



**EY**

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**KASHF FOUNDATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2021**

EY Ford Rhodes  
Chartered Accountants  
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## INDEPENDENT AUDITOR'S REPORT

### To the members of Kashf Foundation

### Report on the Audit of the Financial Statements as at 30 June 2021

#### Opinion

We have audited the annexed financial statements of **Kashf Foundation**, which comprise the statement of financial position as at 30 June 2021 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, statement of income and expenditure, the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of the surplus, total 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 annual report, but does not include the financial statements and our auditor's report thereon.

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

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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.

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, 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 Matters**

The financial statements for the year ended 30 June 2020 were audited by another firm of chartered accountants whose report dated 5 October 2020 expressed an unmodified opinion.

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

**EY Ford Rhodes**  
**Chartered Accountants**  
**Lahore: 11 October 2021**

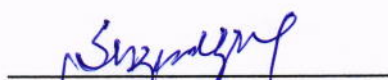


**KASHF FOUNDATION**  
**(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	Note	2021 Rupees	2020 Rupees (Restated)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	6	861,896,243	908,845,017
Intangible assets	7	37,944,865	23,490,152
Investment property	8	88,150,750	82,503,900
Long term investments	9	180,515,000	-
Long term loans	10	217,730	626,924
Long term micro-credit loan portfolio	11	216,962	35,743,313
Financial assets used for hedging	12	103,255,478	540,788,445
Long term deposits	13	463,360	4,978,660
		<b>1,272,660,388</b>	<b>1,596,976,411</b>
<b>CURRENT ASSETS</b>			
Micro-credit loan portfolio	14	15,218,745,610	12,228,496,867
Kashf Murabaha portfolio	15	539,440,958	405,701,513
Accrued service charges	16	190,960,347	637,442,247
Short term investments	17	1,213,032,111	2,301,094,893
Financial assets used for hedging	12	51,112,473	809,083,642
Advances, deposits, prepayments and other receivables	18	604,887,258	566,258,692
Cash and bank balances	19	5,923,306,812	6,111,038,513
		<b>23,741,485,569</b>	<b>23,059,116,367</b>
		<b>25,014,145,957</b>	<b>24,656,092,778</b>
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS</b>			
Donated funds	20	240,035,924	235,395,910
Accumulated surplus - revenue reserve	21	3,908,882,532	3,284,676,599
Loan loss reserve - revenue reserve	21	823,285,358	678,394,521
Hedging reserve - capital reserve		23,427,241	(107,241,160)
Surplus on revaluation of land - capital reserve	22	300,203,137	300,203,137
		<b>5,295,834,192</b>	<b>4,391,429,007</b>
<b>NON CURRENT LIABILITIES</b>			
Long term financing	23	10,162,784,549	13,014,743,858
Lease liabilities	24	128,810,341	135,554,973
		<b>10,291,594,890</b>	<b>13,150,298,831</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing	23	8,071,550,336	5,998,382,280
Current portion of lease liabilities	24	68,511,543	64,697,137
Short term borrowings	25	43,415,547	133,555,461
Deferred grants	26	386,277,030	34,321,415
Accrued markup	27	417,198,716	611,718,246
Trade and other payables	28	439,763,703	271,690,401
		<b>9,426,716,875</b>	<b>7,114,364,940</b>
		<b>25,014,145,957</b>	<b>24,656,092,778</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

**KASHF FOUNDATION**  
**(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 Rupees	2020 Rupees (Restated)
Mark-up and other charges on micro-credit loan portfolio	30	4,839,852,835	4,979,034,703
Profit on Kashf Murabaha		161,225,292	171,858,449
Grant income	31	67,849,808	79,129,085
Return on investments and bank deposits	32	633,592,069	626,108,560
		<b>5,702,520,004</b>	<b>5,856,130,797</b>
Programme cost	33	<b>(2,479,045,843)</b>	(2,171,872,117)
Grant expenses	34	<b>(67,849,808)</b>	(79,129,085)
Finance cost	35	<b>(2,022,447,965)</b>	(2,640,567,373)
		<b>(4,569,343,616)</b>	<b>(4,891,568,575)</b>
		<b>1,133,176,388</b>	<b>964,562,222</b>
Management and administrative expenses	36	<b>(433,667,542)</b>	(410,998,612)
Other expenses	37	<b>(28,426,040)</b>	(375,466,765)
Other income	38	<b>98,013,964</b>	31,519,742
		<b>(364,079,618)</b>	<b>(754,945,635)</b>
<b>Surplus for the year</b>		<b>769,096,770</b>	<b>209,616,587</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

**KASHF FOUNDATION**  
**(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees (Restated)
<b>Surplus for the year</b>	<b>A</b>	<b>769,096,770</b>	209,616,587
<b>Other comprehensive income / (loss)</b>			
Items to be reclassified to income or expenditure in subsequent periods:			
Hedging reserve - changes in fair value		<b>130,668,401</b>	(236,451,545)
Items not to be reclassified to income or expenditure in subsequent periods:			
Surplus on revaluation of property and equipment		-	90,725,000
<b>Other comprehensive income/(loss) for the year</b>	<b>B</b>	<u><b>130,668,401</b></u>	<u>(145,726,545)</u>
<b>Total comprehensive income for the year</b>	<b>A+B</b>	<u><b>899,765,171</b></u>	<u>63,890,042</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

  
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 Chief Executive Officer

  
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 Chief Financial Officer

  
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 Director

**KASHF FOUNDATION**  
**(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)**  
**STATEMENT OF ACCUMULATED FUNDS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Revenue reserves			Capital reserves			Total
	Donated funds	Accumulated surplus	Loan loss reserve	Hedging reserves	Surplus on revaluation of land and building		
	----- Rupees -----						
Balance as at 1 July 2019	235,395,910	3,237,035,045	516,419,488	129,210,385	209,478,137	4,327,538,965	
<u>Total comprehensive income</u>							
Surplus for the year - restated (note 2.4)	-	209,616,587	-	-	-	209,616,587	
Other comprehensive loss for the year	-	209,616,587	-	(236,451,545)	90,725,000	(145,726,545)	
Transferred from general funds to loan loss reserve	-	(161,975,033)	161,975,033	-	-	-	
Balance as at 30 June 2020	235,395,910	3,284,676,599	678,394,521	(107,241,160)	300,203,137	4,391,429,007	
<u>Total comprehensive income</u>							
Surplus for the year	-	769,096,770	-	-	-	769,096,770	
Other comprehensive income for the year	-	769,096,770	-	130,668,401	-	130,668,401	
Micro-credit loan portfolio disbursed against grant	4,640,014	-	-	-	-	4,640,014	
Transferred from general funds to loan loss reserve	-	(144,890,837)	144,890,837	-	-	-	
Balance as at 30 June 2021	240,035,924	3,908,882,532	823,285,358	23,427,241	300,203,137	5,295,834,192	

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

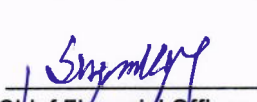


**KASHF FOUNDATION**  
**(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 Rupees	2020 Rupees (Restated)
<b>Cash flow from operating activities</b>			
<b>Surplus for the year</b>		<b>769,096,770</b>	<b>209,616,587</b>
Adjustments for non cash items:			
Depreciation	6.1	158,161,557	146,291,447
Amortization	7.1	3,694,052	1,434,197
Liabilities written back		(40,317,980)	(668,077)
Markup on lease		28,079,805	20,066,061
Return on investments and bank deposits		(633,592,069)	(626,108,560)
Amortization of transaction costs of long term loans		93,682,564	86,228,011
Finance cost		1,787,049,754	2,531,500,077
Gain on disposal of fixed assets		(6,039,091)	(206,081)
Grant income		(67,849,808)	(79,129,085)
Bad debts recovered		(807,828)	(3,115,265)
Deferred loss on sale and lease back		924,408	2,773,224
Fair value gain on mutual fund		(109,258)	(48,863)
Fair value gain on investment property		(5,646,850)	-
Dividend income		(3,575,882)	(1,694,984)
Exchange loss/gain		28,183,114	(3,389,329)
Provision for loan loss		487,532,705	368,318,299
		<b>1,829,369,193</b>	<b>2,442,251,072</b>
<b>Surplus before working capital changes</b>		<b>2,598,465,963</b>	<b>2,651,867,659</b>
<b>Effect on cash flow due to working capital changes</b>			
(Increase) / decrease in micro-credit loan portfolio		(3,441,447,269)	670,636,737
(Increase) / decrease in Kashf Murabaha		(133,739,445)	3,896,349
Decrease / (increase) in accrued service charges		446,481,900	(497,451,810)
Increase in advances, deposits, prepayments and other receivables		(133,317,418)	(51,633,026)
Increase in deferred grants		419,805,423	66,911,334
Increase / (decrease) in trade and other payables		208,391,282	(49,318,513)
		<b>(2,633,825,527)</b>	<b>143,041,071</b>
<b>Cash (used in) / generated from ) operations</b>		<b>(35,359,564)</b>	<b>2,794,908,730</b>
Finance cost paid		(1,981,569,284)	(2,331,771,865)
<b>Net cash (used in) / generated from operating activities</b>		<b>(2,016,928,848)</b>	<b>463,136,865</b>
<b>Cash flow from investing activities</b>			
Capital expenditure incurred		(74,031,801)	(93,159,884)
Additions in Right of use asset		(56,574,039)	-
Sale proceeds from disposal of operating fixed assets		7,283,383	9,305,880
Long term loan		409,194	290,058
Long term deposit-net		4,515,300	-
Return on investments and bank deposits		727,356,513	557,362,604
Investments		883,049,808	(813,584,382)
<b>Net cash generated from / (used in) investing activities</b>		<b>1,492,008,358</b>	<b>(339,785,724)</b>
<b>Cash flow from financing activities</b>			
Transaction costs paid for borrowings		(118,083,917)	(147,360,406)
Lease liabilities - net		(31,010,031)	(62,512,417)
Proceeds received against financing		7,425,584,253	7,869,353,322
Donated Funds-Net		4,640,014	-
Repayments of financing		(6,943,941,530)	(4,277,995,817)
<b>Net cash generated from financing activities</b>		<b>337,188,789</b>	<b>3,381,484,682</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(187,731,701)</b>	<b>3,504,835,823</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>6,111,038,513</b>	<b>2,606,202,690</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>5,923,306,812</b>	<b>6,111,038,513</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

**KASHF FOUNDATION  
(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**

**1 THE COMPANY AND ITS OPERATIONS**

Kashf Foundation (the Company) was incorporated in Pakistan on 15 February 2007 as a public company limited by guarantee, not having a share capital and licensed as a non-profit organization under section 42 of the Companies Act, 2017. The license under section 42 of the Companies Act, 2017 is valid 3 February 2022. In October 2016, the Company received license from Securities and Exchange Commission of Pakistan (SECP), valid upto 18 October 2022, to carry out investment finance services as a non-banking finance company under the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules).

The principal activity of the Company is to provide cost effective micro-finance services to poor households in order to enhance their economic role and allow self-employed individuals the sustained opportunity of matching existing skills with financial resources. The Company also provides non-financial services in the form of training through vocational training centers both to its borrowers and to its staff. Registered office of the Company is situated at 1-C, Shahrah Nazaria e Pakistan, Lahore. The Company has 325 ( 2020 : 325 ) branches in Pakistan, the list of which is not presented in these financial statements to maintain concision.

**2 STATEMENT OF COMPLIANCE**

**2.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017
- Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations);
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017, NBFC Rules and NBFC Regulations differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Standards, interpretation and amendments applicable to the financial statements for the year ended 30 June 2021**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the Company for the year ended 30 June 2021, except as described below:

**New standards and amendment**

The Company has adopted the following amendment:

IFRS 16                      Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

The adoption of the above amendment did not have any material effect on the financial statements.

