third addendum dated July 1, 2019. The loan is payable in 11 annual installments starting from year 2020. The rescheduled loan carries mark-up at the rate of 1 year KIBOR plus 2% per annum. Total repayments amounting to Rs. 41 million have been received from KHL so far with latest installment amounting to Rs. 18 million received in 2021.

10.2	Movement in accumulated impairment:	2023 Rupees	2022 Rupees
	Balance as at July 1	220,239,935	220,239,935
	Balance as at June 30	220,239,935	220,239,935

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

11	Long term micro-credit loan portfolio - unsecured	Note	2023 Rupees	2022 Rupees
	Kashf school sarmaya	11.1	86,287,115	44,182,484
	Kashf karobar karza	11.2	687,892,852	398,559,701
	Kashf muwaishi karza	11.3	146,924,538	153,851,146
	Home improvement loan	11.4	28,854,011	-
			949,958,516	596,593,331
	Due within one year:			
	Kashf school sarmaya		(69,236,120)	(35,483,230)
	Kashf karobar karza		(601,861,048)	(296,687,036)
	Kashf muwaishi karza		(133,829,979)	(118,556,562)
	Home improvement loan		(18,888,044)	-
			(823,815,191)	(450,726,828)
	Less: Provision for expected credit losses on long term micro-credit loans	15.11	(799,631)	(1,857,245)
			125,343,694	144,009,258

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11.1 Kashf school sarmaya represents micro-credit loans for educational activities, with loan amount ranging from Rs. 100,000 to Rs. 500,000 (2022: Rs. 80,000 to Rs. 500,000). The outstanding balance is repayable along with service charges and life insurance over a period of eighteen months to twenty four months in equal monthly installments (2022: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 40.12% to 40.97% (2022: 35.60% to 35.94%) per annum.

11.2 Kashf karobar karza represents micro-credit loans for productive/income generating activities, with loan amount ranging from Rs. 55,000 to Rs.300,000 (2022: Rs. 30,000 to Rs. 225,000). The outstanding balance is repayable along with service charges and Kashf sehatmand zindagi bema over a period of eighteen months to twenty four months in equal monthly installments (2022: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 39.34% to 39.90% (2022: 35.46% to 35.61%) per annum.

11.3 Kashf muwaishi karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with loan amount ranging from Rs. 80,000 to Rs. 350,000 (2022: Rs. 80,000 to Rs. 150,000). The outstanding balance, along with livestock insurance and Kashf sehatmand zindagi bema is repayable over a period of eighteen months to twenty four months in equal monthly installments (2022: eighteen months to twenty four months in equal monthly installments). The effective yield on these loans is 35.47% to 39.90% (2022: 35.46% to 35.61%) per annum.

11.4 Kashf home improvement loan represents micro-credit loans offered to the clients for small construction and repair purposes. This product has been specifically designed for the clients who have previously completed at least two productive loans. The loan amount ranges from Rs.70,000 to Rs.300,000 (2022: Nil). The outstanding balance, along with service charges and Kashf sehatmand zindagi bema, is repayable over a period of eighteen months to thirty six months (2022: Nil).The effective yield on this loan is 37.99% to 39.90% (2022: Nil) per annum.

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

	Note	2023 Rupees	2022 Rupees
12 Long term Kashf murabaha portfolio			
Kashf murabaha	12.1	37,991,847	-
Kashf muwaishi murabaha	12.2	476,176	-
		38,468,023	-
Due within one year:			
Kashf murabaha receivable		(25,140,355)	-
Kashf muwaishi murabaha		(266,664)	-
	16	(25,407,019)	-
Unearned murabaha income		(9,062,295)	-
Less: Provision for expected credit losses on long term Kashf murabaha portfolio		(19,234)	-
		3,979,475	-

12.1 Kashf murabaha was introduced in 2014 to provide financing facility under Islamic (Shariah) principles. It represents the outstanding balance of cost of goods sold under murabaha agreement. The facility ranges from Rs. 45,000 to Rs. 300,000 (2022: Nil). The outstanding balance, along with profit on Kashf murabaha and Kashf sehat takaful, is repayable over a period ranging from eighteen months to thirty six months (2022: Nil). Profit is allocated at the rate of 23% (2022: Nil) as per terms of murabaha agreement.

12.2 Kashf muwaishi murabaha is introduced during the year to meet the specific credit requirement of clients engaged in dairy businesses. The facility ranges from Rs. 100,000 to Rs. 350,000 (2022: Nil). The outstanding balance, along with profit on Kashf murabaha and Kashf sehat takaful, is repayable over a period ranging from twelve months to eighteen months (2022: Nil). Profit is allocated at the rate of 23% (2022: Nil) as per terms of murabaha agreement.

13 Financial assets 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 and currency forward contracts for each individual foreign currency loan. The foreign currency loans hedged by the Company are given in note 26.1.2.

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).

The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

	Cross Currency Swap		Currency Forward Contract	
	Mark to market	Notional Amounts	Mark to market	Notional Amounts
	Rupees		Rupees	
June 30, 2023				
MCB Bank Limited	186,280,940	375,362,531	1,259,451,060	5,443,958,387
Standard Chartered Bank Limited	2,409,485,454	6,260,802,980	-	-
Habib Bank Limited	1,334,457,145	3,124,446,213	196,656,294	2,836,052,437
	3,930,223,539	9,760,611,724	1,456,107,354	8,280,010,824
Less: Current portion	(2,255,665,753)	(5,208,601,982)	(1,456,107,354)	(8,280,010,824)
	1,674,557,786	4,552,009,742	-	-

	Cross Currency Swap		Currency Forward Contract	
	Mark to market	Notional Amounts	Mark to market	Notional Amounts
	Rupees		Rupees	
June 30, 2022				
MCB Bank Limited	263,479,646	773,662,089	-	-
Standard Chartered Bank Limited	1,390,396,308	8,214,434,394	-	-
Habib Bank Limited	933,232,135	4,081,570,498	-	-
	2,587,108,089	13,069,666,981	-	-
Less: Current portion	(1,319,960,982)	(6,078,423,913)	-	-
	1,267,147,107	6,991,243,068	-	-

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13.1 Maturity analysis

	No. of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
		Rupees			
As at June 30, 2023					
Up to 1 month	1	567,214,492	-	46,983,382	46,983,382
1 to 3 months	1	2,941,549,520	-	751,856,055	751,856,055
3 to 6 months	4	4,068,206,855	-	1,174,797,791	1,174,797,791
6 month to 1 year	5	5,911,641,939	-	1,738,135,879	1,738,135,879
1 to 2 year	4	4,552,009,742	-	1,674,557,786	1,674,557,786
2 to 3 years	-	-	-	-	-
Above 3 years	-	-	-	-	-
		18,040,622,548	-	5,386,330,893	5,386,330,893

	No. of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
		Rupees			
As at June 30, 2022					
Up to 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	2	401,103,356	-	120,791,903	120,791,903
6 month to 1 year	3	1,568,437,165	-	358,015,344	358,015,344
1 to 2 year	7	6,644,714,831	-	1,450,661,034	1,450,661,034
2 to 3 years	4	4,455,411,628	-	657,639,808	657,639,808
Above 3 years	-	-	-	-	-
		13,069,666,980	-	2,587,108,089	2,587,108,089

	2023			2022		
	Change in fair value of item used for measuring ineffectiveness	Change in fair value of instrument used for measuring ineffectiveness	Cash flow hedge reserve	Change in fair value of item used for measuring ineffectiveness	Change in fair value of instrument used for measuring ineffectiveness	Cash flow hedge reserve
	Rupees			Rupees		
Firm Commitment	(3,004,100,334)	2,799,222,804	(204,877,530)	(3,083,565,501)	3,086,696,874	3,131,373

The hedge ineffectiveness can arise from:

- The fair value of the hedging instrument on the hedge relationship designation date, if not zero;
- Differences in the timing, or changes to the forecasted amount, of the cashflows of the hedged items and the hedging instruments; and
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.

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

		Note	2023 Rupees	2022 Rupees
14	**Long term deposits**			
	Security deposit:			
	- against repayment guarantee from Silk Bank Limited		144,100,000	79,500,000
	- against electricity connection		463,360	463,360
	- against NADRA Verisys		5,000,000	5,000,000
			149,563,360	84,963,360

		Note	2023 Rupees	2022 Rupees
15	**Micro-credit loan portfolio - unsecured**			
	Kashf karobar karza	15.1	19,758,016,778	14,660,190,223
	Kashf bahali karza	15.2	8,418,600	94,874,995
	Kashf easy loan	15.3	2,106,118,140	1,378,047,907
	Kashf sahulat karza	15.4	123,707,230	137,013,506
	Kashf fori karza	15.5	197,251,368	137,546,453
	Kashf muwaishi karza	15.6	2,279,557,594	2,095,762,280
	Kashf school sarmaya	15.7	153,323,791	95,552,629
	Kashf sawari karza	15.8	61,120	-
	Home improvement loan	15.9	13,145,769	-
	Kashf top up karza	15.10	51,166,131	-
			24,690,766,521	18,598,987,993
	Accrued service charges		435,808,639	257,708,837
	Current portion of long term micro-credit loan portfolio	11	823,815,191	450,726,828
			25,950,390,351	19,307,423,658
	Less: Accrued service charges disclosed separately in statement of financial position	17	(435,808,639)	(257,708,837)
	Less: Provision for expected credit losses on micro-credit loan portfolio	15.11	(161,252,565)	(305,702,333)
			25,353,329,147	18,744,012,488

15.1 Kashf karobar karza represents micro-credit loans for productive / income generating activities, with loan amount ranging from Rs. 35,000 and to Rs. 200,000 (2022: Rs. 30,000 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 (2022: twelve months in equal monthly installments). The effective yield on these loans is 40.06% (2022: 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 (2022: Rs. 50,000 to 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 (2022: twelve months in equal monthly installments). The effective yield on these loans is 35.91% (2022: 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 loan amount ranging from Rs. 20,000 to Rs. 35,000 (2022: Rs. 20,000 to Rs. 25,000). The outstanding balance, along with service charges and Kashf care insurance, is repayable over a period of twelve months in equal monthly installments (2022: twelve months in equal monthly installments). The effective yield on this loan is 40.06% (2022: 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 loan amount ranging from Rs. 5,000 to Rs. 7,000 (2022: Rs. 5,000 to Rs 7,000). The outstanding balance, along with service charges, is repayable over a period of six months in equal monthly installments (2022: six months in equal monthly installments). The effective yield on this loan is 38.42% (2022: 36.79%).

15.5 Kashf fori karza represents micro-credit loans provided to clients for their domestic use with a loan amount ranging from Rs. 10,000 to Rs. 15,000 (2022: Rs. 10,000). The outstanding balance, along with service charges, is repayable over a period of three months to nine months in equal monthly installments (2022: up to nine months in equal monthly installments). The effective yield on this loan is 59.75% to 67.52% (2022: 35.91% to 60.00%).

15.6 Kashf muwaishi karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with a loan amount ranging from Rs. 80,000 to Rs. 300,000 (2022: Rs. 80,000 to Rs. 150,000). The outstanding balance, along with service charges, livestock insurance, and Kashf sehatmand zindagi bema, is repayable over a period of twelve months in equal monthly installments (2022: six months to twelve months in equal monthly installments). The effective yield on this loan is 40.06% (2022: 35.72%) per annum.

15.7 Kashf school sarmaya represents micro-credit loans for educational activities with a loan amount ranging from Rs. 80,000 to Rs. 500,000 (2022: Rs. 80,000 to Rs. 500,000). The outstanding balance, along with service charges and life insurance is repayable over a period of twelve months in equal monthly installments (2022: twelve months in equal monthly installments). The effective yield on this loan is from 42.11% (2022: 37.07%) per annum.

15.8 Kashf sawari karza represent micro-credit loans to encourage economic and social participation of women in the society. Kashf has developed a vehicle loan product to facilitate the use of two wheeler for women with a loan amount of ranging from Rs. 45,000 to Rs. 100,000 (2022:Nil) repayable over a period of twelve months in equal monthly installments (2022: Nil). The effective yield on this loan is 40.06% (2022: Nil) per annum.

15.9 Kashf home improvement loan is offered to clients for small construction and repair purposes. This product has been specifically designed for the clients who have completed at least two productive loans with the Company. The loan amount ranges from Rs. 70,000 to Rs. 300,000 (2022: Nil). The outstanding balance, along with service charges and Kashf sehatmand zindagi bema, is repayable over a period of twelve months in equal monthly installments (2022: Nil). The effective yield on this loan is 40.06% (2022: Nil) per annum.

15.10 Kashf top-up karza represents micro-credit loans provided to clients on top of their existing productive loan. The loan aims to meet the credit requirement of entrepreneurs who need additional investment to add inventory / stock or capital into their business. The effective yield on this loan is 40.06% (2022: Nil) per annum.

15.11 Movement in provision for expected credit losses

	2023 Rupees	2022 Rupees
Balance as at July 1	307,559,578	480,904,844
Expected credit losses charged for the year	141,332,993	157,991,347
	448,892,571	638,896,191
Written off against provision for expected credit losses	(286,840,375)	(331,336,613)
Balance as at June 30	162,052,196	307,559,578

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Break up of provision for expected credit losses among non-current and current portion is as follows:

	2023 Rupees	2022 Rupees
Non-current portion	799,631	1,857,245
Current portion	161,252,565	305,702,333
	162,052,196	307,559,578

15.12 Number of long term and short term loans

Considered good	726,545	594,936
Considered doubtful	19,305	29,394
Less: Loans written off	(11,666)	(17,029)
	7,639	12,365
	734,184	607,301

15.13 Aging analysis of micro-credit 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.

	2023 Percentage	2022 Percentage	2023 Rupees	2022 Rupees
Not due yet	99.07	98.07	25,401,287,175	18,824,512,343
1-29 days	0.40	0.31	103,669,702	59,695,097
30-89 days	0.11	0.06	30,330,903	11,138,418
90-179 days	0.16	0.05	39,947,119	10,071,197
More than 180 days	0.26	1.51	65,490,138	290,164,269
	100	100	25,640,725,037	19,195,581,324

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15.14 Portfolio by segment

Micro enterprise	Note	2023 Rupees	2022 Rupees
Agriculture and livestock		7,277,445,269	5,524,032,143
Services		3,431,713,042	2,767,530,653
Trading		3,904,408,580	2,981,762,377
Manufacturing		641,327,530	551,564,829
		15,254,894,421	11,824,890,002
General loan			
Domestic		2,528,460,222	1,621,574,839
School		239,610,906	139,765,010
Food production and services		1,009,222,630	802,185,034
Garments and handicrafts		6,608,536,858	4,807,166,439
		10,385,830,616	7,370,691,322
		25,640,725,037	19,195,581,324

16 Kashf murabaha portfolio

	Note	2023 Rupees	2022 Rupees
Kashf murabaha		1,194,710,455	908,391,923
Kashf muwaishi murabaha		21,834,853	-
Less: Unearned murabaha income		(224,146,106)	(156,481,587)
	16.1	992,399,202	751,910,336
Add: Current portion of long term Kashf murabaha portfolio	12	25,407,019	-
Less: Provision for expected credit losses on long term Kashf murabaha portfolio	16.3	(4,891,941)	(25,265,661)
		1,012,914,280	726,644,675

16.1 Kashf murabaha was introduced in 2014 to provide financing facility under Islamic (Shariah) principles. It represents the outstanding balance of cost of goods sold under Murabaha agreement. The facility ranges from Rs. 45,000 to Rs. 200,000 (2022: Rs. 30,000 to Rs. 150,000). The outstanding balance, along with profit on Kashf murabaha, and Kashf sehat takaful, is repayable over a period of twelve months (2022: twelve months). Profit is allocated at the rate of 23% (2022: 20.8%) on terms of Murabaha agreement.

16.2 Kashf muwaishi murabaha is introduced during the year to meet the specific credit requirement of clients engaged in dairy businesses. The facility ranges from Rs. 80,000 to Rs. 350,000 (2022: Nil). The outstanding balance, along with profit on Kashf murabaha, livestock takaful, and Kashf sehat takaful, is repayable over a period of twelve months (2022: Nil). Profit is allocated at the rate of 23% (2022: Nil) on terms of murabaha agreement.

16.3 Movement in provision for expected credit losses

	2023 Rupees	2022 Rupees
Balance as at July 1	25,265,661	10,579,032
Expected credit losses reversed during the year	(19,284,783)	25,156,729
	5,980,878	35,735,761
Written off against provision for expected credit losses	(1,069,703)	(10,470,100)
Balance as at June 30	4,911,175	25,265,661

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Break up of provision for expected credit losses among non-current and current portion is as follows:

	2023 Rupees	2022 Rupees
Non-current portion	19,234	-
Current portion	4,891,941	25,265,661
	4,911,175	25,265,661

16.4 Number of Murabaha's

	2023	2022
Considered good	25,762	21,761
Considered doubtful	386	632
Less: Financing written off	(41)	(555)
	345	77
	26,107	21,838

16.5 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 one day. The Company does not convert profit on late payment into principal.

	2023 Percentage	2022 Percentage	2023 Rupees	2022 Rupees
Not due yet	99.03	99.21	1,011,850,512	745,962,824
1-29 days	0.52	0.52	5,373,642	3,933,202
30-89 days	0.10	0.09	1,044,437	681,914
90-179 days	0.07	0.04	695,454	301,184
More than 180 days	0.28	0.14	2,840,885	1,031,212
	100	100	1,021,804,930	751,910,336

16.6 Murabaha portfolio by segment	Note	2023 Rupees	2022 Rupees
Micro enterprise			
Agriculture and livestock		197,074,903	139,482,272
Services		177,853,088	129,337,843
Trade		473,356,758	367,387,667
Manufacturing		16,758,642	11,381,141
		865,043,391	647,588,923
General loan			
Food production and services		47,587,433	33,396,955
Garments and handicrafts		109,174,106	70,924,458
		156,761,539	104,321,413
		1,021,804,930	751,910,336

17 Accrued service charges	Note	2023 Rupees	2022 Rupees
Micro-credit loan portfolio	15	435,808,639	257,708,837
Kashf murabaha portfolio		6,370,642	3,198,478
Less: Provision for expected credit losses		(2,781,892)	(4,357,152)
		439,397,389	256,550,163

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18 Short term investments

	Note	2023 Rupees	2022 Rupees
Investments classified as at FVTPL			
Faysal Income and Growth Fund (164,764 units (2022: 144,068 units))		17,952,785	15,426,815
NBP Financial Sector Income Fund (0 units (2022: 6,484,637 units))		-	68,419,405
NBP Income Fund (4,641,633 units (2022: 0 units))		46,489,210	-
ABL Cash Fund (1,001,370 units (2022: 0 units))		10,242,719	-
		74,684,714	83,846,220
Investments at Amortized Cost			
Term deposit certificates			
- Local currency		700,000,000	700,000,000
- Foreign currency		1,358,740,866	502,079,262
	18.1	2,058,740,866	1,202,079,262
Term finance certificates	18.2	380,515,000	100,000,000
Principal amount		2,439,255,866	1,302,079,262
Amortisation - accrued income on short term investments		63,539,231	20,887,759
Amortised cost		2,502,795,097	1,322,967,021
		2,577,479,811	1,406,813,241

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18.1 Term deposit certificates

Particulars	Rate of interest	2023			2022			Maturity date
		Principal amount	Accrued interest	Amortised cost	Principal amount	Accrued interest	Amortised cost	
	% per annum		Rupees			Rupees		
Silk Bank Limited	21.50%	50,000,000	6,435,000	56,435,000	-	-	-	November 14, 2023
Silk Bank Limited	21.50%	250,000,000	24,830,479	274,830,479	-	-	-	March 1, 2024
Silk Bank Limited	4.00%	514,782,900	7,168,380	521,951,280	-	-	-	August 31, 2023
Silk Bank Limited	4.00%	164,730,528	2,293,857	167,024,385	-	-	-	August 31, 2023
Silk Bank Limited	4.00%	21,449,288	300,185	21,749,473	-	-	-	August 31, 2023
Silk Bank Limited	4.00%	657,778,150	4,160,362	661,938,512	-	-	-	November 30, 2023
Silk Bank Limited	11.00%	-	-	-	50,000,000	3,405,891	53,405,891	November 14, 2022
Silk Bank Limited	14.00%	-	-	-	250,000,000	11,227,809	261,227,809	March 1, 2023
Silk Bank Limited	3.25%	-	-	-	368,724,060	984,957	369,709,017	January 1, 2023
Silk Bank Limited	3.25%	-	-	-	117,991,699	315,194	118,306,893	January 1, 2023
Silk Bank Limited	3.25%	-	-	-	15,363,503	42,649	15,406,152	January 1, 2023
JS Bank Limited	21.00%	400,000,000	5,753,424	405,753,424	-	-	-	June 6, 2024
JS Bank Limited	15.15%	-	-	-	400,000,000	4,648,767	404,648,767	June 6, 2023
		2,058,740,866	50,941,687	2,109,682,553	1,202,079,262	20,625,267	1,222,704,529	

18.1.1 These term deposits carry mark-up ranging from 3.25% to 21.50% (2022: 3.25% to 15.15%) per annum. The term deposit certificates with JS Bank and Silk Bank Limited amounting to Rs. 400 million and Rs. 50 million, respectively with the maturity of one year have been pledged as security against running financing facility availed from commercial banks.

18.2 Term finance certificates

Particulars	Rate of interest	2023			2022			Maturity date
		Principal amount	Accrued interest	Amortised cost	Principal amount	Accrued interest	Amortised cost	
	% per annum		Rupees			Rupees		
JS Bank Limited	19.31%	50,000,000	-	50,000,000	-	-	-	June 30, 2024
JS Bank Limited	17.58%	-	-	-	50,000,000	-	50,000,000	June 30, 2023
Bank Alfalah Limited	9.03%	180,515,000	7,458,040	187,973,040	-	-	-	January 15, 2024
Bank of Punjab	24.13%	50,000,000	330,547	50,330,547	-	-	-	June 30, 2024
Bank of Punjab	17.42%	-	-	-	50,000,000	262,492	50,262,492	June 30, 2023
Bank of Punjab	23.35%	100,000,000	4,808,957	104,808,957	-	-	-	June 30, 2024
		380,515,000	12,597,544	393,112,544	100,000,000	262,492	100,262,492	

18.2.1 These represent term finance certificates classified as short term investments as the management intends to early redeem the term finance certificate during the next financial year rather than their original maturity of ten years.

18.2.2 These term finance certificates carry markup ranging from 9.03% to 24.13% (2022: 9.03% to 17.58%) per annum.

18.3 Treasury bills were purchased and sold during the year resulting in a fair value gain amounting to Rs. 4.09 million (2022: Nil) recognised in 'Other Income' (see note 42).

	Note	2023 Rupees	2022 Rupees
19 Advances, deposits, prepayments and other receivables			
Advance to employees against expenses		3,533,129	2,491,369
Advances to agents against Kashf murabaha		7,975,000	3,755,000
Short term deposits		820,500	770,500
Prepayments		25,861,901	16,572,141
Accrued return on bank deposits		75,045,351	61,929,022
Unearned Murabaha income	12 & 16	233,208,401	156,481,587
Advance tax recoverable		631,045,560	436,538,732
Advances to suppliers		9,938,895	4,154,740
Provident fund trust receivables		-	4,500,787
Insurance claims receivables		33,645,855	24,557,267
Commission receivable		24,359,710	23,893,206
Other receivables	19.1	100,593,207	99,942,827
		1,146,027,509	835,587,178

19.1 Other receivable includes:

		2023 Rupees	2022 Rupees
Takaful contribution		7,214,896	13,441,068
Employee field discrepancies		379,917	6,152,896
Cash management system (CMS) charges		-	4,529
Insurance premium		53,275,326	44,153,813
Receivable from third parties		39,723,068	36,190,521
		100,593,207	99,942,827

	Note	2023 Rupees	2022 Rupees
20 Cash and bank balances			
Cash in hand		2,825,848	3,721,551
Balance at banks:			
In current accounts - local currency		228,929,966	94,462,037
In saving accounts - local currency		4,553,413,907	5,669,371,875
In saving accounts - foreign currency		743,649,388	601,114,447
	20.1	5,297,063,295	6,270,486,322
		5,528,819,109	6,368,669,910

20.1 Cash with banks in local currency saving accounts carry mark-up at rates ranging from 7% to 22.25% (2022: 8.25 % to 15%) per annum and cash with banks in foreign currency saving accounts carry mark-up rate of 4% (2022: 3.25%).

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) Term Finance Agreements and is replenished by the Company from general reserve.

23 Special reserve

Section 32 (3) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires a non-bank micro finance company to create a special reserve fund wherein at least 5% of its after-tax profits shall be credited and the special reserve fund shall be separately disclosed in the statement of financial position as part of the equity.

24 Hedging reserve

The hedging reserve represents effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the statement of income and expenditure as the hedged cash flows or items affect the statement of income and expenditure.

		Note	2023 Rupees	2022 Rupees
25	**Surplus on revaluation of land**			
	Revaluation surplus as at July 1		300,203,137	300,203,137
	Surplus arising on revaluation of freehold land		435,744,740	-
			735,947,877	300,203,137
26	**Long term financing**			
	Long term loans	26.1	16,258,482,379	12,514,952,944
26.1	**Long term loans**			
	Local currency loans	26.1.1	14,323,151,200	9,979,959,961
	Foreign currency loans	26.1.2	12,504,622,685	10,538,055,724
	Translation loss on foreign currency loans	26.2	5,564,649,809	2,560,549,475
			32,392,423,694	23,078,565,160
	Less: Unamortized transaction cost		(146,498,419)	(99,525,061)
			32,245,925,275	22,979,040,099
	Less: Current portion of long term loan		(15,987,442,896)	(10,464,087,155)
			16,258,482,379	12,514,952,944

26.1.1 **Local currency loans**

Sr. No.	Lender	Type	2023 Rupees	2022 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
Local currency - secured								
1	JS Bank Limited	Term Finance Facility	-	181,818,182	1 M KIBOR + 1.85%	-	Monthly	This loan has been fully repaid during the year.
2	Askari Bank Limited	Long Term Finance	-	41,666,667	3 M KIBOR + 2%	-	Quarterly	This loan has been fully repaid during the year.
3	MCB Bank Limited	Demand Finance-I	-	125,000,000	6 M KIBOR+2.25%	-	Quarterly	This loan has been fully repaid during the year.
4	MCB Bank Limited	Demand Finance-II	250,000,000	375,000,000	6 M KIBOR+2%	8 installments ending on May 21, 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 Pakistan Poverty Alleviation Fund (PPAF) security) with a margin of 25%.
5	Pak-China Investment Company Limited	Term Finance Facility	133,333,333	222,222,222	3 M KIBOR + 2.5%	3 installments ending on September 18, 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 Pakistan Poverty Alleviation Fund (PPAF) security) with a margin of 25%.
6	Pakistan Microfinance Investment Company Limited	Standard Term Loan	-	262,500,000	6 M KIBOR + 3%	-	Quarterly	This loan has been fully repaid during the year.
7	Pakistan Microfinance Investment Company Limited	Standard Term Loan	3,093,718,750	3,837,500,000	6 M KIBOR + 3.1%	10 installments ending on September 30, 2025	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
8	National Bank of Pakistan	Term Loan	62,500,000	312,500,000	3 M KIBOR + 2%	1 installment ending on July 31, 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.
9	The Bank of Punjab	Term Finance Facility	-	166,666,667	3 M KIBOR + 1.9%	-	Quarterly	This loan has been fully repaid during the year.
10	Pak Oman Investment Company Limited	Term Finance Certificates	200,000,000	833,333,333	3 M KIBOR + 2.25%	1 installment ending on September 30, 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.

