

## KASHF FOUNDATION

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

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

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

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

## KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)  
STATEMENT OF INCOME AND EXPENDITURE  
For the year ended 30 June 2022

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

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

*APPROVED*

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

## KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)  
STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 30 June 2022

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

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

  
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Chief Executive Officer

  
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Chief Financial Officer

  
\_\_\_\_\_  
Director

## KASHF FOUNDATION

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

### STATEMENT OF ACCUMULATED FUNDS

For the year ended 30 June 2022

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

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

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director



## KASHF FOUNDATION

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

### STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 Rupees	2021 Rupees
<b>Cash flow from operating activities</b>		
Surplus for the year	1,934,905,105	769,096,770
Adjustments for non cash items:		
Depreciation	160,510,034	158,161,557
Amortization	5,504,391	3,694,052
Liabilities written back	(3,946,068)	(40,317,980)
Markup on lease liabilities	17,396,142	28,079,805
Return on investments and bank deposits	(646,590,734)	(633,592,069)
Amortization of transaction costs of long term loans	99,327,589	93,682,564
Finance cost	2,318,774,263	1,787,049,754
Gain on disposal of operating fixed assets	(7,015,905)	(6,039,091)
Gain on termination of lease	(8,259,141)	-
Grant income	(229,877,205)	(67,849,808)
Deferred loss on sale and lease back	-	924,408
Fair value gain on mutual funds	(100,637)	(109,258)
Fair value gain on investment property	(15,273,500)	(5,846,850)
Dividend income	(8,040,784)	(3,575,882)
Foreign exchange (gain) / loss	(249,277,638)	28,183,114
Impairment loss on micro-credit loan and murabaha	186,275,209	487,532,705
	<b>1,619,406,016</b>	<b>1,830,177,021</b>
<b>Surplus before working capital changes</b>	<b>3,554,311,121</b>	<b>2,599,273,791</b>
<b>Working capital changes</b>		
Increase in micro-credit loan portfolio	(3,830,080,734)	(3,437,615,083)
Increase in Kashf Murabaha	(212,360,446)	(133,739,445)
(Increase) / decrease in accrued service charges	(68,716,949)	446,481,900
Increase in advances, deposits, prepayments and other receivables	(72,413,798)	(21,802,132)
Increase in deferred grants	30,720,771	419,805,423
Increase in trade and other payables	167,370,477	96,875,996
	<b>(3,985,480,679)</b>	<b>(2,629,993,341)</b>
<b>Cash used in operations</b>	<b>(431,169,558)</b>	<b>(30,719,550)</b>
Finance cost paid	(2,135,263,470)	(1,981,569,284)
Long term loan - net	(1,003,411)	409,194
Long term deposit - net	(79,500,000)	4,515,300
	<b>(2,646,936,439)</b>	<b>(2,007,364,340)</b>
<b>Net cash used in operating activities</b>		
<b>Cash flow from investing activities</b>		
Capital expenditure incurred	(86,117,869)	(74,031,801)
Sale proceeds from disposal of operating fixed assets	10,242,396	7,283,383
Return received on investments and bank deposits	611,440,400	727,356,513
Investments - net	(48,812,297)	885,076,406
	<b>486,752,630</b>	<b>1,545,684,501</b>
<b>Net cash generated from investing activities</b>		
<b>Cash flow from financing activities</b>		
Transaction costs paid for long term loans	(34,369,163)	(118,083,917)
Payment of lease liabilities	(92,290,873)	(87,584,070)
Proceeds received against financing	11,848,920,474	7,425,584,253
Repayments of financing	(9,254,393,598)	(6,943,941,530)
	<b>2,467,866,840</b>	<b>275,974,736</b>
<b>Net cash generated from financing activities</b>		
Effect of exchange rate changes on opening cash and cash equivalents	137,680,067	(2,026,598)
	<b>445,363,098</b>	<b>(187,731,701)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,923,306,812</b>	<b>6,111,038,513</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6,368,669,910</b>	<b>5,923,306,812</b>

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

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# KASHF FOUNDATION

(A COMPANY SETUP UNDER SECTION 42 OF COMPANIES ACT, 2017)  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2022

## 1 The Company and its operations

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

The principal activity of the Company is to provide cost effective micro-finance services to poor households in order to enhance their economic role and allow self-employed individuals the sustained opportunity of matching existing skills with financial resources. The Company also provides non-financial services in the form of training through vocational training centers both to its borrowers and to its staff. Registered office of the Company is situated at 1-C, Shahrah Nazaria e Pakistan, Lahore. The Company has 341 (2021: 325) branches in Pakistan.

## 2 Statement of compliance

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

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

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

2.2 The State Bank of Pakistan (SBP), vide BPRD circular letter No. 03 of 2022 dated 05 July 2022 has deferred the applicability of IFRS 9 "Financial Instruments" till 01 January 2024. However, the Company has early adopted the standard during the year ended 30 June 2019.

## 3 Basis of measurement

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

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

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

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

#### 4 New standards / amendments to approved accounting standards and interpretations

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

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

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 01 January 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.
  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that may arise in lease incentives.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This amendment enables the fair value measurement of biological assets on a post-tax basis.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 01 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing.

*AMENDMENT*

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

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

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 01 January 2022.
- Classification of liabilities as current or non-current (Amendments to IAS 1) apply retrospectively for the annual periods beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
  - the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include :
    - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
    - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
    - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

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

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

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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

## 5 Use of accounting estimates, judgements and assumptions

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

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

### 5.1 Measurement of fair values

A number of the accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. If third party information, such as broker quotes, is used to measure fair values, then the management assesses the evidence obtained independently or from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. The significant item measured at fair value includes fair value measurements of cross currency swaps.

*Amended*

## 6 Summary of significant accounting policies

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

### 6.1 Property and equipment

#### Owned

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major repairs and improvements are capitalized and the carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income and expenditure account as and when incurred.

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

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

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

#### Impairment

The Company assesses at each reporting date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of income and expenditure.

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

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The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

## **6.2 Intangible assets**

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

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

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

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

## **6.3 Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured using fair value model with any change therein recognized in statement of income and expenditure. The Company has valued investment properties using external valuator at reporting date. When the use of properties changes such that it is transferred to property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting, similarly when the property recorded as property and equipment is transferred to investment property, it is recorded at fair value determined at reclassification date and surplus on such property at that time is credited to surplus on revaluation amount and deficit is charged to statement of income and expenditure.

## **6.4 Financial instruments**

### **6.4.1 Financial assets - Classification and measurement**

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

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

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

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

- The determination of business model within which a financial asset is held; and
- The designation of certain financial assets with respect to subsequent measurement either through income and expenditure or other comprehensive income.

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

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

**Financial assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including an interest / markup or dividend income, are recognised in statement of income and expenditure.

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

*continued*

**Debt investment at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of income and expenditure. Other net gains and losses are recognised in statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to statement of income and expenditure.

**Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised in statement of income and expenditure unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of income and expenditure.

**6.4.2 Financial liabilities - Classification and measurement**

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

**6.4.3 Derecognition**

**Financial assets**

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

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

**Financial liabilities**

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

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

**6.4.4 Impairment**

The Company recognizes loss allowances for ECL on:

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

*comment*



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

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

#### **6.4.5 Write-off policy**

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

#### **6.4.6 Off setting**

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

#### **6.5 Hedge accounting**

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

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

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

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

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

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to statement of income and expenditure.

*Amended*



**6.6 Investment in associates**

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

**6.7 Kashf Murabaha**

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

The criteria mentioned in note 6.4.4 is followed for recording of impairment loss.

**6.8 Cash and cash equivalents**

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

**6.9 Borrowings from financial institutions and others**

Loans and borrowings are initially recorded at the proceeds received. Transaction costs directly attributable to obtaining the loans and borrowings are deducted in determining the proceeds received on initial recognition. In subsequent periods, borrowings are stated at amortized cost using effective yield method. Finance charges are accounted for on an accrual basis and are included in creditors and accruals to the extent of the amount remaining unpaid. Arrangement fees and other transaction costs are also amortized over the term of loan using effective yield method.

**6.10 Leases**

**6.10.1 Lease liabilities**

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

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

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

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

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

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

#### **6.10.2 Right-of-use asset**

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

#### **6.11 Trade and other payables**

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

#### **6.12 Loan loss reserve**

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

#### **6.13 Special reserve**

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

#### **6.14 Employee retirement benefits - defined contribution plan**

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

#### **6.15 Recognition of grants and donations**

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

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

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

*RECORDED*

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

**6.16 Taxation**

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

**6.17 Income recognition**

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

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

**6.18 Foreign currencies**

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

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

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

**6.19 Provisions**

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

**6.20 Contingent Liabilities**

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

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7 Property and equipment

7.1 Operating fixed assets

	2022											
	Cost / revalued amount					Rate %	Accumulated Depreciation				Net book value as at 30 June 2022	
	As at 1 July 2021	Additions	Disposals / write offs	Transfers	As at 30 June 2022		As at 1 July 2021	Depreciation for the year	Disposals / write offs	Transfers		As at 30 June 2022
Rupees					Rupees							
<b>Owned assets</b>												
Freehold land	355,725,000	-	-	-	355,725,000	-	-	-	-	-	355,725,000	
Building on freehold land	183,385,484	-	-	-	183,385,484	5	44,239,302	9,169,274	-	53,408,576	129,976,908	
Furniture and fixtures	83,308,953	6,380,630	(4,573,060)	5,000	85,121,523	10	38,950,161	7,871,473	(3,404,061)	43,422,553	41,698,970	
Office equipments	108,172,032	7,547,627	(5,017,706)	(1,928,892)	108,773,059	10-20	55,510,003	11,286,312	(4,010,616)	62,282,631	46,490,228	
Computer equipments	226,741,512	43,606,370	(11,603,211)	1,923,892	260,668,563	33.33	176,194,574	42,347,356	(11,071,768)	497,668	52,700,751	
Vehicles	90,034,581	13,147,020	(5,527,411)	-	97,654,190	20	41,430,291	17,850,236	(5,008,216)	54,272,311	43,381,879	
	<b>1,047,367,562</b>	<b>70,681,647</b>	<b>(26,721,390)</b>	<b>-</b>	<b>1,091,327,819</b>		<b>356,324,331</b>	<b>88,524,651</b>	<b>(23,494,899)</b>	<b>421,354,083</b>	<b>669,973,736</b>	
<b>Right-of-use assets</b>												
Rented premises	282,911,364	42,919,322	(40,947,373)	-	284,883,313	Lease term	112,058,352	71,985,383	(23,075,010)	-	160,968,725	123,914,588
	<b>282,911,364</b>	<b>42,919,322</b>	<b>(40,947,373)</b>	<b>-</b>	<b>284,883,313</b>		<b>112,058,352</b>	<b>71,985,383</b>	<b>(23,075,010)</b>	<b>-</b>	<b>160,968,725</b>	<b>123,914,588</b>
<b>Total</b>	<b>1,330,278,926</b>	<b>113,600,969</b>	<b>(67,668,763)</b>	<b>-</b>	<b>1,376,211,132</b>		<b>468,382,683</b>	<b>160,510,034</b>	<b>(46,569,909)</b>	<b>582,322,808</b>	<b>793,888,324</b>	

  

	2021											
	Cost / revalued amount					Rate %	Accumulated Depreciation				Net book value as at 30 June 2021	
	As at 1 July 2020	Additions	Disposals / write offs	Transfers	As at 30 June 2021		As at 1 July 2020	Depreciation for the year	Disposals / write offs	Transfers		As at 30 June 2021
Rupees					Rupees							
<b>Owned assets</b>												
Freehold land	355,725,000	-	-	-	355,725,000	-	-	-	-	-	355,725,000	
Building on freehold land	183,385,484	-	-	-	183,385,484	5	35,070,028	9,169,274	-	44,239,302	139,146,182	
Furniture and fixtures	82,965,963	569,650	(276,660)	-	83,308,953	10	31,499,788	7,661,119	(210,746)	38,950,161	44,358,792	
Office equipments	101,047,514	8,097,552	(973,034)	-	108,172,032	10-20	45,630,925	10,842,064	(962,886)	55,510,003	52,662,029	
Computer equipments	238,783,081	13,237,039	(25,278,608)	-	226,741,512	33.33	145,712,921	54,805,453	(24,323,800)	176,194,574	50,546,938	
Vehicles	40,177,022	33,978,795	(4,935,854)	20,814,618	90,034,581	20	22,076,516	9,218,767	(4,935,854)	15,070,862	48,604,290	
	<b>1,002,084,064</b>	<b>55,883,036</b>	<b>(31,414,156)</b>	<b>20,814,618</b>	<b>1,047,367,562</b>		<b>279,990,176</b>	<b>91,696,677</b>	<b>(30,433,386)</b>	<b>15,070,862</b>	<b>691,043,231</b>	
<b>Right-of-use assets</b>												
Rented premises	228,337,325	56,574,039	-	-	284,911,364	Lease term	49,917,436	62,140,916	-	-	112,058,352	170,853,012
Vehicles	21,693,022	-	(678,404)	(20,814,618)	-		11,361,780	4,323,964	(614,882)	(15,070,862)	-	
	<b>248,030,347</b>	<b>56,574,039</b>	<b>(678,404)</b>	<b>(20,814,618)</b>	<b>282,911,364</b>		<b>61,279,216</b>	<b>66,464,880</b>	<b>(614,882)</b>	<b>(15,070,862)</b>	<b>112,058,352</b>	<b>170,853,012</b>
<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>468,382,683</b>	<b>861,896,243</b>	

AS/CA/CA

7.2 Details of disposals of property and equipment

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

*Amir*

7.3 Allocation of depreciation		2022 Rupees	2021 Rupees
Programme cost		103,799,697	107,602,191
Management and administrative expenses		44,822,254	46,788,557
Grant expenses		11,888,083	3,770,809
		<u>160,510,034</u>	<u>158,161,557</u>

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

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

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

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

#### 8.1 Software and licenses

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

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	2021							Rate %
	Cost			Accumulated amortization			Net book value	
	As at 1 July 2020	Additions	As at 30 June 2021	As at 1 July 2020	Amortization for the year	As at 30 June 2021	as at 30 June 2021	
	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>	

#### 8.1.1 Allocation of amortization

Management and administrative expenses  
Grant expenses

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

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

#### 8.2 Capital work in progress

##### Software

Balance as at 01 July  
Additions  
Transfers  
Balance as at 30 June

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

#### 9 Investment property

Balance as at 01 July  
Gain from fair value measurement  
Balance as at 30 June

	2022 Rupees	2021 Rupees
Balance as at 01 July	88,150,750	82,503,900
Gain from fair value measurement	15,273,500	5,646,850
Balance as at 30 June	<u>103,424,250</u>	<u>88,150,750</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 2022 and 2021, the fair values of the properties are based on valuations performed by Tristar International Consultant (Private) Limited, an accredited independent valuer. The valuer is a specialist in valuing these types of investment properties. At the time of valuation, the forced sale value of the investment property had been assessed at Rs. 87.9 million (2021: 74.9 million).

	Note	2022 Rupees	2021 Rupees
Rental income derived from investment properties	38	<u>4,977,000</u>	<u>5,328,948</u>

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

**10.1 Investment in associate - Kashf Holding (Private) Limited**

900,000 (2021: 900,000) fully paid shares of Rs 10/- each at cost, equity held 30.2% (2021: 30.2%)

Value of investment based on net assets as shown in the un-audited financial statements as at 30 June 2022 (2021: un-audited)

Accumulated share of loss of associate  
- based on audited financial statements

63,000,000	63,000,000
<u>(63,000,000)</u>	<u>(63,000,000)</u>

**Summary of financial information of the associate is as follows:**

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

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

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

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

**11.1** This represents a loan given under an agreement to Kashf Holding (Private) Limited (KHL), an associated undertaking. The loan along with mark-up was receivable in 20 equal quarterly installments starting from September 2013. In 2013, the Company had rescheduled this loan. The loan along with mark-up was receivable in two installments due on 31 December 2015 and 31 December 2019 amounting to Rs. 160.52 million and Rs. 301.98 million respectively. In 2015, the Company carried out second rescheduling of this loan through a resolution in Board of Directors' meeting dated 20 June 2015. The loan along with mark-up was receivable in two installments due on 31 December 2018 and 31 December 2020 amounting to Rs. 130 million and Rs. 378.72 million respectively. The Board of Directors decided in the board meeting held on 20 January 2018 to fully impair the loan as no recovery had been received from past 5 years.

Kashf Foundation has rescheduled this loan through a third addendum dated 01 July 2019. The loan is payable in 11 annual installments starting from year 2020. The rescheduled loan carries mark-up at the rate of 1 year KIBOR plus 2% per annum. Rs. 18 million was received in 2021 from KHL as mentioned in note 38. Total Rs. 41 million has been received from KHL so far.

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

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

*REMOVED*

12	Long term micro-credit loan portfolio -unsecured	Note	2022 Rupees	2021 Rupees
	Kashf School Sarmaya	12.1	44,182,484	48,274,490
	Kashf Karobar Karza	12.2	398,559,701	-
	Kashf Muwaishi Karza	12.3	153,851,146	394,657,117
			<u>596,593,331</u>	<u>442,931,607</u>
	<b>Due within one year:</b>			
	Kashf School Sarmaya		(35,483,230)	(46,169,940)
	Kashf Karobar Karza		(296,687,036)	-
	Kashf Muwaishi Karza		(118,556,562)	(393,985,750)
			<u>(450,726,828)</u>	<u>(440,165,690)</u>
	Less: Impairment allowance on long term micro-credit loans	15.8	(1,857,245)	(2,558,955)
			<u>144,009,258</u>	<u>216,952</u>

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

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

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

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

### 13 Financial assets / (liabilities) used for hedging

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

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

	Derivative Contracts Number	Fair Values Rupees	Notional Amounts USD
<b>30 June 2022</b>			
MCB Bank Limited	2	263,479,646	3,776,786
Standard Chartered Bank Limited	10	1,390,396,308	40,100,399
Habib Bank Limited	4	933,232,135	19,925,000
		<u>2,587,108,089</u>	<u>63,802,185</u>
Less: Current portion		<u>(1,319,960,982)</u>	<u>(29,673,038)</u>
		<u>1,267,147,107</u>	<u>34,129,147</u>
	Derivative Contracts Number	Fair Values Rupees	Notional Amounts USD
<b>30 June 2021</b>			
MCB Bank Limited	4	283,674,078	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
		<u>154,367,951</u>	<u>61,351,103</u>
Less: Current portion		<u>(51,112,473)</u>	<u>(21,548,948)</u>
		<u>103,255,478</u>	<u>39,802,155</u>

APPROVED



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.

14 Long term deposits	Note	2022 Rupees	2021 Rupees
Security deposit:			
- against repayment guarantee from Silk Bank		79,500,000	-
- against electricity connection		463,360	463,360
		<u>79,963,360</u>	<u>463,360</u>
15 Micro-credit loan portfolio - unsecured		2022 Rupees	2021 Rupees
Kashf Karobar Karza	15.1	14,660,190,223	12,584,621,733
Kashf Bahali Karza	15.2	94,874,995	1,459,368,767
Kashf Easy Loan	15.3	1,378,047,907	1,215,441,620
Kashf Sahulat Karza	15.4	137,013,506	22,442,033
Kashf Fori Karza	15.5	137,546,453	-
Kashf Muwaishi Karza	15.8	2,095,762,280	-
Kashf School Sarmaya	15.7	95,552,629	-
		<u>18,598,987,993</u>	15,281,874,153
Accrued service charges		257,708,837	189,751,177
Current portion of long term micro-credit loan portfolio	12	450,726,828	440,155,690
		<u>19,307,423,658</u>	15,911,781,020
Less: Accrued service charges disclosed separately in statement of financial position	17	(257,708,837)	(189,751,177)
Less: Impairment allowance on micro-credit loans	15.8	(305,702,333)	(478,345,889)
Less: Modification loss on financial assets		-	(24,938,344)
		<u>18,744,012,488</u>	15,218,745,610

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

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

15.3 Kashf easy loan represents micro-credit loans provided to such clients who want to run their business at small scale or want to fulfil personal financial needs at easy terms with a minimum amount of Rs. 20,000 and maximum amount is Rs. 25,000. The outstanding balance is payable over a period of twelve months in equal monthly installments. The effective yield on this loan is 36.74% (2021: 36.74%) per annum.

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

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

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- 15.6 Kashf muwaishi karza represents micro-credit loans provided to such clients who want to run their dairy business at small scale with an individual loan amount of Rs. 80,000 to Rs. 150,000. The outstanding balance is payable over a period of six months to twelve months, payable in equal monthly installments. The effective yield on this loan 35.72% (2021: 35.50%) per annum.
- 15.7 Kashf school sarmaya Karza represent micro-credit loans for educational activities with loan amount ranging from Rs. 80,000 to Rs. 500,000 each. The outstanding balance is repayable along with service charges and life insurance over a period of twelve months, payable in equal monthly installments. The effective yield on this loan is from 37.07% (2021: 37.07%) per annum.

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

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

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

15.9 Number of loans

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

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

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

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

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

15.11 Portfolio by segment

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

correct

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

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

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

16.3	Number of Murabaha's	2022	2021
	Considered good	21,761	18,148
	Considered doubtful	632	1,395
	Less: Clients written off	(555)	(676)
		77	719
		<u>21,838</u>	<u>18,867</u>

#### 16.4 Aging analysis of Murabaha portfolio

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

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

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

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

correct



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

**18 Short term investments**

**Investments classified as at FVTPL**

Faysal Income and Growth Fund (144,068 units (2021: 132,666 units))		15,426,815	14,170,044
NBP Money Market Fund (6,484,637 units( 2021: 5,950,107 units))		68,419,405	62,722,458
		<u>83,846,220</u>	<u>76,892,502</u>

**Investments at Amortized Cost**

Term deposit certificates			
- Local currency		700,000,000	700,000,000
- Foreign currency		502,079,262	386,139,609
	18.1	<u>1,202,079,262</u>	<u>1,086,139,609</u>
Term finance certificates	18.2	<u>100,000,000</u>	<u>50,000,000</u>
		<u>1,302,079,262</u>	<u>1,136,139,609</u>
		<u>1,385,925,482</u>	<u>1,213,032,111</u>

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

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

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

*Handwritten signature/initials*

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

**20 Cash and bank balances**

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

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

**21 Donated funds**

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

**22 Loan loss reserve**

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

	Note	2022 Rupees	2021 Rupees
<b>23 Long term financing</b>			
Long term loans	23.1	<u>12,514,952,944</u>	<u>10,162,784,549</u>
<b>23.1 Long term loans</b>			
Local currency loans	23.1.1	9,979,959,961	8,708,161,771
Foreign currency loans	23.1.2	10,538,055,724	9,559,715,891
Translation loss on foreign currency loans	23.2	2,560,549,475	130,940,710
		<u>23,078,565,160</u>	<u>18,398,818,372</u>
Less: Unamortized transaction cost		(99,525,061)	(164,483,487)
		<u>22,979,040,099</u>	<u>18,234,334,885</u>
Less: Current portion of long term loan		(10,464,087,155)	(8,071,550,336)
		<u>12,514,952,944</u>	<u>10,162,784,549</u>

*REMOVED*

23.1.1 Local currency loans

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

MONTHLY



Sr. No.	Lender	Type	2022 Rupees	2021 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
7	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	-	132,000,000	6 M KIBOR + 3%	-	Quarterly	This loan has been fully repaid during the year.
8	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	-	1,891,750,000	6 M KIBOR + 3%	-	Quarterly	This loan has been fully repaid during the year.
9	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	262,500,000	612,500,000	6 M KIBOR + 3%	3 installments ending on 31 Dec 2022	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
10	Pakistan Micro Finance Investment Company Limited	Standard Term Loan	3,837,500,000	1,354,750,000	6 M KIBOR + 3.1%	10 installments ending on 30 Sep 2024	Quarterly	The loan is secured against the first pari-passu hypothecation charge on all present and future current assets.
11	National Bank of Pakistan	Term Loan	312,500,000	562,500,000	3 M KIBOR + 2%	5 installments ending on 31 July 2023	Quarterly	The loan is secured against first pari-passu charge on all present and future current assets (other than the investment portfolio and the asset forming part of the PPAF security) with a 25% margin.
12	The Bank of Punjab	Term Finance Facility	166,666,667	333,333,333	3 M KIBOR + 1.9%	4 installments ending on 28 April 2023	Quarterly	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin.
13	Pak Oman Investment Company Limited	Term Finance Certificates	833,333,333	1,500,000,000	3 M KIBOR + 2.25%	5 installments ending on 30 September 2023	Quarterly	The loan is secured against first pari-passu hypothecation charge on present and future current assets including micro loans and all related receivables of the company with a 25% margin. These term finance certificates are listed on Pakistan Stock Exchange.

*Required*

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

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23.1.2 Foreign currency loans

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

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Sr. No.	Lender	Type	Cross Currency Swap	Note	2022 Rupees	2021 Rupees	Rate of interest per annum	Outstanding installments	Interest payable	Security
29	BlueOrchard - Insu Resilience	Term Loan	Converted by HBL	23.1.2.9	1,235,520,000	1,235,520,000	6 M KIBOR + 2.22%	2 installments ending on 28 January 2024	Semi annually	Unsecured loan.
		Term Loan	-		15,363,503	11,815,778	6 M LIBOR + 4.15%	2 installments ending on 28 January 2024	Semi annually	
30	Incofin CVSO	Term Loan	Converted by SCB	23.1.2.10	199,688,924	399,377,848	6 M KIBOR + 2.7%	1 installment ending on 8 December 2022	Semi annually	Unsecured loan.
		Term Loan	-		1,274,089	1,959,755	6 M LIBOR + 4.5%	1 installment ending on 8 December 2022	Semi annually	
31	Incofin MEF	Term Loan	Converted by SCB	23.1.2.11	794,722,500	794,722,500	6 M KIBOR + 2.6%	2 installments ending on 8 December 2023	Semi annually	Unsecured loan.
		Term Loan	-		10,242,335	7,877,185	6 M LIBOR + 4.5%	2 installments ending on 8 December 2023	Semi annually	
32	Finfund	Term Loan	Converted by HBL	23.1.2.12	635,600,000	794,500,000.00	6 M KIBOR + 3.64%	4 installments ending on 17 February 2024	Semi annually	Unsecured loan.
		Term Loan	Converted by SCB		637,000,000	-	11.05%	4 installments ending on 17 February 2024	Semi annually	Unsecured loan.
33	CDC	Term Loan	Converted by HBL	23.1.2.13	709,425,000	1,182,374,995	7.50%	3 installments ending on 21 December 2023	Semi annually	Unsecured loan.
		Term Loan	Converted by SCB		801,000,000	-	6 M KIBOR + 3.65%	3 installments ending on 21 December 2023	Semi annually	Unsecured loan.
34	Symbiotics	Term Loan	Converted by SCB	23.1.2.14	979,821,437	-	6 M KIBOR + 3.55%	2 installments ending on 30 November 2024	Semi annually	Unsecured loan.
		Term Loan			4,097	-	6 M LIBOR + 4.15%	2 installments ending on 30 November 2024	Semi annually	
35	Preparco	Term Loan	Converted by SCB	23.1.2.15	890,750,000	-	6 M KIBOR + 3.45%	4 installments ending on 15 May 2025	Semi annually	Unsecured loan.
		Term Loan			928,750,000	-	6 M KIBOR + 4.1%	4 installments ending on 15 May 2025	Semi annually	Unsecured loan.
					<b>10,538,055,724</b>	<b>9,559,715,891</b>				

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- 23.1.2.1 The Company entered into cross currency swap agreement with MCB Bank on 24 April 2018. Loan is translated at the exchange rate of Rs. 115.65/USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from 7.37% per annum to a fixed rate of 13.20%.
- 23.1.2.2 The Company entered into cross currency swap agreement with MCB Bank on 21 May 2018. Loan is translated at the exchange rate of Rs. 115.65/USD converting the liability of USD 5,000,000 to Rs. 578,250,000 and the interest rate is converted from USD 6M LIBOR plus 4.75% per annum to a fixed rate of 13.30%.
- 23.1.2.3 The Company entered into cross currency swap agreement with MCB Bank on 25 October 2018. Loan is translated at the exchange rate of Rs. 132.3/USD converting the liability of USD 1,980,000 to Rs. 261,954,000 and the interest rate is converted from USD 3M LIBOR plus 4.15% per annum to a variable rate of 3M KIBOR plus 3.75%.
- 23.1.2.4 The Company entered into cross currency swap agreement with MCB Bank on 14 February 2019. Loan is translated at the exchange rate of Rs. 138.95/USD converting the liability of USD 7,000,000 to Rs. 972,650,000 and the interest rate is converted from 6.15% per annum to a variable rate of 3M KIBOR plus 3.55%.
- 23.1.2.5 The Company entered into cross currency swap agreement with Faysal Bank on 26 June 2019. Loan is translated at the exchange rate of Rs. 162.70/USD converting the liability of USD 3,000,000 to Rs. 488,100,000 and the interest rate is converted from 6.90% per annum to a variable rate of 6M KIBOR plus 4.10%.
- 23.1.2.6 The Company entered into cross currency swap agreement with Standard Chartered Bank on 01 November 2019. Loan is translated at the exchange rate of Rs. 155.62/USD converting the liability of USD 10,000,000 to Rs. 1,556,200,000 and the interest rate is converted from 6 Month LIBOR plus 4% to a variable rate of 6M KIBOR plus 2.90%.
- 23.1.2.7 The Company entered into cross currency swap agreement with Standard Chartered Bank on 21 February 2020. Loan is translated at the exchange rate of Rs. 154.22/USD converting the liability of USD 1,980,000 to Rs. 305,355,600 and the interest rate is converted from 3 Month LIBOR plus 4.1% to a variable rate of 3M KIBOR plus 2.04%.
- 23.1.2.8 The Company entered into cross currency swap agreement with Habib Bank Ltd for first Tranche of Loan on 12 February 2020. Loan is translated at the exchange rate of Rs. 154.35/USD converting the liability of USD 9,999,930 to Rs. 1,543,489,195.50 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 2.16%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank for second Tranche of Loan on 09 April 2020. Loan is translated at the exchange rate of Rs. 167.25/USD converting the liability of USD 6,666,596.65 to Rs. 1,114,988,291.39 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 1.65%.
- 23.1.2.9 The Company entered into cross currency swap agreement with Habib Bank Ltd on 29 July 2020. Loan is translated at the exchange rate of Rs. 166.40/USD converting the liability of USD 7,425,000 to Rs. 1,235,520,000 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 2.22%.
- 23.1.2.10 The Company entered into cross currency swap agreement with Standard Chartered Bank on 09 December 2020. Loan is translated at the exchange rate of Rs. 160.55/USD converting the liability of USD 2,487,560.50 to Rs. 399,377,847.91 and the interest rate is converted from 6 Month LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.7%.
- 23.1.2.11 The Company entered into cross currency swap agreement with Standard Chartered Bank on 09 December 2020. Loan is translated at the exchange rate of Rs. 160.55/USD converting the liability of USD 4,950,000 to Rs. 794,722,500 and the interest rate is converted from 6 Month LIBOR plus 4.5% to a variable rate of 6M KIBOR plus 2.6%.
- 23.1.2.12 The Company entered into cross currency swap agreement with Habib Bank Ltd for first tranche of Loan on 18 February 2021. Loan is translated at the exchange rate of Rs. 158.9/USD converting the liability of USD 5,000,000 to Rs. 794,500,000 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6M KIBOR plus 3.64%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank for second tranche of Loan on 15 July 2021. Loan is translated at the exchange rate of Rs. 159.25/USD converting the liability of USD 5,000,000 to Rs. 796,250,000 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a fixed rate of 11.05%.
- 23.1.2.13 The Company entered into cross currency swap agreement with Habib Bank Ltd for first tranche of loan on 25 June 2021. Loan is translated at the exchange rate of Rs. 157.65/USD converting the liability of USD 7,499,965 to Rs. 1,182,369,482.25 and the interest rate is converted from 6 Month LIBOR to a fixed rate of 7.50%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank for second tranche of loan on 21 December 2021. Loan is translated at the exchange rate of Rs. 178/USD converting the liability of USD 6,000,000 to Rs. 1,068,000,000 and the interest rate is converted from 6 Month LIBOR plus 4.25% to a variable rate of 6 month KIBOR plus 3.65%.
- 23.1.2.14 The Company entered into cross currency swap agreement with Standard Chartered Bank on 22 December 2021. Loan is translated at the exchange rate of Rs. 178.15/USD converting the liability of USD 5,499,980 to Rs. 979,821,437 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6M KIBOR plus 3.55%.
- 23.1.2.15 The Company entered into cross currency swap agreement with Standard Chartered Bank for first tranche of loan on 22 December 2021. Loan is translated at the exchange rate of Rs. 178.15/USD converting the liability of USD 5,000,000 to Rs. 890,750,000 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6 month KIBOR plus 3.45%.
- The Company entered into cross currency swap agreement with Standard Chartered Bank for second tranche of loan on 27 April 2022. Loan is translated at the exchange rate of Rs. 185.75/USD converting the liability of USD 5,000,000 to Rs. 928,750,000 and the interest rate is converted from 6 Month LIBOR plus 4.15% to a variable rate of 6 month KIBOR plus 4.10%.

**23.2 Translation loss on foreign currency loans**

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

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## 24 Lease liabilities

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

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

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

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

## 25 Short term borrowings

Short term running finance - secured	25.1	348,452,459	-
KIVA loan - foreign currency loan - unsecured	25.2	43,694,023	43,415,547
		<u>392,146,482</u>	<u>43,415,547</u>

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

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

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## 26 Deferred grants

	QMV (Pakistan) Exploration GmbH	Pakistan Poverty Alleviation Fund	Coca Cola Foundation	I-Care Foundation	Sindh Education	UN Women Fund	Philip Morris	Skoll Foundation	UNDP	PMIC - CI	FMO	GAC	Miscellaneous local donations	Deferred grants for assets	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 30 June 2020	12,961	346,229	15,245,615	1,720	-	-	12,402,900	-	18,999	-	-	-	1,290,741	5,002,250	34,321,415
Funds received in cash	-	1,845,941	-	-	3,652,250	1,845,000	-	-	-	2,004,787	7,783,541	408,160,203	65,250	-	425,376,972
Funds utilized for assets	-	-	(763,631)	-	-	-	(351,400)	-	(18,999)	-	-	(34,468,450)	-	(38,534,950)	2,992,500
	12,961	2,192,170	14,481,984	1,720	3,652,250	1,845,000	12,051,500	-	-	2,004,787	7,783,541	373,691,753	1,375,991	43,597,230	462,690,667
<b>Funds utilized</b>															
Lending	-	-	(4,640,000)	-	-	-	-	-	-	-	-	-	-	-	(4,640,000)
Recognized as income- asset amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,839,274)	(3,839,274)
service level agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	(90,738)	(90,738)
operating expenses	-	(2,184,631)	(8,537,168)	-	(1,903,000)	(1,845,000)	(8,400,487)	-	-	-	(7,619,094)	(33,270,426)	(159,730)	-	(63,919,796)
	-	(2,184,631)	(13,177,168)	-	(1,903,000)	(1,845,000)	(8,400,487)	-	-	-	(7,619,094)	(33,270,426)	(159,730)	(3,930,012)	(72,469,808)
Adjustment against grant receivable	-	-	-	-	(1,749,250)	-	-	-	-	(2,164,787)	-	-	-	-	(3,914,037)
Transferred to other income	-	-	-	-	-	-	-	-	-	160,000	(164,447)	-	-	(5,568)	(10,612)
As at 30 June 2021	12,961	7,339	1,304,816	1,720	-	-	3,651,013	-	-	-	-	340,421,327	1,216,201	39,661,653	386,277,030
Funds received in cash	-	-	-	6,977,377	216,788	-	9,900,000	15,740,000	-	-	-	-	662,714	-	33,496,879
Funds utilized for assets	-	-	-	(180,000)	-	-	(1,601,375)	-	-	-	-	(16,762,577)	-	22,093,171	3,549,219
Service level agreement	-	-	-	-	-	-	-	-	-	-	-	(1,135,527)	-	1,135,527	-
	12,961	7,339	1,304,816	6,799,097	216,788	-	11,949,638	15,740,000	-	-	-	322,523,223	1,878,915	62,890,351	423,323,128
<b>Funds utilized</b>															
Recognized as income- asset amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,769,667)	(12,769,667)
service level agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,092,740)	(1,092,740)
operating expenses	-	-	(27,196)	(4,560,383)	(159,000)	-	(5,702,399)	(15,740,000)	-	-	-	(188,356,765)	(53,390)	(1,475,663)	(216,074,298)
	-	-	(27,196)	(4,560,383)	(159,000)	-	(5,702,399)	(15,740,000)	-	-	-	(188,356,765)	(53,390)	(15,278,070)	(229,877,205)
Grant returned	-	-	-	-	-	-	(6,247,239)	-	-	-	-	-	-	-	(6,247,239)
Transferred to other income	(12,961)	(7,339)	-	-	(57,766)	-	-	-	-	-	-	-	-	-	(78,068)
As at 30 June 2022	-	-	1,277,618	2,238,714	-	-	-	-	-	-	-	134,166,458	1,825,525	47,612,261	167,120,586

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	Note	2022 Rupees	2021 Rupees
<b>27 Accrued mark-up</b>			
Markup on:			
- long term loans		600,473,950	412,572,334
- short term borrowings		235,559	4,626,382
		<u>600,709,509</u>	<u>417,198,716</u>
<b>28 Trade and other payables</b>			
Accrued expenses		142,321,837	49,930,104
Provident fund payable	28.1	-	-
Insurance premium payable		91,037,186	76,180,323
Deferred Murabaha income		156,481,587	111,515,286
Claims payable		12,624,481	16,515,086
Cash Management System (CMS) charges payable		29,933,417	25,451,029
Staff Bonus payable		206,907,326	86,626,083
Other liabilities		120,363,865	73,545,792
		<u>759,669,699</u>	<u>439,763,703</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 2022:

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

#### 28.2 The break-up of investments is as follows:

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

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

ADDITION

	Note	2022 Rupees	2021 Rupees
<b>31 Grant income</b>			
Grant related to projects	26	216,074,798	63,919,796
Amortization of grant related to assets		12,709,667	3,839,274
Service level agreement		1,092,740	90,738
		<u>229,877,205</u>	<u>67,849,808</u>
<b>32 Return on investments and bank deposits</b>			
Return on term deposit receipts			
- Local		66,802,328	129,659,047
- Foreign		14,270,130	13,317,700
		81,072,458	142,976,747
Return on term finance certificates		24,132,752	12,225,242
Return on bank deposits			
- Local		540,010,332	478,060,506
- Foreign		1,375,192	329,574
		541,385,524	478,390,080
		<u>646,590,734</u>	<u>633,592,069</u>
<b>33 Programme cost</b>			
Salaries, wages and benefits		1,594,115,633	1,373,984,015
Travel and conveyance		171,677,494	146,970,856
Insurance		222,263,170	167,156,367
Office rent		-	4,893,019
Seminar, workshop, research and staff training expenses		12,845,222	3,871,716
Entertainment		48,955,400	33,068,033
Printing and stationery		50,425,767	19,623,793
Communication		23,682,885	23,964,202
Legal and professional charges		56,450,812	70,892,285
Depreciation - owned assets		31,814,314	45,461,275
Depreciation - right of use assets		71,985,383	62,140,916
Utilities		23,960,623	17,740,006
Repair and maintenance		10,322,385	7,752,665
Office supplies		19,786,687	9,679,195
Security		5,606,451	4,314,895
		<u>2,343,892,226</u>	<u>1,991,513,138</u>
<b>34 Grant expenses</b>			
Salaries, wages and benefits		97,081,043	42,389,381
Travel and conveyance		18,074,501	2,783,836
Insurance		558,707	117,880
Office rent		378,000	2,247,300
Seminar, workshop, research and staff training expenses		13,379,170	4,963,240
Printing and stationery		2,823,381	1,327,565
Communication		3,331,669	1,046,609
Depreciation - owned assets		11,888,083	3,770,809
Amortization		821,584	68,465
Amortization - prepayments		1,092,740	-
Utilities		2,100,515	1,934,118
Repair and maintenance		1,375,000	1,107,522
Office supplies		2,254,915	2,513,129
Media campaign		56,269,638	2,970,600
Corona relief fund		15,793,390	159,790
Miscellaneous		1,179,206	449,564
Loss on disposal of operating fixed assets		1,475,663	-
		<u>229,877,205</u>	<u>67,849,808</u>
<b>35 Finance cost</b>			
Mark-up on long term loans		2,317,566,061	1,787,049,754
Mark-up on short term borrowings		808,202	4,874,182
Markup on lease liabilities	24.1	17,396,142	23,205,623
Bank and other charges		228,534,869	112,711,434
Amortization of transaction costs of long term loans		99,327,589	93,682,564
		<u>2,664,032,863</u>	<u>2,021,523,557</u>

20/11/2023



36 Management and administrative expenses	Note	2022	2021
		Rupees	Rupees
Salaries, wages and benefits		346,700,231	282,275,927
Travel and conveyance		17,650,608	12,586,732
Insurance		975,267	871,710
Seminar, workshop, research and staff training expenses		5,087,382	2,705,456
Entertainment		9,063,615	6,162,081
Printing and stationery		1,622,191	858,060
Communication		5,298,401	5,773,272
Legal and professional charges	36.1	8,799,846	6,465,230
Depreciation - owned assets		44,822,254	46,788,548
Utilities		9,031,569	16,668,871
Repair and maintenance		12,987,219	15,021,040
Office supplies		2,919,462	2,794,853
Security		552,338	613,645
Amortization		4,682,807	3,625,587
Auditor's remuneration	36.2	2,400,000	2,060,000
Advertisement		7,615,178	27,144,471
Miscellaneous		34,971,851	1,452,059
Loss on leased vehicles		-	924,408
		<u>515,180,219</u>	<u>434,591,950</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 07 June 2021 with the remuneration of Rs. 42,500 per month (2021: 42,500 per month).

36.2 Auditors' remuneration	Note	2022	2021
		Rupees	Rupees
Statutory audit fee		2,100,000	1,995,000
Out of pocket expenses		300,000	65,000
		<u>2,400,000</u>	<u>2,060,000</u>

#### 37 Other expenses

Donations		164,750	242,926
Foreign exchange loss - net		-	28,183,114
Others		1,214,630	-
		<u>1,379,380</u>	<u>28,426,040</u>

#### 38 Other income

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

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

#### 39 Remuneration of chief executive, directors and executives

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

39.1 Total number of directors of the Company as at 30 June 2022 were 10 (2021: 10). None of the director is paid any remuneration.

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#### 40 Number of employees

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

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

41 Ratios	Note	2022 Percentage	2021 Percentage
Portfolio at risk	41.1	1.89%	4.39%
Adjusted return on assets	41.2	6.75%	3.10%
Adjusted return on equity	41.3	30.89%	15.88%
Operational self-sufficiency	41.4	134.00%	115.00%
Financial self-sufficiency	41.5	105.44%	104.66%
Surplus as a percentage of total receipts	41.6	24.57%	13.26%
Management and administrative expenses as percentage of total receipts	41.7	6.54%	7.48%
		2022 Numbers	2021 Numbers
Active loan:			
- as at 30 June	15.9 & 16.3	629,139	554,805
Active clients:			
- as at 30 June		592,460	550,090
- disbursements during the year	41.8	692,463	547,617

#### 41.1 Portfolio at risk

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

#### 41.2 Adjusted return on assets

Adjusted return on assets ('ROA') is calculated using adjusted earnings in the numerator for the last twelve months and using average total assets in the denominator.

#### 41.3 Adjusted return on equity

This calculates the rate of return of the Company on the average equity for the period. Adjusted return on equity ('ROE') is calculated using adjusted earnings in the numerator for the last twelve months and using average equity in the denominator.

#### 41.4 Operational self-sufficiency

Measures how well the Company covers its costs through operating revenues. It is calculated using operating income as numerator and denominator includes operating expense, financial expense and loan-loss provision expense are also included in this calculation, as they are normal (and significant) cost of operating.

#### 41.5 Financial self-sufficiency

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

#### 41.6 Surplus as a percentage of total receipts

This ratio represents the proportion of surplus against gross income of the Company. This measures how well the Company is managing its expenses over total receipts. This is calculated using surplus for the year as numerator and denominator includes total receipts for the year.

#### 41.7 Management and administrative expenses as a percentage of total receipts

This ratio represents the proportion the management and admin expenses against gross income of the Company. This is calculated using the management and admin expenses for the year as numerator and denominator includes gross income for the year.

#### 41.8 Disbursements during the year

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

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## 42 Risk management of financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

### 42.1 Risk management framework

The Board of Directors have the overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

### 42.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

#### 42.2.1 Exposure to credit risk

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

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

#### 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.

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

#### 42.2.2 Balances with banking companies

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

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

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

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

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#### 42.2.3 Credit quality of investments and bank balances

The credit quality of major financial asset that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Name of Bank	Rating Agency	Short term	Long term	2022 Rupees	2021 Rupees
MCB Bank Ltd	PACRA	A1+	AAA	136,671,430	172,578,365
Habib Bank Ltd	VIS	A1+	AAA	56,475,457	29,560,438
Faysal Bank Ltd	PACRA	A1+	AA	22,897,154	15,553,698
Allied Bank Ltd	PACRA	A1+	AAA	11,276,610	8,722,119
The Bank of Punjab	PACRA	A1+	AA+	76,909,939	15,888,806
Bank Al-Habib Ltd	PACRA	A1+	AAA	31,781,515	18,983,399
Silk Bank Ltd	VIS	A2	A-	6,311,000,291	5,055,378,128
Soneri Bank Ltd	PACRA	A1+	AA-	214,682,965	1,037,163,079
JS Bank Ltd	PACRA	A1+	AA-	472,181,926	350,951,634
Standard Chartered Bank Ltd	PACRA	A1+	AAA	2,181,049	21,111,603
Askari Bank Ltd	PACRA	A1+	AA+	2,755,690	1,693,980
Apra Microfinance Bank Ltd	PACRA	A3	BBB+	1,720,780	7,154,626
Meezan Bank Ltd	VIS	A1+	AAA	8,155	7,652
Mobilink Microfinance Bank Ltd	PACRA	A1	A	14,090,375	115,041,501
NRSP Microfinance Bank Ltd	PACRA	A1	A	86,446,784	86,166,782
Sindh Bank Ltd	VIS	A1	A+	27,095,176	45,485,181
United Bank Ltd	VIS	A1+	AAA	37,006,022	23,733,926
Khushali Microfinance Bank Ltd	VIS	A1	A	8,191,966	13,613,738
Bank Alfalah	PACRA	A1+	AA+	183,949,746	181,424,761
National Bank of Pakistan	PACRA	A1+	AAA	969,790	188,343
BankIslami Pakistan Ltd	PACRA	A1	A+	46,872,905	12,991
State Bank of Pakistan	-	-	-	-	3,116
Faysal Income & Growth Fund	PACRA	-	A(f)	15,426,815	14,170,044
NBP Financial Sector Income Fund	PACRA	-	A+(f)	68,419,405	62,722,458
U Micro Finance Bank	-	A1	A	72,258,594	25,793,296
Telenor microfinance Bank Ltd.	PACRA	A1	A	30,118,302	8,038,297
Central Depository Company	-	-	-	-	5,756
				<b>7,931,388,841</b>	<b>7,311,145,717</b>

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

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

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

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

##### Expected Credit Loss Measurement

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date;
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- Quantitative test based on movement in days past due; and
- Forbearance / restructuring status.
- Multiple economic scenarios form the basis of determining the PD at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different PD. Forwardlooking information comprises of expected inflation projections.

##### Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

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

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

##### Write-off

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

Amounts of financial assets that were written off during the reporting period amounted to Rs. 352.8 million (2021: Rs. 500.6 million).

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### Measurement of ECL

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

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

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

#### 42.2.5 Other financial assets

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

#### 42.3 Liquidity risk

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

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

  

	2021			
	Carrying amount	Contractual Cash flows	Up to one year or less	More than one year
	Rupees			
Long term financing	18,398,818,372	18,398,818,372	8,071,550,335	10,327,268,036
Short term borrowing	43,415,547	43,415,547	43,415,547	-
Accrued mark-up on borrowings	417,198,716	417,198,716	417,198,716	-
Trade and other payables	216,171,305	216,171,305	216,171,305	-
Lease liabilities	197,321,884	223,885,108	84,458,668	139,426,440
	<u>19,272,925,824</u>	<u>19,299,489,048</u>	<u>8,832,794,572</u>	<u>10,466,694,476</u>

#### 42.4 Market risk

Market risk is the risk that the value or cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The objective of the market risk management is to manage and control market risk exposures with acceptable parameters, while optimizing return. The Company is exposed to interest rate risk and currency risk only.

#### 42.4.1 Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to change in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are US dollars.

#### Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

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

*Accountant*

#### Exchange rates applied during the year

The following significant exchange rates have been applied during the year:

	Average rate for the year		Reporting date rate	
	2022	2021	2022	2021
USD to PKR	178.01	162.92	204.85	157.54

#### Sensitivity analysis:

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

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

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

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

#### 42.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on bank deposits, short term borrowings and long term financing. The interest rate profile of the Company's interest-bearing financial instruments at the reporting date was as under:

	Effective rate		Carrying amount	
	2022 %	2021 %	2022 Rupees	2021 Rupees
<b>Fixed rate instruments</b>				
Financial assets:				
Short term investment	3.25% to 17.42 %	3.25% to 9.6 %	1,302,079,262	1,136,139,609
Long term investment	9.03%	9.03%	180,515,000	180,515,000
Micro-credit loan portfolio	34% to 60%	34% to 37.06%	18,888,021,746	15,218,962,572
			<b>20,370,616,008</b>	<b>16,535,617,181</b>
Financial liabilities:				
Long term financing:				
FMO-Hedged	-	13.30%	-	144,562,500
Proparco-Hedged	13.20%	13.20%	82,607,143	247,821,429
Bank Alfalah Ltd	3.00%	3.00%	40,028,175	200,140,873
Bank Alfalah Ltd	3.00%	3.00%	39,457,715	197,288,575
CDC	11.75%	11.75%	709,425,000	1,182,374,996
Finnlund	11.05%	-	637,000,000	-
			<b>1,508,518,033</b>	<b>1,972,188,373</b>
<b>Floating rate instruments</b>				
Financial liabilities:				
Borrowings	8.66% to 19.17%	9.22% to 11.74%	21,570,047,127	16,426,629,999
			<b>21,570,047,127</b>	<b>16,426,629,999</b>

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

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) surplus for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

	100 bps	
	Increase Rupees	Decrease Rupees
As at June 30, 2022	215,700,471	(215,700,471)
As at June 30, 2021	164,265,299	(164,265,299)

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

#### 42.4.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The financial instrument held by the Company does not trade on the stock exchange and has therefore, no correlation with the equity index of the stock exchange. Therefore, it is not possible to measure the impact of the change in equity index on the Company's surplus for the period.

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43 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

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

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

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As at 30 June 2021

*Financial assets - measured at fair value*

	Carrying amount			Fair value				
	At Amortized Cost	At Fair Value	Other non financial assets	Total	Level 1	Level 2	Level 3	Total
Financial assets used for hedging	-	154,367,951	-	154,367,951	-	154,367,951	-	154,367,951
Mutual funds	-	76,892,502	-	76,892,502	76,892,502	-	-	76,892,502
	-	231,260,453	-	231,260,453	76,892,502	154,367,951	-	231,260,453

*Financial assets - not measured at fair value*

Long term investments	180,515,000	-	-	180,515,000	-	-	-	-
Long term loans	217,730	-	-	217,730	-	-	-	-
Long term deposits	463,360	-	-	463,360	-	-	-	-
Micro-credit loan portfolio	15,218,962,572	-	-	15,218,962,572	-	-	-	-
Kashf Murabaha	539,440,958	-	-	539,440,958	-	-	-	-
Accrued service charges	190,960,347	-	-	190,960,347	-	-	-	-
Advances, deposits and other receivables	120,132,667	-	-	120,132,667	-	-	-	-
Short term investments	1,136,139,609	-	-	1,136,139,609	-	-	-	-
Cash and bank balances	5,923,306,812	-	-	5,923,306,812	-	-	-	-
	23,310,139,055	-	-	23,310,139,055	-	-	-	-

*Financial liabilities - not measured at fair value*

Long term financing	10,162,784,549	-	-	10,162,784,549	-	-	-	-
Current portion of long term financing	6,071,550,336	-	-	6,071,550,336	-	-	-	-
Short term borrowings	43,415,547	-	-	43,415,547	-	-	-	-
Accrued markup	417,198,716	-	-	417,198,716	-	-	-	-
Trade and other payables	216,171,305	-	-	216,171,305	-	-	-	-
	18,911,120,453	-	-	18,911,120,453	-	-	-	-

*Non-Financial assets - measured at fair value*

Freehold land	-	-	355,725,000	355,725,000	-	355,725,000	-	355,725,000
Investment property	-	-	88,150,750	88,150,750	-	-	88,150,750	88,150,750
	-	-	443,875,750	443,875,750	-	355,725,000	88,150,750	443,875,750

30/06/2021

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

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

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

#### 45 Related party transactions

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

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

#### 46 Subsequent events

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

#### 47 Reclassification

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

#### 48 Date of authorization for issue

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

*MAINT*

  
Chief Executive Officer

  
Chief Financial Officer

  
Director