KPMG Taseer Hadi & Co.

Pakistan Microfinance Network

Financial Statements

For the year ended
31 December 2019

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Microfinance Network

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Microfinance Network (the Company), which comprise the statement of financial position as at 31 December 2019, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, income and expenditure statement, statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the deficit and other comprehensive income, the changes in funds and reserves and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 1.2 to the financial statements wherein matters relating to Company's registration with the Economic Affairs Division are discussed. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, income and expenditure statement, KPMG Taseer Hadi & Co.

statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

The engagement partner on the audit resulting in this independent auditors' report is Riaz Pesnani.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

28 July 2020

Pakistan Microfinance Network
Statement of Financial Position
As at 31 December 2019

	Note	2019	2018
		----------Pak Rupees----------	
NON - CURRENT ASSETS			
Property and equipment	4	**7,758,588**	9,181,951
Intangible assets	5	**37,163,057**	37,999,170
Long term loans	6	**284,932**	908,779
Long term investments	7	**37,478,000**	82,918,709
		82,684,577	131,008,609
CURRENT ASSETS			
Grant receivable	8	**10,672,818**	46,126,618
Consultancy fees receivable	9	**2,530,970**	9,404,443
Loans and advances	10	**7,148,724**	5,523,397
Deposits and short term prepayments	11	**5,420,108**	5,699,745
Other receivables	12	**20,477,395**	35,593,990
Short term investments	13	**20,139,265**	-
Current portion of long term investments	7	**26,636,714**	12,357,684
Bank balances	14	**1,803,047**	6,760,638
		94,829,041	121,466,515
TOTAL ASSETS		**177,513,618**	252,475,124
FUNDS AND RESERVES			
Unrestricted funds		**74,615,873**	143,925,063
Endowment fund		**70,485,728**	70,485,728
		145,101,601	214,410,791
NON CURRENT LIABILITIES			
Deferred capital grants	15	**879,810**	1,933,338
CURRENT LIABILITIES			
Accrued and other liabilities	16	**31,532,207**	36,130,995
TOTAL FUNDS, RESERVES AND LIABILITIES		**177,513,618**	252,475,124
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes, from 1 to 37, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network

Income and Expenditure Statement

For the year ended 31 December 2019

	Note	2019	2018
		----------Pak Rupees----------	
			Restated
INCOME			
Grant income	18	**57,938,882**	163,531,064
Members' contributions	19	**14,626,125**	13,522,291
Income from trainings	20	**20,194,568**	10,972,500
Income from research projects	21	**4,729,824**	15,352,389
Income from sponsorships	22	**15,471,558**	20,552,713
Other income	23	**7,403,732**	12,580,807
		120,364,689	236,511,764
EXPENDITURE			
Governance and management	24	**(20,492,172)**	(31,399,109)
Capacity building	25	**(45,901,032)**	(29,686,833)
Enabling environment	26	**(74,979,420)**	(96,149,642)
Information hub	27	**(43,480,968)**	(54,684,232)
		(184,853,592)	(211,919,816)
Net Impairment (gain) / loss on receivables		**3,709,394**	(7,399,926)
(DEFICIT) / SURPLUS FOR THE YEAR		**(60,779,509)**	17,192,022

The annexed notes, from 1 to 37, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network
Statement of Comprehensive Income
For the year ended 31 December 2019

	2019	2018
	---Pak Rupees---	
(DEFICIT) / SURPLUS FOR THE YEAR	**(60,779,509)**	17,192,022
Other comprehensive income for the year		
Items that will not be reclassified to income and expenditure statement		
Equity investments at FVOCI – net change in fair value	**4,228,000**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(56,551,509)**	17,192,022

The annexed notes, from 1 to 37, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

Nadeem Hussain

DIRECTOR

Pakistan Microfinance Network
Statement of Changes in Funds and Reserves
For the year ended 31 December 2019

		Funds and Reserves		
	Note	Unrestricted funds	Endowment fund	Total
		-------------------Pak Rupees-------------------		
Balance as at 01 January 2018		126,733,041	70,485,728	197,218,769
Total comprehensive income for the year		17,192,022	-	17,192,022
Balance as at 31 December 2018		143,925,063	70,485,728	214,410,791
Balance as at 01 January 2019		**143,925,063**	**70,485,728**	**214,410,791**
Adjustment on initial application of IFRS 9	3.2	**(12,757,681)**	**-**	**(12,757,681)**
Adjusted balance as at 1 January 2019		**131,167,382**	**70,485,728**	**201,653,110**
<u>Total comprehensive income for the year</u>				
- Deficit for the year		**(60,779,509)**	**-**	**(60,779,509)**
- Other comprehensive income for the year		**4,228,000**	**-**	**4,228,000**
Total comprehensive income for the year		**(56,551,509)**	**-**	**(56,551,509)**
Balance as at 31 December 2019		**74,615,873**	**70,485,728**	**145,101,601**

The annexed notes, from 1 to 37, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network

Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019	2018
		----------Pak Rupees---------	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) / Surplus for the year		**(60,779,509)**	17,192,022
Adjustments for:			
Depreciation	4.1	**2,121,158**	2,152,550
Amortization	5.1	**836,113**	761,042
Net Impairment (gain) / loss on receivables		**(3,709,394)**	7,399,926
Amortization of deferred capital grant	18	**(1,053,528)**	(1,164,324)
Interest income	23	**(5,198,925)**	(8,923,676)
		(7,004,576)	225,518
Changes in:			
Consultancy fees receivable		**3,503,699**	(3,884,482)
Loans and advances		**(1,625,327)**	(189,044)
Deposits and short-term prepayments		**279,637**	151,809
Grant receivable		**35,453,800**	10,198,074
Other receivables		**9,438,082**	(7,179,255)
Accrued and other liabilities		**(4,598,788)**	7,245,957
		42,451,103	6,343,059
Net cash (used in) / generated from operating activities		**(25,332,982)**	23,760,599
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property and equipment		**(697,795)**	(5,857,184)
Payments for Intangible assets		**-**	(37,775,676)
Investment in equity securities		**(33,250,000)**	-
Short term investments made		**(30,000,000)**	-
Short term investments redeemed		**10,000,000**	20,000,000
Long term investments made		**-**	(20,000,000)
Long term investments redeemed		**63,242,958**	10,000,000
Long term loans		**623,847**	(231,502)
Interest received		**10,456,381**	2,838,041
Net cash generated from / (used in) investing activities		**20,375,391**	(31,026,321)
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
Net decrease in cash and cash equivalents during the year		**(4,957,591)**	(7,265,722)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**6,760,638**	14,026,360
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**1,803,047**	6,760,638

The annexed notes, from 1 to 37, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

1 LEGAL STATUS AND OPERATIONS

1.1 Pakistan Microfinance Network (the Company), was incorporated on April 24, 2001, under section 42 of the Companies Ordinance, 1984 (the Ordinance) (repealed on promulgation of the Companies Act 2017 w.e.f. 30 May 2017) as a guarantee limited company. The mission of the Company is to enhance the scale, quality, diversity and sustainability of retail Microfinance Institutions (MFIs) in Pakistan. The Company pursues this mission through the achievement of the following three primary objectives:

I. Enhancing the capacity of retail MFIs;
II. Establishing the use of performance measures and promoting financial transparency in retail MFIs; and
III. Creating an enabling policy environment for retail MFIs.

The registered office of the Company is situated at 1st Floor, 85-East, Kamran Centre, Blue Area, Islamabad.

1.2 The Company applied for registration with the Economic Affairs Division (EAD) on 1 August 2019, in compliance with the requirements of 'Policy for regulation of organizations receiving foreign contributions' notified by the EAD on November 28, 2013 via notification No. 1(5)INGO/05. The Company also applied for the same registration in compliance with the requirement of the Securities and Exchange Commission of Pakistan (SECP) circular no. 16 of the 2019 whereby all the Companies licensed under section 42 of the Companies Act, 2017 were directed to submit requisite documents to SECP for seeking prior permission from Ministry of Interior.

Subsequent to year end, in efforts to fight against COVID-19, EAD, through Notification No.F.2(19)NGO/EAD/2019 dated 26 March 2020, provided exemption to all the local NGO's for six months from signing of Memorandum of Understanding (MOU) with EAD. Company's application for registration is currently under review by the EAD.