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Sr. No.	Lender	Type	2023 Rupees	2022 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
Local currency - secured								
11	Bank Alfalah Limited	Term Finance Facility-II	-	40,028,175	3.00%	-	Quarterly	This loan has been fully repaid during the year.
12	Bank Alfalah Limited	Term Finance Facility-III	-	39,457,715	3.00%	-	Quarterly	This loan has been fully repaid during the year.
13	State Bank of Pakistan	Term Finance Facility	374,900,000	374,900,000	6 M KIBOR + 0.5%	Bullet payment on June 30, 2026	Semi annually	The loan is secured against the repayment guarantee from Silk Bank Limited of Rs. 415 million.
14	State Bank of Pakistan	Term Finance Facility	617,367,000	617,367,000	6 M KIBOR + 0.5%	Bullet payment on June 30, 2025	Semi annually	The loan is secured against the repayment guarantee from Silk Bank Limited of Rs. 190 million and Rs. 500 million from the Bank of Punjab.
15	National Bank of Pakistan	Term Loan	1,000,000,000	1,000,000,000	3 M KIBOR + 1.25%	12 installments ending on December 31, 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.
16	Standard Chartered Bank	Term Loan	-	800,000,000	1 Y KIBOR + 2%	-	Quarterly	This loan has been fully repaid during the year.
17	The Bank of Punjab	Term Finance Facility	416,666,667	750,000,000	3 M KIBOR + 1.9%	5 installments ending on September 29, 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.
18	State Bank of Pakistan	Term Finance Facility	159,683,000	-	6 M KIBOR + 0.5%	Bullet payment on December 30, 2027	Semi annually	The loan is secured against the repayment guarantee from Silk Bank Limited of Rs. 190 million
19	Habib Bank Limited	Term Finance Facility	1,000,000,000	-	3 M KIBOR + 1.75%	5 installments ending on November 11, 2025	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.
20	National Bank of Pakistan	Term Finance Facility	2,000,000,000	-	3 M K + 1.25%	16 installments ending on November 28, 2027	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.

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Sr. No.	Lender	Type	2023 Rupees	2022 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
Local currency - secured								
21	Bank Alfalah Limited	Term Finance Facility	416,666,667	-	6 M K +1.5%	6 installments ending on December 26, 2025	Semi annually	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.
22	The Bank of Punjab	Term Finance Facility	416,666,666	-	3 M KIBOR + 1.8%	12 installments ending on December 30, 2025	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.
23	Pak Libya Holding Company (Private) Limited	Term Finance Facility	300,000,000	-	3 M K + 1.25%	8 installments ending on April 3, 2026	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.
24	JS Bank Limited	Term Finance Facility	1,000,000,000	-	1MK+2%	45 installments ending on June 14, 2027	Monthly	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.
25	State Bank of Pakistan	Term Finance Facility	1,050,000,000	-	6 M KIBOR - 1%	Bullet payment on June 30, 2026	Semi annually	The loan is secured against the repayment guarantee from Saudi Pak of Rs. 1,000 million and Rs. 300 million from The Bank of Punjab.
26	Pakistan Microfinance Investment Company Limited	Standard Term Loan	1,006,281,250	-	6 M KIBOR + 2.9%	5 installments ending on June 27, 2026	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
27	Habib Bank Limited	Term Finance Facility	500,000,000	-	3 M KIBOR + 1.75%	6 installments ending on June 27, 2026	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.
28	Symbiotics Sicav II	Term Loan	325,367,867	-	6 M KIBOR + 3%	2 installments ending on June 2, 2026	Semi annually	Unsecured loan.
			14,323,151,200	9,979,959,961				

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26.1.2 Foreign currency loans

Sr. No.	Lender	Type	Cross Currency Swap / Forward Arrangement	Note	2023 Rupees	2022 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
29	Societe' De Promotion Et De Participation Pour LA Cooperation Economique S.A (Proparco)	Term Loan	Converted by MCB Bank Limited	26.1.2.1	-	82,607,143	13.20%	-	Semi Annually	This loan has been fully repaid during the year.
30	Overseas Private Investment Corporation (OPIC)	Term Loan	Converted by MCB Bank Limited	26.1.2.2	182,371,875	425,534,375	3 M KIBOR + 3.55%	3 installments ending on January 15, 2024	Quarterly	The loan is secured against pari passu charge including a margin of 10% above the total Overseas Private Investment Corporation (OPIC) principal amount.
31	Oesterreichische Entwicklungs Bank AG (OeEB)	Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.3	583,575,000	972,625,000	6 M KIBOR + 2.90%	3 installments ending on July 19, 2024	Semi annually	Unsecured loan.
32	GLS Alternative Investments-Mikrofinanzfonds	Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.4	-	152,677,800	3 M KIBOR + 2.04%	-	Quarterly	This loan has been fully repaid during the year.
		Term Loan	-		-	2,048,467	3 M LIBOR + 4.1%	-	Quarterly	This loan has been fully repaid during the year.
33	Asian Development Bank (ADB)	Term Loan	Converted by Habib Bank Limited	26.1.2.5	-	617,400,000	6 M KIBOR + 2.16%	-	Semi annually	This loan has been fully repaid during the year.
		Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.5	-	445,995,318	6 M KIBOR + 1.65%	-	Semi annually	This loan has been fully repaid during the year.
		Term Loan	-	-	-	5,736	6 M LIBOR + 4.25%	-	Semi annually	This loan has been fully repaid during the year.
34	InsuResilience Investment Fund SICAV RAIF (BlueOrchard)	Term Loan	Converted by Habib Bank Limited	26.1.2.6	1,235,520,000	1,235,520,000	6 M KIBOR + 2.22%	2 installments ending on January 28, 2024	Semi annually	Unsecured loan.
		Term Loan	-	-	21,449,288	15,363,503	6 M LIBOR + 4.15%	2 installments ending on January 28, 2024	Semi annually	Unsecured loan.
35	Incofin CVSO CVBA (Incofin CVSO)	Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.7	-	199,688,924	6 M KIBOR + 2.7%	-	Semi annually	This loan has been fully repaid during the year.
		Term Loan	-	-	-	1,274,089	6 M LIBOR + 4.5%	-	Semi annually	This loan has been fully repaid during the year.
36	Incofin Microfinance Enhancement Facility SA, SICAV-SIF (Incofin MEF)	Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.8	397,361,250	794,722,500	6 M KIBOR + 2.6%	2 installments ending on December 8, 2023	Semi annually	Unsecured loan.
		Term Loan	-	-	7,168,594	10,242,335	6 M LIBOR + 4.5%	2 installments ending on December 8, 2023	Semi annually	Unsecured loan.

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Sr. No.	Lender	Type	Cross Currency Swap / Forward Arrangement	Note	2023 Rupees	2022 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
37	Finnish Fund For Industrial Cooperation Limited	Term Loan	Converted by Habib Bank Limited	26.1.2.9	317,800,000	635,600,000.00	6 M KIBOR + 3.64%	2 installments ending on February 17, 2024	Semi annually	Unsecured loan.
		Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.9	318,500,000	637,000,000.00	11.05%	2 installments ending on February 17, 2024	Semi annually	Unsecured loan.
38	CDC Group PLC	Term Loan	Converted by Habib Bank Limited	26.1.2.10	236,475,000	709,425,000	7.50%	1 installment ending on December 21, 2023	Semi annually	Unsecured loan.
		Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.10	267,000,000	801,000,000	6 M KIBOR + 3.65%	1 installment ending on December 21, 2023	Semi annually	Unsecured loan.
39	Symbiotics Sicav II	Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.11	979,821,437	979,821,437	6 M KIBOR + 3.55%	2 installments ending on November 30, 2024	Semi annually	Unsecured loan.
		Term Loan	-	-	5,720	4,097	6 M LIBOR + 4.15%	2 installments ending on November 30, 2024	Semi annually	Unsecured loan.
40	Societe' De Promotion Et De Participation Pour LA Cooperation Economique S.A (Proparco)	Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.12	593,833,333	890,750,000	6 M KIBOR + 3.45%	4 installments ending on May 15, 2025	Semi annually	Unsecured loan.
		Term Loan	Converted by Standard Chartered Bank Limited	26.1.2.12	619,166,667	928,750,000	6 M KIBOR + 4.1%	4 installments ending on May 15, 2025	Semi annually	Unsecured loan.
41	Belgian Investment Company for Developing Countries NV/SA - BIO	Term Loan	Converted by MCB Bank Limited	26.1.2.13	2,099,490,000	-	4.13%	4 installments ending on June 1, 2025	Semi annually	Unsecured loan.
42	Incofin CVSO CVBA (Incofin CVSO)	Term Loan	Converted by MCB Bank Limited	26.1.2.14	282,500,000	-	6 M SOFR + 3.9%	2 installments ending on December 23, 2024	Semi annually	Unsecured loan.
43	Incofin Microfinance Enhancement Facility SA, SICAV-SIF (Incofin MEF)	Term Loan	Converted by MCB Bank Limited	26.1.2.14	1,695,000,000	-	6 M SOFR + 3.9%	2 installments ending on December 23, 2024	Semi annually	Unsecured loan.
44	Asian Development Bank (Tranche-1)	Term Loan	Converted by Habib Bank Limited	26.1.2.15	1,793,314,502	-	6 M LIBOR + 4.25%	5 installments ending on July 25, 2025	Semi annually	Unsecured loan.
45	Asian Development Bank (Tranche-2)	Term Loan	Converted by Habib Bank Limited	26.1.2.16	874,250,000		6 M LIBOR + 3.75%	5 installments ending on July 25, 2025	Semi annually	Unsecured loan.
		Term Loan	-	-	20,019	-	6 M LIBOR + 3.75%	5 installments ending on July 25, 2025	Semi annually	Unsecured loan.
					12,504,622,685	10,538,055,724				

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

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

26.1.2.3 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on November 1, 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 variable rate of 6M LIBOR plus 4% to a variable rate of 6M KIBOR plus 2.90%.

