PMIC

Pakistan Microfinance Investment Company Limited

Annual Report 2024

Catalyzing Change, Enabling Growth

Pakistan Microfinance Investment Company

Passion for Progress

Passion
for Progress

Portfolio Highlights

PMIC Portfolio
32.1
(PKR in billion)

Assets
192.04
(PKR in billion)

Commercial Borrowing
20.11
(PKR in billion)

Total Borrower Institutions
26

Clients Served
847,782

Districts Covered
96

Percentage of Women Clients
88%

Percentage of Youth Clients
37%

Percentage of Rural Clients
64%

Cumulative Jobs Supported
1,055,965

Incremental Contribution to Revenue
118.4
(PKR in billion)

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Company Information

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

Ms. Farah Ayub Tarin*
Independent Director

Mr. Yasir Ashfaq
CEO/Director

BOARD OF AUDIT COMMITTEE

Mr. Nadir Gul
Director

Mr. Navid Goraya
Director

BOARD RISK COMMITTEE

Mr. Naved Abid Khan
Chairman/Independent Director

Mr. Mohammad Tahseen
Director

Dr. Markus Aschendorf
Director

*Resigned on May 14, 2024.

BOARD HUMAN RESOURCE COMMITTEE

Mr. Naved Abid Khan
Chairman/Independent Director

Mr. Nadir Gul
Director

Mr. Mohammad Tahseen
Director

Ms. Neelum Aamir	Chief Financial Officer
Mr. Yasir Masud	Company Secretary, Head of Legal & Procurement
A. F. Ferguson & Co.	External Auditor
Haider Mota & Co.	Legal Advisor

REGISTERED OFFICE

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Tel: +92 51 8487820 - 45
Fax: +92 51 8487846 - 7
Website: www.pmic.pk

SHARE REGISTRAR

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Karachi, Pakistan.
Tel +92 21 111 111 500
Fax: +92 21 34326034
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	Karandaaz 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 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 August 2016, the Pakistan Microfinance Investment Company Limited (PMIC) serves as a national-level apex institution dedicated to advancing financial inclusion across Pakistan. Formed through a strategic collaboration among the Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan, and the German Development Bank (KfW), PMIC operates as a for-profit, non-banking finance company, licensed under Non-Banking Finance Companies and Notified Entities Regulations, 2008.

PMIC's mission is to provide financial and institutional services that strengthen and scale up sustainable and responsible access to finance for individuals, micro-entrepreneurs, and micro-enterprises. By doing so, it aims to enhance employment opportunities and improve the livelihoods of economically disadvantaged and underserved citizens.

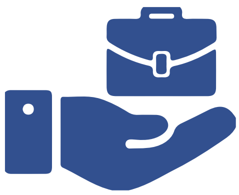
As of February 2025, PMIC has partnered with 28 microfinance providers, reaching over 800,000 clients nationwide. Notably, 88% of these clients are women, and 37% are youth, reflecting PMIC's commitment to empowering marginalized segments of society. The organization's loan portfolio stands at PKR 32 billion, supporting over 1 million jobs across the country.

Beyond financing, PMIC plays a pivotal role in shaping national policies and strategies related to financial inclusion. It advocates for systems that empower individuals and communities, ensuring that financial services serve to achieve broader socio-economic development goals.

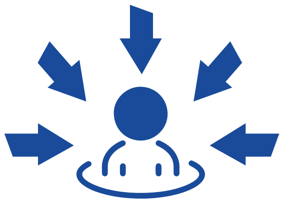
Our work is guided by the following thematic areas:

Women & Youth

Rural



Employment Generation



Digital Pathways

Brand Statement

Best Contribution by a Non-Bank Entity Award 2021

NBFI & Modaraba Association of Pakistan Award 2022

Remarkable Earning Per Share & Innovation in Financial Inclusion Certificate 2023

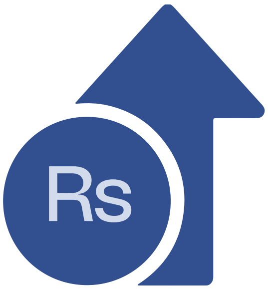
Our Vision

"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
- Team Work
- Inclusion
- Respect & Integrity
- Passion, Innovation & Creativity

Shareholders Profile

Pakistan Microfinance Investment Company Limited (PMIC) was established as a key institutional response under the National Financial Inclusion Strategy, with the objective of expanding access to finance for underserved and marginalized segments of the population. The company's inception reflects a strategic collaboration among three distinguished shareholders: the Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan, and the KfW Development Bank. These entities have not only provided equity capital but have also contributed subordinated debt, reinforcing their long-term commitment to PMIC's mission of promoting inclusive and sustainable economic development.

The collective vision of PMIC's sponsors is closely aligned with global sustainable development priorities, particularly those related to poverty alleviation, gender equality, and broad-based economic empowerment. Their financial and intellectual contributions underscore a shared belief in the transformative potential of responsible finance. As of December 31, 2024, the shareholding structure of PMIC is as follows:

49.0%

Pakistan Poverty Alleviation Fund (PPAF)

Established in 2000 by the Government of Pakistan, PPAF operates as an autonomous not-for-profit organization. It stands as the largest source of wholesale funds for the microfinance sector in Pakistan and serves as the leading apex institution for community-driven development. PPAF's initiatives span various sectors, including social mobilization, livelihoods, enterprise development, infrastructure, energy, health, education, and disaster management. These programs are executed through a robust network of over 100 partner organizations nationwide. PPAF's strategic focus is on improving the quality of life and broadening opportunities for the poor and disadvantaged, with a particular emphasis on women's empowerment.

37.8%

Karandaaz Pakistan

Karandaaz Pakistan, a not-for-profit company established in August 2014 under Section 42, is dedicated to promoting access to finance for small businesses and fostering financial inclusion through technology-enabled digital solutions. The organization operates with financial and institutional support from prominent international development finance institutions, notably the UK's Foreign, Commonwealth & Development Office (FCDO) and the Bill & Melinda Gates Foundation. Karandaaz's operations are structured around three core work streams: Digital Financial Services, Corporate Investment and Credit, and Knowledge Management and Communications. Governed by a board of eminent Pakistanis and managed by a team with expertise in international investment management and digital finance, Karandaaz plays a crucial role in advancing financial inclusion in Pakistan.

13.2%

KfW Development Bank

KfW Development Bank, a German government-owned development bank, has been instrumental in supporting the German Federal Government's development policy and international cooperation objectives for over five decades. With a dual role as a bank and a development institution, KfW offers financing expertise and deep knowledge of development policy, backed by extensive national and international experience. Operating primarily on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), KfW finances and supports programs aimed at poverty reduction, peace maintenance, environmental protection, and climate change mitigation in developing countries and emerging economies.

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

Ms. Farah Ayub Tarin
Independent Director

Mr. Yasir Ashfaq
CEO/Director

Management Team

Yasir Ashfaq
Chief Executive Officer

Saqib Siddiqui
Chief Operating Officer

Neelum Aamir
Chief Financial Officer

M. Rashid Imran
Chief Risk and Compliance Officer

Yasir Masud
Company Secretary, Head of Legal & Procurement

Zainab Kakar
Head of People, Communications and Business Development

Bilal Razzak
Lead Corporate Finance and Investment Banking

Chairman's Message

Dear Stakeholders,

At the national level, 2024 unfolded against a challenging macroeconomic backdrop marked by persistent inflation, limited fiscal space, and tightening financial conditions. At the sector level, high borrowing costs, constrained liquidity, and climate-induced vulnerabilities further compounded these challenges. These pressures weighed heavily on low-income communities and the institutions that serve them, exposing structural weaknesses within our financial system.

In this environment, PMIC's role as a systemic enabler of microfinance and a catalyst for inclusive finance became even more critical. We responded not just with resilience, but with clarity of purpose, working to extend access to finance where it is needed most. Our efforts remained closely aligned with national development priorities and global sustainability goals, ensuring that inclusion, equity, and long-term impact stay central to our mandate.

Over the years, PMIC has evolved from a market participant into a sector convener and capital mobilizer. As Chairman, I see our role not only in delivering capital to microfinance institutions but in shaping the future of inclusive finance in Pakistan, where sustainability, innovation, and accountability converge. In 2024, we mobilized significant capital, extended our outreach to underserved geographies, and prioritized gender-focused impact. These achievements, however, must be seen not as endpoints but as building blocks for a more ambitious agenda.
Looking ahead, our 2025–2027 Strategic Plan reflects this ambition. The Board is committed to guiding PMIC into its next phase; one that is not only about growth, but about depth, quality, and resilience. Our strategic priorities include:

- Doubling our portfolio while maintaining a strong focus on climate resilience, Shariah-compliant finance, and affordable housing.
- Harnessing technology to create a data-rich ecosystem that empowers decision makers and improves credit outcomes.
- Tap into underserved areas and communities, expanding access to finance through innovative financial solutions
- Strengthening the governance ecosystem for the microfinance sector through deeper partnerships with regulators and investors.

We believe that PMIC is uniquely positioned to crowd in long-term capital, blending commercial, philanthropic, and development finance to scale solutions that matter. This is particularly important as Pakistan pursues its Sustainable Development Goals in an increasingly uncertain global environment.

Our governance ethos remains rooted in transparency, prudent risk management, and mission alignment. The Board continues to provide strategic oversight and ensure that PMIC not only meets its fiduciary responsibilities but also champions the values of inclusive and sustainable growth.

I would like to extend my sincere appreciation to our borrowers, partners, regulators, and most importantly, our team, for their commitment and trust. As we step into this new strategic cycle, we do so with clarity of purpose and a deep conviction in our collective ability to create lasting change.

Warm regards,

Chairman, Board of Directors

CEO's Message

Dear Stakeholders,

As we reflect on 2024, I am pleased to share that despite ongoing economic challenges being faced by the country, PMIC has made significant progress in achieving its mission to empower underserved communities through sustainable finance. The year was marked by resilience and an unwavering commitment to improving the lives of the economically disadvantaged.

While Pakistan's economic environment remained challenging with high inflation and fiscal constraints during the past two years, we are seeing positive signs of recovery. Economic indicators have shown early signs of improvement with inflation coming down to a level which has not been seen in the last many decades. Amid these constraints, PMIC has managed to expand its impact, raising PKR 9.2 billion in new funding and growing our loan portfolio to PKR 32 billion, extending our reach to more than 96 districts across Pakistan.

In 2024, we remained focused on our core mission of financial inclusion. During the year, through our funding, we were able to serve 87% women, underscoring PMIC's commitment to gender equality. We also continued our efforts in climate resilience, with our PRIME initiative reaching over 35,000 households, providing solar energy solutions to improve lives while contributing to a more sustainable environment.

However, looking ahead, 2024 is not just about maintaining our momentum but also about scaling new initiatives that will define the future of PMIC. We are in the process of rolling out a comprehensive strategy for 2025-2027, one that will steer PMIC toward further growth and experiment with innovative products and approaches. This would entail expanding our impact through new financial products and partnerships, particularly in the areas of carbon reduction, Islamic finance, and expanding access to affordable housing. In addition to that, PMIC will be rolling out structured finance products to catalyze the growth of medium and small microfinance organizations serving the poorer segment of society.

We will also be expanding our business and partnership with International Financial Institutions (IFIs), while mitigating risks. Our relationship with Development Finance Institutions and the Central Bank would further ease the provision of liquidity to microfinance institutions. PMIC provides assistance to the SECP on the regulatory and development of NBMFIs.

We at PMIC are excited about expanding our network of partners. By 2025, we plan to add at least five new microfinance institutions to our portfolio, especially in regions where access to financial services is minimal. Our new partnerships with fintech companies, including discussions with innovative digital platforms, will enable us to further drive financial inclusion and improve the efficiency of our delivery service.

Another significant development is the launch of our Digital Credit Scoring Model (DCSM). This initiative, developed in collaboration with leading experts in digital analytics, will transform the client onboarding process and ensure data-driven, transparent decision-making for our microfinance partners.

As PMIC moves into 2025, I am confident that the PMIC team is well-positioned to make greater strides toward poverty alleviation and sustainable development. The road ahead may be challenging, but with our dedicated team, our strong partnerships, and our innovative approach, we will continue to shape a brighter future for the communities we serve.

I want to express my deep gratitude to our team, our borrowers, our partners, our regulators, and our Board for their unwavering support. Together, we are creating lasting change and moving towards a more inclusive and prosperous future.

Warm regards,

Chief Executive Officer

Client's Success Story

"Turning challenges with every hurdle you overcome"

Fozia, a 30-year-old resident of Burewala, is a mother of four children. The rising inflation made it increasingly difficult for her to manage household expenses and provide quality education for her children, especially since her husband's income was unreliable due to his work on daily wages. Determined to improve her family's financial situation, Fozia decided to start her own home-based business selling popcorn and cotton candy. However, she lacked the resources to get started.

One day, Fozia's brother informed her about a loan program. She applied for a loan, and within 3-4 days, her request was approved. Fozia received an initial loan of PKR 50,000, which she used to purchase materials from Lahore to begin producing popcorn and cotton candy. Her business quickly gained traction, and to expand her operations, she applied for a second loan of PKR 70,000.

Now in her third loan cycle, with cotton candy or popcorn business Fozia earns approximately PKR 40,000 per month. Her income has enabled her to send her children to good schools and comfortably manage household expenses. The business has not only improved her financial stability but also given her a sense of independence and empowerment.

Fozia's story highlights the transformative power of access to financial assistance and determination, showcasing how women can achieve success and financial stability with the right opportunities.

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, 2024.

Economic Review[1]

The macroeconomic environment in FY2025 continued to improve, driven by fiscal discipline, monetary easing, and external account stability. GDP grew by 0.92% in Q1 FY2025, with a full-year growth forecast of 3.0% from an earlier estimate of 2.8%, reflecting a gradual economic recovery and improved business confidence. Inflation declined sharply to 4.1% in December 2024, compared to 29.7% in December 2023, supported by effective policy measures and a 900 basis-point reduction in the State Bank of Pakistan's policy rate. Additionally, Foreign Direct Investment (FDI) surged by 20%, primarily due to increased investments in the power and oil sectors.

On the external front, Pakistan's current account recorded a surplus of $1.2 billion in 1HFY2025, a significant improvement from a deficit of $1.4 billion in the same period last year. This was supported by 7% growth in exports and a 33% increase in remittances, which reached $17.8 billion during July 2024 to December 2024 as compared to $13.4 billion during July 2023 to December 2023. Fiscal stability also improved, with FBR tax collection rising by 26%, reducing the fiscal deficit to 0.04% of GDP. Meanwhile, private sector credit expanded to Rs. 1,149 billion, reflecting enhanced financial inclusion and business growth, particularly in microfinance, SMEs, and rural enterprises.

The disbursement of $1.03 billion under the IMF's Extended Fund Facility (EFF) played a pivotal role in strengthening fiscal and external stability, boosting investor confidence, and driving economic momentum. Moreover, Moody's upgraded Pakistan's credit rating from Caa3 to Caa2 and changed the outlook from stable to positive, indicating renewed confidence in the country's fiscal stability. With a stable macroeconomic outlook, continued focus on credit expansion, financial inclusion structural reforms will be crucial for sustaining economic momentum in the coming months.

Microfinance Sector Update[2]

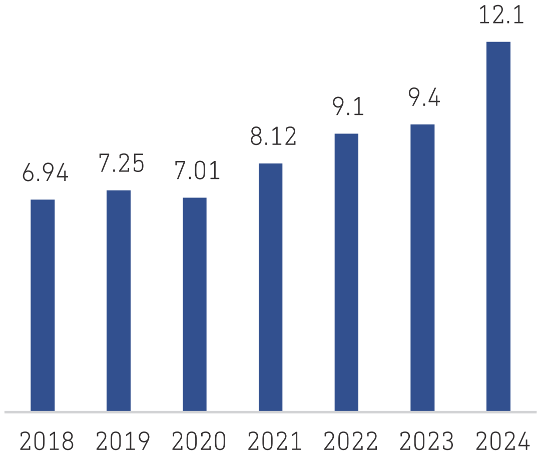
The microfinance industry achieved a significant milestone by reaching the PKR 598 billion mark in Gross Loan Portfolio (GLP) reflecting an increase of 9.2% from the year-end 2023 GLP of PKR 547 billion. Active borrowers as of December 2024 reached 12.1 million, reflecting a 28.7% increase from 9.4 million in December 2023.

The approximate total number of active female borrowers in the sector was 5.6 million (46% of the sector) compared to 4.3 million at the end of 2023. The number of active depositors increased by 9.9% to reach 118.7 million. The total value of deposits grew by 5.7% in 2024, with the total deposits standing at PKR 629.7 billion by the end of the year.

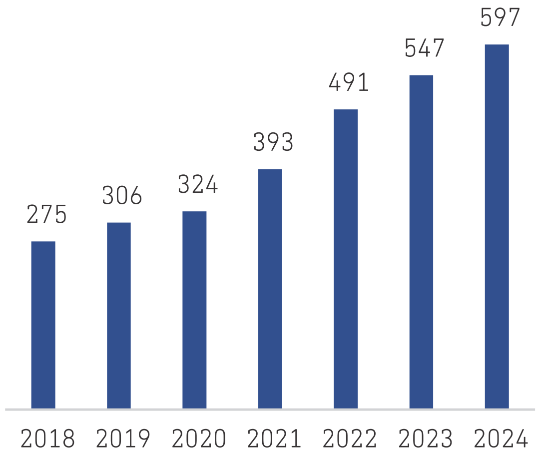
By December 2024, the sector showed continued growth in active borrowers and GLP, much of which was driven by nano loans. Nano loans, primarily issued by Microfinance Banks (MFBs), grew by 177%, constituting 52.5% of the clientele, reaching approximately 6.37 million borrowers as of December 2024.

[1] Pakistan Bureau of Statistics, Ministry of Finance.
[2] Pakistan Microfinance Network

Number of Active Borrowers[4] (in Millions)

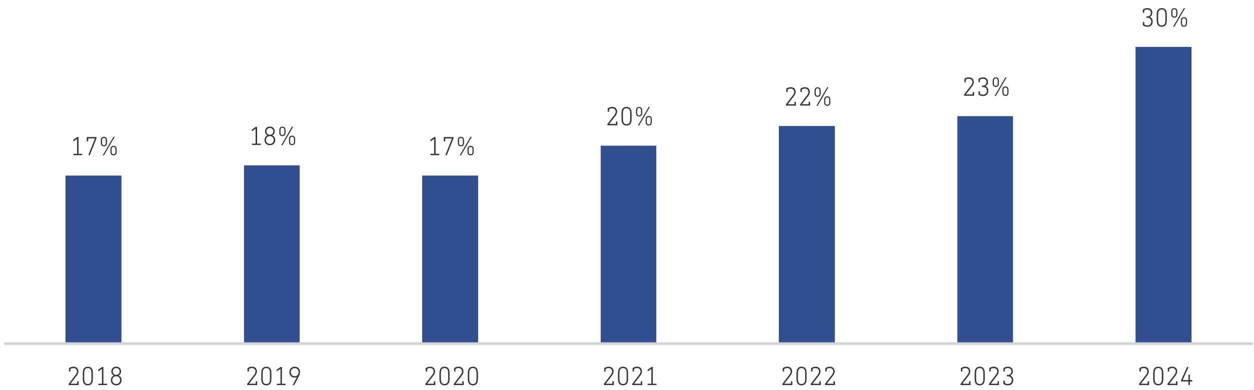


Gross Loan Portfolio[4] (PKR in Billions)



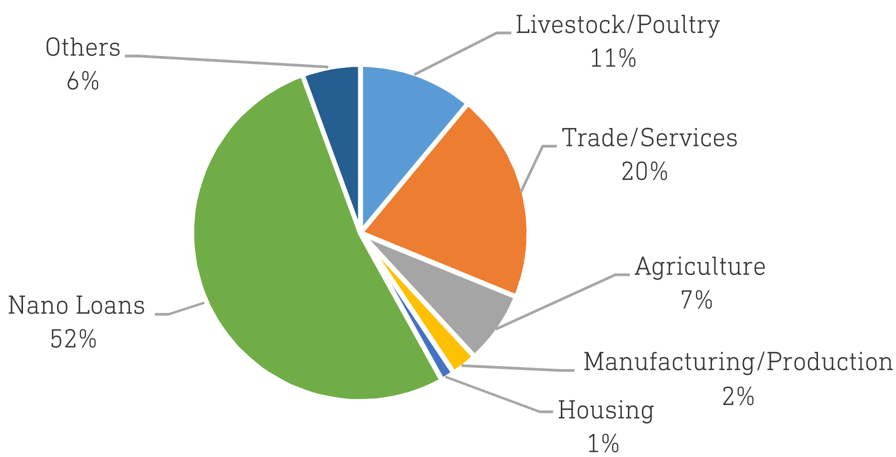
The microfinance sector reached almost 30% of the potential market of 40.9 million clients by December 2024.

Microfinance Sector Penetration[4] (in %)



The composition of the GLP remained broadly consistent throughout 2024. Sector-wise portfolio distribution remained in line with previous trends, with loans for livestock/poultry, trade, and agriculture continuing to decrease, while loans for other purposes, services, and housing steadily increased.

Sectoral Distribution[4] (Active Borrowers)



The sector's average loan size decreased from PKR 58,030 in December 2023 to PKR 49,222 in December 2024. The decrease was largely due to the surge in nano-lending during the year. The average loan size for MFBs was recorded at PKR 50,775 and for MFIs it was PKR 44,777.

MFBs portfolio quality worsened, with average PAR>30 days increasing to 10.6% in December 2024 from 4.4% in December 2023. Across the sector, PAR>30 days worsened, standing at 8.53% in December 2024 compared to 3.8% in December 2023. For MFIs and RSPs, PAR>30 days was recorded at 1.57% by December 2024.

PMIC Review

i. Operational and Financial Review

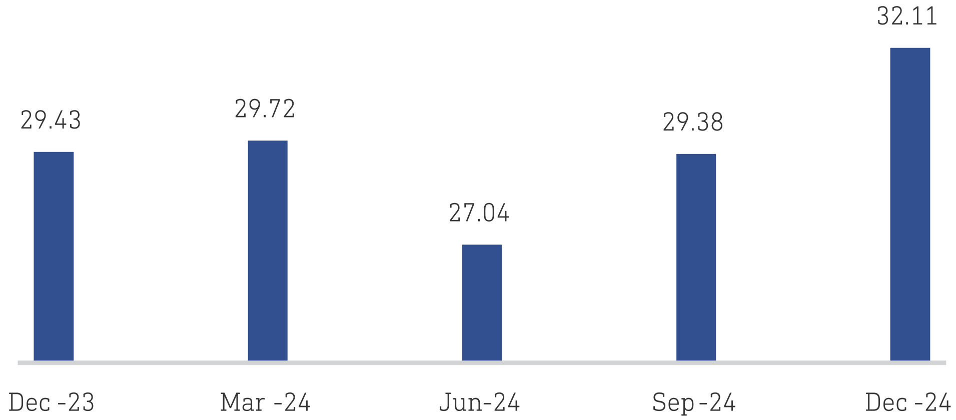
The financial results of PMIC are as following:

The company earned net markup income of PKR 2,448 million for the year 2024, as compared to PKR 2,183 million in 2023. This increase was attributable to increased financing portfolio and income from treasury operations. This higher income was offset by increased provisioning and impairment loss on financial assets resulting in lower profit after tax for the year 2024 as compared to last year.

