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INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Microfinance Investment Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Microfinance Investment Company Limited (the Company), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss, statement of 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 material 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 profit or loss, statement of 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 December 31, 2023 and of the profit 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 information included in the directors' report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, statement of 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;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

A. F. Ferguson & Co.

Chartered Accountants

Lahore

Dated: March 26, 2024

UDIN: AR2023101181xz67dvKt

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	5	10,495,635	5,953,365
Right of use asset	6	25,347,249	63,528,062
Intangible assets	7	1,201,787	8,212,472
Long term investments	8	622,814,068	394,200,502
Financing - net	9	12,034,064,149	13,296,040,624
Long term advances, prepayments and deposits	10	34,138,429	18,681,476
Deferred tax asset	11	500,846,138	451,254,416
Derivative financial instrument	12	499,922,627	205,810,758
		13,728,830,082	14,443,681,675
CURRENT ASSETS			
Advances, prepayments and other receivables	13	76,354,799	60,952,653
Markup accrued - receivable	14	2,452,135,116	1,395,696,824
Due from related parties	15	46,836,653	23,014,950
Lending to financial institutions (reverse repo)	16	891,503,582	1,000,255,511
Short-term investments	17	1,207,223,829	11,346,940,814
Advance tax - net	18	891,640,752	619,785,067
Current portion of financing	9	15,673,269,109	13,165,550,274
Cash and bank balances	19	223,391,927	544,663,194
		21,462,355,767	28,156,859,287
TOTAL ASSETS		35,191,185,849	42,600,540,962
SHARE CAPITAL AND RESERVES			
Share capital	20	5,884,222,000	5,884,222,000
Contribution by Shareholder - net of tax		61,647,414	77,772,080
Unappropriated profit		2,859,038,434	1,953,301,052
		8,804,907,848	7,915,295,132
NON-CURRENT LIABILITIES			
Subordinated loans	21	8,081,318,709	8,851,973,053
Loans and borrowings	22	10,500,248,238	10,665,454,114
Employee benefits	23	33,681,603	25,203,424
Subsidy payable	24	167,720,399	158,363,723
Unearned Income	25	6,751,925	6,408,079
		18,789,720,874	19,707,402,394
CURRENT LIABILITIES			
Short term borrowings	27	499,942,778	10,612,963,619
Lease liability	26	-	42,713,993
Current portion of unearned income	25	3,796,421	2,909,926
Trade and other liabilities	28	104,320,555	70,890,831
Markup accrued - payable	29	1,122,544,861	820,841,353
Current portion of subordinated loans	21	1,063,465,621	1,009,745,937
Current portion of loans and borrowings	22	4,802,486,891	2,417,777,778
		7,596,557,127	14,977,843,437
CONTINGENCIES AND COMMITMENTS	30		
TOTAL EQUITY AND LIABILITIES		35,191,185,849	42,600,540,962

The annexed notes 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
Income	31	8,447,163,445	4,898,482,168
Finance cost	32	(6,264,648,334)	(3,407,694,876)
		2,182,515,111	1,490,787,292
Net provision on financing	9.4	(554,841,791)	(235,825,267)
		1,627,673,320	1,254,962,025
Administrative expenses	33	(509,598,384)	(430,813,402)
Other expenses	34	(46,104,027)	(67,438,520)
		(555,702,411)	(498,251,922)
Other income	35	90,543,918	54,722,667
Fair value gain on derivative	36	284,147,508	146,764,738
Profit before taxation		1,446,662,335	958,197,508
Income tax expense	37	(551,931,154)	(325,412,602)
Profit for the year		894,731,181	632,784,906

The annexed notes 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
Profit for the year		894,731,181	632,784,906
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability	23.2	205,036	3,086,468
Items that may be reclassified to profit or loss:			
Remeasurement of available for sale-U Microfinance Bank Limited TFC		1,842,200	12,594,039
Remeasurement of available for sale-Treasury Bills		1,553,552	-
		3,395,752	12,594,039
Other comprehensive income - net of tax		3,600,788	15,680,507
Total comprehensive income for the year		898,331,969	648,465,413

The annexed notes 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Capital reserve - Contribution by Shareholder - net	Revenue reserves - Accumulated Gain	Total equity
		(Rupees)		
Balance at January 01, 2022	5,884,222,000	92,699,720	1,295,720,834	7,272,642,554
Total comprehensive income for the year				
Profit for the year	-	-	632,784,907	632,784,907
Other comprehensive loss for the year-net of tax	-	-	15,680,507	15,680,507
Total comprehensive income for the year	-	-	648,465,414	648,465,414
Deferred tax on contribution by KfW		(5,812,836)		(5,812,836)
Excess finance costs under subordinated loan arrangement		(9,114,804)	9,114,804	-
Balance at December 31, 2022	5,884,222,000	77,772,080	1,953,301,052	7,915,295,132
Total comprehensive income for the year				
Profit for the year	-	-	894,731,181	894,731,181
Other comprehensive income for the year - net of tax	-	-	3,600,788	3,600,788
Total comprehensive income for the year	-	-	898,331,969	898,331,969
Deferred tax on contribution by KfW	-	(8,719,253)	-	(8,719,253)
Excess finance costs under subordinated loan arrangement	-	(7,405,413)	7,405,413	-
	-	(16,124,666)	7,405,413	(8,719,253)
Balance at December 31, 2023	5,884,222,000	61,647,414	2,859,038,434	8,804,907,848

The annexed notes 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operating activities before working capital changes	38	(440,648,170)	(394,348,918)
Changes in working capital:			
Financing - net		(1,800,584,150)	(2,555,851,934)
Long term advances and deposits		(15,456,953)	13,397,617
Advances, prepayments and other receivable		(15,402,147)	(29,110,265)
Investments		(117,316,169)	1,283,005,807
Increase in unearned income		1,230,341	(5,504,382)
Trade and other payables		34,768,213	10,874,826
		(1,912,760,865)	(1,283,188,331)
Cash used in operations		(2,353,409,035)	(1,677,537,249)
Taxes paid		(884,268,864)	(563,078,888)
Finance cost paid		(5,665,430,363)	(2,530,939,248)
Staff retirement benefit - gratuity paid		(8,395,393)	(9,253,506)
Staff retirement benefit - Compensated absences		(2,896,554)	(775,639)
Receipt of markup on financing		5,605,418,966	3,709,772,633
Receipts of profit on deposit accounts		100,423,121	73,169,989
Receipt of markup on reverse repurchase (repo) transactions		197,973,394	94,846,704
Receipt of markup on treasury bills		817,183,530	118,611,501
Receipt of markup on Pakistan Investment Bonds (PIBs)		525,981,989	43,877,770
Receipt of markup on Term Finance Certificates (TFCs)		137,267,488	132,979,600
Receipt of grant income		26,253,955	11,583,538
Net cash used in operating activities		(1,503,897,766)	(596,742,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(9,671,660)	(3,963,289)
Proceeds from disposal of property and equipment		202,056	-
Net redemption/ (investments) in Available For Sale (AFS) securities		10,032,885,281	(9,809,820,526)
Net cash generated from / (used in) investing activities		10,023,415,677	(9,813,783,815)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipt of loans and borrowings		2,219,503,237	1,785,611,112
Net (payment) / receipt of short term borrowings		(10,113,020,841)	9,328,264,164
Net repayment of subordinated loans		(1,009,745,939)	(1,135,355,847)
Lease rentals paid		(46,277,564)	(42,070,511)
Net cash (used in) / generated from financing activities		(8,949,541,107)	9,936,448,918
Net decrease in cash and cash equivalents		(430,023,196)	(474,077,692)
Cash and cash equivalents at beginning of the year		1,544,918,705	2,018,996,397
Cash and cash equivalents at end of the year	42	1,114,895,509	1,544,918,705

CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Pakistan Microfinance Investment Company Limited ("the Company") was incorporated on August 10, 2016 under the Companies Ordinance, 1984 (now the Companies Act, 2017) as a public unlisted company. The Company is licensed to carry out investment finance services as a Non-Banking Finance Company ("NBFC") under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the NBFC Rules") and Non-Banking Finance Companies and Notified Entities Regulations 2008 ("the NBFC Regulations").

The Company was setup jointly by Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan and KfW, a German development company, to catalyze and lead the next phase of growth in the microfinance sector of Pakistan. The purpose of the Company is to provide a wide range of financial services, including wholesale funding to microfinance institutions and microfinance companies to promote financial inclusion in Pakistan in order to alleviate poverty and contribute to broad based development.

The registered office of the Company is situated at 21st floor, Plot 55 C, Ufone Tower, Jinnah Avenue (Blue Area), Islamabad, Pakistan.

The Pakistan Credit Rating Agency (PACRA) has maintained the Company a rating of 'AA' (long term credit rating) and 'A1+' (short term credit rating) on June 23, 2023.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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') issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and notified entities Regulations, 2008 (here-in-after mentioned as 'the NBFC rules and NBFC regulations");

- Directives issued by the Securities and Exchange Commission of Pakistan ("SECP"); and

- Provisions of and directives issued under the Companies Act, 2017.

Where the requirements of the Companies Act, 2017, the NBFC rules and NBFC regulations and the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the NBFC Rules and NBFC Regulations, or the requirements of the said directives shall prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 **Standards, amendments and interpretations to approved accounting standards that are effective in current year or have been early adopted by the Company**

Certain standards, amendments and interpretations to IFRS are effective for accounting period beginning on January 01, 2023 but are considered not to be relevant to the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

a) Narrow scope amendments to International Accounting Standard (IAS) 1, IFRS Practice Statement 2 and IAS 8

The IASB amended IAS 1 to require entities to disclose their 'material' rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 'Making Materiality Judgements') from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in note 3 to the financial statements.

2.2.2 **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2024 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) Amendment to International Accounting Standard (IAS) 1, 'Non-current liabilities with covenants' (effective for annual period beginning on January 1, 2024)

The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. Covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. Covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The Company is yet to assess the impact of these amendments on its financial statements.

(b) International Financial Reporting Standard (IFRS) S1, 'General requirements for disclosure of sustainability-related financial information and International Financial Reporting Standard (IFRS) S2, 'Climate-related disclosures' (effective for annual period beginning on January 1, 2024)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

IFRS S1 requires entities to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reporting in making decisions relating to providing resources to the entity. The standards provide guidance on identifying sustainability-related risks and opportunities, and the relevant disclosures to be made in respect of those sustainability-related risks and opportunities.

IFRS S2 is a thematic standard that builds on the requirements of IFRS S1 and is focussed on climate-related disclosures. IFRS S2 requires an entity to identify and disclose climate-related risks and opportunities that could affect the entity's prospects over the short, medium and long term. In addition, IFRS S2 requires entities to consider other industry-based metrics and seven cross-industry metrics when disclosing qualitative and quantitative components on how the entity uses metrics and targets to measure, monitor and manage the identified material climate-related risks and opportunities. The cross-industry metrics include disclosures on greenhouse gas (GHG) emissions, transition risks, physical risks, climate-related opportunities, capital deployment, internal carbon prices and remuneration.

The aforementioned standards have not been notified locally or declared exempt, in relation to the Company, by the Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2023.

2.2.3 Exemption from applicability of certain standards

(a) Adoption of IFRS 9, 'Financial instruments'

The SECP, through SRO 1827(I)/2002 dated September 29, 2022, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2024. IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Company which are exposed to credit risk. The Company is in the process of assessing the full impact of this standard and the Company awaits final guidelines from pertinent regulators for application of some aspects of IFRS 9.

(b) Amendment of IAS 40, 'Investment property'

The SECP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services, with the direction that such companies shall continue observing the State Bank of Pakistan's BSD Circular Letter No. 11 dated 11 September 2002, regarding the application of said IAS, till further decision.

(c) Amendment of IFRS 07, 'Financial Instruments'

The SECP has deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

2.3 Basis of measurement and preparation

2.3.1 Accounting convention

These financial statements have been prepared under historical cost convention except as otherwise stated.

2.4 Use of estimates and judgments

In preparing these financial statements in accordance with approved accounting standards, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements.

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) Note 4.7.3 and 23 - measurement of defined benefit obligations: key actuarial assumptions

(ii) Note 3.6, 11 and 37 - recognition of deferred tax assets and estimation of income tax provision

(iii) Note 3.4, 8 and 17 - classification of investments

(iv) Note 3.4, 12 and 36 – measurement of fair value of derivative financial statements

(v)Note 4.3, 20, 21 and 24 – identification and initial measurement of compound financial instruments

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies set out below have been applied consistently to all periods presented in these financial

3.1 Property, plant and equipment

3.1.1 Owned

Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs (if any), less accumulated depreciation and any accumulated impairment losses except for capital work in progress and advances for capital expenditures which are stated at cost less impairment loss, if any. Cost comprises of purchase price and other directly attributable costs less undable taxes.

Capital work in progress and advances for capital expenditures are transferred to the respective item of property and equipment when available for intended use.

Subsequent expenditure

Subsequent expenditure is included in the assets carrying amount or recognized as separate asset only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance is charged to the profit or loss.

Depreciation

Depreciation is calculated to charge the cost of items of property and equipment less their estimated residual values using the straight-line method and is generally recognized in profit or loss at rates given in note 5 to these financial statements. Capital work in progress is not depreciated.

Depreciation on additions to property and equipment is charged on pro-rata basis from the month in which property and equipment is acquired or capitalized while no depreciation is charged for the month in which property and equipment is disposed-off / derecognized.

The Company reviews the residual values and useful lives of property and equipment on a regular basis. Any change in such estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

3.2 Lease Liability:

3.2.1 Lease liability and right of use of assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which a leased asset is available for use by the Company.

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.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term lects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely lects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.3 Lending to or borrowing from financial institutions

The Company enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

a. Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a pro-rata basis and recorded as markup expense.

b. Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lending to financial institutions. The differential between the contracted price and resale price is accrued on pro rata basis over the period of the contract and recorded as markup income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

3.4 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are derecognized when the Company ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or historical cost as the case may be.

Other particular recognition and subsequent measurement methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

Financial Assets

All the financial assets are initially recognised at fair value, being the cost of the consideration given including transaction costs associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the statement of profit or loss. Financial assets are classified as:

- Financial asset at fair value through profit or loss - held for trading;
- Held to maturity financial assets;
- Available-for-sale financial assets; or
- Financing

(a) Financial asset at fair value through profit or loss - held for trading

Investments which are acquired principally for the purposes of selling in the near term and are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking are classified as 'at fair value through profit or loss' - held for trading.

These investments are initially recognised at fair value, being the cost of the consideration given. The transaction costs associated with the financial assets classified as 'at fair value through profit or loss' are charged off to the statement of profit or loss currently.

After initial recognition, these investments are remeasured at fair value determined with erence to the period end quoted rates. Gains or losses on remeasurement of these financial assets are recognised in the statement of profit or loss.

(b) Held to maturity financial assets

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are stated at amortised cost. Provision for impairment in value, if any, is taken to the statement of profit or loss. Premiums and discounts on these investments are amortised using the effective interest rate method and taken to the statement of profit or loss.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories. Subsequent to initial recognition, they are measured at fair value and changes therein, if any are recognised in other comprehensive income until derecognised or impaired, when the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of profit or loss. However, unquoted investments are stated at cost less impairment losses, if any.

(d) Financing

Financing comprises of installment finance facilities extended to microfinance institutions and banks. Financing is stated net of provision for non-performing financing, if any, determined as per requirements of NBFC rules and regulations, and the policy of the Company. The outstanding principal and mark-up of the financing, payments against which are overdue for 90 days or more are classified as non-performing loans (NPLs). The unrealized interest / profit / mark-up / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into following categories as prescribed in the Regulations.

Substandard

These are financing, payments against which are overdue for 180 days or more but less than a year.

Doubtful

These are financing, payments against which are overdue for one year or more but less than 1.5 years.

Loss

These are financing, payments against which are overdue for 1.5 years.

In accordance with the Regulations, the Company maintains specific provision of outstanding principal net of liquid collaterals at the following rates:

Other assets especially mentioned Substandard	Nil
Substandard	25% of outstanding principal net of liquid collaterals
Doubtful	50% of outstanding principal net of liquid collaterals
Loss	100% of outstanding principal net of liquid collaterals

General provision

The Risk Management function of the Company regularly conducts assessments of the portfolio to identify borrowers most likely to be affected due to changes in the business and economic environment. The Company expects that its borrowers will continue to be impacted due to significant increase in policy rate by the State Bank of Pakistan, increased inflation and decline in purchasing power of general public, however, the potential impact is difficult to predict with any degree of certainty.

Derecognition

All financial assets are de-recognised when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost, if applicable. Financial liabilities are derecognised at the time they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the year in which it arises.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit or loss.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

3.5 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that lects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.6 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income as the case may be.

Current tax

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. Where there is uncertainty in income tax accounting i.e. when it is not probable that the tax authorities will accept the treatment, the impact of the uncertainty is measured and accounted for using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty. Such judgements are reassessed whenever circumstances have changed or there is new information that affects the judgements. Where, at the assessment stage, the taxation authorities have adopted a different tax treatment and the Company considers that the most likely outcome will be in favour of the Company, the amounts are shown as contingent liabilities. In making a judgment and / or estimate relating to probability of outcome, the management considers laws, statutory rules, regulations and their interpretations. Where, based on management's estimate, a provision is required, the same is recorded in the financial statements.

Deferred tax

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items charged or credited to equity or other comprehensive income, in which case it is included in the statement of changes in equity or statement of other comprehensive income as the case may be.

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.7 Finance income and finance cost

Finance income comprises profit on deposit accounts. Markup income is recognized as it accrues in profit or loss, using contractual rates.

Finance costs comprise of markup expense on subordinated loans, borrowings, unwinding of subsidy payable, bank charges and foreign exchange gain/loss on any foreign currency denominated loan/ borrowing. Borrowing costs (except on subordinated loan from KfW and unwinding subsidy payable) that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using contractual rates. Unwinding of subsidy payable and finance cost on subordinated loan are recognized in profit or loss using effective markup method.

3.8 Revenue recognition

Mark-up / income on financing

Markup income / return on financing is recognized on a time proportion basis using the contractual rates except the markup income / return on non-performing financing which is recognized on a receipt basis in accordance with the requirements of the NBFC rules and NBFC regulations issued by the SECP. Return / markup on rescheduled / restructured financing is recognized as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.

Income from investment

Mark-up / return on investments is recognized on time proportion basis using contractual rates. Where debt securities are purchased at premium or discount, the related premiums or discounts are amortized through the profit or loss over the remaining period of maturity of said investment. Gain or loss on sale of investment is accounted for in the period in which the sale occurs.

Income on bank deposits

Return on bank deposits are recognized on time proportionate basis.

3.9 Impairment

3.9.1 Financial assets

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on the terms that the Company would not consider otherwise and indication that a debtor will enter bankruptcy.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. For financial assets measured at amortized cost, the Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective markup rate. Losses are recognized in profit or loss and lected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

An impairment loss is recognized in profit or loss and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3.10 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.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost in case of local currency and at closing exchange rate in case of foreign currency. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, balances with bank and reverse repurchase transactions.

3.12 Financial instruments

Compound instruments

In accordance with requirements of IAS 32 'Financial Instruments: 'Presentation', the Company assess whether a financial instrument meets the definition of financial liability or equity and recognizing the financial instrument accordingly. If the financial instrument is a compound instrument, the Company recognizes each component separately with the equity component representing the residual amount after deducting the fair values of liabilities component from the consideration. Such equity component is recognized as 'Contribution by Shareholder' and presented net of related deferred tax.

3.13 Markup bearing borrowings

Markup bearing borrowings are initially measured at cost being the fair value of consideration received, less attributable transaction cost. Subsequent to initial recognition, they are measured at cost less subsequent payments.

3.14 **Borrowing Cost**

Borrowing cost are recognized as an expense in the period in which they are incurred except where such cost relate to the acquisition, construction or production of a qualifying asset in which case cost are capitalized as part of the asset.☐

4 SUMMARY OF OTHER ACCOUNTING POLICIES

Other than material accounting policies applied in the preparation of these financial statements are set out below for ease of user's understanding of these financial statements. These polices have been applied consistently for all periods presented, unless otherwise stated.

4.1 **Non-financial assets**

At each reporting date, the Company reviews the carrying amount of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that lects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amounts of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.2 **Dividend and appropriation to reserves**

Dividend and other appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.3 **Revenue recognition**

Service fee

Service fee is taken to the profit or loss when the Company transfer control of services under the contract, which is either at a point in time or over the time if the customers simultaneously receives and consumes the benefits provided by the Company's performance.

4.4 **Intangible assets**

Recognition and measurement

Intangible assets with finite useful life are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands (if any), is recognized in the profit or loss as incurred.

Amortization

Amortization of intangible assets, having finite useful life, is charged by applying straight line method, so as to charge the cost of assets at amortization rate as mentioned in note 7 to the financial statements. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.5 **Foreign currency transactions and translation**

Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange approximating those ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

4.6 **Grant income**

Restricted grant

Grant received for specific purposes are classified as restricted / deferred grant. Such grant is transferred to statement of profit or loss as grant income to the extent of actual expenditure incurred there against. Expenditures incurred against committed grant but not received is accrued and recognized in income and is reflected as grant receivable only if conditions of agreement are met. Unspent portion of such grant are reflected as restricted / deferred grant in the statement of financial position.

4.7 **Employee benefits**

The accounting policies for employee benefits are described below:

4.7.1 **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.7.2 **Defined contribution plan — Provident fund**

The Company operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Company and employees at an agreed rate of salary, the fund is managed by its Board of Trustees. The contributions of the Company are charged to profit or loss.

4.7.3 **Defined benefit plan — Gratuity fund**

The Company operates a defined benefit plan comprising an funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to profit or loss. Actuarial valuations are carried out by a qualified actuarial expert using the Projected Unit Credit (PUC) Actuarial Cost Method. Net markup expense and other expenses related to defined benefit plan is recognized in profit or loss.

The present value of the obligation for gratuity depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate as per note 22.3. Any changes in these assumptions will impact the carrying value of obligations for gratuity.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in statement of other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in profit or loss.

4.7.4 **Other long-term employee benefit scheme — Compensated leave absences**

The Company operates unfunded compensated leave absences scheme covering all eligible employees completing the minimum qualifying period of service as specified in the policy of the Company. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to profit or loss. Actuarial valuations are carried out by a qualified actuarial expert using the Projected Unit Credit (PUC) Actuarial Cost Method. Net markup expense and other expenses related to other long-term employee benefit scheme is recognized in profit or loss.

4.8 **Functional and presentation currency**

These financial statements are presented in Pakistani Rupees (Rupee or PKR), which is the Company's functional currency. All amounts have been rounded off to the nearest rupee, unless otherwise indicated.

5 Property, plant and equipment

	Office equipment	Computers	Furniture	Leasehold Improvements	Vehicles	Total
				(Rupees)		
Net carrying value basis						
Year ended December 31, 2023						
Opening net book value (NBV) as at January 01, 2022	766,562	4,544,430	380,159	111,548	150,666	5,953,365
Additions (at cost) during the year	322,468	8,304,192	1,045,000	-	-	9,671,660
Disposals (at NBV) during the year	-	(79,806)	-	-	-	(79,806)
Depreciation charge	(426,497)	(4,204,187)	(213,702)	(54,532)	(150,666)	(5,049,584)
Closing net book value (NBV)	662,533	8,564,629	1,211,457	57,016	-	10,495,635
Gross carrying value basis						
As at December 31, 2023						
Cost	4,361,143	25,257,976	9,052,147	17,294,220	4,327,588	60,293,074
Accumulated depreciation	(3,698,610)	(16,693,347)	(7,840,690)	(17,237,204)	(4,327,588)	(49,797,439)
Net book value (NBV)	662,533	8,564,629	1,211,457	57,016	-	10,495,635
Depreciation rate per annum	20%	33.33%	20%	20%	20%	
Net carrying value basis						
Year ended December 31, 2022						
Opening net book value (NBV) as at January 01, 2022	1,198,072	4,750,008	741,835	1,181,755	761,407	8,633,077
Additions (at cost) during the year	189,919	3,647,000	126,370	-	-	3,963,289
Depreciation charge	(621,429)	(3,852,578)	(488,046)	(1,070,207)	(610,741)	(6,643,001)
Closing net book value (NBV)	766,562	4,544,430	380,159	111,548	150,666	5,953,365
Gross carrying value basis						
As at December 31, 2022						
Cost	4,038,675	19,619,784	8,007,147	17,294,220	4,327,588	53,287,414
Accumulated depreciation	(3,272,113)	(15,075,354)	(7,626,988)	(17,182,672)	(4,176,922)	(47,334,049)
Net book value (NBV)	766,562	4,544,430	380,159	111,548	150,666	5,953,365
Depreciation rate per annum	20%	33.33%	20%	20%	20%	

	Note	2023 (Rupees)	2022 (Rupees)
6 RIGHT OF USE ASSET			
Cost			
Balance at January 01		195,374,460	197,204,077
Modification during the period		-	(1,829,617)
Balance at December 31		195,374,460	195,374,460
Depreciation			
Balance at January 01		131,846,398	93,511,939
Charge for the year	33	38,180,813	38,334,459
Balance at December 31		170,027,211	131,846,398
Net book value		25,347,249	63,528,062
Depreciation rate per annum		37.5%	37.5%

6.1 This represents right of use assets (ROUA) (office premises) obtained on lease. This is depreciated at 37.50% per annum starting from the year ended December 31, 2019.