26.1.2.4 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on February 21, 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 variable rate of 3M LIBOR plus 4.1% to a variable rate of 3M KIBOR plus 2.04%.

26.1.2.5 The Company entered into cross currency swap agreement with Habib Bank Limited for first tranche of Loan on February 12, 2020. Loan is translated at the exchange rate of Rs. 154.35 / USD converting the liability of USD 9,999,930 to Rs. 1,543,489,196 and the interest rate is converted from variable rate of 6M 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 Limited for second tranche of Loan on April 9,2020. Loan is translated at the exchange rate of Rs. 167.25 / USD converting the liability of USD 6,666,597 to Rs. 1,114,988,291 and the interest rate is converted from variable rate of 6M LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 1.65%.

26.1.2.6 The Company entered into cross currency swap agreement with Habib Bank Limited on July 29, 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 variable rate of 6M LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 2.22%.

26.1.2.7 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on December 9, 2020. Loan is translated at the exchange rate of Rs. 160.55 / USD converting the liability of USD 2,487,561 to Rs. 399,377,848 and the interest rate is converted from variable rate of 6M LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.7%.

26.1.2.8 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on December 9, 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 variable rate of 6M LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.6%.

26.1.2.9 The Company entered into cross currency swap agreement with Habib Bank Limited for first tranche of Loan on February 18, 2021. Loan is translated at the exchange rate of Rs. 158.90 / USD converting the liability of USD 5,000,000 to Rs. 794,500,000 and the interest rate is converted from variable rate of 6M 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 Limited for second tranche of Loan on July 15, 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 variable rate of 6M LIBOR plus 4.25% to a fixed rate of 11.05%.

26.1.2.10 The Company entered into cross currency swap agreement with Habib Bank Limited for first tranche of Loan on June 25, 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 variable rate of 6M LIBOR to a fixed rate of 7.50%.

The Company entered into cross currency swap agreement with Standard Chartered Bank Limited for second tranche of Loan on December 21, 2021. Loan is translated at the exchange rate of Rs. 178.00 / USD converting the liability of USD 6,000,000 to Rs. 1,068,000,000 and the interest rate is converted from variable rate of 6M LIBOR plus 4.25% to a variable rate of 6 month KIBOR plus 3.65%.

26.1.2.11 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited on December 22, 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 variable rate of 6M LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 3.55%.

26.1.2.12 The Company entered into cross currency swap agreement with Standard Chartered Bank Limited for first tranche of Loan on December 22, 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 variable rate of 6M 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 Limited for second tranche of Loan on April 27, 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 variable rate of 6M LIBOR plus 4.15% to a variable rate of 6 month KIBOR plus 4.10%.

26.1.2.13 The Company entered into currency forward contract with MCB Bank Limited on October 5, 2023 for repayment of the Loan obtained from Belgian Investment Company for Developing Countries - BIO. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 223.35 / EUR and provided the Company with a forward rate of Rs. 242.87 / EUR at which the Company shall buy the foreign currency from the Bank.

26.1.2.14 The Company entered into currency forward contract with MCB Bank Limited on December 26, 2022 for repayment of the Loan obtained from Incofin MEF & Incofin CVSO. The foreign currency amount was initially translated into local currency at a rate of Rs. 226 / USD and provided the Company with a Forward rate of Rs. 240.6 / USD at which the Company shall buy the foreign currency from the bank.

26.1.2.15 The Company entered into currency forward contract with Habib Bank Limited on January 25, 2023 for repayment of the first installment of the Loan obtained from Asian Development Bank. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 269 / USD and provided the Company with a Forward rate of Rs. 275 / USD at which the Company shall buy the foreign Currency from the Bank.

26.1.2.16 The Company entered into currency forward contract with Habib Bank Limited on January 25, 2023 for repayment of the Loan obtained from Asian Development Bank. The foreign currency amount was initially translated into local currency at the exchange rate of Rs. 269 / USD and provided the Company with a forward rate of Rs. 275 / USD at which the Company shall buy the foreign currency from the Bank.

26.2 Translation loss on foreign currency loans

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

27 Lease liabilities

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

	2023 Rupees	2022 Rupees
Balance as at July 1	139,214,971	197,321,884
Lease liability recognised during the year	75,595,667	42,919,322
Unwinding of lease liability	17,222,029	17,396,142
	232,032,667	257,637,348
Less: Lease rentals paid	(104,910,735)	(92,290,873)
Less: Lease terminations	(22,647,568)	(26,131,504)
Adjustments in lease liability	2,331,041	
Balance as at June 30	106,805,405	139,214,971
Current portion of lease liabilities	54,483,938	77,981,155
Non-current portion of lease liabilities	52,321,467	61,233,816
	106,805,405	139,214,971

27.1 Maturity analysis of lease liabilities

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) ranges from 17.72% to 24.42% (2022: 15.425%). The amount of future payments and the period during which they will become due are:

Year ending 30 June	Note	2023 Rupees	2022 Rupees
2023		-	86,432,306
2024		69,252,903	56,191,588
2025		43,787,978	11,918,222
2026		16,444,844	930,152
2027		351,384	147,590
2028		-	-
		129,837,109	155,619,858
Less: Future finance charges		(23,031,704)	(16,404,887)
		106,805,405	139,214,971
Less: Current maturity of long term lease liability		(54,483,938)	(77,981,155)
		52,321,467	61,233,816

27.2 Amounts recognised in the statement of income and expenditure

	2023 Rupees	2022 Rupees
Markup expense on lease liabilities	17,222,029	17,396,142
Total amount recognised in statement of income and expenditure	17,222,029	17,396,142

28 Short term borrowings

	Note	2023 Rupees	2022 Rupees
Short term running finance - secured	28.1	379,923,480	348,452,459
KIVA loan - foreign currency loan - unsecured	28.2	57,793,277	43,694,023
		437,716,757	392,146,482

28.1 This represents utilized amount of short term running finance facilities under mark-up arrangements available aggregating to Rs. 945 million (2022: Rs. 945 million). Mark up on the running finance facility utilized is structured as payable quarterly at the rate of 1-3 month KIBOR plus 45 bps per annum (2022: 3 months KIBOR plus 45 bps per annum). Security for this facility is provided via lien on term deposit certificate of Rs. 400 million (2022: Rs. 400 million). This facility is expiring on September 30, 2023. Additionally, a repayment guarantee facility has been secured in favor of the State Bank of Pakistan, obtained through earmarking existing running finance lines totaling Rs. 445 million (2022: Rs. 445 million).

28.2 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 with KIVA and is responsible for collection of loans from borrowers and repayment to KIVA. KIVA deducts upfront fee of 3% (2022: Nil) on Kashf karobar karza and Kashf murabaha and 2.5% (2022: Nil) on Kashf school sarmaya loan as per the terms of revised agreement starting from January 1, 2023.

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29 Deferred grants

	OMV (Pakistan) Exploration GmbH	Pakistan Poverty Alleviation Fund	Coca Cola Foundation	I-Care Foundation	Sindh Education	Philip Morris	Skoll Foundation	Global Affairs Canada (GAC)	Incofin	Miscellaneous local donations	Deferred grants for assets	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at July 1, 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)	-	(1,601,375)	-	(16,762,577)	-	-	22,093,171	3,549,219
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	62,890,351	423,323,128
Funds utilized												
Recognized as income - depreciation of operating fixed assets	-	-	-	-	-	-	-	-	-	-	(11,888,083)	(11,888,083)
amortization of intangible assets	-	-	-	-	-	-	-	-	-	-	(821,584)	(821,584)
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 June 30, 2022	-	-	1,277,618	2,238,714	-	-	-	134,166,458	-	1,825,525	47,612,281	187,120,596
Funds received in cash	-	-	-	7,379,270	-	-	10,944,715	485,793,920	5,864,475	8,649,866	-	518,632,246
Funds utilized for assets	-	-	-	-	-	-	-	(1,308,073)	-	-	1,308,073	-
Service level agreement	-	-	-	-	-	-	-	(1,131,847)	-	-	1,131,847	-
	-	-	1,277,618	9,617,984	-	-	10,944,715	617,520,458	5,864,475	10,475,391	50,052,201	705,752,842
Funds utilized												
Recognized as income - depreciation of operating fixed assets	-	-	-	-	-	-	-	-	-	-	(12,929,494)	(12,929,494)
amortization of intangible assets	-	-	-	-	-	-	-	-	-	-	(2,537,479)	(2,537,479)
service level agreement	-	-	-	-	-	-	-	-	-	-	(1,135,220)	(1,135,220)
operating expenses	-	-	-	(9,617,984)	-	-	(10,944,715)	(214,809,004)	(5,820,336)	(6,121,070)	-	(247,313,109)
	-	-	-	(9,617,984)	-	-	(10,944,715)	(214,809,004)	(5,820,336)	(6,121,070)	(16,602,193)	(263,915,302)
Grant returned	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to other income	-	-	-	-	-	-	-	-	(44,139)	-	-	(44,139)
As at June 30, 2023	-	-	1,277,618	-	-	-	-	402,711,454	-	4,354,321	33,450,008	441,793,401

30	Accrued mark-up	Note	2023 Rupees	2022 Rupees
	Markup on:			
	- long term loans		906,960,556	600,473,950
	- short term borrowings		18,912,438	235,559
			925,872,994	600,709,509

31 Trade and other payables

	Note	2023 Rupees	2022 Rupees
Accrued expenses		103,762,817	142,321,837
Provident fund payable	31.1	3,419,037	337,885
Insurance premium payable		118,709,600	91,037,186
Deferred Murabaha income		233,208,401	156,481,587
Claims payable		12,587,541	12,624,481
Cash Management System (CMS) charges payable		31,698,111	29,933,417
Staff Bonus payable		-	206,907,326
Other liabilities		166,488,333	120,025,980
		669,873,840	759,669,699

31.1 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 June 30, 2023:

	Note	(Un-audited) June 30, 2023 Rupees	Audited June 30, 2022 Rupees
Size of the fund - total assets		1,338,384,613	1,121,107,161
Cost of investments made	31.2	815,158,653	769,267,555
Percentage of investments - (% of total assets)		61%	69%
Fair value of investments made		815,158,653	769,267,555

31.2 The break-up of investments is as follows:

	2023		2022	
	Rupees	%	Rupees	%
Term deposit receipts	676,000,000	82.93	650,000,000	84.50
Mutual funds	128,328,653	15.74	108,437,555	14.10
Term finance certificates	10,830,000	1.33	10,830,000	1.41
	815,158,653	100	769,267,555	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.

