PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

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, prepayments 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, prepayments 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 subordinated 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

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

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	898,331,969

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

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
	(Rupees)			
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.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

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:

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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 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	Carrying amount as of January 01, 2024	Previous Classification	Classification under IFRS - 09
	(Rupees)	(Rupees)		
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

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Financial Assets / Liabilities	Carrying amount as of December 31, 2023	Carrying amount as of January 01, 2024	Previous Classification	Classification under IFRS - 09
	(Rupees)	(Rupees)		
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.

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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 instrument - 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.

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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.

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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")

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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.

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(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.

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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.

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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.

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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.

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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.

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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	-

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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.

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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.

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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.

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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.

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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.

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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

	Office equipment	Computers	Furniture	Leasehold Improvements	Vehicles	Total
	(Rupees)					
4.1 Net carrying value basis						
Year ended December 31, 2024						
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						
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						
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.

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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.

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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 Existing Terms	FINCA Microfinance Bank Limited Revised Terms	Khushhali Microfinance Bank Limited	Khushhali Microfinance Bank Limited
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 receive 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.

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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	Note	2024 Stage 3	2024 Stage 1 & 2	2024 Total	2023 Stage 3	2023 Stage 1 & 2	2023 Total
			(Rupees)			(Rupees)	
Balance at 01 January		254,000,541	1,121,542,070	1,375,542,611	788,131,850	690,568,928	1,478,700,778
Provision charge		227,160,401	65,813,396	292,973,797	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		481,160,942	1,187,355,466	1,668,516,408	254,000,541	1,121,542,070	1,375,542,611

8.6 Particulars of non-performing financing	Note	Provision rate	2024 Amount outstanding	2024 Provisions required	2024 Provisions held	2023 Amount outstanding	2023 Provisions required	2023 Provisions held
				(Rupees)			(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	261,660,942	254,000,541	254,000,541
			481,160,942	481,160,942	481,160,942	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.

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		Note	2024 (Rupees)	2023 (Rupees)
9	**LONG TERM ADVANCES, PREPAYMENTS AND DEPOSITS**			
	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.

		2024 (Rupees)	2023 (Rupees)
10	**DEFERRED TAX ASSET**		
	The deferred tax asset is attributable to the following items:		
	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:

	2024	2023
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

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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.

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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:

	Not yet due*	Amount past due: Past due 0-30 days	Past due 31-365 days	Total gross amount due	Maximum amount outstanding at any time during the year
			(Rupees)		
Balance at Dec 31, 2024					
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
ore8		150,366,267,792	587,930,999
At fair value through Other Comprehensive Income (FVOCI)			
Term Finance certificates - 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

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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

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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.

		2024	2023
19	**SHARE CAPITAL**	**(Rupees)**	**(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	2023		2024	2023
(Number of shares)	**(Number of shares)**		**(Rupees)**	**(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 December 31, 2024	Number of shares at December 31, 2023	Percentage of shareholding at December 31, 2024	Percentage of shareholding at December 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.

			2024	2023
20	**SUBORDINATED LOANS - UNSECURED**	**Note**	**(Rupees)**	**(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.

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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'.

	2024	2023
	(Rupees)	(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	2023
	(Rupees)	(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

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

		2024			
Term Finance Facility	**Note**	**Markup**	**Total facility amount**	**Instalments outstanding**	**Date of final repayment**
			(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

		2023			
Term Finance Facility	**Note**	**Markup**	**Total facility amount**	**Instalments outstanding**	**Date of final repayment**
			(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

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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.

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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).

		Note	2024 (Rupees)	2023 (Rupees)
22	**EMPLOYEE BENEFIT OBLIGATIONS**			
	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:			
	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**			
	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**			
	Actuarial gain on obligation		(307,157)	(450,586)

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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 (Rupees)		2023 (Rupees)	
	Increase	Decrease	Increase	Decrease
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	22.2.3	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**

December 31, 2024	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
		(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

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

22.2.1.2 **Plan assets comprise of:**

	2024		2023	
	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

	2024	2023
	(Rupees)	(Rupees)
22.2.2 Charge for the year recognized in the statement of profit or loss		
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		
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

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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 (Rupees)		2023 (Rupees)	
	Increase	Decrease	Increase	Decrease
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 (Rupees)		2023 (Rupees)	
	Increase	Decrease	Increase	Decrease
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

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.

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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**		
	Less than one year	58,703,040	-
	One to five years	64,573,344	-
		123,276,384	-

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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.

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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.

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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

2024	Note	Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	Total
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

2023	Note	Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	Total
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	8.7	(657,999,958)	-	-	-	-	(657,999,958)
Closing Balance		1,375,542,611	-	-	-	-	1,375,542,611

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32.2 Particulars of Credit Loss Allowance

32.2.1 Financing - Exposures

	2024			
	Stage 1	Stage 2	Stage 3	Total
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 derecognised or repaid	(7,343,895,130)	(324,100,000)	(500,000)	(7,668,495,130)
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
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	924,924,589	262,430,877	481,160,942	1,668,516,408

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32.2.3 Financing - Credit Loss Allowance Details

	2024	2023
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	924,924,589	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.

Category of classification in stage 3	2024		2023	
	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
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

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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

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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.

			2024	2023
35	**OTHER INCOME**	Note	(Rupees)	(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.

			2024	2023
36	**FAIR VALUE (LOSS) / GAIN ON DERIVATIVE**	Note	(Rupees)	(Rupees)
	Mark to market (loss) / gain on derivative	11	(14,248,870)	284,147,508
37	**INCOME TAX EXPENSE**			
	Income tax:			
	- Current		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:**			
	Accounting profit for the year		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

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

	Note	2024 (Rupees)	2023 (Rupees)
38 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES			
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
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)

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39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2024			2023		
		Chief Executive	Directors	Executives	Chief Executive	Directors	[illegible]s
			(Rupees)			(Rupees)	
Managerial remuneration		47,672,052	-	127,075,108	40,920,216	-	101,398,143
Performance bonus		10,000,000	-	18,761,160	8,500,000	-	18,033,710
Other perks and benefits	39.1	7,994,435	-	51,154,291	4,117,953	-	32,616,249
Contribution to provident fund		3,337,044	-	8,624,292	2,864,415	-	6,971,869
Gratuity		3,972,671	-	10,267,012	3,410,018	-	8,299,845
Meeting fee	39.2	-	8,875,000	-	-	6,712,500	-
		72,976,202	8,875,000	215,881,863	59,812,602	6,712,500	167,319,816
Number of persons		1	3	32	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.

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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

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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
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

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44 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A FAIR VALUES

44.1 Classifications and fair values

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

On-balance sheet financial instruments		December 31, 2024							
		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, 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	-	-	-	-

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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	-	-	-	-
Long term 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 Valuation techniques used to derive level 2 and level 3 fair values

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 data / range and relationship to the fair values
Derivative Financial Instrument	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.

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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 unobservable 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.

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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.

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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
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

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	Ratings	2024 (Rupees)	2023 (Rupees)
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	-
	Ratings		
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.*

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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.

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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).

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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	2023	2024	2023
Fixed rate instruments	**Effective rate %**	**Effective rate %**	**(Rupees)**	**(Rupees)**
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	2023
Number of employees at reporting date	46	43
Average number of employees during the year	43	42

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47 **Events after the reporting period**

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR