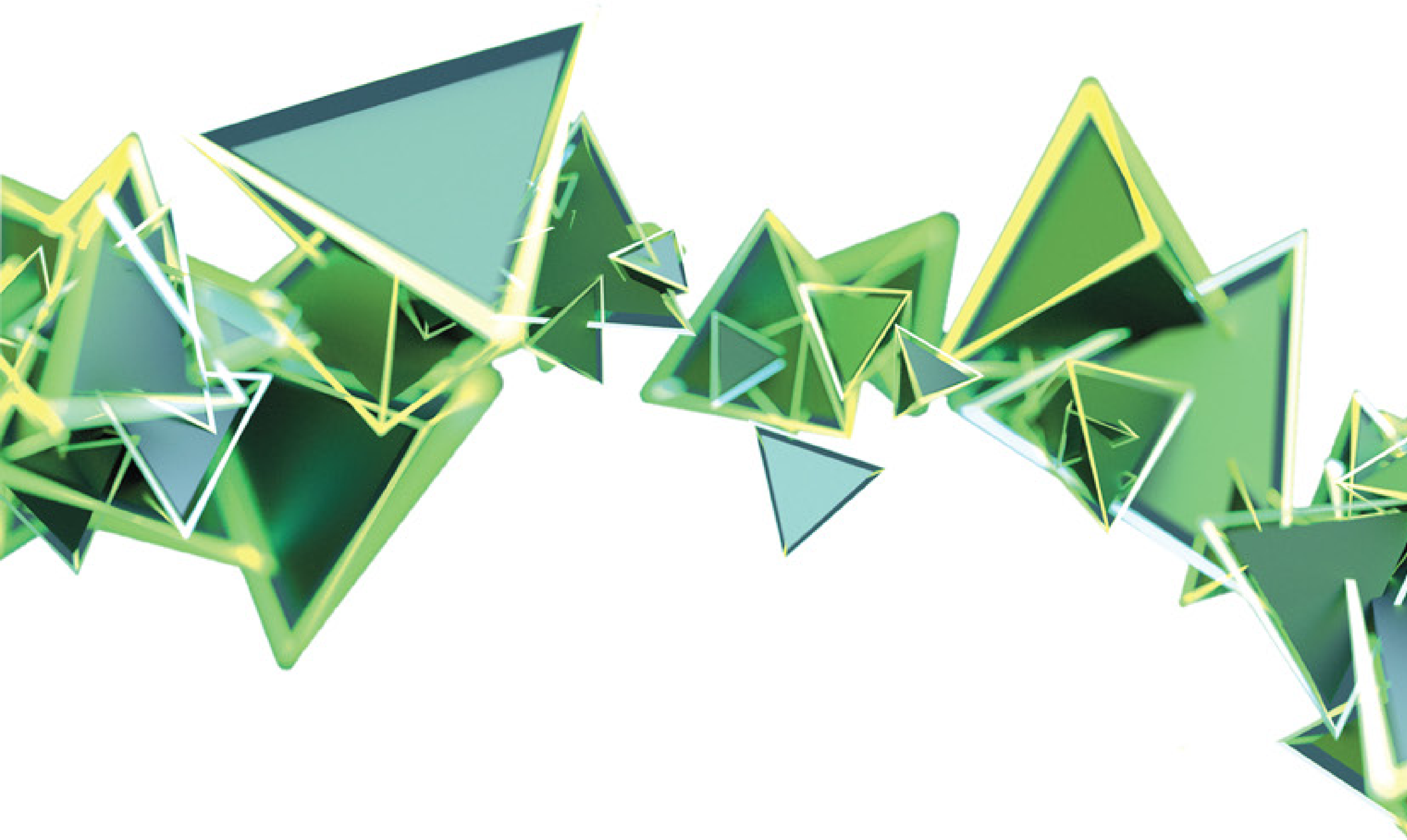
PMIC

Pakistan Microfinance Investment Company Limited

ANNUAL REPORT 2023

Microfinance & Economic Growth
Unveiling the Impact of PMIC

PASSION **FOR PROGRESS**



PKR 29B LOAN PORTFOLIO	26 TOTAL BORROWERS	848,000 CLIENTS SERVED	90 DISTRICTS COVERED

87%
WOMEN CLIENTS

37%
YOUTH CLIENTS

1M+
CUMULATIVE JOBS SUPPORTED

64%
RURAL CLIENTS

Pioneering The Financial
Inclusion Revolution!

Table of Content

Company Information

BOARD OF DIRECTORS

Mr. Naved Abid Khan
Chairman

Mr. Nadir Gul
Director

Mr. Mohammad Tahseen
Director

Mr. Yasir Ashfaq
Chief Executive Officer, PMIC

Mr. Navid Goraya
Director

Dr. Markus Aschendorf
Director

Dr. Tariq Hassan*
Director

BOARD AUDIT COMMITTEE

Mr. Navid Goraya
Chairman

Mr. Nadir Gul
Director

Ms. Irum Sardar
Secretary

BOARD RISK COMMITTEE

Dr. Markus Aschendorf
Chairman

Mr. Mohammad Tahseen
Member

Mr. Naved Abid Khan
Member

Mr. Muhammad Rashid Imran
Secretary

*Till April 19, 2023

BOARD HUMAN RESOURCE COMMITTEE

Mr. Naved Abid Khan
Chairman

Mr. Nadir Gul
Member

Mr. Mohammad Tahseen
Member

Ms. Zainab Kakar
Secretary

Mr. Hassan Nawaz — Acting Chief Financial Officer

Mr. Yasir Masud — Company Secretary,Head of Legal & Procurement

M/s. A.F Ferguson & Co. — External Auditors

M/s. HaiderMota & Co. — Legal Advisors

REGISTERED OFFICE

Pakistan Microfinance Company Limited
21st Floor, Ufone Tower, 55-C Main Jinnah Avenue Blue Area, Islamabad 44000, Pakistan.

TEL : (92-51) 8487820-45

FAX : (92-51) 8487820-45

WEBSITE : http://www.pmic.pk/

SHARE REGISTRAR

M/s. CDC Share Registrar Services Limited
CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi 74400

TEL : 0800 23275

FAX : (+92 21) 34326053

EMAIL : info@cdcsrsl.com

Acronyms

AIC	Asia Insurance Company
ADB	Asian Development Bank
ALCO	Asset-Liability Committee
BAC	Board Audit Committee
BHRC	Board Human Resource Committee
BRC	Board Risk Committee
BII	British International Investment
COLA	Cost of Living Allowance
CEF	Credit Ensure Facility
DFID	Department for International Development
DFC	Development Finance Corporation
DCSM	Digital Credit Scoring Model
DFS	Digital Financial Services
DFIs	Development Finance Institutes
EWR	Electronic Warehouse Receipt
EWRF	Electronic Warehouse Receipt Financing
EAGR	Enterprise and Asset Growth Program
ES	Environmental and Social
FIIP	Financial Inclusion and Infrastructure Project
FDI	Foreign Direct Investment
FCDO	Foreign, Commonwealth & Development Office
IRS	Institutional Rating System

IFAD	International Fund for Agriculture and Development
KRN	Karandaz Pakistan
LMI	Livestock Micro Insurance
MRC	Management Risk Committee
MFBs	Microfinance Banks
MIVs	Microfinance Investment Vehicles
MFPs	Microfinance Providers
NCMC	Naymat Collateral Management Company
NBMFI	Non-bank Microfinance Institutions
PMIC	Pakistan Microfinance Investment Company Limited
PMIFL	Prime Minister's Interest-Free Loan Program
PIC	Project Implementation Consultant
PPAF	Pakistan Poverty Alleviation Fund
QAF	Quality Assurance Framework
RCDP	Rural Community Development Program
SECP	Securities & Exchange Commission of Pakistan
SBP	State Bank of Pakistan
SDGs	Sustainable Development Goals
SEED	Sustainable Energy and Economic Development

About PMIC

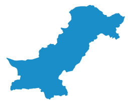
Established in October 2016, PMIC is a vital player in the financial services ecosystem of Pakistan. Its formation marks a key milestone of the National Financial Inclusion Strategy, whereby various development partners joined hands to establish a company that could actively contribute towards a robust financial system leading to the provision of financial services at the bottom of the pyramid.

With a focus on improving employment and livelihood opportunities for marginalized segments in the country, especially women and youth, PMIC is introducing need-based products, to graduate them out of abject poverty. With outreach throughout the country through partner MFPs, PMIC has already impacted the lives of 769,521 Clients. PMIC actively contributes towards the formation of policies and strategies to enhance financial inclusion in the country while playing an active policy advocacy role.

We have remained dedicated to empowering the underserved sector of Pakistan through financial inclusion.

Clients Served | 848,000

- 90 Districts
- 87% Women
- 64% Rural
- 36% Youth



Loan Portfolio | PKR 29B

Loans Worth 3.94 Billion Deployed in Extreme Poverty Zones

Clients Impacted Through MF Plus Initiatives | 150,000

Impact Investing Linked to 10 Sustainable Development Goals (SDGs)

Employment Generation | 1M+

More than 1 Million Cumulative Jobs Supported by Microfinance Lending Operations

---

Incremental Contribution to Revenue | PKR 112B

PKR 112 Billion Incremental Revenue Generated by PMIC's Supported Enterprises

Brand Statement

“PASSION FOR PROGRESS”

Best Contribution
By A Non-Bank Entity
Award 2021

NBFI & Modaraba
Association of Pakistan
Award 2022

Our Vision

“ A Pakistani society where the underserved are empowered. ”

Our Mission

“Provide financial and institutional services to strengthen and scale-up the provision of sustainable and responsible access to finance to individuals, micro-entrepreneurs, and micro enterprises in Pakistan to enhance employment and income opportunity for economically poor and underserved citizens and improve the lives of the poor.”

Strategic Objectives

Create a financially sustainable wholesale organization

Build a strong, professional and innovative organization

Ensure compliance with ES Guidelines in the organization

Build a robust financial ecosystem for the growth of sustainable microfinance in Pakistan

Provide innovative and customized support to PMIC investees; develop capacity to access commercial credit markets

Core Values

Transparency & Merit

Teamwork

Inclusion

Respect & Integrity

Passion, Innovation & Creativity

Shareholders' Profile

PMIC's shareholders comprise of Pakistan Poverty Alleviation Fund (PPAF), DFID through Karandaaz Pakistan, and KfW. These three entities have pooled financial resources and intellectual capital in the formation of PMIC.

The sponsoring institutions bring clarity of purpose and a commitment to PMIC's mission which envisages a Pakistani society where the underserved are empowered. In addition to capital contributions from the sponsors, PMIC also has subordinate loans available from them, which reflects the sponsors' commitment to the institution's mission. The collective goals of the three sponsors as reflected in the development objectives for PMIC map onto key targets under some of the SDGs.

Pakistan Poverty Alleviation Fund (PPAF) - established in 2000, by the Government of Pakistan as an autonomous not-for-profit organization. PPAF enjoyed facilitation and support from the Government of Pakistan, The World Bank, the International Fund for Agricultural Development (IFAD), KfW, and other statutory and corporate donors. PPAF had been the largest source of wholesale funds for community-driven development in the country. The core operating units of PPAF deliver a range of development interventions at the grassroots/community level through a network of more than 100 Partner Organizations across the country.

Karandaaz Pakistan (KRN) - KARANDAAZ PAKISTAN is a not-for-profit special purpose vehicle set up under Section 42 in August 2014. Karandaaz is the implementation partner of the Enterprise and Asset Growth Programme (EAGR) and Sustainable Energy and Economic Development (SEED) program of the UK's Foreign, Commonwealth & Development Office (FCDO). SEED is a grant funded by FCDO whereas EAGR is co-funded by FCDO and Bill & Melinda Gates Foundation on a grant basis.

KfW - a German government-owned development bank. KfW has been facilitating the German Federal Government to achieve its goals in development policy and international development cooperation for more than 50 years. It is both an experienced bank and a development institution with financing expertise, expert knowledge of development policy, and many years of national and international experience. On behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), it finances and supports programs and projects that mainly help countries fight poverty, maintain peace, and protect both the environment and the climate.

Board of Directors

Mr. Naved Abid Khan
Chairman/Independent Director

Mr. Nadir Gul
Director

Mr. Mohammad Tahseen
Director

Mr. Navid Goraya
Director

Dr. Markus Aschendorf
Director

Mr. Yasir Ashfaq
CEO/Director

Management Team

Mr. Yasir Ashfaq
CEO/Director

Saqib Siddiqui
Head of Sector Development

Muhammad Rashid Imran
Chief Risk & Compliance Officer

Asghar Memon
Head of Portfolio Management

Zainab Kakar
Head of Human Resource

Ms. Irum Sardar
Head of Internal Audit

Yasir Masud
Company Secretary, Head of Legal & Procurement

Mr. Hassan Nawaz
Lead Finance & Accounts

Chairman's Message

Mr. Naved Abid Khan
Chairman/Independent Director

Valued Stakeholders,
I am honoured to present the annual report of Pakistan Microfinance Investment Company (PMIC) for 2023, reflecting on our journey towards financial inclusion and socio-economic empowerment. In eight years, PMIC has diligently pursued its mission to extend wholesale financing to microfinance providers, enabling them to reach underserved and marginalized populations. Our strategic interventions have not only facilitated the expansion of microfinance services but have also contributed to enhancing the resilience and economic prospects of 850,000 borrowers across the country.

Pakistan has the third highest adult unbanked population in the world. Out of the potential microfinance market of 40.9 million, there are only 9.3 million active borrowers in Pakistan. The country's evolving macroeconomic landscape, characterized by significant pressure on domestic prices, exchange rates, loss of investor confidence, record high energy and food prices, and the loss of crops and livestock due to the 2022 floods, has amplified the vulnerabilities of low-income households. It underscores the critical need for inclusive financial solutions. In these circumstances, the microfinance institutions (MFIs) have become increasingly pivotal.

As the national apex institution for microfinance providers, PMIC has continuously strived to catalyse sustainable development, strengthen synergies, and swiftly adapt its operations, prioritizing financial support to MFIs and ensuring the continuity of essential services. Currently, the Microfinance Institutions in Pakistan face liquidity constraints resulting in conservative growth. To address this key barrier, PMIC has accelerated its efforts to strengthen synergies with international donors like the Asian Development Bank (ADB), World Bank, IFC, DFC, BII and international microfinance investment vehicles (MIVs) like Blue Ordarc, Enabling Qapital, FMO, Proparco, Symbiotics etc. to secure funding for consistent growth of the microfinance sector.

Given the nature of microfinance and its geographic footprint, it can play an increasingly important role in improving climate adaptation and building climate resilience in the communities it serves. PMIC is using a multisectoral agricultural ecosystem approach to promote food security, climate-smart agriculture practices, and increase the income of small farmers.

PMIC is proud to spearhead action on climate change by financing small farmers, resulting in a notable 28% increase in their average yield with visibly reduced use of inputs and water consumption, promoting improved agricultural practices by using technology for information analysis and technical advisory for optimal yield and profits.

The results have encouraged PMIC to make interventions in agriculture ecosystem especially focusing small farmers as a cornerstone of its strategy going forward. Similarly, the Renewable Energy Initiative is also expected to gain momentum with the availability of Euro 5 million subsidy for end user and microfinance providers.

PMIC is cognizant of the transformative potential of technology in advancing financial inclusion. We have intensified our efforts to explore and leverage innovative solutions, including digital platforms and fintech partnerships, to enhance the accessibility and efficiency of financial services. PMIC is working on developing a Digital Credit Scoring Model (DCSM) under its challenge fund. This Digital Credit Scoring Model will streamline client assessments and create a conducive environment to promote data-led decision-making for the microfinance partners.

As we navigate the challenges and opportunities in the future, I extend my heartfelt gratitude to our dedicated team, partner institutions, regulatory authorities, and all stakeholders for their unwavering support and commitment to our shared mission. Together, we will continue to champion the cause of financial inclusion, leveraging technology and innovation to create pathways for prosperity and well-being for all and be at the forefront of driving positive change and building a more inclusive and prosperous Pakistan.

Sincerely,

Chairman of the Board of Directors
PMIC

CEO's Message

Mr. Yasir Ashfaq
CEO/Director

Dear Stakeholders,
As we close another year, it is my privilege to reflect on our journey through 2023-a year marked by both challenges and substantial achievements for PMIC. Despite difficulties, we have navigated this year with a steadfast commitment to our mission and an unwavering focus on the future.

The economic landscape of FY23 in Pakistan was characterized by a contraction in GDP (0.6%) and exacerbated financial imbalances due to import controls, exchange rate interventions, and credit downgrades. The agriculture sector, particularly hard-hit by floods, struggled to recover. Fiscal constraints, inflation, and energy sector issues compounded economic woes. The policy rate soared to 22% in 2023 to address inflation as a result poverty rates surged, pushing more individuals below the poverty line.

2023 was a year of strategic evolution and remarkable tenacity. The post-pandemic landscape continued to present multifaceted challenges, yet our dedication to empowering the underserved communities of Pakistan remained intact. Despite global economic uncertainties and regional pressures, PMIC has not only sustained but also expanded its impact. We owe this to the collective effort of our dedicated team and the trust of our partners.

This year, we reached a significant milestone by serving 848,000 clients, reflecting an increase in our outreach and a deepened impact on poverty alleviation and economic empowerment. Our loan portfolio grew to PKR 29.1 billion which indicates an 8.9 percent growth, with extended coverage in over 90 districts across the country. On the financial front, PMIC raised PKR 5.2 billion in credit facilities during the year and closed the year at PKR 15.8 billion. In the year 2023, PMIC net profits grew by 41.2 percent and net revenue grew by 69.3 percent. This growth does not only reflect numbers but also improves the quality of service and the breadth of our offerings, ensuring more inclusive and sustainable financial solutions.

IIn 2023, PMIC's strategic vision for the coming decade began to materialize, building on seven years of foundational work. This forward-looking strategy emphasizes innovative financial products and digital transformation to boost accessibility and efficiency. As a leading institution, PMIC is driving the microfinance sector towards results-based outcomes, advancing Sustainable Development Goals. Prioritizing climate resilience in rural areas, PMIC focuses on agricultural interventions and technological innovations to enhance food security, yield, and profitability among small farmers. Notably, PMIC intensified its focus on renewable energy and education through funding programs, with the PRIME initiative reaching 35,000 households with solar home solutions, reinforcing our commitment to environmental sustainability and poverty alleviation.

The development of a Digital Credit Scoring Model (DCSM) as part of the PMIC challenge fund is evidence that PMIC believes and acknowledges the transformative potential of technology in advancing financial inclusion. The DCSM aims to streamline client assessments and foster data-driven decision-making among microfinance partners. PMIC diligently worked on refining its policies and procedures, prioritizing efficiency and effectiveness in its operations. Our efforts in gender equality have been particularly rewarding, with women constituting 87% of our clientele this year - a testament to PMIC's core commitment to empowering women in the economic sphere. Furthermore, our youth and rural engagement programs have been strengthened, ensuring that the benefits of our initiatives are widely and equitably distributed.

As we prepare ourselves for the year 2024, we are poised for positive growth. The upcoming projects with the international development agencies and funds are set to bring significant contributions to our sectors, promising not only growth but also innovation in our service delivery. I am incredibly proud of what we have achieved in 2023 and am grateful for the hard work and passion of our team. My thanks also go to our Board of Directors, borrowing institutions, PPAF, Karandaaz Pakistan, FCDO, KfW, the State Bank of Pakistan, SECP, PMN, commercial banks, all our partners and stakeholders who have been instrumental in our journey.

Let us step into 2024 with hope and determination, ready to meet the challenges ahead and continue making a significant difference in the lives of those we serve. Together, we are shaping the future.

Sincerely,

Chief Executive Officer
PMIC

Client's Success Story

Nida's Inspiring Journey of Resilience, Entrepreneurship, and Empowerment

In Waseem Abad, District Bahawalpur, resides Nida Bilal, a resilient 28-year-old woman and a divorced mother raising her 5-year-old son in her parent's home. Despite facing challenging circumstances, Nida refused to let them define her. Motivated by her deep desire to provide a good life for her family, she harnessed her exceptional skills in embroidery.

Determined to turn her dreams into reality, Nida took a courageous step and sought assistance from PMIC's client, Agahe Pakistan. Through their microfinance program, she secured a loan of Rs.65,000. With this support, Nida initiated her embroidery business, emphasizing her goal of ensuring a quality education for her son.

With the loan approved, Nida wasted no time and efficiently utilized the funds to acquire the necessary embroidery tools. As her business flourished, she managed her finances wisely, ensuring timely repayment of the loan. Nida's monthly income of 25,000-30,000 allowed her to not only meet their basic needs but also save for her son's education. Witnessing her son flourish academically and socially in a nearby private school, Nida's hard work and determination paid off.

Beyond her success, Nida became a beacon of empowerment in her community. She started mentoring other women, sharing her knowledge and inspiring self-sufficiency. Nida's journey, fueled by perseverance and supported by Agahe Pakistan, exemplifies the transformative impact of determination and community assistance, proving that dreams can indeed become a reality.

Director's Report

The Board of Directors of Pakistan Microfinance Investment Company Limited (PMIC) is pleased to present the Annual Audited Financial Statements for the period ended December 31, 2023.

Economic Review[1]

The macroeconomic conditions have gradually improved leading to a revival in overall economic activity compared to the challenges faced last year. This persistent uptick in economic indicators has resulted in improved GDP growth of 2% in the first quarter of FY 2023 - 24. Business confidence and the investment climate are expected to gradually improve. A positive economic outlook for the latter half of FY 2023 – 24 is expected based on improved politico-economic situation.

The Consumer Price Index (CPI) stood at 29.7% on a year-on-year (YoY) basis in December 2023 as compared with 24.5% for the same period last year. To manage the rising inflation, the State Bank of Pakistan (SBP) increased the monetary policy rate from 16.0% in January 2023 to 22.0% by June 2023 and was kept at 22.0% till December 2023.

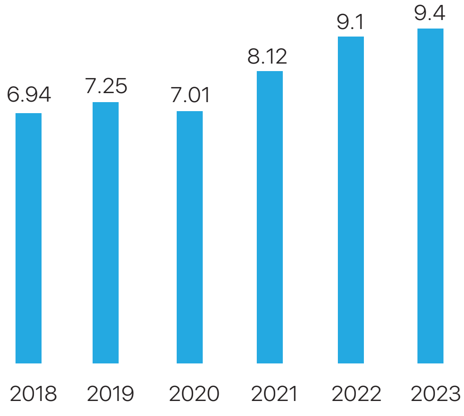
On the external front, during July – Dec 2023, the current account deficit stood at $831 million, a marked improvement from the $3.6 billion deficit of the previous year, largely due to a better trade balance. Moreover, Foreign Direct Investment (FDI) increased by 34.8% to $862.6 million during July - Dec 2023 as compared with $640.0 million in the year 2022.

Microfinance Sector Update[2]

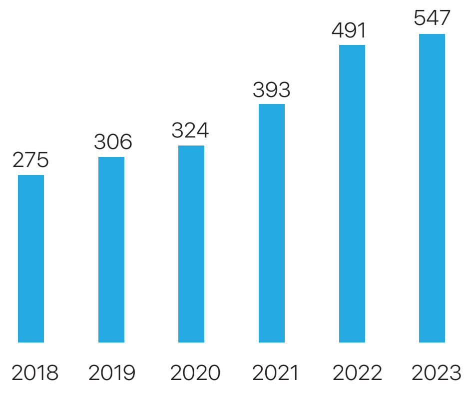
The microfinance industry achieved a significant milestone by crossing the PKR 500 billion mark in Gross Loan Portfolio (GLP). As of December 2023, the GLP of the sector was recorded at PKR 547 billion reflecting an increase of 11.4% from the year-end 2022 GLP of PKR 491 billion. Active borrowers as of December 2023 stood at 9.4 million reflecting a 3.3% increase from 9.1 million in December 2022. As of December 2023, the approximate total number of female active borrowers for the sector was 4.3 million (46% of the sector) as compared to approximately 4.1 million (45% of the sector) at the end of year 2022. In terms of micro-savings, the number of deposit accounts increased by 14.9% to reach 108 million. The deposit amount grew by 16% in 2023, with the total value of deposits standing at PKR 596 billion.

By December 2023, the sector showed a persistent recovery with an increase in both active borrowers and GLP. However, most of this growth has been driven by nano loans. This is evident from the fact that Microfinance Banks (MFB), the largest provider of nano loans, has become one of the largest contributors to the microfinance sector with a market share of 77% of GLP and 66% of active borrowers. Around 38% of the clientele contributed by nano loans, closing the number at approximately 2.3 million loans as of December 2023.

Number of Active Borrowers (in million)[2]



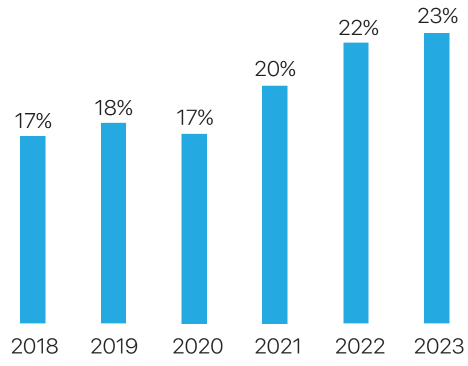
Gross Loan Portfolio (PKR in billion)[2]



[1] Pakistan Beustratce, Ministry of Finance
[2] Industry sources

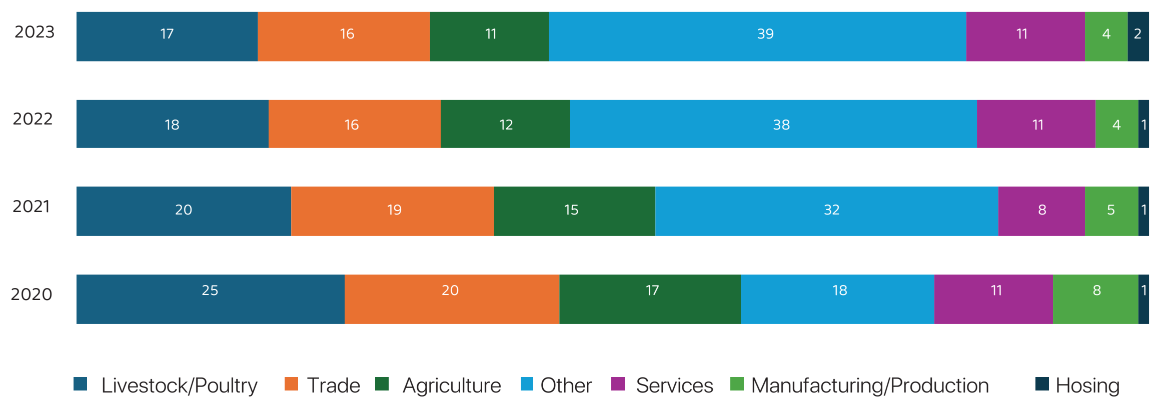
The microfinance sector reached almost one-fourth (23%) of the potential market of 40.9 million clients by December 2023.

Microfinance Sector Penetration (in %)²



Broad features of the GLP have remained largely consistent over FY23. The proportion of borrowers from rural areas has declined during the quarter, comprising 42% of total microfinance borrowers as of March 2023 compared with 47% in December 2022. Similarly, the sector-wise distribution of the portfolio also remained consistent with the past trends showing minor deviations during the quarter that ended March 2023. The number of loans for livestock/poultry, trade, and agriculture can be observed decreasing over the years and the number of loans for other purposes, services, and housing is increasing.

Sectoral Distribution - Active Borrowers (in %)²



The sector's average loan size increased from PKR 54,031 in December 2022 to PKR 58,038 in December 2023 reflecting an increase of approximately 7%. The average loan size of MFBs stood at PKR 68,126. The increase in average loan size is attributed to currency depreciation, inflation, and overall higher cost of living.

MFBs exhibited significant improvement in portfolio quality, with average PAR>30 days reported at 4.4% by December 2023 from 8.8% in December 2022. Similarly, PAR>30 days improved during the same period, across the sector, reported at 3.8% (December 2023) from 5.8% (December 2022). In the case of MFIs and RSPs, the figure has been on a consistent downward trend since 2021, declining to 1.5% in December 2023.

PMIC Review

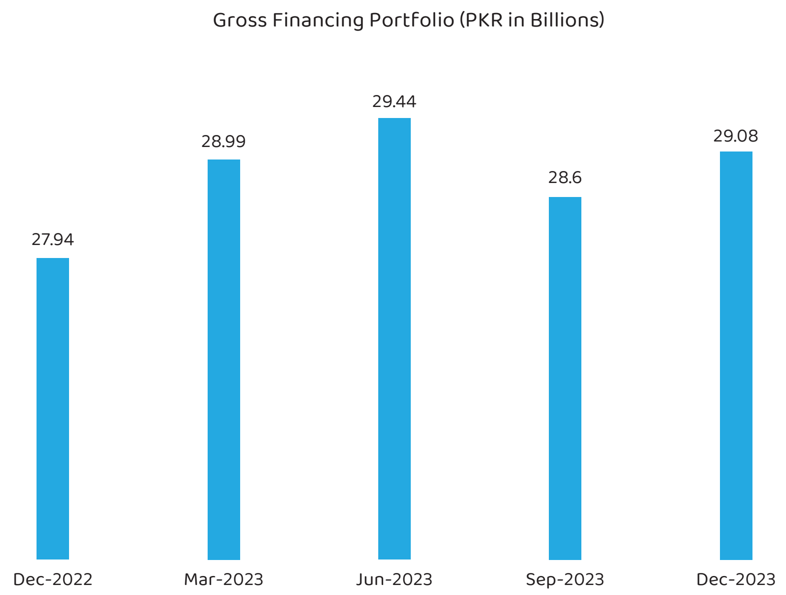
i. Operational and Financial Review

The financial results of PMIC are as follows:

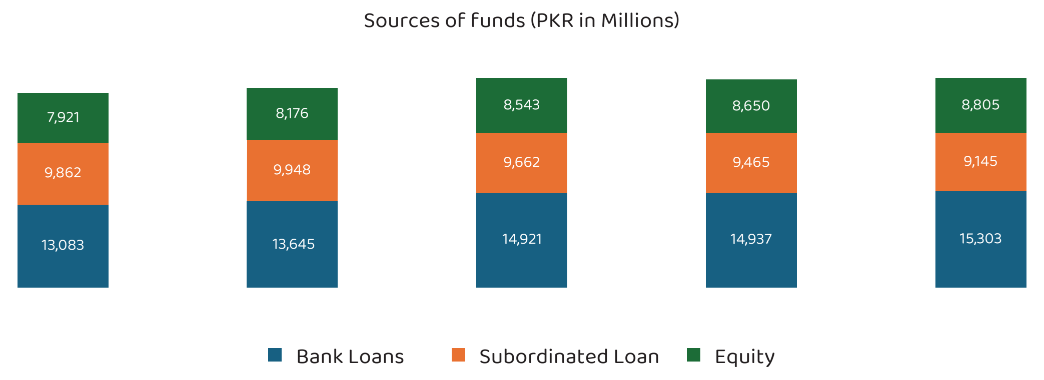
	2023 (PKR)	2022 (PKR)	Variation %
Income	8,477,163,446	4,898,482,168	72%
Finance cost	(6,264,648,333)	(3,407,694,876)	84%
	2,182,515,113	1,490,787,292	46%
Administrative expenses	(509,638,864)	(430,523,524)	18%
Profit before taxation	1,446,621,855	958,197,510	51%
Profit after taxation	894,706,489	632,784,098	41%
Earning per share	152.05	107.54	41%

The company's net markup income was PKR 2,183 million for the year 2023, as compared to PKR 1,491 million in 2022. This was mainly attributable to the increase in loan volumes and re-pricing of financing rates due to higher interest rates. Net Profit after tax increased by 41% from last year and accordingly, the return on equity for the year was 11%.

Gross financing trajectory increased during the year by approximately PKR 1.14 billion and exposure as of December 31, 2023, stood at PKR 29.08 billion with 24 financial institutions including five MFBs. The increased demand from the microfinance sector for credit lines has resulted in stable revenue growth and improvement in PMIC's annual net profit.

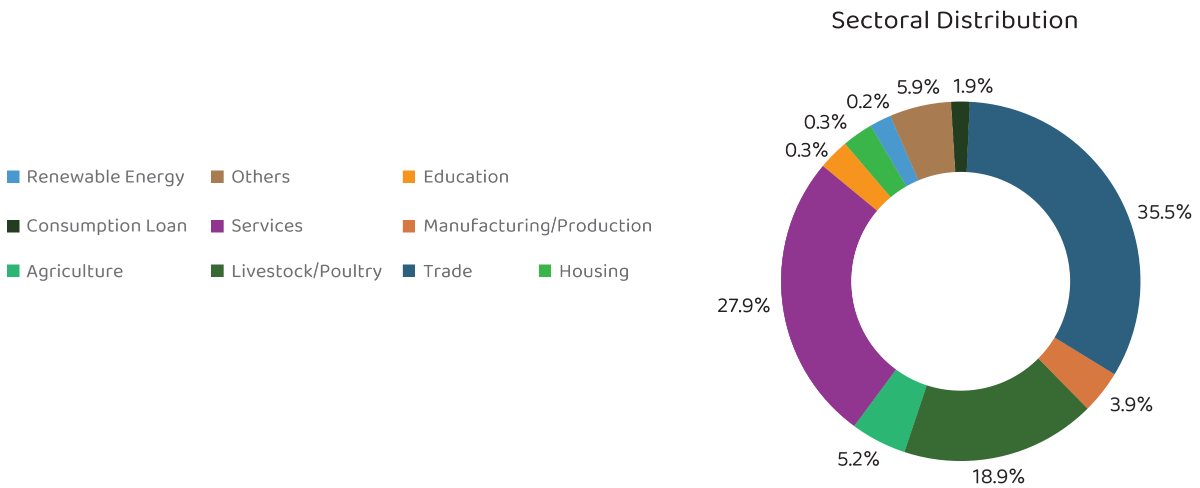


PMIC also raised funds from commercial banks during 2023, closing the year at PKR 15.30 billion of commercial borrowings. Growth in 2023 was driven by commercial funding which increased by 17%. The company remains well-capitalized in December 2023, with PKR 8.80 billion equity and subordinated loans of PKR 9.14 billion.



ii. Business and Outreach Review

During the year, PMIC loan originations to lending institutions have served approximately 724,503 microfinance clients out of which 87% were women and 36% youth. At the end of the year, 64% of the portfolio was in rural areas, in line with PMIC's goals of serving people in underserved areas and improving development outcomes. PMIC's funding model is consistent with PMIC's vision of expanding employment and income opportunities, with nearly 39% of the portfolio dedicated to trade and manufacturing, with 24% exposure to agriculture and livestock. Lending to the service sector accounted for 28% at the end of the year, with 9% of the portfolio invested in education, renewable energy, housing, and consumption loans. PMIC will continue to focus lending on segments that create job opportunities and increase revenues for small businesses. In addition, PMIC plans to use loans to promote digital growth, provide access to renewable energy, and expand access to formal loans for underserved individuals, especially women. The majority of loans offered by PMIC through its borrowers are for individuals who operate micro and small businesses in 95 districts nationwide, with portfolios deployed across all provinces in the country.



PMIC aims to meet the growing needs of its clients by constantly developing innovative products that meet the growing funding needs of the microfinance sector. Through the Credit Ensure Facility, PMIC has facilitated commercial banks in extending PKR 900 million to two MFPs. This marks a significant milestone for PMIC, indicating the commencement of transactions under a credit guarantee initiative. The borrowers associated with PMIC have gained access to financing, backed by guarantees ranging from 33% to 40%. These funds will empower microfinance borrowers, particularly female entrepreneurs in small business and agriculture, through the provision of loans. Aligned with the Government of Pakistan's endeavor to transition the country's banking sector to full Shariah compliance, PMIC is poised to enter the domain of Islamic finance alongside existing and new Microfinance Providers (MFPs). The Board of Directors at PMIC has approved the development of Shariah-compliant products and a Policy Framework, which includes establishing a Profit & Loss Distribution and Pool Management system. Following regulatory clearance from SECP, PMIC will offer Shariah-compliant products tailored to the requirements of microfinance institutions and other Islamic finance entities. These products will be in addition to the conventional products of PMIC. The overarching goal is to enhance financial inclusion and facilitate access to finance through Islamic modes of financing.

At the sector development front, PMIC ensures that it uses a blended finance approach which creates a positive impact on the lives of clients it reaches out through its borrowers. PMIC deploys part of its profits to augment its financing to MFPs with technical assistance and grants support to implement Microfinance Plus (MF Plus) projects.

The PMIC-KfW supported Renewable Energy Initiative - PRIME program continued to provide access to clean and green energy to communities living in off-grid and poor-grid areas of Pakistan. Overall, 33,000 systems have been sold under the PRIME program and a total financing of PKR 163 Million generated since program inception. The most significant development was the designing of the Euro 5 Million grant subsidy scheme – which was approved by KfW and BMZ (Germany's Federal Ministry of Economic Development and Cooperation). The subsidy scheme was designed by PMIC in-house and the subsidy will directly benefit the bottom of the pyramid clients by cutting their expenses on high-quality products. The agreement was signed in December 2023. For the first time since program inception, PMIC borrowers also started to roll out larger systems up to 5 KWs as well as solar tube wells – which have huge demand from small farmers.

With a focus on improving crop yield of small farmers, a Challenge Fund round was successfully completed, in collaboration with Growtech. The intervention benefitted 2,415 small farmers, improved their yields by 28%, and reduced input costs significantly. PMIC also launched the 2nd round of Challenge Fund, which focused on designing and pilot testing a Digital Credit Scoring Model (DCSM). The second round of Challenge Fund was awarded to Qarar Pakistan, which is deploying the facility in collaboration with 4 MFPs to provide data for pilot testing of DCSM. Once tested, the model will be made available to Microfinance sector players to improve their credit decision-making.

PMIC successfully launched the Electronic Warehouse Receipts Financing (EWRF) facility, its first retail lending instrument in 2023.–. Under this initiative, small farmers were provided with a post-harvest financing facility through the EWRF mechanism. The intervention was designed and launched in collaboration with Naymat Collateral Management Company and Growtech in district Okara for maize crops and districts Gujranwala and Hafizabad for rice crops.

PMIC continued to deploy its Education Finance Program which is jointly funded with Opportunity International, a European Impact Investor specializing in Education quality improvement. The intervention is being deployed in collaboration with 3 MFPs and targeting 163 schools in multiple districts of central Punjab. The Livestock Micro Insurance initiative continued in the field, where 8 MFPs signed an agreement with Asia Insurance Company to deploy the digital livestock insurance product (TAGMU) for livestock loans. Around 1,000 credit officers were trained on the technology-based product and over 700 animals were insured.

With an aim to uplift the living standards of poor communities residing in the most deprived districts of Pakistan, PMIC deployed around PKR 3.94 Billion in financing (14% of PMIC's entire portfolio) in extreme poverty zones. Further, PMIC through its borrowers graduated more than 44,000 beneficiaries of subsidized loan programs out of poverty through the provision of microcredit loans. PMIC also aims to graduate financial institutions engaged with the Prime Minister's Interest-Free Loan Program (PMIFL) by enabling them to start lending conventional microcredit loans to their clients. This initiative would accelerate financial inclusion and increase the number of institutions in the country providing sustainable access to financial services.

The global economy faced significant challenges in the recent year, marked by decelerating growth due to weak performance in advanced economies and stringent monetary policies aimed at curbing inflation. The Russia-Ukraine conflict exacerbated these issues, leading to a slowdown in growth and high commodity prices.

Despite a temporary decline in inflation in 2023, global trade volume experienced volatility, with projections indicating modest growth in the coming years. However, emerging and developing economies remain vulnerable to tightening global financial conditions, hampering credit availability, public finances, and investment prospects.
Despite a challenging macroeconomic environment in 2023, PMIC continued proactive engagement with domestic financial institutions and international Development Finance Institutes (DFIs) to procure adequate funding arrangements to meet its business requirements. PMIC also remained a key beneficiary of the funding limit under the State Bank of Pakistan's Line of Credit Facility supported through the World Bank's Financial Inclusion and Infrastructure Project (FIIP).

During the year 2023, multilateral organizations showed eagerness to partner with PMIC to structure risk-sharing arrangements, which would enhance PMIC's appetite for taking additional credit exposure on smaller microfinance players. PMIC is in discussion with multi-laterals to develop additional funding programs.

With respect to the overall risk perspective, the management at PMIC is aware of the heightened risks posed by the volatile economic conditions experienced throughout the year. Notably, there was a record-high increase in the policy rate, reaching 22% in July 2023 and remaining constant until December 2023. The rate is anticipated to persist as policymakers foresee sustained inflation. In September 2023, the USD exchange rate peaked at PKR 307, coinciding with an all-time high inflation rate of approximately 38% in May 2023. Despite these economic fluctuations, steady economic recovery is anticipated, driven by improving business confidence and market sentiment. Furthermore, no significant change in the overall repayment behavior of the end clients was noticed till December 2023. Given the existing economic and political landscape, PMIC has allocated additional provisioning intended to mitigate the impact of unforeseen circumstances, especially in scenarios where delinquency rates may experience an upward trend.
As a national apex institution for microfinance providers in the country, PMIC successfully maintained satisfactory recovery trends without encountering significant repayment delays from MFPs. Despite sector-wide challenges, MFPs sustained portfolio levels, and portfolio quality and maintained operational sustainability.

iii. Board Committees

The following Board Committees functioned actively during the year:

Committee	Number of Meetings Held
Board Audit Committee (BAC)	05
Board Risk Committee (BRC)	05
Board Human Resource Committee (BHRC)	08

iv. Management Committees

To implement prudent practices, foster joint decision-making making, and bring into play participation from all areas, the following Management Committees functioned actively during the year:

- Management Committee (MANCOM)
- Management Risk Committee (MRC)
- Assets & Liabilities Committee (ALCO)

v. Adequacy of internal financial controls

The Board of Directors has implemented a robust system of internal financial controls to ensure effectiveness and efficiency in operations. This includes but is not limited to reliable financial reporting and compliance with applicable laws, regulations, and review of internal policy frameworks approved by the Board. The Company's independent Internal Audit function continuously assesses the effectiveness of these controls. Furthermore, the Board Risk and Audit Committees oversee the internal control framework and ensure the effectiveness of financial statements.

vi. Credit Rating
PMIC's long-term rating of "AA" and short-term rating of "A 1+" has been maintained by the Pakistan Credit Rating Company Limited (PACRA).

The ratings reflect the company's financial strength, based on strong shareholders, good governance by the Board, and management competency.

vii. Pattern of Shareholding
The shareholding as of December 31, 2023, is as follows:

Shareholders	Shares	Percentage
Pakistan Poverty Alleviation Fund	2,883,256	49.00%
Karandaaz (Pakistan)	2,224,243	37.80%
KfW	776,719	13.20%
Directors	4	0.00%
Total	5,884,222	100.00%

The following individuals acted as directors of the Company during the year:

Name	Title
Mr. Naved Abid Khan	Chairman / Independent Director
Mr. Mohammad Tahseen	Director
Mr. Nadir Gul	Director
Mr. Navid Goraya	Director
Dr. Markus Aschendorf	Director
Dr. Tariq Hassan*	Independent Director
Mr. Yasir Ashfaq	CEO / Director

The Board has implemented a formal policy supported by transparent procedures for fixing Directors' remuneration. No Director is involved in the determination of his / her own remuneration package. The Company only pays remuneration to Independent Directors and one PPAF nominee Director. For information on the remuneration of Directors and CEO FY23, please refer to notes in the Financial Statements.

viii. Auditors
The present auditors, M/s A. F. Ferguson & Co. Chartered Accountants retire and being eligible, have offered them for reappointment. The Board of Directors, on the recommendation of the Audit Committee, recommended the appointment of M/s A. F. Ferguson & Co. Chartered Accountants, as auditors of the Company for the year ending December 31, 2024.

Outlook
In 2023, Pakistan's economy confronted a multitude of obstacles, including persistent inflatio low foreign exchange reserves, and currency depreciation. Delays in securing IMF financial support further exacerbated the situation. Despite IMF's SBA injection of USD 3 billion during FY 2023, economic recovery remained constrained by external imbalances and soaring inflation, resulting in modest GDP growth of about 0.3%, significantly lower than the previous year's 6.0%.

With oil prices rising and the economy reliant on imports, inflationary pressures are expected to persist. Boosting exports is imperative to bolster foreign reserves and revitalize the stagnant economy. The economic downturn poses significant challenges for businesses across sectors, including increased debt-servicing costs and heightened risks of non-repayments. Microfinance institutions face hurdles in revenue generation and deposit acquisition, exacerbated by difficulty in obtaining short-term funds. Overcoming these obstacles demands adept management of interest rate risks and strategic adaptations.
In the last quarter of 2023, international DFIs and Impact Investors have shown interest in additional funding. An optimistic outlook for 2024 is anticipated from a funding perspective, which will ultimately support the growth of the sector and enhance financial inclusion in Pakistan.

* Retired on April 19, 2023

Going forward, the economic outlook will be shaped largely by the restoration of political stability and the continued implementation of reforms under the revived International Monetary Fund program to stabilize the economy and restore fiscal and external buffers.

Acknowledgment
The Board of Directors would like to take this opportunity to express their gratitude to the shareholders (PPAF, Karandaaz, KfW), Ministry of Finance, Securities and Exchange Commission of Pakistan, State Bank of Pakistan, our lenders, borrowers, and microfinance clients for their support, inspiration, and trust. We would also like to acknowledge the efforts and commitment of PMIC staff, who have contributed significantly toward the company's success.

For and on behalf of the Board:

Director	Chief Executive Officer
Date:	Date:
Place:	Place:

Client's Success Story

Tahira's Progress from Struggle to Entrepreneurial Triumph

In the face of adversity, Tahira's husband encountered a substantial setback in his business, leading to its collapse and leaving him without employment. To overcome this challenging situation, Tahira took the initiative to support her family by entering the workforce. However, she lacked formal education and financial resources to establish her own business, and also failed to secure a loan from conventional sources.

Upon learning about CSC's Women Empowerment Program through a neighbor, Tahira seized the opportunity and successfully secured a loan. This financial assistance enabled her to establish a thriving business. As her entrepreneurial venture stabilized, Tahira's husband joined forces to contribute to the business's success. Currently, Tahira's five children, ranging from fifteen to twenty-four years old, are pursuing their education, made possible through the income generated by her business.

Tahira's enterprise has not only become a source of family sustenance but also a platform for the employment of four to five women working from home. The collaborative efforts of Tahira and her husband extend to managing marketing, operations, and supply, exemplifying a resilient journey of empowerment and economic stability.Empowering Resilience: Tahira's Journey from Adversity to Entrepreneurial Triumph

Wholesale Lending & Portfolio Management

PMIC has established itself as the only premier institution dedicated to the wholesale microfinance sector to make a positive social and economic impact on microfinance clients and the ecosystem. The wholesale lending business is conducted through lending to MFIs and MFBs regulated by SECP and SBP respectively.

INDICATORS TO TRACK	2023 UPDATE
PMIC Exposure	PKR 29.43 billion
No. of Borrowers Served	26

PMIC demonstrated robust performance in upholding portfolio quality despite an economic downturn and other challenging circumstances, showcasing the resilience of PMIC's vision for fostering financial inclusion nationwide. In 2023, PMIC welcomed two new institutions/MFPs into its portfolio. Furthermore, PMIC is committed to meeting the expanding demands of clients by continuously innovating products tailored to the evolving funding needs of the microfinance sector. The bulk of PMIC's loans are directed toward individuals managing micro, small, and medium-sized enterprises, with coverage extending across all provinces in the country.

PMIC Islamic Finance Operations

Islamic microfinance has potential in the country yet lacks adequate financing and innovative products for growth. To catalyze growth in the sector, serve underserved areas, and diversify its product base, PMIC is gearing up to step into Islamic finance alongside existing and new Microfinance Providers (MFPs). Shariah-compliant products and a Policy Framework have been developed. This includes setting up a Profit & Loss Distribution and Pool Management system. Upon receiving clearance from SECP, the products will be available for borrowers and lenders to utilize.

New Product Rollout: In partnership with PMIC, a commercial bank (the Bank of Punjab) has extended facilities totaling PKR 900m to RCDP (Rs.750m) and Agahe Pakistan (Rs.150m) through the Credit Ensure Facility (CEF) provided by PMIC. These PMIC borrowers have accessed financing facilities with a guarantee ranging from 33% to 40% from PMIC. Another facility from Meezan Bank is in process.

Priority lending for underserved economic groups and regions

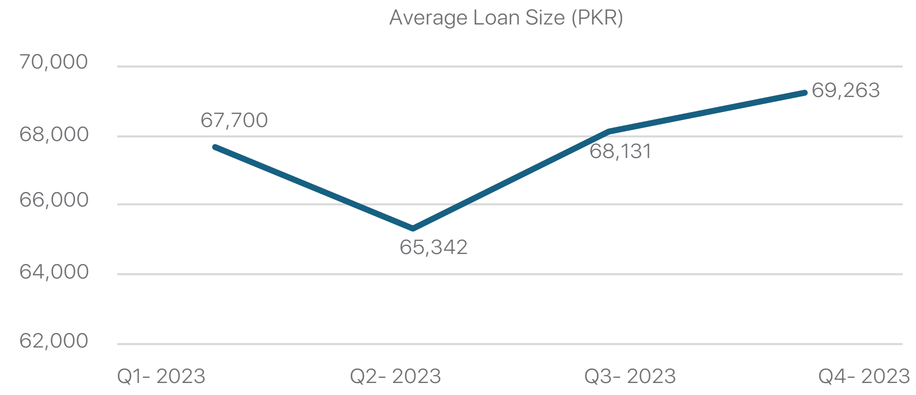
At the end of December 2023, PMIC, through its borrower organizations, had reached out to around 724,503 clients, with a presence in 90 districts out of which 21 districts fall under Extreme Poverty Zones.

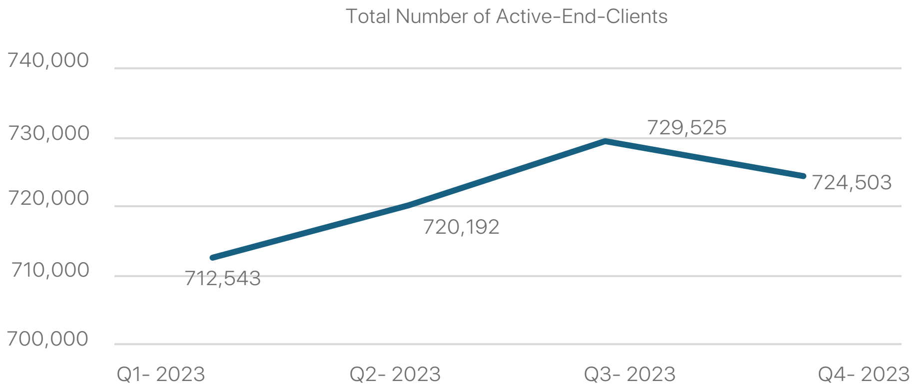
INDICATORS TO TRACK	2023 UPDATE
Deployment of PMIC funding through its borrowers in rural areas	64%
Proportion of women clients	87%
Proportion of youth clients	36%
Deployment in Extreme Poverty Zones	PKR 5.0 billion

Microfinance Portfolio Characteristics

Pakistan's economy faced numerous challenges in 2023. The economic downturn and uncertainty posed significant challenges to the businesses operating in almost all sectors of the economy. These challenges were characterized by all-time high inflation levels particularly in energy and food prices, along with elevated interest rates and steep depreciation of the rupee against the dollar. The combination of high interest rates and inflation has increased debt-servicing costs and operating expenses for businesses, potentially impacting their profits and cash flows. Microfinance Institutions (MFIs), which are generally smaller in scale compared to Microfinance Banks (MFBs), tend to manage their assets portfolio through borrowed funds, making liquidity management critical for their growth.

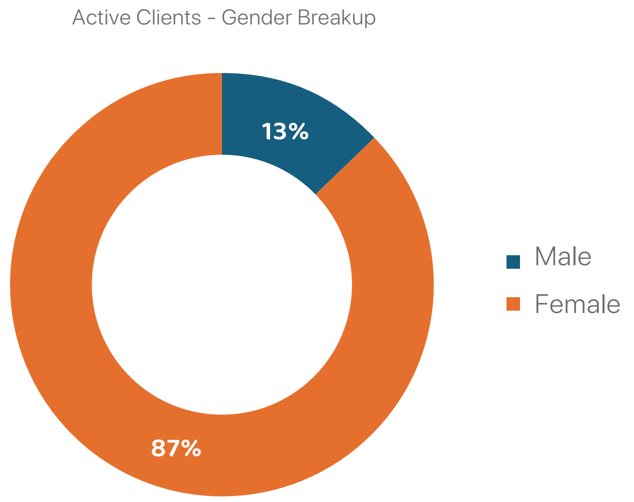
PMIC has played a crucial role in extending support to MFIs both in terms of financing and at the same engaging with borrowers and the MF sector. Joint sessions were held to update borrowers on sector developments amidst unprecedented challenges in the country. Proactively addressing external challenges, including the current economic situation and MFIs' readiness to navigate high inflation and protests, is crucial to prevent undesirable outcomes. A snapshot of PMIC's active customers for 2023 is provided. PMIC plans to extend its reach to more borrowers offering unique products and services to end clients, especially in underserved areas through its business in the coming years. A snapshot of PMIC's active customers for 2023 is provided. PMIC plans to extend its reach to more borrowers offering unique products and services to end clients, especially in underserved areas through its business in the coming years. Moreover, the average loan sizes of PMIC-funded loans offered through its borrowers have consistently increased over the years which depicts the catering to the growing needs of microfinance clients. The trend of average loan size is graphed below:





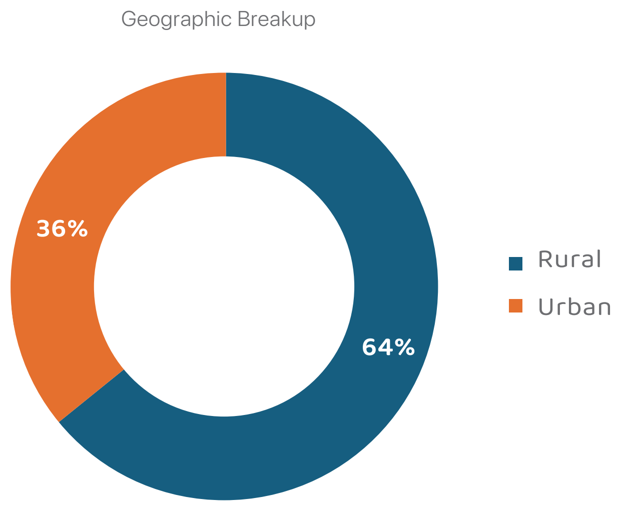
Women Empowerment

Women empowerment continues to be one of the fundamental goals of PMIC, aiming to improve the socio-economic status of women. PMIC recognizes that increasing the accessibility of microfinance services to women has the potential to significantly reduce gender inequality. PMIC is therefore committed to gender equality and financial inclusion, especially for women. As of December 2023, the PMIC portfolio has over 87% of women clients. This is mainly due to NBMFI's majority in the PMIC portfolio, which has a high proportion of female clients. Over the coming years, PMIC will continue to focus on female clients.



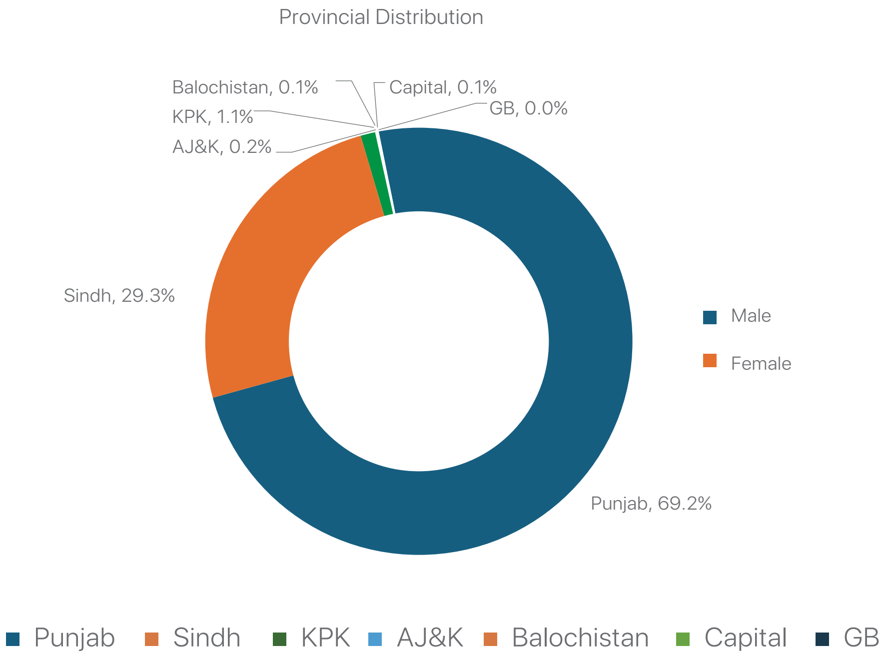
Geographic Mix

Given the prevalence of poverty in rural areas of the country compared to urban areas, one of PMIC's core priorities is to enhance portfolio concentration in rural Pakistan. By December 2023, PMIC had deployed 64% of its portfolio in rural areas and will continue to maximize its efforts to reach out to underdeveloped and marginalized communities, while urban areas will remain under focus as well



Provincial Distribution

Microfinance portfolio distribution is predominant in Punjab (66%) and Sindh (30%). High poverty rates and low development indicators point to the need for appropriate interventions in Balochistan and the KPK. As PMIC focuses on both gender and geographic diversity, it will continue to explore avenues for new MFIs/MFBs and will help in the penetration of existing MFIs/MFBs in less accessed districts/provinces.



Sectoral Distribution

PMIC's end clients are engaged in various income-generating activities. These activities are clubbed into general categories such as agriculture, livestock, enterprise or retail shops, services, and a few other categories. However, owing to the MF Plus interventions and product innovations, PMIC has been able to make inroads into a few other sectors such as Renewable Energy and Education, which aims to target the unmet demand. The sectoral distribution of the portfolio as of year-end is provided below.

Client's Success Story

Sumaira's Journey to Financial Independence

Sumaira hails from the Christian community of Bhatta Chowk, Lahore. Her husband worked as a dairy farmer; however, he suffered tremendous losses in his business and was unable to recuperate from the losses. This made the livelihood of the household very difficult and Sumaira's family was in great peril.

This prompted Sumaira—a mother of two daughters who are studying—to make a drastic decision and become a working lady from a traditional housewife. Sumaira decided to get into the business of Shoemaking.

In this quest, Sumaira heard about CSC (PMIC's client) through a neighbor and decided to apply for a loan through their Women Empowerment Program. Her loan request was approved by CSC and she was able to expand her business.

Due to CSC's timely intervention, Sumaira is now able to earn a profit of up to eighty thousand rupees. She is now able to sell her products to Lahore's biggest wholesale market (Shah Alam) and is earning a healthy profit for herself and her family. Her financial stability has resulted in the household being saved from drifting into extreme poverty and the family is able to sustain themselves.

Microfinance Plus

PMIC has adopted a blended finance approach to drive sustainable change, departing from conventional methods. This approach is underpinned by an innovative 'Microfinance Plus' strategy, which transcends traditional financing by emphasizing comprehensive capacity-building, Sustainable Development Goals (SDGs) integration, socioeconomic value generation, enhanced market access, and proactive policy advocacy within the sector. Through this strategy, PMIC aims not only to provide financial resources but also to deliver essential information, and training in new livelihood techniques, and facilitate market access for inputs, product sales, and business expansion. As a triple-bottom-line company, PMIC is dedicated to creating social, environmental, and economic impact. Aligned strategically with seven of the 15 SDGs, PMIC's initiatives are designed to foster meaningful change across multiple spheres.

During the year 2023, PMIC successfully implemented and developed Six Microfinance Plus projects, the notable ones include,

1. PRIME Program

PMIC in collaboration with MFPs, continued to provide access to clean energy solutions to communities living in off-grid and poor-grid areas of Pakistan. Around 5,000 loans were deployed under the PRIME program with a total financing outlay of PKR 83 Million during 2023. Overall, 33,000 systems (74% women) have been sold since program inception with a total financing of PKR 163 Million (324 KW). The MFPs continued to organize community awareness sessions and reached out to more than 74,000 clients across Pakistan. PMIC – in collaboration with PIC – successfully conducted a review of the Quality Assurance Framework(QAF). The QAF included revisions made to pre-qualification criteria for solar vendors, system sizing, and the addition of larger solar systems and solar tube wells (along with technical standards, design, and installation guidelines). Affordability has been the major challenge experienced in increasing financing under the PRIME program. In order to address this challenge, PMIC designed a subsidy scheme – amounting to Euro 5 Million – during the year, which was approved by KfW and BMZ (Germany's Federal Ministry of Economic Cooperation and Development), and the agreement was signed in December 2023. The subsidy scheme includes:

- End user subsidy (10 - 45%) for solar systems – directed towards microfinance clients
- Result based Interest rate subsidy (up to 4%) for incentivizing MFPs to increase financing under the PRIME program
- Awareness and marketing support for demand generation
- Training of MFP's credit staff and sales agents of suppliers
- Program management cost for PMIC
- Monitoring of solar installations through a 3rd party Independent Verification Agent and a web-based monitoring software

Recognizing the significance of agriculture in Pakistan and responding to the demand from small-scale farmers, KfW has authorized PMIC and MFPs to introduce solar tube wells ranging from 5.5 HP to 10 HP water pumps. With KfW's endorsement, PMIC and MFPs have also introduced larger solar systems, extending up to 5 KWs, catering to households and micro-entrepreneurs. This marks the first instance of such large-scale systems and solar tube wells being implemented under the PRIME program. Moreover, PMIC, in collaboration with the Project Implementation Consultant (PIC), has completed a pre-qualification process to onboard new suppliers for the PRIME program. Out of the 200 companies approached 30 vendors have met the criteria to collaborate with MFPs under the PRIME program. Additionally, PMIC and the PIC team are actively working on designing a separate component focusing on the Environmental and Social Management Framework for the PRIME Program, with the policy expected to be finalized in the first half of 2024.

2. Livestock Micro-Insurance

PMIC successfully concluded the pilot testing phase of the Livestock Micro Insurance (LMI) initiative, which introduced a technology-based insurance product named TAGMU. Developed by Asia Insurance Company (AIC), TAGMU was tested in collaboration with SMCL (Sindh) and RCDP (Punjab), resulting in the insurance coverage of over 4,000 larger animals. Following the pilot's completion and recognizing the risk of animal mortality for microcredit loans, PMIC's Board of Directors approved a policy mandating MFPs to integrate insurance with all livestock loans. In alignment with this directive, PMIC expanded its collaboration to scale up the TAGMU product with six additional MFPs, namely TMF, AGAHE, FFOSP, Mojaz SP, JWS Pak, and CEIP, during the year 2023. AIC formalized partnerships with these six MFPs through MoUs and conducted training sessions for over 700 credit officers. Moreover, AIC has developed an insurance product tailored for small animals, slated for launch upon finalization in 2024.

3. Education Finance Program

PMIC's Education Finance program, developed in partnership with Opportunity International (OI), is providing essential financial support to 159 low-cost private schools in Southern Punjab. The financing is utilized by school owners to improve their school infrastructure. In addition to financing, the program offers a comprehensive three-year Education Quality Program, training for teachers and school owners, aimed at fostering educational excellence. Schools have implemented School Development Plans, leading to improvements in school leadership and budgeting. Teacher mentorship and professional development training have improved teaching methodology, contributing to the program's objectives of enhancing education quality and increasing student enrollment. The year-one program will be completed in the second quarter of 2024.

4. PMIC's Challenge Fund

Round I:

PMIC initiated Round I of the Challenge Fund under the thematic area "Accelerating access to finance and increasing income of small farmers" to fulfill its triple bottom line mandate. This initiative aimed to foster a competitive environment for participating organizations, encouraging the deployment of innovative product verticals and business models for microfinance providers in Pakistan.

Through strategic collaboration with GrowTech and targeted interventions in the agriculture sector, PMIC facilitated the development of a robust and economically viable farming community. The primary objectives included introducing evidence-based farming practices, providing actionable advisory services and expert guidance, establishing market linkages, creating an online marketplace, and facilitating access to convenient financial solutions. The discernible impact included a decrease in the utilization of inputs and water, a substantial increase in yield, and the generation of additional disposable income, thereby enhancing overall livelihoods.

Under Round I of the Challenge Fund, agricultural interventions benefited 2,415 farmers, resulting in improved yields by 13% and reduced input costs by 15%. PMIC's supportive engagement with farmers, coupled with their integration into the agricultural value chain, is contributing to the cultivation of a promising future for agriculture, positioning it as a beacon of hope and prosperity in the sector.

Round-II

PMIC concluded the second phase of the Challenge Fund focusing on the Development of Digital Credit Scoring. The introduction of credit scores aims to reduce human biases in evaluating clients' creditworthiness, delivering innovative and integrated solutions that enable microfinance providers to make faster and more accurate credit decisions, thereby reducing costs to clients and mitigating risks for the portfolios of the MFIs.

The challenge fund was awarded to Qarar Consultancy Pakistan, renowned for its expertise in credit risk management and the development of scoring models across the GCC and Pakistan. In partnership with Data Check, a credit bureau, Qarar accessed client-level data to develop a first-of-its-kind model in Pakistan's microfinance sector. The model incorporates client-level indicators on income, family, demographic profiles, and localities, alongside traditional business indicators and credit behavior.

As of the last quarter of 2023, five MFIs are fully onboard for the development of the Credit Scoring Model. The initial set of data was received following extensive meetings and documentation exchanges. Qarar's data scientist team finalized an expert model, which was back-tested using MFI data to assess performance. Qarar also provided a dashboard for MFIs to test the newly built scoring model, facilitating new acquisitions. Highlights from the pilot include 50 applicants per MFI tested, with an acceptance rate of 85%, and an average score for declined applications lower than accepted applications.

5. Electronic Warehouse Receipt Financing

Electronic Warehouse Receipt (EWR) financing is a collateralized commodity transaction where goods themselves secure the loan. In this approach, farmers store commodities at licensed warehouses instead of making stress sales. The commodities are graded and checked for quality, and the warehouse operator issues a receipt specifying the quantity and quality. Farmers can then use these receipts as collateral to access loans from financial institutions and capitalize on higher market prices. For lenders, EWR financing reduces credit risk in lending to farmers for pre-harvest activities, allowing them to sell off commodities immediately if a farmer defaults on payments.

The role of Naymat Collateral Management Company (NCMC) is critical in EWR financing, ensuring the security of collateral stored in accredited warehouses through robust oversight. Established under the 2019 CMC regulations as a public limited entity, NCMC has 13 shareholders and a board of directors, including Mr. Naveed A. Khan, Chairman of PMIC. Currently, Naymat has accredited 8 warehouses for rice and maize storage in Depalpur, Habibabad, Raiwind, Hafizabad, Muridke, and Sheikhupura.

In July 2023, a pilot under EWR financing was deployed in the Okara district for maize crops in collaboration with NCMC and GrowTech. PMIC accessed NCMC's dashboard to issue and finance electronic warehouse receipt.

PMIC successfully financed 7 EWRs for maize and rice crops worth 6.6 million for small farmers. The financing cycle for 5 out of the 7 EWRs financed in 2023 was completed as farmers repaid the due amount within stipulated timelines.

6. Women Economic Empowerment Initiative

As a pioneering force in the realm of financial inclusion and community upliftment, PMIC is poised to revolutionize women's economic empowerment with its latest endeavor set to launch in the first quarter of 2024. This groundbreaking initiative aims to equip women with the necessary tools for success by providing comprehensive skill development, financial literacy, and digital literacy training. By leveraging the power of digital technology and accessing larger markets, women will be empowered to transition from the informal sector to the formal and even international markets.

Client's Success Story

The Inspiring Story of Bachoo Mai's Rise to Success

Originating from the village of Karam Daad Qureshi in Muzaffargarh district, Bachoo Mai always harbored aspirations far beyond the confines of her rural surroundings. While supporting her husband's modest income as a kiln worker by selling milk from their two buffalos, she nurtured a vision of prosperity for her family. Determined to afford her four children's access to education and a better quality of life, Bachoo Mai embarked on a journey fueled by resilience and ambition.

With unwavering determination, Bachoo Mai seized an opportunity to realize her dreams through entrepreneurship. Seeking financial assistance from Agahe Pakistan (PMIC's client), she acquired a livestock loan to expand her dairy business. Combining the loan with her own savings, she strategically invested in an additional buffalo, laying the groundwork for her future success.

Empowered by her newfound resources, Bachoo Mai wasted no time in leveraging her entrepreneurial acumen. Through diligent effort and strategic planning, she swiftly established herself as a respected supplier of milk within her community. Buoyed by her initial achievements, she boldly pursued further growth opportunities, securing a second loan to acquire yet another buffalo. Today, Bachoo Mai's unwavering resolve has transformed her family's fortunes, exemplifying the transformative power of determination and perseverance.

Risk Management

PMIC maintains a well-established risk governance framework, with ultimate responsibility for risk management lying with its Board of Directors. Within this framework, oversight is provided by the Board Risk Committee (BRC), Management Risk Committee (MRC), and Asset-Liability Committee (ALCO), which monitor Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Environmental and Social Risk, and Compliance Risk. The policy framework includes an overarching Risk Appetite Framework. In addition to this, various Board-approved policies are in place to manage credit, market, and liquidity risks, as well as operational, environmental, social, and AML/CFT risks.

For credit risk assessment, the Institutional Rating System (IRS) is deployed. It was developed by PACRA and certified by Microfinanza, an Italian microfinance rating agency. IRS evaluates borrowers across multiple dimensions including ownership, governance, management, operational controls, social impact, and business and financial risks. Post-disbursement, exposures are regularly monitored against internal and regulatory limits, with engagement extending beyond traditional lending practices.

The management maintains close coordination with the Board of Directors and management of its borrowers, as well as their end clients. Field engagements involve visits to offices, branches, and clients' local areas. These visits provide direct insight into the needs of Microfinance Providers (MFPs) and their clients, including their behaviors, practices, and feedback. This helps in identifying, evaluating, and addressing trends that may pose risks to the Company, its borrowers, and the microfinance industry.

The company oversees liquidity risks according to its policy, ensuring the timely fulfillment of all financial obligations. The Asset-Liability Committee (ALCO) takes a proactive approach, providing guidance on liquidity, balance sheet structure, scheduled disbursements, and mismatches between financial obligations and sources of funds. Simultaneously, it manages market risk arising from policy and interest rate changes by setting appropriate limits.

Operational risk management is emphasized to safeguard operations, guided by a comprehensive policy covering identification, assessment, mitigation, and monitoring. Regular assessments and process enhancements ensure resilience and compliance with regulations.

The Environment and Social Risk Management Policy addresses challenges related to environmental and social risks arising from the microfinance business. The document also puts forth a comprehensive exclusion list of activities that PMIC and its borrowers must not indulge in.

The AML/CFT policy ensures compliance with regulatory guidelines. As per the policy mandate, the Company deals with institutional clients only and conducts all transactions conducted through banking channels. Furthermore, key personnel in management and boards of its borrowing institutions are actively screened against the notified list of proscribed persons. Independent verification of the identity of its borrowers' management and the Board of Directors is also conducted through NADRA Verisys.

The risks are regularly evaluated, reported, and discussed at management and board levels, with mitigants pertaining to borrowers prescribed to them, which eventually helps build the risk management capacity of borrowers and the industry. Emphasis is given to ensure that all relevant policy and risk frameworks and implementation tools are thoroughly developed and implemented by borrowers to safeguard the interests of their own institutions and the industry against all threats and key risks. The management is aware of the heightened risks posed by the volatile economic conditions experienced in 2023. Notably, a significant increase in the policy rate reaching 22%, the USD exchange rate peaking at PKR 307, and inflation reaching an all-time high of around 38%. Challenges like flood-related delinquencies emphasize the importance of sectoral and geographic diversification. The management aims to achieve this through expansion into new markets and innovative financial products. As a national-level apex institution for microfinance providers, the Company remains committed to governance standards and supporting its borrowing institutions amid economic challenges prioritizing robust risk management and sectoral diversification.

Client's Success Story

From Threads to Triumph: Sabran Bibi's Story of Resilience and Entrepreneurial Success

Sabran Bibi, a resident of Mohalla Hussain Abad in Union Council Shahjamal, District Muzaffargarh, has successfully established and managed a stitching and embroidery center, thanks to interest-free loans provided by Agahe Pakistan – PMIC's borrower. Married with three children, her husband used to earn Rs. 20,000 per month from a bakery. While Sabran skillfully knew stitching, she lacked a sewing machine.

Determined to secure a better life and education for her children, Sabran decided to take a loan. Approaching the Agahe Pakistan team, she applied for a Rs. 30,000 loan, which she successfully received with reasonable installment terms.

With this loan, Sabran kickstarted her stitching and embroidery business, offering affordable services to her local community. In a few months, she even purchased a bike rickshaw for her husband to augment her family's income. Sabran and her family, now actively selling embroidered clothes in neighboring communities, generate enough income to meet their family's basic needs.

Sabran's story stands as an inspiration, demonstrating resilience and lifting her family out of adversity.

Corporate Secretarial, Legal and Procurement

- PMIC convened its Strategy Session in Frankfort, Germany, meticulously organized and facilitated by the Corporate Secretarial department. The session, tailored for the Board members, fostered an enriching environment for collaborative brainstorming, thereby yielding impactful strategies pivotal to shaping PMIC's future trajectory.

- As per the Board's directives, the Corporate Secretariat Department organized a knowledge-sharing session with Mr. Sakib Sherani, a celebrated economist. This session provided valuable insights into Pakistan's current economic landscape and future prospects, empowering PMIC's leadership with informed perspectives crucial for strategic planning and decision-making processes.

- As part of its new initiative, PMIC is actively pursuing the implementation of an Islamic Finance Product to advance its goal of fostering financial inclusivity. In this regard during the previous year, the Procurement department facilitated the onboarding of Consultancy services, and this year Legal Department was actively involved in finalizing the Legal Agreements for this new venture. The legal department ensured PMIC's compliance with Sharia principles while expanding its financial portfolio responsibly. Through these initiatives, PMIC is poised to deepen its impact on financial inclusion and cater to a more diverse market segmenkt.
- During the brainstorming session on PMIC strategy, the Board endorsed the management's vision of venturing into the Agriculture Ecosystem, a sector brimming with untapped potential in Pakistan. Recognizing the imperative need for agricultural advancements to address low yields and service gaps for small to medium farmers, the Procurement Department adeptly facilitated the recruitment of Mr. Kazim Saeed for Advisory on Agriculture Value Chain, a distinguished figure in agricultural consultancy with profound expertise spanning over two decades. His selection was endorsed by industry peers for his exceptional proficiency in agriculture value chain development, positioning him as a pivotal resource for this endeavor.

- In a continued pursuit of operational excellence, PMIC's Procurement Department played a pivotal role in engaging external firms to enhance and review policies across key departments like Human Resources, Risk Management, Finance, and Sector Development. This proactive approach underscores PMIC's dedication to upholding industry standards and fostering operational efficiency.

- Demonstrating fiscal prudence and operational acumen, the Corporate Secretarial, Legal and Procurement Department realized significant cost savings of 16% from the allocated budget through strategic negotiations and in-house sourcing of legal and corporate secretarial functions. This not only optimized expenses but also streamlined processes, contributing to PMIC's financial sustainability.

- Adhering to sustainable practices, we continued our eco-friendly measures by continuing the use of Pervasent Inc.'s cutting-edge Board Papers technology, effectively digitizing the Board's operations and reducing carbon footprint. By completely transitioning to a paperless environment, PMIC ensures data security, operational efficiency, and environmental stewardship by minimizing reliance on traditional paper-based workflows.

Client's Success Story

Mohammad Akram's Journey to Empowerment and Success

Mohammad Akram, a 50-year-old transgender from Chak 9/11, District Vehari, has no family except for a distant uncle. He earns a living by singing locally and at weddings. Despite the stigma, he built a respectable income and started a garment business sourcing fabrics from India and Pakistan. Akram cherishes the privilege of having completed the Hajj pilgrimage at an early stage in life.

Two years ago, Akram connected with Agahe Pakistan (PMIC's client) after investing all his savings in his home. He took a loan to travel to India for designer clothing, which he sells locally. This venture, along with his music, provides a steady income. He's supported by two transgender individuals during the wedding season.

Akram thanks Agahe Pakistan for timely financial aid, helping him build a loyal clientele. With the help of PMIC's microfinancing initiatives, he aims to open a boutique and hire tailors, encouraging his community to set high goals and achieve big.

Corporate Finance and Investment Banking

During the year 2023, Pakistan encountered a multitude of adversities, ranging from political instability and devastating floods to economic turmoil. Despite these formidable challenges, the Pakistan Microfinance Investment Company (PMIC) stayed steadfast in its commitment to bolster the microfinance sector.

PMIC's resilience was demonstrated through its continued efforts to channel incremental growth capital towards microfinance initiatives. This strategic approach aimed to provide essential financial services to marginalized communities addressing economic challenges at the grassroots level. Our aim is tied to poverty alleviation, promoting economic resilience, and empowering underserved populations to further enhance the sector's capacity to weather uncertainties.

Debt Management and Capital Markets

Despite a challenging macroeconomic environment, PMIC continued proactive engagement with domestic commercial banks/financial institutions & international financiers and procured adequate funding arrangements to meet its business requirements in the year 2023. An aggregate amount of PKR 4,150 Million has been utilized during the course of the year through funding from various commercial banks to support the liquidity constraints of Microfinance institutions.

Furthermore, PMIC remained a key beneficiary of funding limit under the State Bank of Pakistan’s ‘Line of Credit Facility’ supported through the World Bank’s “Financial Inclusion and Infrastructure Project” (FIIP). Disbursement amounting to PKR 1,087 Million was availed during 2023, against repayment guarantees extended by the Bank of Punjab and Saudi Pak Industrial & Agricultural Investment Company Limited.

Risk Sharing Arrangements & Debt Financing with Multilateral Agencies

In an effort to further solidify PMIC’s presence in the Microfinance space, foreign debt financing avenues are being pursued with multiple Microfinance Investment Vehicles (MIVs) and Multilateral Agencies. Headway has been made with 03 international debt financiers with the expected closure of the transactions to be within 2024.

Furthermore, in light of the perceived risk of the sector which escalated amid the volatile macroeconomic situation in the country, PMIC put more weightage on prudently managing its portfolio exposure. In this regard, risk-sharing arrangements are being explored with multilateral agencies including the Asian Development Bank (ADB), British International Investment (BII), and U.S. International Development Finance Corporation (DFC) during the year. The transaction aims to enhance PMIC’s appetite for taking additional credit exposure on smaller microfinance players, along with managing its concentration and portfolio risk while channeling additional growth capital to MFIs. Under this mechanism, 50% of the qualifying exposure will be guaranteed by the multilateral entity. The formal signing ceremony is anticipated to take place in the first half of 2024.

Moreover, the Asian Development Bank (ADB) has approved $155.5 million under the Women Inclusive Finance (WIF) Sector Development Project for Pakistan, to boost women's access to finance and support women-led businesses. This includes a $50 million loan for financial institutions to lend to women entrepreneurs, alongside a $5.5 million grant for related activities. Disbursement under the loan is expected within Q3 of 2024 through the provision of repayment guarantees in favor of the regulator (i.e., State Bank of Pakistan).

Credit Enhancement Facility for Microfinance Providers

PMIC in partnership with the Bank of Punjab (BoP) undertook an arrangement that utilized PMIC’s Credit Ensure Facility (“CEF”) as partial collateral for BoP’s incremental Financing to microfinance institutions (MFIs). The CEF transaction aims to provide a level of comfort to banks/DFIs during the current turbulent economic times to help support financially and socially sustainable MFIs by providing them access to further avenues for liquidity arrangement.

In 2023, two transactions were executed in favor of Agahe-PK and the Rural Community Development Program (RCDP) under the CEF ambit, respectively. Under the arrangement, BoP’s total exposure is parked at PKR 900 Million of which PMIC’s aggregate exposure stands at PKR 350 Million.

Way Forward

Moving forward, PMIC will pursue a strategy of diversifying its funding sources by actively engaging with domestic and international financial institutions, multilateral agencies, and capital markets. This includes intensifying efforts to secure equity capital through strategic partnerships with impact investors, private equity firms, and development finance institutions, thereby bolstering PMIC's financial resilience and facilitating the expansion of its operations to meet the escalating demand for microfinance services.

To adhere to evolving market dynamics and the increasing embrace of Islamic finance principles by financial entities, PMIC intends to introduce Islamic lending products for individual consumers through its compliant Microfinance Providers (MFPs). This endeavor mirrors PMIC's dedication to providing inclusive financial services tailored to the varied requirements and choices of the populace, all while maintaining adherence to Islamic finance tenets.

By pursuing these strategic priorities and collaborating closely with stakeholders across the microfinance ecosystem, PMIC aims to contribute meaningfully to the resilience and inclusive growth of Pakistan's economy in the years ahead, supported by increased equity capital to fuel its mission-driven initiatives and the introduction of Islamic lending products to cater to diverse consumer preferences.

Client's Success Story

DETERMINATION LEADS TO SUCCESS

Gulzaran Mai, a resilient woman from Basti Chandran Karam Daad Qureshi, District Muzaffargarh, began selling bangles 7 years ago to support her family amidst financial struggles. Despite societal barriers against women working, she courageously pursued her business, driven by the need to provide for her 6 children and her husband, who earned a modest income as a laborer.

Upon learning about AgahePakistan's (PMIC's client) interest-free loan program under the Prime Minister's Ehsaas initiative, Gulzaran seized the opportunity to expand her business. With a loan of Rs.30,000, she invested in her bangle shop, facing criticism and challenges from relatives but remaining steadfast in her determination.

Successfully completing her first loan cycle, Gulzaran applied for a Rs.40,000 loan to further diversify her business with a small general store. Today, in her fourth loan cycle, she proudly operates her bangle shop, earning Rs.20,000 monthly and significantly contributing to her family's support alongside her husband.

Our People & Culture

Cafeteria Inauguration and Team Lunch
During the cafeteria inauguration, the PMIC team had lunch in the new cafeteria and celebrated birthdays.

Revision of Allowances
The CEO and management announced that all decisions made during the board meeting had been approved. This encompassed the revision of car allowances, an increase in OPD and IPD limits, and the addition of a festive bonus. The management expressed gratitude to the team for their hard work over the past year.

Book Club
PMIC's youth initiated a Book Club, aiming to uphold the rich tradition of reading and foster intellectual discourse. The club serves as a platform for engaging discussions, and nurturing a culture of thoughtful exploration and knowledge exchange through literature.

HR Policy Update to Employees
During the all-staff town hall meeting, the CEO provided us with invaluable insights and updates on the outcomes of the board meetings conducted earlier this month. With transparency and enthusiasm, he delved into the progress of various projects and initiatives that are currently underway, shedding light on the policies that have received approval from the board.

Our CEO highlighted the company's current standing and its trajectory, emphasizing our commitment to launching numerous new initiatives. Moreover, he reassured us that, even in these challenging times, our dedication to our employees remains unwavering, particularly in the area of Compensation and Benefits. We are actively working to provide our team with the most competitive and comprehensive compensation packages. In addition to the informative updates and valuable insights, our all-staff town hall meeting was not just about business matters.

The CEO acknowledged and commended the remarkable dedication of the employees and support staff, presenting them with certificates of appreciation in recognition of their outstanding efforts twice in the year 2023. We also took the opportunity to celebrate birthdays and shared a delightful team lunch, creating an atmosphere of shared moments and good company that goes beyond the confines of our usual work routines.

Accelerating Benefits
Revamped conveyance allowance: In light of the surge in fuel prices, PMIC proactively enhanced their support for their valued employees. The conveyance allowance for Assistant Managers and Managers was increased to PKR 20,000, and for Support Staff to PKR 6,000. This step aims to not only address the impact of rising fuel costs but also reaffirm our steadfast commitment to the well-being of our team.

Independence Day Celebrations

PMIC has celebrated Independence Day doing the following three generous initiatives:

- **Tree Plantation:** The PMIC team gathered to show a gesture of giving back to the land that has nurtured us, we at PMIC are overwhelmed with a sense of pride, dedication, and patriotism. Team PMIC planted tree seeds, symbolizing our commitment to a greener and more sustainable future for Pakistan.
- **Donations:** The PMIC team came together to make a significant impact on the lives of those in need. Through the team's collective efforts and unwavering commitment to giving back, PMIC was able to make a generous donation to a social welfare organization. This contribution reflects not only our dedication to our community but also our core values of compassion and support.
- **Acknowledging the services of our security forces:** Our security forces protect us bravely. They do not think twice about sacrificing their lives to keep us safe. As a token of appreciation for their unwavering dedication and service to our community, PMIC's HR department along with the PMIC team presented the police officers with vibrant flower bouquets, boxes of sweets, and commemorative shields representing our unity in safeguarding the community. This act aimed to convey our respect for their tireless efforts in ensuring our safety and well-being. Pictures attached



International Engagement

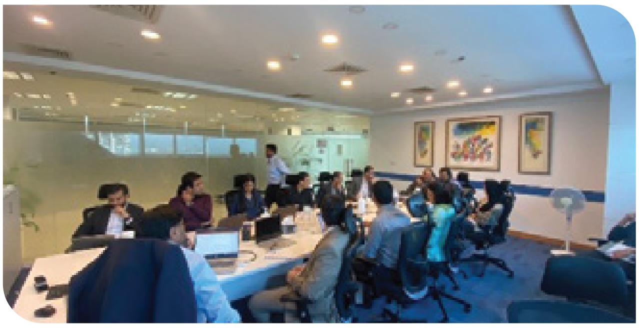
Team PMIC traveled to UAE to attend the Asset Liability Committee (ALCO) Training and has also met with the impact investors. ALCO Training A two-day training was held in Dubai. The training course provided an international perspective on treasury operation, treasury risk control, and ALM functions within PMIC. The training was attended by the senior management and staff involved with treasury and risk management and was delivered by Mr. Mark Holder who has extensive operating experience in sophisticated capital market operations, treasury risk control, and ALM functions within Pakistan Microfinance Investment Corporation. Using this opportunity, meetings were also held with impact investors, and professionals engaged with raising funds and deploying technology-based solutions to promote financial inclusion in Pakistan.

Quarterly Meeting

First Quarterly Meeting Held on 4th July 2023. All departments presented their updates to date to the organization.


Onsite Training

On 25th July 2023, the AML/CFT Training Program for Directors and Compliance Managers (AML) was held on PMIC office premises for all staff members. Mr. Shahzad Afzal Khan- Director at the Securities and Exchange Commission of Pakistan (SECP) and Head of the Adjudication Division conducted the training for PMIC employees.



ICMA - Job Fair

Building a strong employer brand is crucial to attracting and retaining top talent. At Pakistan Microfinance Investment Company, PMIC, we believe that the key to our success lies in our amazing team. We are not just looking for people to fill roles; we are seeking out individuals who align with our core values and our mission. To achieve this objective, the HR and Admin team represented PMIC at the ICMA Job Fair and HR Summit 2023. Very interactive sessions with students who wanted to be a part of the PMIC family.

HR Summit

Mr. Yasir Ashfaq Chief Executive Officer, Pakistan Microfinance Investment Company – PMIC was part of the panel discussion on Diversity and Inclusion at the ICMA Job Fair and HR Summit 2023. PMIC takes pride in creating a diverse and inclusive workplace that encourages greater ingenuity, innovation, and correlation to the communities that we serve. PMIC aims to create an enabling environment for the multiplicity of communities where it operates while leading and advocating for a brighter future. Mr. Yasir Ashfaq emphasized that Women's empowerment is a top priority for PMIC as it elevates them financially, economically, and socially, with 85% of PMIC's active borrowers being women around Pakistan. PMIC aims to encourage diversity and inclusion at all levels to contribute to the socio-economic development of communities and play a large role in bringing about stability, peace, and prosperity despite incredible adversity.

Cost of Living Allowance

Cost of living allowance (COLA) was initiated for employees with PMIC on 31st December 2022 to keep employees motivated and to curb high inflation.

International Women's Day

At PMIC, we hold in high esteem the remarkable contributions that women have made to our company and society at large. We acknowledge the ongoing efforts of women to overcome obstacles and defy conventional gender roles, thereby creating a more inclusive environment for future generations to fulfill their potential. Team PMIC observed International Women's Day by acknowledging and expressing gratitude for the contributions of our female workforce. A cake-cutting ceremony was also held to mark the occasion.

Hike and Brunch

Team building activities improve workplace projects that involve teamwork because it helps the teams understand each other better. Keeping that in view a team hike was planned at Trail 7 followed by brunch at the CEO's residence.

New Year Celebrations

Celebrations were held to mark the beginning of a new year 2023 along with the birthday celebrations for the month of January 2023.

PMIC Family Gala

Company events are a great way to highlight the company's culture and core values. HR department along with Sector Development and Admin Department organized a Family Gala for its employees and their families. Various team-building and fun activities were planned for families and children followed by a musical performance by Afghan kids.

Administration Department

The following is an overview of the various administrative services provided to the PMIC by the Administration Department. The over-arching goal of the Administration Department at PMIC is to support the PMIC Vision Statement by:

- Providing a welcoming, healthy, safe, and supportive environment
- Developing appropriate use of new technologies
- Providing outstanding service to all Staff of PMIC
- Assuring well-maintained office & premises
- Supporting all the departments in their day-to-day activities for the advancement of the organization
- HR Events planning/costing/execution as per the schedule
- Travel Management of PMIC Staff both inside & outside the country
- Crisis Management in day-to-day operations

Goals Achieved in 2023

- Significant cost reduction in traveling of Staff by market analysis & vendors hunting on the basis of cost and quality of service
- 24/7 availability of administrative services for PMIC Staff as per the requirements
- 24/7 administrative support to all departments during the field visits
- Re-alignment of duties of support staff for more efficient multitasking work
- Renovation of PMIC Cafeteria into a new modern café with a slight touch of vintage furniture style
- Renovation of Green Area in PMIC so that it can be effectively used for office working
- Renovation of the Accounts & Finance Department to make effective use of the available space
- Organizing Independence Day 2023 celebration within the office and outside the office to promote patriotism, a healthy green environment and commemorating the law enforcement agencies for their contributions made to the country’s development
- Organizing Women’s Day 2023 Celebration commemorating the role of women in the development of the PMIC
- Organizing Family Gala 2023 alongside HR
- Lending administrative support in Job Fair 2023 to HR at Pak China Friendship Center
- Organizing the New Year 2024 Celebration on the last day of 2023 with PMIC Family Brunch and Hiking activity to promote a healthy lifestyle
- Organizing the Monthly Birthday Celebration of PMIC Staff in coordination with HR
- Departmental Budgeting for 2024 keeping in view the cost reduction and effective use of available resources
- Organizing Emergency Evacuation Drills in coordination with the building HSE department
- Training of Support staff to extract their work potential to the max

Targeted Goals in 2024

- Organizing HR Events in 2024 while keeping the cost reduction factor in focus
- Renovation of Hall-A & B of PMIC to accommodate new staff and have efficient use of available space
- Hunting for new premises for the office as per the requirements
- Cost Reduction by onboarding of new vendors and effective use of resources
- 24/7 support to all the departments of PMIC in their field visits
- Support Staff learning and development
- Attending the trainings that would benefit the organization in the future

Client's Success Story

Shabana's Pathway to Prosperity

Shabana, a skilled maker of wooden stamps for fabric printing, faced significant challenges after her husband became a drug addict and stopped working. As a mother of three, the situation was difficult for Shabana, and her business was faltering. But with the help of the CSC Women Empowerment Program a borrower of PMIC, Shabana was able to stabilize her business and get things back on track.

She took a loan of 150,000/- which she invested in equipment such as wood-cutting machines, increasing her working capacity and allowing her to take on more orders. Her profits grew, allowing her to afford an education for her children and meet their daily demands. With the stabilization of her business, Shabana was even able to start her husband's treatment, which he is now receiving under care and supervision at a rehabilitation center.

Through her hard work and determination, Shabana has overcome significant challenges and achieved success. PMIC is proud to have played a role in Shabana's journey, and we remain committed to empowering women like her through financial inclusion. As a wholesale lender, we continue to provide crucial financing to lending institutions across the country, enabling them to provide affordable and accessible loans to people like Shabana.

Independent Auditor's Report

To the members of Pakistan Microfinance Investment Company Limited Report on the Audit of 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 of December 31, 2023, the statement of profit or loss, the 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 significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of 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 Accountant's 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 director's 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 the 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.

The board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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, the 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, expenditures 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

Date: March 26, 2024

UDIN: AR2023101181xz67dvKt

Paving The Pathway to
Pakistan's Economic Stability

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

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

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

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

	Share capital	Capital reserve - Contribution by Shareholder - net of tax	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

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

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 statements.

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 parties, in which case the obligation to return them is recorded at fair value as a trading liability 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 anadjustment 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 reflected 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 exchang 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 lected 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

	Note	2023	2022
		(Rupees)	(Rupees)
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

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).

This represents investment in rated, unsecured, subordinated and privately placed Term Finance Certifi cates 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.

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.

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		2022	
		(Number)	(Rupees)	(Number)	(Rupees)
Financing - Gross	8.2	40	29,082,875,869	34	27,940,291,676
Less:	8.3				
Current maturity			(15,673,269,109)		(13,165,550,274)
General provision			(1,121,542,070)		(690,568,928)
Specific provision	8.4	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		2023 Amount Outstanding	2023 Provisions Required	2023 Provisions Held	2022 Amount Outstanding	2022 Provisions Required	2022 Provisions Held
				(Rupees)			(Rupees)	
Category of classification		0%		-	-	161,185,267	-	-
Other assets especially mentioned (OAEM)		25%		-	-		-	-
Sub-standard		50%		-	-		-	-
Doubtful	9.5	100%	261,660,942	254,000,541	254,000,541	798,856,409	788,131,850	788,131,850
Loss			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:

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

		Note	2023 (Rupees)	2022 (Rupees)
12	**DERIVATIVE FINANCIAL INSTRUMENT**			
	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.

		Note	2023 (Rupees)	2022 (Rupees)
13	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances		5,916,063	612,728
	- Supplier	13.1	285,047	2,923,366
	- Employees	13.2	334,848	516,155
	- Against Micro-Finance Plus initiatives			
	- Current portion of long term advances to employees		21,304,245	21,612,029
		10	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.

		Note	2023 (Rupees)	2022 (Rupees)
14	**MARKUP ACCRUED - RECEIVABLE**			
	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.

		Note	2023 (Rupees)	2022 (Rupees)
15	**DUE FROM RELATED PARTIES - Unsecured**			
	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	Past Due 0-30 days	Past Due 31-365 days	Total Gross Amount Due	Maximum Amount Outstanding at Any Time During the Year
Balance at December 31, 2023					
Name of related party			(Rupees)		
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

	Note	2023 (Rupees)	2022 (Rupees)
16 LENDING TO FINANCIAL INSTITUTIONS (REVERSE REPO) - Considered good			
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).

		Note	2023 (Rupees)	2022 (Rupees)
18	**ADVANCE TAX - NET**			
	Balance at January 1, 2023	37	619,785,067	515,086,671
	Current tax charge		(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**			
	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.

		2023 (Rupees)	2022 (Rupees)
20	**SHARE CAPITAL**		
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.

	Note	2023 (Rupees)	2022 (Rupees)
21 SUBORDINATED LOANS - Unsecured			
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	2022
	(Rupees)	(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.

	2023	2022
22 LOANS AND BORROWINGS - Secured	(Rupees)	(Rupees)
Term Finance	650,000,000	125,000,000
JS Bank Limited	1,062,500,000	1,312,500,000
Askari Bank Limited	3,750,000,000	3,016,666,667
Allied Bank Limited	2,333,333,334	1,977,777,778
National Bank of Pakistan	166,666,666	500,000,000
MCB Bank Limited	4,378,568,462	3,291,287,447
State Bank of Pakistan	125,000,000	250,000,000
Bank Alfalah Limited	2,566,666,667	2,000,000,000
Habib Bank Limited	70,000,000	210,000,000
Bank of Punjab	200,000,000	400,000,000
Habib Metropolitan	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:

2023

Term Finance Facility	Markup	Total Facility Amount	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	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	07-Nov-27
State Bank of Pakistan - IV	6mK - 1.00%	511,000,000	Bullet repayment	22-Jun-26
State Bank of Pakistan - V	6mK - 1.00%	25,821,015	Bullet repayment	17-Dec-26
State Bank of Pakistan - Flood	6mK - 1.00%	240,000,000	Bullet repayment	31-Dec-28
State Bank of Pakistan - VII	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

2022

Term Finance Facility	Markup	Total Facility Amount	Instalments Outstanding	Date of final Repayment
JS Bank Limited	6mK + 0.48%	750,000,000	01 half yearly	09-Mar-23
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	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	04-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	07-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	07-Nov-27
Bank Alfalah Limited	6mK + 0.80%	500,000,000	04 half yearly	05-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.

		Note	2023 (Rupees)	2022 (Rupees)
23	**EMPLOYEE BENEFITS**			
	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:			
	Present value of defined benefit obligation		18,062,543	16,808,031
	Movement in net defined benefit liability			
	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**			
	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			
	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	01-Jan-24	01-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:

	Note	2023 (Rupees)	2022 (Rupees)
The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligation		68,244,553	50,627,243
Benefits Payable		-	490,600
Fair value of plan assets	23.2.1	(52,625,493)	(42,722,450)
Net liability		15,619,060	8,395,393

	Note	2023 (Rupees)	2022 (Rupees)
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	23.2.1	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		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 benefi 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

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

	2023 (Rupees)		2022 (Rupees)	
	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
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 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
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%	15.50%
Salary increase rate (per annum)	14.25%	14.25%
Return on planned asset (per annum)	19.00%	19.00%
Normal retirement age (years)	60	60
Effective salary increase date	01-Jan-24	01-Jan-24
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Duration	6.34 years	6.34 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	2022
	(Rupees)	(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

	2023	2022
	(Rupees)	(Rupees)
Advisory fee	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	2022
	(Rupees)	(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.

	Note	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

	Note	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.

			2023	2022
28.2	**Payable to employees' provident fund**		**(Rupees)**	**(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

			2023	2022
29	**MARKUP ACCRUED - PAYABLE**	**Note**	**(Rupees)**	**(Rupees)**
	Markup payable on subordinated loans		479,475,890	377,544,882
	Markup payable on loans and borrowings	29.1	642,011,503	442,928,415
	Current portion of derivative financial instrument	29.2	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).

			2023	2022
31	**INCOME**	**Note**	**(Rupees)**	**(Rupees)**
	Markup on financing		6,712,928,961	4,371,013,386
	Markup on Retail - financing	31.1	593,261	-
	Income from deposit accounts / certificates	31.2	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.

	2023	2022
	(Rupees)	(Rupees)
33.3 Auditors' remuneration		
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.

	Note	2023	2022
34 OTHER EXPENSES		(Rupees)	(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.

	Note	2023	2022
35 OTHER INCOME		(Rupees)	(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.

		Note	2023 (Rupees)	2022 (Rupees)
36	**FAIR VALUE GAIN ON DERIVATIVE**			
	Mark to market gain on derivative	12	284,147,508	146,764,738

		Note	2023 (Rupees)	2022 (Rupees)
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

		2023	2022
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.

		2023	2022
		(Rupees)	(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

	2023	2022
	(Rupees)	(Rupees)
Loan to key management personnel	32,205,726	8,965,530
Loan to CEO/ Directors	4,098,291	10,531,686
Loan to other key management personnel	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.

		December 31, 2023								
		Carrying value					Fair Value			
On-balance sheet financial instruments		Held to Maturity	Available for Sale	Loans and Receivables	Other Financial Asset\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	Note	Carrying value: Held to Maturity	Carrying value: Available for Sale	Carrying value: Loans and Receivables	Carrying value: Other Financial Asset\Liabilities	Carrying value: Total	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Total
		(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.

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:

	Note	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:

		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	NA	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.

44.8 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.

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.

		2023	2022
46	**NUMBER OF EMPLOYEES**		
	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.

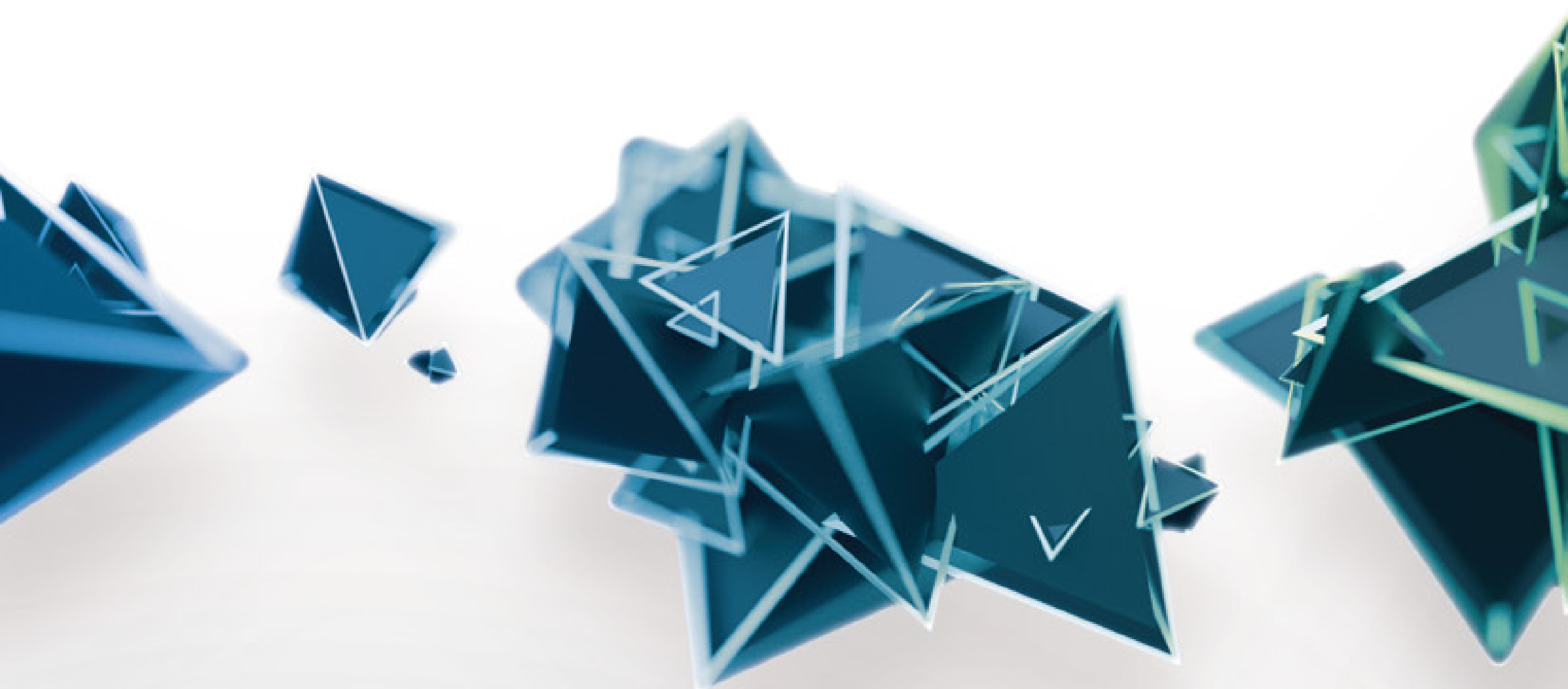
CHIEF EXECUTIVE OFFICER

DIRECTOR

Empowering Dreams, Transforming Lives!

DESIGN PHILOSOPHY

The pattern used resembles the impact of PMIC for those at the bottom of the pyramid. The three sides of the pyramid symbolize Stability, Strength, and Progress. The continual flow of this pattern across the Annual Report means that PMIC continues to drive prosperity and improve the lives of the underserved in Pakistan.



21st Floor, Ufone Tower,
55-C Main Jinnah Avenue Blue Area,
Islamabad 44000, Pakistan

Tel: (+92-51) 8487820 45
Email: info@pmic.pk
Website: www.pmic.pk