32 Contingencies and commitments

32.1 Contingencies

32.1.1 Commissioner Inland Revenue (CIR) challenged the Company status of being a non-profit organization under section 2 (36) of the Income Tax Ordinance, 2001 alleging that the Company is engaged in commercial activities. CIR vide its order dated February 27, 2015 and September 19, 2019 withdrew the approval of Company of being a non-profit organization against which appeals were filed before Chief Commissioner Inland Revenue (CCIR) who remanded the matter back to CIR vide its order dated August 18, 2017 and April 24, 2020.

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The Company then filed a writ petition before the Honorable Lahore High Court (LHC), which through its order dated November 24, 2021 set aside the order of the CCIR and directed CCIR to decide the matter based on facts and merits of the case. CCIR again withdrew the approval of the Company under section 2 (36) of the Income Tax Ordinance, 2001 vide its order dated October 3, 2022. The Company has filed a second writ petition before the Honorable LHC on December 11, 2022, which is pending adjudication. The management in consultation with its tax and legal advisor believes that meritorious grounds exist to defend the Company's stance and that the outcome of the case will be decided in favour of the Company.

32.2 Commitments

There are no commitments as on June 30, 2023 (2022: Rs. Nil).

	Note	2023 Rupees	2022 Rupees
33 Mark-up and other charges on micro-credit loan portfolio			
Mark-up charges on:			
- Kashf karobar karza		6,862,875,518	5,013,607,039
- Kashf school sarmaya		74,967,259	29,066,133
- Kashf easy loan		701,047,700	516,870,214
- Kashf muwaishi karza		905,334,657	417,920,777
- Kashf sahulat karza		51,921,211	43,573,245
- Kashf bahali karza		6,347,082	263,621,036
- Kashf fori karza		100,987,594	25,772,001
- Kashf top up karza		4,479,253	-
- Kashf sawari karza		19,143	-
- Home improvement loans		7,986,254	-
		8,715,965,671	6,310,430,445
Reversal of modification loss		-	24,945,873
Commission on insurance		61,478,495	72,054,167
		8,777,444,166	6,407,430,485
34 Profit and other charges on Kashf Murabaha			
Profit on:			
- Kashf murabaha		337,728,500	244,251,949
- Kashf muwaishi murabaha		506,320	-
		338,234,820	244,251,949
Commission on takaful		1,608,094	1,400,885
		339,842,914	245,652,834
35 Grant income			
Grant related to projects	29	247,313,109	216,074,798
Amortisation of grant related to			
- Depreciation of property and equipment		12,929,494	11,888,083
- Amortisation of intangible assets		2,537,479	821,584
Service level agreement		1,135,220	1,092,740
		263,915,302	229,877,205

	Note	2023 Rupees	2022 Rupees
36 Return on investments and bank deposits			
Return on term deposit receipts			
- Local		111,207,945	66,802,328
- Foreign		35,946,454	14,270,130
		147,154,399	81,072,458
Return on Pakistan investment bonds		77,972,794	-
Return on term finance certificates		49,016,820	24,132,752
		274,144,013	105,205,210
Return on bank deposits			
- Local		801,883,535	540,010,332
- Foreign		2,445,738	1,375,192
		804,329,273	541,385,524
		1,078,473,286	646,590,734

37 Programme cost

	Note	2023 Rupees	2022 Rupees
Salaries, wages and benefits		1,914,003,174	1,594,115,633
Travel and conveyance		315,165,796	171,677,494
Insurance		316,262,372	222,263,170
Seminar, workshop, research and staff training expenses		33,659,618	12,845,222
Entertainment		67,514,339	48,955,400
Printing and stationery		78,388,010	50,425,767
Communication		28,271,531	23,682,885
Legal and professional charges		78,300,975	56,450,812
Depreciation - owned assets	6.3	46,143,167	31,814,314
Depreciation - right of use assets	6.3	84,687,260	71,985,383
Utilities		37,518,371	23,960,623
Repair and maintenance		19,204,819	10,322,385
Office supplies		20,437,202	19,786,687
Security		3,532,549	5,606,451
Miscellaneous		989,109	-
		3,044,078,292	2,343,892,226

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		Note	2023 Rupees	2022 Rupees
38	**Grant expenses**			
	Salaries, wages and benefits		101,647,627	97,081,043
	Travel and conveyance		24,356,134	18,074,501
	Insurance		639,332	558,707
	Office rent		78,500	378,000
	Seminar, workshop, research and staff training expenses		24,026,095	13,379,170
	Printing and stationery		4,897,509	2,823,381
	Communication		2,653,241	3,331,669
	Depreciation - owned assets	6.3	12,929,494	11,888,083
	Amortisation	7.1.1	2,537,479	821,584
	Utilities		1,405,836	2,100,515
	Amortisation of prepayments		1,135,220	1,092,740
	Repair and maintenance		1,472,548	1,375,000
	Office supplies		1,889,583	2,254,915
	Media campaign		51,489,321	56,269,638
	Corona relief activities		-	15,793,390
	Flood relief activities		32,479,080	-
	Miscellaneous		278,303	1,179,206
	Loss on disposal of operating fixed assets		-	1,475,663
			263,915,302	229,877,205
39	**Finance cost**			
	Mark-up on long term loans		3,895,143,469	2,317,966,061
	Mark-up on short term borrowings		36,012,221	808,202
	Mark-up on lease liabilities	27.2	17,222,029	17,396,142
	Bank and other charges		265,494,753	228,534,869
	Amortisation of transaction costs of long term loans		92,505,649	99,327,589
	Reclassification of forward points		287,503,494	-
			4,593,881,615	2,664,032,863
40	**Management and administrative expenses**			
	Salaries, wages and benefits		349,368,540	346,700,231
	Travel and conveyance		31,427,859	17,650,608
	Insurance		1,374,371	975,267
	Seminar, workshop, research and staff training expenses		7,834,232	5,087,382
	Entertainment		8,132,150	9,063,615
	Printing and stationery		1,367,177	1,622,191
	Communication		6,957,401	5,298,401
	Legal and professional charges	40.1	10,526,344	7,854,846
	Depreciation - owned assets	6.3	44,009,551	44,822,254
	Utilities		9,245,502	9,031,569
	Repair and maintenance		31,394,632	12,987,219
	Office supplies		5,966,425	2,919,462
	Security		1,137,476	552,338
	Amortisation	7.1.1	4,647,513	4,682,807
	Auditor's remuneration	40.2	3,795,000	3,345,000
	Advertisement		8,571,392	7,615,178
	Miscellaneous		145,246	34,971,851
			525,900,811	515,180,219

40.1 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 June 7, 2021 with the remuneration of Rs. 49,720 per month with effect from January 1, 2023 (2022: 45,200 per month).

	Note	2023 Rupees	2022 Rupees
40.2 Auditors' remuneration			
Audit services			
Statutory audit fee		2,800,000	2,100,000
Out of pocket expenses		495,000	300,000
		3,295,000	2,400,000
Non-audit service			
Tax consultancy services		-	945,000
Certifications for compliance with covenants of long term loans and other statutory certificates		500,000	-
		3,795,000	3,345,000

41 Other expenses

	Note	2023 Rupees	2022 Rupees
Donations		-	164,750
Others		-	1,214,630
		-	1,379,380

42 Other income

	Note	2023 Rupees	2022 Rupees
Income from financial assets:			
Write off recovered		8,429,142	13,364,189
Liabilities written back		132,722,675	3,946,068
Foreign exchange gain - net		451,058,394	249,277,637
Fair value gain on mutual funds	18.3	5,699,493	100,637
Fair value gain on the investment property		10,000,000	15,273,500
Commission fee		1,160,000	-
Dividend income		7,494,056	8,040,784
Income from assets other than financial assets:			
Income from rent	42.1	14,417,167	14,420,445
Gain on disposal of property and equipment		38,071,006	8,491,568
Gain on termination of lease		3,572,688	8,259,141
Miscellaneous income		9,904,657	24,816,980
		682,529,278	345,990,949

42.1 This amount includes rental income derived from investment property amounting to Rs. 4.03 million (2022: Rs. 4.97 million).