2 STATEMENT OF COMPLIANCE & 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 Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan, as notified under the Companies Act, 2017; and

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement and preparation

The accompanying financial statements have been prepared under historical cost convention except for long term equity investment which has been measured on fair value. The method used to measure fair values are disclosed in respective policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency i.e. the currency of the primary economic environment in which the Company operates.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

Note 3.3 - useful lives, reassessed values, residual values and depreciation method of property and equipment

Note 3.6 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Note 3.8 - recognition of tax liabilities and assets and estimation of income tax provisions

Note 3.10 - measurement of ECL allowance for receivables

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, which are observable and available 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 and available market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into 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.

2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general-purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The Company is in the process of assessing the impact of the amendment.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these financial statements, except for the changes as indicated in note 3.1 and 3.2 below:

3.1 IFRS 15 -Revenue from Contracts with Customers

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' with a date of initial application of 01 January 2019. IFRS 15 replaces the previous revenue standards: IAS 18 'Revenue', IAS 11 'Construction Contracts and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those promised goods or services. The standard also requires revenue from customers to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company has reviewed its income streams and as a result of this review, it was noted that grant income, income from research studies (consultancy income), membership fee, sponsorship and training income meets revenue recognition criteria of this IFRS. Further, the adoption of this IFRS did not have a material impact on the Company statement of comprehensive income and statement of financial position. However, the Company has expanded the disclosures in the notes to its financial statements as prescribed by IFRS 15 'Revenue from Contracts with Customers', including disclosing the Company's disaggregated income as disclosed in notes 18 to 22.

The change in accounting policy as a result of application of IFRS 15 has been applied retrospectively, however, the change in accounting policy has no impact on the reported amount of unrestricted funds as at 01 January 2019. Further, there was no impact on the comparative figures presented in the statement of financial position, income and expenditure statement, statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows. Relevant accounting policy notes on adoption of the new standard have been explained in note 3.11.

3.2 IFRS – 9 Financial Instruments

The Company has also adopted IFRS 9 'Financial Instruments' with a date of initial application of 01 January 2019. IFRS 9 replaced IAS 39 'Financial Instruments – Recognition and Measurement' and includes the requirements on the classification and measurement of financial assets and liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses impairment model that replaces the current incurred loss impairment model. The Securities and Exchange Commission of Pakistan vide its notification dated 02 September 2019 has deferred the application of expected credit loss model on financial assets due from the Government of Pakistan which continues to be accounted for under the previously applicable requirements of IAS 39 'Financial Instruments: Recognition and Measurement" till 30 June 2021.

The Company has changed its accounting policy for classification and measurement of its financial instruments and as a result financial assets previously classified as 'loans and receivables' are now classified as 'amortized cost' with the exception of deposits which are classified as Fair value through profit or loss (FVTPL) as they do not meet "solely payment of principal and interest" (SPPI) test criteria, 'held to maturity' is now classified as 'amortized cost' and 'available for sale' is now classified as 'fair value through other comprehensive income (FVTOCI)' while financial liabilities previously classified as 'other financial liabilities' are now classified as 'amortized cost'.

Further, effective 01 January 2019, the Company implemented expected credit loss impairment model for financial assets. For receivables, the calculation methodology has been updated to consider expected losses based on ageing profile and forward-looking estimates such as economic profiling related to receivables.

The Company has adopted IFRS 9 by taking cumulative effect of initially applying IFRS 9 'Financial Instruments' to the opening unrestricted funds at the beginning of annual reporting period i.e. 01 January 2019. In choosing the transition method for IFRS 9, the Company has taken advantage of exemption allowed from IFRS 9 from restating prior period in respect of IFRS 9's classification and measurement including impairment requirement.

As a result of adoption of IFRS 9 the Company has adopted consequential amendments to IAS 1 'Presentation of Financial Statements', which require impairment of financial assets to be presented in a separate line item in the income and expenditure statement. Previously, the Company's approach was to include the impairment of other receivables in 'governance and management expenses'.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about financial year 2019 but have not been generally applied to comparative information.

The following table summarizes the impact of transition to IFRS 9 on the opening balance of retained earnings:

Retained earnings	**Impact of adopting IFRS 9 at 01 January 2019**
Recognition of expected credit losses under IFRS 9 on:	
Consultancy Fee receivables	3,369,774
Other receivables	9,387,907
Impact at 01 January 2019	**12,757,681**

3.2.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS

9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see note 3.5.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2019.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			(Rupees)	
Financial Assets				
Grant receivable	Loans and receivables	Amortised cost	46,126,618	46,126,618
Consultancy fees receivable	Loans and receivables	Amortised cost	9,404,443	6,034,669
Deposits	Loans and receivables	Amortised cost	980,060	980,060
Long term investments	Held to maturity	Amortised cost	82,918,709	82,918,709
Short term investments	Held to maturity	Amortised cost	-	-
Other receivables	Loans and receivables	Amortised cost	35,593,990	26,206,083
Bank balances	Loans and receivables	Amortised cost	6,760,638	6,760,638
	Total Financial Assets		**181,784,458**	**169,026,777**
Financial Liabilities				
Accrued and other liabilities	Other financial liabilities	Amortised cost	36,130,995	36,130,995
	Total Financial Liabilities		**36,130,995**	**36,130,995**

Pakistan Microfinance Network
Notes to the Financial Statements
For the year ended 31 December 2019

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 01 January 2019:

	Original carrying amount under IAS 39	Remeasurement	New carrying amount under IFRS 9
		(Rupees)	
Financial Assets			
Grant receivable			
Brought forward: Loans and receivables	46,126,618		
Remeasurement		-	
Carry forward: Amortised cost			46,126,618
Consultancy fees receivable			
Brought forward: Loans and receivables	9,404,443		
Remeasurement		(3,369,774)	
Carry forward: Amortised cost			6,034,669
Deposits			
Brought forward: Loans and receivables	980,060		
Remeasurement		-	
Carry forward: Amortised cost			980,060
Long term investments			
Brought forward: Held to maturity	82,918,709		
Remeasurement		-	
Carry forward: Amortised cost			82,918,709
Other receivables			
Brought forward: Loans and receivables	35,593,990		
Remeasurement		(9,387,907)	
Carry forward: Amortised cost			26,206,083
Bank balances			
Brought forward: Loans and receivables	6,760,638		
Remeasurement		-	
Carry forward: Amortised cost			6,760,638
	181,784,458	**(12,757,681)**	**169,026,777**

	Original carrying amount under IAS 39	Remeasurement	New carrying amount under IFRS 9
	(Rupees)		
Financial Liabilities			
Accrued and other liabilities			
Brought forward: other financial liabilities	36,130,995		
Remeasurement		-	
Carry forward: Amortised cost			36,130,995
	36,130,995	**-**	**36,130,995**

3.2.2 Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39- see note 3.10.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9 impairment requirements at 1 January 2019 results in increase in loss allowance for impairment as follows:

	Rupees
Loss allowance at 31 December 2018 under IAS 39	8,350,147
Impairment recognized at 01 January 2019 on:	
Increase in loss allowance for receivables	12,757,681
Loss allowance at 01 January 2019 under IFRS 9	21,107,828

Additional information about how the Company measures the allowance for impairment is described in Note 3.10.

3.3 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Cost comprises of acquisition and other directly attributable costs.

Depreciation is charged to income applying the straight-line method, whereby the cost of an asset is written off over its estimated useful life. The rates of depreciation are stated in note 4.1 to the financial statements. Depreciation on assets is charged from the date of acquisition till the date of disposal.

Useful lives are determined by the management based on the expected usage of assets, the expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognized prospectively as a change in accounting estimate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. Any change in the estimates in the future might affect the carrying amount of the respective item of property and equipment, with a corresponding effect on the related depreciation charge and impairment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is included in the income and expenditure statement, in the year the asset is derecognized.

Normal repairs and maintenance costs are charged to the income and expenditure statement as and when incurred.

3.4 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any. Cost comprises of acquisition and other directly attributable costs.

Amortization is provided for by applying the straight-line method. In respect of additions and disposals of intangible assets made during the year, amortization is charged to the income and expenditure statement from the month of acquisition, and up to the month preceding the disposal of such assets. The rate of amortization, which is disclosed in note 5.1, is designed to write off the cost of intangible assets over the estimated useful lives.

The carrying values of intangible assets are reviewed for impairment, when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of intangible assets is the greater of fair value less cost to sell and value in use. Any change in the estimates in the future might affect the carrying amount of the respective item of intangible assets, with a corresponding effect on the related amortization and impairment.