**2.3** Securities and Exchange Commission of Pakistan (SECP) through an SRO 800(I)/2021 dated 22 June 2021 notified that IFRS 9 shall be applicable for the preparation of financial statements of NBFCs for reporting year ending on or after 30 June 2022. However, the Company has early adopted the standard during the year ended 30 June 2019.

**2.4 Standards, interpretation and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on after)</b>
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on after)</b>
IFRS 1 First-time Adoption of International Financial Reporting	1 July 2009
IFRS 17 Insurance Contracts	1 January 2023

The Company expects that such improvements to the standards and new standards will not have any material impact on the Company's financial statements.

## 2.5 Correction of a fundamental error as per International Accounting Standard (IAS 8)

During the year, the management has recognized right of use assets and corresponding lease liabilities related to micro-credit branches taken on rental basis by adjusting the opening retained earnings by Rs. Nil and surplus for year ended 30 June 2020 by Rs. 15,562,836.

Previously, the management was recognizing lease payments as rental expenses by electing the 'short-term and low-value leases' exemption which was not in line with the business plan of Kashf. This has been adjusted retrospectively as per the requirements of IAS-8 "Changes in accounting policies, estimates and fundamental errors". The effect of correction of errors on financial statements is summarized below:

	<b>(Restated) 30 June 2020 Rupees</b>	<b>Adjustment Rupees</b>	<b>(As previously reported) 30 June 2020 Rupees</b>
<b>Statement of financial position</b>			
Property and Equipment - Right of use asset	186,751,131	176,419,889	10,331,242
Lease liabilities	200,252,110	191,982,725	8,269,385
Accumulated surplus	3,284,676,599	(15,562,836)	3,300,239,435



	(Restated) 30 June 2020	Adjustment	(As previously reported) 30 June 2020
	Rupees	Rupees	Rupees
<b>Statement of income and expenditure</b>			
Programme cost - Depreciation - right of use assets	49,917,436	49,917,436	-
Finance cost - Mark-up on lease liabilities	20,066,061	17,843,719	2,222,342
Programme cost - Office rent	15,793,139	(52,198,319)	67,991,458
<b>Net decrease in surplus for the year</b>	<u>85,776,636</u>	<u>15,562,836</u>	<u>70,213,800</u>
<b>Statement of changes in accumulated funds</b>			
Accumulated surplus	<u>3,284,676,599</u>	<u>(15,562,836)</u>	<u>3,300,239,435</u>

Since the application of IFRS 16 was initially effective from 01 July 2019, opening accumulated surplus for the year ended 30 June 2020 is not affected. Accordingly, third statement of financial position is not presented.

### 3 USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment 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 recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets (note 5.1)
- Useful life of intangible assets (note 5.2)
- Provision for loan losses (note 5.7.1)
- Right of use asset and lease liabilities (note 5.5)

#### 3.1 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 items measured at fair value include:

- Fair value measurements of cross currency swaps
- Fair value measurements of investment property

### 4 BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention, except for:

- Revaluation of freehold land;
- Certain foreign currency translation adjustments;
- Fair value measurement of investment property; and
- Fair value measurement of certain short term investment.

### 5 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

#### 5.1 Property and equipment

Operating fixed assets except land, are stated at cost less accumulated depreciation and any identified impairment loss. Land is stated at revalued amount. Depreciation on all operating fixed assets is charged to income on straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note 6 to the financial statements.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.



The Company assesses at each reporting date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of income and expenditure currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income in the year the asset is derecognized.

## 5.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified accumulated impairment loss. These are amortized using the straight line method at the rate of 20% to 33.33%. Amortization on additions is charged from the month in which an intangible asset is acquired, while no amortization is charged for the month in which intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

## 5.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured using fair value model with any change therein recognized in statement of income or 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 or expenditure.

## 5.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 5.4.1 Financial assets

All recognized financial assets are measured initially at fair value and subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

##### a) Financial instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Amortized cost and effective interest method.*

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents, micro-credit loan portfolio, investments, deposits and advances at amortized cost.

**b) Financial instruments measured at fair value and hedge accounting**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. The Company designates these derivatives as hedging instruments to hedge the variability in cash flows associated with foreign currency debt attributable to changes in foreign currency rates and foreign currency denominated interest rates.

These financial instruments, upon meeting specified conditions, are measured subsequently at fair value through other comprehensive income (FVTOCI).

**c) Equity instruments designated as at FVTOCI**

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company does not possess any financial assets classified as at FVTOCI.

**d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)**

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company carries mutual funds classified as at FVTPL.

**Impairment of financial assets**

The Company recognizes allowance for impairment of loan portfolio at higher of: a) applicable regulatory requirements, b) loss allowance for expected credit losses (ECL) calculated as per IFRS 9 requirements, and c) minimum internal provisioning thresholds. The amount of impairment allowances there against is updated at each reporting date.

The Company determines ECL for loan portfolio using general approach. The expected credit losses on loan portfolio assets are determined using probabilistic estimation of future expected cash flows, adjusted for factors that are specific to the loan portfolios and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Measurement of the expected credit loss allowance*

The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios.

**Write-off policy**

The Company writes off loan assets that are past due 180 days from the maturity date. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in statement of income or expenditure.

**Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

**Investment in associates**

Investments in associates are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of income or expenditure.

**Kashf Murabaha**

In Murabaha transactions, the Company advances funds to the person known as agent at that time. Agent purchases the goods on behalf of the Company. Agent takes the possession of goods and offers to purchase the goods from the company which when accepted is binding on both parties. The customer agrees to pay to the Company, the cost of goods plus profit agreed by the participants on a credit terms of twelve equal monthly installments.

The criteria mentioned in note 5.7 is followed for recording of provision.

**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.

**5.4.2 Financial liabilities****Subsequent measurement of financial liabilities**

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

**Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in statement of income or expenditure.

**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.

**Off setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**Hedge Accounting**

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

The Company designates these derivatives as hedging instruments to hedge the variability in cash flows associated with foreign currency denominated loans.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.



When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in statement of income or expenditure.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to statement of income or expenditure in the same period or periods as the hedged expected future cash flows affect statement of income or 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 or expenditure.

## 5.5 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *Company as lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### 5.5.1 Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

### 5.5.2 Lease liabilities - rented premises

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## 5.6 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.

## 5.7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### 5.7.1 Provision for loan losses

The NBFC Rules and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC and NE Regulations) describe the basis for recording of provisions for doubtful debts. Accordingly, specific and general provisions have been determined considering the prescribed requirements and management estimates.

#### Specific provision

Specific provision is created against balances which are known to have financial issues based on their repayments being overdue for certain days. It is created when a balance remains unpaid for following days:

57-



<u>Overdue Range</u>	<u>Percentage of Specific Provision</u>
30-89 Days	25%
90-179 Days	50%
180 Days or more	100%

Additional provision is also made if recovery of a specific balance is considered doubtful by the management. Loan losses (write-offs) are charged against the allowance for loan losses when management believes that the principal is unlikely to be recovered.

#### **General provision**

Provision for loan losses is recorded on monthly basis to maintain the overall provision at adequate levels for doubtful loans that are outstanding but yet not collected. For this purpose additional provision is recognized at 1% of the outstanding micro-credit loan portfolio.

Accordingly the specific and general provisions recognized during the year are charged to the statement of income and expenditure.

The Company recognizes provision for doubtful loans at higher of applicable regulatory requirements, Expected Credit Losses and internal provisioning threshold.

#### **5.7.2 Loan loss reserve**

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

#### **5.8 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.

#### **5.9 Recognition of grants and donations**

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

Grants related to assets other than biological assets, are initially recognized at fair value in statement of financial position, as deferred income, that is amortized over the useful life of the asset.

Grants related to project expenses are recognized as revenue in the statement of income or expenditure on a systematic basis in the same periods in which the expenses are incurred, on a net basis i.e. offset the grant against the related expenditure.

Grants where no conditions are associated by the donor with its utilization are recognized as income in the period in which it is received.

#### **5.10 Taxation**

The Company is entitled to one hundred percent tax credit of the income tax payable, including minimum and final taxes payable, under section 100(C) of the Income Tax Ordinance, 2001. Therefore, no provision of income tax has been accounted for in these financial statements.

#### **5.11 Revenue recognition**

Mark-up on micro-credit loans are recognized using effective yield method at prevailing mark-up rates for loan products. Profit on Murabaha is recognized on an accrual basis. Profit on Murabaha transactions for the period is accounted for on the culmination of Murabaha transactions. The portion of profit not due is deferred and treated as Bai Muajjal and profit on Bai Muajjal is recognized on accrual basis.

Return on bank deposits is recognized when earned. Documentation and administration fee collected from micro-credit loan customers is recognized on receipt basis. Dividend is recognized as income when right to receive dividend is established.

#### **5.12 Foreign currencies**

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date except for the loans referred to in note 23. Transactions in foreign currencies are translated into Pak Rupees at the exchange rate prevailing at the date of transaction. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Foreign exchange gains and losses on these translations are recognized in the statement of income or expenditure.

#### **5.13 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

	2021										2020 - restated									
	Cost / revalued amount					Accumulated Depreciation					Net book value									
	As at 1 July 2020	Additions	Disposals	Transfers	As at 30 June 2021	As at 1 July 2020	For the year	Disposals	Transfers	As at 30 June 2021	As at 30 June 2020	As at 1 July 2019	For the year	Disposals	Transfers	As at 30 June 2020	Net book value as at 30 June 2020			
	Rupees										Rupees									
<b>Owned assets</b>																				
Right-of-use assets																				
Rented premises	226,337,325	56,574,039	-	-	-	49,917,436	62,140,916	-	-	112,058,352	170,853,012	21,693,022	4,323,964	(614,882)	(15,070,862)	112,058,352	170,853,012			
Vehicles	248,030,347	56,574,039	(878,404)	(20,814,618)	282,911,364	61,279,216	66,464,880	(614,882)	(15,070,862)	112,058,352	170,853,012	248,030,347	66,464,880	(614,882)	(15,070,862)	112,058,352	170,853,012			
<b>Total</b>	<b>1,250,114,411</b>	<b>112,457,075</b>	<b>(32,292,560)</b>	<b>-</b>	<b>1,330,278,926</b>	<b>341,269,394</b>	<b>158,161,557</b>	<b>(31,048,268)</b>	<b>-</b>	<b>468,382,683</b>	<b>861,896,243</b>	<b>1,250,114,411</b>	<b>112,457,075</b>	<b>(32,292,560)</b>	<b>-</b>	<b>1,330,278,926</b>	<b>861,896,243</b>			
	Cost / revalued amount										2020 - restated									
	As at 1 July 2019					As at 30 June 2020					As at 1 July 2019					As at 30 June 2020				
	Revaluation / Initial recognition under IFRS 16					Rate %					As at 1 July 2019					As at 30 June 2020				
	Rupees										Rupees									
<b>Owned assets</b>																				
Right-of-use assets																				
Freehold land	265,000,000	90,725,000	-	-	355,725,000	-	-	-	-	355,725,000	-	25,900,754	9,169,274	-	-	35,070,028	355,725,000			
Building on freehold land	183,385,484	-	-	-	183,385,484	5	25,900,754	9,169,274	-	183,385,484	-	25,900,754	7,438,809	(1,148,315)	-	31,499,788	148,315,456			
Furniture and fixtures	76,146,091	8,099,969	(1,280,097)	-	82,965,963	10	25,209,294	7,438,809	-	82,965,963	-	11,346,326	6,199,805	-	4,530,385	31,499,788	51,466,175			
Vehicles	26,053,961	15,348,335	(8,325,000)	7,099,726	40,177,022	20	11,346,326	6,199,805	-	40,177,022	20	37,268,148	9,884,312	(1,521,535)	-	45,630,925	18,100,506			
Office equipment	98,180,747	4,517,708	(1,650,941)	-	101,047,514	10-20	37,268,148	9,884,312	-	101,047,514	10-20	104,830,664	58,589,485	(17,707,228)	-	145,712,921	55,416,589			
Computer equipment	201,559,157	55,160,396	(17,936,472)	-	238,783,081	33-33	104,830,664	58,589,485	-	238,783,081	33-33	204,555,186	91,281,685	(20,377,078)	4,530,385	279,980,178	722,093,886			
	850,325,440	173,851,408	(29,192,510)	7,099,726	1,002,084,064		204,555,186	91,281,685	-	1,002,084,064		204,555,186	91,281,685	(20,377,078)	4,530,385	279,980,178	722,093,886			
<b>Right-of-use assets</b>																				
Rented premises	29,448,978	226,337,325	(656,230)	(7,099,726)	226,337,325	Lease term	11,171,702	49,917,436	-	226,337,325	Lease term	11,171,702	5,092,326	(371,863)	(4,530,385)	49,917,436	176,419,889			
Vehicles	29,448,978	226,337,325	(656,230)	(7,099,726)	248,030,347		11,171,702	55,009,762	(371,863)	248,030,347		11,171,702	55,009,762	(371,863)	(4,530,385)	61,279,216	186,751,131			
<b>Total</b>	<b>879,774,418</b>	<b>400,188,733</b>	<b>(29,848,740)</b>	<b>-</b>	<b>1,250,114,411</b>		<b>215,726,888</b>	<b>146,291,447</b>	<b>(20,748,941)</b>	<b>1,250,114,411</b>		<b>215,726,888</b>	<b>146,291,447</b>	<b>(20,748,941)</b>	<b>-</b>	<b>341,269,394</b>	<b>908,845,017</b>			