43 Remuneration of chief executive, directors and executives

	Chief Executive Officer		Executives	
	2023	2022	2023	2022
Managerial remuneration	29,494,373	25,796,832	411,399,952	294,905,029
Bonus	-	4,299,472	-	46,502,552
Provident Fund contribution	1,966,292	1,687,944	27,362,814	19,249,187
Vehicle allowance	7,548,168	7,668,168	37,882,693	34,864,219
Mobile allowance	120,000	120,000	1,817,774	1,813,645
Driver allowance	-	-	6,737,000	4,598,645
Petrol allowance	1,715,289	912,935	21,997,368	9,089,518
	40,844,122	40,485,351	507,197,601	411,022,795
Number	1	1	181	129

43.1 Total number of Directors of the Company as at June 30, 2023 were 10 (2022: 10). None of the director is paid any remuneration (2022: Nil).

44 Number of employees

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

	2023	2022
	Numbers	Numbers
As at June 30	3,866	3,384
Average number of employees	3,724	3,302

45 Ratios

	Note	2023 Percentage	2022 Percentage
Portfolio at risk	45.1	0.94%	1.89%
Adjusted return on assets	45.2	6.70%	6.75%
Adjusted return on equity	45.3	29.52%	30.89%
Operational self-sufficiency	45.4	131%	134.00%
Financial self-sufficiency	45.5	96.05%	105.44%
Surplus as a percentage of total receipts	45.6	23.28%	24.57%
Management and administrative expenses as percentage of total receipts	45.7	4.72%	6.54%

	Note	2023 Numbers	2022 Numbers
Active loan:			
- as at June 30	15.12 & 16.4	760,291	629,139
Active clients:			
- as at June 30		727,226	592,460
- disbursements during the year	45.8	781,511	692,463

45.1 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.

45.2 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.

45.3 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.

45.4 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.

45.5 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 unsubsidised 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 Company that are unsubsidised and it was funding its expansion with commercial cost liabilities along with the impact of inflation.

45.6 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.

45.7 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.

45.8 Disbursements during the year

The Company has disbursed micro-credit loans amounting to Rs. 45.47 billion (2022: Rs. 34.45 billion) during the year.

46 **Financial instruments and risk management**

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

46.1 **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.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of funds.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

46.2 **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.

Credit risk arises principally from Company's receivables from borrowers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. The Company controls its credit risk by the following methods:

a) Ascertainment of credit worthiness of borrowers.

b) Monitoring of debt on a continuous basis.

c) Proper follow-up.

d) Loan provision in accordance with NBFC Regulations applicable to Non-Banking Microfinance Companies and requirements of IFRS 9.

e) Confirmation of credit history of borrowers through Data Check's Micro-Finance Credit Investigation Bureau.

f) Credit appraisal of the borrowers through NADRA verisys.

46.2.1 Exposure to credit risk

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

	2023 Rupees	2022 Rupees
Long term investments	1,515,041,241	187,973,040
Short term investments	2,577,479,811	1,406,813,241
Long term loans	4,683,203	1,221,141
Long term deposits	149,563,360	84,963,360
Bank balances	5,525,993,261	6,364,948,359
Financial assets used for hedging	5,386,330,893	2,587,108,089
Micro-credit loan portfolio	25,478,672,841	18,888,021,746
Kashf Murabaha portfolio	1,016,893,755	726,644,675
Accrued Service charges	439,397,389	256,550,163
Advances, deposits and other receivable	234,464,623	215,593,609
	42,328,520,377	30,719,837,423

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.

	2023 Rupees	2022 Rupees
Banking companies and financial institutions	15,159,091,769	10,633,027,230
Micro-credit loan and murabaha portfolio	26,934,963,985	19,871,216,584
Others	234,464,623	215,593,609
	42,328,520,377	30,719,837,423

46.2.2 Ageing of micro-credit loan portfolio:

Financial year	Note	Neither past due nor impaired	Upto 29 days	30 to 89 days	90 to 179 days	More than 180 days	Total
2023	15.13 & 16.5	26,413,137,687	109,043,344	31,375,340	40,642,573	68,331,023	26,662,529,967
2022	15.13 & 16.5	19,570,475,167	63,628,299	11,820,332	10,372,381	291,195,481	19,947,491,660

46.2.3 Balances with banking companies

The Company has balances and investments with banks amounting to Rs. 9,618.51 million (2022: Rs. 7,938.84 million) as at June 30, 2023. These are held with banks and financial institutions counterparties, which are rated BBB- 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.

	2023 Rupees	2022 Rupees
Bank balances	5,525,993,261	6,364,948,359
Short term investments	2,577,479,811	1,406,813,241
Long term investments	1,515,041,241	187,973,040
	9,618,514,313	7,959,734,640

46.2.4 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	2023 Rupees	2022 Rupees
MCB Bank Limited	PACRA	A1+	AAA	441,076,487	136,671,430
Habib Bank Limited	VIS	A1+	AAA	81,996,931	56,475,457
Faysal Bank Limited	PACRA	A1+	AA	7,237,464	22,897,154
Allied Bank Limited	PACRA	A1+	AAA	19,578,885	11,276,610
The Bank of Punjab	PACRA	A1+	AA+	316,984,065	77,172,431
Bank Al-Habib Limited	PACRA	A1+	AAA	9,598,141	31,781,515
Silk Bank Limited	VIS	A2	A-	5,717,438,161	6,326,976,791
Soneri Bank Limited	PACRA	A1+	AA-	265,084,376	214,682,965
JS Bank Limited	PACRA	A1+	AA-	859,786,086	476,830,693
Standard Chartered Bank Limited	PACRA	A1+	AAA	5,793,643	2,181,049
Askari Bank Limited	PACRA	A1+	AA+	3,359,383	2,755,690
Apna Microfinance Bank Limited	PACRA	A4	BBB-	2,566,954	1,720,780
Meezan Bank Limited	VIS	A1+	AAA	8,152	8,155
Mobilink Microfinance Bank Limited	PACRA	A1	A	14,633,658	14,090,375
NRSP Microfinance Bank Limited	PACRA	A2	A-	118,924,114	86,446,784
Sindh Bank Limited	VIS	A1	A+	66,196,277	27,095,176
United Bank Limited	VIS	A1+	AAA	58,370,277	37,006,022
Khushali Microfinance Bank Limited	VIS	A2	A-	12,036,907	8,191,966
Bank Alfalah Limited	PACRA	A1+	AA+	193,600,626	191,407,786
National Bank of Pakistan	PACRA	A1+	AAA	4,062,230	969,790
BankIslami Pakistan Limited	PACRA	A1	AA-	37,928	46,872,905
State Bank of Pakistan	-	-	-	-	-
Faysal Income & Growth Fund	PACRA	-	A(f)	17,952,785	15,426,815
ABL Funds	VIS	-	AA+(f)	10,242,719	-
NBP Financial Sector Income Fund	PACRA	-	A+(f)	1,157,573,738	68,419,405
U Micro Finance Bank	VIS	A1	A+	109,413,909	72,258,594
Telenor microfinance Bank Limited.	PACRA	A1	A	124,951,300	30,118,302
Central Depository Company	-	-	-	9,117	-
				9,618,514,313	7,959,734,640

The Company has not recognized an impairment allowance on investments classified at amortized cost and bank balances during the year ended June 30, 2023, as the impact was immaterial.

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46.2.5 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 expected credit losses under IFRS 9.

The Company determines expected credit losses 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. Forward-looking information comprises of expected inflation projections.

Definition of default

Critical to the determination of expected credit losses is the definition of default. The definition of default is used in measuring the amount of expected credit losses and in the determination of whether the loss allowance is based on 12-month or lifetime expected credit losses, as default is a component of the probability of default (PD) which affects both the measurement of expected credit losses 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. 287.91 million (2022: Rs. 341.81 million).

Measurement of ECL

The key inputs into the measurement of expected credit losses 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.

46.2.6 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 within a period of six months. Hence, no additional allowance has been recognized in these financial statements.

46.3 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:

	2023			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Long term financing	32,245,925,275	32,245,925,275	15,987,442,896	16,258,482,379
Short term borrowing	437,716,757	437,716,757	437,716,757	-
Accrued mark-up on borrowings	925,872,994	925,872,994	925,872,994	-
Trade and other payables	436,665,439	436,665,439	436,665,439	-
Lease liabilities	106,805,405	129,837,109	69,252,903	60,584,206
	34,152,985,870	34,176,017,574	17,856,950,989	16,319,066,585

	2022			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Long term financing	22,979,040,099	22,979,040,099	10,464,087,155	12,514,952,944
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
	24,714,299,173	24,730,704,060	12,146,563,564	12,584,140,496

46.4 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.

46.4.1 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 and Euro.

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:

	2023		2022	
	USD	EUR	USD	EUR
Liabilities				
Borrowings	53,101,377	9,400,000	61,663,441	-
Mark-up accrued on borrowings	1,164,431	31,273	742,895	-
	54,265,808	9,431,273	62,406,336	-

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	
	2023	2022	2023	2022
USD to PKR	252.19	179.17	285.99	204.85
EUR to PKR	265.59	200.86	312.93	213.81

Sensitivity analysis:

At reporting date, if the PKR had strengthened / weakened by 10% basis points against the foreign currencies with all other variables held constant, surplus for the year would have been higher / (lower) by the amount shown below, mainly as a result of net foreign exchange gain / (loss) on translation of foreign currency loans and foreign currency bank account.

Effect on surplus due to change in exchange rates	10% change in exchange rate	
	Decrease Rupees	Increase Rupees
As at June 30, 2023	1,619,014,592	(1,619,014,592)
As at June 30, 2022	1,118,134,322	(1,118,134,322)

The sensitivity analysis prepared is not necessarily indicative of the effects on surplus for the year and assets / liabilities of the Company and does not take into account results of the Company's hedging activities.

46.4.2 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	
	2023	2022	2023	2022
Fixed rate instruments	%	%	Rupees	Rupees
Financial assets:				
Short term investment	4.00 to 23.35	3.25 to 17.58	2,577,479,811	1,406,813,241
Long term investment	16.12 to 24.07	9.03	1,515,041,241	187,973,040
Micro-credit loan portfolio	38.42 to 67.52	34.00 to 60.00	25,478,672,841	18,888,021,746
			29,571,193,893	20,482,808,027
Financial liabilities:				
Long term financing:				
Societe' De Promotion Et De Participation Pour LA Cooperation Economique S.A (Proparco)	-	13.20	-	82,607,143
Bank Alfalah Limited	-	3.00	-	40,028,175
Bank Alfalah Limited	-	3.00	-	39,457,715
CDC Group PLC	7.50	7.50	236,475,000	709,425,000
Finnish Fund For Industrial Cooperation Limited	11.05	11.05	318,500,000	637,000,000
Belgian Investment Company for Developing Countries NV/SA - BIO	4.13	-	2,099,490,000	-
			2,654,465,000	1,508,518,033

Floating rate instruments

	Effective rate		Carrying amount	
	2023	2022	2023	2022
	%	%	Rupees	Rupees
Financial liabilities:				
Borrowings	12.42% to 26.15%	8.66% to 19.17%	29,737,958,694	21,570,047,127
			29,737,958,694	21,570,047,127

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 was performed on the same basis for 2022.

	100 bps change in interest rate	
Cash flow sensitivity analysis on variable rate financial liabilities	Increase	Decrease
	Rupees	Rupees
As at June 30, 2023	(297,379,587)	297,379,587
As at June 30, 2022	(215,700,471)	215,700,471

The sensitivity analysis prepared is not necessarily indicative of the effects on surplus for the year and assets / liabilities of the Company and does not take into account results of the Company's hedging activities.

46.4.3 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.

46.5 Hedging activities and derivatives

Cash flow hedges

During the year, the Company has held cross currency swaps and foreign exchange forward contracts with commercial banks, designated as hedging instrument in cash flow hedges of expected future principal repayments of long term financing from foreign lenders. The cross currency swaps and currency forwards are being used to hedge the currency risk in respect of long-term financing as stated in note 26.1 to these financial statements.

The critical terms of the cross currency swap contracts have been negotiated to match the terms of the aforementioned long term finances. Moreover, the terms of the foreign exchange forward contracts also match the terms of the long term finances (i.e., notional amount and expected payment date). Therefore an economic relationship exists.

The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components.

The following potential sources of ineffectiveness are identified:

- The fair value of the hedging instrument on the hedge relationship designation date, if not zero;

- Differences in the timing, or changes to the forecasted amount, of the cashflows of the hedged items and the hedging instruments; and

- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.

47 Fair value measurements 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.

47.1 Fair value of financial instruments

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.

	2023							
	Carrying amount				Fair value			
	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
As at June 30, 2023	Rupees							
Financial assets - measured at fair value								
Financial assets used for hedging	-	5,386,330,893	-	5,386,330,893	-	5,386,330,893	-	5,386,330,893
Mutual funds	-	74,684,714	-	74,684,714	74,684,714	-	-	74,684,714
	-	5,461,015,607	-	5,461,015,607	74,684,714	5,386,330,893	-	5,461,015,607
Financial assets - not measured at fair value								
Long term investments	1,515,041,241	-	-	1,515,041,241	-	-	-	-
Long term loans	4,683,203	-	-	4,683,203	-	-	-	-
Long term deposits	149,563,360	-	-	149,563,360	-	-	-	-
Micro-credit loan portfolio	25,478,672,841	-	-	25,478,672,841	-	-	-	-
Kashf Murabaha	1,016,893,755	-	-	1,016,893,755	-	-	-	-
Accrued service charges	439,397,389	-	-	439,397,389	-	-	-	-
Advances, deposits and other receivables	234,464,623	-	-	234,464,623	-	-	-	-
Short term investments	2,502,795,097	-	-	2,502,795,097	-	-	-	-
Cash and bank balances	5,525,993,261	-	-	5,525,993,261	-	-	-	-
	36,867,504,770	-	-	36,867,504,770	-	-	-	-
Financial liabilities - not measured at fair value								
Long term financing	16,258,482,379	-	-	16,258,482,379	-	-	-	-
Current portion of long term financing	15,987,442,896	-	-	15,987,442,896	-	-	-	-
Short term borrowings	437,716,757	-	-	437,716,757	-	-	-	-
Accrued markup	925,872,994	-	-	925,872,994	-	-	-	-
Trade and other payables	436,665,439	-	-	436,665,439	-	-	-	-
	34,046,180,465	-	-	34,046,180,465	-	-	-	-
Non Financial assets - measured at fair value								
Freehold land	-	-	1,299,500,000	1,299,500,000	-	1,299,500,000	-	1,299,500,000
Investment property	-	-	-	-	-	-	-	-
	-	-	1,299,500,000	1,299,500,000	-	1,299,500,000	-	1,299,500,000

	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 June 30, 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	187,973,040	-	-	187,973,040	-	-	-	-
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	215,593,609	-	-	215,593,609	-	-	-	-
Short term investments	1,322,967,021	-	-	1,322,967,021	-	-	-	-
Cash and bank balances	6,364,948,359	-	-	6,364,948,359	-	-	-	-
	28,043,883,114	-	-	28,043,883,114	-	-	-	-
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

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47.1 Valuation techniques used to determine level 2 and level 3 fair values

Derivative financial instruments

Level 2 fair value of derivative financial instruments has been derived using valuation techniques that include forward pricing and swap models using present value calculations. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

Freehold land

Level 2 fair value of freehold land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per marla.

48 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as total borrowing (including related markup / interest) divided by total equity / capital employed, since the Company has not availed any long term financing arrangements.

	2023 Rupees	2022 Rupees
Total borrowings	32,683,642,032	23,371,186,581
Less: Cash and bank balances	(5,528,819,109)	(6,368,669,910)
Net debt	27,154,822,923	17,002,516,671
Total equity / capital employed	10,343,167,136	7,230,840,457
Total capital	37,497,990,059	24,233,357,128
Gearing ratio	262.54%	235.14%

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

	2023			
	Liabilities			
	Long term loans	Short term borrowings	Lease liabilities	Total
	Rupees			
Balance as at July 1, 2022	22,979,040,099	392,146,482	139,214,971	23,510,401,552
Changes from financing activities				
Transaction cost paid	(139,479,007)	-	-	(139,479,007)
Proceeds received against financing	15,598,292,868	4,230,289,488	-	19,828,582,356
Repayments of financing	(9,299,937,955)	(4,191,149,950)	-	(13,491,087,905)
Payment of lease liabilities	-	-	(104,910,735)	(104,910,735)
Total changes from financing cash flows	6,158,875,906	39,139,538	(104,910,735)	6,093,104,709
Other changes				
Interest expense	-	-	-	-
Transaction cost amortised	92,505,649	-	-	92,505,649
Translation loss on foreign currency loans	3,015,503,621	6,430,737	-	3,021,934,358
Interest expense on lease liabilities	-	-	17,222,029	17,222,029
Addition to lease liabilities	-	-	75,595,667	75,595,667
Adjustment in lease liabilities	-	-	2,331,041	2,331,041
Termination of lease liabilities	-	-	(22,647,568)	(22,647,568)
Total liability related other changes	3,108,009,270	6,430,737	72,501,169	3,186,941,176
Closing as at June 30, 2023	32,245,925,275	437,716,757	106,805,405	32,790,447,437

	2022			
	Liabilities			
	Long term loans	Short term borrowings	Lease liabilities	Total
	Rupees			
Balance as at July 1, 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				
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 June 30, 2022	22,979,040,099	392,146,482	139,214,971	23,510,401,552

50 Related party transactions

The Company's related parties comprises of Directors, key management personnel, associated companies, company in which Directors are interested and employee provident fund. Amount due from and to related parties are shown in respective notes. Remuneration of key management personnel is disclosed in note 43. 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	2023	2022
		Rupees	Rupees
Kashf Foundation Provident Fund Trust	Contribution	112,739,052	83,114,634

51 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no significant re-arrangements have been made, except for the following:

	Rupees
- Deposit with NADRA for NADRA Verisys of borrowers previously included in 'Advances, deposits, prepayments and other receivables', now included in 'Long term deposits'.	5,000,000
- Commission on takaful previously included in 'Mark-up and other charges on micro-credit loan portfolio', now included in 'Profit and other charges on Kashf Murabaha'.	1,400,885
- Accrued income on long term investments previously included in 'Advances, deposits, prepayments and other receivables', now included in 'Long term investments'.	7,458,040
- Accrued income on short term investments previously included in 'Advances, deposits, prepayments and other receivables', now included in 'Short term investments'.	20,887,759

52 Date of authorization for issue

These financial statements were approved by the Company's Board of Directors and authorized for issue on October 04, 2023

Chief Executive Officer

Chief Financial Officer

Director

Kashf FOUNDATION

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