Gains and losses on disposal of intangible assets are charged to income.

3.5 Financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

3.5.1 Financial asset

Classification

On initial recognition, a financial asset is classified and measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

a) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms 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 (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

c) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Subsequent measurement

Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in income and expenditure statement.

Any gain or loss on de-recognition is recognized in income and expenditure statement.

Debt investments at FVOCI These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in income and expenditure statement. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to income and expenditure statement.

Financial assets at FVTPL Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in income and expenditure statement.

Equity investment at FVOCI These assets are subsequently measured at fair value. Dividends are recognized as income in income and expenditure statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to income and expenditure statement.

De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3.5.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income and expenditure statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in income and expenditure statement. Any gain or loss on de-recognition is also included in income and expenditure statement.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the income and expenditure statement for the period in which it arises.

3.5.3 Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.5.4 Financial instruments – accounting policy applied before 01 Jan 2019

Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognized loans and receivables on the date when they were originated. All other financial assets and financial liabilities were initially recognized on the trade date when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred 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 were transferred, or it neither transferred nor retained substantially all of the risks and rewards of ownership and did not retained control over the transferred asset. Any interest in such derecognized financial assets that was created or retained by the Company was recognized as a separate asset or liability.

The Company derecognized a financial liability when its contractual obligations were discharged or cancelled or expired.

Financial assets and financial liabilities were offset and the net amount was presented in the statement of financial position when, and only when, the Company had a legally enforceable right to offset the amounts and intended either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement

Held-to-maturity financial assets

Held to maturity financial assets comprise of long and short-term investments. These assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at amortized cost using the effective interest method.

Loans and receivables

'Loans and receivables comprise of loans, grant and other receivables, consultancy fee receivables, cash and cash equivalents and deposits. These assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at amortized cost using the effective interest method.

Non-derivative financial liabilities – Measurement

Non derivative financial liabilities comprise of accrued expenses, accounts payables and other liabilities. Non-derivative financial liabilities were initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities were measured at amortized cost using the effective interest method.

3.6 Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of such obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost, if any.

Where 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, it is disclosed as contingent liability.

3.7 Staff retirement benefits

Defined contribution plans

The Company operates a defined contribution voluntary pension scheme for its permanent employees. Contributions to the scheme are made by the Company and its employees, in accordance with the employment contract. The rate of employer and employee contributions is 10% of the basic pay of permanent employees. The scheme is fully funded and is being managed by MCB - Arif Habib Savings and Investments Limited, on behalf of each individual employee.

The Company has also entered into an arrangement with an insurance company, EFU Life Insurance Limited (EFU), in respect of a post-employment benefit scheme for its employees, whereby the premium is paid annually to EFU in respect of the scheme and charged to income. As per the scheme, EFU is required to pay, one gross salary for every year of service to permanent employees, upon completion of three years of service.

Under the above-mentioned arrangements, the Company is only liable to pay the agreed contributions / premiums to MCB - Arif Habib Savings and Investments Limited and EFU, and the liability towards employees, rests with MCB - Arif Habib Savings and Investments Limited and EFU.

3.8 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from that taken by 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.

Previously, the Company obtained registration as a non-profit organization, under section 2(36) of Income Tax Ordinance, 2001 (the Ordinance). Owing to a change in rule 214 of the Income Tax Rules, 2002, the Company's registration under the section 2(36) of the Ordinance, now requires renewal after every three years. Management has applied for the renewal and is confident of the registration.

As a non-profit organization, in accordance with section 100C of the Ordinance, the Company is eligible for tax credit equal to one hundred percent of the tax payable, including minimum tax and final tax payable, under any of the provisions of the Ordinance. The credit is subject to compliance with certain conditions listed in section 100C. The management believes that the Company is entitled to this credit and accordingly, no provision for taxation has been made in these financial statements.

3.9 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the statement of financial position date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value was determined.

3.10 Impairment

Financial assets

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost, other than those due from the Government of Pakistan entities. For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. 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. For recognition of impairment on financial assets due from the Government of Pakistan entities, the Company continues to apply the accounting policy as stated below.

Impairment of financial assets – accounting policy applied before 01 January 2019

A financial asset is assessed at each statement of financial position date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Non-financial assets

The carrying values of non-financial assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the non-financial assets is estimated. An impairment loss is recognized as an expense in the income and expenditure statement, for the amount by which the non-financial asset's carrying value exceeds its recoverable amount.

3.11 Income recognition

I. Income related Grants

Grants, of a non-capital nature, received for specific purposes, and any bank interest earned on them, are classified as restricted grants. Subsequently, these are recognized in the income and expenditure statement to the extent of expenditure incurred against them which approximately corresponds to the satisfaction of related performance obligations. Expenditure incurred against grants, against which grant funds have been committed but not received, is recognized in the income and expenditure statement and reflected as a receivable from donors.

II. Capital Grants

Grants received for the purchase of fixed assets are initially recorded as deferred income upon receipt. Subsequently, these are recognized in the income and expenditure statement, on a systematic basis, over the periods necessary to match them with the carrying value of the related assets.

III. Contracts with Customers

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Training Income	The Company delivers local and international trainings to participants of the member organizations. The consideration is pre-agreed at the time of receipt of nominations from member organizations. Income comprises the invoiced value for the delivery of trainings, which is recognized over time as the customers simultaneously receive and consume the benefits provided by the Company's performance of delivery of trainings. Invoices are usually payable in 30 days. Other than the trade discounts which are provided at the time of negotiation of the rates, the Company does not provide any discounts for early settlement of the invoices.	Revenue is recognized over time to the extent that performance obligations have been satisfied. Progress of satisfaction of performance obligations is determined by the number of days in which trainings have been delivered against total of duration of trainings in days.
Membership Fee	The Company receives annual membership fees from Microfinance institutions (MFIs) as consideration for being members of the Company and for provision of continuous support and representation on different forums. Income comprises the membership fees for each category of members as approved by the Board of the Company. Performance obligation regarding membership fees is satisfied over time as and when the MFIs simultaneously receive and consume the benefits provided by the Company's performance of services. Invoices are usually payable in 30 days. The Company does not provide any discounts for early settlement of the invoices. Further, no refunds are offered.	Income is recognized over time as and when performance obligation is satisfied. Since Membership fee is received for twelve-month period (January-December) and services rendered evenly during the period hence income is recognized evenly over the period of twelve months.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Sponsorship Income	The Company generates sponsorship income from its Annual Microfinance Conference. As per the agreed sponsorship packages, the Company provides brand visibility to its members. Income comprises the invoiced value for the provision of the brand visibility service, which is recognized over time as the MFIs simultaneously receive and consume the benefits provided by the Company's performance of brand visibility services. Invoices are usually payable in 30 days. Other than the trade discounts which are provided at the time of negotiation of the rates, the Company does not provide any discounts for early settlement of the invoices.	Revenue is recognized over time to the extent that performance obligations have been satisfied. Progress of satisfaction of performance obligations is determined by the number of days in which brand visibility is provided against total of duration of the Annual Microfinance event.
Research Studies / Consultancy Income	The Company carries out research studies for members and other donor organizations. The consideration is pre-agreed through formal agreements and payment is linked with the achievement of milestones. Income comprises the invoiced value for carrying out research studies which is recognized at a point in time as the Company achieves the milestone agreed and thereafter submits research reports. Invoices are usually payable in 30 days. The Company does not provide any discounts for early settlement of the invoices.	Income is recognized at a point in time as and when the performance obligation is satisfied i.e. when the Company has achieved a pre-agreed milestone and submits research reports.

IV. Profit on bank deposits and investments

Mark-up / interest on bank deposits and return on investments is recognized using the effective interest rate method.

V. Other Income

Other income is recognized when the right to receive the same is established.

3.12 Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.13 Unrestricted funds

This represents a general fund of the Company, comprising of the surplus generated from the Company's operations, and is available for utilization for the day to day operations of the Company.

3.14 Endowment fund

Endowment, amounting to Rs 60 million, was received in year 2013 from the Pakistan Poverty Alleviation Fund (PPAF), under a Financing Agreement, dated September 2013. The endowment remained restricted for a period of three years, commencing September 01, 2013, during which period, PPAF reserved the right to suspend or terminate PMN's right to this endowment and the income thereon, under specified circumstances.

The restriction period of three years, expired on 31 August 2016 and all the conditions mentioned in the agreement were fully complied with by the Company and accordingly, the Company transferred the endowment fund payable amount to Endowment Fund reserve account. The fund is available for utilization for the day to day operations of the Company.

4 Property AND EQUIPMENT

	Note	**2019**	2018
		----------Pak Rupees--------	
Operating fixed assets	4.1	**2,170,768**	3,594,131
Advance for acquisition of hardware	4.2	**5,587,820**	5,587,820
		7,758,588	9,181,951

4.1 OPERATING FIXED ASSETS

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at 01 January	Additions	(Disposals)	As at 31 December	Rate	As at 01 January	Charge for the year	On disposals	As at 31 December	As at 31 December
	Pak Rupees				%	Pak Rupees				Pak Rupees
2019										
Leasehold improvements	**4,829,121**	-	-	**4,829,121**	**20**	**3,403,666**	**965,824**	-	**4,369,490**	**459,631**
Furniture and fittings	**1,634,944**	-	-	**1,634,944**	**20**	**941,242**	**213,087**	-	**1,154,329**	**480,615**
Office equipment	**3,300,996**	**697,795**	-	**3,998,791**	**20**	**2,631,877**	**288,770**	-	**2,920,647**	**1,078,144**
Computer equipment	**2,971,549**	-	-	**2,971,549**	**33**	**2,165,694**	**653,477**	-	**2,819,171**	**152,378**
	12,736,610	**697,795**	-	**13,434,405**		**9,142,479**	**2,121,158**	-	**11,263,637**	**2,170,768**
2018										
Leasehold improvements	4,829,121	-	-	4,829,121	20	2,437,842	965,824	-	3,403,666	1,425,455
Furniture and fittings	1,634,944	-	-	1,634,944	20	723,209	218,033	-	941,242	693,702
Office equipment	3,031,632	269,364	-	3,300,996	20	2,352,982	278,895	-	2,631,877	669,119
Computer equipment	2,971,549	-	-	2,971,549	33	1,475,896	689,798	-	2,165,694	805,855
	12,467,246	269,364	-	12,736,610		6,989,929	2,152,550	-	9,142,479	3,594,131

4.2 Advance For Acquisition Of Hardware

This represents mobilization advance amounting to Rs. 5.6 million paid to Pakistan Telecommunication Company Limited (PTCL) for provision of hardware infrastructure for setting up Digital Services Platform (DSP). (Also refer note 17 to the financial statements).

5 INTANGIBLE ASSETS

	Note	2019	2018
		Pak Rupees	
Softwares	5.1	**962,381**	1,798,494
Advance for acquisition of software	5.2	**36,200,676**	36,200,676
		37,163,057	37,999,170

5.1 Softwares

	COST					ACCUMULATED AMORTIZATION				WRITTEN DOWN VALUE
	As at 01 January	Additions	Disposals	As at 31 December	Rate	As at 01 January	Charge for the year	On disposals	As at 31 December	As at 31 December
	----Pak Rupees----				%	----Pak Rupees----				Pak Rupees
2019										
GIS based support system - MicroEye	**4,004,755**	-	-	**4,004,755**	**33**	**2,604,738**	**524,948**	-	**3,129,686**	**875,069**
Accounting and anti-virus software	**2,432,523**	-	-	**2,432,523**	**33**	**2,034,046**	**311,165**	-	**2,345,211**	**87,312**
Staff Information Bureau	**273,311**	-	-	**273,311**	**33**	**273,311**	-	-	**273,311**	-
Pakistan Microfinance Review	**1,117,555**	-	-	**1,117,555**	**33**	**1,117,555**	-	-	**1,117,555**	-
	7,828,144	-	-	**7,828,144**		**6,029,650**	**836,113**	-	**6,865,763**	**962,381**
2018										
GIS based support system MicroEye	2,429,755	1,575,000	-	4,004,755	33	2,429,755	174,983	-	2,604,738	1,400,017
Accounting and anti-virus software	2,432,523	-	-	2,432,523	33	1,447,987	586,059	-	2,034,046	398,477
Staff Information Bureau	273,311	-	-	273,311	33	273,311	-	-	273,311	-
Pakistan Microfinance Review	1,117,555	-	-	1,117,555	33	1,117,555	-	-	1,117,555	-
	6,253,144	1,575,000	-	7,828,144		5,268,608	761,042	-	6,029,650	1,798,494

5.2 Advance for acquisition of Software

This represents mobilization advance amounting to Rs. 36.2 million given to TPS Pakistan Private Limited (TPS) for provision of software for setting up Digital Services Platform (DSP).

	Note	2019	2018
		----------Pak Rupees----------	
6 LONG TERM LOANS			
Considered good - unsecured			
Loans to employees	6.1	**1,102,209**	1,487,349
Current portion shown under current assets	10	**(817,277)**	(578,570)
		284,932	908,779

6.1 Interest at the rate of 5% per annum (2018: 5%) is charged on the long-term loans extended to employees. Management considers that, in context of overall financial statements, impact of recognizing long term loans at present value of the future cash flows, would be immaterial.

	Note	2019	2018
		----------Pak Rupees----------	
7 LONG TERM INVESTMENTS			
Term deposit receipts	7.1	-	82,918,709
Investment in equity securities	7.2	37,478,000	-
		37,478,000	82,918,709

7.1 Investments in term deposit receipts - at amortised cost

	Note	2019	2018
In associated companies:			
FINCA Microfinance Bank Limited	7.1.1	**13,398,002**	39,094,694
NRSP Microfinance Bank Limited		-	33,487,336
U Microfinance Bank Limited		-	10,674,203
In others	7.1.2	**13,238,712**	12,020,160
		26,636,714	95,276,393
Less: current portion of long-term investments		**(26,636,714)**	(12,357,684)
		-	82,918,709

7.1.1 Details of investment in FINCA Microfinance Bank Limited are as follows:

Purchase Date	Maturity Date	Payment terms	Profit rate (per annum)	Effective interest rate (per annum)	Cost (Rupees)
16-Jan-17	16-Jan-20	Upon maturity	11.5%	10.38%	10,000,000

7.1.2 Details of investment in other companies are as follows:

Purchase Date	Maturity Date	Payment terms	Profit rate (per annum)	Effective interest rate (per annum)	Cost (Rupees)
6-Feb-17	6-Feb-20	Upon maturity	11.2%	10.14%	10,000,000

7.2 Investment in equity securities - at Fair Value through other comprehensive income (FVOCI)

	Note	2019	2018
		----------Pak Rupees----------	
Cost of investment	7.2.1	**33,250,000**	-
Gain on measurement to fair value	7.2.2	**4,228,000**	-
Fair value at initial recognition		**37,478,000**	-
Gain / (loss) on re-measurement to Fair value at reporting date		-	-
		37,478,000	-

7.2.1 This represents equity investment in Aequitas Information Services Limited for 3,325,000 shares (representing 9.5% shareholding in the investee) issued on May 23, 2019, pursuant to share purchase agreement dated 6 December 2018, entered into between the Company and Aequitas Information Services Limited.

7.2.2 Designation at Fair Value through other comprehensive income (FVOCI)

The Company designated the above investment as equity securities at FVOCI because these equity securities represent investment that the Company intends to hold for the long term for strategic purposes. Refer to Note 30.1 of the financial statements for detail of unobservable inputs used in determination of fair value.

8 GRANT RECEIVABLE

		SBP	DFID	TOTAL	
		NFIS Technical Assistance for Sub-Committees (Note 8.1)	PMN Business Plan Funding (Note 8.2)	2019	2018
	Note	(Rupees)			
Balance as at 01 January		2,752,027	43,374,591	**46,126,618**	61,039,472
Grants received during the year		(4,450,386)	(87,888,768)	**(92,339,154)**	(171,993,194)
Profit on bank placements		-	-	-	(571,620)
		(1,698,359)	(44,514,177)	**(46,212,536)**	(111,525,342)
Expenditure:					
Governance and management	24	1,124,652	2,252,392	**3,377,044**	23,773,172
Capacity building	25	-	2,315,633	**2,315,633**	12,642,538
Enabling environment	26	11,246,525	24,607,123	**35,853,648**	77,365,017
Information hub	27	-	15,339,029	**15,339,029**	48,586,013
		12,371,177	44,514,177	**56,885,354**	162,366,740
Others:					
Grant receivable written off		-	-	-	(4,714,780)
Balance as at 31 December		**10,672,818**	-	**10,672,818**	46,126,618

8.1 The State Bank of Pakistan (SBP), on behalf of DFID, awarded the Company a grant of Rs. 30 million on a draw down funds basis under the "Financial Inclusion Programme - Technical Assistance Component". The objective of the grant is to provide technical assistance to National Financial Inclusion Strategy (NFIS) Technical Committees, to enhance formal financial access to the adult population of Pakistan.