	Note	2023 (Rupees)	2022 (Rupees)
7 INTANGIBLE ASSETS			
Cost			
Balance at January 01		22,024,055	22,024,055
Additions during the year		-	-
Balance at December 31		22,024,055	22,024,055
Amortization			
Balance at January 01		13,811,583	6,800,900
Charge for the year	33	7,010,685	7,010,683
Balance at December 31		20,822,268	13,811,583
Net book value		1,201,787	8,212,472
Amortization rate per annum		33.33%	33.33%

7.1 This represents accounting software of the Company.

		Note	2023 (Rupees)	2022 (Rupees)
8	**LONG TERM INVESTMENTS**			
	Held to maturity			
	Pakistan Investment Bonds	8.1	422,847,403	144,200,502
	Term Finance Certificates			
	- Askari Bank Limited	8.2	100,000,000	100,000,000
	- U Microfinance Bank Limited	8.3	150,000,000	383,333,333
	Current Portion of U Microfinance Bank Limited TFC		(150,000,000)	(233,333,333)
			-	150,000,000
	- JS Bank Limited		99,993,333	-
	Current Portion of JS Bank Limited TFC	8.4	(26,668)	-
			99,966,665	-
			622,814,068	394,200,502

8.1 The face value of these Pakistan Investment Bonds (PIBs) amounts to Rs. 517 million (2022: Rs.150 million). These carry effective markup rates ranging from 19.79% to 20.87% (2022: 8.77% to 11.51%) per annum having maturity dates falling in the month of July 2026 (2022: month of August 2023 to August 2024).

8.2 This represents investment in rated, unsecured, subordinated and privately placed Term Finance Certificates issued by Askari Bank Limited with a face value of Rs. 1,000,000 each, carrying markup of 3-months KIBOR plus 120 bps for the tenor of 10 years (2022: 3-months KIBOR plus 120 bps for tenure of 10 years) payable on quarterly basis, while principal redemption will be made in the last four quarters of the issue term. The investment will mature in March 2030.

8.3 This carries effective markup rate of 6 month KIBOR plus 1.35% per annum (2022: 6 month KIBOR plus 1.35% per annum) having maturity started from December 2022 in six equal semi-annual installments. Refer to note 17.3 to these financial statements.

8.4 This carries effective markup rate of 3 month KIBOR plus 2% per annum having maturity starting from November 2023 and ending in August 2033.

9 FINANCING - NET

Financing to microfinance institutions, microfinance banks and retailers - markup bearing:

	Note	2023 (Number)	2023 (Rupees)	2022 (Number)	2022 (Rupees)
Financing - Gross	9.1	40	29,082,875,869	34	27,940,291,676
Less:					
Current maturity			(15,673,269,109)		(13,165,550,274)
General provision	9.2		(1,121,542,070)		(690,568,928)
Specific provision	9.3	5	(254,000,541)	5	(788,131,850)
Total Provision			(1,375,542,611)		(1,478,700,778)
			12,034,064,149		13,296,040,624

9.1 This includes unsecured loans extended to FINCA Microfinance Bank Limited amounting to Rs. 800 million (2022: Rs 800 million) and Khushhali Microfinance Bank Limited amounting to Rs. 1,400 million (2022: Rs 1,400 million) under subordinated debts agreement. Loan terms are mentioned below:

	FINCA Microfinance Bank Limited	Khushali Microfinance Bank Limited	Khushali Microfinance Bank Limited
Disbursement date	20 December 2019	18 June 2021	27 December 2019
Total loan facility (Rs.)	800,000,000	600,000,000	800,000,000
Outstanding balance (Rs.)	800,000,000	600,000,000	800,000,000
Mark-up rate	6m KIBOR + 3%	6m KIBOR + 2.7%	6m KIBOR + 2.7%
Grace period	5 years and 6 months	8 years	5 years
Repayment method	6 semi-annual installments	12 quarterly installments	12 quarterly instalments
Due date of last instalment	30 September 2027	30 June 2029	31 December 2027

9.2 General provision ranges between 3.25% to 5.50% (2022: 1% to 20.00%) of the individual outstanding balances of funded and non-funded facilities net of specific provision; based on the internal risk rating of the individual borrowers and as per the provision rates approved by Board of Directors.

9.3 Particulars of non-performing financing	Note	Provision rate	2023 Amount outstanding	2023 Provisions required	2023 Provisions held	2022 Amount outstanding	2022 Provisions required	2022 Provisions held
				(Rupees)			(Rupees)	
Category of classification								
Other assets especially mentioned (OAEM)		0%		-	-	161,185,267	-	-
Sub-standard		25%		-	-		-	-
Doubtful		50%		-	-		-	-
Loss	9.5	100%	261,660,942	254,000,541	254,000,541	798,856,409	788,131,850	788,131,850
			261,660,942	254,000,541	254,000,541	960,041,676	788,131,850	788,131,850

9.4 Particulars of provision against financing	2023 Specific	2023 General	2023 Total	2022 Specific	2022 General	2022 Total
		(Rupees)			(Rupees)	
Balance at 01 January	788,131,850	690,568,928	1,478,700,778	760,062,178	482,813,333	1,242,875,511
Provision charge	123,868,649	430,973,142	554,841,791	28,069,672	207,755,595	235,825,267
Bad debts written off during the year	(657,999,958)	-	-			
Balance at 31 December	254,000,541	1,121,542,070	2,033,542,569	788,131,850	690,568,928	1,478,700,778

9.5 This includes financing amounting to Rs. 53.6 million (2022: Rs. 711.6 million) to BRAC-Pakistan (BRAC-PK). On March 05, 2019, Securities and Exchange Commission of Pakistan (SECP) issued a show cause notice to BRAC-PK for revocation of license. On April 04, 2019, SECP revoked BRAC-PK's license and its operations were suspended. On 27 May 2019, SECP appointed an administrator to manage the affairs of BRAC-PK and to transfer assets and liabilities of BRAC-PK to another similar entity. The transfer of assets and liabilities could not materialize. SECP has filed a lawsuit for the liquidation of BRAC-PK whereby the High Court appointed an official liquidator. Considering the above-mentioned factors and uncertainty regarding the recoverability of the receivable amount, the portfolio has been classified on a subjective basis. Accordingly, Rs. 658 million has been written off during the year and 100% provision has been maintained on the outstanding portfolio. The Company had also filed a recovery lawsuit in Islamabad High Court in December 2019 which is sub-judice.

		Note	2023 (Rupees)	2022 (Rupees)
10	**LONG TERM ADVANCES, PREPAYMENTS AND DEPOSITS - Considered good**			
	Advances to employees	10.1	46,383,124	29,955,309
	Less: Current portion	13	(21,304,245)	(21,612,029)
			25,078,879	8,343,280
	Long term prepayment - transaction charges		4,333,474	5,694,651
	Less: Current portion	13	(1,278,644)	(1,361,175)
			3,054,830	4,333,476
	Security deposits	10.2	6,004,720	6,004,720
			34,138,429	18,681,476

10.1 These represent markup free advances against salaries extended to employees; repayable within a period of maximum twenty four to thirty six months from the month of disbursement, in accordance with the human resource policy of the Company.

10.1.1 Long-term advances include advances to Key Management Personnel of Rs 36,304,017 (2022: Rs 19,497,216).

10.2 This represents security deposits against leased premises and employee fuel cards.

		2023 (Rupees)	2022 (Rupees)
11	**DEFERRED TAX ASSET**		
	Deferred tax asset		
	Accelerated tax depreciation & Amortization	2,341,894	4,135,744
	Loss allowance on financing to microfinance institutions	536,461,612	487,971,257
	Deferred liability - Leases	1,767,940	3,655,372
	Loss allowance on investments	(7,372,221)	(11,748,955)
	Capital contribution under below-market loan	(39,397,480)	(38,305,652)
	Deferred liability - employee benefits	7,044,393	5,546,650
		500,846,138	451,254,416

11.1 The gross movement in net deferred tax asset during the period is as follows:

	2023	2022
Opening balance	451,254,416	330,461,774
Credited to statement of profit or loss	60,482,030	132,967,890
Charged to other comprehensive income	(2,171,055)	(6,362,412)
Charged to equity	(8,719,254)	(5,812,836)
Closing balance	500,846,137	451,254,416

12	DERIVATIVE FINANCIAL INSTRUMENT	Note	2023 (Rupees)	2022 (Rupees)
	Mark to Market gain / (loss)	12.1	499,922,627	205,810,758

12.1 This represents mark to market gain (2022: Gain) on cross currency interest rate swap. The Company entered into a cross currency interest rate swap agreement on December 01, 2020 against its exposure on fixed rate foreign currency borrowing from KfW for a period of ten (10) years. Under the cross currency swap agreement, the Company will pay interest semi annually at the applicable Karachi Inter Bank Offered Rate (KIBOR) minus 1.75% to Habib Bank Limited (HBL) and will receive fixed rate of 1% on the date of payment to KfW. Fair value of derivative represents present value of future cash flows of cross currency interest rate swap. Also refer to note 21.3 to these financial statements.

13	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2023 (Rupees)	2022 (Rupees)
	Advances			
	- Supplier	13.1	5,916,063	612,728
	- Employees	13.2	285,047	2,923,366
	- Against Micro-Finance Plus initiatives		334,848	516,155
	- Current portion of long term advances to employees	10	21,304,245	21,612,029
			27,840,203	25,664,278
	Prepayments			
	- Insurance		5,113,909	4,519,921
	- Subscriptions		1,011,218	683,519
	- Current portion of long term prepayment - transaction charges	10	1,278,644	1,361,175
			7,403,771	6,564,615
	Other receivables	13.3	41,110,825	28,723,760
			76,354,799	60,952,653

13.1 These represent advances for office supplies and advances to consultants / service providers.

13.2 These represent advances given to employees for official purposes.

13.3 This includes an amount of Rs. 40,599,664 (2022: Rs. 28,711,160) receivable from State Bank of Pakistan on account of guarantee fee reimbursable as mentioned in note 22 to these financial statements.

14	MARKUP ACCRUED - RECEIVABLE	Note	2023 (Rupees)	2022 (Rupees)
	Markup receivable on financing	14.1	2,500,937,947	1,742,616,650
	Suspended mark-up income - Wholesale	14.2	(128,649,250)	(477,932,997)
			2,372,288,697	1,264,683,653
	Markup receivable on financing - Retail		498,211	-
	Profit on investment in Treasury Bills		10,244,742	91,862,947
	Profit on reverse repo transaction		1,612,673	2,226,621
	Profit on Term Finance Certificates		4,953,465	3,390,823
	Guarantee fee receivable	14.3	20,303,400	26,780,063
	Profit on investment in Pakistan Investment Bonds		42,233,928	6,752,717
			79,348,208	131,013,171
			2,452,135,116	1,395,696,824

14.1 This represents markup accrued on financing to microfinance institutions and banks as mentioned in note 9 to these financial statements.

14.2 This represents markup income on non-performing loans as disclosed in Note 9.3 which has been suspended in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

14.3 This represents fee receivable in respect of guarentee obtained from various commercial banks against the finance facility from State Bank of Pakistan as mentioned in note 22 to these financial statements.

15 DUE FROM RELATED PARTIES - Unsecured

	Note	2023 (Rupees)	2022 (Rupees)
Grant income receivable - KfW	15.1	46,836,653	23,014,950

15.1 This represents amount claimable from KfW, a German development company (an associated undertaking) as per the agreement against consultancy services and trainings (local and international).

15.2 Age analysis of due from related parties:

	Not due	Amount past due: Past due 0-30 days	Amount past due: Past due 31-365 days	Total gross amount due	Maximum amount outstanding at any time during the year
			(Rupees)		
Balance at December 31, 2023					
Name of related party					
KfW	46,836,653	-	-	46,836,653	46,836,653
Balance at December 31, 2022					
Name of related party					
KfW	23,014,950	-	-	23,014,950	23,014,950

16 LENDING TO FINANCIAL INSTITUTIONS (REVERSE REPO) - Considered good

	Note	2023 (Rupees)	2022 (Rupees)
Repurchase agreement lendings (Reverse repo) - with financial institution	16.1	891,503,582	1,000,255,511

16.1 These carry effective markup rate of 22.01% (2022: between 16.24% and 16.25%) per annum having maturity falling in January 2024 (2022: January 2023).

17 SHORT-TERM INVESTMENTS

	Note	2023 (Rupees)	2022 (Rupees)
Held to maturity			
Treasury Bills	17.1	285,968,399	289,556,999
Pakistan Investment Bonds	17.2	151,935,932	99,002,075
Current Portion of U Microfinance Bank Limited TFC		150,000,000	233,333,333
Current Portion of JS Bank Limited TFC		26,668	-
		587,930,999	621,892,407
Available for sale			
Term Finance certificates - U Microfinance Bank Limited	17.3	200,807,599	197,787,600
Treasury Bills	17.4	268,543,308	10,307,844,340
		469,350,907	10,505,631,940
At fair value through Profit and Loss			
Social Impact fund	17.5	149,941,923	219,416,467
		1,207,223,829	11,346,940,814

17.1 The redemption value of these Treasury Bills amounts to Rs. 300,000,000 (2022: Rs. 300,000,000). These carry effective markup rate of 21.32% (2022: 15.67%) per annum having maturity falling in August 2024 (2022: March 2023).

17.2 The face value of these Pakistan Investment Bonds (PIBs) amounts to Rs. 150,000,000 (2022: Rs 100,000,000). These carry effective markup rate ranging between 8.77% to 11.51% (2022: 8.66%) per annum. These PIBs have maturity falling in August 2024 (2022: May 2023). Also refer note 8.1 to these financial statements.

17.3 These carry effective markup rate of 6 month KIBOR plus 1.35% (2022: 6 month KIBOR plus 1.35%) per annum having maturity in June 2025. 50% of these are secured against lien on government assets of a similar tenor and remaining 50% is secured against first pari passu charge on the Issuer's Book Debts, Advances and Receivables with 25% margin. The fair value of TFC is calculated using available market rates. For catergorization of fair value, please refer to note 44 to these financial statements. Also refer to note 8.3 to these financial statements.

17.4 The redemption value of these Treasury Bills amounts to Rs. 300,000,000 (2022: Rs. 10,700,000,000). These carry effective markup rates ranging from 21.70% to 21.95% (2022: 10.85% to 16.70%) per annum having maturity falling in January 2024 and October 2024 (2022: February 2023 to December 2023). The fair value of Treasury Bills are calculated using available market rates. For fair value categorization kindly refer to note 44.1 to these financial statements.

17.5 This company has made an investment in mutual fund managed by National Investment Trust under Social Impact Fund. The objective of this fund is to develop and promote alternate funding channels and bridge the gap between Capital Market investors and Microfinance practitioners using commercially viable and scalable innovative platforms. The fund was officially launched on May 12, 2022 and the company had invested Rs 200 million. On May 10, 2023, the company redeemed 8,687,493 units amounting to Rs 100 million. As of December 31, 2023, the remaining units are 13,321,540 (2022: 20,309,194 units).

18 ADVANCE TAX - NET

	Note	2023 (Rupees)	2022 (Rupees)
Balance at January 1, 2023		619,785,067	515,086,671
Current tax charge	37	(612,413,179)	(458,380,492)
Income tax paid / withheld during the year		884,268,864	563,078,888
Balance at December 31, 2023		891,640,752	619,785,067

19 CASH AND BANK BALANCES

	Note	2023 (Rupees)	2022 (Rupees)
Cash in hand		75,000	33,170
Cash at banks - Local currency			
- Deposit accounts	19.1	223,316,528	544,625,575
- Current account		399	4,449
		223,316,927	544,630,024
		223,391,927	544,663,194

19.1 These represent deposit accounts with banks carrying markup of 5.81% to 20.50% (2022: 3.5% to 14.5%) per annum.

20. SHARE CAPITAL

	2023 (Rupees)	2022 (Rupees)
20.1 Authorized capital		
6,500,000 ordinary shares of Rs. 1,000 each	6,500,000,000	6,500,000,000

20.2 *Issued, subscribed and paid up share capital*

2023 (Number of shares)	2022 (Number of shares)		2023 (Rupees)	2022 (Rupees)
5,884,222	5,884,222	Ordinary shares of Rs.1,000 each fully paid in cash	5,884,222,000	5,884,222,000

20.2.1 *Pattern of Shareholding*

Shareholders	Nature of relationship	Number of shares at December 31, 2023	Number of shares at December 31, 2022	Percentage of shareholding at December 31, 2023	Percentage of shareholding at December 31, 2022
Pakistan Poverty Alleviation Fund	Associated undertaking	2,883,256	2,883,256	49.00%	49.00%
Karandaaz Pakistan	Associated undertaking	2,224,243	2,224,243	37.80%	37.80%
KfW	Associated undertaking	776,719	776,719	13.20%	13.20%
Directors	Director	4	4	0.00%	0.00%
Total		5,884,222	5,884,222	100.00%	100.00%

20.2.2 There has been no movement in ordinary share capital during the year ended December 31, 2023.

20.2.3 All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to votes in proportion to their shareholding at the meetings of the Company. Number of shares outstanding at the end of the period were same as number of shares outstanding at the beginning of the period.

21 **SUBORDINATED LOANS - Unsecured**	Note	2023 (Rupees)	2022 (Rupees)
Subordinated loan from Pakistan Poverty Alleviation Fund	21.1	5,115,721,410	6,125,467,349
Subordinated loan from Karandaaz Pakistan	21.2	2,800,000,000	2,800,000,000
Subordinated loan from KfW	21.3	1,229,062,920	936,251,641
		9,144,784,330	9,861,718,990
Less: Current portion of subordinated loans		(1,063,465,621)	(1,009,745,937)
		8,081,318,709	8,851,973,053

21.1 This represents the outstanding balance of subordinated loans, under the agreement between Pakistan Poverty Alleviation Fund (an associated undertaking) and the Company dated November 17, 2016 with prior approval of SECP for disbursement of each tranche to the Company. The subordinated loan tenure is 15 years and carries markup of 6-months KIBOR plus 1% (December 31, 2022: 6-months KIBOR plus 1%) per annum payable quarterly. The principal repayments have started from October 2018. The loan is subordinated to other indebtedness of the Company.

21.1.1 The purpose of the loan is mainly to pilot and upscale microenterprise financing through MFIs and MFBs for different sectors and to enhance the capitalization of the Company.

21.2 This represents the outstanding balance of subordinated loans, under the agreement between Karandaaz Pakistan (an associated undertaking) and the Company dated December 28, 2017 with prior approval of SECP for disbursement of each tranche to the Company. The subordinated loan tenure is 10 years and is currently carrying markup of 6-months KIBOR plus 1% (December 31, 2022: 6-months KIBOR plus 1%) per annum payable quarterly starting from June 2027. The loan is subordinated to other indebtedness of the Company.

21.2.1 The purpose of the loan is mainly to pilot and upscale microenterprise financing through MFIs and MFBs for different sectors and to enhance the capitalization of the Company.

21.3 This represents the first tranche amounting to USD 5.5 million, of total non-revolving subordinated loan of USD equivalent Euro 15 million, under the agreement between KfW (an associated undertaking) and the Company dated December 30, 2019, with prior approval of SECP for disbursement of each tranche to the Company. The receipt was translated at the exchange rate of Rs. 159.75/USD; i.e. Rs. 878.6 million. Markup rate is 1% per annum. The agreement tenure is 10 years with principal and markup bullet repayment at the time of maturity on December 30, 2029. The Company has also entered into cross currency swap agreement with Habib Bank Limited, in respect of above mentioned subordinated loan refer to note 24 to these financial statements.

The fair value of the subordinated loan has been calculated with reference to the present value of future cash outflows using a discount rate of 5.46% (being the Company's estimate for market rate of interest for a similar instrument (in respect of currency, term, type of interest rate and other factors) with a similar credit rating. Under the terms of loan agreement with KfW, the subsidy will be spent as per prior approval of KfW. Also refer to note 24 to these financial statements.

The difference between the fair value of subordinated loan and subsidy payable has been recognized in equity as a 'Contribution by a shareholder'. The Company has also entered into cross currency swap agreement with Habib Bank Limited, in respect of above mentioned subordinated loan refer to note 24 to these financial statements.

	2023 (Rupees)	2022 (Rupees)
Opening Balance	936,251,640	692,073,365
Finance cost	67,936,112	47,632,422
	1,004,187,752	739,705,787
Exchange loss	224,875,168	196,545,853
Closing Balance	1,229,062,920	936,251,640

21.3.1 The purpose of the loans is mainly to support the Company's capital base aimed at provision of loans to Microfinance partners in Pakistan for the purpose of providing financing in respect to the energy project. For assessment of fair value, please refer to note 44 to these financial statements,

22 LOANS AND BORROWINGS - Secured

	2023 (Rupees)	2022 (Rupees)
Term Finance		
JS Bank Limited	650,000,000	125,000,000
Askari Bank Limited	1,062,500,000	1,312,500,000
Allied Bank Limited	3,750,000,000	3,016,666,667
National Bank of Pakistan	2,333,333,334	1,977,777,778
MCB Bank Limited	166,666,666	500,000,000
State Bank of Pakistan	4,378,568,462	3,291,287,447
Bank Alfalah Limited	125,000,000	250,000,000
Habib Bank Limited	2,566,666,667	2,000,000,000
Bank of Punjab	70,000,000	210,000,000
Habib Metropolitan	200,000,000	400,000,000
	15,302,735,129	13,083,231,892
Less: Current portion of loans and borrowings	(4,802,486,891)	(2,417,777,778)
	10,500,248,238	10,665,454,114

22.1 The terms and conditions of outstanding loans and borrowings are as follows:

Term Finance Facility	Note	2023 Markup	Total facility amount (Rupees)	Instalments outstanding	Date of final repayment
Askari Bank Limited - I		6mK + 0.40%	500,000,000	02 half yearly	08-Nov-23
Askari Bank Limited - II		6mK + 0.50%	500,000,000	02 half yearly	14-Feb-24
Askari Bank Limited - III		3mK + 0.65%	1,000,000,000	16 quarterly	19-Nov-27
Allied Bank Limited - I		6mK + 0.45%	300,000,000	02 half yearly	04-Dec-23
Allied Bank Limited - II		6mK + 0.70%	500,000,000	05 half yearly	24-May-25
Allied Bank Limited - III		6mK + 0.6%	1,000,000,000	06 half yearly	24-May-26
Allied Bank Limited - IV		3mK + 0.6%	1,000,000,000	12 quarterly	07-Jun-27
Allied Bank Limited - V		3mK + 0.75%	500,000,000	12 quarterly	31-Dec-27
Allied Bank Limited - VI		3mK + 0.85%	1,000,000,000	12 quarterly	31-Dec-28
National Bank of Pakistan - III		3mK + 0.85%	2,000,000,000	08 half yearly	31-Dec-26
National Bank of Pakistan - IV		3mK + 0.85%	1,000,000,000	1 half yearly	27-Jun-28
MCB Bank Limited		6mK + 0.75%	1,000,000,000	02 half yearly	29-Mar-24
State Bank of Pakistan - I	22.3	6mK - 1.00%	1,784,917,447	Bullet repayment	30-Jun-24
State Bank of Pakistan - II	22.4	6mK - 1.00%	628,000,000	Bullet repayment	22-Dec-25
State Bank of Pakistan - III	22.5	6mK - 1.00%	1,535,950,000	Bullet repayment	07-Nov-27
State Bank of Pakistan - IV	22.6	6mK - 1.00%	511,000,000	Bullet repayment	22-Jun-26
State Bank of Pakistan - V	22.7	6mK - 1.00%	25,821,015	Bullet repayment	17-Dec-26
State Bank of Pakistan - Flood	22.7	6mK - 1.00%	240,000,000	Bullet repayment	31-Dec-28
State Bank of Pakistan - VII	22.8	6mK - 1.00%	1,535,930,000	Bullet repayment	28-Apr-29
JS Bank Limited - II		3mK + 0.85%	650,000,000	16 quarterly	01-Jul-28
Bank Alfalah Limited		6mK + 0.80%	500,000,000	04 half yearly	05-Nov-24
Habib Bank Limited - I		3mK + 0.70%	2,000,000,000	06 half yearly	20-Apr-26
Habib Bank Limited - II		3mK + 0.85%	1,000,000,000	10 half yearly	27-Mar-28
Bank of Punjab		6mK + 0.75%	350,000,000	03 half yearly	30-Jun-24
Habib Metropolitan Bank		6mK + 0.75%	500,000,000	04 half yearly	31-Dec-24