	Note	2021 Rupees	2020 Rupees
<b>6.2 Allocation of depreciation</b>			
Program cost	33	107,602,191	101,735,296
Management and administrative expenses	36	46,788,557	43,087,121
Grant expenses	34	3,770,809	1,469,030
		<u>158,161,557</u>	<u>146,291,447</u>

6.3 Had there been no revaluation, the carrying value of freehold land would have amounted to Rs. 93.5 million (2020: Rs. 93.5 million). The plot area is 5.27 kanal and situated at the 1-C, Main Nazaria Pakistan, Opposite Expo Centre, Mouza Niaz Baig, Lahore

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

6.5 The cost of the assets as at 30 June 2021 include fully depreciated assets amounting to Rs. 98.40 million (2020: Rs. 79.3 million) which are still in use of the Company.

	Note	2021 Rupees	2020 Rupees
<b>7 INTANGIBLE ASSETS</b>			
Software and licenses	7.1	27,071,140	2,466,776
Capital work in progress	7.2	10,873,725	21,023,376
		<u>37,944,865</u>	<u>23,490,152</u>

#### 7.1 Software and licenses

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

	2020							Rate %
	Cost			Accumulated amortization / impairment			Net book value as at 30 June 2020	
	As at 1 July 2019	Additions/ (deletions)	As at 30 June 2020	As at 1 July 2019	Amortization for the year	As at 30 June 2020		
	Rupees							
Licenses	3,979,609	-	3,979,609	2,153,724	491,400	2,645,124	1,334,485	20%
Software	6,121,759	494,100	6,615,859	4,540,771	942,797	5,483,568	1,132,291	33.33%
	<u>10,101,368</u>	<u>494,100</u>	<u>10,595,468</u>	<u>6,694,495</u>	<u>1,434,197</u>	<u>8,128,692</u>	<u>2,466,776</u>	

7.1.1 Amortization charged for the year has been allocated to management and administrative expenses.

7.1.2 During the year, the entity developed and capitalized the MWx as replacement to the loan process module MW6.

	Note	2021 Rupees	2020 Rupees
<b>7.2 Capital work in progress</b>			
<b>Software</b>			
As at 1 July		21,023,376	11,484,000
Additions		12,787,725	9,539,376
Transfer / capitalized		(22,937,376)	-
As at 30 June		<u>10,873,725</u>	<u>21,023,376</u>

#### 8 INVESTMENT PROPERTY

Opening balance		82,503,900	82,503,900
Net gain from fair value measurement		5,646,850	-
		<u>88,150,750</u>	<u>82,503,900</u>

The Company's investment properties consist of freehold land and building on freehold land of 2.006 kanal situated at 19 Aibak Block, New Garden Town, Lahore, which have been leased to third party in 2017. As at 30 June 2021 and 2020, the fair values of the properties are based on valuations performed by Tristar International Consultant (Private) Limited, an accredited independent valuer. The valuer is a specialist in valuing these types of investment properties.

	Note	2021 Rupees	2020 Rupees
Rental income derived from investment properties	38	<u>13,913,898</u>	<u>13,035,330</u>



	Note	2021 Rupees	2020 Rupees
<b>9 LONG TERM INVESTMENTS</b>			
Investment in associate	9.1	-	-
Investment in Term Finance Certificates	9.2	180,515,000	-
		<u>180,515,000</u>	<u>-</u>
<b>9.1 Investment in associate - Kashf Holding (Private) Limited</b>			
900,000 (2020: 900,000) fully paid shares of Rs 10/- each at cost, equity held 30.2% (2020: 30.2%)		63,000,000	63,000,000
Value of investment based on net assets as shown in the unaudited financial statements as at 30 June 2021 (2020: unaudited)			
Accumulated share of loss of associate - based on unaudited financial statements		(63,000,000)	(63,000,000)
<b>Summary of financial information of the associate is as follows:</b>			
		<u>31 Dec 2020</u> Rupees Unaudited	<u>31 Dec 2019</u> Rupees Audited
Total assets		63,833,216	58,579,177
Total liabilities		379,746,687	493,754,153
Total equity		(443,579,903)	(435,174,976)
Loss for the year		(8,404,927)	(41,203,711)
Share of loss amounting to Rs. 96.854 million (2020: Rs. 131.42 million) has been restricted to cost of investment in associate. The principal activity of the Kashf Holding (Private) Limited is making investment in its associated undertaking. The registered office of the Company is situated at 1-C, Shahrah Nazarea-e-Pakistan, Lahore Pakistan.			
		<u>2021</u> Rupees	<u>2020</u> Rupees
<b>9.2 Term Finance Certificates</b>		180,515,000	-
This represents term finance certificates purchased from Bank Alfalah Limited on 15 January 2021. The instrument carries markup of 9.03% per annum with maturity of five years.			
<b>10 LONG TERM LOANS</b>			
<b>Related party - unsecured</b>			
Loan to Kashf Holding (Private) Limited	10.1	220,239,935	238,239,935
Less: Accumulated impairment	10.2	(220,239,935)	(238,239,935)
		-	-
Loan to employees - unsecured	10.3	217,730	626,924
		<u>217,730</u>	<u>626,924</u>
<b>10.1</b> This represents a loan given under an agreement to Kashf Holding (Private) Limited (KHL), an associated undertaking. The loan along with mark-up was receivable in 20 equal quarterly installments starting from September 2013. In 2013, the Company had rescheduled this loan. The loan along with mark-up was receivable in two installments due on 31 December 2015 and 31 December 2019 amounting to Rs. 160.52 million and Rs. 301.98 million respectively. In 2015, the Company carried out second rescheduling of this loan through a resolution in Board of Directors' meeting dated 20 June 2015. The loan along with mark-up was receivable in two installments due on 31 December 2018 and 31 December 2020 amounting to Rs. 130 million and Rs. 378.72 million respectively. The Board of Directors decided in the board meeting held on 20 January 2018 to fully impair the loan as no recovery had been received from past 5 years.			
Kashf Foundation has rescheduled this loan through a third addendum dated 1 July 2019. The loan is payable in 11 annual installments starting from year 2020. The rescheduled loan carries mark-up at the rate of 1 year KIBOR plus 2% per annum. Rs. 18 million was received during the year from KHL as mentioned in note 38. Total Rs.41 million has been received from KHL so far.			
<b>10.2</b> Movement in accumulated impairment:		<u>Note</u> Rupees	<u>2021</u> Rupees
As at 1 July			238,239,935
Less: Reversal during the year on recovery of loan	38	(18,000,000)	-
As at 30 June		<u>220,239,935</u>	<u>238,239,935</u>
<b>10.3</b> These are interest free loans.			
<b>11 LONG TERM MICRO-CREDIT LOAN PORTFOLIO -UNSECURED</b>			
		<u>Note</u> Rupees	<u>2021</u> Rupees
Kashf School Sarmaya	11.1	48,274,490	155,773,065
Kashf Muwaishi Karza	11.2	394,657,117	353,439,601
		<u>442,931,607</u>	<u>509,212,666</u>



	Note	2021	2020
		Rupees	Rupees
<b>Due within one year:</b>			
Kashf School Sarmaya Karza		(46,169,940)	(127,648,278)
Kashf Muwaishi Karza		(393,985,750)	(334,707,196)
		(440,155,690)	(462,355,474)
Less: Provision for doubtful loans	14.7	(2,558,955)	(11,113,879)
		<b>216,962</b>	<b>35,743,313</b>

11.1 Kashf School Sarmaya Karza represent micro-credit loans for educational activities with loan amount ranging from Rs 80,000 to Rs 500,000 each. The outstanding balance is repayable along with service charges and life insurance over a period of upto twenty four months, payable in equal monthly installments. The effective yield on these loans ranges from 36.03% to 37.06% (2020:38.83% to 39.23% ) per annum.

11.2 Kashf Muwaishi Karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with an individual loan amount of Rs. 30,000 to Rs. 150,000. The outstanding balance is payable over a period upto eighteen months, payable in equal monthly installments. The effective yield on this loan ranges from 34% to 36.67% (2020:35.47% to 35.72% ) per annum.

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

## 12 FINANCIAL ASSETS / (LIABILITIES) USED FOR HEDGING

The Company enters into derivative transactions with scheduled banks in Pakistan to hedge its foreign currency exposures associated with foreign currency loans. In general, the Company enters into bespoke cross currency swap agreements for each individual foreign currency loan. The foreign currency loans hedged by the Company are given in note 23.1.2.

The Company measures the fair value of hedging instruments, which are non-exchange-traded, based on price quotes obtained from the counterparties/broker dealers. The counterparty price quotes reflect the amounts that the Company expects to receive or pay to terminate the contract at the reporting date, taking into account the current market conditions (rate parity, volatility, yield curve).

	Derivative Contracts Number	Fair Values	Notional Amounts
		Rupees	USD
<b>30 June 2021</b>			
MCB Bank Limited	4	263,674,078	8,425,357
Faysal Bank Limited	1	(6,957,360)	1,500,000
Standard Chartered Bank Limited	5	(76,474,893)	23,500,837
Habib Bank Limited	4	(25,873,874)	27,924,909
		154,367,951	61,351,103
Less: Current portion		(51,112,473)	(21,548,948)
		<b>103,255,478</b>	<b>39,802,155</b>
<b>30 June 2020</b>			
MCB Bank Limited	10	1,166,913,742	27,109,351
Faysal Bank Limited	1	18,273,084	3,000,000
Standard Chartered Bank Limited	3	39,220,027	18,646,596
Habib Bank Limited	1	125,465,234	9,999,930
		1,349,872,087	58,755,877
Less: Current portion		(809,083,642)	(20,637,401)
		<b>540,788,445</b>	<b>38,118,476</b>

The hedge ineffectiveness can arise from:

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

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

13 LONG TERM DEPOSITS	2021	2020
	Rupees	Rupees
Security against asset	-	4,515,300
Security deposit against electricity connection	463,360	463,360
	<b>463,360</b>	<b>4,978,660</b>

## 14 MICRO-CREDIT LOAN PORTFOLIO - UNSECURED

		2021	2020
		Rupees	Rupees
Kashf Karobar Karza	14.1	12,584,621,733	11,724,294,623
Kashf Bahali Karza	14.2	1,459,368,767	-
Kashf Khudmukhtar Sarmaya	14.3	-	13,879,630
Kashf Easy Loan	14.4	1,215,441,620	870,006,473
Kashf Sahulat Karza	14.5	22,442,033	13,289,658
Kashf Zarai Karza	14.6	-	490,515
		<b>15,281,874,153</b>	<b>12,621,960,899</b>
Accrued service charges		190,960,347	637,442,247
Current portion of long term micro credit loan portfolio	11	<b>440,155,690</b>	<b>462,355,474</b>
		<b>15,912,990,190</b>	<b>13,721,758,620</b>
Less: Accrued service charges disclosed separately in statement of financial position	16	(190,960,347)	(637,442,247)
Less: Provision for doubtful loans	14.7	(478,345,889)	(480,371,888)
Less: Modification loss on financial assets	37	(24,938,344)	(375,447,618)
		<b>15,218,745,610</b>	<b>12,228,496,867</b>

- 14.1 Kashf Karobar Karza represents micro-credit loans for productive/income generating activities. The initial loan amount is Rs. 30,000 and the maximum loan amount cannot exceed Rs. 150,000 each. The outstanding balance is repayable along with service charges and Kashf Sehatmand Zindagi Bema over a period of twelve months in equal monthly installments. The effective yield on these loans is 35.91% (2020: 35.91%) per annum.
- 14.2 Kashf Bahali Karza represents micro-credit loans to clients whose businesses were impacted by multiple lockdowns due to Covid outbreak during the last year. It was launched in December 2020 with sunset clause till September 2021. 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.20,000 to Rs. 150,000. The outstanding balance is repayable along with service charges and Kashf Sehatmand Zindagi Bema over a period of twelve months in equal monthly installments. The effective yield on these loans is 35.91% per annum.
- 14.3 Kashf Khudmukhtar Sarmaya represent micro-credit loans for those households who are deprived of opportunities to earn income with loan amount of Rs. 20,000 each. The outstanding balance was payable over a period of twelve months in equal monthly installments. This facility was interest free and is given to poor people who cannot afford to begin a new business. This facility is no longer available as it was donor based project of five years.
- 14.4 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 an minimum amount of Rs. 20,000 and maximum amount is Rs.25,000. The outstanding balance is payable over a period of twelve months in equal monthly installments. The effective yield on this loan is 36.74 % (2020: 36.74%) per annum.
- 14.5 Kashf Sahulat Karza represents micro-credit loans provided to such clients who have already obtained Kashf Karobar Karza for their domestic use with a fixed amount of Rs. 5,000 to Rs.7,000. The outstanding balance is payable over a period of six months in equal monthly installments. The effective yield on this loan is 36.79% (2020: 36.74%).
- 14.6 Kashf Zarai Karza represents micro-credit loans provided to clients for crop production with amounts ranging from Rs. 50,000 to Rs. 100,000. The outstanding balance is payable over a period of three, six or twelve months, as applicable in equal monthly installments. The effective yield on this loan is 35% (2020:34.40%).

	Note	2021	2020
		Rupees	Rupees
<b>14.7 Provision for doubtful loans</b>			
As at 1 July		491,485,767	171,580,869
Charge for the year		475,503,118	329,575,275
		<b>966,988,885</b>	501,156,144
Written off against provision		(486,084,041)	(9,670,377)
As at 30 June	14.7.1	<b>480,904,844</b>	491,485,767

Break up of provision for doubtful loans among non-current and current portion is as follows:

Non-current portion	2,558,955	11,113,879
Current portion	478,345,889	480,371,888
	<b>480,904,844</b>	491,485,767

- 14.7.1 The Company recognizes provision for doubtful loans at higher of applicable regulatory requirements, Expected Credit Losses and internal provisioning threshold:

	2021	2020
	Rupees	Rupees
<b>Provision under the policy of the Company</b>		
-General	180,451,651	128,645,234
-Specific	218,646,553	144,204,280
	<b>399,098,204</b>	272,849,514
<b>Provision under Expected Credit Losses as per IFRS 9</b>	<b>480,904,844</b>	491,329,632

**Provision under NBFC Regulations**

-General  
-Specific

	2021	2020
	Rupees	Rupees
	78,338,485	130,213,839
	57,108,839	109,789,658
	<b>135,447,324</b>	<b>240,003,497</b>

**14.8 Number of loans**

Considered good  
Considered doubtful  
Less: Loans written off

	2021	2020
	502,291	340,352
	55,749	139,738
	(22,102)	(529)
	33,647	139,209
	<b>535,938</b>	<b>479,561</b>

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

The Company's main indicator of loan delinquency is the Portfolio-At-Risk ratio. Loans are segregated into classes depending on the number of days they are overdue. For each class of loan, the outstanding principal balance of such loan is divided by the principal balance of the gross loan portfolio for loan loss percentage.

Loans are considered at risk if any payment has fallen due and remained unpaid for more than 1 day. The Company does not convert mark-up on late payment into principal.

	2021	2020	2021	2020
	Percentage	Percentage	Rupees	Rupees
Not due yet	95.54%	71.10%	15,023,090,589	9,336,078,601
1-29 days	0.68%	26.87%	107,304,511	3,528,446,431
30-89 days	2.45%	1.08%	385,271,035	141,619,194
90-179 days	1.10%	0.25%	173,621,662	32,459,715
More than 180 days	0.23%	0.70%	35,517,963	92,569,624
	<b>100%</b>	<b>100%</b>	<b>15,724,805,760</b>	<b>13,131,173,565</b>

**14.10 Portfolio by segment****Micro enterprise**

Agriculture and livestock  
Services  
Trading  
Manufacturing

	4,239,273,673	3,713,469,514
	2,697,232,372	2,640,818,719
	2,477,535,137	2,104,566,438
	572,880,386	599,630,340
	<b>9,986,921,568</b>	<b>9,058,485,011</b>

**General loan**

Domestic  
School  
Food production and services  
Garments and handicrafts  
Transport

	1,241,302,290	881,944,627
	48,379,308	156,898,188
	779,801,975	371,272,947
	3,668,400,619	2,662,521,004
	-	51,788
	<b>5,737,884,192</b>	<b>4,072,688,554</b>
	<b>15,724,805,760</b>	<b>13,131,173,565</b>

**15 KASHF MURABAHA PORTFOLIO**

Kashf Murabaha receivable  
Less: Unearned Murabaha income  
  
Less: Provision for doubtful Murabaha

	661,535,276	484,127,191
	(111,515,286)	(64,480,556)
	<b>550,019,990</b>	<b>419,646,635</b>
	(10,579,032)	(13,945,122)
	<b>539,440,958</b>	<b>405,701,513</b>

15.1 Murabaha facility was introduced in 2014 to provide financing facility under Islamic (Shariyah) principles. It represents the outstanding balance of cost of goods sold under Murabaha agreement. Facility ranges between Rs. 20,000 to Rs. 120,000 each. The outstanding balance is repayable along with profit on Murabaha over a period of twelve months. Profit is allocated at the rate of 20.8% (2020: 20.8%) on terms of Murabaha agreement.

**15.2 Provision for doubtful Murabaha**

As at 1 July  
Charge for the year

Written off against provision  
As at 30 June

Note	2021	2020
	Rupees	Rupees
	13,945,122	5,218,209
	11,158,507	8,951,562
	<b>25,103,629</b>	<b>14,169,771</b>
	(14,524,597)	(224,649)
	<b>10,579,032</b>	<b>13,945,122</b>

15.2.1 The Company recognizes provision for doubtful loans at higher of applicable regulatory requirements, Expected Credit Losses and internal provisioning threshold:



Note	2021 Rupees	2020 Rupees
<b>Provision under the policy of the Company</b>		
-General	5,395,195	4,132,284
-Specific	4,098,819	3,044,905
	<u>9,494,014</u>	<u>7,177,189</u>
<b>Provision under Expected Credit Losses as per IFRS 9</b>	<u>10,579,032</u>	<u>13,945,122</u>
<b>Provision under NBFC and NE Regulations</b>		
-General	2,744,111	4,175,867
-Specific	1,197,887	2,059,932
	<u>3,941,998</u>	<u>6,235,799</u>

**15.3 Number of Murabaha's**

Considered good	18,148	12,222
Considered doubtful	1,395	3,951
Less: Clients written off	(676)	(14)
	719	3,937
	<u>18,867</u>	<u>16,159</u>

**15.4 Aging analysis of Murabaha portfolio**

The Company's main indicator of Murabaha 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 service charges on late payment into principal.

	2021 Percentage	2020 Percentage	2021 Rupees	2020 Rupees
Not due yet	97.69%	76.92%	537,330,166	322,792,463
1-29 days	0.40%	21.55%	2,189,346	90,435,908
30-89 days	1.16%	0.95%	6,368,328	3,999,062
90-179 days	0.59%	0.18%	3,250,826	748,126
More than 180 days	0.16%	0.40%	881,324	1,671,076
	<u>100%</u>	<u>100%</u>	<u>550,019,990</u>	<u>419,646,635</u>

**15.5 Murabaha portfolio by segment****Micro enterprise**

	2021 Rupees	2020 Rupees
Agriculture and livestock	109,431,699	87,327,083
Services	106,726,450	107,446,413
Trade	249,090,393	168,139,464
Manufacturing	12,534,894	10,768,432
	<u>477,783,436</u>	<u>373,681,392</u>

**General loan**

Food production and services	28,313,843	11,424,734
Garments and handicrafts	43,922,711	34,523,844
Transport	-	16,665
	<u>72,236,554</u>	<u>45,965,243</u>
	<u>550,019,990</u>	<u>419,646,635</u>

16 ACCRUED SERVICE CHARGES	Note	2021	2020
		Rupees	Rupees
Accrued service charges		192,190,366	667,232,519
Less: Provision for doubtful debt		(1,230,019)	(29,790,272)
		<u>190,960,347</u>	<u>637,442,247</u>

## 17 SHORT TERM INVESTMENTS

Investments designated at FVTPL

Faysal Income and Growth Fund (132,666 units (2020: 114,906 units))  
 NBP Money Market Fund (5,950,107 units( 2020:1,043,498 units))

14,170,044	13,390,502
62,722,458	10,312,370
<u>76,892,502</u>	<u>23,702,872</u>

Investments at Amortized Cost

Term deposit certificates  
 Local currency  
 Foreign currency

17.1

700,000,000	2,277,392,021
386,139,609	-
<u>1,086,139,609</u>	<u>2,277,392,021</u>

Term Finance certificates

17.2

50,000,000	-
<u>1,136,139,609</u>	<u>2,277,392,021</u>

<u>1,213,032,111</u>	<u>2,301,094,893</u>
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17.1 These term deposits carry mark-up ranging from 3.25% to 9% (2020: 3 % to 16 %) per annum. The term deposit certificates with JS Bank and Silk Bank Limited aggregating to Rs. 350 million with the maturity of one year have been pledged as security against running financing facility availed from commercial banks.

17.2 These term finance certificates carry markup of 9.60% per annum having maturity date of 31 December 2021.

## 18 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

18 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2021	2020
		Rupees	Rupees
Advance to employees against expenses		431,520	150,760
Advances to agents against Murabaha		7,510,000	12,850,000
Short term deposits		670,500	492,500
Prepayments		16,178,500	12,353,016
Accrued return on investments and bank deposits		55,124,487	148,888,931
Unearned Murabaha income		111,515,286	64,480,556
Advance tax recoverable		343,187,382	225,205,960
Deferred loss on sale and lease back of vehicles		-	924,399
Documentation fee receivable		362,269	25,522
Advances to suppliers		5,931,903	28,281,717
Receivables from donors		-	4,072,841
Insurance claims receivables		21,293,889	33,969,019
Commission receivable		16,924,275	15,466,078
Other receivables	18.1	<u>25,757,247</u>	<u>19,097,393</u>
		<u>604,887,258</u>	<u>566,258,692</u>

## 18.1 Other receivebale includes

Takaful contribution	8,662,774	3,063,343
Employee field discrepancies	2,889,452	3,477,970
CMS charges	4,529	4,529
Training fee- receivable	-	1,000
Insurance Premium	7,628,405	11,311,234
Receivable from third parties	6,572,087	1,239,317
	<u>25,757,247</u>	<u>19,097,393</u>

	Note	2021 Rupees	2020 Rupees
<b>19 CASH AND BANK BALANCES</b>			
Cash in hand		5,708,696	26,200,061
Balance at banks:			
In current accounts - local currency		64,916,191	298,257,095
In saving accounts - local currency		5,402,241,777	5,755,180,669
- foreign currency		450,440,148	31,400,688
	19.1	5,852,681,925	5,786,581,357
		5,923,306,812	6,111,038,513

19.1 Cash with banks in saving accounts carry mark-up at rates ranging from 5 % to 8.5% (2020: 7% to 14%) per annum.

## 20 DONATED FUNDS

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

## 21 RESERVES

### 21.1 Accumulated surplus

General reserves represent surplus of receipt over the expenditures as per Statement of Income and Expenditure.

### 21.2 Loan loss reserve

Reserve for loan loss has been created at the rate of 5% of outstanding micro-credit loan portfolio of the Company. This reserve is used for the write-off of loans given under this scheme and is replenished by the Company from general reserve.

	Note	2021 Rupees	2020 Rupees
<b>22 SURPLUS ON REVALUATION OF LAND</b>			
At beginning of the year		300,203,137	209,478,137
Add: surplus arising on revaluation of land during the year	22.1	-	90,725,000
		300,203,137	300,203,137

22.1 This represents surplus resulting from revaluation of land carried out latest by 14 February 2020 by Tristar International Consultant (Private) Limited. The revalued amounts of said properties have been determined on the basis of detailed inspection of the properties and numerous independent market inquiries from local active realtors in the vicinity.

	Note	2021 Rupees	2020 Rupees
<b>23 LONG TERM FINANCING</b>			
Long term loans	23.1	10,162,784,549	13,014,743,858
<b>23.1 Long term loans</b>			
Local currency loans	23.1.1	8,708,161,771	9,260,529,576
Foreign currency loans	23.1.2	9,559,715,891	8,435,565,437
Translation loss on foreign currency loans	23.1.3	130,940,710	1,457,113,259
		18,398,818,372	19,153,208,272
Less: Unamortized transaction cost		(164,483,487)	(140,082,134)
		18,234,334,885	19,013,126,138
Less: Payable within one year		(8,071,550,336)	(5,998,382,280)
		10,162,784,549	13,014,743,858



## 23.1.1 Local currency loans

Sr. No	Lender	Type	2021 Rupees	2020 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
<b>Local currency - secured</b>								
1	JS Bank Limited	Term Finance Facility	545,454,545	636,363,636	1 M KIBOR + 1.85%	18 installments ending on 27 Dec 2022	Monthly	The loan is secured against the first pari-passu charge on all present and future current assets with 25% margin.
2	Askari Bank Limited	Long Term Finance	208,333,333	250,000,000	3 M KIBOR + 2%	5 installments ending on 22 Aug 2022	Quarterly	The loan is secured against the first pari passu charge on all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with 25% margin.
3	MCB Bank Limited	Demand Finance-I	250,000,000	281,250,000	6 M KIBOR+2.25%	8 installments ending on 27 April 2023	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with the margin of 25%.
4	MCB Bank Limited	Demand Finance-II	500,000,000	500,000,000	6 M KIBOR+2%	16 installments starting from 21 August 2021	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with the margin of 25%.
5	Bank Aitalah Limited	Term Finance Facility-I	-	50,000,000	3 M KIBOR + 2%	-	Quarterly	This loan has been fully repaid during the year.
6	Acumen Pakistan	Term Loan	-	8,333,333	6 M KIBOR +2%	-	Quarterly	This loan has been fully repaid during the year.
7	Pak-China Investment Company Limited	Syndicated Term Finance Facility	-	120,000,000	6 M KIBOR + 2%	-	Semi Annually	This loan has been fully repaid during the year.
8	Pak-China Investment Company Limited	Term Finance Facility	311,111,111	311,111,111	3 M KIBOR + 2.5%	7 installments ending on 18 September 2024	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio and assets forming part of PPAF security) with the margin of 25%.
9	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	109,000,000	218,000,000	6 M KIBOR + 3%	1 installment ending on 7th July 2021	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets with the margin of 20%.
10	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	132,000,000	198,000,000	6 M KIBOR + 3%	2 installments ending on 30 Sep 2021	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets with the margin of 20%.
11	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	1,891,750,000	2,309,000,000	6 M KIBOR + 3%	3 installments ending on 31 Dec 2021	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets with the margin of 10%.

Sr. No	Lender	Type	2021 Rupees	2020 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
12	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	612,500,000	700,000,000	6 M KIBOR + 3%	7 installments ending on 31 Dec 2022	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
13	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	1,354,750,000	-	6 M KIBOR + 3.1%	14 installments starting from 30 June 2022.	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
14	Silk Bank Limited	Term Finance Facility	-	6,250,000	6 M KIBOR+3%	-	Quarterly	This loan has been fully repaid during the year.
15	United Bank Limited	Term Finance Facility	-	50,000,000	6 M KIBOR+1.5%	-	Semi Annually	This loan has been fully repaid during the year.
16	Pakistan Poverty Alleviation Fund	Prime Minister's Interest Free Loan	-	26,996,100	Interest Free Loan	-	Not applicable	This loan has been fully repaid during the year.
17	National Bank of Pakistan	Term Loan	562,500,000	625,000,000	3 M KIBOR + 2%	9 installments ending on 31 July 2023	Quarterly	The loan is secured against first pari-passu charge on all present and future current assets (other than the investment portfolio and the asset forming part of the PPAF security) with a 25% margin.
18	The Bank of Punjab	Term Finance Facility	-	150,000,000	3 M KIBOR + 2%	-	Quarterly	This loan has been fully repaid during the year.
19	The Bank of Punjab	Term Finance Facility	333,333,333	500,000,000	3 M KIBOR + 1.9%	8 installments ending on 28 April 2023	Quarterly	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
20	Pak Oman Investment Company Limited	Term Finance Certificates	1,500,000,000	2,000,000,000	3 M KIBOR + 2.25%	9 installments ending on 30 September 2023	Quarterly	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin. These term finance certificates are listed on Pakistan Stock Exchange.
21	Bank Alfalah Limited	Term Finance Facility-II	200,140,873	320,225,396	3.00%	5 installments ending on 1st October 2022	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio) with the margin of 25%.
22	Bank Alfalah Limited	Term Finance Facility-III	197,288,575	-	3.00%	5 installments ending on 1st October 2022	Quarterly	The loan is secured against the first pari-passu charge over all present and future current assets (excluding investment portfolio) with the margin of 25%.
			<u>8,708,161,771</u>	<u>9,260,529,576</u>				

## 23.1.2 Foreign currency loans

Sr. No.	Lender	Type	Cross Currency Swap	Note	2021 Rupees	2020 Rupees	Rate of interest per annum	Outstanding instalments	Interest payable	Security
23	Thodos Investment Management B.V.	Term Loan Term Loan	Converted by MCB	22.1.2.1	-	93,518,040 1,142,744	14.25% 6 M LIBOR + 6.10%	-	Semi Annually Semi Annually	This loan has been fully repaid during the year.
24	Symbiotics SICAV (Lux)- Global Microfinance Fund	Syndicated Term Loan	Converted by MCB	22.1.2.2	-	316,500,000	12.40%	-	Semi Annually	This loan has been fully repaid during the year.
25	Proparco	Term Loan	Converted by MCB	22.1.2.3	247,821,429	413,035,714	13.20%	3 instalments ending on 20 Nov 2022	Semi Annually	The loan is secured against the first ranking part-passu charge on all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security) equivalent to 133% of outstanding loan amount.
26	BANK IM BISTUM ESSEN eG	Term Loan	Converted by MCB	22.1.2.4	-	257,000,000	12.50%	-	Quarterly	This loan has been fully repaid during the year.
27	FMO	MASSIF Facility	Converted by MCB	22.1.2.5	144,562,500	289,125,000	13.30%	2 instalments ending on 15 May 2022	Semi Annually	The loan is secured against the first ranking part-passu charge on all present and future current assets (excluding the investment portfolio and assets forming part of the PPAF security) equivalent to 100% of outstanding loan amount.
28	Microvest	Senior Term Loan Senior Term Loan	Converted by MCB	22.1.2.6	-	164,010,000 2,240,675	14.10% 3 M LIBOR + 4.15%	-	Quarterly Quarterly	This loan has been fully repaid during the year.
29	Microvest	Senior Term Loan Senior Term Loan	Converted by MCB	22.1.2.7	29,106,000 350,097	145,530,000 1,867,227	3 M KIBOR + 3.75% 3 M LIBOR + 4.15%	1 instalment ending on 28 Sep 2021 1 instalment ending on 28 Sep 2021	Quarterly Quarterly	The loan is secured against the part-passu charge over current assets for a total amount of 110% of the principle amount.
30	Insu Resilience Investment Fund, SICAV-RAIF	Senior Unsecured Term Loan Senior Unsecured Term Loan	Converted by MCB	22.1.2.8	-	130,977,000 1,580,506	6 M KIBOR + 4% 6 M LIBOR + 4.5%	-	Semi annually Semi annually	This loan has been fully repaid during the year.
31	Incofin CVSO	Term Loan Term Loan	Converted by MCB	22.1.2.9	-	887,159,000 8,402,530	6 M KIBOR + 2.9% 6.20%	-	Semi annually Semi annually	This loan has been fully repaid during the year.
32	Overseas Private Investment Corporation	Term Loan	Converted by MCB	22.1.2.10	668,696,875	911,859,375.00	3 M KIBOR + 3.55%	11 instalments ending on 15 Jan 2024	Quarterly	The loan is secured against part passu charge including a margin of 10% above the total OPIC principal amount.
33	GIS Alternativa Investments- Mikrofinanzfonds	Term Loan	Converted by FBL	22.1.2.11	244,050,000	488,100,000.00	6 M KIBOR + 4.10%	1 instalment ending on 30 April 2022	Yearly	Unsecured Loan.
34	OESTERREICHISCHE ENTWICKLUNGSBANK AG OeEB	Term Loan	Converted by SCB	22.1.2.12	1,361,675,000	1,556,200,000.00	6 M KIBOR + 2.90%	7 instalments ending on 19 Jul 2024	Semi annually	Unsecured Loan.
35	GIS Alternativa Investments- Mikrofinanzfonds	Term Loan Term Loan	Converted by SCB	22.1.2.13	305,355,600 3,150,874	305,355,600 3,361,012	3 M KIBOR + 2.04% 3 M LIBOR + 4.1%	2 instalments starting from 10 February 2022 2 instalments starting from 10 February 2022	Quarterly Quarterly	Unsecured Loan.



Sr. No.	Lender	Type	Cross Currency Swap	Note	2021 Rupees	2020 Rupees	Rate of interest per annum	Outstanding Installments	Interest payable	Security
36	Asian Development Bank	Term Loan	Converted by HBL	22.1.2.14	1,234,800,000	1,543,489,195	6 M KIBOR + 2.16%	4 installments ending on 11 February 2023	Semi annually	Unsecured Loan.
		Term Loan	Converted by SCB		891,990,633	1,114,988,291	6 M Libor + 4.25%	4 installments ending on 11 February 2023	Semi annually	
		Term Loan			8,822	11,764	6 M Libor + 4.25%	4 installments ending on 11 February 2023	Semi annually	
37	BlueOrchard - Insu Resilience	Term Loan	Converted by HBL	22.1.2.15	1,235,520,000	-	6 M KIBOR + 2.22%	2 installments starting from 28 July 2023	Semi annually	Unsecured Loan.
		Term Loan			11,815,778	-	6 M LIBOR + 4.15%	2 installments starting from 28 July 2023	Semi annually	
38	Incofin CVSO	Term Loan	Converted by SCB	22.1.2.16	399,377,848	-	6 M KIBOR + 2.7%	2 installments starting from 8 June 2022	Semi annually	Unsecured Loan.
		Term Loan			1,959,755	-	6 M LIBOR + 4.5%	2 installments starting from 8 June 2022	Semi annually	
39	Incofin MEF	Term Loan	Converted by SCB	22.1.2.17	794,722,500	-	6 M KIBOR + 2.6%	2 installments starting from 8 Dec 2022	Semi annually	Unsecured Loan.
		Term Loan			7,877,185	-	6 M LIBOR + 4.5%	2 installments starting from 8 Dec 2022	Semi annually	
40	Finnfund	Term Loan	Converted by HBL	22.1.2.18	794,500,000	-	6 M KIBOR + 3.64%	5 installments starting from 17 Feb 2022	Semi annually	Unsecured Loan.
41	CDC	Term Loan	Converted by HBL	22.1.2.19	1,182,369,482	-	7.50%	5 installments starting from 21 Dec 2021	Semi annually	Unsecured Loan.
		Term Loan			5,514	-	6 M LIBOR + 4.25%	5 installments starting from 21 Dec 2021	Semi annually	
					<u>9,559,715,891</u>	<u>8,435,565,437</u>				

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- 23.1.2.1 The Company entered into cross currency swap agreement with MCB Bank on October 20, 2016. Loan is translated at the exchange rate of Rs. 104.70/USD converting the liability of USD 4,466,000 to Rs. 467,590,200 and the interest rate is converted from USD 6M LIBOR plus 6.10% per annum to a fixed rate of 14.25%.
- 23.1.2.2 The Company entered into cross currency swap agreement with MCB Bank on November 03, 2017. Loan is translated at the exchange rate of Rs. 105.5/USD converting the liability of USD 3,000,000 to Rs. 316,500,000 and the interest rate is converted from USD 6M LIBOR plus 5% per annum to a fixed rate of 12.40%.
- 23.1.2.3 The Company entered into cross currency swap agreement with MCB Bank 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 7.37% per annum to a fixed rate of 13.20%.
- 23.1.2.4 The Company entered into cross currency swap agreement with MCB Bank on May 07, 2018. Loan is translated at the exchange rate of Rs. 115.65/USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from USD 3M LIBOR plus 4.15% per annum to a fixed rate of 12.50%.
- 23.1.2.5 The Company entered into cross currency swap agreement with MCB Bank on May 21, 2018. Loan is translated at the exchange rate of Rs. 115.65/USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from USD 6M LIBOR plus 4.75% per annum to a fixed rate of 13.30%.
- 23.1.2.6 The Company entered into cross currency swap agreement with MCB Bank on August 24, 2018. Loan is translated at the exchange rate of Rs. 124.25/USD converting the liability of USD 2,970,000 to Rs. 369,022,500 and the interest rate is converted from USD 3M LIBOR plus 4.15% per annum to a fixed rate of 14.10%.
- 23.1.2.7 The Company entered into cross currency swap agreement with MCB Bank on October 25, 2018. Loan is translated at the exchange rate of Rs. 132.3/USD converting the liability of USD 1,980,000 to Rs. 261,954,000 and the interest rate is converted from USD 3M LIBOR plus 4.15% per annum to a variable rate of 3M KIBOR plus 3.75%.
- 23.1.2.8 The Company entered into cross currency swap agreement with MCB Bank on October 25, 2018. Loan is translated at the exchange rate of Rs. 132.3/USD converting the liability of USD 3,960,000 to Rs. 523,908,000 and the interest rate is converted from USD 6M LIBOR plus 4.50% per annum to a variable rate of 6M KIBOR plus 4%.
- 23.1.2.9 The Company entered into cross currency swap agreement with MCB Bank on January 21, 2019. Loan is translated at the exchange rate of Rs. 138.82/USD converting the liability of USD 4,950,000 to Rs. 687,159,000 and the interest rate is converted from 6.20% per annum to a variable rate of 6M KIBOR plus 2.9%.
- 23.1.2.10 The Company entered into cross currency swap agreement with MCB Bank 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 6.15% per annum to a variable rate of 3M KIBOR plus 3.55%.
- 23.1.2.11 The Company entered into cross currency swap agreement with Faysal Bank on June 26, 2019. Loan is translated at the exchange rate of Rs. 162.70/USD converting the liability of USD 3,000,000 to Rs. 488,100,000 and the interest rate is converted from 6.90% per annum to a variable rate of 6M KIBOR plus 4.10%.
- 23.1.2.12 The Company entered into cross currency swap agreement with Standard Chartered Bank 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 6 Month Libor plus 4% to a variable rate of 6M KIBOR plus 2.90%.
- 23.1.2.13 The Company entered into cross currency swap agreement with Standard Chartered Bank 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 3 Month Libor plus 4.1% to a variable rate of 3M KIBOR plus 2.04%.
- 23.1.2.14 The Company entered into cross currency swap agreement with Habib Bank Ltd 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. 1,543,489,195.50 and the interest rate is converted from 6 Month Libor plus 4.25% to a variable rate of 6M KIBOR plus 2.16%. The Company entered into cross currency swap agreement with Standard Chartered Bank for second Tranche of Loan on April 09, 2020. Loan is translated at the exchange rate of Rs. 167.25/USD converting the liability of USD 6,666,596.66 to Rs. 1,114,988,291.39 and the interest rate is converted from 6 Month Libor plus 4.25% to a variable rate of 6M KIBOR plus 1.65%.
- 23.1.2.15 The Company entered into cross currency swap agreement with Habib Bank Ltd 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 6 Month Libor plus 4.15% to a variable rate of 6M KIBOR plus 2.22%.
- 23.1.2.16 The Company entered into cross currency swap agreement with Standard Chartered Bank on December 09, 2020. Loan is translated at the exchange rate of Rs. 160.55/USD converting the liability of USD 2,487,560.50 to Rs. 399,377,847.91 and the interest rate is converted from 6 Month Libor plus 4.5% to a variable rate of 6M KIBOR plus 2.7%.
- 23.1.2.17 The Company entered into cross currency swap agreement with Standard Chartered Bank on December 09, 2020. Loan is translated at the exchange rate of Rs. 160.55/USD converting the liability of USD 4,950,000 to Rs. 794,722,500 and the interest rate is converted from 6 Month Libor plus 4.5% to a variable rate of 6M KIBOR plus 2.6%.
- 23.1.2.18 The Company entered into cross currency swap agreement with Habib Bank Ltd on February 18, 2021. Loan is translated at the exchange rate of Rs. 158.9/USD converting the liability of USD 5,000,000 to Rs. 794,250,000 and the interest rate is converted from 6 Month Libor plus 4.25% to a variable rate of 6M KIBOR plus 3.64%.
- 23.1.2.19 The Company entered into cross currency swap agreement with Habib Bank Ltd 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 6 Month Libor to a fixed rate of 7.50%.
- 23.1.3 **Translation loss on foreign currency loans**

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

5/7/21

**24 LEASE LIABILITIES**

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) is 9.97%. The amount of future payments and the period during which they will become due are:

	Note	2021 Rupees	2020 Rupees (Restated)
Period ending 30 June			
2021		-	8,269,385
2022		84,458,668	57,413,714
2023		92,774,903	99,013,088
2024		43,823,482	63,133,989
2025		2,253,273	7,330,708
2026		574,782	-
		<u>223,885,108</u>	<u>235,160,884</u>
Less: Future finance charges		<u>(26,563,224)</u>	<u>(34,908,774)</u>
		<u>197,321,884</u>	<u>200,252,110</u>
Less: Current maturity of long term lease		<u>(68,511,543)</u>	<u>(64,697,137)</u>
		<u><u>128,810,341</u></u>	<u><u>135,554,973</u></u>

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

	Note	2021 Rupees	2020 Rupees (Restated)
Balances as at July 1		200,252,110	8,269,385
Effect of Initial recognition due to adoption of IFRS 16		-	226,337,325
Additions during the year		56,574,039	-
Markup on lease liabilities	35	<u>19,158,457</u>	<u>17,843,719</u>
		<u>275,984,606</u>	<u>252,450,429</u>
Less: Lease rentals paid		<u>(78,662,722)</u>	<u>(52,198,319)</u>
Balance as at June 30		<u><u>197,321,884</u></u>	<u><u>200,252,110</u></u>

**25 SHORT TERM BORROWINGS****KIVA Loan - foreign currency loan**

Opening		133,555,461	127,050,252
Disbursed during the year		10,080,000	175,303,000
Less: Repaid on recovery from individual borrowers		(91,515,075)	(169,482,718)
Exchange gain/loss		(8,704,839)	684,927
	25.1	<u><u>43,415,547</u></u>	<u><u>133,555,461</u></u>

**25.1** This represents interest free loan obtained from KIVA Micro funds, a California based non-profit, public benefit corporation. KIVA operates a web based business that provides microfinance loans to individuals and groups of developing countries through local lenders of those countries. The Company is registered under KIVA and is solely responsible for collection of loans from borrowers and repayment to KIVA.



	Punjab Skills Development Fund (PSDF)	OWP (Pakistan) Gmbh	Pakistan Poverty Alleviation Fund	Coca Cola Foundation	Stewart Farm Foundation	I-Care Foundation	Shah Education	UN Women Fund	Philip Morris Foundation	Stoil Foundation	Proparco	Netherlands Government	UNDP	PMIC RSS	PMIC -OI	FMO	GAC	Miscellaneous local donations	Deferred grants for fixed assets	Total
As at 30 June 2019	6,633,496	27,395	42,824	3,041,667	677,592	1,720	3,194,250	9,225,000	6,527,308	8,300,017	970,011	1,374,071	1,598,027	5,288,400	2,164,787	-	-	6,428,168	5,463,516	46,538,167
Funds received in cash	802,750	-	1,720,702	15,490,200	-	-	-	1,945,000	17,048,915	8,300,017	970,011	-	20,996,364	3,376,440	-	-	-	1,706,636	1,007,784	75,591,485
Funds utilized for assets	61,370	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,694,951
Grant receivable	7,671,808	27,395	1,703,588	16,521,667	677,592	1,720	48,994	11,070,000	23,578,223	8,300,017	970,011	1,374,071	22,584,381	8,664,840	2,164,787	-	-	8,145,006	6,471,280	125,623,377
<b>Funds utilized</b>																				
Lending																				
Recognized as income-asset amortization	(633,188)	(14,434)	(1,417,287)	(3,976,242)	(677,592)	-	(3,633,624)	(11,070,000)	(11,173,323)	(8,300,017)	-	(1,292,644)	(22,575,382)	(4,257,840)	(2,164,787)	-	-	(8,824,264)	(1,489,030)	(77,690,055)
Recognized as income-operating expenses	(633,188)	(14,434)	(1,417,287)	(3,976,242)	(677,592)	-	(3,633,624)	(11,070,000)	(11,173,323)	(8,300,017)	-	(1,292,644)	(22,575,382)	(4,257,840)	(2,164,787)	-	-	(8,824,264)	(1,489,030)	(77,129,085)
Adjustment against grant receivable	(3,353,326)	-	-	-	-	-	-	-	-	-	(970,011)	(61,427)	-	(4,427,000)	-	-	-	-	-	(7,941,753)
Transferred to other income	(3,961,113)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,531,124)
As at 30 June 2020	-	12,961	346,229	15,245,615	1,720	1,720	3,662,250	1,945,000	12,402,980	12,951,500	970,011	18,869	18,869	4,427,000	2,004,787	-	-	1,280,741	5,002,250	34,321,415
Funds received in cash	-	-	1,845,941	763,631	-	-	-	-	3,862,250	1,945,000	-	-	(18,869)	-	-	-	-	95,250	36,364,880	425,376,972
Funds utilized for assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,692,500
Grant receivable	-	12,961	2,192,170	14,481,984	1,720	1,720	3,662,250	1,945,000	12,951,500	12,951,500	970,011	18,869	18,869	4,427,000	2,004,787	-	-	1,375,591	43,597,230	462,280,887
<b>Funds utilized</b>																				
Lending																				
Recognized as income-asset amortization																				
Service level agreement																				
Recognized as income-operating expenses																				
Adjustment against grant receivable																				
Transferred to other income																				
As at 30 June 2021	-	12,961	7,339	1,304,818	-	1,720	-	-	3,662,013	-	-	-	-	-	160,000	0	-	1,318,601	38,661,653	385,277,030

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	Note	2021 Rupees	2020 Rupees
<b>27 ACCRUED MARK-UP</b>			
Markup on:			
- long term loans		412,572,334	609,991,388
- short term borrowings		4,626,382	1,726,858
		<u>417,198,716</u>	<u>611,718,246</u>
<b>28 TRADE AND OTHER PAYABLES</b>			
Accrued expenses		49,930,104	46,926,670
Provident fund payable	28.1	-	-
Insurance premium payable		76,180,323	58,641,591
Deferred Murabaha income		111,515,286	64,480,556
Claims payable		16,515,086	10,610,352
Cash Management System (CMS) charges payable		25,451,029	21,089,165
Staff Bonus payable		86,626,083	-
Other liabilities		73,545,792	69,942,067
		<u>439,763,703</u>	<u>271,690,401</u>

**28.1 Provident fund:**

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un-audited financial statements of the provident fund as at 30 June 2021

	(Un-audited) 2021 Rupees	2020 Rupees
Size of the fund - total assets	<u>982,305,881</u>	<u>835,491,409</u>
Cost of investments made	<u>709,353,574</u>	<u>603,000,000</u>
Percentage of investments - (% of total assets)	<u>72.21%</u>	<u>72.17%</u>
Fair value of investments	<u>709,353,574</u>	<u>603,330,432</u>

**The break-up of investments is as follows:**

	2021		2020	
	Rupees	%	Rupees	%
Term Deposit Receipts	630,000,000	88.81%	590,000,000	97.79%
Mutual Funds	68,523,574	9.66%	13,330,432	2.21%
Term finance certificate BAFL	10,830,000	2.00%	-	-
	<u>709,353,574</u>	<u>100%</u>	<u>603,330,432</u>	<u>100%</u>

The investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

**29 CONTINGENCIES AND COMMITMENTS**

There were no significant contingencies and commitments as at 30 June 2021 (2020: Nil)

**30 MARK-UP AND OTHER CHARGES ON MICRO-CREDIT LOAN PORTFOLIO**

	2021 Rupees	2020 Rupees
<b>Mark-up charges on:</b>		
- Kashf Karobar Karza	3,825,554,253	4,356,113,632
- Kashf Zariye Karza	9,947	545,074
- Kashf School Sarmaya	8,639,266	53,040,591
- Kashf Easy Loan	267,991,583	373,906,934
- Kashf Muwaishi Karza	111,575,370	105,225,427
- Kashf Sahulat Karza	969,134	7,447,432
- Kashf Bahali Karza	189,912,245	-
Reversal of modification loss	350,509,275	-
Loan documentation fees	32,321	75,480
Commission on insurance	84,659,441	82,680,133
	<u>4,839,852,835</u>	<u>4,979,034,703</u>

	Note	2021 Rupees	2020 Rupees
<b>31 GRANT INCOME</b>			
Grant related to projects	26	63,919,796	77,660,055
Amortization of grant related to assets		3,839,274	1,469,030
Service level agreement		90,738	-
		<u>67,849,808</u>	<u>79,129,085</u>
<b>32 RETURN ON INVESTMENTS AND BANK DEPOSITS</b>			
Return on term deposit receipts		155,201,989	210,197,042
Return on bank deposits			
Local		478,060,506	415,900,931
Foreign		329,574	10,587
		<u>633,592,069</u>	<u>626,108,560</u>
<b>33 PROGRAMME COST</b>			
Salaries, wages and benefits		1,373,984,015	1,204,908,940
Travel and conveyance		146,970,856	138,744,176
Insurance		167,156,367	160,386,577
Office rent		4,893,019	15,793,139
Provision for loan loss		487,532,705	368,318,299
Seminar, workshop, research and staff training expenses		3,871,716	51,002,043
Entertainment		33,068,033	29,914,160
Printing and stationery		19,623,793	19,183,555
Communication		23,964,202	21,701,073
Legal and professional charges		70,892,285	20,917,178
Depreciation - owned assets	6.2	45,461,275	51,817,860
Depreciation - right of use assets	6.2	62,140,916	49,917,436
Utilities		17,740,006	13,984,974
Repair and maintenance		7,752,565	6,241,737
Office supplies		9,679,195	15,528,426
Security		4,314,895	3,512,544
		<u>2,479,045,843</u>	<u>2,171,872,117</u>
<b>34 GRANT EXPENSES</b>			
Salaries, wages and benefits		42,389,381	21,484,196
Travel and conveyance		2,783,836	3,204,793
Insurance		117,880	-
Office rent		2,247,300	1,070,563
Seminar, workshop, research and staff training expenses		4,963,240	9,081,262
Printing and stationery		1,327,565	781,521
Communication		1,046,609	223,709
Depreciation	6.2	3,770,809	1,469,030
Amortization		68,465	
Utilities		1,934,118	128,852
Repair and maintenance		1,107,522	162,615
Office supplies		2,513,129	263,617
Media campaign		2,970,600	16,842,006
Corona relief fund		159,790	18,603,688
Miscellaneous		449,564	5,813,233
		<u>67,849,808</u>	<u>79,129,085</u>
<b>35 FINANCE COST</b>			
Mark-up on long term loans		1,787,049,754	2,406,845,657
Mark-up on finances under mark-up arrangements		4,874,182	120,028
Markup on lease liabilities	24.1	23,205,623	20,066,061
Bank charges		112,711,434	124,534,392
Amortization of transaction costs of loans and borrowings		93,682,564	86,228,011
Loss on leased vehicles		924,408	2,773,224
		<u>2,022,447,965</u>	<u>2,640,567,373</u>

2021



36 MANAGEMENT AND ADMINISTRATIVE EXPENSES	Note	2021	2020
		Rupees	Rupees
Salaries, wages and benefits		282,275,927	268,562,759
Travel and conveyance		12,586,732	15,600,299
Insurance		871,710	979,441
Seminar, workshop, research and staff training expenses		2,705,456	8,256,890
Entertainment		6,162,081	6,812,324
Printing and stationery		658,060	731,369
Communication		5,773,272	7,601,908
Legal and professional charges	36.1	6,465,230	27,980,636
Depreciation	6.2	46,788,548	43,087,121
Utilities		16,668,871	13,288,757
Repair and maintenance		15,021,040	2,259,000
Office supplies		2,794,853	2,224,885
Security		613,645	654,003
Amortization	7.1	3,625,587	1,434,197
Auditor's remuneration	36.2	2,060,000	1,056,000
Advertisement		27,144,471	10,429,968
Miscellaneous		1,452,059	39,055
		<u>433,667,542</u>	<u>410,998,612</u>

### 36.1 Shariah Advisor Remuneration

Kashf foundation has appointed Al Hamd Shariah Advisory Services (Private) Limited as its Shariah advisor for the review of the mechanism of Islamic portfolio with effect from 7 June 2021 with the remuneration of Rs.40,000/- per month.

36.2 Auditors' remuneration	Note	2021	2020
		Rupees	Rupees
Statutory audit fee		1,995,000	880,000
Out of pocket expenses		65,000	176,000
		<u>2,060,000</u>	<u>1,056,000</u>

### 37 OTHER EXPENSES

Donations		242,926	19,147
Modification loss on financial assets		-	375,447,618
Foreign exchange loss		28,183,114	-
		<u>28,426,040</u>	<u>375,466,765</u>

### 38 OTHER INCOME

Income from financial assets:			
Bad debt recovered		807,828	3,115,265
Liabilities written back		40,317,980	668,077
Foreign exchange gain - net		-	3,389,329
Fair value gain on Mutual Funds		109,258	48,863
Fair value gain on the investment property		5,646,850	-
Repayment of loan from associate		18,000,000	-
Dividend income		3,575,882	1,694,984
Income from assets other than financial assets:			
Income from rent		13,913,898	13,035,330
Gain on sale of property and equipment		6,039,091	206,081
Miscellaneous income		9,603,177	9,361,813
		<u>98,013,964</u>	<u>31,519,742</u>

### 39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Executives	
	2021	2020	2021	2020
Managerial remuneration	23,885,952	23,885,952	248,005,020	199,364,258
Allowances and others	8,266,545	6,300,457	54,227,506	43,343,863
	<u>32,152,497</u>	<u>30,186,409</u>	<u>302,232,526</u>	<u>242,708,121</u>
Number	1	1	101	81

39.1 Total number of directors of the Company as at June 30, 2021 were 10 (2020: 9). None of the director is paid any remuneration.

#### 40 NUMBER OF EMPLOYEES

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

	<u>2021</u>	<u>2020</u>
	Numbers	Numbers
As at June 30	<u>3,115</u>	<u>3,211</u>
Average number of employees	<u>3,163</u>	<u>3,140</u>

#### 42 RATIOS

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		Percentage	Percentage
Portfolio at risk	42.1	<u>4.39%</u>	<u>28.72%</u>
Adjusted Return on Assets	42.2	<u>3.10%</u>	<u>0.99%</u>
Adjusted Return on Equity	42.3	<u>15.88%</u>	<u>5.16%</u>
Operational self-sufficiency	42.4	<u>115.00%</u>	<u>104.00%</u>
Financial self-sufficiency	42.5	<u>104.66%</u>	<u>97.42%</u>
Surplus as a percentage of total receipts	42.6	<u>13.26%</u>	<u>3.82%</u>
Management and administrative expenses as percentage of total receipts	42.7	<u>7.48%</u>	<u>7.02%</u>
		<u>2021</u>	<u>2020</u>
		Numbers	Numbers
Active loan:			
- as at 30 June	14.8 & 15.3	<u>554,805</u>	<u>495,720</u>
Active clients:			
- as at 30 June		<u>550,090</u>	<u>490,130</u>
- disbursements during the year	42.8	<u>547,617</u>	<u>440,483</u>

##### 42.1 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.

##### 42.2 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.

##### 42.3 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.

##### 42.4 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.

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**42.5 Financial self-sufficiency**

This ratio measures how well the Company covers its costs, taking into account a certain adjustments to operating expenses. The purpose of these adjustments is to model how well the Company could cover its costs if its operations that are unsubsidized and it was funding its expansion with commercial-cost liabilities. It is calculated in the same manner as operational self-sufficiency except the adjustment to the operating expenses for operations of the entity that are unsubsidized and it was funding its expansion with commercial cost liabilities along with the impact of inflation.

**42.6 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.

**42.7 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.

**42.8 Disbursements during the year**

The Company has disbursed micro-credit loan amounting to Rs. 26.86 billion (2020: Rs. 21.3 billion) during the year.

**43 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS**

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**43.1 Risk management framework**

The Board of Directors has 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.

**43.2 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.

**43.2.1 Exposure to credit risk**

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

	Note	2021 Numbers	2020 Numbers
Accrued Service charges	16	190,960,347	637,442,247
Long term investments	43.2.2	180,515,000	-
Long term loans	10	217,730	626,924
Micro-credit loan portfolio	11 & 14	15,218,962,572	12,264,240,180
Kashf Murabaha portfolio	15	539,440,958	405,701,513
Advances, deposits and other receivable	43.2.3	231,647,953	287,417,329
Short term investments	43.2.2	1,213,032,111	2,301,094,893
Bank balances	43.2.2	5,917,598,116	6,084,838,452
Financial assets used for hedging	43.2.2	154,367,951	1,349,872,087
		<u>23,646,742,738</u>	<u>23,331,233,625</u>

**43.2.2 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:

94%

Name of Bank	Rating Agency	Short term	Long term	2021	2020
				Rupees	Rupees
MCB Bank Ltd	PACRA	A1+	AAA	172,578,365	1,284,617,376
Habib Bank Ltd	VIS	A1+	AAA	29,560,438	164,940,661
Faysal Bank Ltd	PACRA	A1+	AA	15,553,698	276,084,427
Allied Bank Ltd	PACRA	A1+	AAA	8,722,119	13,678,408
The Bank of Punjab	PACRA	A1+	AA+	15,888,806	423,365,757
Bank Al-Habib Ltd	PACRA	A1+	AAA	18,983,399	4,152,567
Silk Bank Ltd	VIS	A2	A-	5,055,376,128	6,189,835,270
Soneri Bank Ltd	PACRA	A1+	AA-	1,037,163,079	103,389,103
JS Bank Ltd	PACRA	A1+	AA-	350,951,634	600,586,012
Standard Chartered Bank Ltd	PACRA	A1+	AAA	21,111,603	43,676,270
Askari Bank Ltd	PACRA	A1+	AA+	1,693,980	111,056,422
Apna Microfinance Bank Ltd	PACRA	A3	BBB+	7,154,626	2,208,643
Meezan Bank Ltd	VIS	A1+	AAA	7,652	7,652
Mobilink Microfinance Bank Ltd	PACRA	A1	A	115,041,501	23,246,076
NRSP Microfinance Bank Ltd	PACRA	A1	A	86,166,782	99,314,519
Sindh Bank Ltd	VIS	A1	A+	45,485,181	21,727,344
United Bank Ltd	VIS	A1+	AAA	23,733,926	38,841,004
Khushali Microfinance Bank Ltd	VIS	A1	A	13,613,738	10,003,910
Bank Alfalah	PACRA	A1+	AA+	181,424,761	214,972,781
Dubai Islamic Bank	VIS	A1+	AA	-	50,000,000
National Bank of Pakistan	PACRA	A1+	AAA	188,343	42,496
BankIslami Pakistan Ltd	PACRA	A1	AA+	12,991	12,349
State Bank of Pakistan	-	-	-	3,116	2,103,116
Faysal Income & Growth Fund	PACRA	-	A(f)	14,170,044	13,390,502
NBP Mutual Funds	-	-	-	-	10,312,371
NBP Financial Sector Income Fund	PACRA	-	A+(f)	62,722,458	-
U Micro Finance Bank	-	A1	A	25,793,296	-
Telenor microfinance Bank Ltd.	VIS	A1	A+	8,038,297	13,404,552
Central Depository Company	-	-	-	5,756	-
				<b>7,311,145,717</b>	<b>9,714,969,588</b>

#### 43.2.3 Other financial assets

Advances, deposits, prepayments and other receivables are mostly due from employees & financial institutions. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered within a period of six months.

#### 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 thereby mitigating any significant concentrations of credit risk.

	2021	2020
	Rupees	Rupees
Banks	7,388,620,676	9,712,102,560
Mutual fund	76,892,502	23,702,872
Employee	217,730	626,924
	<b>7,465,730,908</b>	<b>9,736,432,356</b>

#### 43.2.4 Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies for the different product portfolios with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations with forward looking factors. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) by product type. This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

#### 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 ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD)



which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- The contract is past due more than 90 days; or
- The credit obligations reflected in the contract is unlikely to be paid to the Company such as deceased borrowers.

#### Write-off

When periodic collective historical recovery analysis indicates that the Company does not expect significant additional recoveries after certain months in default ("MID"), it is the policy of the Company to write-off loans on a collective basis.

Amounts of financial assets that were written off during the reporting period amounted to Rs. 500.6 million (2020: Rs. 9.9 million)

#### Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data.

### 43.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. 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 following are the remaining contractual maturities of financial liabilities, including interest payments:

	2021			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Trade and other payables	216,171,305	216,171,305	216,171,305	-
Long term loans and borrowings	18,398,818,372	18,398,818,372	8,234,696,095	10,164,122,277
Short term borrowing	43,415,547	43,415,547	43,415,547	-
Lease liabilities	197,321,884	223,885,108	84,458,668	139,426,440
	<b>18,855,727,108</b>	<b>18,882,290,332</b>	<b>8,578,741,615</b>	<b>10,303,548,717</b>
	2020			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Trade and other payables	186,120,680	186,120,680	186,120,680	-
Long term loans and borrowings	19,153,208,272	19,153,208,272	5,187,668,428	13,965,539,844
Short term borrowing	133,555,461	133,555,461	133,555,461	-
Lease liabilities	200,252,110	235,160,884	8,269,385	226,891,499
	<b>19,673,136,523</b>	<b>19,708,045,297</b>	<b>5,515,613,954</b>	<b>14,192,431,343</b>

### 43.4 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 Company is exposed to interest rate risk and currency risk only.

#### 43.4.1 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

##### 43.4.1 (a) 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:

	2021	2020
	USD	USD
<b>Liabilities</b>		
Borrowings	440,129	109,162
Mark-up accrued on borrowings	5,993	9,727
Net balance sheet exposure	<b>446,122</b>	<b>118,889</b>

##### 43.4.1 (b) 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	
	2021	2020	2021	2020
USD to PKR	<b>162.92</b>	166.15	<b>157.54</b>	168.30

## 43.4.1 (c) Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% basis points against the foreign currencies with all other variables held constant, before tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and trade and other payables.

	2021	2020
<u>Effect on profit or loss</u>	Rupees	Rupees
US Dollar	<u>7,268,220</u>	<u>1,975,341</u>

## 43.4.1 (d) 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

	<u>Effective rate</u>		<u>Carrying amount</u>	
	2021	2020	2021	2020
	%	%	Rupees	Rupees
<b><u>Fixed rate instruments</u></b>				
Financial assets:				
Short term investment	3.25% to 9.6 %	3% to 16%	1,136,139,609	2,277,392,021
Long term investment	9.03%	-	180,515,000	-
Loan portfolio	34% to 37.06%	35% to 39.23%	<u>15,218,962,572</u>	<u>12,264,240,180</u>
			<u>16,535,617,181</u>	<u>14,541,632,201</u>
Financial liabilities:				
Borrowings:				
Triodos-Hedged	14.25%	14.25%	-	93,518,040
Symbiotics-Hedged	12.40%	12.40%	-	316,500,000
FMO-Hedged	13.30%	13.30%	144,562,500	289,125,000
Proparco-Hedged	13.20%	13.20%	247,821,429	413,035,714
BIB-Hedged	12.50%	12.50%	-	257,000,000
Microvest 3M-Hedged	14.10%	14.10%	-	164,010,000
Bank Alfalah Ltd	3.00%	0.00%	200,140,873	-
Bank Alfalah Ltd	3.00%	0.00%	197,288,575	-
CDC	11.75%	0.00%	<u>1,182,374,996</u>	-
			<u>1,972,188,373</u>	<u>1,533,188,754</u>
<b><u>Floating rate instruments</u></b>				
	<u>Effective rate</u>		<u>Carrying amount</u>	
	2021	2020	2021	2020
	%	%	Rupees	Rupees
Financial liabilities are:				
Borrowings	9.22% to 11.74%	10.02% to 16.49%	<u>18,398,818,372</u>	<u>19,153,209,189</u>
			<u>18,398,818,372</u>	<u>19,153,209,189</u>

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) surplus for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021

**Cash flow sensitivity analysis on variable rate financial liabilities**

	<u>Profit or loss 100 bps</u>	
	Increase Rupees	Decrease Rupees
<b><u>As at June 30, 2021</u></b>		
Cash flow sensitivity-Variable rate financial liabilities	<u>183,988,184</u>	<u>(183,988,184)</u>
<b><u>As at June 30, 2020</u></b>		
Cash flow sensitivity-Variable rate financial liabilities	<u>191,532,092</u>	<u>(191,532,092)</u>

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

## 43.4.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

## 43.4.3 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 loss for the period.

**FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements in fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly or indirectly (that is derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy is recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		Fair value					
	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----								
<b>June 30, 2021</b>								
<b>Financial assets - measured at fair value</b>								
Mutual funds	-	76,892,502	-	76,892,502	-	-	-	-
<b>Financial assets - not measured at fair value</b>								
Long term investments	180,515,000	-	-	180,515,000	-	-	-	-
Long term loans	217,730	-	-	217,730	-	-	-	-
Micro-credit loan portfolio	15,218,962,572	-	-	15,218,962,572	-	-	-	-
Kashf Murabaha	539,440,958	-	-	539,440,958	-	-	-	-
Accrued service charges	190,960,347	-	-	190,960,347	-	-	-	-
Advances, deposits and other receivables	120,132,667	-	-	120,132,667	-	-	-	-
Short term investments	1,213,032,111	-	-	1,213,032,111	-	-	-	-
Financial assets used for hedging	-	154,367,951	-	154,367,951	-	154,367,951	-	154,367,951
Cash and bank balances	5,923,306,812	-	-	5,923,306,812	-	-	-	-
	23,386,568,197	154,367,951	-	23,540,936,148	-	154,367,951	-	154,367,951
<b>Financial liabilities - not measured at fair value</b>								
Long term financing	10,162,784,549	-	-	10,162,784,549	-	-	-	-
Current portion of long term financing	8,071,550,336	-	-	8,071,550,336	-	-	-	-
Short term borrowings	43,415,547	-	-	43,415,547	-	-	-	-
Accrued markup	417,198,716	-	-	417,198,716	-	-	-	-
Trade and other payables	216,171,305	-	-	216,171,305	-	-	-	-
	18,911,120,453	-	-	18,911,120,453	-	-	-	-
<b>Non Financial assets - measured at fair value</b>								
Freehold land	-	-	355,725,000	355,725,000	-	-	-	355,725,000
Investment property	-	-	88,150,750	88,150,750	-	-	-	88,150,750
	-	-	443,875,750	443,875,750	-	-	-	443,875,750



June 30, 2020

Financial assets - measured at fair value

	Carrying amount			Fair value			
	At Amortized Cost	At Fair Value	Other non financial assets	Level 1	Level 2	Level 3	Total
Mutual funds	-	23,702,872	-	-	23,702,872	-	23,702,872
	-	23,702,872	-	-	23,702,872	-	23,702,872

Financial assets - not measured at fair value

Long term investments	-	-	-	-	-	-	-
Long term loans	626,924	-	-	-	-	-	626,924
Micro-credit loan portfolio	12,264,240,180	-	-	-	-	-	12,264,240,180
Kashf Murabaha	405,701,513	-	-	-	-	-	405,701,513
Accrued service charges	637,442,247	-	-	-	-	-	637,442,247
Advances, deposits and other receivables	222,936,683	-	-	-	-	-	222,936,683
Short term investments	2,301,094,893	-	-	-	-	-	2,301,094,893
Financial assets used for hedging	-	1,349,872,087	-	-	1,349,872,087	-	1,349,872,087
Cash and bank balances	6,111,038,513	-	-	-	-	-	6,111,038,513
	21,943,080,953	1,349,872,087	-	-	1,349,872,087	-	23,292,953,040

Financial liabilities - not measured at fair value

Long term financing	13,014,743,858	-	-	-	-	-	13,014,743,858
Current portion of long term financing	5,998,382,280	-	-	-	-	-	5,998,382,280
Short term borrowings	133,555,461	-	-	-	-	-	133,555,461
Accrued markup	632,807,411	-	-	-	-	-	632,807,411
Trade and other payables	186,120,680	-	-	-	-	-	175,510,328
	19,965,609,690	-	-	-	-	-	19,954,999,338

Non Financial assets - measured at fair value

Freehold land	-	-	355,725,000	-	-	-	355,725,000
Investment property	-	-	82,503,900	-	-	-	82,503,900
	-	-	438,228,900	-	-	-	438,228,900

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## 45 RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise associated company, company in which directors are interested, staff retirement fund, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes. Amounts due from directors and key management personnel (if any) are shown under receivables and remuneration of directors and key management personnel as disclosed in note 39. Other significant transactions with related parties are as follows:

<u>Relationship with the Company</u>	<u>Nature of transaction</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Provident fund	Contribution	76,877,130	72,996,080
Kashf Holdings (Private) Limited	Repayment of loan installment	18,000,000	-

## 46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 14 OCT 2021 by the Board of Directors of the Company.

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director