8.2 This grant under the "Business Plan Funding" agreement, for an aggregate amount of GBP 2.7 million, was for the period 1 August, 2016 to 30 September, 2019. The grant agreement, now closed, aimed to fund the activities in areas of research, knowledge management, digital payment ecosystem, client protection and center of excellence.

		Note	2019	2018
			----------Pak Rupees----------	
9	**CONSULTANCY FEES RECEIVABLE**			
	Unsecured - Considered good			
	Ghana Microfinance Institutions Network (GHAMFIN)		**3,878,750**	3,487,500
	World Bank		**21,655**	1,379,174
	Karandaaz Pakistan		**-**	3,836,015
	Mennonite Economic Development Associates		**1,532,863**	701,754
			5,433,268	9,404,443
	Less: Provision against doubtful receivables	9.1	**(2,902,298)**	-
			2,530,970	9,404,443
9.1	Movement of provision for doubtful receivables is as follows:			
	Balance as at January 01		**-**	-
	Recognition of expected credit losses under IFRS 9	3.2	**3,369,774**	-
	Provision reversed during the year		**(467,476)**	-
			2,902,298	-
10	**LOANS AND ADVANCES**			
	Loans - unsecured considered good			
	Current portion of long term loans	6	**817,277**	578,570
	Advances			
	to employees - considered good	10.1	**1,551,579**	831,919
	to vendors - unsecured considered good		**231,611**	231,611
	to consultants - unsecured considered good		**4,548,257**	3,881,297
		10.2	**7,148,724**	5,523,397

10.1 This includes advances to Chief Executive Officer and Chief Operating Officer amounting to Rs. 961,570 (2018: 6,129) and Rs. 50,000 (2018: 791) respectively. The maximum aggregate amount outstanding to Chief Executive Officer and Chief Operating Officer at any time during the year was PKR. 961,569 and Rs. 400,961 respectively. Provision for doubtful advance and aging are not disclosed as advance is not past due or impaired as at the reporting date. Movement of advance to Chief Executive Officer is as follows:

	Note	2019	2018
		----------Pak Rupees----------	
Balance as at January 01		**6,129**	78,109
Disbursements	10.1.1	**1,595,064**	709,829
Repayments		**(639,623)**	(781,808)
		961,570	6,129

10.1.1 Advance to Chief Executive Officer was issued for official purposes amounting to Rs. 267,260 (2018: 585,850) and for personal purposes amounting to Rs. 1,327,804 (2018: 123,979). Advance issued for personal purposes is settled against salary.

10.2 Loans and advances, except for the current portion of the long-term loan, are interest free, and are due on demand.

			2019	2018
			----------Pak Rupees----------	
11	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits		**1,590,024**	980,060
	Short term prepayments			
	Rent		**2,162,576**	578,103
	Employees' benefits		**1,644,648**	4,078,722
	Others		**22,860**	62,860
			3,830,084	4,719,685
			5,420,108	5,699,745
12	**OTHER RECEIVABLES**			
	Considered good:			
	Membership fees		**1,765,000**	2,240,000
	Training fees		**2,704,786**	2,057,338
	Sponsorship fees	12.1	**21,359,057**	26,352,713
	Salary survey fee		**-**	80,000
	Social audit fee		**-**	2,713,729
	Investor linkages fee		**500,000**	200,000
	Receivable from South Asian Microfinance Network	12.2	**3,972,423**	6,690,531
	Others		**4,672,265**	3,609,826
		12.4	**34,973,531**	43,944,137
	Less: Provision against doubtful receivables	12.3	**(14,496,136)**	(8,350,147)
			20,477,395	35,593,990

12.1 This represents sponsorship fee receivable against annual microfinance conference.

12.2 This represents receivable against expenses incurred for South Asian Microfinance Network's operations by the Company.

		Note	2019	2018
			----------Pak Rupees----------	
12.3	Movement of provision for doubtful receivables is as follows:			
	Balance as at January 01		**8,350,147**	5,665,001
	Recognition of expected credit losses under IFRS 9	3.2	**9,387,907**	-
	Provision booked during the year		**3,448,613**	2,685,146
	Provision reversed during the year	23	**(6,690,531)**	-
			14,496,136	8,350,147

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12.4 Other receivables include following receivables from associated companies. Aging for these receivables have been disclosed in note 31.1.1 to the financial statements.

	2019		2018
	---Pak Rupees---		
	Maximum aggregate amount outstanding during the		
Membership fees			
Organization for Participatory Development	100,000	100,000	-
FINCA Microfinance Bank Limited			300,000
	100,000	100,000	300,000
Training fees			
FINCA Microfinance Bank Limited	270,000	125,500	270,000
U Microfinance Bank Limited	95,000	95,000	-
Akhuwat Islamic Microfinance Company	50,250	50,250	-
Telenor Microfinance Bank Limited	150,000	-	150,000
Khushhali Microfinance Bank Limited	75,000	-	75,000
Thardeep Microfinance Foundation	270,000	-	270,000
NRSP Bank Limited	125,000	125,000	-
	1,035,250	395,750	765,000
Sponsorship fees			
FINCA Microfinance Bank Limited	500,000	500,000	-
Akhuwat Islamic Microfinance Company	72,713	72,713	-
Telenor Microfinance Bank Limited	1,000,000	1,000,000	-
Thardeep Microfinance Foundation	250,000	250,000	-
Khushhali Microfinance Bank Limited	1,000,000	-	1,000,000
	2,822,713	1,822,713	1,000,000
Social audit fee			
U Microfinance Bank Limited	1,592,729	-	1,592,729
National Rural Support Programme	410,000	-	410,000
Thardeep Microfinance Foundation	711,000	-	711,000
	2,713,729	-	2,713,729
Others			
Akhuwat Islamic Microfinance Company	120,000	120,000	120,000
Khushhali Microfinance Bank Limited	349,955	12,971	-
U Microfinance Bank Limited	9,781	9,781	-
Thardeep Microfinance Foundation	24,826	24,826	-
	504,562	167,578	120,000
	7,176,254	2,486,041	4,898,729

13 SHORT TERM INVESTMENTS

	Note	2019	2018
		----------Pak Rupees----------	
Amortised cost			
Investments in associated companies:			
Term Deposit Receipts	13.1	**20,000,000**	-
Accrued Interest on term deposit receipts		**139,265**	-
		20,139,265	-

13.1 This represented investment in TDR of FINCA and U Microfinance Bank Limited which carries interest rate of 12.5% and 13.5% per annum respectively.

14 BANK BALANCES

	Note	2019	2018
		----------Pak Rupees----------	
Cash at banks in local currency			
Savings accounts		**1,610,999**	6,760,538
Current accounts		**192,048**	100
	14.1 & 14.2	**1,803,047**	6,760,638

14.1 Bank balances include balances in saving accounts of FINCA Microfinance Bank Limited and Khushhali Microfinance Bank Limited of Rs. 683 (2018: 171) and Rs. 37,034 (2018: 34,778) respectively and balances in current accounts of U Microfinance Bank Limited and NRSP Microfinance Bank Limited of Rs. 192,048 (2018: Nil)and Rs. Nil (2018: 100) respectively.

14.2 Savings accounts carry mark up at rates ranging between 8% to 9% (2018: 6% to 7%), per annum.

		Note	2019	2018
			----------Pak Rupees----------	
15	**DEFERRED CAPITAL GRANTS**			
	Capital grants	15.1	**879,810**	1,933,338
15.1	**Capital grants**			
	Balance as at January 01		**1,933,338**	3,097,662
	Transfers to the income and expenditure statement			
	Amortization for the year		**(1,053,528)**	(1,164,324)
			(1,053,528)	(1,164,324)
			879,810	1,933,338
16	**ACCRUED AND OTHER LIABILITIES**			
	Accrued expenses		**1,305,598**	3,649,158
	Accounts payable	16.1	**20,304,642**	29,063,521
	Withheld income tax payable		**4,283,847**	1,674,580
	Withheld sales tax payable		**1,436,967**	-
	Payable to employees' voluntary pension scheme		**318,824**	804,900
	Other liabilities	16.2	**3,882,329**	938,836
			31,532,207	36,130,995

16.1 This includes payable to following associated companies and related parties for expenses incurred on behalf of the Company.