Term Finance Facility	2022 Markup	Total facility amount (Rupees)	Instalments outstanding	Date of final repayment
JS Bank Limited	6mK + 0.48%	750,000,000	01 half yearly	9-Mar-23
Askari Bank Limited - I	6mK + 0.40%	500,000,000	02 half yearly	8-Nov-23
Askari Bank Limited - II	6mK + 0.50%	500,000,000	03 half yearly	14-Feb-24
Askari Bank Limited - III	3mK + 0.65%	1,000,000,000	16 quarterly	19-Nov-27
Allied Bank Limited - I	6mK + 0.45%	300,000,000	02 half yearly	4-Dec-23
Allied Bank Limited - II	6mK + 0.70%	500,000,000	05 half yearly	24-Mar-25
Allied Bank Limited - III	6mK + 0.45%	1,000,000,000	06 half yearly	24-May-26
Allied Bank Limited - IV	3mK + 0.6%	1,000,000,000	12 quarterly	7-Jun-27
Allied Bank Limited - V	3mK + 0.6%	500,000,000	12 quarterly	31-Dec-27
National Bank of Pakistan - II	3mK + 0.85%	1,000,000,000	01 half yearly	30-Jun-23
National Bank of Pakistan - III	3mK + 0.85%	2,000,000,000	8 half yearly	31-Dec-26
MCB Bank Limited	6mK + 0.75%	1,000,000,000	03 half yearly	29-Mar-24
State Bank of Pakistan - I	6mK - 1.00%	1,784,917,447	Bullet repayment	30-Jun-24
State Bank of Pakistan - II	6mK - 1.00%	628,000,000	Bullet repayment	22-Dec-25
State Bank of Pakistan - III	6mK - 1.00%	1,535,950,000	Bullet repayment	7-Nov-27
Bank Alfalah Limited	6mK + 0.80%	500,000,000	04 half yearly	5-Nov-24
Habib Bank Limited	3mK + 0.70%	2,000,000,000	06 half yearly	20-Apr-26
Bank of Punjab	6mK + 0.75%	350,000,000	03 half yearly	30-Jun-24
Habib Metropolitan Bank	6mK + 0.75%	500,000,000	04 half yearly	31-Dec-24

22.2 These loans and borrowings are secured against present and future current and non-current receivables of the Company with 20% - 25% margin(2022: 20% - 25% margin).

22.3 This represents outstanding balance amounting to Rs. 1,784 million (2022: Rs. 1,784 million) of the unsecured term finance loan facility of Rs. 1,784 million carrying markup of 6-months KIBOR minus 100 bps (2022: 6-months KIBOR minus 100 bps) for the tenor of five years (2022: 5 years) starting from 2019 payable on half yearly basis i.e. June 30 and December 31, while payment of principal will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the targets set by State Bank of Pakistan (SBP). The associated cost of guarantee is claimable from SBP.

22.3.1 The Company has provided a guarantee of Rs. 2,000 million (2022: Rs. 2,000 million) against the finance facility obtained from SBP. This guarantee has been obtained from Askari Bank Limited and is secured against first pari passu charge on receivables / microcredit advances of the Company of Rs. 2,500 million inclusive of 20% margin (2022: Rs. 2,500 million inclusive of 20% margin).

22.4 This represent an unsecured term finance loan facility of Rs. 628 million, carrying markup at 6-months KIBOR minus 100 bps (2022: 6-months KIBOR minus 100 bps) for a tenor of three years starting from 2020, payable on half year, i.e., june 30 and December 31. The payment of the principal will be made in the last four quaters of the loan period or in bullet form.The outstanding balance amount to 317 million (2022: Rs 317 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

22.4.1 The Company has provided a guarantee against the finance facility of Rs. 628 million obtained from SBP. This guarantee has been obtained from Bank Alfalah Limited and is secured against first pari passu charge on present and future assets (excluding land and buildings) of Rs. 837.33 million inclusive of 25% margin (2022: Rs. 837.33 million inclusive of 25% margin).

22.5 This represent an unsecured term finance loan facility of Rs. 1,536 million, carrying markup at 6-months KIBOR minus 100 bps (2022: 6-months KIBOR minus 100 bps) for a tenor of five years starting from 2021, payable on half year, i.e., june 30 and December 31. The payment of the principal will be made on maturity in bullet form.The outstanding balance amount to 1,189 million (2022: Rs 1,189 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

22.5.1 The Company has provided a guarantee against the finance facility of Rs. 1,536 million obtained from SBP. This guarantee has been obtained from Bank Alfalah Limited and is secured against first pari passu charge on present and future assets (excluding land and buildings) of Rs. 2,267 million inclusive of 25% margin (2022: Rs. 2,267 million inclusive of 25% margin).

22.6 This represent an unsecured term finance loan facility of Rs. 511 million, carrying markup at 6-months KIBOR minus 100 bps for a tenor of three years starting fromJune - 2023, payable on half year, i.e., june 30 and December 31. The payment of the principal will be made on maturity in bullet form. The outstanding balance amount to Rs. 474 million. The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

22.6.1 The Company has provided a guarantee against the finance facility of Rs. 580 million obtained from SBP. This guarantee has been obtained from Bank of Punjab and is secured against first pari passu charge on present and future assets (excluding land and buildings) of Rs. 773 million inclusive of 25% margin.

22.7 This represent an unsecured term finance loan facility of Rs. 240 million and 25 million, carrying markup at 6-months KIBOR minus 100 bps for a tenor of three years and five year respectively starting from December - 2023, payable on half year, i.e., june 30 and December 31. The payment of the principal will be made on maturity in bullet form. The outstanding balance amount to Rs. 240 million and 25 million respectively. The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

22.7.1 The Company has provided a guarantee against the finance facility of Rs. 327 million obtained from SBP. This guarantee has been obtained from SPICO and is secured against first pari passu charge on present and future assets (excluding land and buildings) of Rs. 436 million inclusive of 25% margin.

22.8 This represent an unsecured term finance loan facility of Rs. 1,536 million, carrying markup at 6-months KIBOR minus 100 bps for a tenor of six years starting from June - 2023, payable on half year, i.e., june 30 and December 31. The payment of the principal will be made on maturity in bullet form. The outstanding balance amount to Rs. 346 million. The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

22.8.1 The Company has provided a guarantee against the finance facility of Rs. 419 million obtained from SBP. This guarantee has been obtained from Bank of Punjab and is secured against first pari passu charge on present and future assets (excluding land and buildings) of Rs. 558 million inclusive of 25% margin.

23 EMPLOYEE BENEFITS

	Note	2023 (Rupees)	2022 (Rupees)
Net defined benefit liability			
- Compensated leave absences	23.1	18,062,543	16,808,031
- Gratuity	23.2	15,619,060	8,395,393
		33,681,603	25,203,424

23.1 Net defined benefit liability - Compensated leave absences

The amounts recognized in the statement of financial position are as follows:

		2023	2022
Present value of defined benefit obligation		18,062,543	16,808,031

Movement in net defined benefit liability

		2023	2022
Net liability at 01 January		16,808,031	14,185,985
Charge for the year recognized in the statement of profit or loss	23.1.1	4,151,067	3,397,685
Payments made during the year		(2,896,554)	(775,639)
Net liability at 31 December		18,062,544	16,808,031

23.1.1 Charge for the year recognized in the statement of profit or loss

		2023	2022
Current service cost		2,412,870	2,365,839
Interest cost		2,188,765	1,690,275
Experience adjustment on defined benefit liability		(450,568)	(658,429)
		4,151,067	3,397,685

Expense is recognized in the following line item in the statement of profit or loss

		2023	2022
Administrative expenses	33	4,151,067	3,397,685

23.1.2 Key actuarial assumptions

The latest actuarial valuation was carried out on December 31, 2023 using the projected unit credit method with the following assumptions:

	2023	2022
Discount rate (per annum)	15.50%	14.25%
Salary increase rate (per annum)	19.00%	15.00%
Leave accumulation factor (per annum)	10 days	10 days
Normal retirement age (years)	60	60
Effective salary increase date	1-Jan-24	1-Jan-23
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Duration	6.37 years	10.19 years

23.1.3 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at the reporting date would have been different:

	2023 (Rupees)		2022 (Rupees)	
	Increase	Decrease	Increase	Decrease
Discount rate	(1,086,539)	1,216,374	(1,590,514)	1,835,907
Salary increase rate	1,283,668	(1,164,782)	1,998,028	(1,748,974)

23.1.3.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

23.2 Net defined benefit liability-gratuity

23.2.1 The Company operates a funded gratuity scheme for its employees, details of which are as follows:

The amounts recognized in the statement of financial position are as follows:	Note	2023 (Rupees)	2022 (Rupees)
Present value of defined benefit obligation		68,244,553	50,627,243
Benefits Payable		-	490,600
Fair value of plan assets		(52,625,493)	(42,722,450)
Net liability	23.2.1	15,619,060	8,395,393
Movement in net defined benefit liability			
Net liability at January 01		8,395,393	6,946,927
Charge for the year recognized in the statement of profit or loss		15,414,024	13,788,441
Re-measurement recognized in the statement of other comprehensive income		205,036	(3,086,468)
Benefits Paid on behalf of fund		-	(2,306,580)
Contributions		(8,395,393)	(6,946,927)
Net liability at December 31	23.2.1	15,619,060	8,395,393

23.2.1.1 ***Reconciliation of liability recognised in the statement of financial position***

December 31, 2023	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
		(Rupees)	
Balance at January 01	51,117,843	(42,722,450)	8,395,393
Charge for the year	21,163,278	-	21,163,278
Expected return on plan assets		(5,749,254)	(5,749,254)
Charge to profit or loss net of return on plan assets	21,163,278	(5,749,254)	15,414,024
Experience adjustments on defined benefit liability	9,112,435	(8,907,399)	205,036
Benefits paid	(13,149,003)	13,149,003	-
Contributions to gratuity fund	-	(8,395,393)	(8,395,393)
Balance at December 31	68,244,553	(52,625,493)	15,619,060

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
December 31, 2023		(Rupees)	
December 31, 2022			
Balance at January 01	38,578,342	(31,631,415)	6,946,927
Charge for the year	18,084,195	-	18,084,195
Expected return on plan assets		(4,295,754)	(4,295,754)
Charge to profit or loss net of return on plan assets	18,084,195	(4,295,754)	13,788,441
Experience adjustments on defined benefit liability	(3,163,114)	76,646	(3,086,468)
Benefits paid	(2,381,580)	2,381,580	-
Benefits paid on behalf of the fund	-	(2,306,580)	(2,306,580)
Contributions to gratuity fund	-	(6,946,927)	(6,946,927)
Balance at December 31	51,117,843	(42,722,450)	8,395,393

	2023		2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
23.2.1.2 *Plan assets comprise of:*				
Pakistan Investment Bonds (PIBs)	27,500,000	33,551,529	27,500,000	26,052,796
Treasury Bills	-	-	-	-
Cash at bank	19,073,964	19,073,964	16,669,654	16,669,654
	46,573,964	52,625,493	44,169,654	42,722,450

	Note	2023 (Rupees)	2022 (Rupees)
23.2.2 Charge for the year recognized in the statement of profit or loss			
Current service cost		14,850,807	13,534,269
Interest cost		6,312,471	4,549,926
Expected return on plan assets		(5,749,254)	(4,295,754)
		15,414,024	13,788,441
Expense is recognized in the following line item in the statement of profit or loss			
Administrative expenses	33	15,414,024	13,788,441

	2023 (Rupees)	2022 (Rupees)
23.2.3 Re-measurement recognized in the statement of other comprehensive income		
Actuarial loss/(gain) on obligation	9,112,435	(3,163,114)
Actuarial (gain) / loss on assets	(8,907,399)	76,646
	205,036	(3,086,468)

23.2.4 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at the reporting date would have been different:

	2023 (Rupees)		2022 (Rupees)	
	Increase	Decrease	Increase	Decrease
Discount rate	(4,090,884)	4,559,676	(4,821,735)	5,551,057
Salary increase rate	4,814,199	(4,386,522)	5,791,024	(5,097,922)

For a change of 1000 basis points, present value of defined benefit liability at the reporting date would have been different:

	2023 (Rupees)		2022 (Rupees)	
	Increase	Decrease	Increase	Decrease
Withdrawal rate	27,589	(31,548)	45,343	(46,181)

23.2.4.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

23.2.5 Expected benefit payments for the next 10 years and beyond;

	(Rupees)
FY 2024	6,926,913
FY 2025	6,690,440
FY 2026	5,818,449
FY 2027	8,857,511
FY 2028	5,365,728
FY 2029 to FY 2033	97,991,280
FY 2034 and above	179,609,176

23.2.6 Key actuarial assumptions

The latest actuarial valuation was carried out on December 31, 2023 using the projected unit credit method with the following assumptions:

	2023	2022
Discount rate (per annum)	15.50%	14.25%
Salary increase rate (per annum)	14.25%	15.00%
Return on planned asset (per annum)	19.00%	14.25%
Normal retirement age (years)	60	60
Effective salary increase date	1-Jan-24	1-Jan-23
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Duration	6.34 years	10.24 years

23.3 Risk associated with defined benefit plans

23.3.1 Salary risk - (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely lect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

23.3.2 Demographic risks

- **Mortality Risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- **Withdrawal Risk** - The risk of actual withdrawals is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

24 SUBSIDY PAYABLE

	2023 (Rupees)	2022 (Rupees)
Opening balance	158,363,723	150,553,851
Unwinding of subsidy payable	11,654,086	12,273,090
Effect of change in estimate for cash outflows	(2,297,410)	(4,463,218)
	167,720,399	158,363,723

24.1 Under the subordinated loan agreement described in note 21.3, the present value of future expected cash outflows for subsidy amounts to Rs. 141,958,164, using a discount rate of 8.69%. The gross subsidy amount was calculated at weighted average rate/ per annum applicable to other subordinated loans less the rate payable in cross currency swap entered for the tranche where Company has disbursed loan to the customers. Where loan is not yet disbursed to the customers by the Company, subsidies amount is the return accrued by placing and maintaining the disbursed loan amount on the Company's bank account designated for the loan minus the amount in Pak Rupees which is payable in cross currency swap with respect to loan tranche refer to note 12.1 to these financial statements

25 UNEARNED INCOME

	Note	2023 (Rupees)	2022 (Rupees)
Advisory fee	25.1	10,548,346	9,318,005
Current portion of advisory fee		(3,796,421)	(2,909,926)
		6,751,925	6,408,079

25.1 This represents the advisory and arrangement fee which has been charged on account of participation in and arrangement of private placement of Term Finance Certificates issued by Khushali Microfinance Bank Limited and U Microfinance Bank Limited over contract term. This also represents the upfront fee received for providing guarantee to Bank of Punjab in favour of Agahe Pakistan, Rural Community Development Programme and Kashf Foundation.

Unearned income is taken into profit and loss as advisory fee as the company fulfils its performance obligations under the contract(s), which is either at a point in time or over the time of the contract(s).

26 LEASE LIABILITY

	2023 (Rupees)	2022 (Rupees)
Lease liability	-	42,713,993
Current portion of lease liability	-	(42,713,993)
Non-current	-	-

26.1 The lease obligation relates to a 3 year rental agreement (expiring on August 30, 2024) for the Company's head office. Rentals are payable in advance on annual basis, with an annual increment of 10%. The Company has recognized a right of use asset under IFRS - 16 at 01 September 2021, upon renewal of previous rental agreement, at the present value of the remaining lease payments at the incremental borrowing rate of 7.91% and prepaid rental installment. The Company is reasonably certain that it will not exercise its option to terminate the agreements early. As at December 31, 2023, there are no short-term and / or low value lease agreements or lease agreements that include variable lease payments.

	2023 (Rupees)	2022 (Rupees)
Opening balance	42,713,993	80,495,616
Modification during the period	-	(5,946,027)
Finance cost	3,563,570	10,234,915
Repayments	(46,277,564)	(42,070,511)
	-	42,713,993

26.2 Maturity Analysis

	2023 (Rupees)	2022 (Rupees)
Within one year	-	42,713,993
	-	42,713,993

27 SHORT TERM BORROWINGS - Secured	Note	2023 (Rupees)	2022 (Rupees)
Allied Bank Limited - Running Finance	27.1	499,942,778	499,963,619
Allied Bank Limited- Repurchase transaction	27.2	-	9,663,000,000
UBL-Repurchase transaction	27.3	-	450,000,000
		499,942,778	10,612,963,619

27.1 This represent utilized amount of running finance facility amounting to Rs. 500 million (2022: Rs. 500 million) and carries markup rate of 3-months KIBOR plus 0.40% (2022: 3-months KIBOR plus 0.40%) per annum, payable on quarterly basis. This facility is secured against first pari passu charge over present and future advances / receivables and investments of the Company along with 20% margin.

27.2 This represent repo borrowing transaction amounting to nil (2022: Rs. 9,663 million) and carries markup rate of 23.06% (December 31, 2022: 16.05% per annum having maturity in March 2023). This facility was secured against government securities having had face value amounting to Rs. 10,000 million.

27.3 This represent repo borrowing transaction amounting to nil (2022: Rs. 450 million) and carries markup rate of 16.06% to 22% (2022: 16.3% per annum having maturity in January 2023). This facility is secured against government securities having had face value amounting to Rs. 500 million.

28 TRADE AND OTHER PAYABLES	Note	2023 (Rupees)	2022 (Rupees)
Creditors and employees		2,663,111	2,009,245
Accrued expenses	28.1	101,344,790	68,579,662
Payable to provident fund	28.2	20,045	34,329
Income tax deducted at source		292,609	267,595
		104,320,555	70,890,831

28.1 These represent accruals made in respect of operational expenses of the Company including variable compensations.

28.2 Payable to employees' provident fund	Note	2023 (Rupees)	2022 (Rupees)
Balance at January 01		34,329	-
Contribution / withheld during the year		20,911,065	24,894,352
Payments during the year		(20,925,349)	(24,860,023)
Balance at December 31		20,045	34,329

29 MARKUP ACCRUED - PAYABLE			
Markup payable on subordinated loans	29.1	479,475,890	377,544,882
Markup payable on loans and borrowings	29.2	642,011,503	442,928,415
Current portion of derivative financial instrument		1,057,468	368,056
		1,122,544,861	820,841,353

29.1 This represents markup payable in respect of the subordinated loans mentioned in note 21 to these financial statements.

29.2 This represents markup payable in respect of the loans and borrowings as mentioned in note 22 to these financial statements.

30 CONTINGENCIES AND COMMITMENTS

(a) Contingencies

30.1 The company extended facility of guarantee in favour of Agahe Pakistan and Rural Community Development Program amounting to Rs 49.5 million and Rs 300 million respectively (December 31, 2022: nil).

30.2 For contingency related to tax matter refer note 37.2 to these financial statements.

(b) Commitments

30.3 There are no material commitments as at December 31, 2023 (2022:Rs. 6.80 million and Rs 0.04 million for purchase of laptops and office equipment respectively).

31 INCOME

	Note	2023 (Rupees)	2022 (Rupees)
Markup on financing	31.1	6,712,928,961	4,371,013,386
Markup on Retail - financing	31.2	593,261	-
Income from deposit accounts / certificates		100,423,121	73,012,455
Income on reverse repo transactions		197,359,447	97,073,324
Income on Treasury Bills investment		735,565,324	185,841,974
Income on Pakistan Investment Bonds		561,463,200	38,756,223
Interest on investment in Term Finance Certificates		138,830,131	132,784,806
		8,447,163,445	4,898,482,168

31.1 This represents markup on financing to microfinance institutions and banks as mentioned in note 9 to these financial statements.

31.2 This represents markup on financing to individuals under Electronic Warehouse Receipt (EWR) arrangement as mentioned in note 9 to these financial statements.

32 FINANCE COST

	Note	2023 (Rupees)	2022 (Rupees)
Markup/ unwinding effect on balance from associates	32.1	1,827,590,085	1,415,143,168
Markup on loans and borrowings	32.2	2,985,303,633	1,631,062,567
Markup on repurchase transactions		1,055,864,494	47,438,361
Markup on derivative financial instruments		160,641,374	102,627,670
Amortized transaction cost		270,777	369,561
Bank charges		511,544	297,824
Foreign exchange loss on subordinated loan		213,745,011	193,691,833
Guarantee fee		61,321,080	76,341,599
Less: Guarantee fee to be reimbursed by State Bank of Pakistan		(40,599,664)	(59,277,707)
		20,721,416	17,063,892
		6,264,648,334	3,407,694,876

32.1 This represents (a) markup on subordinated loans from Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan and KfW as mentioned in note 21 to these financial statements, and (b) unwinding of subsidy payable.

32.2 This represent markup on loans and borrowings as mentioned in note 22 to these financial statements.

33 ADMINISTRATIVE EXPENSES	Note	2023 (Rupees)	2022 (Rupees)
Salaries, wages and other benefits	33.1	284,522,728	260,779,624
Traveling and conveyance	33.2	37,256,090	26,453,709
Legal and professional fees		4,339,236	6,495,291
Advertisement and promotion		13,539,339	10,498,529
Utilities		6,226,622	4,829,803
Telecommunication and postage		2,013,691	1,817,675
Director's fee		6,712,500	4,410,000
Printing and stationery		2,012,750	1,459,112
Repair and maintenance		5,675,977	5,524,223
Auditors remuneration	33.3	2,658,751	2,109,100
Insurance		2,213,375	2,213,974
Office supplies and meeting expenses		5,863,055	3,641,279
Information technology Expenses		33,303,687	18,170,332
Miscellaneous		5,277,890	3,673,671
Foreign exchange loss		1,338,489	-
Depreciation on property and equipment	4	5,049,584	6,643,001
Depreciation on ROU assets	6	38,180,813	38,334,459
Amortization	7	7,010,685	7,010,683
Financial charges on lease liability		3,563,570	10,234,915
Consultancy and outsourcing arrangements	33.4	5,159,375	10,759,890
Trainings and workshops		37,680,177	5,754,132
		509,598,384	430,813,402

33.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 30,589,317 (2022: Rs. 27,576,705)

33.2 These represent staff business traveling and costs of operational monitoring field visits to the borrowers.

33.3 Auditors' remuneration	2023 (Rupees)	2022 (Rupees)
Statutory Audit fee (Inclusive of sale tax)	1,725,000	1,392,000
Other services	603,750	475,600
Out of pocket expenses	330,000	241,500
	2,658,750	2,109,100

33.4 These represent consultancies for capacity building, strategy formulation and other services.

34 OTHER EXPENSES	Note	2023 (Rupees)	2022 (Rupees)
Crop value chain	34.1	5,697,500	18,996,500
Renewable Energy	34.1	12,199,995	21,990,770
Education	34.1	24,190,832	1,451,250
Flood relief	34.1	-	25,000,000
Business revival initiative	34.1	4,015,700	-
		46,104,027	67,438,520

34.1 These represent specific grants extended to borrowers of the Company as part of its Microfinance Plus (MF Plus) initiative. The company records the related expense on disbursement as no further economic benefit is expected to be received.

34.2 No director or their spouses(s) had interest in any grantee(s) irrespective of the amount of grant agreed or disbursed.

35	OTHER INCOME	Note	2023 (Rupees)	2022 (Rupees)
	Grant income (KfW)	35.1	50,075,659	26,112,439
	Advisory and arrangement fee	35.2	6,809,787	5,226,882
	Others		33,658,472	23,383,346
			90,543,918	54,722,667

35.1 This represents amount claimable from KfW, a German development company (an associated undertaking) as per the agreement against consultancy services and trainings (local and international).

35.2 Advisory and arrangement fee has been charged on account of participation in and arrangement of private placement of Term Finance Certificates issued by Khushali Microfinance Bank Limited and U Microfinance Bank Limited over contract term.

36	FAIR VALUE GAIN ON DERIVATIVE	Note	2023 (Rupees)	2022 (Rupees)
	Mark to market gain on derivative	12	284,147,508	146,764,738
37	**INCOME TAX EXPENSE**			
	Income tax:			
	- Current		533,127,029	428,762,505
	- Prior		79,286,150	29,617,987
			612,413,179	458,380,492
	Deferred tax	11	(60,482,025)	(132,967,890)
			551,931,154	325,412,602
37.1	**Relationship between accounting profit and tax expense is as follows:**			
	Accounting profit for the year		1,446,662,335	958,197,509
	Applicable tax rate		29.00%	29.00%
	Tax charge		419,532,077	277,877,278
	Tax effect of super tax		136,691,399	42,621,618
	Prior year effect		79,286,150	25,759,007
	Tax effect of change in rate		(90,765,511)	(50,803,454)
	Tax effect of permanent differences		5,438,920	29,617,987
	Others		1,748,119	340,166
			551,931,154	325,412,602

37.2 The Company's tax assessments for the tax years 2018 and 2019 were reopened by the assessing officer raising an aggregate income tax demand of Rs. 58.44 million (Rs. 21.97 million for 2018 and Rs. 36.47 million for 2019) on account of super tax and default surcharge on mark-up income and business income. The Company filed an appeal with Commissioner Inland Revenue (Appeals) (CIR (Appeals)) who upheld the order of assessing officer and raised demand for only for tax year 2019. The Company filed an appeal to the Honorable Appellate Tribunal Inland Revenue, Islamabad Bench, Islamabad (ATIR) against the order of CIR (Appeals). The ATIR has concluded proceeding of assessment year 2019 in favour of the Company by annulling the orders passed by lower authorities. The Company is confident that year 2018 assessment will also be decided in its favour as arguments are same for the concerned assessment year.

	Note	2023 (Rupees)	2022 (Rupees)
38 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES			
Profit before taxation		1,446,662,335	958,197,509
Adjustments for non cash items and others:			
Depreciation on property and equipment		5,049,584	6,643,000
Depreciation on ROU assets		38,180,813	38,334,460
Amortization		7,010,685	7,010,682
Financial charges on lease liability		3,563,570	10,234,915
Provision		554,841,791	235,825,267
Provision for leave encashment		4,151,067	3,397,685
Mark to market gain on derivative financial instrument		(284,147,508)	(146,764,738)
Foreign exchange loss on KfW loan		213,745,011	193,691,833
Foreign exchange loss on payables		1,338,489	-
Provision for staff retirement benefit - gratuity		15,414,024	13,788,441
Markup on financing		(6,713,522,222)	(4,371,013,386)
Income from deposit accounts / certificates		(100,423,121)	(73,012,455)
Income on reverse repo transactions		(197,359,447)	(97,073,324)
Income on Treasury Bills investment		(735,565,324)	(185,841,974)
Income on Pakistan Investment Bonds		(561,463,200)	(38,756,223)
Interest on investment in TFCs		(138,830,131)	(132,784,806)
Finance cost other than foreign exchange loss on subordinated loan		6,050,903,323	3,214,003,043
Grant income		(50,075,659)	(26,112,439)
Gain on disposal of fixed assets		(122,250)	-
Gain on lease modification		-	(4,116,408)
		(440,648,170)	(394,348,918)

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

		2023			2022		
		Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Note		(Rupees)			(Rupees)	
Managerial remuneration		40,920,216	-	101,398,143	34,678,158	-	105,437,598
Performance bonus		8,500,000	-	18,033,710	6,000,000	-	18,804,597
Other perks and benefits	39.1	4,117,953	-	32,616,249	2,410,740	-	26,765,469
Contribution to provident fund		2,864,415	-	6,971,869	2,427,471	-	7,218,486
Gratuity		3,410,018	-	8,299,845	2,889,846	-	8,903,825
Meeting fee	39.2		6,712,500	-	-	4,410,000	-
		59,812,602	6,712,500	167,319,816	48,406,215	4,410,000	167,129,975
Number of persons		1	2	28	1	2	27

39.1 These include allowances paid to the Chief Executive as per the Company's policy.

39.2 Remuneration of directors represents the meeting fee of two independent directors. No other directors were paid any remuneration during the year.

39.3 Executives includes employees, other than the chief executive and directors, whose basic salary exceeds Rs. 1,200,000 (2022: Rs 1,200,000) per annum.

40 EMPLOYEES PROVIDENT FUND

40.1 All the investments out of 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.

41 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities				
	Loans and borrowings and short term borrowings	Subordinated loans	Lease Liability	Subsidy Payable	Total
	(Rupees)				
Balance at January 01, 2023	23,696,195,511	9,861,718,989	42,713,993	158,363,722	33,758,992,215
Changes from financing cash flows	-	-	-	-	-
Proceeds from loans and borrowings	4,737,281,015	-	-	-	4,737,281,015
Repayments of loans and borrowings	(2,517,777,778)	-	-	-	(2,517,777,778)
Repayment of short term borrowings	(10,113,020,841)	-	-	-	(10,113,020,841)
Rental paid for the building	-	-	(46,277,564)	-	(46,277,564)
Repayments of subordinated loans	-	(1,009,745,939)	-	-	(1,009,745,939)
Total changes from financing cash flows	(7,893,517,604)	(1,009,745,939)	(46,277,564)	-	(8,949,541,107)
Other changes	-	-	-	-	-
Additions to Lease Liability on contract renewal	-	-	-	-	-
Foreign currency loss on KfW loan	-	224,875,168	-	-	224,875,168
Remeasurement of subsidy payable	-	-	-	(2,297,410)	(2,297,410)
Unwinding of interest on subsidy payable	-	-	-	11,654,086	11,654,086
Financial charges on lease liability	-	-	3,563,571	-	3,563,570
Unwinding of interest on KfW Loan	-	67,936,111	-	-	67,936,112
Modification to lease contract	-	-	-	-	-
Balance at December 31, 2023	15,802,677,907	9,144,784,329	-	167,720,398	25,115,182,634
Balance at January 01, 2022	12,582,320,235	10,752,896,561	80,495,616	150,553,851	23,566,266,263
Changes from financing cash flows	-	-	-	-	-
Proceeds from loans and borrowings	4,189,500,000	-	-	-	4,189,500,000
Repayments of loans and borrowings	(2,403,888,888)	-	-	-	(2,403,888,888)
Receipt of short term borrowings	9,328,264,164	-	-	-	9,328,264,164
Rental paid for the building	-	-	(42,070,511)	-	(42,070,511)
Payment of subsidy payable	-	-	-	-	-
Repayments of subordinated loans	-	(1,135,355,847)	-	-	(1,135,355,847)
Total changes from financing cash flows	11,113,875,276	(1,135,355,847)	(42,070,511)	-	9,936,448,918
	-	-	-	-	-
Other changes	-	-	-	-	-
Unwinding of interest on KfW Loan	-	47,632,422	-	-	47,632,422
Foreign currency loss on KfW loan	-	196,545,853	-	-	196,545,853
Remeasurement of subsidy payable	-	-	-	(4,463,219)	(4,463,219)
Unwinding of interest on subsidy payable	-	-	-	12,273,090	12,273,090
Additions to lease liability	-	-	(5,946,027)	-	(5,946,027)
Financial charges on lease liability	-	-	10,234,915	-	10,234,915
Balance at December 31, 2022	23,696,195,511	9,861,718,989	42,713,993	158,363,722	33,758,992,215

42 CASH AND CASH EQUIVALENTS

	Note	2023 (Rupees)	2022 (Rupees)
Lending to financial institutions (reverse repo)	16	891,503,582	1,000,255,511
Cash and bank balances	19	223,391,927	544,663,194
		1,114,895,509	1,544,918,705

43 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise associated undertakings, directors as well as their close family members, companies with common directorship, executives, key management personnel and major shareholders. Balances with related parties are disclosed in notes 10.1, 13.2, 15.1, 20 and 23 to these financial statements. Below is the list of related parties with whom the Company has entered into transactions during the year:

Related Party	Basis of relationship	Shareholding in the Company (%)
Pakistan Poverty Alleviation Fund	Associated undertaking	49.00%
Karandaaz Pakistan	Associated undertaking	37.80%
KfW	Associated undertaking	13.20%
Directors	Director	0.00%
Employees' provident fund	Employees contribution fund	0.00%
Staff gratuity fund	Employees benefit fund	0.00%

43.1 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the year:

Name of Party	KfW
Registered address	KfW Group Charlottenstrasse 33/33a 10117 Berlin
Country of incorporation	Germany

43.2 Details of transactions with these related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2023 (Rupees)	2022 (Rupees)
Transactions with associated undertakings		
Grant income recognized during the year	50,075,659	26,112,439
Grant income received during the year	26,253,955	11,583,538
Subordinated loan repaid during the year	1,009,745,939	1,135,355,847
Markup on subordinated loan charged during the year	1,750,297,298	1,359,700,875
Markup on subordinated loan paid during the year	1,648,366,289	1,043,344,809
Transactions with other related parties		
Employer contribution payable to provident fund	10,023	17,171
Total contribution paid to provident fund	20,911,065	24,860,008
Total contribution paid to gratuity fund	8,395,393	9,253,506
Transactions with key management personnel		
Remuneration and allowance		
Short term benefits	136,073,610	119,409,314
Defined contribution plan	6,661,352	6,262,483
Defined benefit plan	7,930,182	7,552,601
	150,665,144	133,224,398
Loan to key management personnel		
Loan to CEO/ Directors	32,205,726	8,965,530
Loan to other key management personnel	4,098,291	10,531,686
	36,304,017	19,497,216
Movement of loan to Key Management Personnel		
Opening Balance	19,497,216	37,626,923
Disbursements	34,528,788	-
Repayments during the year	(17,721,987)	(18,129,707)
Closing Balance	36,304,017	19,497,216

44 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A FAIR VALUES

44.1 Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

On-balance sheet financial instruments		December 31, 2023								
		Carrying value					Fair value			
		Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2023	Note					(Rupees)				
Financial assets measured at fair value										
Long term investment - Pakistan Investment Bonds	8	422,847,403	-	-	-	422,847,403	-	422,847,403	-	422,847,403
Long term investment - Term Finance Certificates	8 & 17	250,000,000	200,807,599	-	-	450,807,599	-	450,807,599	-	450,807,599
Financing - net	9	-	-	27,707,333,258	-	27,707,333,258	-	-	-	-
Long term advances and deposits	10 & 44.4	-	-	31,083,599	-	31,083,599	-	-	-	-
Advances and other receivable	13 & 44.4	-	-	62,749,918	-	62,749,918	-	-	-	-
Markup accrued - receivable	14	-	-	2,452,135,116	-	2,452,135,116	-	-	-	-
Due from related parties	15	-	-	46,836,653	-	46,836,653	-	-	-	-
Lending to financial institutions (reverse repo)	16	891,503,582	-	-	-	891,503,582	-	-	-	-
Short term investment - Pakistan Investment Bonds	17	151,935,932	-	-	-	151,935,932	-	151,935,932	-	151,935,932
Short term investment - Treasury Bills	17	285,968,399	268,543,308	-	-	554,511,707	268,543,308	-	-	268,543,308
Short term investment - Term deposit certificates	17	-	-	-	-	-	-	-	-	-
Cash and bank balances	19	-	-	223,391,927	-	223,391,927	-	-	-	-
Derivative Financial Instrument					499,922,627	499,922,627		499,922,627	-	499,922,627
		2,002,255,316	469,350,907	30,523,530,471	499,922,627	33,495,059,321	268,543,308	1,525,513,561	-	1,794,056,869
Financial liabilities measured at fair value										
Subordinated loan - KfW	21	-	-	-	1,229,062,920	1,229,062,920	-	-	633,987,779	633,987,779
Subordinated loan - Others	21	-	-	-	7,915,721,410	7,915,721,410	-	-	-	-
Loans and borrowings	22	-	-	-	15,302,735,129	15,302,735,129	-	-	-	-
Short term borrowings	27	-	-	-	499,942,778	499,942,778	-	-	-	-
Lease liability	26	-	-	-	-	-	-	-	-	-
Trade and other payables	28 & 44.5	-	-	-	2,683,156	2,683,156	-	-	-	-
Markup accrued - payable	29	-	-	-	1,122,544,861	1,122,544,861	-	-	-	-
Subsidy payable	24	-	-	-	167,720,399	167,720,399	-	-	133,250,554	133,250,554
		-	-	-	26,240,410,653	26,240,410,653	-	-	767,238,333	767,238,333

On-balance sheet financial instruments		December 31, 2022								
		Carrying value					Fair value			
		Held to maturity	Available for sale	Loans and receivables	Other financial liabilities/assets	Total	Level 1	Level 2	Level 3	Total
December 31, 2022	Note					(Rupees)				
Financial assets measured at fair value										
Long term investment - Pakistan Investment Bonds	8	144,200,502	-	-	-	144,200,502	-	-	-	-
Long term investment - Term Finance Certificates	8 & 17	483,333,333	197,787,600	-	-	681,120,933	-	197,787,600	-	197,787,600
Financing - net	9	-	-	26,461,590,898	-	26,461,590,898	-	-	-	-
Long term advances and deposits	10 & 44.4	-	-	14,348,000	-	14,348,000	-	-	-	-
Advances and other receivable	13 & 44.4	-	-	50,851,944	-	50,851,944	-	-	-	-
Markup accrued - receivable	14	-	-	1,395,696,824	-	1,395,696,824	-	-	-	-
Due from related parties	15	-	-	23,014,950	-	23,014,950	-	-	-	-
Lending to financial institutions (reverse repo)	16	-	-	-	-	-	-	-	-	-
Short term investment - Pakistan Investment Bonds	17	99,002,075	-	-	-	99,002,075	-	-	-	-
Short term investment - Treasury Bills	17	289,556,999	10,307,844,340	-	-	10,597,401,339	10,307,844,340	-	-	10,307,844,340
Short term investment - Term deposit certificates	17	197,787,600	-	-	-	197,787,600	-	-	-	-
Cash and bank balances	19	-	-	544,663,194	-	544,663,194	-	-	-	-
Derivative Financial Instrument	12	-	-	-	205,810,758	205,810,758	-	205,810,758	-	205,810,758
		1,213,880,509	10,505,631,940	28,490,165,810	205,810,758	40,415,489,017	10,307,844,340	403,598,358	-	10,711,442,698
Financial liabilities measured at fair value										
Subordinated loan - KfW	21	-	-	-	936,251,641	936,251,641	-	-	633,987,779	633,987,779
Subordinated loan - Others	21	-	-	-	8,925,467,349	8,925,467,349	-	-	-	-
Loans and borrowings	22	-	-	-	13,083,231,892	13,083,231,892	-	-	-	-
Short term borrowings	27	-	-	-	10,612,963,619	10,612,963,619	-	-	-	-
Lease liability	26	-	-	-	42,713,993	42,713,993	-	-	-	-
Trade and other payables	28 & 44.5	-	-	-	2,043,574	2,043,574	-	-	-	-
Markup accrued - payable	29				820,841,353	820,841,353	-	-		
Subsidy payable	24				158,363,723	158,363,723	-	-	133,250,554	133,250,554
		-	-	-	34,581,877,144	34,581,877,144	-	-	767,238,333	767,238,333

44.2 **Treasury Bills:** Pakistan revaluation (PKRV) rate is average of the yield-to-maturity on government securities traded in the secondary market and determined at the end of day. The yield-to-maturity on government securities is quoted by the six brokerage houses keeping in view the yield-to-maturity on government securities traded in the secondary market.
Derivative Financial Instrument: The revaluation by counterparty is carried out on the basis of projected assessment of PKR to USD interest rate parity.
Subordinated loan: The revaluation is done using international bond valuation with maturity tenor similar to kfw loan.
Subsidy Payable: The revaluation is done using incremental borrowing rate for the entity at reporting date.

44.3 It excludes long term prepayment - transaction charges.

44.4 It excludes prepaid expenses, advances to suppliers and advances to employees for official purposes..

44.5 It excludes accrued expenses, income tax deducted at source and sales tax payable.

44.6 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

i. Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of markup at the reporting date. This fair value is determined for disclosure purposes.

ii. Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and markup cash flows, discounted at the market rate of markup at the reporting date.

B FINANCIAL RISK MANAGEMENT

The Company has exposure to following risk from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

44.8 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, prudent fund management practices and the ability to close out market positions due to dynamic nature of the business. 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, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

There were no defaults on loans payable during the year.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years	Maturity after five years
			(Rupees)		
December 31, 2023					
Subordinated loan	9,144,784,330	9,406,573,789	843,264,030	2,126,777,734	6,436,532,025
Loans and borrowings	15,302,735,129	15,302,735,129	2,742,474,669	7,405,658,887	5,154,601,573
Short term borrowings	499,942,778	499,942,778	499,942,778	-	-
Trade and other payables	2,683,156	2,683,156	2,683,156	-	-
Markup accrued - payable	1,122,544,861	1,122,544,861	1,122,544,861	-	-
Subsidy payable	167,720,399	210,233,775	87,635,498	96,648,750	25,949,527
	26,240,410,653	26,544,713,488	5,298,544,992	9,629,085,371	11,617,083,125
December 31, 2022					
Subordinated loan	9,861,718,989	16,785,024,772	2,559,595,212	8,934,598,936	5,290,830,624
Loans and borrowings	13,083,231,892	18,247,173,304	4,445,956,019	13,801,217,285	-
Short term borrowings	10,612,963,619	10,612,963,619	10,612,963,619	-	-
Lease liability	42,713,993	46,277,563	46,277,563	-	-
Trade and other payables	2,043,574	2,043,574	2,043,574	-	-
Markup accrued - payable	820,841,352	820,841,352	820,841,352	-	-
Subsidy payable	158,363,723	158,363,723	45,233,515	68,325,471	44,804,736
	34,581,877,142	46,672,687,907	18,532,910,854	22,804,141,692	5,335,635,360

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flows relating to subordinated loans, loans and borrowing and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in note 21, 22 and 27 to these financial statements.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

44.7 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

i. Concentration of credit risk

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

	Note	2023 (Rupees)	2022 (Rupees)
Long term investment - Pakistan Investment Bonds	8	422,847,403	144,200,502
Long term investment - Term Finance Certificates	8 & 17	349,993,333	483,333,333
Financing - gross*	9	29,082,875,869	27,940,291,676
Long term advances and deposits	10 & 44.4	31,083,599	14,348,000
Advances and other receivable	13 & 44.4	62,749,918	50,851,944
Markup accrued - receivable	14	2,452,135,116	1,395,696,824
Due from related parties	15	46,836,653	23,014,950
Lending to financial institutions (reverse repo)	16	891,503,582	1,000,255,511
Short term investment - Pakistan Investment Bonds	17	151,935,932	99,002,075
Short term investment - Term Finance Certificates	17	200,807,599	197,787,600
Short term investment - Treasury Bills	17	554,511,707	10,597,401,339
Cash and bank balances	19	223,391,927	544,663,194
		34,470,672,638	42,490,846,948

**Financing has been taken gross for the purpose of determining the applicable credit risk.*

Geographically there is no concentration of credit risk. The maximum exposure to credit risk for financial assets at the reporting date by type of counter party is as follows:

	2023 (Rupees)	2022 (Rupees)
Related parties	46,836,653	23,014,950
Banks and financial institutions	33,755,219,133	42,159,429,477
Others	668,616,852	308,402,521
	34,470,672,638	42,490,846,948

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of financial assets. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

ii- **Impairment losses**

General provision ranges between 3.25% to 5.50% (2022: 1% to 20.00%) of the individual outstanding balances of funded and non-funded facilities net of specific provision; based on the internal risk rating of the individual borrowers and as per the provision rates approved by Board of Directors.The movement in general provision in respect of financing during the year was as follows:

	Note	2023 (Rupees)	2022 (Rupees)
Opening balance		690,568,928	482,813,333
Provision made during the year	9.4	430,973,142	207,755,595
		1,121,542,070	690,568,928

The Company records specific provision against financing based on the unique circumstances of the counterparties and delays in agreed repayment terms. The specific provision is reassessed at each reporting date. The movement in specific provision in respect of financing during the year was as follows:

	Note	2023 (Rupees)	2022 (Rupees)
Opening balance		788,131,850	760,062,178
Provision made during the year	9.4	123,868,649	28,069,672
Bad debts written off during the year		(657,999,958)	-
		254,000,541	788,131,850

The provision account in respect of financing are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrevocable is written off against the financial asset directly.

Based on past experience, the management believes that except as already provided for in these financial statements, no further impairment is required to be recognized against any financial assets of the Company.

iii. **Credit quality of financial assets**

The credit quality of the Company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA), VIS Credit Rating Company Limited (VIS) and Standard & Poor's.

An analysis of the credit quality of financial assets is as follows:

	Ratings	2023 (Rupees)	2022 (Rupees)
Long term investment - Pakistan Investment Bonds			
Counterparties without credit rating		422,847,403	144,200,502
Long term investment - Term Finance Certificates			
Counterparties with credit rating	AA-	150,000,000	383,333,333
Counterparties with credit rating	BB/B	199,993,333	100,000,000
		349,993,333	483,333,333
Financing - gross*			
Counterparties with credit rating	AAA	-	2,200,000,000
Counterparties with credit rating	AA/A	14,318,750,000	4,600,000,000
Counterparties with credit rating	BBB	12,252,896,015	13,978,000,000
Counterparties with credit rating	BB/B	2,243,750,000	600,000,000
Counterparties with credit rating	SIP3	261,660,942	6,562,291,676
Retail Financing without credit rating		5,818,912	-
		29,082,875,869	27,940,291,676
Long term advances and deposits			
Counterparties without credit rating		31,083,599	14,348,000
Advances and other receivable			
Counterparties without credit rating		62,749,918	50,851,944
Derivative financial instrument			
Counterparty with credit rating	AAA	499,922,627	205,810,758
Markup accrued - receivable			
Counterparties with credit rating	AAA	-	-
Counterparties with credit rating	AA/A	898,746,984	631,664,377
Counterparties with credit rating	BBB	790,731,247	280,805,658
Counterparties with credit rating	BB/B	682,810,464	86,269,316
Counterparties without credit rating		79,846,421	396,957,473
		2,452,135,116	1,395,696,824
Due from related parties			
Counterparties with credit rating	A1+	46,836,653	23,014,950
Lending to financial institutions (reverse repo)			
Counterparties without credit rating		891,503,582	1,000,255,511
Short term investment - Pakistan Investment Bonds			
Counterparties without credit rating		151,935,932	99,002,075
Short term investment - Term Finance Certificates			
Counterparties with credit rating	AA-	200,807,599	197,787,600
Short term investment - Treasury Bills			
Counterparties without credit rating		554,511,707	10,597,401,339
Short term investment - Term deposit certificates			
Counterparties with credit rating	A1+	-	-
Cash at bank			
Counterparties with credit rating	A1+	223,335,342	544,608,955
Counterparties with credit rating	A1	56,585	54,239
		223,391,927	544,663,194

**Financing has been taken gross for the purpose of determining the applicable credit risk.*

44.9 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market markup rates or the market price due to 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.

44.9.1 Foreign currency risk

The PKR is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items; and
- Transactional exposure in respect of non functional currency expenditure and revenues.

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to foreign exchange risk on year end monetary balances:

	2023	2022
	(Rupees)	(Rupees)
Subordinated loan from KfW	1,229,062,920	936,251,641

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2023	2022	2023	2022
US Dollars	282.98	207.04	281.86	226.43

Foreign Currency Sensitivity Analysis

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of USD applied to assets at reporting date represented in foreign currency, with all other variables held constant, of the Company's profit before tax.

	2023	2022
	(Rupees)	(Rupees)
Increase in 10% USD rate	115,162,749	(93,625,164)
Decrease in 10% USD rate	(115,162,749)	93,625,164

44.9.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company has financing and subordinated loan in Pakistan Rupees at variable rates. The financing and subordinated loan has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

i. **Exposure to markup rate risk**

At the reporting date the markup rate profile of the Company's markup bearing financial instruments was as follows:

Fixed rate instruments	2023 Effective rate %	2022 Effective rate %	2023 (Rupees)	2022 (Rupees)
Financial assets	8.77%-21.95%	8.66%-16.7%	2,020,798,624	11,840,859,428
Financial liabilities	5.46%-23.06%	5.46%-16.05%	(1,229,062,920)	(10,599,251,640)
			791,735,704	1,241,607,788
Variable rate instruments				
Financial assets	13.5% to KIBOR +3.26%	13.5% to KIBOR +3.26%	29,756,999,996	29,166,038,185
Financial liabilities	KIBOR -1% to KIBOR +1%	KIBOR -1% to KIBOR +1%	(23,718,399,317)	(22,508,662,860)
			6,038,600,679	6,657,375,325

ii. **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not effect the statement of profit or loss.

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

A change of 100 basis points in markup rates at the reporting date would have increased / decreased markup income by Rs. 277.07 million (2022: Rs. 291.66 million) and increased / decreased markup expense by Rs. 244.46 million (2022: Rs. 225.09 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for previous year.

44.9.3 Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance.

45 Statutory minimum capital requirement and management of capital

Capital requirements applicable to the Company are set and regulated by the Securities and Exchange Commission of Pakistan ("SECP"). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing its capital structure against the required level on a regular basis at the reporting date, the minimum equity requirement as per the NBFC Regulations for the non deposit taking NBFC is Rs. 100 million (2022: 100 million). As at December 31, 2023, the Company's total equity is Rs. 8,784 million (2022: Rs.7,915 million).

The Company manages its capital structure and makes adjustments to it in light of the changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the return on capital to shareholders or issue new shares.

46 NUMBER OF EMPLOYEES

	2023	2022
Number of employees at reporting date	43	45
Average number of employees during the year	42	44

47 Events after the reporting period

There are no reportable events after the reporting period.

48 **Corresponding figures**

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. However, no significant re-arrangements or reclassifications have been made in these financial statements during the year.

49 **GENERAL**

49.1 The Company has obtained fiduciary insurance for all of its employees as required under the NBFC Rules, 2003.

50 **APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on MARCH 13, 2024.

CHIEF EXECUTIVE OFFICER

DIRECTOR