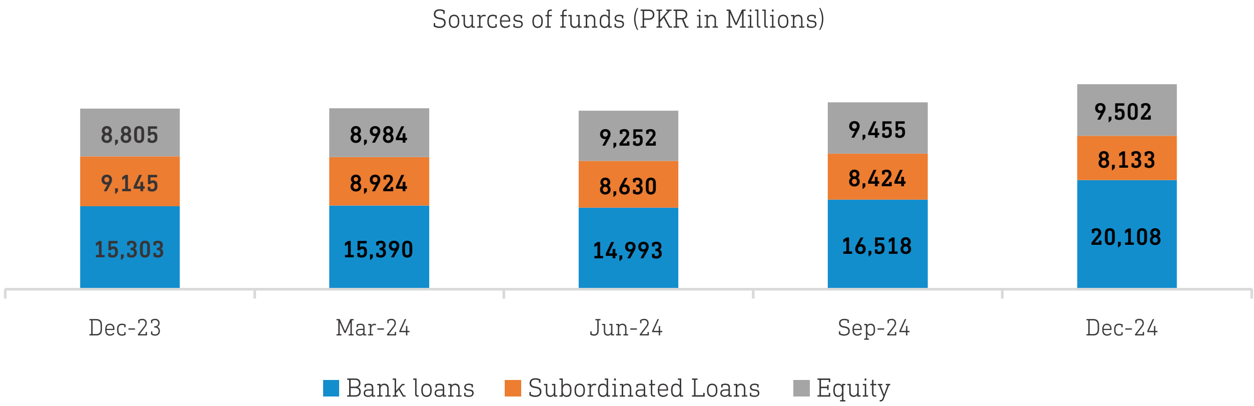
Gross financing increased during the year by approximately PKR 2.7 billion (including un-funded exposure) and exposure as of December 31, 2024, stood at PKR 32.1 billion with 24 financial institutions including four MFBs.

	2024 (PKR)	2023 (PKR)	Variation %
Income	**10,537,478,435**	**8,447,163,445**	**24%**
Finance cost	(8,089,346,627)	(6,264,648,334)	29%
	2,448,131,808	**2,182,515,111**	**12%**
Administrative expenses	(580,516,267)	(509,598,384)	14%
Impairment loss on financial assets	(707,743,628)	(554,841,791)	28%
Profit before taxation	1,176,975,784	1,446,622,335	-19%
Profit after taxation	**699,407,182**	**894,731,181**	**-22%**
Earnings per share	118.86	152.05	-22%

Gross Financing Portfolio (PKR in Billions)



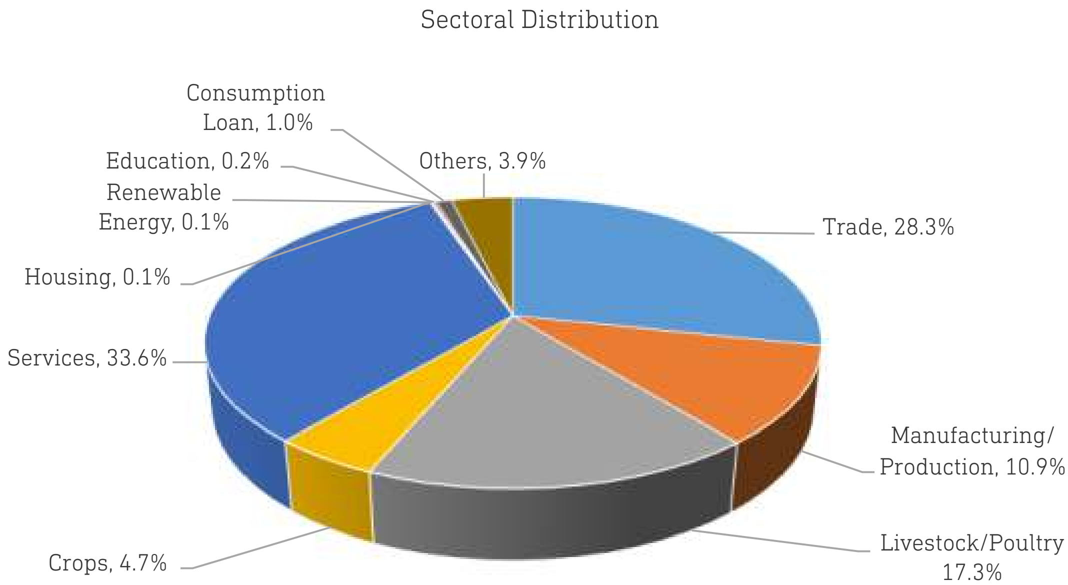
PMIC raised sizable funds from commercial banks during 2024, closing the year at PKR 20.11 billion of commercial borrowings. Growth in 2024 was driven by commercial funding which increased by 31%. The company remained well capitalized by the year ended 2024, with PKR 9.5 billion equity and subordinated loans of PKR 8.1 billion.

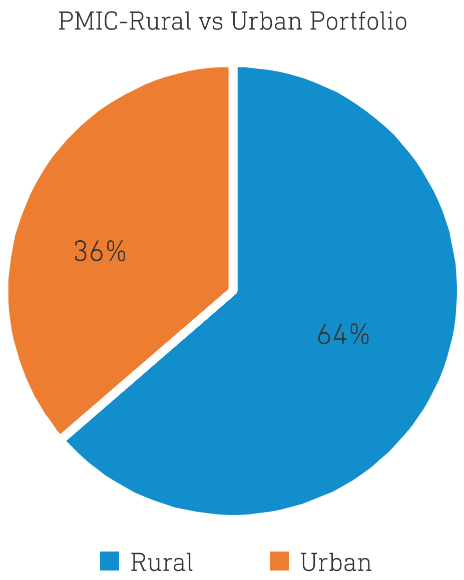


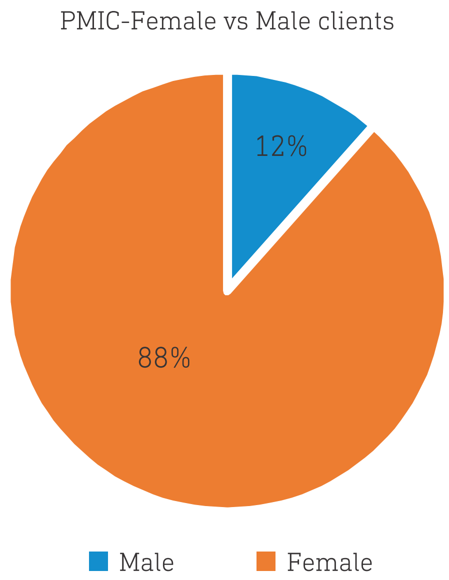
ii. Business and Outreach Review

During the year, PMIC loans to lending institutions has served approximately 800,000 microfinance clients out of which 88% were women and 37% 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 segments and 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 and 22% exposure to crop and livestock. Lending to the service sector accounted for 34% at the end of the year, with 5.2% 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 and youth. Majority of loans offered by PMIC through its borrowers are for individuals who operate micro and small businesses in 96 districts nationwide, with portfolio deployed across all provinces in the country.







As part of its approved strategy, PMIC is committed to expanding financial services to underserved regions, including Balochistan, Khyber Pakhtunkhwa (KP), and Gilgit-Baltistan (GB). This initiative aims to enhance financial inclusion, empower marginalized populations, and drive sustainable economic growth. To support this effort, meetings with potential borrowers have already started.

To address the growing funding needs of the microfinance sector, PMIC is continuously developing innovative financial and environmentally friendly products. PMIC has started to offer Shariah-compliant financing to existing and new Microfinance Providers (MFPs). A Shariah Advisor has been appointed to ensure shariah compliance. Similarly, retail-level Islamic finance products have been developed to serve the needs of microfinance institutions and their clients. The overarching goal is to enhance financial inclusion and facilitate access to finance through Islamic modes of financing.

In 2024, four new borrowers were added to the PMIC portfolio. To safeguard portfolio quality, a guarantee of USD 30 million has been arranged from the US International Development Finance Corporation (DFC). Products under climate adaptation through agriculture, both crops and livestock, with a value chain approach as well as introducing Electric Bikes for clients and MFPs staff are also under design. To enhance liquidity for the sector, PMIC is developing innovative products for the microfinance sector.

For development of the sector, PMIC ensures that it uses a blended finance approach which creates a positive impact on the lives of clients. Under the Microfinance Plus projects, PMIC deploys part of its profits to augment its financing to MFPs with initiatives involving technical assistance, capacity building and grants support for end clients.

The PMIC-KfW supported Renewable Energy Initiative (PRIME) continued to provide access to clean and green energy to communities living in off-grid and poor-grid areas of Pakistan. Overall, 35,300 systems have been sold under the PRIME program and total financing of PKR 245 million made since program inception. The most significant development was the launch of Euro 5 million grant subsidy scheme – which was approved by KfW and BMZ (Germany's Federal Ministry of Economic Development and Cooperation).

Under the Challenge Fund Round II, PMIC in collaboration with Qarar Pakistan continued work on deploying the Digital Credit Scoring Model (DCSM). The DCSM was developed by Qarar and pilot tested with five borrowers. After further refining the DCSM tool, it will be made available to all borrowers on a commercial basis for improving their credit decision making.

PMIC continued to provide financing to small farmers under the Electronic Warehouse Receipts Financing (EWRF) facility. Under this initiative, small farmers were provided with post-harvest financing facility through 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 crop. PMIC had financed 30 EWRs with a financing of PKR 60 million and all payments were cleared up within stipulated financing timelines.

PMIC, in collaboration with Opportunity International (OI) Education Finance Program, a European Impact Investor specializing in Education quality improvement, launched the Education Finance Program. The intervention is being deployed in collaboration with three MFPs and targeting 159 schools in multiple districts of Central Punjab. Under this initiative, 500 teachers and school owners were also trained on educational quality module by OI trainers. Furthermore, under collaboration with Taleem Finance Company Limited (TFCL) and Tech-Valley, digital safety training was conducted for teachers and 4,500 students. The Livestock Micro Insurance initiative continued in the field, where eight MFPs signed an agreement with Asia Insurance Company to deploy the digital livestock insurance product for livestock loans.

With an aim to uplift living standards of poor communities residing in most deprived districts of Pakistan, PMIC deployed around PKR 3.3 billion financing (10.3% of PMIC's entire portfolio) in extreme poverty zones. Further, PMIC through its borrowers graduated more than 4,500 clients (overall 48,600 beneficiaries) during the year out of poverty under the graduation model. PMIC also aims to graduate financial institutions engaged with 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.

Against this backdrop, PMIC continued its strategic engagements with both domestic and international financial institutions to secure funding for its operations. The company strengthened partnerships with commercial banks, development finance institutions, and multilateral lenders, ensuring a steady flow of liquidity for onward lending to microfinance institutions. Additionally, PMIC remained a key beneficiary of funding limits under the State Bank of Pakistan's Line of Credit facilities, supported through the World Bank's Financial Inclusion and Infrastructure Project (FIIP) and the Asian Development Bank's Women Inclusion Finance Program (WIFP). These facilities provided essential liquidity, furthering PMIC's mission of expanding financial access, particularly for underserved segments.

During the year, based on opportunities available in the money market, treasury operations remained active which led to increased income from treasury operations. Additionally, PMIC advanced discussions with a multilateral institution, leading to the successful implementation of a risk-sharing mechanism, enabling increased exposure to eligible microfinance players.

Overall, these initiatives, along with the accommodative monetary policy stance adopted by the SBP in 2024, reinforced PMIC's role as a key enabler in the microfinance sector, strengthening its balance sheet, advancing financial inclusion through sustainable growth, and fortifying the sector's financial resilience in a stabilizing economic environment.

PMIC's management is mindful of the risks posed by recent economic changes. While policy rates and inflation have dropped, core inflation remains high, calling for a cautious approach. The stabilization of the USD/PKR exchange rate has contributed to enhanced business confidence and market optimism. Importantly, there has been no significant change in the repayment behavior of end clients up to December 2024. Considering the existing economic and political environment, PMIC has cautiously allocated additional provisions to mitigate potential adverse impacts from unforeseen events, particularly in scenarios where delinquency rates may increase. As the national apex institution for microfinance providers, PMIC has maintained satisfactory recovery trends, without encountering significant repayment delays from MFPs. Despite sector-wide challenges, MFPs have effectively sustained portfolio levels, preserved portfolio quality, and ensured operational sustainability.

iii. Board Committees

The following Board Committees functioned actively during the year:

Committee	Number of Meetings Held
Board Audit Committee (BAC)	04
Board Risk Committee (BRC)	05
Board Human Resource Committee (BHRC)	05

iv. Management Committees

To implement prudent practices, foster joint decision 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)
- IT Steering Committee (ITSC)

v. Adequacy of internal financial controls

The Board of Directors has instituted a rigorous internal financial control framework designed to uphold operational effectiveness, regulatory compliance, and financial integrity. This framework incorporates comprehensive policies, continuous monitoring, and adherence to statutory and regulatory requirements. The independent Internal Audit function systematically evaluates control mechanisms, while the Risk and Audit Committees of the Board exercise diligent oversight to reinforce financial accuracy, governance, and risk management.

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, 2024, is as follows:

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

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

Sr #		Title
1.	Mr. Naved Abid Khan	Chairman / Independent Director
2.	Mr. Mohammad Tahseen	Director
3.	Mr. Nadir Gul	Director
4.	Mr. Navid Goraya	Director
5.	Dr. Markus Aschendorf	Director
6.	Ms. Farah Ayub Tarin*	Independent Director
7.	Mr. Yasir Ashfaq	CEO / Director
** Resigned on May 14, 2024*		

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 PPAF nominee Directors. For information on the remuneration of Directors and CEO FY24 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, 2025.

Outlook for the Microfinance Sector

The outlook for Pakistan's microfinance sector remains positive, driven by stabilizing macroeconomic fundamentals and the recovery of key economic sectors. Targeted reforms, effective fiscal management, and strategic interventions resulting in sustained growth and resilience. The external sector's progress in balancing trade dynamics, bolstered by remittances and foreign investments, continues to strengthen the economic framework. Stable foreign exchange reserves further contribute to this stability, fostering confidence across sectors.

The easing of inflationary pressures, coupled with reductions in policy rates and stable commodity prices, provides a favorable environment for investment and private sector expansion. These macroeconomic improvements are expected to support growth in the microfinance industry, particularly in areas such as nano loans, small-scale trade, and agricultural financing. As inflation stabilizes near the long-term average of 7%, borrowing costs for microfinance clients are likely to decline, facilitating greater access to credit and enabling income-generating opportunities at the grassroots level.

Trade dynamics are forecasted to improve, with higher export and import volumes boosting broader economic activity. This will likely contribute to increased demand for microfinance services, particularly in underserved rural areas and growth-oriented urban centers. Remittance inflows are expected to remain strong, further supporting household consumption and creating additional opportunities for savings and microfinance outreach.

On the fiscal side, a significant decline in borrowing costs, supported by reduced markup expenditures, is expected to enhance fiscal sustainability. This improvement will enable the government to channel resources toward economic recovery through public sector development programmes, indirectly benefiting the microfinance sector by creating an environment conducive to job creation and small-scale entrepreneurship. To sustain the economic recovery, the Government needs to focus on privatization of State-Owned Enterprises, expansion of tax base and structural reforms.

The microfinance industry, with its growing Gross Loan Portfolio and expanding client base, is poised to play a pivotal role in Pakistan's journey toward economic stability and prosperity. As reforms persist and macroeconomic indicators stabilize, the sector is expected to maintain its upward trajectory, driving inclusive growth, and reducing unemployment. However, addressing structural imbalances and fiscal rigidity remains critical for ensuring sustained progress.

With resilience and sustained reforms, the microfinance sector stands as a key driver of financial inclusion and economic empowerment in Pakistan's evolving economic landscape.

Acknowledgement

The Board of Directors would like to take this opportunity to express their gratitude to the shareholders (PPAF, Karandaaz, KfW), Ministry of Finance, Ministry of Poverty Alleviation and Social Security, 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

"Breaking Barriers"

Mumtaz Bibi lives in a small village near Pakpattan district Sahiwal. She has five children, all of whom attend school. Her husband works as a laborer, involved in brickwork, earning a monthly salary of PKR 18,000. Managing the expenses of the children's education along with household costs was a huge challenge for them. Both Mumtaz Bibi and her husband were deeply stressed by their financial situation.

Mumtaz Bibi had a strong interest in jewelry-making and already possessed the necessary skills. In 2023, she applied for a loan of PKR 50,000, which she used to start a jewelry-making business from home, focusing on bridal necklaces. In 2024, Mumtaz Bibi took out another loan of PKR 50,000 and expanded her business by adding earrings to her collection and incorporating precious stones into her designs.

Now, Mumtaz Bibi earns between PKR 20,000 to PKR 25,000 monthly from her home-based jewelry business. She is very happy with her progress, as it has allowed her to cover the expenses of her children's education and meet the household needs. Her earnings have significantly improved, and she is no longer financially stressed.

Access to finance, her hard work and dedication have transformed her life, and she is optimistic about the future.

Wholesale Lending and Portfolio Management

Pakistan Microfinance Investment Company Limited (PMIC) has firmly established itself as a leading wholesale financing institution, dedicated to strengthening Pakistan's microfinance ecosystem. Through strategic partnerships with Microfinance Institutions (MFIs) regulated by the Securities and Exchange Commission of Pakistan (SECP) and Microfinance Banks (MFBs) regulated by the State Bank of Pakistan (SBP), PMIC continues to deliver targeted financial solutions that contribute to economic development and social impact across the country.

As of December 2024, PMIC's outstanding portfolio stood at PKR 32 billion. Despite prevailing macroeconomic challenges and sectoral headwinds, PMIC maintained strong portfolio quality, underpinned by enhanced risk management practices and a disciplined credit approach. Demonstrating resilience and strategic foresight, PMIC onboarded four new partner institutions during the year, further diversifying its exposure and deepening its engagement within the microfinance landscape.

A significant milestone in PMIC's journey toward advancing inclusive finance was the successful execution of a guarantee facility with the U.S. International Development Finance Corporation (DFC). This landmark partnership enables PMIC to extend financing to institutions that have reached their borrowing ceilings, thereby unlocking new avenues for capital flow into the microfinance sector. By mitigating credit risk, the DFC guarantee strengthens PMIC's ability to deepen financial outreach and scale up its impact. In 2024, a substantial portion of PMIC's financing was directed towards micro, small, and medium enterprises (MSMEs) across all provinces, fueling entrepreneurship, supporting income generation, and contributing to the socio-economic development of rural and underserved communities. This initiative represents a transformative step in mobilizing blended capital for inclusive growth and enhancing the resilience of Pakistan's financial ecosystem.

Under its recently adopted medium-term strategy (2025–2027), PMIC aims to double its portfolio from PKR 32 billion to PKR 56 billion and extend its outreach to 1.1 million clients, of which 900,000 are expected to be women. Approximately 65% of this capital will be deployed in rural and underserved areas, with a focus on promoting equity, resilience, and economic participation at the grassroots level.

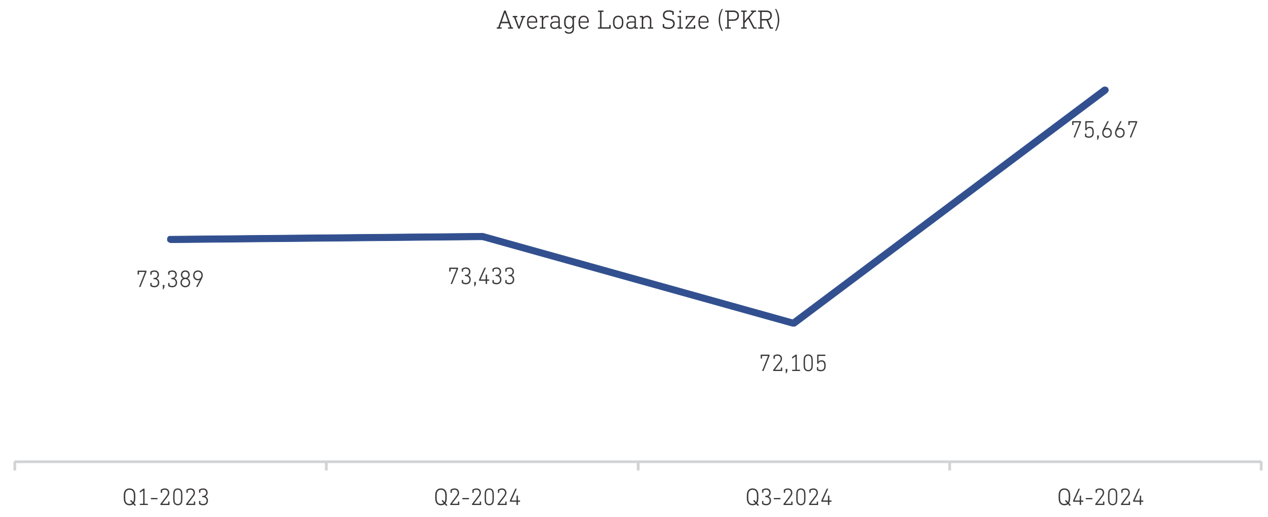
To support this growth trajectory, PMIC plans to on board up to 15 new institutions, including FinTechs, AgriTechs, cooperatives, and community-based organizations (CBOs) operating in underbanked regions such as Balochistan, Khyber Pakhtunkhwa, and Gilgit-Baltistan. These efforts are part of a broader strategy to expand financial inclusion, strengthen institutional capacity, and introduce innovative financial products and delivery models. In parallel, PMIC continues to invest in capacity building, knowledge exchange, and the adoption of global best practices across its partner network, with a view to enhancing sectoral sustainability and impact.

Microfinance Portfolio Characteristics

In 2024, Pakistan's economy showed signs of stabilization and modest recovery, marking a year of cautious optimism. Key indicators pointed toward gradual economic improvement, though challenges remained. The year was characterized by high inflation, particularly in energy and food prices, alongside elevated interest rates in the initial part of 2024. These factors increased debt-servicing costs and operating expenses, impacting business profitability and cash flows. A decline in wheat and rice crop prices and overall inflation during the first half of the year disrupted cash flows for agriculture-dependent clients, adversely affecting small businesses. Meanwhile, Microfinance Institutions (MFIs), which rely heavily on borrowed funds—faced liquidity challenges, making effective liquidity management crucial for their sustainability and growth. However, things have improved during the second half of the year with measures from the government reflecting in lower inflation and reduction in the policy rates.

In 2024, Pakistan's economy exhibited early signs of stabilization and modest recovery, marking a year of cautious optimism. Key macroeconomic indicators suggested gradual improvement; however, persistent structural challenges continued to weigh on economic performance. The first half of the year was marked by elevated inflation, particularly in energy and food prices and high policy interest rates, which contributed to increased debt-servicing burdens and rising operational costs across sectors. These conditions adversely affected cash flow and profitability, especially for agriculture-dependent clients, due to a decline in wheat and rice prices.

In response to the improving conditions, the microfinance sector expanded its outreach, with the gross loan portfolio touching the PKR 600 billion threshold and the number of active borrowers reaching 12 million. Rising average loan sizes reflected increasing demand from clients seeking to capitalize on emerging income-generation opportunities. Notably, there was a significant increase in the uptake of nano loans; small-ticket, short-term credit products with nearly half of all active clients served by institutions specializing in this segment. These loans, averaging PKR 5,000, often address emergency or consumption needs. While such products enhance financial access, their growing share raises important questions around credit discipline and borrower protection, necessitating heightened oversight by both practitioners and regulators.



PMIC Islamic Finance Operations

In response to the evolving needs of the microfinance sector and in alignment with the Government of Pakistan's commitment to transitioning the financial system toward a Shariah-compliant model, PMIC has formally launched its Islamic Microfinance Operations. This initiative represents a significant step forward in broadening access to inclusive financial services while catering to the diverse preferences of underserved communities.

To ensure full compliance with Shariah principles, a qualified Shariah Advisor has been appointed, and a suite of Shariah-compliant retail products has been introduced for deployment by Microfinance Providers (MFPs). PMIC has developed comprehensive product programs for both retail and wholesale Islamic finance, which have been disseminated to all partner institutions. These standardized frameworks are designed to reduce the time, cost, and complexity for MFPs in developing their own Shariah-compliant offerings, enabling them to adopt PMIC's approved product suites upon ratification by their respective Shariah Advisors.

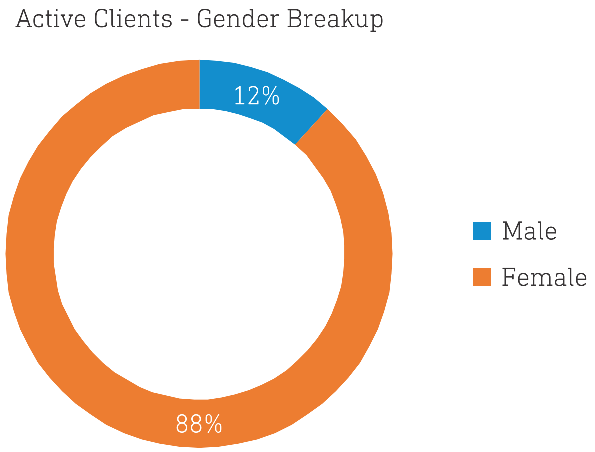
Moreover, dedicated allocations for Shariah-compliant financing have been incorporated into all financing agreements executed in 2024 with institutions opting to pilot this approach. This development marks a strategic shift in PMIC's portfolio, expanding its ability to serve a broader segment of the market while reinforcing its role as an enabler of inclusive, ethical, and sustainable financial services in Pakistan.

Priority lending for underserved economic groups and regions

As of December 31, 2024, PMIC, through its partner institutions, facilitated access to financial services for approximately 800,000 clients across 96 districts of Pakistan. A significant focus of this outreach was directed toward regions with the highest levels of deprivation, with 21 districts falling within Extreme Poverty Zones, reflecting PMIC's strategic emphasis on geographic and socio-economic inclusion. Additionally, 10.3% of the active portfolio was deployed in fragile and conflict-affected areas, reinforcing the institution's commitment to advancing economic resilience and stability in communities most in need.

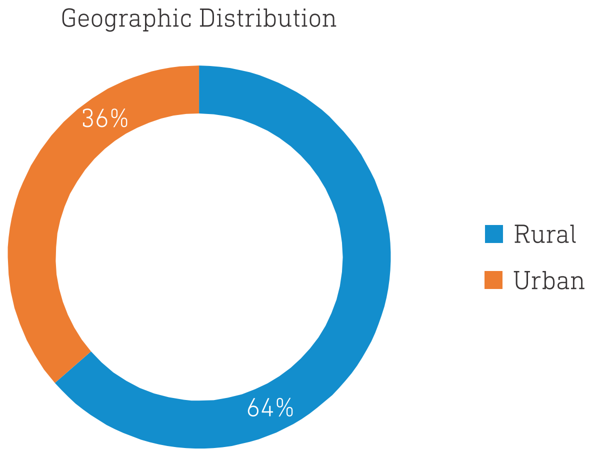
Women Empowerment

PMIC recognizes that expanding access to microfinance for women plays a crucial role in promoting gender equality. Committed to gender equality and empowering women, PMIC has built a portfolio where women constitute 88% clients as of December 2024. This is driven by covenants that are made part of the financing agreements. This institutionalizes PMIC focus on gender equality through allocating PMIC funds to not less than 60% women clients and to ensure representation of women in all tiers of management and the Board.



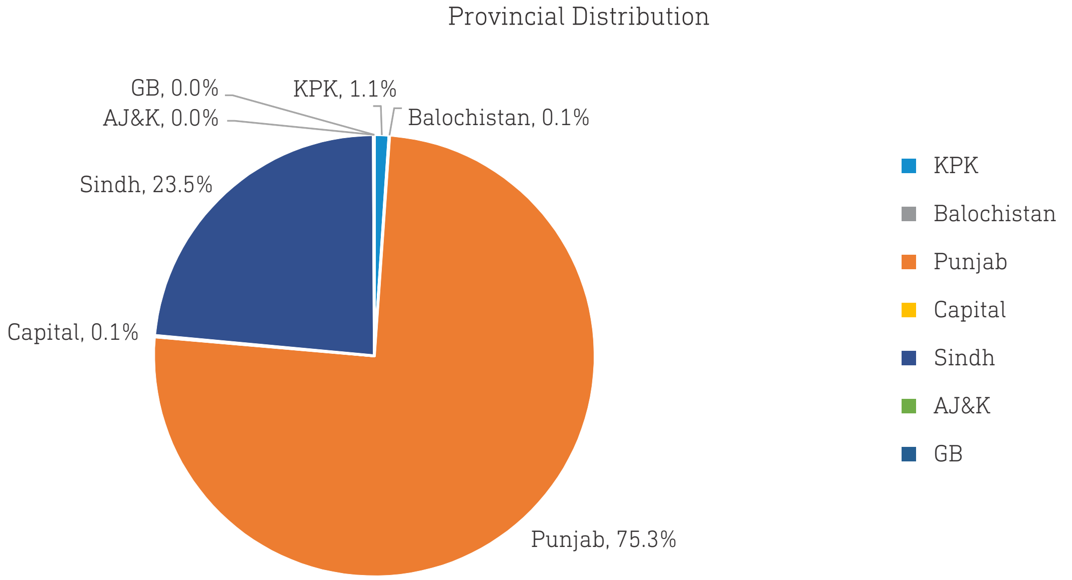
Geographic Mix

Due to the higher incidence of poverty in rural areas compared to urban areas, one of PMIC's key priorities is to strengthen its portfolio concentration in rural Pakistan. By December 2024, PMIC had allocated 64% of its portfolio to rural areas and will continue to intensify efforts to engage with underdeveloped and marginalized communities, while still maintaining attention on urban areas. The new strategy also emphasizes taking financial services to underserved areas.



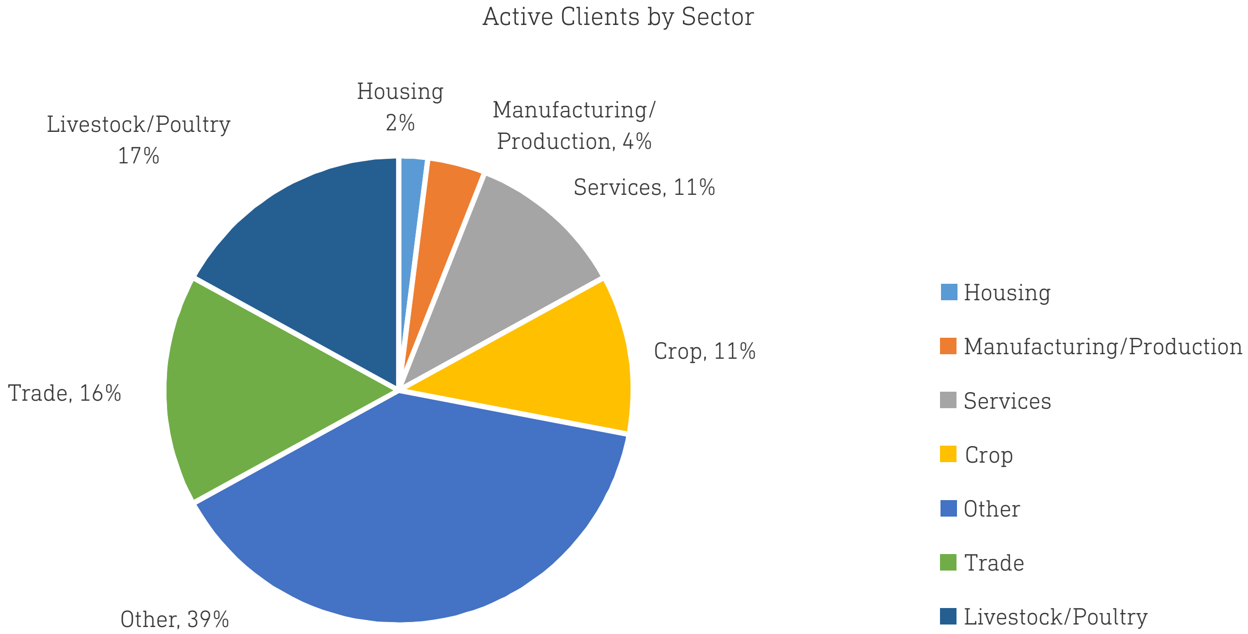
Provincial Distribution

The distribution of the microfinance portfolio is primarily concentrated in Punjab (75%) and Sindh (23%). Given the high poverty rates and low development indicators in Balochistan and Khyber Pakhtunkhwa (KPK), there is a clear need for targeted interventions in these regions. PMIC has already made plans and allocated resources to work with Community Based Organizations, Cooperatives and technology platforms to take financial services to these regions and partner with Government initiatives to leverage the investments made through subsidized programs like BISP and PMIFL.



Sectoral Distribution

PMIC's end-clients are engaged in a range of income-generating activities, primarily categorized into agriculture, livestock, enterprise, retail, and services. Through MF Plus interventions and product innovations, PMIC has expanded into new sectors such as Renewable Energy and Education to address unmet demand. The sectoral distribution of the portfolio as of year-end is outlined below.



Client's Success Story

"Inspire, Empower, Transform"

Munazza lives in Pakpattan district Sahiwal and has two children. Her husband is a driver and works as a van driver, earning a monthly income of PKR 22,000. Munazza lives with her in-laws, and the financial burden of supporting her children and unmarried sisters-in-law was a challenge for her husband. To contribute to the household, Munazza set up a small beauty parlor in her home, which the local people visited, allowing her to earn a small income each month.

However, Munazza wanted to expand her business, so she decided to invest in more products for her parlor, such as facials, hair colors, and branded items. She also planned to enlarge the space. But Munazza didn't have enough money to purchase the necessary items. She applied for a loan of PKR 95,000. With this loan, she expanded her parlor, bought the required products, and made improvements.

Later, Munazza took out a second loan of PKR 145,000 to purchase branded facial and hair care products from Lahore. With these investments, Munazza's parlor grew significantly, and her monthly earnings increased to PKR 40,000. This boost in income made it easier for her to cover household expenses and provide her children with a good education at a quality school.

Munazza is now grateful to PMIC for the support that helped her start and grow her business. She has also employed two young women in her parlor, giving them an opportunity to earn as well. Munazza is grateful for the financial support that enabled her to expand her business. This assistance helped her achieve financial stability, making it easier to support her family. It also allowed her to offer employment opportunities, contributing positively to her community.

Microfinance Plus
Impact-Driven Initiatives

PMIC continues to implement a blended finance approach, strategically combining financing, technical assistance, and grant-based interventions to design and scale initiatives that improve the lives and livelihoods of low-income communities. This integrated model enables the delivery of not just financial services, but also essential non-financial support—such as capacity building, digital literacy, market linkages, and the adoption of appropriate technologies—thereby fostering a more inclusive and resilient microfinance ecosystem.

As a triple-bottom-line institution, PMIC remains committed to delivering social, environmental, and economic value, with its impact framework closely aligned with eight United Nations Sustainable Development Goals (SDGs). Since its establishment in 2016, PMIC has operationalized this commitment through microfinance-plus interventions that go beyond credit to address structural barriers to financial inclusion. To date, over 158,000 clients have benefitted from such initiatives across a diverse set of product verticals, contributing to job creation, income generation, and reduced inequality.

In 2024, PMIC continued to expand its Microfinance Plus portfolio by designing and launching targeted initiatives that promote long-term, community-level impact. These efforts reflect PMIC's evolving role as a development finance institution committed to enabling inclusive growth and systemic change. Select highlights from these initiatives are presented below.

1. PRIME Program

In collaboration with Microfinance Providers (MFPs), PMIC continued to provide access to clean energy solutions in off-grid and poor-grid areas of Pakistan. Over 2,000 loans were deployed under the PRIME program, amounting to PKR 87 million in financing during 2024. Overall, 35,300 systems have been sold, with total financing of PKR 245 million. Around 74% of these clients are women, while awareness sessions have been organized for over 74,000 clients nationwide. PMIC, in collaboration with the Project Implementation Consultant (PIC) and KfW conducted a review of the Quality Assurance Framework (QAF) and brought improvements to ensure better system sizing, vendor pre-qualification, and technical standards. PMIC and PIC had also developed an Environmental, Social Management Framework (ESMS) section for the PRIME Program, which has been added as an addendum to the existing PMIC ESMS policy. In response to affordability challenges pertaining to prices of quality certified solar systems, PMIC introduced a €5 million subsidy scheme, approved by KfW and BMZ, to further enhance program access. With the advent of the subsidy scheme, 4 new borrowers had also become part of the PRIME program. During the year, PMIC and PIC teams developed training manuals and conducted three training courses in Sindh and Punjab for over 150 credit staff members of borrowers on PRIME Program and subsidy scheme.

2. Education Finance Program

In collaboration with Opportunity International (OI), PMIC's Education Finance Program has supported 159 low-cost private schools (LCPS) across Southern Punjab. The initiative is being implemented through three partner organizations: Agahe Pakistan, Rural Community Development Programmes (RCDP), and Taleem Finance Company Limited (TFCL). Together, these borrowers have disbursed PKR 125 million in financing to LCPS, enabling significant improvements in school infrastructure and student facilities.

In addition to financial support, the initiative includes a comprehensive three-year Education Quality Program, which offers capacity-building training for school owners and teachers. These trainings have played a vital role in enhancing pedagogical practices, resulting in improved teaching methodologies and a noticeable increase in student enrollment. Additionally, PMIC partnered with Tech Valley, a Google subsidiary, to train 4,500 students and teachers on digital safety, further strengthening the digital readiness and resilience of participating schools.

3. PMIC's Challenge Fund – Round II

PMIC continued its efforts to develop a Digital Credit Scoring Model (DCSM) for the microfinance sector under the second round of its Challenge Fund. The DCSM is being created in collaboration with Qarar, a subsidiary of the Saudi Credit Bureau Simah. Leveraging data-driven insights and advanced risk modeling techniques, the model aims to enhance MFPs ability to make informed and efficient lending decisions. The DCSM features an interactive dashboard that allows MFPs to input client details and instantly generate a credit score along with an associated risk category. It also offers full back-end integration with DataCheck, enabling seamless population of client-level data across various loan categories. The model was pilot tested with 5 institutions and based on the feedback from MFPs, the DCSM is undergoing further refinement before PMIC launches it commercially for the microfinance sector players in 2025.

4. Electronic Warehouse Receipt Financing (EWR)

PMIC in collaboration with Naymat Collateral, GrowTech, and key stakeholders in the agricultural sector have successfully executed an EWRF pilot in Okara and Hafizabad regions, targeting the financing needs of small and medium-sized landholders cultivating maize and rice orpaddy crops. The primary objective of the pilot was to provide financing to farmers who held valid EWRs accredited by Naymat Collateral, ensuring secure and transparent lending processes. Through this collaboration, PMIC provided financing worth PKR 60 million, empowering landholders to manage their post-harvest financing needs, while generating maximum financial gain by selling their agri produce in a hassle-free manner. One of the key takeaways from this initiative was the complete recovery of all EWRs financed by PMIC. As PMIC continues to pioneer innovative financing solutions in the agricultural sector, this pilot sets the stage for broader implementation across other regions and crops, contributing to the financial inclusion of smallholder farmers and fostering a more resilient agri-finance ecosystem.


5. Women's Economic Empowerment Initiative

Home-based women artisans and entrepreneurs face numerous challenges, including limited market access, financial exclusion, and skill gaps. To address these barriers, PMIC launched the Informal to International (I2I) initiative; an empowerment program aimed at equipping women with the tools and training needed to transition from informal businesses to formal enterprises and connect with national and international markets through digital and e-commerce platforms.

The I2I initiative focuses on capacity-building through digital, financial literacy, and skill enhancement training, alongside financial support and strategic market linkages. Implemented in collaboration with Jazz, Daraz, MG Apparel, and TCS, and supported by the Champions of Change Coalition (CCC), the project seeks to empower 150 women entrepreneurs in District Bahawalpur. Through this initiative, women will be enabled to expand beyond local markets and tap into broader economic opportunities, strengthening their participation in the formal economy and enhancing their entrepreneurial potential.


Client's Success Story

"Courage Create Change"

Samina Jabeen, a 45-year-old resident near Chungi in Burewala. Ten years ago, her life took a difficult turn when her husband left her, samina Bibi has no child. She struggled to survive while living in her parents' home, as her brothers refused to support her and eventually forced her to leave. Despite these challenges, Samina adopted three children, determined to provide them with a good education and a stable life.

However, she lacked the financial means to cover school fees and household expenses. Ten years ago, a friend introduced her to AGAHE Pakistan, and she applied for her first loan of PKR 30,000. With this, she started selling clothes from home, which enabled her to meet her family's basic needs and pay for the children's education.

Over time, Samina worked hard to expand her business. She continued to take multiple loans and is now in her 10th loan cycle with AGAHE Pakistan, receiving PKR 95,000. She used this support to diversify her business, adding grocery items and bangles alongside her clothing sales. Through her determination and the assistance of AGAHE Pakistan, Samina now earns approximately PKR 70,000 and her savings almost PKR 45000 per month.

This steady income allows her to provide her children with quality education and save for their future. Samina is incredibly grateful to PMIC for standing by her during her most challenging times. Their loans empowered her to build a thriving business, transforming her life and creating a secure future for her family.

Risk Management

PMIC upholds a robust risk governance framework, with the Board of Directors bearing ultimate responsibility for risk oversight. This is supported by the Board Risk Committee (BRC), Management Risk Committee (MRC), and Asset-Liability Committee (ALCO). These governance bodies oversee a comprehensive spectrum of risks, including Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Environmental & Social (E&S) Risk, and Compliance Risk. PMIC's operations are guided by a well-defined Risk Appetite Framework and Board-approved policies that govern each key risk domain.

Risk Management Framework

Managing Credit Risk through Rigorous Assessment and Monitoring: Credit risk remains central to PMIC's risk strategy and is assessed using the Institutional Rating System (IRS), a proprietary tool developed by PACRA and certified by Microfinanza. The system evaluates each borrower across multiple dimensions, including governance, management capacity, financial stability, operational effectiveness, and social impact. Post-disbursement, PMIC employs close monitoring of exposures against internal and regulatory limits, supplemented by regular field visits to borrower offices and client locations. This approach enables real-time risk identification and promotes stronger industry-wide credit discipline.

Ensuring Liquidity through Strategic Oversight: PMIC's Liquidity Risk Policy ensures that financial obligations are met in a timely and efficient manner. The ALCO oversees liquidity management, balance sheet optimization, and disbursement planning. Stress testing techniques are employed to detect and manage funding mismatches, enabling proactive planning under varied economic conditions.

Mitigating Market Risk with Structured Controls: Market risk, particularly exposure to interest rate fluctuations, is managed through predefined limits and regular repricing gap analysis. This ensures PMIC can adapt quickly to changes in market conditions and maintain portfolio health.

Enhancing Operational Resilience: PMIC places strong emphasis on Operational Risk Management to ensure the reliability and efficiency of internal processes. A comprehensive framework facilitates the identification, assessment, and mitigation of risks across functions, complemented by regular system reviews and process improvements.

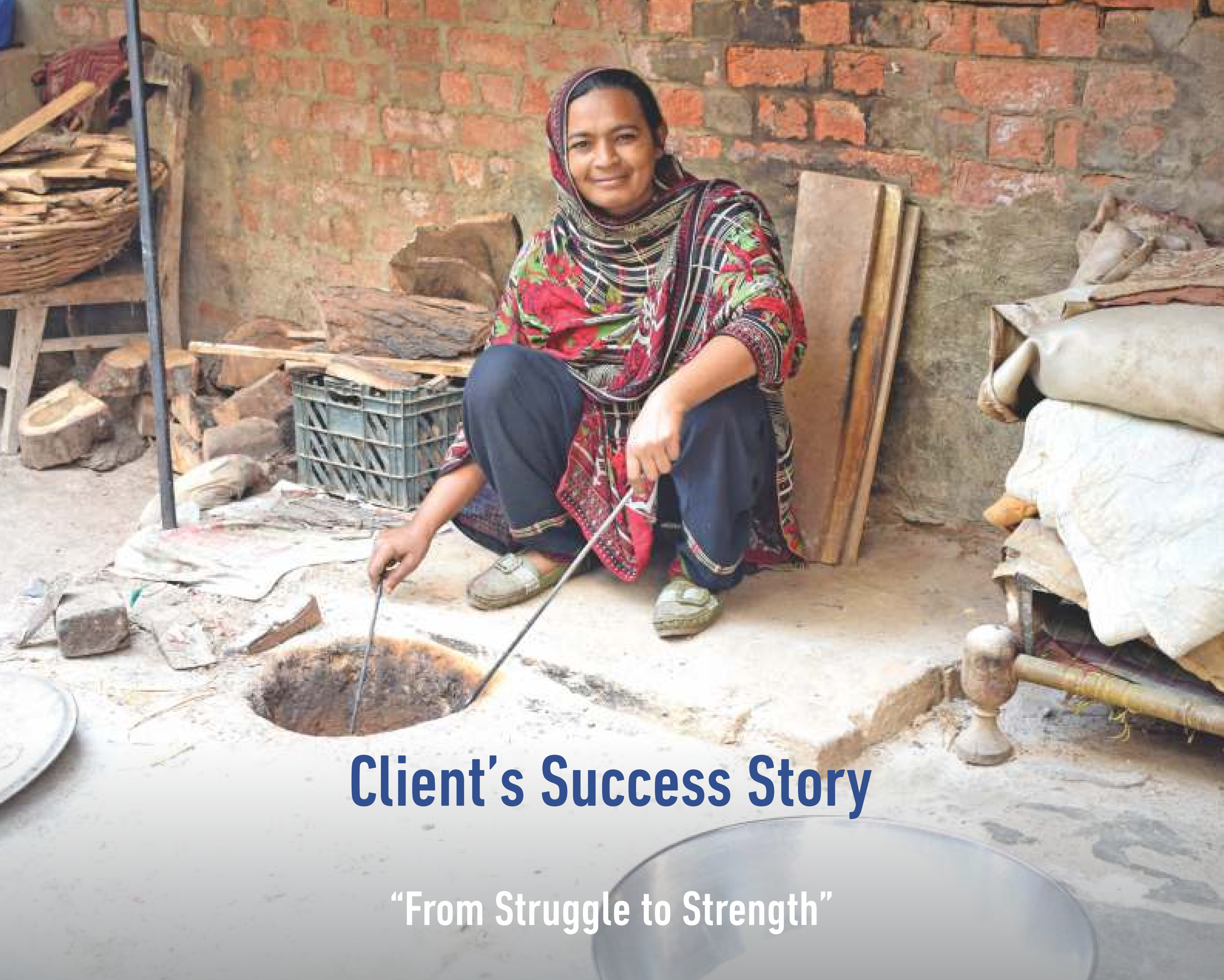
Integrating Environmental and Social Risk Considerations: The Environmental and Social Risk Management (ESRM) Policy provides a structured approach to evaluating E&S risks associated with lending activities. A defined Exclusion List helps avoid investments in sectors with potential for adverse impact. E&S criteria are embedded within the lending decision process, aligning with global standards for sustainable financing.

Upholding Regulatory Compliance and Ethical Standards: PMIC adheres to all applicable laws, regulations, and industry guidelines through comprehensive compliance policies. Regular monitoring, internal audits, and ongoing staff capacity building ensure alignment with regulatory frameworks and reinforce transparency and integrity in lending operations.

Continuous Risk Evaluation and Sector Support: Risk management at PMIC is a dynamic and continuous process, with regular updates to the Board and its Risk Committee. PMIC works closely with partner institutions, offering advisory support on risk mitigation to build institutional capacity and enhance sector resilience.

In response to past economic shocks including the COVID-19 pandemic, 2022 floods, and 2023 economic downturn, PMIC has strengthened its focus on flexible strategies and proactive risk monitoring. While macroeconomic indicators showed improvement in 2024, systemic risks in the microfinance sector persist, highlighting the continued need for vigilant oversight and adaptive frameworks.

As the country's leading wholesale financier to the microfinance sector, PMIC continues to provide liquidity, foster innovation, and build institutional capacity. Its approach to risk management is grounded in strong governance, responsive strategy, and a commitment to advancing sustainable financial inclusion, particularly in times of economic uncertainty.



Client's Success Story

"From Struggle to Strength"

Shamim Bibi lives in Pakpattan district Sahiwal and has a married daughter. 7 years ago, her husband divorced her and left, which left Shamim struggling to manage on her own. She has no brothers, and her father is also no longer alive. Shamim lives with her mother and daughter. After her daughter got married, she also got divorced, and Shamim found it difficult to take care of her own expenses and her daughter's children.

Shamim decided to start a small tandoor (oven) business at home. To run the tandoor, she needed to build it and buy some essentials like flour, wood, and other materials. Shamim heard about Agah Pakistan's loan scheme from the women in her neighborhood, so she decided to apply for a loan. She was granted her first loan of PKR 50,000, which she used to start the tandoor business and purchase the necessary materials like wood and flour.

Shamim expanded her business by taking a second loan of PKR 50,000, which significantly increased her monthly income to over PKR 40,000. During the summer, her tandoor attracts many customers who come for fresh roti and curry, helping her save more. This growth allows Shamim to support her daughter and grandchildren financially while also saving for future needs, ensuring better stability and security for her family.

Corporate Secretariat, Legal and Procurement

In 2024, the Corporate Secretarial, Legal, and Procurement Department demonstrated its strategic value by embedding innovation, institutional resilience, and supporting inclusive growth across PMIC's operations.

The Corporate Secretariat led the successful execution of PMIC's Strategy Session in Istanbul, a high level engagement that brought together the Board of Directors and Shareholders for an open exchange on long-term priorities. The session served as a space for forward-looking dialogue and critical reflection, setting the tone for the next phase of PMIC's strategic journey.

In parallel, the department steered the annual Board Evaluation Exercise in partnership with the Pakistan Institute of Corporate Governance. This initiative deepened the Board's understanding of its fiduciary responsibilities under prevailing regulatory frameworks, while reinforcing best practices in oversight and accountability.

Legal Facilitation to Enable Innovation in Finance

In a year that involved significant financial innovation, the Legal team remained central to structuring complex transactions. From the development of Islamic financing frameworks to finalizing the Portfolio Guarantee Facility with the U.S. International Development Finance Corporation (DFC), the team ensured that legal rigor matched speed and adaptability. These in-house efforts not only helped manage costs but also enabled timely delivery of key initiatives.

Institutional Strengthening

In response to a fast-evolving operating environment, the Procurement team facilitated the onboarding of expert consultants to review and strengthen internal policies across core functions including Risk, Human Resources, Finance, and Sector Development. This initiative reflects PMIC's proactive approach to institutional resilience, ensuring it remains agile and future ready.

Promoting Resource Efficiency

The department achieved a 17% cost saving against the approved budget in 2024, driven by in-house delivery of legal and corporate secretarial functions and strategic negotiations with service providers.

Digitizing Governance

PMIC advanced its digital governance transition by adopting the Board Papers solution from Pervasent Inc., eliminating paper use from board operations. This move has improved operational efficiency, data traceability, and security while minimizing PMIC's environmental footprint.

Enhancing Legal Agility

In a year marked by complex transactions and strategic partnerships, the in-house Legal team played a key role in supporting PMIC's inclusive finance agenda. The department successfully managed the legal structuring of Islamic financing instruments and the facilitating the Portfolio Guarantee Facility with the U.S. Development Finance Corporation (DFC). By handling these matters internally, the Legal team ensured agility, reduced costs, and enabled timely execution.

Corporate Finance and Investment Banking

The global economy in 2024 remained under pressure, shaped by persistent geopolitical uncertainties, volatile financial markets, and tightening global liquidity conditions. Advanced economies faced prolonged restrictive monetary policies, while emerging markets continued to navigate external shocks, impacting credit flows and investment activity. Although global trade volumes showed some signs of stabilization, tightening liquidity in financial markets necessitated prudent cash flow management and innovative financing solutions

In 2024, the State Bank of Pakistan (SBP) implemented a series of significant monetary policy adjustments in response to evolving economic conditions. Notably, in September 2024, the Monetary Policy Committee (MPC) reduced the policy rate by 200 basis points to 17.5%, citing a sharper-than-expected decline in both headline and core inflation over the preceding months. Subsequently, in November 2024, the SBP further slashed the key policy rate by a record 250 basis points to 15%, aiming to invigorate the economy amid a notable decrease in inflation, which had fallen to 7.2% in October from a multi-decade high earlier in the year.

These monetary easing measures contributed to improved liquidity conditions and reduced borrowing costs within the financial sector. Financial institutions, including PMIC, benefited from these developments by optimizing funding structures and securing capital on more favorable terms. Additionally, the relative stability of the Pakistani Rupee against the US Dollar during this period bolstered investor confidence and mitigated foreign exchange risks in borrowing arrangements.

Funding and Capital Market Initiatives

Despite macroeconomic headwinds, PMIC continued its proactive engagement with both domestic and international financial institutions to secure sustainable funding. Key initiatives included:

- **Commercial Bank Borrowings:** An aggregate amount of PKR 9,363 million was availed during the year through funding from various commercial banks to support the liquidity constraints of Microfinance institutions. PMIC successfully executed short-term market arbitrage transactions with multiple commercial banks, optimizing its funding structure and ensuring liquidity deployment in the microfinance sector.

- **SBP Credit Facilities:** PMIC remained a key beneficiary of funding limits under SBP's Line of Credit Facility, supported by the World Bank's Financial Inclusion and Infrastructure Project (FIIP) and the Asian Development Bank's Women Inclusive Finance Program (WIFP). A total of PKR 4,563 million was disbursed in 2024 (compared to PKR 1,087 million in 2023) against repayment guarantees extended by multiple commercial banks and DFIs. These facilities bolstered liquidity access, particularly for underserved microfinance segments.

- **Expanding the Lender Base:** As part of its ongoing efforts to diversify funding sources and strengthen its financial position, PMIC has successfully on-boarded three new institutions under both direct (funded) and indirect (non-funded) credit facilities. These include Soneri Bank Limited, Pak Libya Holding Company Limited, and Pak Kuwait Investment Company Limited. The addition of Pak Libya and Pak Kuwait represents a significant milestone, expanding PMIC's lender base beyond commercial banks to include DFIs. With these new partnerships, PMIC has now raised the total number of institutions it works with to 13—comprising 10 commercial banks and 3 DFIs—thereby enhancing financial resilience and reducing concentration risk from a single funding source.

- **Multilateral Financing & Risk-Sharing:** PMIC advanced discussions with leading multilateral agencies to establish a robust risk-sharing mechanism, enabling increased credit exposure to smaller microfinance players while mitigating portfolio concentration risks. A key milestone was the Loan Portfolio Guarantee Agreement (LPGA) signed with the U.S. International Development Finance Corporation (DFC) on July 11, 2024, establishing a USD 30 million guarantee covering 50% of qualifying exposures. This eight-year guarantee is now fully activated, providing additional security for PMIC's lending operations.

Overall, these initiatives, along with the accommodative monetary policy stance adopted by the SBP in 2024, reinforced PMIC's role as a key enabler in the microfinance sector, strengthening its balance sheet, advancing financial inclusion through sustainable growth, and fortifying the sector's financial resilience in a stabilizing economic environment.

Outlook & Future Strategy

PMIC remains committed to diversifying its funding base by strengthening partnerships with domestic and international financial institutions, multilateral agencies, and capital markets. A key priority will be securing equity capital through strategic collaborations with impact investors, private equity firms, and DFIs —enhancing financial resilience and enabling PMIC to scale its operations in response to the growing demand for microfinance services.

Recognizing the increasing demand for Shariah-compliant financial products, PMIC has already introduced Islamic lending solutions and continues to expand its Islamic finance portfolio. These efforts align with the growing market preference for Islamic finance while advancing financial inclusion across diverse communities. In the long run, PMIC aims to tap liquidity from Islamic commercial institutions, further strengthening its position in the Islamic finance ecosystem.

To deepen market participation and unlock new sources of capital, PMIC plans to introduce debt securitization and social impact bonds, facilitating structured financing solutions for both its own funding needs and the broader microfinance sector. These instruments will provide sustainable financing avenues while attracting socially responsible investors. PMIC is also committed to assisting borrowers in accessing capital markets for funding. As a lead arranger & advisor for microfinance providers, PMIC will support them in structuring their own funding solutions. Additionally, PMIC will raise capital through short-term commercial sources such as Commercial Papers and Sukuks, enhancing its financial flexibility and responsiveness to market dynamics.

In line with its goal of strengthening PMIC's advances portfolio, PMIC will arrange Risk Sharing Arrangements and leverage market opportunities to ensure a more diversified and resilient funding base. Efforts will include structuring, financing arrangements (debt/equity) with international microfinance investment vehicles (MIVs) and advancing risk-sharing transactions with multilateral organizations throughout the year.

By advancing these strategic initiatives and deepening collaboration across the microfinance sector, PMIC aims to contribute meaningfully to economic resilience and inclusive growth in Pakistan. With a strengthened capital base, an expanded product suite, and a focus on innovative financing solutions, PMIC is well-positioned to drive lasting impact in 2025 and beyond.

Client's Success Story

Sameena Yasmeen, a resident of Layyah, faced severe financial hardship after her marriage. Despite visiting multiple institutions in search of support, she was unable to secure assistance—until she encountered a credit officer from PMIC borrower.

Sameena received her first microloan of PKR 50,000 to launch a cutpiece clothing business. Demonstrating resilience and business acumen, she soon scaled her enterprise with a second loan of PKR 120,000. Together with her husband, she opened a local shop and gradually built a sustainable livelihood.

Regular guidance and business mentoring ensured the family stayed on track, repaid their loans on time, and planned for long-term growth. The economic transformation also enabled significant improvements in the family's well-being. Sameena's children began attending school regularly, and the family gained access to better healthcare and living conditions.

Sameena's story is a powerful example of how access to microfinance, when paired with trusted advisory support, can enable families to rise from financial distress to economic empowerment.

"Today, we live with dignity and purpose. I am grateful to PMIC for believing in me." — Sameena Yasmeen

Our People and Culture

Driving Engagement, Capability, and Culture at PMIC

At PMIC, our people remain central to the realization of our mission and values. In 2024, the Human Resources function served as a strategic enabler, advancing a culture of inclusion, high performance, and resilience. By aligning talent initiatives with organizational priorities, we have laid the foundation for long-term value creation through our people. Our key focus areas included enhancing employee engagement, strengthening capability development, and embedding a supportive, value-driven culture across the organization.

Listening to Our People

To ensure our people feel heard and valued, we conducted our biennial Anonymous Engagement Survey in 2024. With a 100% participation rate, the survey revealed that over 80% of employees expressed strong engagement and satisfaction. Key themes included inclusivity, social responsibility, and a positive learning environment. These insights were unpacked in an open town hall with the CEO, enabling direct dialogue and a shared commitment to continuous improvement. Feedback is being actively translated into action plans led by HR.

Embedding Wellbeing and Flexibility

Wellbeing is integral to performance. We continue to embed care into the flow of work through inclusive policies and proactive communication In line with our diversity, equity, and inclusion agenda, we introduced a dedicated Well-being Leave for female employees, reinforcing our commitment to supporting women's health and autonomy. In collaboration with IGI Insurance, we hosted a comprehensive session on our updated medical benefits, including enhanced IPD coverage for the parents of unmarried staff; an industry-leading initiative.

Recognition and appreciation

Our Women's Day celebrations were a powerful reminder of the impact of recognition and community. From team-wide giveaways to "Listen and Learn" sessions, to celebrating our female microfinance clients, the day spotlighted both internal and external champions of empowerment. Throughout the year, events like our Mango Party, Desk Detox Challenge, and Independence Day brunch promoted belonging and joyful connection. These experiences reinforce the inclusive and value-driven culture we strive to build.

Learning and Leadership

PMIC is committed to nurturing the capabilities that drive transformation. In May, we launched a Competency Development Training led by Kamran Rizvi of Carnelian. Grounded in feedback from employees across departments, the session promoted collaboration, interdepartmental understanding, and alignment with our core values. Similarly, our Gender Sensitization Training delivered by Schuitema Group was a critical step in embedding inclusive mindsets.

Our career guidance outreach at FAST University, co-led by our CEO and Head of HR, further demonstrated our commitment to thought leadership and talent development for Pakistan's next generation of leaders.

Performance Conversations and Collaboration

Quarterly all-team meetings provided platforms to reflect on achievements, KPIs, and future priorities. Through storytelling and shared reflections, we fostered alignment, recognition, and renewed energy across departments.

In December, we ended the year with a New Year's Brunch, celebrating milestones, birthdays, and our collective progress in a relaxed, appreciative setting.

Enabling Strategy Execution

Our Strategy Implementation Workshop in Murree was a pivotal moment. Blending focused planning sessions with collaborative outdoor activities, the workshop helped teams co-create roadmaps aligned with PMIC's approved strategy. It reinforced clarity of purpose, connectedness, and execution discipline.

We also recognized our top performers, whose contributions advanced our mission and deepened our impact in underserved communities. These individuals exemplify resilience, collaboration, and the spirit of service.

Looking Ahead

As we prepare for the future, PMIC's Human Resources function remains committed to listening actively, responding proactively, and investing in the potential of every employee. We will continue evolving our practices to meet the demands of a dynamic workforce, while staying rooted in our purpose and values.

Together, we are building a workplace where people thrive and where strategy, culture, and capability unite to drive sustainable development across Pakistan.

Client's Success Story

"Empowering Dreams"

Tasleem Bibi, a 50-year-old woman from Burewala, faced immense financial challenges. With four children to care for, her husband's daily wage factory labor of PKR 15,000 per month was insufficient to manage household expenses. To make matters worse, one of her elder sons struggled with drug addiction, and his treatment added to their financial burdens. Worried about their future, Tasleem decided to find a way to increase her income.

After receiving advice to start her own business, Tasleem decided to open a samos'a stall but lacked the funds to get started. Fortunately, she learned about loan program from a neighbor and applied for a loan. In 2022, Tasleem received her first loan of PKR 50,000, which she used to set up a small stall selling samosa's. Initially, her monthly income ranged from PKR 15,000 to PKR 20,000.

As her business began to grow, Tasleem applied for subsequent loans to expand further. With a third loan of PKR 100,000, she opened a proper shop where she started selling samosa's, naan, and pakora's. Her earnings now range between PKR 40,000 and PKR 50,000 per month, enabling her to cover household expenses comfortably.

The loan program helped her overcome financial hardships and provided her the opportunity to improve her family's quality of life. Her inspiring journey demonstrates how determination and access to financial resources can empower individuals to create a better future for themselves and their families.

Independent Auditors 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 at December 31, 2024, 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, 2024 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 Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up 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, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Ahsan Nadeem.

A.F. Ferguson & Co.
Chartered Accountants
Lahore
Date: March 26, 2025
UDIN: AR202410884AfNnRlw2V

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

	Note	2024 (Rupees)	2023 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	13,413,308	10,495,635
Right of use asset	5	132,442,181	25,347,249
Intangible assets	6	-	1,201,787
Long term investments	7	758,092,852	622,814,068
Financing - net	8	14,451,495,037	12,034,064,149
Long term advances, prepayment and deposits	9	77,617,862	34,138,429
Deferred tax asset	10	632,402,317	500,846,138
Derivative financial instrument	11	478,914,632	499,922,627
		16,544,378,189	13,728,830,082
CURRENT ASSETS			
Advances, prepayment and other receivables	12	111,518,807	76,354,799
Markup accrued - receivable	13	5,444,351,632	2,452,135,116
Due from related party	14	34,190,532	46,836,653
Lending to financial institutions (reverse repo)	15	499,931,523	891,503,582
Short-term investments	16	151,404,025,290	1,207,223,829
Advance tax - net	17	1,274,038,638	891,640,752
Current portion of financing - net	8	15,734,502,627	15,673,269,109
Cash and bank balances	18	994,472,916	223,391,927
		175,497,031,965	21,462,355,767
TOTAL ASSETS		**192,041,410,154**	**35,191,185,849**
SHARE CAPITAL AND RESERVES			
Share capital	19	5,884,222,000	5,884,222,000
Contribution by shareholder – net of tax		52,136,326	61,647,414
Unappropriated profit		3,565,921,383	2,859,038,434
		9,502,279,709	8,804,907,848
NON-CURRENT LIABILITIES			
Subordinated loans	20	7,069,906,834	8,081,318,709
Loans and borrowings	21	16,284,266,476	10,500,248,238
Employee benefit obligations	22	44,489,006	33,681,603
Subsidy payable	23	179,253,506	167,720,399
Lease liability	25	42,796,572	-
Unearned income	24	13,254,582	6,751,925
		23,633,966,976	18,789,720,874
CURRENT LIABILITIES			
Short term borrowings	26	149,964,995,861	499,942,778
Current portion of lease liability	25	58,703,040	-
Current portion of unearned income	24	7,832,368	3,796,421
Trade and other payables	27	133,463,393	104,320,555
Markup accrued - payable	28	3,852,963,088	1,122,544,861
Current portion of subordinate loans	20	1,063,465,621	1,063,465,621
Current portion of loans and borrowings	21	3,823,740,098	4,802,486,891
		158,905,163,469	7,596,557,127
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		**192,041,410,154**	**35,191,185,849**

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, 2024

	Note	2024 (Rupees)	2023 (Rupees)
Income	30	10,537,478,435	8,447,163,445
Finance cost	31	(8,089,346,627)	(6,264,648,334)
		2,448,131,808	2,182,515,111
Net impairment loss on financial assets	32	(707,743,628)	(554,841,791)
		1,740,388,180	1,627,673,320
Administrative expenses	33	(580,516,267)	(509,598,384)
Other expenses	34	(31,887,645)	(46,104,027)
		(612,403,912)	(555,702,411)
Other income	35	63,240,386	90,543,918
Fair value (loss)/gain on derivative	36	(14,248,870)	284,147,508
Profit before taxation		1,176,975,784	1,446,662,335
Income tax expense	37	(477,568,602)	(551,931,154)
Profit for the year		**699,407,182**	**894,731,181**

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, 2024

	Note	2024 (Rupees)	2023 (Rupees)
Profit for the year		699,407,182	894,731,181
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Remeasurement (loss) / gain on defined benefit plan	22.2	(2,496,891)	205,036
Items that may be reclassified to profit or loss:			
Changes in the fair value of debt instruments at FVOCI		461,570	3,395,752
Other comprehensive (loss) / income - net of tax		(2,035,321)	3,600,788
Total comprehensive income for the year		**697,371,861**	**898,331,96**

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, 2024

	Share capital	Capital reserve - Contribution by Shareholder - net of tax	Unappropriated profit	Total equity
Balance at January 01, 2023	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 due to rate change	-	(8,719,253)	-	(8,719,253)
Excess finance cost under subordinated loan arrangement	-	(7,405,413)	7,405,413	-
Balance at December 31, 2023	**5,884,222,000**	**61,647,414**	**2,859,038,434**	**8,804,907,848**
Total comprehensive income for the year				
Profit for the year	-	-	699,407,182	699,407,182
Other comprehensive loss for the year - net of tax	-	-	(2,035,321)	(2,035,321)
Total comprehensive income for the year	-	-	**697,371,861**	**697,371,861**
Excess finance cost under subordinated loan arrangement	-	(9,511,088)	9,511,088	-
Balance at December 31, 2024	**5,884,222,000**	**52,136,326**	**3,565,921,383**	**9,502,279,709**

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, 2024

	Note	2024 (Rupees)	2023 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operating activities before working capital changes	38	(519,543,051)	(440,648,170)
Changes in working capital:			
Financing - net		(2,771,638,203)	(1,800,584,150)
Long term advances and deposits		(43,486,582)	(15,456,953)
Advances, prepayments and other receivable		(15,709,978)	(15,402,147)
Unearned income		26,536,610	1,230,341
Trade and other payables		29,142,838	34,768,213
		(2,775,155,315)	(1,795,444,697)
Cash used in operations		(3,294,698,366)	(2,236,092,867)
Taxes paid		(991,817,760)	(884,268,864)
Finance cost paid		(5,195,964,228)	(5,665,430,363)
Staff retirement benefit - gratuity paid		(14,988,386)	(8,395,393)
Staff retirement benefit - Compensated absences paid		(1,684,286)	(2,896,554)
Receipt of markup on financing		6,002,934,339	5,605,418,966
Receipt of profit on deposit accounts		143,145,161	100,423,121
Receipt of markup on reverse repurchase (repo) transactions		292,114,897	197,973,394
Receipt of markup on Treasury bills		234,630,050	817,183,530
Receipt of markup on Pakistan Investment Bonds (PIBs)		238,706,288	525,981,989
Receipt of markup on Term Finance Certificates (TFCs)		106,917,560	137,267,488
Receipt of grant income from KfW		45,808,965	26,253,955
Net cash used in operating activities		(2,434,895,766)	(1,386,581,598)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(559,724)	(9,671,660)
Advance made for capital expenditure		(7,183,220)	-
Investments - net		(149,763,694,934)	(117,316,169)
Proceeds from disposal of property and equipment		-	202,056
Net (investments) / redemptions in FVOCI securities		(567,649,928)	10,032,885,281
Net cash (used in) / generated from investing activities		(150,339,087,806)	9,906,099,508
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipt of loans and borrowings		4,805,271,445	2,219,503,237
Net receipt / (payment) of short term borrowings		149,465,053,083	(10,113,020,841)
Repayment of subordinated loans		(1,063,465,626)	(1,009,745,939)
Lease rentals paid		(53,366,400)	(46,277,564)
Net cash generated from/ (used in) financing activities		153,153,492,502	(8,949,541,107)
Net increase / (decrease) in cash and cash equivalents		379,508,930	(430,023,196)
Cash and cash equivalents at beginning of the year		1,114,895,509	1,544,918,705
Cash and cash equivalents at end of the year	42	**1,494,404,439**	**1,114,895,509**

Chief Executive Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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 30, 2024.

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;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notied 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

There are certain new and amended standards, issued by the International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2024 but are considered not to be relevant or do not have any material effect on the Company's operations and therefore are not detailed in these financial statements except for the following:

(i) The Securities and Exchange Commission of Pakistan (SECP) issued SRO 1827(I)/2002 on September 29, 2022, notified that IFRS 9, Financial Instruments, will replace International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for reporting periods ending on or after June 30, 2024, with the option for earlier adoption. Accordingly, IFRS 9 has been adopted by the Company. IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without subsequent recycling to profit or loss.

The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. Under the predecessor standard, IAS 39, impairment losses on financial assets were recognized using an incurred loss model, which required evidence of a financial loss event before recognizing impairment.

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The adoption of IFRS 9 has resulted in change in accounting policies of the Company. The Company has elected to follow the modified retrospective approach for restatement i.e. comparative figures have not been restated on initial application. The cumulative impact of initial application of IFRS 9 is not material and hence, no adjustment is recognized in equity at the beginning of the current accounting period. The reclassifications of the financial instruments also did not result in any material changes to measurements.

Furthermore, on January 1, 2024, the management assessed which business models apply to the financial instruments held by the Company and classified its financial instruments into the appropriate IFRS 9 categories as follows:

Financial Assets/ Liabilities	Carrying amount as of December 31, 2023 (Rupees)	Carrying amount as of January 01, 2024 (Rupees)	Previous Classification	Classification under IFRS - 09
Financial Assets				
Long term investments	622,814,068	622,814,068	Held-to-maturity	Amortised cost
Financing - net	12,034,064,149	12,034,064,149	Cost	Amortised cost
Long term advances, prepayments and deposits	34,138,429	34,138,429	Cost	Amortised cost
Derivative financial instrument	499,922,627	499,922,627	Fair Value	FVTPL
Advances, prepayments and other receivables	76,354,799	76,354,799	Cost	Amortised cost
Markup accrued - receivable	2,452,135,116	2,452,135,116	Cost	Amortised cost
Due from related party	46,836,653	46,836,653	Cost	Amortised cost
Lending to financial institutions (reverse repo)	891,503,582	891,503,582	Cost	Amortised cost
Short-term investments	1,207,223,829	1,207,223,829	Held to maturity/ Available for sale	Amortised cost/ FVOCI
Current portion of financing	15,673,269,109	15,673,269,109	Cost	Amortised cost
Cash and bank balances	223,391,927	223,391,927	Cost	Amortised cost
Financial Liabilities				
Subordinated loans	8,081,318,709	8,081,318,709	Cost	Amortised cost
Loans and borrowings	10,500,248,238	10,500,248,238	Cost	Amortised cost
Subsidy payable	167,720,399	167,720,399	Cost	Amortised cost
Short term borrowings	499,942,778	499,942,778	Cost	Amortised cost
Trade and other payables	104,320,555	104,320,555	Cost	Amortised cost
Markup accrued - payable	1,122,544,861	1,122,544,861	Cost	Amortised cost
Current portion of subordinated loans	1,063,465,621	1,063,465,621	Cost	Amortised cost
Current portion of loans and borrowings	4,802,486,891	4,802,486,891	Cost	Amortised cost

The amount of expected credit loss has been disclosed in note 32 to these financial statements.

(ii) During the current year, ICAP has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12, Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Company has changed its accounting policy to designate the amount calculated on taxable income using the notified tax rate as an income tax expense. Any excess over the amount designated as income tax, is then recognized as a 'Levy' under 'IAS 37, Provisions, Contingent Liabilities and Contingent Assets', which were previously being recognized as 'income tax'. However, no adjustment in this regard has been made in these financial statements for the year ended December 31, 2024, as there is no impact of the same.

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, 2025 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 IAS 21 – Lack of Exchangeability

These amendments were in response to concerns raised when an entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Assessing exchangeability between two currencies requires an analysis of different factors; such as the time frame for the exchange, the ability to obtain the other currency, markets or exchange mechanisms, the purpose of obtaining the other currency, and the ability to obtain only limited amounts of the other currency.

When a currency is not exchangeable into another currency, the spot exchange rate needs to be estimated. The objective in estimating the spot exchange rate at a measurement date is to determine the rate at which an orderly exchange transaction would take place at that date between market participants under prevailing economic conditions.

These amendments are not expected to have a material impact on the Company's financial statements when they become effective.

The new amendments are effective for annual reporting year beginning on or after January 1, 2025 where earlier application was also permitted.

(b) Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

The amendments clarify the timing for recognizing and derecognizing certain financial assets and liabilities, introduce an exception for some financial liabilities settled via electronic cash transfers, provide additional guidance for assessing if a financial asset meets the Solely Payment of Principal and Interest ('SPPI') criterion, require new disclosures for instruments with cash flow changes linked to Environmental, Social and Governance ('ESG') targets, and update disclosures for equity instruments designated at FVOCI.

The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

The above mentioned amendments are effective for accounting periods beginning on or after January 1, 2026.

(c) IFRS 18 Presentation and Disclosure in Financial Statements

The new standard on presentation and disclosure in financial statements, IFRS 18, focuses on updates to the statement of profit or loss. It introduces key concepts such as the structure of the statement of profit or loss, required disclosures for certain profit or loss performance measures reported outside the financial statements (management-defined performance measures), and enhanced principles on aggregation and disaggregation applicable to the primary financial statements and notes.

The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

The above mentioned standard is effective for accounting periods beginning on or after January 1, 2027.

2.2.3 Exemption from applicability of certain standards

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 Significant 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) Employee benefit obligations - note 3.17 and 22
(ii) Recognition of deferred tax and estimation of income tax provision - note 3.6, 10 and 37
(iii) Classification and measurement of financial assets - note 3.4, 7 and 16
(iv) Measurement of fair value of derivative financial statements - note 3.4, 11 and 36
(v) Allowance for expected credit losses - note 3.8 and 32
(vi) Use of discount rates and interpretation of lease terms - note 3.2 and 25

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise specified.

3.1 Property 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 refundable 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 statement of 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 statement of profit or loss at rates given in note 4 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 asset

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 recognized 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 as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the Company expects to exercise that, 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 of use asset, or is recorded in statement of profit or loss if the carrying amount of right of 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 reflects 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 short term borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a pro-rata basis and recorded as markup expense.

b. Purchase under resale agreements

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

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

3.4 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

3.4.1 Financial Assets

3.4.1.1 Initial Recognition

All financial assets and liabilities are initially measured at fair value. For financial assets classified at FVTPL, transaction costs are expensed immediately in profit or loss. For financial assets classified at amortized cost or FVOCI, transaction costs are included in the initial carrying amount.

3.4.1.2 Classification & Measurement

The Company classifies its financial assets, based on the business model for managing the financial assets and their contractual cash flow characteristics in the following measurement categories:

- at amortised cost,
- at fair value through profit or loss ("FVTPL") and;
- at fair value through other comprehensive income ("FVOCI")

Business model

The business model reflects how the Company manages the assets in order to generate cash flows, that is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

The factors considered by the Company in determining the business model for a group of assets include:

- Past patterns of holding or selling similar financial assets,
- Performance evaluation metrics used by key management,
- Internal risk management strategies and,
- How returns on these assets are reported and monitored internally.

Sole Payments of Principal and Interest ("SPPI"):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the underlying asset, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). 'Principal' is defined as the fair value of the financial asset oninitial recognition and 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature aligns with SPPI if it mainly represents unpaid principal and profit. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The classification requirements for debt and equity instruments are described below:

(i) Debt instruments

(a) Amortised cost

Financial assets that meet the following conditions are measured at amortised cost:

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

(b) Fair value through other comprehensive income

Financial assets that meet the following conditions are subsequently measured at FVOCI:

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

(c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and presented net within other operating income/expenses in the period in which it arises.

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of financial position at FVTPL, with gains and losses recognized in the profit or loss, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI.

3.4.1.3 Subsequent measurement and gains and losses

(i) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest rate method. Interest income from these financial assets is included in markup income using the effective interest rate method. Any gain or loss arising on derecognition, foreign exchange gains and losses and impairment is recognized directly in profit or loss and presented in other income/ expenses. Impairment losses are presented as separate line item in the statement of profit or loss.

ii) Financial assets at FVOCI

Debt instruments are subsequently measured at fair value. Interest income is calculated using effective interest rate method. Movements in the carrying amount are taken through OCI except for recognition of impairment gains or losses, markup income and foreign exchange gains & losses on the instrument which are recognized in the statement of profit or loss.

Equity investments are subsequently measured at fair value. Net gains and losses are recognized in other comprehensive income.

(iii) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of profit or loss.

3.4.1.4 Modification of Financial asset

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

If the cashflows are not substantially different i.e., modification of a financial asset does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate (EIR) of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the terms and conditions of the financial asset are not substantially different, the Company recalculates the new gross carrying amount of the financial asset by discounting the modified cash flows of the financial asset using the original EIR. The difference between the new gross carrying amount and the original gross carrying amount is recognized as a modification gain or loss in statement of profit or loss.

3.4.1.5 Reclassifications

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the year.

3.4.1.6 Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which:

- Substantially all of the risks and rewards of ownership of the financial asset are transferred.
- The Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Amortised cost

On derecognition, the cumulative gain or loss is recognized in the statement of profit or loss.

Fair value through other comprehensive income

On derecognition, the cumulative gains or losses previously recognized in OCI are reclassified from equity to the statement of profit or loss and recognized in other income/expenses.

Fair value through profit or loss
On derecognition, the cumulative gain or loss is recognized in the statement of profit or loss.

3.4.1.7 Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, the Company makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

3.4.1.8 Financing

Financing comprises of long term facilities extended to microfinance institutions, banks and rural support networks. The Company's objective for financing facilities provided is to collect contractual cashflows and accordingly books income on straight-line basis. The Company classifies its outstanding exposure as performing, under-performing and non-performing loans. Financing is stated net of provision for performing, underperforming and non-performing financing, if any, determined as per the policy of the Company.

The classifications of performing, underperforming and non-preforming relates to ECL stage 1, stage 2 and stage 3 respectively. In case of a financial asset being classified in stage 3 ECL, the income on such outstanding exposure is calculated on net-basis using credit-impaired effective interest rate. The Company applies 100% provision on stage 3 ECL financial assets.

The classification of financing under the ECL model adopted by the Company is as follows:

Stage 1 – 12-month ECL (Performing)
Applies to performing financial assets with no significant increase in credit risk.

Stage 2 – Lifetime ECL (Underperforming)
Applies to financial assets with a significant increase in credit risk since initial recognition.

Stage 3 – Lifetime ECL (Non-performing)
Applies to financial assets that are credit-impaired.

For details on impairment of financial assets, refer to note 3.8.

Calculating interest income under IFRS 9

	No objective evidence of impairment exists (Stage 1)	Objective evidence of impairment (Stage 2)	Credit adjusted approach (Stage 3)
Base on which interest income is calculated	Carrying amount of the asset at the beginning of the period before allowance for ECLs	Carrying amount of the asset at the beginning of the period before allowance for ECLs	Carrying value of the asset at the beginning of the period after allowance for ECLs
Interest rate to apply to base	Effective interest rate	Effective interest rate	Credit adjusted effective interest rate

The effective interest rate is the rate that discounts the estimated future cash flows from the asset to the asset's Amortized Cost before any allowance for expected credit losses. The credit adjusted effective interest rate differs from the effective interest rate in that estimates of future cash flows includes an adjustment for expected credit losses.

3.4.2 Financial liabilities

3.4.2.1 Initial Recognition

Financial liabilities are recognized at the time the Company becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value less any directly attributable transaction cost.

3.4.2.2 Classification

The Company determines the classification of its financial liabilities at initial recognition. The classification of financial liabilities is as follows:

- At fair value through profit and loss ("FVTPL"), or
- At amortised cost.

A financial liability is classified as FVTPL if it is classified as held for trading or it is designated as such on initial recognition. Other financial liabilities are measured at amortised cost using the effective interest rate method.

3.4.2.3 Subsequent measurement and gains and losses

(i) Financial liabilities at amortised costs

After initial recognition, financial liabilities which are interest bearing are subsequently measured at amortised cost using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss.

(ii) Financial liabilities at FVTPL

Net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

3.4.2.4 Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Any gain or loss on derecognition of financial liabilities is taken to the statement of profit or loss.

3.4.3 Compound instruments

In accordance with requirements of IAS 32 "Financial Instruments: Presentation", the Company assesses whether a financial instrument contains both a liability and an equity component i.e. a compound financial instrument. 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 tax.

3.4.4 Derivative financial instruments

The Company holds derivative financial instrument to hedge its foreign currency and interest rate risk exposures. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value using valuation techniques. Such instrument is carried as an asset when fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instrument is taken to the statement of profit or loss.

3.4.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

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 reflects 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. The Company takes into account the current income tax laws and decisions taken by the taxation authorities.

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 Revenue recognition and Finance Cost

(a) Revenue Recognition

Revenue comprises of the following:

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.

Income on Mudarabah Financing
Markup under Mudaraba arrangement is accounted for on a time proportionate basis over the period of mudaraba transaction

Income from investment
Mark-up / return on investments is recognized on time proportion basis using effective rates. Where debt securities are purchased at premium or discount, the related premiums or discounts are amortised 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.

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.

(b) Finance Cost

Finance cost comprise of markup expense on subordinated loans, repurchase transactions, borrowings, derivative, unwinding of subsidy payable, bank charges and foreign exchange gain/loss on any foreign currency denominated loan/ borrowing. Finance costs (except on subordinated loan from KfW and unwinding subsidy payable) 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 Impairment

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 the statement of profit or loss and moved to an allowance account.

3.8.1 Financial assets

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its financial assets. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company computes historical loss rates using the historical credit losses which are then adjusted to reflect current and forward looking information on macroeconomic factors. The Company recognises in the statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(a) Determining criteria for significant increase in credit risk (SICR);

(b) Choosing appropriate models and assumptions for the measurement of ECL;

(c) Establishing the number and relative weightings of forward-looking scenarios for each type of market and the associated ECL.

The Company recognizes loss allowance for expected credit losses (ECL) for the following financial instruments:

- Financials assets that are debt instruments;
- Loans, advances and financings; and
- Bank balances and money market placements

3.8.1.1 Significant increase in credit risk ("SICR")

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

(a) Obligor Risk Rating (ORR): An obligor rating is based on the risk of borrower default and represents the probability of default by a borrower or group in repaying its obligation in the normal course of business. The ORR as per the Company is based on the credit risk rating of the borrower and the rank notch movement.

Stage	ORR / Rank	Rating Scale	Notch Movement
Stage 01 to Stage 02	1-4	AAA to AA-	3 notches downgrade
	5-11	A+ to BB+	2 notches downgrade
	12-16	BB to B-	1 notch downgrade
Stage 03	17-19	CCC to C	-

(b) Delinquency Status: All financing facilities in which any instalment or part thereof is overdue for a period of 30 days or more at reporting date irrespective of the ORR are classified under SICR.

(c) External credit rating

(d) Subjective Evaluation: The subjective evaluation includes restructuring/rescheduling due to credit reasons or expectation regarding such restructuring, unavailable/inadequate financial information/financial statements, qualified report by external auditors, significant contingent liabilities, pending litigation resulting in a detrimental impact, loss of key staff to the organisation, increase in operational risk and higher occurrence of fraudulent activities, continued delay and non-cooperation by borrower in providing key relevant documentation and any other factors considered by the Company or identified by SECP, based on its discretion.

3.8.1.2 Definition of default

The Company considers regulatory requirements defined by SECP, State Bank of Pakistan and IFRS 9 for definition of default. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.8.1.3 Measurement of Expected Credit Loss (ECL)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. Expected credit loss is a probability weighted estimate of credit-impairment. It is measured as follows:

(a) Financial assets that are not credit-impaired at the reporting date: As the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). IFRS 09 classifies such assets in the following classes:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. The credit risk of such financial instrument is continuously monitored by the Company.

(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2'. A financial instrument in Stage 2 is not yet deemed to be credit-impaired.

(b) Financial assets that are credit-impaired at the reporting date: As the difference between the gross carrying amount and the present value of estimated future cash flows. Such a financial instrument is moved to "Stage 3".

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

3.8.1.4 Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

(a) The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. IFRS 9 allows relevant proxies using external sources. Since Company is limited by the availability of historical and industry peer data, the Company has used the default rates as published by the external rating research and market intelligence agency which is then calibrated to forward looking PD using macro economic variables.

(b) EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime (Lifetime EAD). The expected amount to be drawn up is computed after adjustment of the appropriate credit factor.

(c) Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of financial instrument, counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The Company has used relevant proxies using the external sources due the reasons as stated above.

The Company has used an LGD percentage of 45% for secured claims and 75% for un-secured claims, as prescribed by the BASEL Committee for banking supervision under the Internal Rating Based (IRB) approach for credit risk modelling.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

PDs have been calculated by using external credit ratings of the borrowers. The external credit ratings of the borrowers have been sought from PACRA and VIS. These ratings have been mapped with the ratings from credible sources including Moody's S&P and Fitch. Forward looking PDs have been estimated through Vasicek model in which a multi-variate factor is utilizing. This factor (also termed as "y-factor") includes Historical Default Rates as a dependent variable while the independent variables are change in Consumer Price Index (CPI), Interest rates and Gross Domestic Products (GDP).

3.8.1.5 Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are provided by the Company's Risk team on an annual basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical Vasicek model to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The Company recognizes that IFRS 09 requires expected credit losses (ECL) to be estimated using an unbiased and probability-weighted approach. This means that the Company does not rely on a single economic forecast but instead considers a range of possible outcomes when estimating ECL. To incorporate forward-looking information, the Company considers key macroeconomic indicators that have historically influenced credit risk and default probabilities. These macroeconomic indicators include but not limited to:

- Consumer Price Index (CPI)
- Gross Domestic Product (GDP)
- Interest Rate fluctuations

The Company's Risk Management team assesses the impact of these variables on credit risk and expected credit losses, using both internal and external sources of economic data.
The Company employs a multi-scenario approach in line with IFRS 9 guidance. At each reporting date, ECL is calculated for at least three economic scenarios; "base case", "improved case" and "worst case":

- Base case is the most likely outcome and represents the central expectation of future economic conditions.

- Improved case assumes better-than-expected economic growth and improved borrower performance.

- Worst case reflects economic downturn, rising unemployment, and increased borrower defaults.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The number of scenarios and their attributes are reassessed at each reporting date based on market developments and risk factors.

The assessment of SICR is performed using the Lifetime PD under each of the base, improved and worst case, multiplied by the associated scenario weighting. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Calculation of Impairment loss

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.

3.8.2 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 generate 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 reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of 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 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 recognised.

3.9 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.

3.10 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, bank balances and reverse repo transactions.

3.11 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.

3.12 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.

3.13 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 6 to the financial statements. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.14 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.

3.15 Foreign currency transactions and translation

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

3.16 Grant income receivable from related party

Grants received for specific expenditures are recognized as income in the statement of profit or loss as the related expenses are incurred. When the expenses are incurred, the corresponding grant income is recognized to the extent of the actual expenditure. If expenditures related to a committed grant have been incurred but the grant funds have not yet been received, the grant is accrued and recognized as income in profit or loss and a grant receivable is recognized in statement of financial position, provided that all conditions stipulated in the grant agreement have been met.

3.17 Employee benefits

The accounting policies for employee benefits are described below:

3.17.1 Employee benefits obligations

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.

3.17.2 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 statement of profit or loss.

3.17.3 Defined benefit plan — Gratuity fund

The Company operates a defined benefit plan comprising a 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 statement of 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 statement of profit or loss.

3.17.4 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 statement 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 statement of profit or loss.

3.18 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4. PROPERTY AND EQUIPMENT

	Note	2024 (Rupees)	2023 (Rupees)
Property and equipment	4.1	6,230,088	10,495,635
Advance against capital expenditure	4.2	7,183,220	-
		13,413,308	10,495,635

4.1 Net carrying value basis

Year ended December 31, 2024

	Office equipment	Computers	Furniture	Leasehold	Vehicles	Total
			(Rupees)			
Opening net book value (NBV) as at January 01, 2024	662,533	8,564,629	1,211,457	57,016	-	10,495,635
Additions (at cost) during the year	341,013	150,159	68,552	-	-	559,724
Depreciation charge	(248,202)	(4,225,173)	(311,572)	(40,324)	-	(4,825,271)
Closing net book value (NBV) as at December 31, 2024	**755,344**	**4,489,615**	**968,437**	**16,692**	-	**6,230,088**
Gross carrying value basis						
As at December 31, 2024						
Cost	4,702,156	25,408,135	9,120,699	17,294,220	4,327,588	60,852,798
Accumulated depreciation	(3,946,812)	(20,918,520)	(8,152,262)	(17,277,528)	(4,327,588)	(54,622,710)
Net book value (NBV)	**755,344**	**4,489,615**	**968,437**	**16,692**	-	**6,230,088**
Depreciation rate per annum	20%	33.33%	20%	20%	20%	

Net carrying value basis
Year ended December 31, 2023

	Office equipment	Computers	Furniture	Leasehold	Vehicles	Total
	(Rupees)					
Opening net book value (NBV) as at January 01, 2023	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) as at December 31, 2023	**662,533**	**8,564,629**	**1,211,457**	**57,016**	**-**	**10,495,635**

Gross carrying value basis
As at December 31, 2023

	Office equipment	Computers	Furniture	Leasehold	Vehicles	Total
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%	

4.2 This represents the advance payment made against the purchase of a car for office use on December 24, 2024.

5. RIGHT OF USE ASSET

	Note	2024 (Rupees)	2023 (Rupees)
Cost			
Balance at January 01		195,374,460	195,374,460
Modification during the period	25.1	148,997,454	-
Balance at December 31		344,371,914	195,374,460
Depreciation			
Balance at January 01		170,027,211	131,846,398
Charge for the year	33	41,902,522	38,180,813
Balance at December 31		211,929,733	170,027,211
Net book value		**132,442,181**	**25,347,249**
Depreciation rate per annum		**33.3%**	**37.5%**

5.1 This represents office premises obtained on lease for a period of 3 years. For details on modification, refer to note 25.1.

6. INTANGIBLE ASSETS

	Note	2024 (Rupees)	2023 (Rupees)
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		20,822,268	13,811,583
Charge for the year	33	1,201,787	7,010,685
Balance at December 31		22,024,055	20,822,268
Net book value		-	**1,201,787**
Amortization rate per annum		**33.33%**	**33.33%**

6.1 This represents accounting softwares and website of the Company.

7. LONG TERM INVESTMENTS

	Note	2024 (Rupees)	2023 (Rupees)
Amortised cost			
Pakistan Investment Bonds	7.1	558,174,136	422,847,403
Term Finance Certificates			
- Askari Bank Limited	7.2	100,000,000	100,000,000
- U Microfinance Bank Limited	7.3	-	150,000,000
Current Portion of U Microfinance Bank Limited TFC		-	(150,000,000)
		-	-
- JS Bank Limited	7.4	99,966,665	99,993,333
Current Portion of JS Bank Limited TFC		(26,668)	(26,668)
		99,939,997	99,966,665
Less: Provision against expected credit losses		(21,281)	-
		758,092,852	**622,814,068**

7.1 The face value of these Pakistan Investment Bonds (PIBs) amounts to Rs. 642 million (2023: Rs. 517 million). These carry effective markup rates ranging from 15.25% to 19.50% (2023: 19.79% to 20.87%) per annum having maturity dates falling in the months of July 2026 and February 2027 (2023: month of July 2026).

7.2 This represents investment in rated, unsecured, subordinated and privately placed Term Finance Certificates (TFCs) issued by Askari Bank Limited with a face value of Rs. 1,000,000 each, carrying markup of 3-months KIBOR plus 1.2% per annum for the tenor 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.

7.3 This instrument carried effective markup rate at 6-months KIBOR plus 1.35% per annum, with the maturity originally started from December 2022, in six equal semi-annual installments. The amount was fully redeemed during the year.

7.4 This represents investment in Term Finance Certificates issued by JS Bank Limited, each having a face value of Rs. 100. The certificates offer a markup of 3-month KIBOR plus 2% per annum. The principal will be redeemed quarterly, started from November 2023 till August 2033.

8. FINANCING - NET

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

	Note	2024 (Number of loans)	2024 (Rupees)	2023 (Number of loans)	2023 (Rupees)
Financing - Gross	8.1 & 8.3	39	31,854,514,072	40	29,082,875,869
Less:					
Current maturity			(15,734,502,627)		(15,673,269,109)
Provision for expected credit loss:					
Stage 1 & 2 ECL	8.5	34	(1,187,355,466)	35	(1,121,542,070)
Stage 3 ECL	8.2, 8.5 & 8.6	5	(481,160,942)	5	(254,000,541)
Total Provision			(1,668,516,408)		(1,375,542,611)
			14,451,495,037		**12,034,064,149**

8.1 This includes unsecured loans extended to FINCA Microfinance Bank Limited amounting to Rs. 800 million (2023: Rs 800 million) and Khushhali Microfinance Bank Limited amounting to Rs. 1,400 million (2023: Rs 1,400 million) under subordinated loan agreements. The loan terms are mentioned below:

	FINCA Microfinance Bank Limited		Khushhali Microfinance Bank Limited	Khushhali Microfinance Bank Limited
	Existing Terms	Revised Terms		
Disbursement date	December 20, 2019	December 20, 2019	June 18, 2021	December 27, 2019
Total loan facility (Rs.)	800,000,000	800,000,000	600,000,000	800,000,000
Outstanding balance (Rs.)	800,000,000	800,000,000	600,000,000	800,000,000
Mark-up rate	6m KIBOR+3.00%	6m KIBOR+3.00%	6mK+2.70%	6mK + 2.70%
Grace period	5 years and 6 months	5 years and 6 months	5 years	5 years
Repayment method	6 semi-annual installments	4 semi-annual installments starting June 30, 2030	12 quarterly installments	12 quarterly instalments
Due date of last instalment	September 30, 2027	December 31, 2031	June 30, 2029	December 31, 2027

8.2 On November 7, 2024, the Company entered into a restructuring agreement with FINCA Microfinance Bank Limited which became effective in January 2025. As per the terms of restructuring agreement, the original loan terms was extended from 2027 to 2031. As per this agreement, FINCA will recieve interest holiday from 2025 to 2028 which will result in existing markup accrued till date waived off. As a result of this restructuring arrangement, an amount of Rs. 220 million included in financing was considered as impaired and accordingly stage 3 ECL was recorded against the same. Furthermore, accrued interest amounting to Rs. 414.54 million was also written off as disclosed in note 13 to these financial statements.

8.3 This includes Mudarabah financing facility provided to SAFCO Microfinance Company as per the agreement entered into by the Company ("Rab-ul-Maal") and SAFCO Microfinance ("Mudarib") as at September 09, 2024. The facility is provided for a period of 3 years, ending in August 2027, with a maximum exposure amount of Rs. 100 million. Disbursements amounting to Rs. 25 million were made during the year to SAFCO against this facility.

8.4 Under the earlier simplified approach, the Company created a general provision ranging from 3.25% to 5.50% based on historical loss trends and management judgment. However, IFRS 9 introduces a more risk-sensitive impairment methodology based on a three-stage ECL model, which classifies financial assets into the following categories:

Stage 1 – 12-month ECL: Applies to performing financial assets with no significant increase in credit risk.

Stage 2 – Lifetime ECL: Applies to under-performing financial assets with a significant increase in credit risk since initial recognition.

Stage 3 – Lifetime ECL (Credit-Impaired): Applies to non-performing financial assets that are credit-impaired.

The new ECL model incorporates historical data, current conditions, and forward-looking macroeconomic factors to estimate credit losses.

8.5 Particulars of provision for ECL against financing

		2024		
		Stage 3	Stage 1 & 2	Total
	Note	(Rupees)		
Balance at 01 January		254,000,541	1,121,542,070	1,375,542,611
Provision charge		227,160,401	65,813,396	292,973,797
Bad debts written off during the year	8.7	-	-	-
Balance at 31 December		**481,160,942**	**1,187,355,466**	**1,668,516,408**

		2023		
		Stage 3	Stage 1 & 2	Total
	Note	(Rupees)		
Balance at 01 January		788,131,850	690,568,928	1,478,700,778
Provision charge		123,868,649	430,973,142	554,841,791
Bad debts written off during the year	8.7	(657,999,958)	-	(657,999,958)
Balance at 31 December		**254,000,541**	**1,121,542,070**	**1,375,542,611**

8.6 Particulars of non-performing financing

	Note	2024 Provision rate	Amount outstanding	Provisions required	Provisions held
			(Rupees)		
Category of classification					
Other assets especially mentioned (OAEM)		0%	-	-	-
Sub-standard		25%	-	-	-
Doubtful		50%	-	-	-
Loss	8.7	100%	481,160,942	481,160,942	481,160,942
			481,160,942	**481,160,942**	**481,160,942**

	Note	2023 Amount outstanding	Provisions required	Provisions held
			(Rupees)	
Category of classification				
Other assets especially mentioned (OAEM)		-	-	-
Sub-standard		-	-	-
Doubtful		-	-	-
Loss	8.7	261,660,942	254,000,541	254,000,541
		261,660,942	**254,000,541**	**254,000,541**

8.7 This includes financing amounting to Rs. 53.6 million (2023: Rs. 53.6 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 was classified on a subjective basis. Accordingly, Rs. 658 million was written off during the year 2023 and 100% provision is maintained on the outstanding portfolio. The Company had also filed a recovery lawsuit in Islamabad High Court in December 2019 which is sub-judice.

9. LONG TERM ADVANCES, PREPAYMENTS AND DEPOSITS

	Note	2024 (Rupees)	2023 (Rupees)
Advances to employees	9.1	55,365,189	46,383,124
Less: Current portion	12	(24,655,258)	(21,304,245)
		30,709,931	25,078,879
Long term prepayment - transaction charges	9.2	48,207,919	4,333,474
Less: Current portion	12	(7,297,559)	(1,278,644)
		40,910,360	3,054,830
Security deposits	9.3	6,004,720	6,004,720
Less: Provision against expected credit losses - staff loans	32	(7,149)	-
		77,617,862	**34,138,429**

9.1 This represents markup free advances against salaries extended to employees including key management personnel; 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.

9.1.1 Long-term advances include advances to key management personnel of Rs 44,658,110 (2023: Rs 36,304,017).

9.2 This includes an upfront fee of Rs. 41.73 million paid to the U.S International Development Finance Corporation (DFC) on October 23, 2024. This amount will be amortized over the term of loan agreement. The payment was made under an agreement entered into by the Company with DFC in July 2024, for a period of 8 years, whereby, DFC provides a guarantee to the Company in the event of a default by a party to whom the Company has extended financing. Furthermore, the company is obligated to pay a utilization fee to DFC on semi-annual basis, calculated at 0.6% of the average outstanding exposure for the respective period.

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

10. DEFERRED TAX ASSET

The deferred tax asset is attributable to the following items:

	Note	2024 (Rupees)	2023 (Rupees)
Accelerated tax depreciation & amortization		(48,481,295)	2,341,894
Unwinding of subsidy payable		15,704,539	-
Loss allowance on financing to microfinance institutions		650,721,399	536,461,612
Lease Liability		39,584,849	1,767,940
Allowance for ECL on other financial assets		82,091	-
Loss allowance on investments		(286,793)	(7,372,221)
Capital contribution under below-market loan		(33,333,066)	(39,397,480)
Employee benefit obligations		8,410,593	7,044,393
		632,402,317	**500,846,138**

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

	Note	2024 (Rupees)	2023 (Rupees)
Opening balance		500,846,138	451,254,416
Charged to statement of profit or loss		131,851,272	60,482,030
Charged to other comprehensive income		(295,093)	(2,171,055)
Charged to equity		-	(8,719,254)
Closing balance		**632,402,317**	**500,846,138**

11. DERIVATIVE FINANCIAL INSTRUMENT

	Note	2024 (Rupees)	2023 (Rupees)
Mark to Market gain	11.1	478,914,632	499,922,627

11.1 This represents mark to market 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 years. Under the cross currency swap agreement, the Company will pay interest semi-annually at 6-months KIBOR minus 1.75% per annum to Habib Bank Limited (HBL) and will receive fixed rate at 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 20.3 for further details on arrangement with KfW.

12. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2024 (Rupees)	2023 (Rupees)
Advances			
- Suppliers	12.1	4,850,599	5,916,063
- Employees	12.2	1,006,546	285,047
- Against Micro-Finance Plus initiatives		-	334,848
- Current portion of long term advances to employees	9	24,655,258	21,304,245
		30,512,403	27,840,203
Prepayments			
- Insurance		2,761,259	5,113,909
- Subscriptions		1,327,779	1,011,218
- Current portion of long term prepayment - transaction charges	9	7,297,559	1,278,644
		11,386,597	7,403,771
Other receivables	12.3	69,619,807	41,110,825
		111,518,807	**76,354,799**

12.1 This represents advances for office supplies and advances to consultants / service providers.

12.2 This represents advances given to employees for official purposes.

12.3 This includes an amount of Rs. 60,053,694 (2023: Rs. 40,599,664) receivable from State Bank of Pakistan on account of guarantee fee reimbursable as mentioned in note 21 to these financial statements.

13. MARKUP ACCRUED - RECEIVABLE

	Note	2024 (Rupees)	2023 (Rupees)
Markup receivable on financing	13.1 & 13.4	2,393,279,290	2,372,288,697
Markup receivable on financing - Retail		-	498,211
Profit on deposit accounts and term deposit certificates		72,601,105	-
Profit on investment in Treasury Bills		11,786,120	10,244,742
Profit on reverse repo transaction		154,453	1,612,673
Profit on Term Finance Certificates		1,885,813	4,953,465
Profit on Short Term Investments		3,187,372,550	-
Guarantee fee receivable	13.2	128,029,392	20,303,400
Mudarabah Unearned Profit	13.3	1,489,014	-
Profit on investment in Pakistan Investment Bonds		62,293,511	42,233,928
		3,465,611,958	79,348,208
Write off - markup accrued receivable	13.4	(414,539,616)	-
		5,444,351,632	**2,452,135,116**

13.1 This represents markup accrued on financing to microfinance institutions and banks as mentioned in note 8 to these financial statements.

13.2 This represents fee receivable in respect of guarantee obtained from various commercial banks against the finance facility from State Bank of Pakistan as mentioned in note 21 to these financial statements.

13.3 This represents the profit accrued on the Mudarabah finance arrangement with SAFCO Microfinance Company at 6-months KIBOR plus 3.50%. Refer to note 8.6 for further details of this arrangement.

13.4 At the beginning of the financial year, the outstanding exposure of FINCA stood at Rs. 800 million, with accrued markup amounting to Rs. 285.22 million. During the year, an additional Rs. 129.32 million was accrued as markup. The Company has written off the total accrued markup amounting to Rs. 414.54 million. Refer to note 8.2 for further details.

14. DUE FROM RELATED PARTY - UNSECURED

	Note	2024 (Rupees)	2023 (Rupees)
Grant income receivable - KfW	14.1	34,190,532	46,836,653

14.1 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).

14.2 Aging analysis of due from related parties:

	Amount past due				Maximum amount outstanding at any time during the year
	Not yet due*	Past due 0-30 days	Past due 31-365 days	Total gross amount due	
Balance at Dec 31, 2024			(Rupees)		
Name of related party					
KfW	34,190,532	-	-	34,190,532	59,477,380
Balance at December 31, 2023					
Name of related party					
KfW	46,836,653	-	-	46,836,653	46,836,653

* The amount will become due once it will be invoiced as per the agreement.

15. LENDING TO FINANCIAL INSTITUTIONS (REVERSE REPO) – CONSIDERED GOOD

	Note	2024 (Rupees)	2023 (Rupees)
Repurchase agreement lendings (Reverse repo) - with financial institutions	15.1	499,999,047	891,503,582
Less: Provision against expected credit losses	32	(67,524)	-
		499,931,523	**891,503,582**

15.1 These carry effective markup rate of 12.90% (2023: 22.01%) per annum having maturity falling in January 2025 (2023: January 2024).

16. SHORT-TERM INVESTMENTS

	Note	2024 (Rupees)	2023 (Rupees)
Amortised cost			
Term deposit certificates	16.1	350,000,000	-
Treasury Bills	16.3	9,132,101,902	285,968,399
Pakistan Investment Bonds	16.2	140,884,139,222	151,935,932
Current Portion of U Microfinance Bank Limited TFC		-	150,000,000
Current Portion of JS Bank Limited TFC		26,668	26,668
		150,366,267,792	587,930,999
At fair value through Other Comprehensive Income (FVOCI)			
TFC - U Microfinance Bank Limited	16.4	-	200,807,599
Treasury Bills	16.5	1,037,757,498	268,543,308
		1,037,757,498	469,350,907
At fair value through Profit or Loss (FVTPL)			
Social Impact fund	16.6	-	149,941,923
		151,404,025,290	**1,207,223,829**

16.1 The face value of Term Deposit Certificate from the Bank of Punjab amounts to Rs. 350,000,000. This carries the markup rate of 20.7%. This instrument has maturity falling in March 2025.

16.2 The redemption value of these Pakistan Investment Bonds amounts to Rs. 144,617,400,000 (2023: Rs. 300,000,000). These carry markup ranging from 12.25% to 14.35% (2023: 21.32%) per annum having maturity falling in the months of January, February, March and December 2025 (2023: August 2024).

16.3 The face value of these Treasury Bills amounts to Rs. 10,300,000,000 (2023: Rs 150,000,000). These carry effective markup rate ranging from 13% o 13.87% (2023: 8.77% to 11.51%) per annum. These instruments have maturity falling in January 2025 (2023: August 2024).

16.4 These carried effective markup rate of 6-months KIBOR plus 1.35% (2023: 6-months KIBOR plus 1.35%) per annum having maturity in June 2025, previously, however the entire amount has been redeemed early in December, 2024. Out of these, 50% were secured against lien on government assets of a similar tenor and remaining 50% was secured against first pari passu charge on the Issuer's Book Debts, Advances and Receivables with 25% margin. The fair value of TFC was calculated using available market rates. For categorization of fair value, refer to note 44 to these financial statements.

16.5 The redemption value of these Treasury Bills amounts to Rs. 1,150,000,000 (2023: Rs. 300,000,000). These carry effective markup rates ranging from 11.99% to 13.87% (2023: 21.70% to 21.95%) per annum having maturity falling in January 2025 and December 2025 (2023: January 2024 and October 2024). The fair value of Treasury Bills are calculated using available market rates. For fair value categorization, refer to note 44 to these financial statements.

16.6 The Company made investments 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 with total investment amounting to Rs. 200 million. In June 2024, the Company fully redeemed these investments.

17. ADVANCE TAX - NET

	Note	2024 (Rupees)	2023 (Rupees)
Balance at January 1		891,640,752	619,785,067
Current tax charge	37	(609,419,874)	(612,413,179)
Income tax withheld during the year		991,817,760	884,268,864
Balance at December 31		**1,274,038,638**	**891,640,752**

18. CASH AND BANK BALANCES

	Note	2024 (Rupees)	2023 (Rupees)
Cash in hand		75,000	75,000
Cash at banks - Local currency			
- Deposit accounts	18.1	994,367,350	223,316,528
- Current account		164,827	399
		994,532,177	223,316,927
less: Provision for expected credit losses	32	(134,261)	-
		994,472,916	223,391,927

18.1 These represent deposit accounts with banks carrying markup ranging from 13.50% to 20.50% (2023: 14.50% to 20.50%) per annum.

19. CASH AND BANK BALANCES

	Note	2024 (Rupees)	2023 (Rupees)
Authorized capital			
6,500,000 ordinary shares of Rs. 1,000 each		6,500,000,000	6,500,000,000

19.1 Issued, subscribed and paid up share capital

2024 (Number of shares)	2023 (Number of shares)		2024 (Rupees)	2023 (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

19.1.1 Pattern of Shareholding

Shareholders	Nature of relationship	Number of shares at Dec 31, 2024	Number of shares at Dec 31, 2023	Percentage of shareholding at Dec 31, 2024	Percentage of shareholding at Dec 31, 2023
Pakistan Poverty Alleviation Fund	Associated undertaking	2,883,256	2,883,256	48.9998%	48.9998%
Karandaaz Pakistan	Associated undertaking	2,224,243	2,224,243	37.8001%	37.8001%
KfW	Associated undertaking	776,719	776,719	13.2000%	13.2000%
Directors	Directorship	4	4	0.0001%	0.0001%
Total		**5,884,222**	**5,884,222**	**100.0000%**	**100.0000%**

19.1.2 There has been no movement in ordinary share capital during the year ended December 31, 2024.

19.1.3 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.

20. SUBORDINATED LOANS - UNSECURED

	Note	2024 (Rupees)	2023 (Rupees)
Subordinated loan from Pakistan Poverty Alleviation Fund	20.1	4,052,255,784	5,115,721,410
Subordinated loan from Karandaaz Pakistan	20.2	2,800,000,000	2,800,000,000
Subordinated loan from KfW	20.3	1,281,116,671	1,229,062,920
		8,133,372,455	9,144,784,330
Less: Current portion of subordinated loans		(1,063,465,621)	(1,063,465,621)
		7,069,906,834	8,081,318,709

20.1 This represents the outstanding balance of subordinated loan, 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% per annum payable quarterly. The principal repayments have started from October 2018. The loan is subordinated to other indebtedness of the Company.

20.1.1 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.

20.2. This represents the outstanding balance of subordinated loan, 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 carries markup of 6-months KIBOR plus 1% per annum payable quarterly starting from June 2027. The loan is subordinated to other indebtedness of the Company.

20.2.1 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.

20.3 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 this subordinated loan. Refer to note 11 for further details on the cross currency swap arrangement.

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 23 to these financial statements for understanding of subsidy payable.

The difference between the fair value of subordinated loan and subsidy payable has been recognized in equity as 'Contribution by shareholder'.

	Note	2024 (Rupees)	2023 (Rupees)
Opening Balance		1,229,062,920	936,251,640
Finance cost		66,458,012	67,936,112
		1,295,520,932	1,004,187,752
Exchange (gain)/loss		(14,404,261)	224,875,168
Closing Balance		**1,281,116,671**	**1,229,062,920**

20.3.1 The purpose of the loan 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, refer to note 44 to these financial statements.

21. LOANS AND BORROWINGS - SECURED

	2024 (Rupees)	2023 (Rupees)
Term Finance		
JS Bank Limited	1,068,750,000	650,000,000
Askari Bank Limited	1,250,000,000	1,062,500,000
Allied Bank Limited	4,083,333,334	3,750,000,000
National Bank of Pakistan	2,998,611,112	2,333,333,334
MCB Bank Limited	499,999,999	166,666,666
State Bank of Pakistan	7,157,312,128	4,378,568,462
Bank Alfalah Limited	-	125,000,000
Habib Bank Limited	1,700,000,001	2,566,666,667
Bank of Punjab	350,000,000	70,000,000
Habib Metropolitan	500,000,000	200,000,000
Soneri Bank - Loan	500,000,000	-
	20,108,006,574	15,302,735,129
Less: Current portion of loans and borrowings	(3,823,740,098)	(4,802,486,891)
	16,284,266,476	**10,500,248,238**

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

		2024			
		Markup	Total facility amount	Instalments outstanding	Date of final repayment
Term Finance Facility	**Note**		(Rupees)		
Askari Bank Limited - III		3mK + 0.6%	1,000,000,000	6 half yearly	15-Dec-27
Askari Bank Limited - IV		3mK + 0.85%	500,000,000	8 half yearly	08-Nov-29
Allied Bank Limited - II		6mK + 0.7%	500,000,000	01 half yearly	24-Mar-25
Allied Bank Limited - III		6mK + 0.6%	1,000,000,000	03 half yearly	24-Nov-26
Allied Bank Limited - IV		3mK + 0.6%	1,000,000,000	10 quarterly	07-Jun-27
Allied Bank Limited - V		3mK + 0.75%	500,000,000	12 quarterly	26-Dec-27
Allied Bank Limited - VI		3mK + 0.85%	1,000,000,000	12 quarterly	27-Dec-28
Allied Bank Limited - VII		3mK + 0.85%	1,000,000,000	12 quarterly	17-Dec-29
National Bank of Pakistan - III		3mK + 0.85%	2,000,000,000	05 half yearly	31-Dec-26
National Bank of Pakistan - IV		3mK + 0.85%	1,000,000,000	15 quarterly	30-Jun-28
National Bank of Pakistan - V		3mK + 0.85%	1,000,000,000	16 quarterly	31-Dec-29
MCB Bank Limited		3mK + 0.85%	500,000,000	16 quarterly	09-Sep-29
State Bank of Pakistan - LoC II	21.3	6mK - 1.00%	628,000,000	Bullet repayment	12-Jan-26
State Bank of Pakistan - LoC III	21.4	6mK - 1.00%	1,535,930,000	Bullet repayment	28-Apr-28
State Bank of Pakistan - LoC IV	21.5	6mK - 1.00%	1,269,790,286	Bullet repayment	30-Jun-29
State Bank of Pakistan - LoC V	21.6	6mK - 1.00%	1,533,000,000	Bullet repayment	30-Jun-27
State Bank of Pakistan - Flood I	21.7	6mK - 1.00%	890,000,000	Bullet repayment	26-Jun-27
State Bank of Pakistan - Flood II	21.8	6mK - 1.00%	25,821,015	Bullet repayment	14-Jun-27
State Bank of Pakistan - Flood III	21.9	6mK - 1.00%	169,257,516	Bullet repayment	31-Dec-27
State Bank of Pakistan - ADB CL	21.10	6mK - 1.00%	2,600,000,000	Bullet repayment	28-Jun-29
JS Bank Limited - II		3mK + 0.85%	650,000,000	14 quarterly	30-Jun-28
JS Bank Limited - III		3mK + 0.85%	500,000,000	17 quarterly	06-Sep-29
Habib Bank Limited - I		3mK + 0.70%	2,000,000,000	03 half yearly	21-Apr-26
Habib Bank Limited - II		3mK + 0.85%	1,000,000,000	7 half yearly	13-Mar-28
Bank of Punjab		6mK + 0.8%	1,000,000,000	06 half yearly	17-Dec-27
Habib Metropolitan Bank		6mK + 0.75%	500,000,000	08 half yearly	25-Feb-29
Soneri Bank Limited		3mK + 0.85%	500,000,000	12 quarterly	06-Sep-29

Term Finance Facility	Note	Markup	Total facility amount	Instalments outstanding	Date of final repayment
		2023			
			(Rupees)		
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	21.2	6mK - 1.00%	1,784,917,447	Bullet repayment	30-Jun-24
State Bank of Pakistan - LoC II	21.3	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 - Flood I	21.7	6mK - 1.00%	511,000,000	Bullet repayment	22-Jun-26
State Bank of Pakistan - Flood II	21.8	6mK - 1.00%	25,821,015	Bullet repayment	17-Dec-26
State Bank of Pakistan - LoC IV	21.5	6mK - 1.00%	240,000,000	Bullet repayment	31-Dec-28
State Bank of Pakistan - LoC III	21.4	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

21.2 This represented the unsecured term finance loan facility of Rs. 1,784 million carrying markup of 6-months KIBOR minus 1% for the tenor of five years. The repayments started from 2019 on half yearly basis i.e. June 30 and December 31 and the last payment was made on June 30, 2024. The guarantee fee has been reimbursed by State bank of Pakistan.

21.3 This represents the term finance loan facility of Rs. 628 million, carrying markup at 6-months KIBOR minus 1% (2023: 6-months KIBOR minus 1%) for a tenor of five years, started from 2020, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 317 million (2023: Rs. 317 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.3.1 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 (2023: Rs. 837.33 million inclusive of 25% margin).

21.4 This represents the term finance loan facility of Rs. 1,536 million, carrying markup at 6-months KIBOR minus 1% (2023: 6-months KIBOR minus 1%) for a tenor of five years, started from 2021, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 1,536 million (2023: Rs. 1,189 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.4.1 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 of Rs. 1,887 million, which is secured against first pari passu charge on present and future assets (excluding land and buildings), and Bank of Punjab of Rs. 1,334 million, which is secured against present and future current assets including long term financing, inclusive of 25% margin (2023: Rs. 3,220 million inclusive of 25% margin).

21.5 This represents the term finance loan facility of Rs. 1,270 million, carrying markup at 6-months KIBOR minus 1% (2023: 6-months KIBOR minus 1%) for a tenor of five years, started from 2023, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 1,187 million (2023: Rs. 240 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.5.1 The Company has provided a guarantee against the finance facility of Rs. 1,270 million obtained from SBP. This guarantee has been obtained from Saudi Pak Industrial and Agricultural Company Limited of Rs. 1,334 million, which is secured against first pari passu charge on present and future current and fixed assets, and JS Bank Limited of Rs. 1,334 million, which is secured against present and future current assets, inclusive of 25% margin (2023: Rs. 1,334 million inclusive of 25% margin).

21.6 This represents the term finance loan facility of Rs. 1,533 million, carrying markup at 6-months KIBOR minus 1% (2023: 6-months KIBOR minus 1%) for a tenor of three years, starting from 2024, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 1,533 million (2023: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.6.1 The Company has provided a guarantee against the finance facility of Rs. 1,533 million obtained from SBP. This guarantee has been obtained from Bank of Punjab of Rs. 1,334 million which is secured against present and future current assets including long term financing, inclusive of 25% margin, JS Bank Limited of Rs. 1,334 million which is secured against present and future current assets, inclusive of 25% margin and Askari Bank Limited of Rs. 2,000 million which is secured against current assets of the Company, inclusive of 25% margin.

21.7 This represents the term finance loan facility of Rs. 890 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, started from June 2023, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 832.8 million. The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.7.1 The Company has provided a guarantee against the finance facility of Rs. 890 million obtained from SBP. This guarantee has been obtained from Pak Libya Holding Company Limited of Rs. 1,066 million, (2023: Nil) which is secured against current and fixed assets (excluding land and buildings), and Bank of Punjab of Rs. 1,334 million, which is secured against present and future current assets including long term financing, inclusive of 25% margin (2023: Rs. 1,334 million inclusive of 25% margin).

21.8 This represents the term finance loan facility of Rs. 25.8 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, started from December 2023, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to Rs. 25.8 million. The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.8.1 The Company has provided a guarantee against the finance facility of Rs. 25.8 million obtained from SBP. This guarantee has been obtained from Saudi Pak Industrial and Agricultural Company Limited of Rs. 1,334 million which is secured against first pari passu charge on present and future current and fixed assets, inclusive of 25% margin.

21.9 This represents the term finance loan facility of Rs. 169 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, starting from December 2024, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to Rs. 169 million (2023: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.9.1 The Company has provided a guarantee against the finance facility of Rs. 169 million obtained from SBP. This guarantee has been obtained from Bank of Punjab of Rs. 1,334 million which is secured against present and future current assets including long term financing, inclusive of 25% margin.

21.10 This represents the term finance loan facility of Rs. 2,600 million, carrying markup at 6-months KIBOR minus 1% (2023: 6-months KIBOR minus 1%) for a tenor of five years, starting from June 2024, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to 1,556 million (2023: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

21.10.1 The Company has provided a guarantee against the finance facility of Rs. 2,600 million obtained from SBP. This guarantee has been obtained from Pak Libya Holding Company Limited of Rs. 1,066 million which is secured against current and fixed assets excluding Land and building inclusive of 25% margin, and from Pakistan Kuwait Investment Company Limited of Rs. 2,000 million (2023: Nil) which is secured against current and non-current assets including long term financing inclusive of 25% margin.

21.11 These loans and borrowings are secured against present and future current and non-current receivables of the Company with margin ranging from 20% to 25% (2023: 20%-25% margin).

22. EMPLOYEE BENEFIT OBLIGATIONS

	Note	2024 (Rupees)	2023 (Rupees)
Net defined benefit liability			
- Compensated leave absences	22.1	21,565,623	18,062,543
- Gratuity	22.2	22,923,383	15,619,060
		44,489,006	**33,681,603**

22.1 Net defined benefit liability - Compensated leave absences

The amounts recognized in the statement of financial position are as follows:	Note	2024 (Rupees)	2023 (Rupees)
Present value of defined benefit obligation		21,565,623	18,062,543
Movement in net defined benefit liability			
Net liability at 01 January		18,062,543	16,808,031
Charge for the year in statement of profit or loss	22.1.1	5,494,523	4,601,634
Charge for the year in OCI	22.1.2	(307,157)	(450,568)
Payments made during the year		(1,684,286)	(2,896,554)
Net liability at 31 December		**21,565,623**	**18,062,543**

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

	Note	2024 (Rupees)	2023 (Rupees)
Current service cost		2,825,361	2,412,870
Interest cost		2,669,162	2,188,765
		5,494,523	4,601,635
Expense is recognized in the following line item in the statement of profit or loss			
Administrative expenses	33	5,494,523	4,601,634

22.1.2 Re-measurement recognized in the statement of other comprehensive income

	2024	2023
Actuarial gain on obligation	(307,157)	(450,586)

22.1.3 Key actuarial assumptions

The latest actuarial valuation was carried out on December 31, 2024 using the Projected Unit Credit (PUC) method with the following assumptions:

	2024	2023
Discount rate (per annum)	12.25%	15.50%
Salary increase rate (per annum)	10.00%	19.00%
Leave accumulation factor (per annum)	10 days	10 days
Normal retirement age (years)	60	60
Effective salary increase date	1-Jan-25	1-Jan-24
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Duration	6.9 years	6.37 years

22.1.4 Sensitivity analysis

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

	2024		2023	
	Increase	Decrease	Increase	Decrease
	(Rupees)			
Discount rate	(1,443,329)	1,635,042	(1,086,539)	1,216,374
Salary increase rate	1,711,966	(1,537,076)	1,283,668	(1,164,782)

22.1.4.1 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.

22.2 Net defined benefit liability-gratuity

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

The amounts recognized in the statement of financial position are as follows:	**Note**	**2024 (Rupees)**	**2023 (Rupees)**
Present value of defined benefit obligation	22.2.1.1	88,692,227	68,244,553
Fair value of plan assets	22.2.1.1	(65,768,844)	(52,625,493)
Net liability		**22,923,383**	**15,619,060**
Movement in net defined benefit liability			
Net liability at January 01		15,619,060	8,395,393
Charge for the year recognized in the statement of profit or loss	22.2.2	19,488,661	15,414,024
Re-measurement recognized in the statement of other comprehensive income	22.2.2	2,804,048	205,036
Contributions		(14,988,386)	(8,395,393)
Net liability at December 31		**22,923,383**	**15,619,060**

22.2.1.1 Reconciliation of liability recognised in the statement of financial position

	2024		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability / (asset)**
December 31, 2024		**(Rupees)**	
Balance at January 01	68,244,553	(52,625,493)	15,619,060
Charge for the year	27,177,447	-	27,177,447
Expected return on plan assets	-	(7,688,786)	(7,688,786)
Charge to profit or loss net of return on plan assets	27,177,447	(7,688,786)	19,488,661
Experience adjustments on defined benefit liability	2,217,760	586,288	2,804,048
Benefits paid	(8,947,533)	8,947,533	-
Contributions to gratuity fund	-	(14,988,386)	(14,988,386)
Balance at December 31	**88,692,227**	**(65,768,844)**	**22,923,383**

	2023		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability / (asset)**
December 31, 2023		**(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**

22.2.1.2 Plan assets comprise of:

	2024 (Rupees)		2023 (Rupees)	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Pakistan Investment Bonds (PIBs)	50,500,000	56,543,759	27,500,000	33,551,529
Cash at bank	9,225,085	9,225,085	19,073,964	19,073,964
	59,725,085	**65,768,844**	**46,573,964**	**52,625,493**

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

	2024 (Rupees)	2023 (Rupees)
Current service cost	17,292,975	14,850,807
Net interest	9,884,471	6,312,471
Expected return on plan assets	(7,688,785)	(5,749,254)
	19,488,661	**15,414,024**
Expense is recognized in the following line item in the statement of profit or loss		
Administrative expenses	19,488,662	15,414,024

22.2.3 Re-measurement recognized in the statement of other comprehensive income

	2024 (Rupees)	2023 (Rupees)
Actuarial loss on obligation	2,217,760	9,112,435
Actuarial gain / (loss) on assets	586,288	(8,907,399)
	2,804,048	**205,036**

22.2.4 Sensitivity analysis

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

	2024		2023	
	Increase	Decrease	Increase	Decrease
	(Rupees)			
Discount rate	(5,755,882)	6,490,034	(4,090,884)	4,559,676
Salary increase rate	6,810,078	(6,142,349)	4,814,199	(4,386,522)

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

	2024		2023	
	Increase	Decrease	Increase	Decrease
	(Rupees)			
Withdrawal rate	230,124	(244,147)	27,589	(31,548)

22.2.4.1 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.

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

	(Rupees)
FY 2025	7,908,173
FY 2026	7,066,280
FY 2027	10,447,612
FY 2028	5,931,432
FY 2029	6,158,615
FY 2030 to FY 2034	86,330,411
FY 2035 and above	176,230,100

22.2.6 Key actuarial assumptions

The latest actuarial valuation was carried out on December 31, 2024 using the Projected Unit Credit (PUC) method with the following assumptions:

	2024	2023
Discount rate (per annum)	12.25%	15.50%
Salary increase rate (per annum)	10.00%	19.00%
Return on planned asset (per annum)	12.25%	15.50%
Normal retirement age (years)	60	60
Effective salary increase date	1-Jan-25	1-Jan-24
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Duration	6.9 years	6.34 years

22.3 Risk associated with defined benefit plans

22.3.1 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 reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

22.3.2 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.

23. SUBSIDY PAYABLE

	2024 (Rupees)	2023 (Rupees)
Opening balance	167,720,399	158,363,723
Unwinding of subsidy payable	14,240,197	11,654,086
Effect of change in estimate for cash outflows	(2,707,090)	(2,297,410)
	179,253,506	**167,720,399**

23.1 Under the subordinated loan agreement described in note 20.3, the present value of future expected cash outflows for subsidy amounts to Rs. 141,958,164, using a discount rate of 8.69%. Where Company has disbursed loan to the customers, the gross subsidy amount is calculated at weighted average rate per annum applicable to other subordinated loans less the markup payable in cross currency swap arrangement entered for the tranche. Where loan is not yet disbursed to the customers by the Company, amount of subsidy represents the return accrued by placing and maintaining the undisbursed loan amount on the Company's bank account designated for the loan less the amount in Pak Rupees which is payable in cross currency swap arrangement with respect to loan tranche.

24. UNEARNED INCOME

	Note	2024 (Rupees)	2023 (Rupees)
Advisory fee	24.1	21,086,950	10,548,346
Current portion of advisory fee		(7,832,368)	(3,796,421)
		13,254,582	**6,751,925**

24.1 This represents the income from advisory and arrangement fees earned by the Company for its role in the private placement of Term Finance Certificates (TFCs) issued by Khushhali Microfinance Bank Limited and U Microfinance Bank Limited. These fees are recognized over the contract term.

Unearned income is recognized in profit or loss as advisory fee as the Company fulfills its performance obligations under the contract(s), specifically over the term of the contract(s).

25. LEASE LIABILITY

	2024 (Rupees)	2023 (Rupees)
Lease liability	101,499,612	-
Current portion of lease liability	(58,703,040)	-
Non-current	42,796,572	-

25.1 The lease obligation relates to rental agreement for the Company's head office, which has been extended for a period of three years from September 01, 2024 to August 31, 2027 by amending relevant provisions of the main agreement and by mutual agreement of the parties. Rentals are payable in advance on annual basis, with an annual increment of 10%. The Company recognised a right of use asset on lease modification date at the present value of the outstanding lease payments using the incremental borrowing rate of 18.41% (revised rate determined at effective date of modification). The Company is reasonably certain that it will not exercise its option to terminate the agreement early. As at December 31, 2024, there are no short-term and / or low value lease agreements or lease agreements that include variable lease payments. Moreover, there is no gain / loss arising as a result of this modification.

	2024 (Rupees)	2023 (Rupees)
Opening balance	-	42,713,993
Modification during the period	148,997,453	-
Finance cost	5,868,559	3,563,571
Repayments	(53,366,400)	(46,277,564)
	101,499,612	-

25.2 Maturity Analysis

	2024 (Rupees)	2023 (Rupees)
Less than one year	58,703,040	-
One to five years	64,573,344	-
	123,276,384	-

26. SHORT TERM BORROWINGS - SECURED

	Note	2024 (Rupees)	2023 (Rupees)
Allied Bank Limited - Running Finance	26.1	499,678,802	499,942,778
Short term borrowings	26.2	149,465,317,059	-
		149,964,995,861	**499,942,778**

26.1 This represents utilized amount of running finance facility amounting to Rs. 500 million (2023: Rs. 500 million) and carries markup rate of 3-months KIBOR plus 0.40% (2023: 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.

26.2 This represents short-term borrowings from various commercial banks, carrying a markup rate ranging from 3-months KIBOR minus 2.5% to 3-months KIBOR minus 3.98%. These borrowings have maturities falling in the first quarter of 2025.

27. TRADE AND OTHER PAYABLES

	Note	2024 (Rupees)	2023 (Rupees)
Creditors and employees		6,180,524	2,663,111
Accrued expenses	27.1	121,231,795	101,344,790
Payable to provident fund	27.2	-	20,045
Income tax deducted at source		3,731,325	292,609
Sales tax payable		2,319,749	-
		133,463,393	**104,320,555**

27.1 This represents accruals made in respect of operational expenses of the Company including variable compensations.

27.2 Payable to employees' provident fund

	2024 (Rupees)	2023 (Rupees)
Balance at January 01	20,045	34,329
Contribution / withheld during the year	24,807,285	20,911,065
Payments made during the year	(24,827,330)	(20,925,349)
Balance at December 31	-	**20,045**

28. MARKUP ACCRUED - PAYABLE

	Note	2024 (Rupees)	2023 (Rupees)
Markup payable on subordinated loans	28.1	366,458,524	479,475,890
Markup payable on loans and borrowings	28.2	729,444,145	642,011,503
Markup payable on short term borrowings	28.3	2,757,060,419	-
Current portion of derivative financial instrument		-	1,057,468
		3,852,963,088	**1,122,544,861**

28.1 This represents markup payable in respect of the subordinated loans mentioned in note 20 to these financial statements.

28.2 This represents markup payable in respect of the loans and borrowings as mentioned in note 21 to these financial statements.

28.3 This represents markup payable in respect of the short term borrowings as mentioned in note 26 to these financial statements.

29. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(i) The Company extended facility of guarantee in favour of Agahe Pakistan and Rural Community Development Program amounting to Rs 49.5 million and Rs 200 million respectively (December 31, 2023: Rs 49.5 million and Rs 300 million respectively).

(ii) For contingency related to tax matter refer note 37.2 to these financial statements.

(b) Commitments

(i) The Company has a commitment of Rs. 8.1 million for purchase of laptops as at December 31, 2024. (2023: Rs. Nil)

30. INCOME

	Note	2024 (Rupees)	2023 (Rupees)
Markup on financing	30.1	6,237,707,359	6,712,928,961
Markup on Retail - financing	30.2	5,606,068	593,261
Deferred Income on Mudarabah Financing	30.3	1,602,308	-
Income from deposit accounts / certificates		215,746,266	100,423,121
Income from short term financing		3,187,372,550	-
Income on reverse repo transactions		290,656,677	197,359,447
Income on Treasury Bills investment		236,171,428	735,565,324
Income on Pakistan Investment Bonds		258,765,871	561,463,200
Interest on investment in Term Finance Certificates		103,849,908	138,830,131
		10,537,478,435	**8,447,163,445**

30.1 This represents markup on financing to microfinance institutions and banks as mentioned in note 8 to these financial statements.

30.2 This represents markup on retail financing to farmers as per collaboration of the Company with Naymat Collateral Management Company and Growtech under Electronic Warehouse Receipt (EWR) arrangement. Under this arrangement, the farmers applied for loans by pledging their crops. The loans were provided at 6-months KIBOR plus 6% for a tenor of 6 months.

30.3 This represents the profit earned on the Mudarabah finance arrangement with SAFCO at 6-months KIBOR plus 3.50%. Refer to note 8.6 for further details of this agreement.

31. FINANCE COST

	Note	2024 (Rupees)	2023 (Rupees)
Markup / unwinding effect on subordinated loans	31.1	1,673,157,888	1,827,590,085
Markup on loans and borrowings	31.2	3,230,840,574	2,985,303,633
Markup on short term borrowings	31.3	2,757,060,419	-
Markup on repurchase transactions		243,943,643	1,055,864,494
Markup on derivative financial instruments	31.4	167,570,407	160,641,374
Amortized transaction cost		62,751	270,777
Bank charges		343,201	511,544
Foreign exchange (gain) / loss on subordinated loan & derivative		(7,645,135)	213,745,011
Guarantee fee		84,066,573	61,321,080
Less: Guarantee fee to be reimbursed by State Bank of Pakistan		(60,053,694)	(40,599,664)
		24,012,879	20,721,416
		8,089,346,627	**6,264,648,334**

31.1 This represents (a) markup on subordinated loans from Pakistan Poverty Alleviation Fund (PPAF) & Karandaaz Pakistan as mentioned in note 20 to these financial statements, and (b) unwinding of subsidy payable as mentioned in note 25 of these financial statements.

31.2 This represents markup on loans and borrowings as mentioned in note 21 to these financial statements.

31.3 This represents markup on short term borrowings as mentioned in note 26 to these financial statements.

31.4 This represents markup on the cross currency swap arrangement with HBL. Refer to note 11 for this arrangement.

32. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Note	2024 (Rupees)	2023 (Rupees)
Provision for expected credit loss on financial assets	32.1	293,204,012	554,841,791
Write off - markup accrued receivable	13	414,539,616	-
		707,743,628	**554,841,791**

32.1

	Note	Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	Total
		2024					
		(Rupees)					
Balance at the beginning of the year		1,375,542,611	-	-	-	-	1,375,542,611
Provision charge for the year	32.2	292,973,797	21,281	67,524	134,261	7,149	293,204,012
Closing Balance		**1,668,516,408**	**21,281**	**67,524**	**134,261**	**7,149**	**1,668,746,623**

	Note	Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	Total
		2023					
		(Rupees)					
Balance at the beginning of the year		1,478,700,778	-	-	-	-	1,478,700,778
Provision charge for the year		554,841,791	-	-	-	-	554,841,791
Amounts written off / charged off	8.7	(657,999,958)	-	-	-	-	(657,999,958)
Closing Balance		**1,375,542,611**	-	-	-	-	**1,375,542,611**

32.2 Particulars of Credit Loss Allowance

32.2.1 Financing - Exposures

	Stage 1	Stage 2	Stage 3	Total
	2024			
	(Rupees)			
Opening Balance	25,481,839,927	3,339,375,000	261,660,942	29,082,875,869
Additions	8,649,333,333	1,790,800,000	-	10,440,133,333
Financing derecognized or repaid	(7,343,895,130)	(324,100,000)	(500,000)	(7,668495,130)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(2,169,700,000)	2,169,700,000	-	-
Transfer to Stage 3	-	(220,000,000)	220,000,000	-
	(2,169,700,000)	1,949,700,000	220,000,000	-
Closing Balance	**24,617,578,130**	**6,755,775,000**	**481,160,942**	**31,854,514,072**

32.2.2 Financing - Credit Loss Allowance

	2024			
	Stage 1	Stage 2	Stage 3	Total
	(Rupees)			
Opening Balance	991,594,406	129,947,664	254,000,541	1,375,542,611
Additions	324,970,273	67,622,482	227,660,401	620,253,156
Financing derecognised or repaid	(310,120,743)	(16,658,616)	(500,000)	(327,279, 360)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(81,519,347)	81,519,347	-	-
Transfer to Stage 3	-	-	-	-
	(81,519,347)	81,519,347	-	-
Closing Balance	**924,924,590**	**262,430,877**	**481,160,942**	**1,668,516,408**

32.2.3 Financing - Credit Loss Allowance Details

	2024 (Rupees)	2023 (Rupees)
Outstanding Gross Exposure	31,854,514,072	29,082,875,869
Performing - Stage 1	24,617,578,130	25,481,839,927
Under Performing - Stage 2	6,755,775,000	3,339,375,000
Non Performing - Stage 3		
-Substandard	-	-
-Doubtful	-	-
-Loss	481,160,942	261,660,942
	481,160,942	261,660,942
Total	**31,854,514,072**	**29,082,875,869**
Corresponding ECL		
Stage 1	924,924,590	991,594,406
Stage 2	262,430,877	129,947,664
Stage 3	481,160,942	254,000,541
	1,668,516,408	**1,375,542,611**

32.3 Financing include Rs. 481,160,942 which have been placed under non-performing / stage 3 status as detailed below. Out of this amount, Rs. 220,000,000 pertains to the credit loss as a result of transaction as mentioned in note 8.2.

	2024		2023	
Category of classification in stage 3	**Non performing loans**	**Credit loss allowance**	**Non performing loans**	**Credit loss allowance**
Domestic				
Other Assets Especially Mentioned (OAEM)	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	481,160,942	481,160,942	261,660,942	254,000,541
Total	**481,160,942**	**481,160,942**	**261,660,942**	**254,000,541**

32.4 Particulars of credit loss allowance against financing

	2024		
	Stage 1 & 2	Stage 3	Total
	(Rupees)		
Opening balance	1,121,542,070	254,000,541	1,375,542,611
Charge for the year	392,592,755	227,660,401	620,253,156
Reversals	(326,779,359)	(500,000)	(327,279,359)
	65,813,396	227,160,401	292,973,797
Closing balance	**1,187,355,466**	**481,160,942**	**1,668,516,408**

32.4.1 Particulars of credit loss allowance against financing

In local currency	1,187,355,466	481,160,942	1,668,516,408

33. ADMINISTRATIVE EXPENSES

	Note	2024 (Rupees)	2023 (Rupees)
Salaries, wages and other benefits	33.1	335,354,010	284,522,728
Traveling and conveyance	33.2	34,673,125	37,256,090
Legal and professional fees		13,009,252	4,339,236
Advertisement and promotion		15,340,851	13,539,339
Utilities		9,036,357	6,226,622
Telecommunication and postage		2,173,331	2,013,691
Directors fee		8,875,000	6,712,500
Printing and stationery		1,559,710	2,012,750
Repair and maintenance		7,568,721	5,675,977
Auditors remuneration	33.3	3,131,123	2,658,751
Insurance		2,277,678	2,213,375
Office supplies and meeting expenses		9,838,797	5,863,055
IT Expenses		31,346,032	33,303,687
Miscellaneous		6,548,417	5,277,890
Foreign exchange loss		-	1,338,489
Depreciation on property and equipment	4	4,825,271	5,049,584
Depreciation on ROUA	5	41,902,522	38,180,813
Amortization on intangible assets	6	1,201,787	7,010,685
Financial charges on lease liability		5,868,559	3,563,570
Consultancy and outsourcing arrangements	33.4	20,251,296	5,159,375
Trainings and workshops		25,734,428	37,680,177
		580,516,267	**509,598,384**

33.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 37,386,828 (2023: Rs. 30,589,317).

33.2 This includes cost of staff business traveling and operational monitoring field visits to the borrowers.

33.3 Auditors' remuneration

	2024 (Rupees)	2023 (Rupees)
Statutory audit fee (inclusive of sale tax)	2,070,000	1,725,000
Other certifications fee	681,623	603,750
Out of pocket expenses	379,500	330,000
	3,131,123	**2,658,750**

33.4 This includes expenses on account of consultancies for capacity building, strategy formulation, actuarial valuations, taxation and other services.

34. OTHER EXPENSES

	2024 (Rupees)	2023 (Rupees)
Crop value chain	9,299,027	5,697,500
Renewable Energy	17,622,893	12,199,995
Education	4,965,725	24,190,832
Business revival initiative	-	4,015,700
	31,887,645	**46,104,027**

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

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

35. OTHER EXPENSES

	Note	2024 (Rupees)	2023 (Rupees)
Grant income	35.1	33,162,844	50,075,659
Advisory and arrangement fee	35.2	15,998,006	6,809,787
Others		14,079,536	33,658,472
		63,240,386	**90,543,918**

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

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 Khushhali Microfinance Bank Limited and U Microfinance Bank Limited over contract term.

36. FAIR VALUE (LOSS) / GAIN ON DERIVATIVE

	Note	2024 (Rupees)	2023 (Rupees)
Mark to market (loss) / gain on derivative	11	(14,248,870)	284,147,508

37. INCOME TAX EXPENSE

	Note	2024 (Rupees)	2023 (Rupees)
Income tax:			
- Current	11	609,419,874	533,127,029
- Prior		-	79,286,150
		609,419,874	612,413,179
Deferred tax	10.1	(131,851,272)	(60,482,025)
		477,568,602	**551,931,154**

37.1 Relationship between accounting profit and tax expense is as follows:

	Note	2024 (Rupees)	2023 (Rupees)
Accounting profit for the year	11	1,176,975,784	1,446,662,335
Applicable tax rate		29.00%	29.00%
Tax charge		341,322,977	419,532,077
Tax effect of super tax		156,261,505	136,691,399
Prior year effect		-	79,286,150
Tax effect of change in rate		-	(90,765,511)
Tax effect of permanent differences		21,187,907	5,438,920
Others		(41,203,787)	1,748,119
		477,568,602	**551,931,154**

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.

38. CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2024 (Rupees)	2023 (Rupees)
Profit before taxation		1,176,975,784	1,446,662,335
Adjustments for non cash items and others:			
Depreciation on property and equipment	33	4,825,271	5,049,584
Depreciation on ROUA	33	41,902,522	38,180,813
Amortization on intangible assets	33	1,201,787	7,010,685
Financial charges on lease liability	33	5,868,559	3,563,570
Net provision for expected credit loss on financial assets	32	707,743,628	554,841,791
Provision for leave encashment	22	5,494,523	4,151,067
Mark to market gain on derivative financial instrument	36	14,248,870	(284,147,508)
Foreign exchange loss on KfW loan	31	(7,645,135)	213,745,011
Foreign exchange loss on payables	33	-	1,338,489

	Note	2024 (Rupees)	2023 (Rupees)
Provision for staff retirement benefit - gratuity	22.2.2	19,488,662	15,414,024
Markup on financing	30	(6,244,915,735)	(6,713,522,222)
Income from deposit accounts / certificates	30	(215,746,266)	(100,423,121)
Income from short term financing	30	(3,187,372,550)	-
Income on reverse repo transactions	30	(290,656,677)	(197,359,447)
Income on Treasury Bills investment	30	(236,171,428)	(735,565,324)
Income on Pakistan Investment Bonds	30	(258,765,871)	(561,463,200)
Interest on investment in TFCs	30	(103,849,908)	(138,830,131)
Finance cost other than foreign exchange loss on subordinated loan	31	8,096,991,762	6,050,903,323
Grant income	35	(33,162,844)	(50,075,659)
Advisory and arrangement fee	35	(15,998,006)	-
Gain on disposal of fixed assets		-	(122,250)
		(519,543,051)	**(440,648,170)**

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2024 Chief Executive	2024 Directors	2024 Executives
			(Rupees)	
Managerial remuneration		47,672,052	-	127,075,108
Performance bonus		10,000,000	-	18,761,160
Other perks and benefits	39.1	7,994,435	-	51,154,291
Contribution to provident fund		3,337,044	-	8,624,292
Gratuity		3,972,671	-	10,267,012
Meeting fee	39.2	-	8,875,000	-
		72,976,202	**8,875,000**	**215,881,863**
Number of persons		1	3	32

	Note	2023 Chief Executive	2023 Directors	2023 Executives
			(Rupees)	
Managerial remuneration		40,920,216	-	101,398,143
Performance bonus		8,500,000	-	18,033,710
Other perks and benefits	39.1	4,117,953	-	32,616,249
Contribution to provident fund		2,864,415	-	6,971,869
Gratuity		3,410,018	-	8,299,845
Meeting fee	39.2	-	6,712,500	-
		59,812,602	**6,712,500**	**167,319,816**
Number of persons		1	2	28

39.1 This includes allowances paid to the Chief Executive as per the Company's policy.

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

39.3 Executives include employees, other than the chief executive and directors, whose basic salary exceeds Rs. 1,200,000 (2023: 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, 2024	15,802,677,907	9,144,784,329	-	167,720,398	25,115,182,634
Changes from financing cash flows					
Proceeds from loans and borrowings	9,363,661,113	-	-	-	9,363,661,113
Repayments of loans and borrowings	(4,558,389,668)	-	-	-	(4,558,389,668)
Proceeds from short term borrowings	149,465,053,083	-	-	-	149,465,053,083
Rental paid for the building	-	-	(53,366,400)	-	(53,366,400)
Repayments of subordinated loans	-	(1,063,465,626)	-	-	(1,063,465,626)
Total changes from financing cash flows	**154,270,324,528**	**(1,063,465,626)**	**(53,366,400)**	-	**153,153,492,502**
Other changes					
Modification to Lease Liability on contract extension	-	-	148,997,453	-	148,997,453
Foreign currency gain on KfW loan	-	(14,404,260)	-	-	(14,404,260)
Remeasurement of subsidy payable	-	-	-	(2,707,090)	(2,707,090)
Unwinding of interest on subsidy payable	-	-	-	14,240,197	14,240,197
Financial charges on lease liability	-	-	5,868,559	-	5,868,559
Unwinding of interest on KfW Loan	-	66,458,012	-	-	66,458,012
Balance at December 31, 2024	**170,073,002,435**	**8,133,372,455**	**101,499,612**	**179,253,505**	**178,487,128,007**
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	-	3,563,571
Unwinding of interest on KfW Loan	-	67,936,111	-	-	67,936,111
Balance at December 31, 2023	**15,802,677,907**	**9,144,784,329**	-	**167,720,398**	**25,115,182,634**

42. CASH AND CASH EQUIVALENTS

	Note	2024 (Rupees)	2023 (Rupees)
Lending to financial institutions (reverse repo)	15	499,931,523	891,503,582
Cash and bank balances	18	994,472,916	223,391,927
		1,494,404,439	**1,114,895,509**

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 9.1, 14.1, 19 and 22 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	48.9998%
Karandaaz Pakistan	Associated undertaking	37.8001%
KfW	Associated undertaking	13.2000%
Directors	Director	0.0001%
Employees' provident fund	Employees contribution fund	0.0000%
Staff gratuity fund	Employees benefit fund	0.0000%

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:

	2024 (Rupees)	2023 (Rupees)
Transactions with associated undertakings		
Grant income recognized during the year	33,162,844	50,075,659
Grant income received during the year	45,808,965	26,253,955
Subordinated loan repaid during the year	1,063,465,626	1,009,745,939
Markup on subordinated loan charged during the year	1,661,624,782	1,750,297,298
Markup on subordinated loan paid during the year	1,708,434,721	1,648,366,289
	4,512,496,938	**4,484,739,140**
Transactions with other related parties		
Employer contribution payable to provident fund	-	10,023
Total contribution paid to provident fund	24,807,285	20,911,065
Total contribution paid to gratuity fund	14,988,386	8,395,393
	39,795,671	**29,316,481**

	2024 (Rupees)	2023 (Rupees)
Transactions with key management personnel		
Remuneration and allowance		
Short term benefits	171,764,517	136,073,610
Defined contribution plan	7,984,962	6,661,352
Defined benefit plan	9,505,905	7,930,182
	189,255,384	150,665,144
Loan to key management personnel		
Loan to CEO/ Directors	20,838,999	32,205,726
Loan to other key management personnel	23,819,111	4,098,291
	44,658,110	36,304,017
Movement of loan to Key Management Personnel		
Opening Balance	36,304,017	19,497,216
Disbursements	33,559,558	34,528,788
Repayments during the year	(25,205,465)	(17,721,987)
Closing Balance	**44,658,110**	**36,304,017**

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, 2024							
		Carrying value				Fair value			
On-balance sheet financial instruments		Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	Total	Level 1	Level 2	Level 3	Total
December 31, 2024	**Note**	Rupees							
Financial assets measured at fair value									
Long term investment - Pakistan Investment Bonds	7	558,174,136	-	-	558,174,136	-	-	-	-
Investment - Term Finance Certificates	7 & 16	199,966,665	-	-	199,966,665	-	-	-	-
Financing - net	8	30,185,997,664	-	-	30,185,997,664	-	-	-	-
Long term advances, prepayments and deposits	9 & 44.3	36,707,502	-	-	36,707,502	-	-	-	-
Advances prepayments and other receivable	12 & 44.4	99,125,664	-	-	99,125,664	-	-	-	-
Markup accrued - receivable	13	5,444,351,632	-	-	5,444,351,632	-	-	-	-
Due from related parties	14	34,190,532	-	-	34,190,532	-	-	-	-
Lending to financial institutions (reverse repo)	15	499,931,523	-	-	499,931,523	-	-	-	-
Short term investment - Pakistan Investment Bonds	16	140,884,139,222	-	-	140,884,139,222	-	-	-	-
Short term investment - Treasury Bills	16	9,132,101,902	1,037,757,498	-	10,169,859,400	-	1,037,757,498	-	1,037,757,498
Short term investment - Term deposit certificates	16	350,000,000	-	-	350,000,000	-	-	-	-
Cash and bank balances	18	994,472,916	-	-	994,472,916	-	-	-	-
Derivative Financial Instrument	11	-	-	478,914,632	478,914,632	-	-	478,914,632	478,914,632
		188,419,159,358	1,037,757,498	478,914,632	189,935,831,488	-	1,037,757,498	478,914,632	1,516,672,130
Financial liabilities measured at fair value									
Subordinated loan - KfW	20	1,281,116,671	-	-	1,281,116,671	-	-	-	-
Subordinated loan - Others	20	6,852,255,784	-	-	6,852,255,784	-	-	-	-
Loans and borrowings	21	20,108,006,574	-	-	20,108,006,574	-	-	-	-
Short term borrowings	26	149,964,995,861	-	-	149,964,995,861	-	-	-	-
Lease liability	25	58,703,040	-	-	58,703,040	-	-	-	-
Trade and other payables	27 & 44.5	8,500,273	-	-	8,500,273	-	-	-	-
Markup accrued - payable	28	3,852,963,088	-	-	3,852,963,088	-	-	-	-
Subsidy payable	23	179,253,506	-	-	179,253,506	-	-	-	-
		182,305,794,797	-	-	182,305,794,797	-	-	-	-

On-balance sheet financial instruments		December 31, 2023							
		Carrying value				Fair value			
		Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	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	7	422,847,403	-	-	422,847,403	-	-	-	-
Investment - Term Finance Certificates	7 & 16	250,000,000	200,807,599	-	450,807,599	-	200,807,599	-	200,807,599
Financing - net	8	27,707,333,258	-	-	27,707,333,258	-	-	-	-
Long term advances, prepayments and deposits	9 & 44.3	31,083,599	-	-	31,083,599	-	-	-	-
Advances prepayments and other receivable	12 & 44.4	62,749,918	-	-	62,749,918	-	-	-	-
Markup accrued - receivable	13	2,452,135,116	-	-	2,452,135,116	-	-	-	-
Due from related parties	14	46,836,653	-	-	46,836,653	-	-	-	-
Lending to financial institutions (reverse repo)	15	891,503,582	-	-	891,503,582	-	-	-	-
Short term investment - Pakistan Investment Bonds	16	151,935,932	-	-	151,935,932	-	-	-	-
Short term investment - Treasury Bills	16	285,968,399	268,543,308	-	554,511,707	-	268,543,308	-	268,543,308
Short term investment - Term deposit certificates	16	-	-	-	-	-	-	-	-
Cash and bank balances	18	223,391,927	-	-	223,391,927	-	-	-	-
Derivative Financial Instrument	11	-	-	499,922,627	499,922,627	-	-	499,922,627	499,922,627
		32,525,785,787	469,350,907	499,922,627	33,495,059,321	-	469,350,907	499,922,627	969,273,534
Financial liabilities measured at fair value									
Subordinated loan - KfW	20	1,229,062,920	-	-	1,229,062,920	-	-	-	-
Subordinated loan - Others	20	7,915,721,410	-	-	7,915,721,410	-	-	-	-
Loans and borrowings	21	15,302,735,129	-	-	15,302,735,129	-	-	-	-
Short term borrowings	26	499,942,778	-	-	499,942,778	-	-	-	-
Lease liability	25	-	-	-	-	-	-	-	-
Trade and other payables	27 & 44.5	2,683,156	-	-	2,683,156	-	-	-	-
Markup accrued - payable	28	1,122,544,861	-	-	1,122,544,861	-	-	-	-
Subsidy payable	23	167,720,399	-	-	167,720,399	-	-	-	-
		26,240,410,653	-	-	26,240,410,653	-	-	-	-

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 valuation by counterparty is carried out on the basis of projected assessment of PKR and USD cashflows over the life of the instrument.

Description	2024	2023	Significant unobservable inputs	Qualitative dada / range and relationship to the fair values
Derivative Financial Instruments	478,914,632	499,922,627	Exchange rate USD to PKR Interest rate US money market Kibor rate	The market value of derivatives is determined by discounting PKR and USD notional cash flows using KIBOR rates and US risk-free rates respectively, with exchange rates derived from the forex market. Higher KIBOR rates reduce market value, while higher US risk free rates increase it. Similarly, PKR depreciation against the USD enhances the value of the derivative.

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.

Federal Government securities
Non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP).

Non-Government debt securities

Non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). However, all non-government securities are measured at amortised cost method.

Derivatives

Derivative that is valued using valuation techniques based on market observable inputs are cross currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.

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	2024 (Rupees)	2023 (Rupees)
Long term investment - Pakistan Investment Bonds	7	558,174,136	422,847,403
Investment - Term Finance Certificates	7 & 16	199,966,665	349,993,333
Financing - gross	8	31,854,514,072	29,082,875,869
Long term advances, prepayments and deposits	9 & 44.3	36,707,502	31,083,599
Advances prepayments and other receivable	12 & 44.4	99,125,664	62,749,918
Markup accrued - receivable	13	5,444,351,632	2,452,135,116
Due from related party	14	34,190,532	46,836,653
Lending to financial institutions (reverse repo)	15	499,931,523	891,503,582
Short term investment - Pakistan Investment Bonds	16	140,884,139,222	151,935,932
Short term investment - Term deposit certificates	16	350,000,000	-
Short term investment - Term Finance Certificates	16	-	200,807,599
Short term investment - Treasury Bills	16	10,169,859,400	554,511,707
Cash and bank balances	18	994,472,916	223,391,927
		191,125,433,264	**34,470,672,638**

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:

	2024 (Rupees)	2023 (Rupees)
Related party	34,190,532	46,836,653
Banks and financial institutions	190,955,409,566	33,755,219,133
Others	135,833,166	668,616,852
	191,125,433,264	**34,470,672,638**

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of financial assets. For further details on impairment, refer to note 3.8 of these financial statements.

ii Impairment losses

Under the earlier approach, the Company created a general provision ranging from 3.25% to 5.5% based on historical loss trends and management judgment. However, IFRS 9 introduces a more risk-sensitive impairment methodology based on a three-stage ECL model, which classifies financial assets into the following categories:

Stage 1 – 12-month ECL: Applies to performing financial assets with no significant increase in credit risk.
Stage 2 – Lifetime ECL: Applies to under performing financial assets with a significant increase in credit risk since initial recognition.
Stage 3 – Lifetime ECL (Credit-Impaired): Applies to non performing financial assets that are credit-impaired.

The new ECL model incorporates historical data, current conditions, and forward-looking macroeconomic factors to estimate credit losses. This transition may result in higher or lower impairment provisions compared to the previous general provision approach, depending on the credit risk assessment of the financing portfolio.

The Company calculated ECL on the exposures of Financing, Lending to Financial Institutions (reverse-repo), Cash and Bank balances and Short & Long term Investments.

	2024 (Rupees)	2023 (Rupees)
Opening balance	1,375,542,611	1,478,700,778
Charge for the period:		
Stage 1 & 2	66,043,611	430,973,142
Stage 3	227,160,401	123,868,649
	293,204,012	554,841,791
Bad debts written off during the year	-	(657,999,958)
	1,668,746,623	**1,375,542,611**

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

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

iii Credit quality of financial assets

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

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

	Ratings	2024 (Rupees)	2023 (Rupees)
Long term investment - Pakistan Investment Bonds			
Counterparties with credit rating	AA+	558,174,136	422,847,403
Long term investment - Term Finance Certificates			
Counterparties with credit rating	AA-	-	150,000,000
Counterparties with credit rating	AA-/AA	199,966,665	199,993,333
		199,966,665	349,993,333
Financing - gross*			
Counterparties with credit rating	AA/A/A-	10,254,453,130	14,318,750,000
Counterparties with credit rating	BBB/BBB-	16,418,125,000	12,252,896,015
Counterparties with credit rating	BB/B	2,910,500,000	2,243,750,000
Counterparties with credit rating	SIP3	2,051,435,942	261,660,942
Retail Financing without credit rating		-	5,818,912
		31,634,514,072	29,082,875,869
Long term advances and deposits			
Counterparties without credit rating		36,707,502	31,083,599
Advances prepayments and other receivable			
Counterparties without credit rating		99,125,664	62,749,918
Derivative financial instrument			
Counterparty with credit rating	AAA	478,914,632	499,922,627

	Ratings	2024 (Rupees)	2023 (Rupees)
Markup accrued - receivable			
Counterparties with credit rating	AAA	72,601,105	-
Counterparties with credit rating	A/AA+/AA/AA-	269,454,873	898,746,984
Counterparties with credit rating	A-/A1+	4,088,607,988	
Counterparties with credit rating	BBB/BBB-	663,310,120	790,731,247
Counterparties with credit rating	BB/BB+	142,486,444	682,810,464
Counterparties with credit rating	CCC	207,891,103	79,846,421
		5,444,351,633	2,452,135,116
Due from related party			
Counterparties with credit rating	A1+	34,190,532	46,836,653
Lending to financial institutions (reverse repo)			
Counterparties with credit rating	A1+	499,931,523	891,503,582
Short term investment - Pakistan Investment Bonds			
Counterparties with credit rating	A1+	140,884,139,222	151,935,932
Short term investment - Term Finance Certificates			
Counterparties with credit rating	AA-	-	200,807,599
Short term investment - Treasury Bills			
Counterparties with credit rating	A1+	10,169,859,400	554,511,707
Short term investment - Term deposit certificates			
Counterparties with credit rating	A1+	350,000,000	-
Bank balances			
United Bank Limited	A-1+ / AAA	751,279,745	83,082,239
Bank Alfalah Limited	A-1+/AAA	31,567,007	33,840,808
Bank Al Habib Limited	A-1+/AAA	96,051,881	64,699,490
Khushhali Bank Limited	A-2/A-	-	-
Habib Bank Limited	A-1+/AAA	114,929,925	41,428,725
Telenor Microfinance Bank Ltd.	A-1/A	57,777	55,513
JS Bank Limited	A-1+/AA	203,819	92,707
National Bank of Pakistan	A-1+/AAA	199,289	104,975
Askari Bank Limited	A-1+/AA+	-	1
Bank Islami Pakistan Limited	A-1/AA-	1,138	1,071
Bank of Punjab	A-1+/AA+	65,768	9,999
Habib Metropolitan Limited	A-1+/AA+	11,747	-
MCB Bank Limited	A-1+/AAA	109,666	399
Meezan Bank Limited	A-1+/AAA	11,000	1,000
Soneri Bank Limited	A1+/AA-	43,416	-
		994,532,178	**223,316,927**

**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, 2024					
Subordinated loan	8,133,372,455	8,133,372,455	1,063,465,621	7,069,906,834	-
Loans and borrowings	20,108,006,574	20,108,006,574	3,823,740,098	16,284,266,476	-
Short term borrowings	149,964,995,861	149,964,995,861	149,964,995,861	-	-
Trade and other payables	8,500,273	8,500,273	8,500,273	-	-
Markup accrued - payable	3,852,963,088	3,852,963,088	3,852,963,088	-	-
Subsidy payable	179,253,506	210,233,777	111,797,685	98,436,092	-
	182,247,091,757	182,278,072,028	158,825,462,626	23,452,609,402	-
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

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 20, 21, 26 and 28 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:

	2024 (Rupees)	2023 (Rupees)
Subordinated loan from KfW	1,281,116,671	1,229,062,920

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2024	2023	2024	2023
US Dollars	278.42	282.98	278.55	281.86

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.

	2024 (Rupees)	2023 (Rupees)
Increase in 10% USD rate	(128,111,667)	115,162,749
Decrease in 10% USD rate	128,111,667	(115,162,749)

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 Pakistani 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:

	2024 Effective rate %	2023 Effective rate %	2024 (Rupees)	2023 (Rupees)
Fixed rate instruments				
Financial assets	12.72%-20.7%	8.77%-21.95%	152,462,171,805	2,020,798,624
Financial liabilities	5.46%	5.46%-23.06%	(1,281,116,671)	(1,229,062,920)
			151,181,055,134	791,735,704
Variable rate instruments				
Financial assets	KIBOR+1.2% to KIBOR+5%	13.5% to KIBOR +3.26%	29,778,132,058	29,756,999,996
Financial liabilities	KIBOR-3.98% to KIBOR+1%	KIBOR -1% to KIBOR +1%	(176,925,258,219)	(23,718,399,317)
			(147,147,126,161)	6,038,600,679

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. 297.78 million (2023: Rs. 277.07 million) and increased / decreased markup expense by Rs. 1,769.25 million (2023: Rs. 244.46 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 (2023: 100 million). As at December 31, 2024, the Company's total equity is Rs. 9,502 million (2023: Rs. 8,784 million)

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

46. NUMBER OF EMPLOYEES

	2024 (Rupees)	2023 (Rupees)
Number of employees at reporting date	46	43
Average number of employees during the year	43	42

47. EVENTS AFTER THE REPORTING DATE

The board of Directors have proposed a final dividend for the year ended December 31, 2024 of Rs 11.9 per share (2023: nil), amounting to Rs 70 million (2023: nil) at their meeting held on March 13, 2025 for approval of the members at the Annual General Meeting to be held on April 16, 2025. These financial statements do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

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 13 March, 2025.

Chief Executive Officer Director

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