	2019	2018
	----------Pak Rupees----------	
Related party:		
Chief Executive Officer	-	41,087
Chief Operating Officer	-	19,396
Associated Companies:		
FINCA Microfinance Bank Limited	-	59,719
Organization for Participatory Development	-	3,000
Thardeep Microfinance Foundation	**67,682**	37,270
	67,682	160,472

16.2 This includes balances payable to following associated companies and related parties.

	2019	2018
	----------Pak Rupees----------	
Related party:		
Chief Operating Officer	**2,433**	-
Associated companies:		
National Rural Support Program	**168,091**	477,441
Thardeep Microfinance Foundation	**863,024**	-
	1,033,548	477,441

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

There were no contingencies as at 31 December 2019 (2018: Nil).

17.2 Commitments

17.2.1 The Company entered into an agreement with Pakistan Telecommunications Company Limited (PTCL) for the acquisition of hardware infrastructure for setting up Digital Services Platform (DSP) in 2018. Subsequent to year end the Company signed an addendum to the original agreement whereby the tenure is now reduced to one year as opposed to five years of the original agreement. This addendum is effective from 01 January 2019. As per the terms of the addendum the payment for the said infrastructure will now be made in one year. The committed payments as of 31 December 2019 are as follows:

	2019	2018
	----------Pak Rupees---------	
Amount payable within 1 year	**130,753,063**	28,317,978
Amount payable in 2 to 5 years	**-**	113,271,912
	130,753,063	141,589,890

17.2.2 The Company has entered into two agreements with TPS Pakistan (Private) Limited for the acquisition of intangibles for setting up Digital Services Platform (DSP). As per the terms of the agreement the Company has committed to pay for the license and implementation fee by year 2020. Other than this software support & maintenance fee would be payable on yearly basis for period of remaining 4 years.

	2019	2018
	----------Pak Rupees---------	
Amount payable within 1 year	**64,759,290**	**80,672,436**
Amount payable in 2 to 5 years	**105,937,500**	**72,610,200**
	170,696,790	**153,282,636**

18 GRANT INCOME

	Note	2019	2018
Restricted grants			
State Bank of Pakistan (SBP)			
- Impact Assessment Study		**-**	114,570
- NFIS Technical Assistance for Sub-committees		**12,371,177**	2,071,697
Department for International Development (DFID)			
- PMN Business Plan Funding		**44,514,177**	160,180,473
		56,885,354	162,366,740
Capital grants			
Amortization of deferred capital grant	15.1	**1,053,528**	1,164,324
		57,938,882	163,531,064

		Note	2019	2018
			----------Pak Rupees----------	
19	**MEMBERS' CONTRIBUTIONS**			
	Membership fee	19.1	**8,625,000**	8,975,000
	Contribution against international trainings	19.2	**6,001,125**	4,547,291
			14,626,125	13,522,291
19.1	Membership fees have been further disaggregated as from:			
	Microfinance Banks		**2,925,000**	2,775,000
	Non-Banking Microfinance Institutions		**5,700,000**	6,200,000
			8,625,000	8,975,000
19.2	Contribution against international trainings include the following:			
	Boulder microfinance training		**3,594,541**	2,980,295
	Harvard training course		**2,157,840**	1,566,996
	School of African Microfinance		**248,744**	-
		19.3	**6,001,125**	4,547,291
19.3	Contribution against international trainings has been further disaggregated as from:			
	Microfinance Banks		**3,310,014**	1,542,185
	Non-Banking Microfinance Institutions		**2,691,111**	3,005,106
			6,001,125	4,547,291
20	**INCOME FROM TRAININGS**			
	Training Income-Gross		**25,137,353**	11,122,500
	Less: Trade discount		**(2,443,212)**	(150,000)
	Less: Sales Tax	20.1	**(2,499,574)**	-
	Training Income - net	20.2	**20,194,568**	10,972,500

20.1 No sales tax was charged in year 2018. During the year 2019 the company paid arrears of sales tax amounting to 4.7 million which has been charged to expense of the year.

		Note	2019	2018
			----------Pak Rupees----------	
20.2	Training income has been further disaggregated into the following categories			
	Microfinance Banks		**2,335,225**	3,686,525
	Non-Banking Microfinance Institution		**14,277,144**	4,907,225
	Non member organisations		**3,582,199**	2,378,750
			20,194,568	10,972,500

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	Note	2019	2018
		----------Pak Rupees----------	
21 INCOME FROM RESEARCH PROJECTS / Consultancy			
Karandaaz Pakistan		-	12,450,560
Mennonite Economic Development Associates		**2,509,993**	1,401,829
PROPARCO		**2,219,831**	1,500,000
		4,729,824	15,352,389

22 INCOME FROM SPONSORSHIPS

This represents the income received as sponsorships from various donors, organizations and members on account of various conferences on microfinance innovation and growth conducted by the Company. Sponsorship income has been disaggregated into the following categories.

	Note	2019	2018
		----------Pak Rupees----------	
Microfinance Banks		**3,500,000**	1,500,000
Non-Banking Microfinance Institution		**3,550,000**	3,500,000
Non member organisations		**8,421,558**	15,552,713
		15,471,558	20,552,713

23 OTHER INCOME

	Note	2019	2018
Income from financial assets			
Profit on savings accounts		**1,406,311**	332,053
Interest income on loans to employees		**59,600**	71,016
Interest income on investments	23.1	**3,733,014**	8,520,607
		5,198,925	8,923,676
Income from non-financial assets			
Income on enquiries from DataCheck		-	558,869
Social audits		-	1,621,000
Investor linkage		**1,589,210**	-
Others		**615,597**	1,477,262
		2,204,807	3,657,131
		7,403,732	12,580,807

23.1 This amount is net of loss on premature redemption of long term investments.

	Note	2019	2018
		----------Pak Rupees----------	
			Restated

24 GOVERNANCE AND MANAGEMENT

	Note	2019	2018
Salaries and benefits		**7,898,849**	13,137,302
Events / conferences / meetings		**681,343**	4,513,226
Rent and utilities		**1,701,487**	1,525,231
Depreciation and amortization		**2,957,271**	2,913,591
Legal and professional		**225,620**	863,220
Travel		**856,666**	2,162,576
Auditors' remuneration	24.1	**795,000**	408,000
Internal audit and other certifications		**-**	572,300
Office supplies		**1,433,095**	1,077,672
Designing and printing		**604,604**	138,347
Office maintenance		**615,618**	639,589
Insurance		**144,340**	118,060
Entertainment		**125,473**	649,812
Other expenses		**2,361,226**	2,607,870
Bank charges		**59,928**	72,312
Exchange loss		**31,653**	-
		20,492,172	31,399,108

24.1 Auditors' remuneration include the following:

	2019	2018
Audit fee	**750,000**	363,000
Out of pocket expense	**45,000**	45,000
	795,000	408,000

25 CAPACITY BUILDING

	2019	2018
Tuition and accommodation fee	**9,131,256**	9,639,546
Per diem and other allowances	**2,866,324**	1,630,296
Consultant cost	**4,930,584**	4,717,253
Events / conferences / meetings	**8,652,725**	2,410,664
Designing and printing	**742,887**	9,482
Travel	**6,590,354**	1,804,707
Entertainment	**99,838**	624,812
Salaries and benefits	**8,043,189**	6,775,305
Rent and utilities	**1,701,487**	1,525,231
Exchange loss	**31,653**	174,034
Other expenses	**3,110,736**	375,503
	45,901,032	29,686,833

		Note	2019	2018
			---------Pak Rupees---------	
				Restated
26	**ENABLING ENVIRONMENT**			
	Consultant cost		**12,559,052**	11,598,326
	Salaries and benefits		**27,931,623**	38,629,158
	Rent and utilities		**1,701,487**	1,525,231
	Travel		**10,337,871**	12,107,344
	Events / conferences / meetings		**8,362,588**	11,881,497
	Per diem and allowances		**4,918,197**	10,194,800
	Direct project costs		**-**	-
	Entertainment		**99,838**	624,812
	Accommodation		**4,985,247**	6,353,255
	International memberships		**736,598**	1,171,965
	Designing and printing		**432,410**	747,993
	Exchange loss		**31,653**	277,362
	Other expenses		**2,882,857**	1,037,899
			74,979,420	96,149,642
27	**INFORMATION HUB**			
	Salaries and benefits		**24,136,157**	24,897,943
	Consultant cost		**9,487,722**	19,159,625
	Travel		**1,248,822**	1,728,574
	Rent and utilities		**1,701,487**	1,525,231
	Accommodation		**1,909,821**	1,821,137
	Entertainment		**99,838**	624,812
	Events / conferences / meetings		**1,084,526**	1,256,888
	Designing and printing		**1,490,514**	1,814,437
	Per diem and allowances		**-**	180,000
	Exchange Loss		**31,653**	242,782
	Other expenses		**2,290,429**	1,432,803
			43,480,968	54,684,232

28 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including benefits, to the Chief Executive Officer and executives are as follows:

	Note	Chief Executive Officer 2019	Chief Executive Officer 2018	Executives 2019	Executives 2018
		----------Pak Rupees----------		----------Pak Rupees----------	
Managerial remuneration	28.1	**9,474,828**	9,066,816	**21,494,400**	33,459,790
Bonus for the year		**1,662,250**	2,644,488	**4,758,942**	7,482,003
Pension fund scheme		**332,448**	604,452	**988,066**	2,230,658
Contribution for gratuity		**500,000**	500,000	**1,376,667**	3,040,000
Reimbursements		**115,463**	137,951	**582,601**	977,795
Other benefits	28.2	**1,479,557**	1,935,067	**1,312,412**	1,024,774
		13,564,546	14,888,774	**30,513,088**	48,215,020
Number of person(s)		**1**	1	**6**	10

28.1 No remuneration was paid to the Company's directors in the current and previous year.

28.2 This represents payment for leave encashment, health insurance and contribution to Employees Old Age Benefits Institution. This also includes vehicle allowance of Chief Executive Officer.

29 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company comprise of key management personnel and entities under common directorship.

Balances with related parties have been disclosed in note 10, 12, 14, 16 and remuneration to Chief Executive Officer and Executives has been disclosed in Note 28. Transactions with related parties are as follows:

29.1 Transactions during the year:

	2019	2018
	----------Pak Rupees----------	
Transactions with associated companies:		
Training fee income	**7,583,699**	8,311,566
Membership and registration fee income	**3,050,000**	3,000,000
Sponsorship fee income	**3,250,000**	2,500,000
Social audit fee income	**-**	1,621,000
Interest income earned on TDRs	**3,448,113**	7,414,216
Remuneration to key management personnel	**18,362,468**	22,770,841

29.2 Following are the associated companies and related parties with whom the Company had entered into transactions during the year:

Associated Companies	Basis of Relationship	Number of shares held in the Company	Aggregate %age shareholding in the Company
U Microfinance Bank Limited	Common directorship	N/A	N/A
FINCA Microfinance Bank Limited	Common directorship	N/A	N/A
Telenor Microfinance Bank Limited	Common directorship	N/A	N/A
First Microfinance Bank Limited	Common directorship	N/A	N/A
Khushhali Microfinance Bank Limited	Common directorship	N/A	N/A
National Rural Support Programme	Common directorship	N/A	N/A
Akhuwat Islamic Microfinance Company	Common directorship	N/A	N/A
JWS Pakistan	Common directorship	N/A	N/A
Thardeep Microfinance Foundation	Common directorship	N/A	N/A
Organization for Participatory Development	Common directorship	N/A	N/A

Related Parties	Basis of Relationship	Number of shares held in the Company	Aggregate %age shareholding in the Company
Syed Mohsin Ahmed	Chief Executive Officer	N/A	N/A
Ali Basharat	Chief Operating Officer	N/A	N/A
Muhammad Waqas Khan	Chief Financial Officer	N/A	N/A

30 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the entity is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the institute is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

30.1 Valuation techniques and significant unobservable inputs

Equity Securities

Fair Value of equity securities has been determined using discounted cash flow valuation technique. The expected cashflows over period of five years have been discounted under multiple scenarios while varying the cost of equity (15%-19%) and terminal growth rate (2%-4%). Fair value has been determined using risk free rate of 11% being the Yield to Maturity of 10 year PIB. The risk free rate has been adjusted for equity risk premium of 8%.

30.2 Fair value of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy it does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying Amount					Fair Value			
	Note	Amortised Cost	FVTPL	FVOCI- Equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Pak Rupees								
2019										
Financial assets measured at Fair Value										
Investment in equity securities	7	-		37,478,000	-	37,478,000	-	-	37,478,000	37,478,000
Deposits	11	-	1,590,024	-	-	1,590,024	-	-	1,590,024	1,590,024
Financial assets not measured at Fair Value										
Long term investment - TDRs	7	26,636,714	-	-	-	26,636,714	-	-	-	-
Long term loans	6 & 10	1,102,209	-	-	-	1,102,209	-	-	-	-
Grant receivable	8	10,672,818	-	-	-	10,672,818	-	-	-	-
Consultancy fees receivable	9	2,530,970	-	-	-	2,530,970	-	-	-	-
Other receivables	12	20,477,395	-	-	-	20,477,395	-	-	-	-
Short term investments	7 & 13	20,139,265	-	-	-	20,139,265	-	-	-	-
Bank balances	14	1,803,047	-	-	-	1,803,047	-	-	-	-
Financial liabilities not measured at Fair Value										
Accrued and other liabilities	16	-		-	25,811,393	25,811,393	-	-	-	-

		Carrying Amount				Fair Value			
	Note	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Pak Rupees							
2018									
Financial assets measured at Fair Value		-	-	-	-	-	-	-	-
Financial assets not measured at Fair Value					-	-	-	-	-
Long term investments	7	95,276,393	-	-	95,276,393	-	-	-	-
Long term loans	6 & 10	-	1,487,349	-	1,487,349	-	-	-	-
Deposits	11	-	980,060	-	980,060	-	-	-	-
Grant receivable	8	-	46,126,618	-	46,126,618	-	-	-	-
Consultancy fees receivable	9	-	9,404,443	-	9,404,443	-	-	-	-
Other receivables	12	-	35,593,990	-	35,593,990	-	-	-	-
Short term investments	16	-	-	-	-	-	-	-	-
Bank balances	14	-	6,760,638	-	6,760,638	-	-	-	-
Financial liabilities not measured at Fair Value					-	-	-	-	-
Accrued and other liabilities	16	-	-	34,456,415	34,456,415				-

31 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

31.1 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.

31.1.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's all receivables, investments (excluding equity investments) and bank balances.

The carrying amounts of financial assets represent the maximum credit exposure. 'Reversal of impairment loss on financial assets' recognized in income and expenditure account amounts to Rs.3.7 million and relates only to consultancy and other receivables.

The maximum exposure to credit risk at the reporting date was:

	Note	----------Pak Rupees----------	
Grant receivable	8	**10,672,818**	46,126,618
Consultancy fees receivable	9	**2,530,970**	9,404,443
Deposits	11	**1,590,024**	980,060
Long term investments	7	**26,636,714**	95,276,393
Short term investments	7 & 13	**20,139,265**	-
Other receivables	12	**20,477,395**	35,593,990
Bank balances	14	**1,803,047**	6,760,638
		83,850,233	194,142,142

i) Consultancy, Grant and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its Geographically there is no concentration of credit risk.

Company's receivables mainly arise from its members and donors. Maximum of the Company's members have been transacting with the Company for many years and none of these members' balances have been written off or are credit-impaired at the reporting date. The Company attempts to control the credit risk by monitoring credit exposures, limiting transactions with specific parties and continuing assessment of credit worthiness of these parties. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The maximum exposure to credit risk for financial assets at the reporting date by type of counter party was:

	2019	2018
	----------Pak Rupees----------	
Associated companies	**8,586,475**	4,898,729
Banks - Associated companies	**33,537,267**	83,256,233
Banks - other than Associated Companies	**15,041,759**	18,780,798
Others	**26,684,732**	87,206,382
	83,850,233	194,142,142

The aging of receivables from associated companies and provision thereagainst at the reporting date was as follows:

	Gross 2019	**Impairment 2019**	Gross 2018	Impairment 2018
		--------------------Pak Rupees--------------------		
Past due 0-60 days	**1,925,250**	**8,107**	1,495,000	-
Past due 60-180 days	**268,078**	**12,425**	-	-
Past due 180-365 days	**172,713**	**56,778**	570,000	-
Over 365 days	**120,000**	**120,000**	2,833,729	-
	2,486,041	**197,309**	4,898,729	-

Comparative information under IAS 39

Analysis of the credit quality of receivables that were neither past due nor impaired and aging of receivables as at 31 December 2018 is as follows.

The aging of grant receivables at the reporting date was as follows:

	Gross 2018	Impairment 2018
	------Pak Rupees----	
Past due 0-60 days	45,446,288	-
Over 365 days	680,330	-
	46,126,618	-

The aging of consultancy receivables at the reporting date was as follows:

	Gross	Impairment
	2018	2018
	------Pak Rupees----	
Past due 0-60 days	5,673,975	-
Over 365 days	3,730,467	-
	9,404,443	-

The aging of other receivables at the reporting date was as follows:

	Gross	Impairment
	2018	2018
	------Pak Rupees----	
Past due 0-60 days	20,049,869	-
Past due 60-180 days	1,566,961	-
Past due 180-365 days	6,544,972	-
Over 365 days	15,782,335	8,350,147
	43,944,137	8,350,147

Expected credit loss assessment as at 01 January 2019 and 31 December 2019

The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the loss (including but not limited to external ratings, audited financial statements, management accounts, cash flow projection and available press information about customers) and applying experienced credit judgment. Credit risk are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definition from agencies (Rating agencies Pakistan Credit Rating Agency (PACRA) and JCR - VIS.

Exposure within each credit risk are segmented by type of receivables like consultancy, grant and others and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past 3 years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on GDP forecast, unemployment rate, Consumer Price Index and exchange rate which are as follows.

Years	GDP Forecast	Unemployment Rate	Exchange rate
2019	3.10	6.30	150.00
2018	5.83	6.00	121.82
2017	5.55	5.80	105.46
2016	5.53	5.80	104.77

The Company uses an allowance matrix to measure the ECLs of receivables, which comprises a very large number of small balances.

Loss rates are calculated using "roll rate" method based on the probability of a trade debt progressive through successive stages of delinquency to calculate the weighted average loss rate. Roll rates are calculated separately for exposure in different segments based on following common characteristics - geographic region and age of customer relationship.

The following table provides information about the exposure to credit risk and ECL for other receivables as at 31 December 2019.

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	%	----------Pak Rupees---------		
Current	0.0%	16,731,333	6,980	No
0-30 days past due	0.3%	1,738,397	4,575	No
30-60 days past due	0.0%	-	-	No
60-90 days past due	0.0%	-	-	No
91-150 days past due	4.7%	296,597	13,803	No
151 days and above	89.3%	16,207,204	14,470,778	No
		34,973,531	14,496,136	

The following table provides information about the exposure to credit risk and ECL for consultancy fee receivables as at 31 December 2019.

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	%	----------Pak Rupees---------		
Current	0.0%	1,532,863	-	No
0-30 days past due	0.0%	-	-	No
30-60 days past due	0.0%	-	-	No
60-90 days past due	0.0%	-	-	No
91-150 days past due	0.0%	-	-	No
151 days and above	74.4%	3,900,405	2,902,298	No
		5,433,268	2,902,298	

Movement in the allowance for expected credit losses in respect of other receivables

The movement in the allowance for expected credit losses in respect of consultancy and other receivables during the year was as follows. Comparative amounts for 2018 represent the allowance amount for impairment losses under IAS 39.

	Note	2019	2018
		----------Pak Rupees---------	
Balance at 01 January under IAS 39		**8,350,147**	8,350,147
Adjustment on initial application of IFRS 9	**3.2**	**12,757,681**	-
Balance at 01 January under IFRS 9		**21,107,828**	8,350,147
Remeasurement of loss allowance		**(3,709,394)**	
Balance as at 31 December		**17,398,434**	8,350,147

Investments

The Company held investments of Rs. 46.7 million as at 31 December 2019 (2018: Rs. 82.9 million). These investments are held with the banks which are rated A1+ to AAA based on PACRA and JCR - VIS ratings.

Impairment on investments has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its investments have low credit risk based on external credit rating of the counterparties.

Cash at Bank

The Company held cash at bank of Rs. 1,803,047 as at 31 December 2019 (2018: Rs. 6,760,638). These balances are held with the banks which are rated A1+ to AAA based on PACRA and JCR - VIS ratings.

Impairment on cash at bank has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its cash at bank have low credit risk based on external credit rating of the counterparties.

31.1.2 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, the availability of funding to an adequate amount of committed credit facilities 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. The maturity profile of the Company's financial liabilities based on the contractual amount is as follows:

b) **Interest rate risk**

The interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest rates. At the reporting date, the Company's interest bearing financial instruments comprise of cash at bank in savings accounts, short and long term investments carrying fixed interest rates.

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 affect profit or loss.

c) **Other market price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

32 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objectives, provide benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses in line with the objects of the Company.

33 NUMBER OF EMPLOYEES

	2019 (Number)	2018 (Number)
Number of employees of the Company at the reporting date	**16**	20
Average number of employees during the year	**18**	21

34 COMPARATIVE FIGURES - RECLASSIFICATIONS

Following comparative reclassifications have been made in the income and expenditure statement. As detailed below since these reclassifications does not have any impact on the information in the statement of financial position at the beginning of the preceding period hence presentation of third statement of financial position is not required.

34.1 EXPENDITURE

34.1.1 First time adoption of IFRS 9

As mentioned in note 3.2 as a result of adoption of IFRS 9 the impairment of financial assets have been presented in a separate line item in the income and expenditure statement. Previously, the Company's approach was to include the impairment of receivables in 'governance and management' expenses. As a result of this reclassification provision for doubtful receivables amounting to Rs. 2,685,146 and grant receivables written off amounting to Rs. 4,714,780 have now been presented as separate line item in Income and expenditure Statement. This reclassification does not have any impact on the surplus for the year 2018.

34.1.2 Presentation of non-donor funded expenses

Previously non-donor funded expenses were deducted from governance and management, Capacity building, Enabling environment and information hub and were presented as separate line item 'other operating expenses' in Income and Expenditure Statement. Since non-donor funded expenses are also operating expenses of the Company hence for better presentation these have not been classified as 'Other Expenses' in 'Income and Expenditure Statement'. As a result of change in such presentation comparatives have also been reclassified. This reclassification did not have any impact on the reported amount of surplus for the previous year.

34.1.3 Following is the impact of above reclassifications on amounts reported in income and expenditure statement for the year ended 31 December 2018.

	Amount previously reported	Effect of reclassification of note 34.1	Effect of reclassification of note 34.2	Balance after reclassification
Governance and management	23,773,172	(7,399,926)	15,025,863	31,399,109
Capacity building	12,642,538	-	17,044,295	29,686,833
Enabling environment	77,365,017	-	18,784,625	96,149,642
Information hub	48,586,013	-	6,098,219	54,684,232
Other operating expenses	56,953,002	-	(56,953,002)	-

34.2 INCOME

34.2.1 Members' contributions from international trainings

Contributions received from members towards the cost of the international trainings is now separately presented and clubbed under the broader category of Members' Contributions in note 19 which also includes contributions received from members in the form of membership fee. Previously, the Company's approach was to include contribution against international trainings in note 20 Income from Trainings.

	Note	Amount previously reported	Effect of reclassification of note 34.2.1	Balance after reclassification
Income from trainings	20	15,519,791	(4,547,291)	10,972,500
Members' contributions	19	8,975,000	4,547,291	13,522,291

35 SUBSEQUENT EVENTS

Subsequent to the year-end, the COVID-19 pandemic emerged which impacted the economy in general. At this stage, the management believes that this event may not significantly impact the operations and financials of the Company in subsequent periods; however, since the situation is still developing and changing rapidly, the assessment of potential impact cannot be ascertained. Management believes that the COVID – 19 will not have any impact on the underlying assumption for its assessment of going concern and impairment of non-current assets.

36 DATE OF AUTHORIZATION

These financial statements were approved by the Board of Directors of the Company in their meeting held on 25 JUN 2020.

37 GENERAL

The amounts presented in these financial statements have been rounded-off to the nearest Pak Rupee, unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR