

Annual Report 2018-19



Annual Report 2018-19





We are deeply indebted to

Mr Mubarak Ali Sarwar
Founder Agahe Pakistan

for his continuous encouragement and
support

CONTENTS

1. Who we are
 - Vision
 - Mission
 - Core Values
 - Strategic Objective
2. Corporate Information
3. Chairman's Message
4. CEO's Message
5. Director's Report
6. Board of Directors
7. Key Management
8. Governance Structure
9. Our Departments
10. Our Partners
11. Accreditations
12. Operational Presence
13. Products & Services
14. Operational Highlights
15. Portfolio Snapshot
16. Moment that Make us Proud
17. The Year in Focus
18. Independent Auditor's Report



Agahe Pakistan was incorporated in December 2016 as a Non-Bank Microfinance Company (NBFC) under Section 42 of the Companies Ordinance 1984 with a mission **“to provide social services to the marginalized communities in Pakistan, especially women and youth through the provision of microfinance facilities, trainings, linkages development and networking for all types of lawful economic activities”**. Agahe Pakistan spun off from Association for Gender Awareness and Human Empowerment (AGAHE) in line with NBFC rules enforced by the Securities and Exchange Commission of Pakistan (SECP), thereby taking over the microfinance operations of AGAHE along with its assets, liabilities, staff and equity.

Since inception, Agahe Pakistan has been actively engaged in providing microfinance services to the vulnerable segments of society for their income generation activities, enhancing their livelihood, creating impact at the grass root levels and eventually bringing them into the financial mainstream. The scope of business is divided into financial and non-financial services. The financial services program caters to the needs of borrowers engaged in agriculture, livestock, microenterprise, transportation and education sectors, while non-financial services consist of borrowers' health insurance, life insurance, enterprise development trainings, backward and forward linkages, poverty graduation, capacity building initiatives, financial literacy and alternate delivery channels to mention a few.

With a highly qualified senior management team consisting of bankers, chartered accountants and veterans of the microfinance sector, Agahe Pakistan has established a name for itself as a progressive and competitive institution offering tremendous opportunities for growth and development along with a professional working environment. Looking ahead, Agahe Pakistan is destined to scale new heights with further expansion in operations, coupled with innovative products and financial solutions.





Vision

Social and economic empowerment of marginalized communities through financial and non-financial services



Mission

To provide social services to the marginalized communities in Pakistan, especially women and youth, through provision of microfinance facilities, trainings, linkages, development and networking for all types of lawful economic activities.



Strategic Objectives



To help the poor in order to enable them to gain access to resources for their productive self-employment, to encourage them to undertake activities of income generation and poverty alleviation.



To provide all types of services required in organizational development, staff trainings, staff development, training needs assessment, development of training tools and methodologies thereby enhancing the capacities of staff in providing better and innovative services.



To train women as agents of change for socio-economic development and to identify, develop and promote opportunities for facilitating employment for the poor.



To educate, motivate and organize communities for their improved quality of life and living standards.





Chief Executive Officer

- Mr. Barak Ullah

Company Secretary

- Mr. Muhammad Khalid-ACA

Legal Advisors

- Humayoun's

Tax Consultants

- Mohsin & Co Chartered Accountants

Auditors

- Grant Thornton
- Anjum Rehman

Bankers

- United Bank Limited
- Allied Bank Limited
- Muslim Commercial Bank
- Telenor Microfinance Bank
- Faysal Bank Limited

NTN No.

- 7223229-0

Registration No.

- 00097427



Board of Directors

• Dr. Abid Aman Burki	Chairperson
• Ms. Bushra Naheed	Director
• Dr. Sohail Saleem	Director
• Mr. Muhammad Yaqoob	Director
• Ms. Sabahat Batool	Director
• Mr. Ali Raza Qamar	Director
• Ms. Sana Khawaja	Director

Audit Committee

Mr. Muhammad Yaqoob - Chair
 Mr. Ali Raza Qamar - Member
 Ms. Sabahat Batool - Member

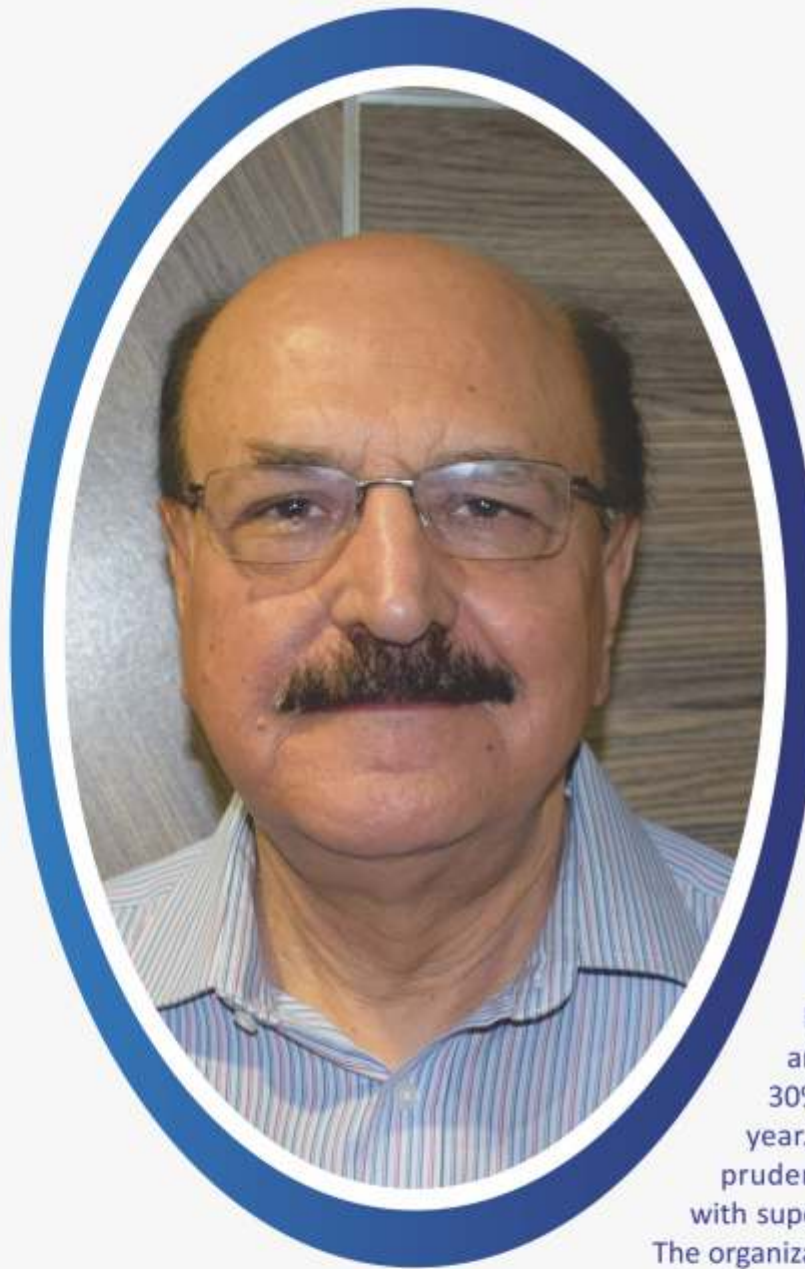
HR Committee

Ms. Bushra Naheed - Chair
 Ms. Sana Zahid - Member
 Mr. Suhail Saleem - Member

Risk Management Committee

Dr. Suhail Saleem - Chair
 Mr. Muhammad Yaqoob - Member
 Ms. Sana Zahid - Member

Chairman's Message



2018-19 was a year of formidable progress for Agahe Pakistan as the institution continued with its mission to empower the underserved and eventually bring them into the financial mainstream.

During this period, although characterized by severe macro-economic challenges in the shape of rising cost of funds, inflationary pressures and Rupee devaluation, Agahe Pakistan remained steadfast and posted a steady growth of 30% in comparison to the previous year. This is a testament to our prudent lending practices coupled with superior client management skills.

The organization also exhibited formidable growth in assets, equity, revenue, surplus and gross loan portfolio without compromising on the

quality of its operations. New partnerships were forged with commercial banks and foreign lending institutions to bridge the gap between demand and supply of credit, allowing the institution to continue with its operations undeterred. It is pertinent to mention here that in the larger interest of our valued clients, we did not pass on the burden of rising cost of funds in any shape or form.

In a continuously evolving digital landscape, Agahe Pakistan has forged alliances with leading branchless banking service providers (Easy Paisa & UBL OMNI), allowing our borrowers to execute transactions in a timely and cost effective manner within walking distance of their homes. The quest for diversification further led to the introduction of two new products during the year, namely Education Finance and Auto Loan, which is a clear transition from conventional lending towards large size loans.

Agahe Pakistan is actively investing in product development and research, with the intention to provide customized and innovative financial solutions to its borrowers. We have also strived to document and capture the impact of our work, which will help shape the future strategic direction of Agahe Pakistan in continuing to offer value-added services.

With our future plans to reach out to a broader set of vulnerable communities, the institution is targeting further expansion of operations across Districts Khanewal, Bahawalpur and Bahawalnagar, while continuously investing in the development of its human resource. We will also endeavor to explore and diversify our funding sources, product mix, and engage in different sector development initiatives that are crucial for the social uplift of the society.

I am deeply indebted to our funding institutions, partners, commercial banks, regulators, Board of Directors, and the entire team at Agahe Pakistan for their selfless dedication and support.

Dr. Abid Aman Burki
Chairman of the Board





Dear Readers,

I am pleased to share with you the Annual Report for FY 2018-19, which was yet another successful year for Agahe Pakistan, witnessing greater customer outreach, organizational growth, diversification of funding sources, product innovation, investing in quality human resource, adoption of alternate delivery channels, and a greater focus on building capacities of our borrowers.

Despite inherent shocks in the microfinance sector, particularly fueled by rising cost of funds and inflation, Agahe Pakistan still managed to register a steady growth of 30% over and above the previous year while maintaining its portfolio quality with zero delinquency. This was accomplished through a robust and stringent lending mechanism

with enhanced due diligence by risk & compliance teams. During the period under review, Agahe Pakistan served 26,319 households by providing both commercial and interest free loans for a wide range of income generation activities. Total disbursements during the year rose by 32% with 884.60 M, while the outstanding loan portfolio grew by 30% to close at 491.16 M as of June 30th, 2019. We also witnessed a growth of 27% in the active clients' portfolio with an average loan size of 33,611.

To cope with the growing need for liquidity, Agahe Pakistan successfully diversified its funding base by entering into financial agreements with renowned local and international financial institutions including NBP, FBL, SBP and SIMA Funds, which provided the necessary impetus for business continuity and growth. This was unprecedented for a mid-tier institution such as ours. In collaboration with PMIC, several sector related projects were implemented namely Solar Home Solutions, Digital Finance and Client Graduation, enabling a large number of households to come into the financial mainstream.

The demand for solar based systems has soared over the years, and Agahe Pakistan is actively engaged in providing renewable energy solutions through qualified vendors across its entire network. Further interventions with PMIC are also in the pipeline, which will not only involve loaning to clients engaged in agriculture, livestock and micro-enterprise activities, but further enhance their capabilities through specialized trainings on livestock management, latest farming techniques, and skill enhancement for entrepreneurs.

The organization further expanded its product portfolio by introducing Education Finance and Auto Loan during the year. Education Finance is specifically geared towards low-cost private schools, providing the necessary working capital to increase the overall quality of education by investing in curricula, recreational facilities, labs, infrastructure, training of faculty members, and spot improvements. We are deeply indebted to Opportunity International (OI), a global non-profit organization for their technical assistance and product development support. Based on popular demand, Auto Loan was launched to provide all kinds of three-wheeler rickshaws, ranging from 100 Cc to 250 Cc, which may be used for general transportation and freight services.

Several key milestones were achieved during the year, beginning with the prestigious Gold Price Disclosure Award by Micro-Finanza Rating (MFR), a leading international rating agency based out of Italy. The Price Disclosure award is a public recognition of pricing transparency visible to investors and other international stakeholders who subscribe to the Data Platform. Additionally, two of our borrowers from Muzaffargarh also qualified for the 13th Citi Micro Entrepreneurship Awards and won National Runner up and Regional Winner Awards in Novice Category.

Our key to success amongst other factors has been the ability to invest in quality human resource, while providing a highly professional and career oriented environment at the same time. This is further supported by regular trainings and capacity building initiatives. Agahe Pakistan also employs a robust Grievance Redressal Mechanism for its staff, which is overseen by an independent committee to ensure transparency and impartiality.

Last but not least, I would like to take this opportunity to thank our partners and regulators, especially Pakistan Microfinance Investment Company, Pakistan Poverty Alleviation Fund, Pakistan Microfinance Network, Securities & Exchange Commission of Pakistan, SIMA Funds, commercial banks, branchless banking service providers and solar suppliers for their continued support. I would also like to thank my entire team for their unwavering commitment and devotion, and for making every possible effort to ensure that Agahe Pakistan fulfills its mission.

Barak Ullah
Chief Executive Officer



Report of the Directors

For the year ended June 30, 2019

Board of Directors

Ms. Sabahat Batool - Chairperson

Ms. Bushra Naheed - Director

Mr. Suhail Saleem - Director

Ms. Burara Qasim - Director

The Directors of your Company are pleased to place before you the Company's Annual Report on the results of its operations along with the Audited Financial Statements for the year ended June 30, 2019.

Overview

By the grace of Almighty Allah, financial year 2018- 2019 was another successful year for the Company. Despite of local macro-economic uncertainty, coupled with hike in inflation, rupee devaluation and increasing interest rates, resulted in restrained business activity. An increase in the interest rates led to higher financing costs for the Company and hike in inflation adversely impacted the repayment capacity of the borrower, despite of all unfavorable macro-economic situation, our Company showed reasonable growth in surplus and portfolio through maintaining excellent portfolio quality and cost effective measures by removing operational inefficiencies. During the financial year under review, the Company adopted strategy of funding diversification and successfully able to diversify its funding sources by negotiating and entering into the financing agreement with different local and international financial institutions such as National Bank of Pakistan, Faysal Bank Limited, State Bank of Pakistan (SBP) and SIMA Funds during the financial year ended June 30, 2019. AGAHE Pakistan has received the disbursements of Rs. 17.47 Million and Rs. 10.60 Million from SBP and Faysal Bank Ltd respectively during the financial year ended on June 30, 2019. AGAHE Pakistan entered into financing agreements with NBP and SIMA Funds for Rs. 100 million and US Dollars 1.20 million respectively during the financial year ended and received subsequently the disbursements of Rs. 100 million and US Dollar 1.0 million from NBP and SIMA Funds respectively before the date of our report. To uplift the standards of schools in the Pakistan and to decrease the no. of children out of schools, our Company entered into agreement with Opportunity International for technical assistance in product development, staff trainings and operational support. Opportunity International is a global non-profit organization working to end global poverty by creating and sustaining jobs, trainings and providing small business loans in the developing countries.

Our Company's focus remained on product diversification throughout year and launched new products such as Transport/ Auto Loans, Education Finance and relaunched renewable energy products. During the year under review, International Rating Agency Micro Finja Ratings awarded our company with Gold Price Disclosure Award. It is proud moment for AGAHE Pakistan that it's two clients from district Muzaffargarh qualified for 13th Citi Micro Entrepreneurship Awards and won National Runner Up Award Novice Category and Regional Winner Award Novice category.

The Citi Micro-entrepreneurship Awards Program (CMA) is a global financial inclusion initiative that recognizes the contributions of microentrepreneurs to their local economies and highlights the importance of microfinance in supporting the economic development of low-income individuals. To overcome high employee turnover, the company revised salary structure, 10% of basic salary as medical allowance embedded to the remunerations of the employees, paid one gross salary as performance bonus to staff, paid 50% of basic salary as Eid Allowance to all staff members, introduced and awarded quarterly performance awards with cash prizes to branch/field staff, paid leave encashment, provide staff health insurance and provide vehicles to senior management team for official usage. For staff growth and development, the Company provided 35 trainings to 481 staff members during the year under review.

For immediate relief and support of community, our company provided Ramadan Roshan Packages free of cost to its marginalized community borrowers in four districts.

Financial Results

The financial results of the Company for the year under review and of the previous year are as follows:

Statement of Financial Position (Extracts) As at June 30, 2019

	2019 (Rupees)	2018 (Rupees)
Non Current Assets	33,652,449	19,913,300
Current Assets	515,573,591	439,356,252
	549,226,040	459,269,552
Non Current Liabilities	62,256,851	127,559,526
Current Liabilities	369,766,364	257,790,433
	432,023,215	385,349,959
Equity	117,202,825	73,919,893
	549,226,040	459,269,852

Statement of Income & Expenditure (Extracts) For the year ended June 30, 2019

	2019 (Rupees)	2018 (Rupees)
Income from Commercial Microfinance program	153,041,944	101,761,990
Expenses of Commercial Microfinance program	(128,289,260)	(88,425,588)
Surplus	24,752,684	13,336,402
Income from Interest Free Loan program	32,005,082	7,490,750
Expenses of Interest Free Loan program	(13,474,834)	(11,476,804)
Surplus/(Deficit)	18,530,248	(3,986,054)
Net surplus	43,282,932	9,350,348

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Clients and community well-being remained the top priority of our company throughout the year under review. For the well-being of clients and community, in addition to provision of cheap source of microfinance, our Company provided technical trainings on Live Stock Value Chain (LVC), Crop Productivity Enhancement and Enterprise Development after the year end but before our report. In future, well-being of clients and community will remain one of the top priorities of our Company through provision of cheap source of microfinance, linkages and trainings, financial literacy and health insurance of borrowers.


Our company's NBFC license renewal for another three years period is due on December 13, 2019. The application of renewal of NBFC license will be forwarded to Securities and Exchange Commission of Pakistan (SECP) in month of November 2019 and it will be renewed in due course of time.

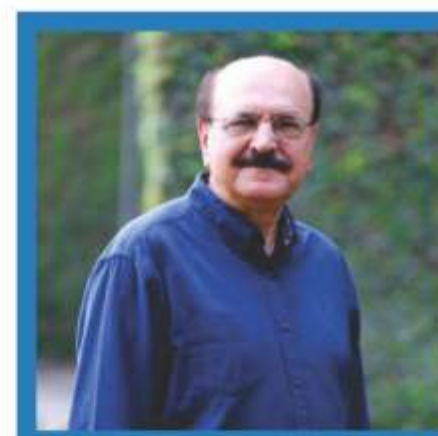
To enhance the confidence of commercial banks and other financial institutions for extending lending facilities to our Company, we are going to obtain credit rating for the Company from one of the most renowned credit rating agency PACRA in the ongoing financial year.

Acknowledgement

We are pleased to acknowledge that the relation with employees remained congenial throughout the year. The management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work without which this performance could not have been possible. We would also like to appreciate our valuable customers for their continued support and reliance on our products. The support extended by financial institutions gave us great comfort, and we extend our gratitude to them.


Director


Chief Executive Officer



Dr. Abid Aman Burki - Chairman

Dr. Burki is serving as Chairperson of the Board of Directors of AGAHE Pakistan and is a Professor of Economics at the Lahore University of Management Sciences (LUMS). Dr. Burki received his PhD in Economics from the prestigious Kansas State University, USA. Prior to his appointment at LUMS, he was on the economics faculty of Quaid-i-Azam University, and most recently as Professor and Head of the Economics Department. He also serves on several high-level committees and taskforces of the government. In recognition of his services he was conferred the President of Pakistan's academic distinction award *Izaz-i-Fazeelat* in 2001.

Dr. Bushra Naheed - Director

Ms. Bushra Naheed holds a Master's Degree in Social Work from Punjab University, Lahore and is employed as an Assistant Professor at the Department of Social Works, University of Punjab since 1991. Her expertise include Social Research & Statistics, Social Policy, Planning & Administration of National Development Programs, Poverty Alleviation and Social Case Work. She has conducted extensive research on Micro-Credit as a means of women empowerment, Situation analysis of women in power and decision making, and needs & problems of the aged. Her memberships include Professional Association of Social Workers, and founding member of PAIMAN, a strong network of women legislatures at the grass root level across Pakistan.



Dr. Suhail Saleem - Director

Dr. Saleem is a Doctor of Veterinary Medicine from University of Agriculture, Faisalabad and also holds a M.PHIL degree in Rural Development with more than 28 years of industry related experience. A seasoned veterinarian, Dr. Saleem has endorsements across social development, poverty alleviation, resource mobilization and sector development in some of the world's leading organizations such as IDCA (Japan), GTZ (Germany), USAID (USA), British High Commission, Green Circle, Oxfam and Nestle'. He has also extensively worked with Idara-e-Kissan, Tetra Pak and Plan Pakistan in a wide variety of Dairy & Livestock community development projects. Dr. Suhail is currently employed as Director Facilitation with Punjab Board of Investment & Trade..



Mr. Muhammad Yaqoob - Director

Mr. Yaqoob is a distinguished professional and Educationist with profound interest and understanding of social development, and financing for rural development. He holds a MBA degree in Finance, MSc Honors in Rural Development, and a Post Graduate Diploma in Management Information Systems.



Ms. Sabahat Batool - Director

Ms. Sabahat is a Chartered Accountant from the prestigious Institute of Chartered Accountant-Pakistan (ICAP) and currently employed as the Head of Internal Audit with NRS Industries. She has diverse experience with companies such as Pyramid Gas and Deloitte Pakistan in matters related to banking and finance, auditing, business development, international relations, risk management, and corporate governance.



Mr. Ali Raza Qamar - Director

Mr. Qamar holds a Master's degree in Business and Information Technology with specialization in Marketing from the University of Punjab, and is a seasoned banker currently employed with Askari Bank Limited as Area Manager-Operations. He has diversified experience across retail banking, general banking operations, and is highly proficient in matters pertaining to Anti Money Laundering, Countering Financing for Terrorism, and Legal & Procedural Issues.



Mr. Sana Zahid - Director

Ms. Sana holds a Master's of Science degree in Psychology and has over 11 years of sector related experience. She is currently employed with Brooke Pakistan as a Community Development Manager, supporting capacity building of staff, partners, while also promoting gender equality and facilitating community-based activities. Previously she has worked with several renowned NGOs and takes keen interest in community development, street children, child labor, drug addiction, juveniles, advocacy, and women empowerment.





Mr. Mubeen Shahzad

GM Human Resource

MBA
13 - Years



Mubeen Shehzad

GM Human Resource

Mubeen holds a master's degree in business administration along with 12 years of working experience in the development sector, predominantly in microfinance with various organizations. He is currently managing the human resource department of Agahe Pakistan and is associated with the organization since inception. He previously served as Program Manager at AGAHE & looked after its microfinance operations for five years while also being involved in various sector development initiatives.

Mr. Sajid Ali

GM Finance & Accounts

MBA

13- Years



Sajid Ali

GM Finance & Administration

Sajid holds a master's degree in business administration with specialization in finance and is currently heading the finance, accounts and administration departments. A veteran of microfinance, he has a total of 12 years industry related experience and is one of the pioneer employees of Agahe Pakistan.

Mr. Faisal Ayaz

Manager Institutional Development

MBA

20 - Years



Faisal Ayaz

Manager Institutional Development

Faisal holds a master's degree in business administration with specialization in marketing and has over 20 years of diversified exposure with endorsements in retail and consumer banking, wealth management, mortgages, SME financing, and banking operations. He has served with renowned financial institutions in Pakistan as well as the Middle-East, and is currently heading institutional development in Agahe Pakistan. Central to his role is the management and implementation of sector related projects, communications, product development and impact evaluations.

Mr. Imran Akbar

Operations Manager

MBA

12 - Years



Imran Akbar

Manager Operations

Imran holds a master's degree in business administration with specialization in finance and has 11 years of industry related experience. Currently he is managing the commercial lending operations of Agahe Pakistan and has been with the organization since inception.

Mr. Ihsan Nazir

Manager Internal Audit

C.A Finalist

06 - Years



Ihsan Nazir

Manager Internal Audit

Ihsan is a CA finalist with diversified experience spanning 5 years, and is currently heading the internal audit department of Agahe Pakistan. He has previously served with Grant Thornton Anjum Rahman, a leading chartered accountancy firm in different capacities.

Mr. Muhammad Khalid

Finance Manager &
Company Secretary
ACA

06 - Years



Muhammad Khalid

Finance Manager

Khalid is a qualified chartered accountant from the institute of chartered accountants of Pakistan (ICAP) and also holds a masters in commerce degree. He has diversified experience of more than 7 years in the fields of accounts, banking & finance, audit, taxation, and corporate and financial services. He is currently employed as Finance Manager & Company Secretary with Agahe Pakistan

Mr. Saad Masood

Manager Risk & Compliance

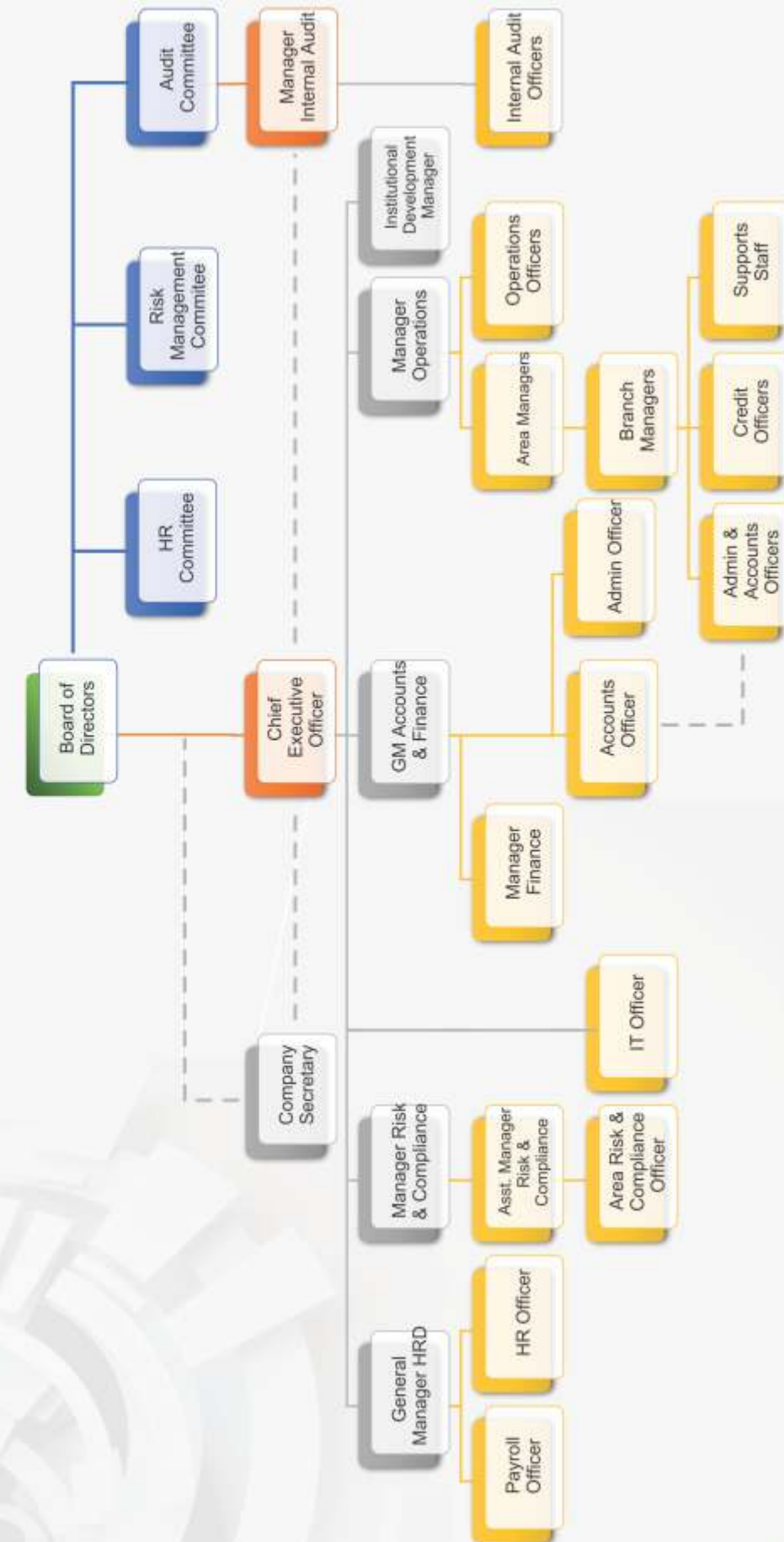
MSC Financial Economic
07 - Years



Saad Masood

Manager Risk & Compliance

Saad holds a Master's Degree in Applied Financial Economics from University of Nottingham, UK and has 6 years of diversified experience in the fields of risk management, corporate and SME financing. Currently he is heading the Risk and Compliance department of Agahe Pakistan. He is passionate about economic development in the country bringing a positive change to society. In addition to the above he has also cleared CFA level I.





Operations

Microfinance operations is the backbone of Agahe Pakistan, spread across four districts of Punjab namely Khanewal, Vehari, Rajanpur and Muzaffargarh. With a network of 15 branches, the department has proudly served 24,861 active clients as of June 30th 2019. With a wide range of customer-centric products and services, the program is all set to achieve new heights in the days to come. The operations are more inclined towards the rural sector with 72% coverage. The high retention rate of 77% is indicative of our borrower's satisfaction levels as they continue to remain with Agahe Pakistan.

Information Technology

2018-2019 was a year of change for Agahe Pakistan with the complete overhaul of its IT software to incorporate greater security and data protection mechanisms, creation of redundant systems, replacing old hardware, up-gradation of MIS/FIS, and alignment with ABL CMS, Telenor Easy Paisa, and UBL Omni to facilitate disbursements and recoveries through branchless banking channels.

Risk Management

Risk is an integral part of financial services. Therefore, it is vital for any financial institution, including microfinance institutions (MFIs) to have effective risk management in place to identify positive opportunities as well as to avoid negative threats. In order to adopt best industry practices and a more focused approach, Agahe Pakistan has established a Risk Management unit that oversees Credit, Operational and Market risks. The framework is comprehensive enough to capture all risks and has flexibility to accommodate any change in business activities.

Compliance

Agahe Pakistan employs a very stringent Compliance Framework that ensures absolute quality of portfolio with zero tolerance for deviations. This is the reason behind Agahe Pakistan maintaining a 100% recovery rate since inception. With an independent Compliance Department, the key function is to ensure effective compliance related to lending policies and procedures, relevant provisions of existing laws, monitoring the client's business activities, ensuring that branches operate within defined parameters, and to take corrective action where necessary.

Human Resource Development

The Human Resource function focuses on introducing new initiatives in order to boost employee morale and to improve the working environment of Agahe Pakistan. Agahe Pakistan's commitment to Human Resource is reflected through the initiatives taken during the year. This comprised of installing a state of the art HRIS system to ensure systematic and timely payroll processing, carrying out staff satisfaction surveys, various capacity building trainings, leave encashment entitlement, registration of employees provident fund trust as a separate entity, alignment of staff incentives and salaries as per industry standards, coordinating various recreational activities to break the ice between different cadres of management, as well as staff appraisals and promotions,

Finance

The finance department is responsible for management of the organization's cash flow and ensuring there are enough funds available to meet the day-to-day payments. This area also encompasses the credit and collections policies for the company's customers, to ensure the organization is paid on time, and that there is a payment policy for the company's suppliers. It continuously works on forecasting to systematically calculate the ongoing cash needs.

Audit

The role of internal audit is to provide independent assurance that an organization's risk management, governance, and internal control processes are operating effectively. With a dedicated team, the internal audit department conducts regular field monitoring activities as well as audit of operational units across the organization, departments, and submits its findings independently to the board members, while suggesting methodologies to improve organization's internal controls and procedures.

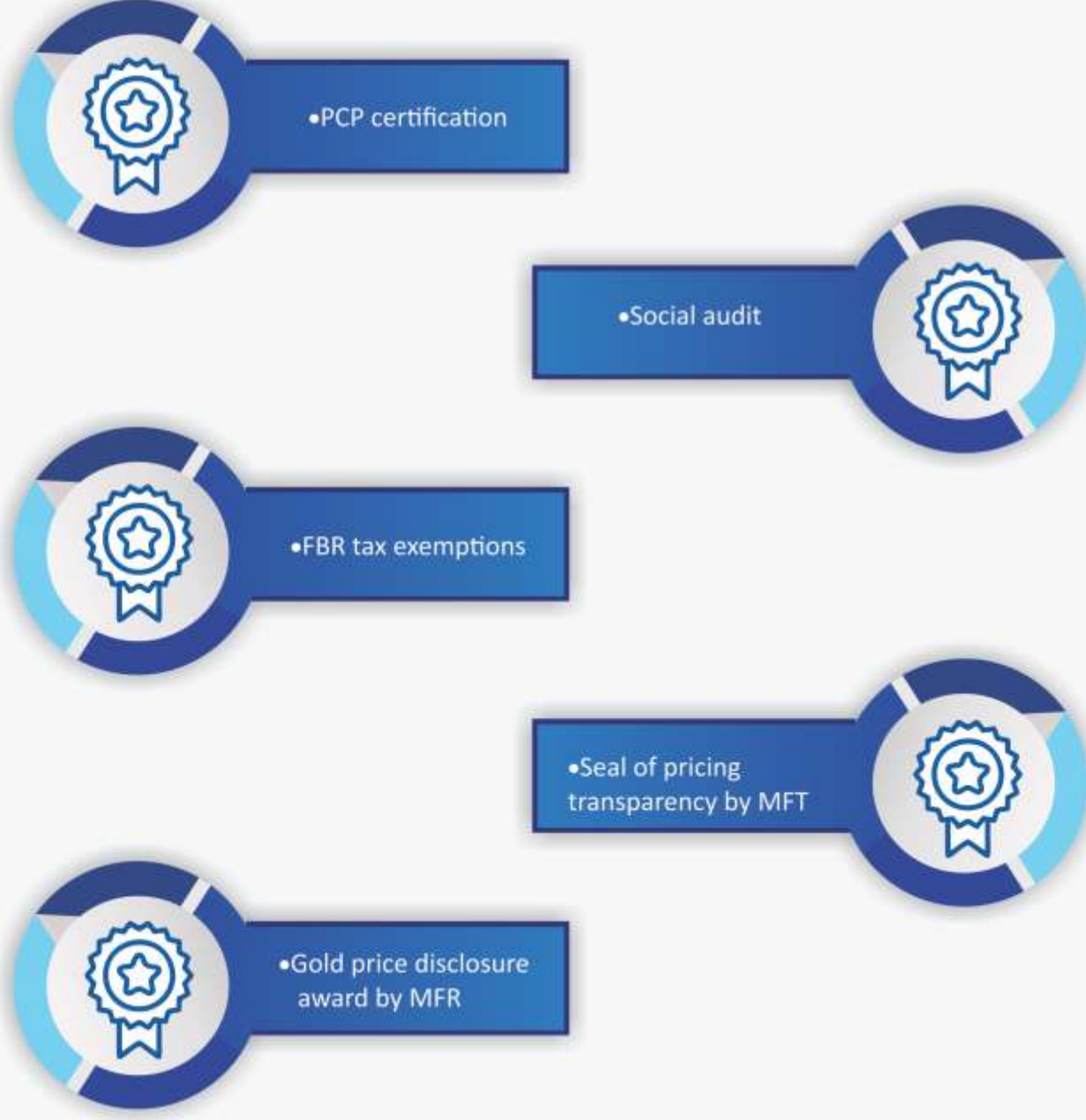
Institutional Development

To actively explore and participate in sector development programs is central to the department of institutional development. Agahe Pakistan had undertaken various projects in collaboration with PMIC namely, Graduation Model, Solar Home Solutions, Digital Finance Model, and Livestock Value Chain. The department is geared towards strengthening the core program through various projects and interventions, value additions, product development and research, micro health insurance, market surveys for program expansion, and a plethora of field based activities.

Our Partners



Accreditations



Operational Presence

Products and Services

Financial Products

General Loan



General Loan – Credit Enterprise Development:

For those unable to access categorized loans to start small businesses of their own with no land, livestock etc., this product is an entry point with easier access and minimum risk. It gives an opportunity to pull the client and its family out of poverty with better repayment rates and gradually enhancing the life-style. Sustainability of the client in the businesses developed through this loan, less drop out and better recovery tie trust knots of the clients in this product. 68.86% of Agahe Pakistan total Outstanding Loan Portfolio comes from general loan. General loan is given to individuals/groups of 3-15 members, from Rs.15,000 to Rs.50,000 per member, with a maximum repayment tenor of 12 months with monthly recovery, and age ranging from 18-59 years. This is offered with mandatory life insurance cover.

Agriculture Loan



Agriculture Loan:

Small holder farmers with total dependency of livelihoods are the direct target for this product. The loan strengthens the economic base of these farmers being cost-effective. Capacity assessment and market-linkages development under this loan help farmers come out of the poverty cycle. Agriculture loans are extended to purchase agricultural inputs i.e. seeds, fertilizer, pesticides, herbicides etc. Agriculture loan is given to individuals/groups of 5-10 members, from Rs.15,000 to Rs.75,000 per member, or Rs. 15,000 per acre, with repayment tenor ranging from 4-6 months with bullet recovery, and age ranging from 18-59 years. This is offered with mandatory life insurance cover.

Livestock Loan



Livestock Loan:

To decrease agricultural dependency, this product helps small farmers improving livelihoods through provision of livestock, replacement of existing with improved breed and milking animals. This is offered to individuals/groups of 3-7 members, from Rs.20,000 to Rs.150,000 per member, with repayment over a period of 12 months with monthly recovery, and age ranging from 18-59 years. This is offered with mandatory life insurance cover.

Micro Enterprise Loan



Micro-Enterprise Loan:

Increasing business volume of the entrepreneur completing one loan-cycle with Agahe Pakistan, this product is offered in the field of commerce, petty trading, handicraft and manufacturing coupled with other products. This is offered to individuals/groups of 3-5 members, from Rs.55,000 to Rs.200,000 per member, with repayment tenor of 12 months with monthly recovery, and age ranging from 19-59 years. This is offered with mandatory life insurance cover.

SHS Loan



Solar Home Solutions Loan:

Targeting both off-grid communities and those with acute load-shedding schedules, the solar home solutions loan enables our borrowers to acquire IEC certified solar kits on easy installments. With a wide range of products from Pico lights to larger home systems, they are offered with complete replacement warranties. This is offered to individuals/groups of 3-5 members, from Rs.10,000 to Rs.75,000 per member, with repayment over flexible tenors of 3-18 months with monthly recovery, and age ranging from 18-59 years. This is offered with mandatory life insurance cover.

Interest Free Loan



Interest Free Loan:

The purpose of the Prime Minister's Interest Free Loan is to enable communities, particularly in the extremely poor areas of Pakistan to have access to income generating activities including microenterprises, thus improving rural job creation, and economic opportunities for women and youth. This is offered to individuals/groups of 3-5 members, from Rs.15,000 to Rs.50,000 per member, with monthly repayment spread over 12 months, and age ranging from 18-59 years. This is offered with mandatory life insurance cover.

Auto Loan



Auto Loan:

This loan product is designed to facilitate repeat, as well as new clients of Agahe Pakistan, enabling them to acquire three-wheeler rickshaws ranging from 100 CC to 200 CC on easy installments spread over 12 to 24 months. These vehicles may be used for a variety of functions, such as general transport, movement of cargo etc. This will enable clients to increase their income over time by leveraging various opportunities in the transportation domain. This is offered to clients from 18-59 years age bracket, and only as an individual loan, ranging from 40,000 to 200,000, with flexible repayment tenors of 12 to 24 months. Life insurance and auto insurance are mandatory requirements for this product.

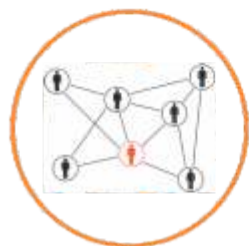
Education Finance



Education Finance:

This loan product is designed to provide financing facilities to low cost private schools in rural areas, in order to improve their quality of education. The loan may be availed for construction, spot improvement, and fixed assets, with a maximum tenor of 24 months, and amounts ranging from 50,000 to 500,000.

Non-Financial Services



Market Linkages



Client Graduation Model



Renewable Energy



Enterprise Development Trainings



Enterprise Value chain



Crop Productivity Enhancement



Digital Finance



Borrowers' Financial Literacy



Education Finance



Livestock Value chain



Community Awareness Sessions on Renewable Energy



Borrowers' Training on Livestock Management



Borrowers' Training on Skills Enhancement



Borrowers' Training on Latest Farming Techniques

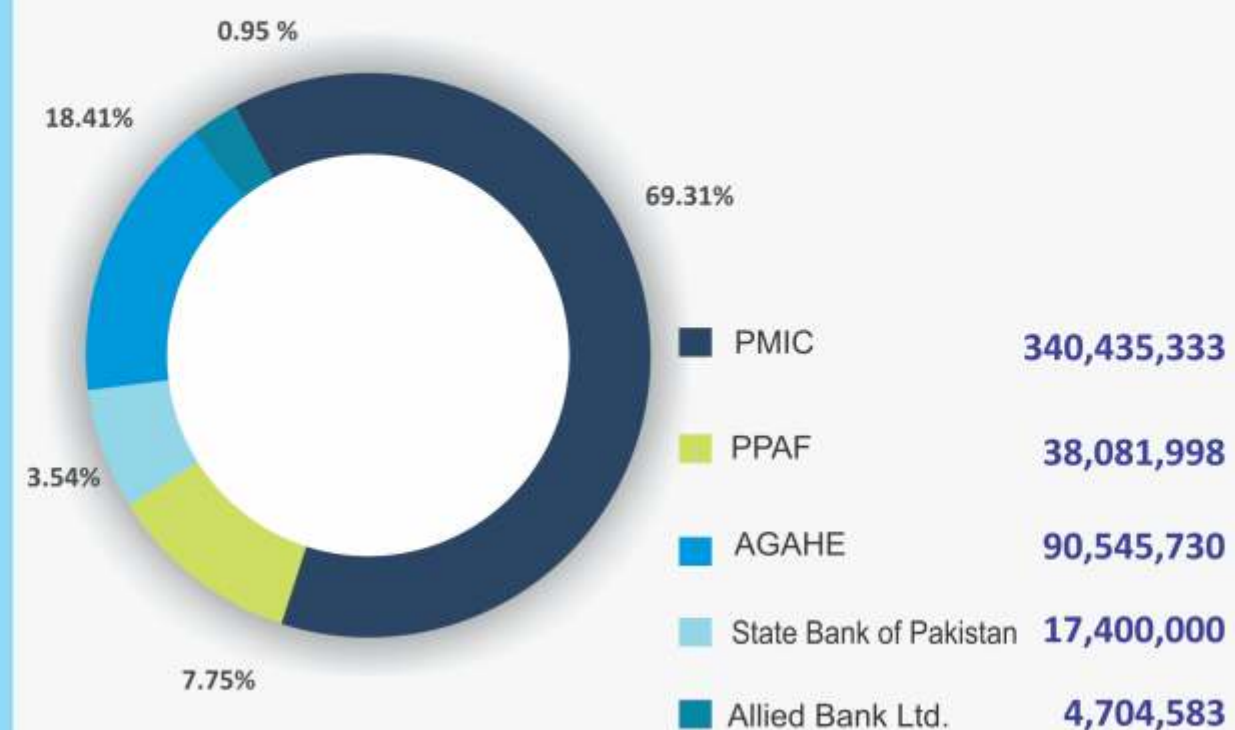


Particulars for FY 2018 - 19

Districts Covered	04	02	04
No. of Branches	13	02	15
Active Borrowers	22,532	2,328	24,860
OLP	460.75 M	30.41 M	491.16 M
Gross Disbursement	2.26 B	379.15 M	2.64 B
Cumulative Borrowers	81,181	15,504	96,685
Female Borrowers	21,830	2,278	24,108
Recovery Rate	100 %	100 %	100 %
New Clients	10,394	1,195	11,589
Amount Disbursed	824.04 M	60.55 M	884.59 M

Commercial Microfinance IFL Scheme Cumulative

Funding portfolio – Source of funds



Total: 491,167,644

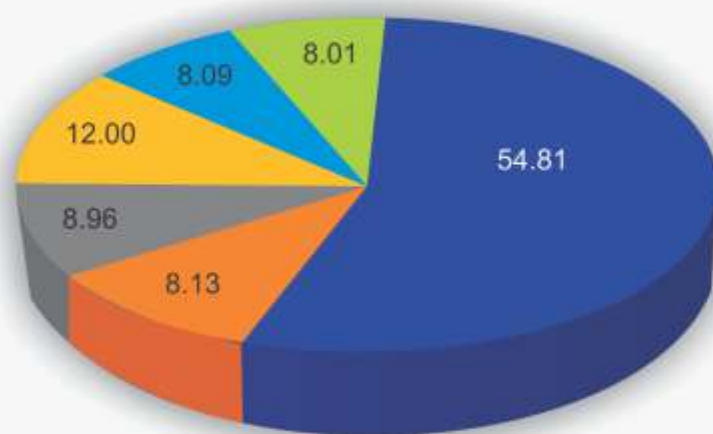
Product Mix

Our Products

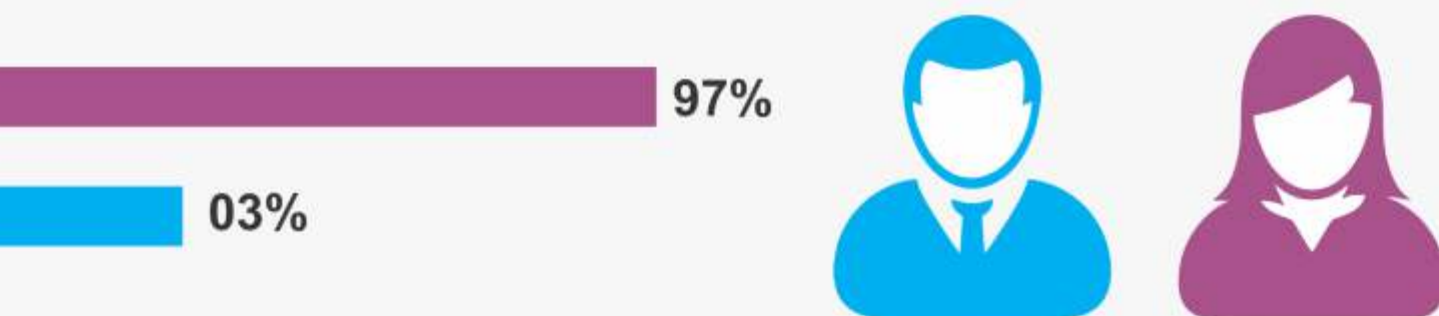
	General Loan	Agriculture Loan	Livestock Loan	Micro Enterprise	IFL Loan	Renewable Energy
Amount Disbursed (PKR in Million)	477.15	84.14	2050.49	8.02	60.55	0.43
Active Clients	14,055	892	7,247	155	2,328	88
Outstanding Loan Portfolio (PKR in Million)	273.60	36.06	144.44	3.50	30.42	0.153

Sectorial Distribution Percentage of OLP

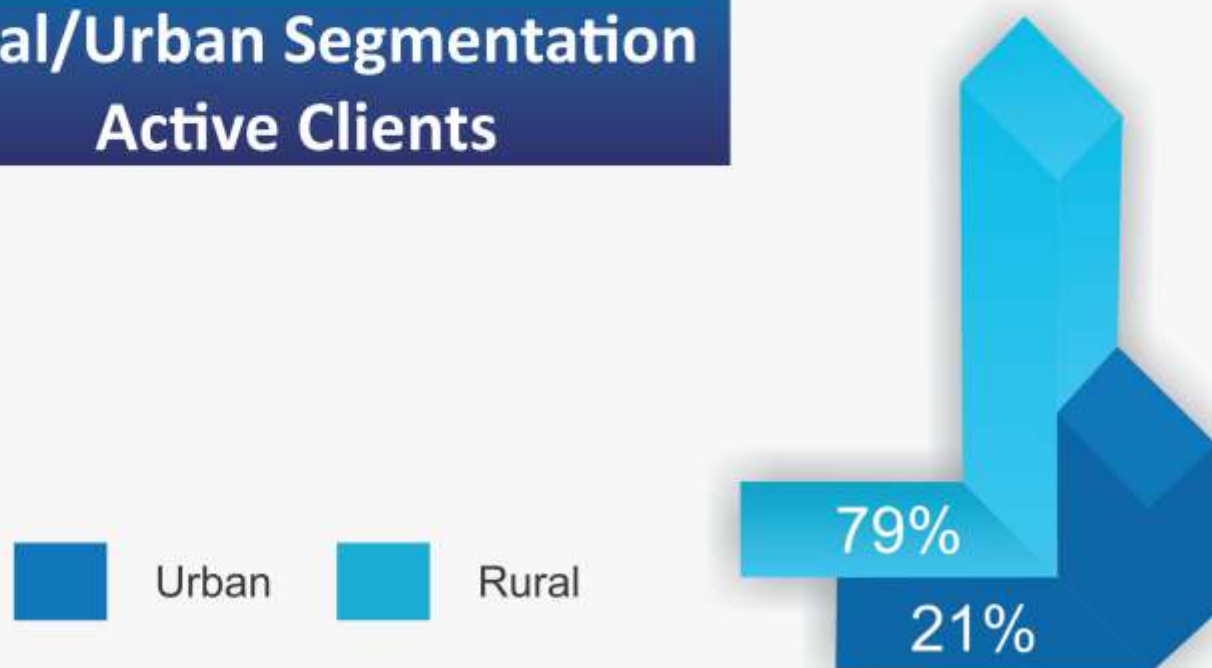
- Livestock
- Agriculture
- P/T
- Commerce
- Vocational
- Others



Gender Wise Distribution Active Clients



Rural/Urban Segmentation Active Clients

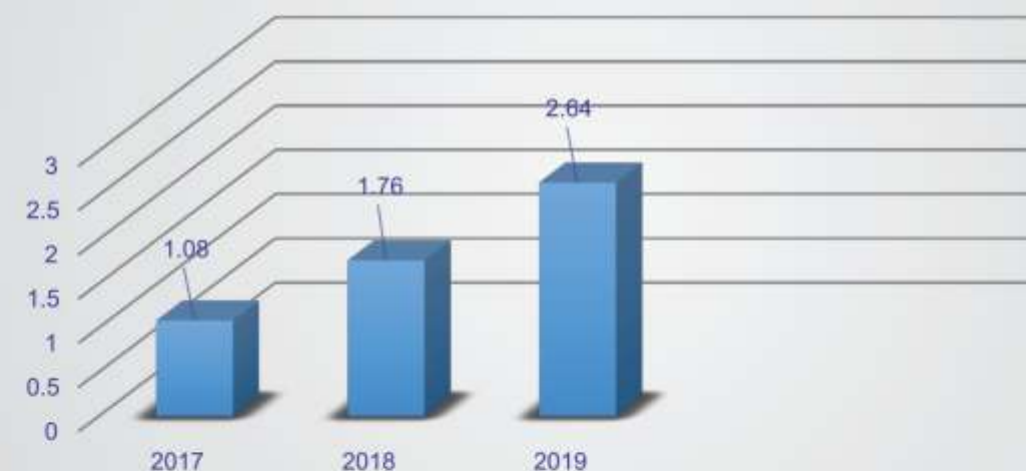


Commercial Microfinance

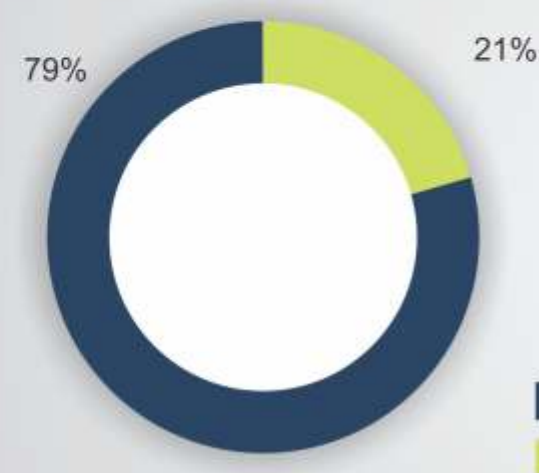
Active Clients & OLP Growth Analysis



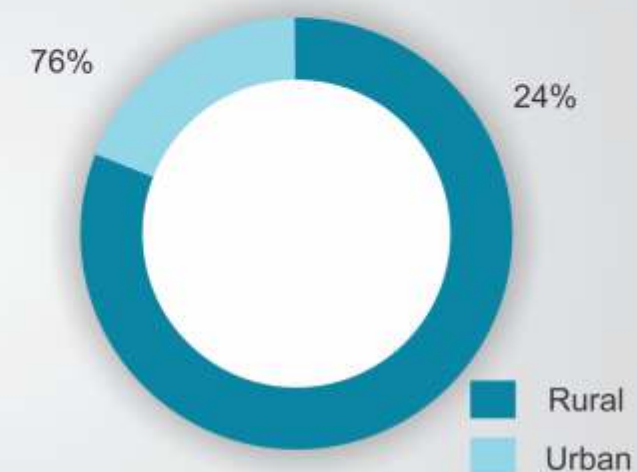
Gross Amount Disbursed (Billions)



Active Portfolio Distribution

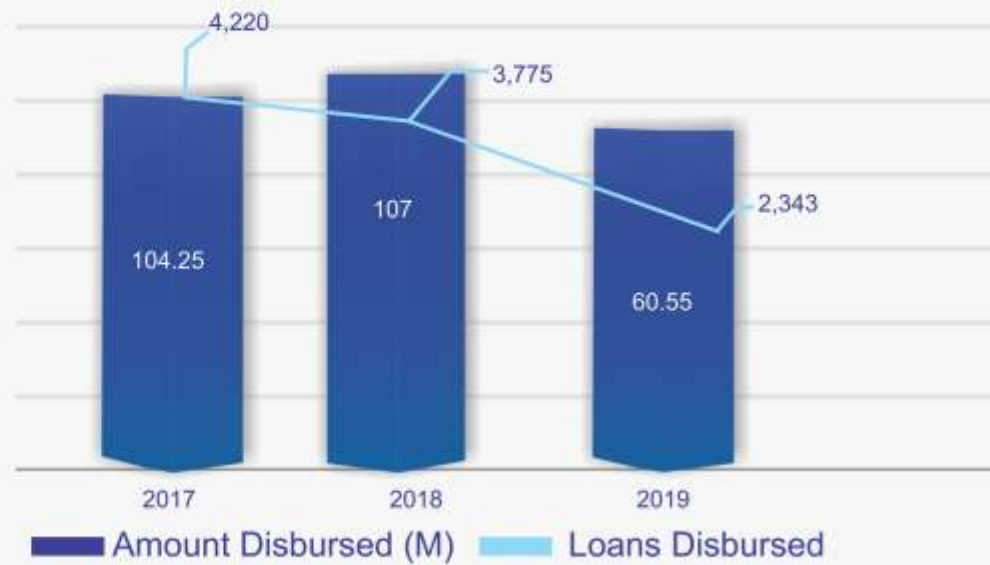


OLP Distribution



Interest Free Loan Scheme

Progress of Loans & Amount Disbursed



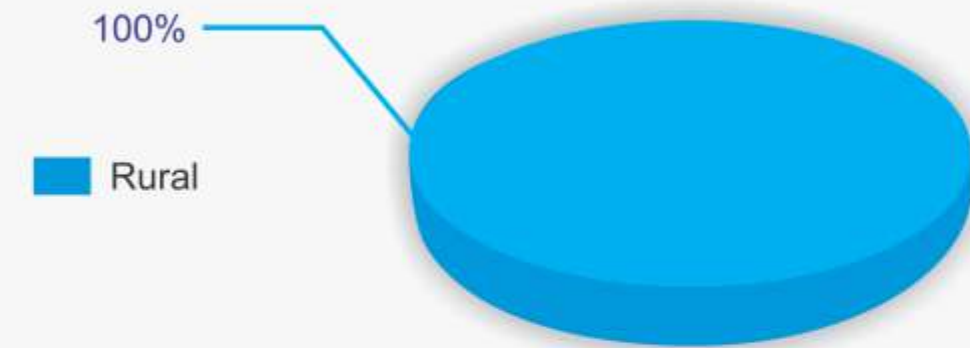
Active Clients & OLP Growth Analysis



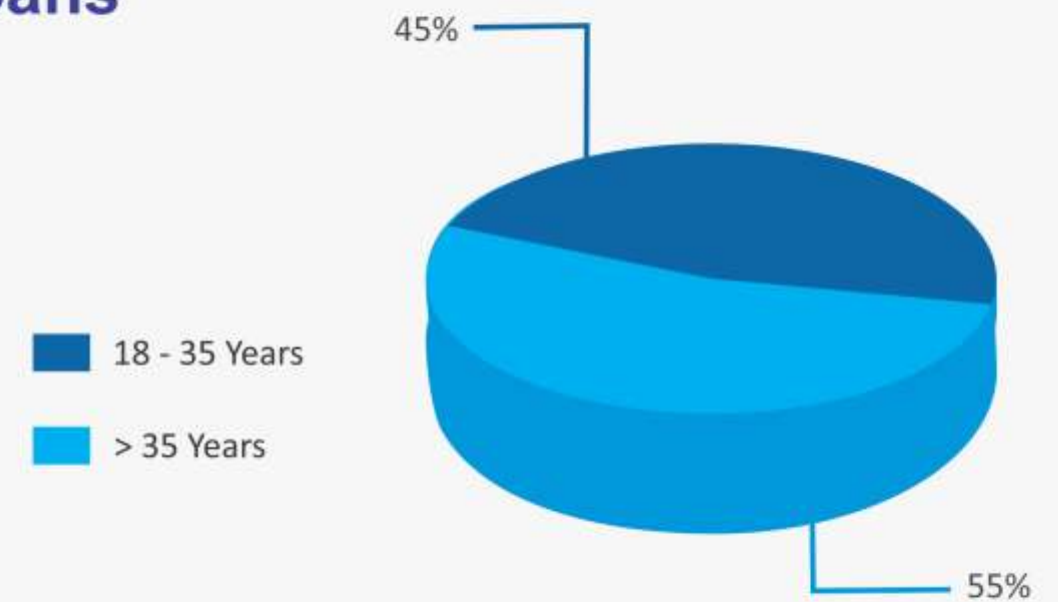
Active Clients Distribution



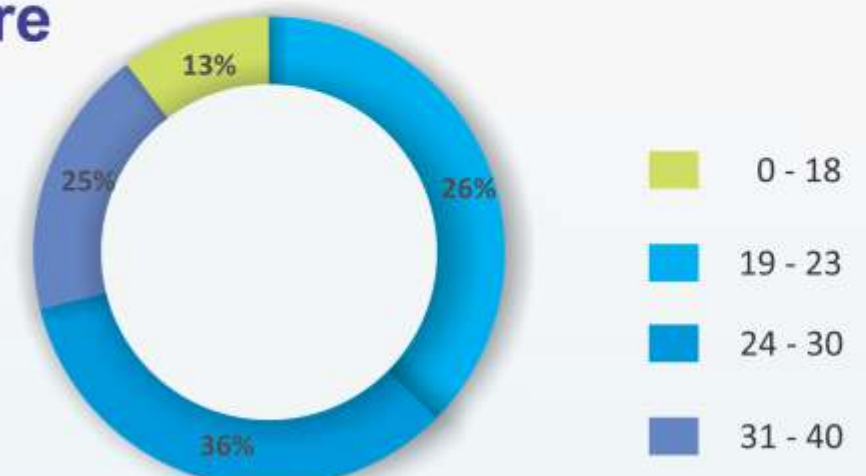
OLP Distribution



Youth Loans



Poverty Score Distribution



Irshad Bibi

Irshad Bibi moved into a dilapidated house soon after her marriage with her in-laws and husband's siblings. Her husband was employed as a laborer on daily wages with a sugar mill and earning anything from 5-10 thousand a month. She has two daughters and the income was never enough to support a family of four people. A few years into her marriage, she underwent an operation for hernia, and has had three operations so far. The cost of the operations was in the range of 20-25 thousand plus additional expenses on regular check-ups and treatments. Her husband often had to borrow money from friends and family members in order to support the family and take care of his ailing wife. There were times when they had no money to eat and would end up consuming leftover meals from the day before. Her brother in law would often help out in dire times, but he had his own family and responsibilities to take care of. Irshad Bibi did not want to live like this forever and wanted to provide the best upbringing for her children. Despite her medical condition, she wanted to do something for her family. She was told about the PMIFL scheme by a neighbor who suggested she get in touch with Agahe Pakistan in this regards. Irshad met with a representative of Agahe Pakistan and shared her plans of setting up a general store in her house. The house is located on the main road linking a few villages, and this would be a very strategic spot for a general store. After completion of her documents, she was granted a loan of Rs.25,000 initially. With this money, she purchased some basic items to be stocked in the store and started her business. The community that she is based in were her regular customers. They did not have to go far any more. Also, people commuting on the main road to other villages would also stop by to purchase items from her store. Within a short span of time, her sales began to increase as did her income. Before the completion of the first cycle, she was able to save a decent amount of money, and combined with a committee, she also managed to purchase a cow. She reapplied for the PMIFL and was granted Rs. 30,000, which she used to add more stock to the store, and bought a second cow. She has two cows now which she plans to sell at a profit when they have come of age. She is in her third cycle with Agahe Pakistan PMIFL scheme and proudly confirms that her business is doing very well. Her monthly sales are in the range of 45-50 thousand with savings around 20,000. The store is visited by suppliers and vendors throughout the week due to its location, and as a result of this venture, Irshad Bibi has learned a thing or two about how to manage the inventory of different items.



Batool Bibi

Batool Bibi is a mother of two girls of which one is handicapped and is two and a half years old. After her marriage, she moved into her husband's house which was in very bad condition. Her husband is an electrician who was earning a meagre 6,000 per month. His income was not sufficient to support an entire family with six mouths to feed.

On top of that, their younger daughter needed frequent medical treatment due to her handicapped condition, and a major portion of his income was spent on her treatment. He tried his best to make ends meet by working long hours but there was hardly any change in his income. All he had was a bag of tools and a bicycle to commute long distances and would call on people in the community to ask for any repairs, maintenance works, etc. Batool Bibi had no skills as such, no experience of stitching or handicrafts, but she really wanted to play her role and contribute towards the betterment of the family. She was advised by a neighbor to check with Agahe Pakistan's PMIFL scheme and possibly take a loan for a business activity. She discussed the matter with her husband who agreed, and subsequently she applied for the loan. Her husband was of the view that rather than going from pillar to post in search of work, it was more profitable if he had a proper shop stocked with all kinds of relevant paraphernalia. She received her first loan amount of Rs. 30,000 which she utilized to acquire a small shop for her husband in a busy market nearby, bought some basic tools and accessories, and managed to get an extra 15,000 through a committee and bought a calf. During the first year, her husband's monthly income began to rise and he was making roughly 10-12 thousand a month, while Batool Bibi continued to raise the calf. After a year or so, she sold the calf at a decent profit and took a second loan of Rs. 30,000 from Agahe Pakistan PMIFL scheme, which she utilized to buy another cow and a calf. Batool Bibi is in her third cycle with Agahe Pakistan and is raising her two animals and feeding them well. She is confident that upon their sale at the time of Eid, she will be able to make a decent amount of profit, and will take another loan to finally buy a full grown cow that will supply milk. In the meantime, her husband's shop is doing fairly well as he is able to save roughly 15,000 a month. The setting up of the shop in a busy location certainly has its advantages as it is visited by a lot of people.



JULY 2018

Citi-Microentrepreneurship Awards



Annual Review & Planning Conference

Annual Gala Dinner



AUGUST 2018

Staff Training on Strategic Planning for MFIs



Meeting with PMIC on growth of RE sector



SEPTEMBER 2018

September

Meeting with PMIC/KFW on RE growth and challenges



Staff Training on Risk Management



University of Queensland's Visit to Kasur



OCTOBER 2018



October

Meeting with SIMA Funds

NOVEMBER 2018

November

PPAF Visit to Kot Addu



Report Launch Event-
ACIAR Project



Area Survey for Program Expansion

DECEMBER 2018

December
Staff Trip to
Northern Areas



Solar Sigma Visit to HO
Lahore



FEBRUARY 2019



PMIC Visit to Vehari



February
PPAF Visit to HO Lahore

JANUARY 2019

January
MOU with Harness Energy Pt
Ltd



Celebration of
400 Million OLP





CEO PMIC's Visit to Kasur



Citi-Microentrepreneurship Awards

MARCH 2019

Celebrating International Women's Day



NBP Visit to RO Vehari



APRIL 2019



Introduction of Staff Health Insurance

April

Workshop on Understanding Disability & Inclusion





MDF Visit to HO Lahore



LVC Training Sessions

MAY 2019

Regional Microfinance Boot camp-Dubai



Annual Iftar Dinner



JUNE 2019



June

MOU with Ministry of Labor

PMN Training on Client Awareness Campaigns





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INDEPENDENT AUDITOR'S REPORT

To the members of AGAHE Pakistan [A Company setup under section 42 of the Companies Ordinance, 1984 (repealed)]

Report on the Audit of the Financial Statements

Opinion:

We have audited the annexed financial statements of AGAHE Pakistan - A Company setup under section 42 of the Companies Ordinance, 1984 [repealed] (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of income and expenditure and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the surplus and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

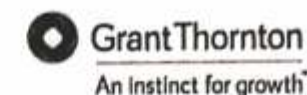
Information Other than the Financial Statements and Auditor's Report Thereon:

Management is responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements and our auditor's report thereon.

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

GRM

Chartered Accountants
 Member of Grant Thornton International Ltd
 Offices in Karachi & Islamabad



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially that there is a material misstatement. If, based on the work we have performed, we conclude misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company Management or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material misstatement if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

GRM

auditor's report. However, future events of conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements:

Based on our audit, we further report that in our opinion:

- Proper books of accounts have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- The statement of financial position, the statement of income and expenditure and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Imran Afzal.

Grant Thornton Ayaz Mahmood
Lahore

Date: October 04, 2019

AGAHE Pakistan (A Company Setup Under Section 42 of repealed Companies Ordinance, 1984) Statement of Financial Position As at June 30, 2019

Note	2019 (Rupees)	2018 (Rupees)
ASSETS		
Non-current assets		
Property and equipment	33,298,158	19,496,487
Intangible assets	354,291	416,813
	33,652,449	19,913,300
Current assets		
Micro-credit loan portfolio	467,521,737	365,008,892
Mark up accrued on loan portfolio	2,918,775	2,808,889
Advances, deposits, prepayments and other receivables	11,950,017	16,234,947
Short term investments	11,890,000	25,000,000
Cash and bank balances	21,293,062	30,303,824
	515,573,591	439,356,552
	549,226,040	459,269,852
EQUITY AND LIABILITIES		
Equity		
Endowment fund	-	12,000,000
General fund	117,202,825	61,919,893
	117,202,825	73,919,893
Non-current liabilities		
Subordinated loan from PPAF	-	8,000,000
Long term interest free loan from PPAF - PMIFL	30,495,549	64,059,526
Long term loan from PMIC	7,000,000	55,500,000
Long term loan from SBP	17,474,450	-
Long term finance from Faysal Bank	7,286,852	-
	62,256,851	127,559,526
Current liabilities		
Current portion of loan from PMIC	343,000,000	194,500,000
Current portion of subordinated loan from PPAF	8,000,000	-
Current portion of finance from Faysal Bank	3,165,273	-
Current portion of loan from PPAF	-	22,000,000
Short term borrowings	-	28,797,110
Mark-up payable on loans	14,042,691	5,791,824
Other payables	1,558,400	6,701,499
	369,766,364	257,790,433
Contingencies and commitments	-	-
	549,226,040	459,269,852

The annexed notes 1 to 36 form an integral part of these financial statements.

GAH

[Signature]

Director

Bank

Chief Executive Officer

Statement of Income and Expenditure
For the year ended June 30, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Commercial Microfinance Program			
Mark-up income on micro-credit loan portfolio		126,736,949	81,271,878
Loan processing fee		20,667,176	16,113,845
Return on deposits	21	3,859,953	2,604,764
Other income	25	1,777,866	1,771,503
		153,041,944	101,761,990
Direct cost - program cost	22	(65,450,836)	(50,610,853)
Finance cost	23	(43,938,228)	(21,893,471)
Provision for doubtful debts	6.5.1	(6,924,945)	(5,928,230)
Administrative expenses	24	(11,975,251)	(8,858,357)
Other expenses	26	-	(1,134,677)
		(128,289,260)	(88,425,588)
		24,752,684	13,336,402
Prime Minister Interest Free Loan (PMIFL) Program			
Income from PMIFL program	27	32,005,082	7,490,750
Program cost - PMIFL program	28	(7,865,711)	(7,241,962)
Finance cost - Amortisation on interest free loan	12	(6,202,208)	(4,135,132)
Provision for doubtful debts	6.5.1	593,085	(99,710)
		(13,474,834)	(11,476,804)
		18,530,248	(3,986,054)
		43,282,932	9,350,348
Surplus before taxation	31	-	-
Taxation		43,282,932	9,350,348
Surplus after taxation			

The annexed notes 1 to 36 form an integral part of these financial statements.

4/8/19

Director

Chief Executive Officer

Statement of Cash Flows
For the year ended June 30, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Cash flows from operating activities		43,282,932	9,350,348
Surplus before tax for the year			
Adjustments for non cash items:			
Depreciation	4.1	1,837,090	1,701,719
Amortization	5	62,522	27,557
Financial charges	23 & 12.1	50,140,436	26,028,603
Provision for doubtful debts	6.4	6,331,860	6,027,940
Net gain on sale of property and equipment		(983,369)	-
Present value adjustment on interest free loan	12.1	(25,707,678)	-
		31,680,861	33,785,819
Surplus before working capital changes:		74,963,793	43,136,167
Effect on cash flow due to working capital changes			
(Increase) in micro-credit loan portfolio		(108,844,704)	(123,550,135)
(Increase) in markup accrued on micro-credit loan portfolio		(109,886)	(1,023,533)
Decrease/(increase) in advances, prepayments and other receivables		4,284,930	(2,127,042)
Decrease/(increase) in other payables		(5,143,099)	2,189,791
(Decrease) in short term borrowings		(28,797,110)	(9,674,146)
		(138,609,869)	(134,185,065)
Cash (used in) operating activities		(63,646,076)	(91,048,898)
Finance cost paid		(35,687,361)	(19,556,663)
Net cash (used in) operating activities		(99,333,437)	(110,605,561)
Cash flows from investing activities:			
Purchase of fixed assets		(17,877,893)	(16,247,514)
Sale proceed from disposal of property and equipment		3,222,500	14,240
Decrease in short term investments		13,110,000	8,300,000
Net cash (outflows) from investing activities		(1,545,393)	(7,933,274)
Cash flows from financing activities:			
Proceeds received against financing		356,069,650	200,000,000
Repayment of financing		(264,201,582)	(59,833,333)
Net cash inflows from financing activities		91,868,068	140,166,667
Net (decrease)/increase in cash and cash equivalents		(9,010,762)	21,627,832
Cash and cash equivalents at the beginning of the year		30,303,824	8,675,992
Cash and cash equivalents at the end of the year	9	21,293,062	30,303,824

The annexed notes 1 to 36 form an integral part of these financial statements.

4/8/19

Director


Chief Executive Officer

AGAHE Pakistan (A Company Setup Under Section 42 of repealed Companies Ordinance, 1984)
Statement of Changes in Equity
For the year ended June 30, 2019

	Endowment fund	General fund	Total
	(Rupees)		
Balance as at July 01, 2017	12,000,000	52,569,545	64,569,545
Surplus for the year	-	9,350,348	9,350,348
Balance as at June 30, 2018	12,000,000	61,919,893	73,919,893
Balance as at July 01, 2018	12,000,000	61,919,893	73,919,893
Surplus for the year	-	43,282,932	43,282,932
Transfer from endowment fund	(12,000,000)	12,000,000	-
Balance as at June 30, 2019	-	117,202,825	117,202,825

The annexed notes 1 to 36 form an integral part of these financial statements.




Director


Chief Executive Officer