KPMG Taseer Hadi & Co.

Pakistan Microfinance Network

Financial Statements

For the year ended

31 December 2020

KPMG Taseer Hadi & Co.
Chartered Accountants
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Islamabad, Pakistan
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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 2020, 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 2020 and of the surplus 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 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.

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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, the income and expenditure statement, the 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).

KPMG Taseer Hadi & Co.

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

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

08 June 2021

Pakistan Microfinance Network

Statement of Financial Position

As at 31 December 2020

	Note	2020	2019
		----------Pak Rupees----------	
NON - CURRENT ASSETS			
Property and equipment	4	**156,480,276**	7,758,588
Intangible assets	5	**64,475,264**	37,163,057
Long term loans	6	**49,656**	284,932
Long term investments	7	**2,011,135**	37,478,000
Investment in associate	8	**33,800,617**	-
		256,816,948	82,684,577
CURRENT ASSETS			
Grant receivable	9	**44,473,207**	10,672,818
Consultancy fees receivable	10	**6,780,940**	2,530,970
Loans and advances	11	**5,109,225**	7,148,724
Deposits and short term prepayments	12	**3,589,818**	5,420,108
Training and other receivables	13	**19,314,513**	20,477,395
Short term investments	14	**32,003,000**	20,139,265
Current portion of long term investments	7	**-**	26,636,714
Bank balances	15	**32,234,370**	1,803,047
		143,505,073	94,829,041
TOTAL ASSETS		**400,322,021**	177,513,618
FUNDS AND RESERVES			
Unrestricted funds		**79,542,835**	74,615,873
Endowment fund		**70,485,728**	70,485,728
		150,028,563	145,101,601
NON CURRENT LIABILITIES			
Deferred grants	16	**2,275,301**	879,810
Long term loan	17	**10,175,415**	-
Lease liability	18	**7,643,647**	-
		20,094,363	879,810
CURRENT LIABILITIES			
Deferred grants	19	**159,215,796**	-
Accrued and other liabilities	20	**56,019,417**	31,532,207
Current portion of long term loan	17	**10,915,275**	-
Current portion of lease liability	18	**4,048,607**	-
		230,199,095	31,532,207
TOTAL FUNDS, RESERVES AND LIABILITIES		**400,322,021**	177,513,618
CONTINGENCIES AND COMMITMENTS	27		

The annexed notes 1 to 40, 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 2020

	Note	2020	2019
		----------Pak Rupees----------	
INCOME			
Grant income	21	**64,735,969**	57,938,882
Members' contributions	22	**8,625,000**	14,626,125
Income from trainings	23	**2,488,725**	20,194,568
Income from research projects / consultancy	24	**7,583,480**	4,729,824
Income from sponsorships	25	**11,750,791**	15,471,558
Other income	26	**7,383,239**	7,403,732
		102,567,204	120,364,689
EXPENDITURE			
Governance and management	28	**(28,994,641)**	(20,492,172)
Programme cost	29	**(66,546,775)**	(164,361,420)
		(95,541,416)	(184,853,592)
Surplus / (deficit) from operations		**7,025,788**	(64,488,903)
Finance costs	30	**(1,907,189)**	-
Net impairment gain on receivables		**3,485,746**	3,709,394
Share of loss from associate	8	**(3,677,383)**	-
		(2,098,826)	3,709,394
SURPLUS / (DEFICIT) FOR THE YEAR		**4,926,962**	(60,779,509)

The annexed notes 1 to 40, 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 2020

	2020	2019
	----------------Pak Rupees----------------	
SURPLUS / (DEFICIT) FOR THE YEAR	**4,926,962**	(60,779,509)
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	**4,926,962**	(56,551,509)

The annexed notes 1 to 40, 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 2020

	Note	2020	2019
		----------Pak Rupees----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (deficit) for the year		**4,926,962**	(60,779,509)
Adjustments for:			
Depreciation	4.1	**4,412,109**	2,121,158
Amortization	5.1	**612,259**	836,113
Net Impairment gain on receivables		**(3,485,746)**	(3,709,394)
Share of loss from associate	8	**3,677,383**	-
Gain on disposal of operating fixed assets		**63,298**	-
Amortization of deferred capital grant	16.1	**(1,514,509)**	(1,053,528)
Finance costs	30	**1,907,189**	-
Interest income	26	**(3,203,887)**	(5,198,925)
		2,468,096	(7,004,576)
Changes in:			
Consultancy fees receivable		**(3,255,517)**	3,503,699
Loans and advances		**1,225,889**	(1,625,327)
Deposits and short-term prepayments		**(1,369,801)**	279,637
Grant receivable		**(33,800,389)**	35,453,800
Training and other receivables		**3,885,786**	9,438,082
Accrued and other liabilities		**24,487,210**	(4,598,788)
		(8,826,822)	42,451,103
Net cash used in operating activities		**(1,431,764)**	(25,332,982)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment including capital work in progress		**(90,072,913)**	(697,795)
Acquisition of intangibles - including capital work in progress		**(27,924,466)**	-
Proceeds from disposal of operating fixed assets		**510,000**	-
Investment in equity securities		**-**	(33,250,000)
Short term investments made		**(42,003,000)**	(30,000,000)
Short term investments redeemed		**30,000,000**	10,000,000
Payment of subsidiary incorporation fee		**(2,011,135)**	-
Long term investments redeemed		**26,636,714**	63,242,958
Long term loans recovered		**817,275**	623,847
Interest received		**3,343,152**	10,456,381
Net cash (used in) / generated from investing activities		**(100,704,373)**	20,375,391
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred grants		**112,292,379**	-
Long term loans received during the year		**21,962,426**	-
Principal repayment of lease liability		**(1,687,345)**	-
Net cash generated from financing activities		**132,567,460**	-
Net increase / (decrease) in cash and cash equivalents during the		**30,431,323**	(4,957,591)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,803,047**	6,760,638
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	**32,234,370**	1,803,047

The annexed notes 1 to 40, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Pakistan Microfinance Network
Statement of Changes in Funds and Reserves
For the year ended 31 December 2020

	Funds and Reserves		
	Unrestricted funds	Endowment fund	Total
	---Pak Rupees---		
Balance as at 01 January 2019	131,167,382	70,485,728	201,653,110
Total comprehensive income for the year			
- 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
Balance as at 01 January 2020	**74,615,873**	**70,485,728**	**145,101,601**
Total comprehensive income for the year			
- Surplus for the year	**4,926,962**	-	**4,926,962**
- Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**4,926,962**	-	**4,926,962**
Balance as at 31 December 2020	**79,542,835**	**70,485,728**	**150,028,563**

The annexed notes 1 to 40, 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 on 27 January 2020 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. The Company's application for registration is under review by the EAD.

1.3 License issued to the Company under section 42 of Companies Act, 2017 was expired on 10 August 2020. The Company has filed for renewal of the license to the Securities and Exchange Commission of Pakistan (SECP). Application for grant of renewal of license has been forwarded by SECP to the Ministry of Interior for obtaining necessary approval before grant of license. Response from Ministry of Interior is awaited.

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 investment in associate which is stated using equity method of accounting.

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

Note 3.10 - measurement of ECL allowance for receivables and assessment of impairment of non-financial assets i.e. investment in associate.

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 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.

  These amendments are not likely to have a material effect on the Company's financial statements.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. These amendments are not likely to have effect on the Company's financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. These amendments are not likely to have effect on the Company's financial statements.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022 and 1 January 2023. These are not likely to have a material effect on the Company's financial statements.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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.

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3.1 Operating fixed assets

Property and equipment

Owned

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.

Right of use assets

The Company recognizes right-of-use assets at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right of use asset is subsequently depreciated using the straight line method from the lease commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right of use asset reflect that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right

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of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

3.2 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 recognized in income and expenditure statement.

3.3 Investment in associates

The Company's interests in equity-accounted investees comprise of interests in associates. Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost which includes transaction costs except for financial assets previously accounted for at fair value under IFRS 9 and subsequently carried under equity method of accounting. Such financial assets are initially recognized at fair value. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investee, until the date on which significant influence ceases.

3.4 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.

3.4.1 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.

3.4.2 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.

3.4.3 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 Lease liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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 laws 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.

The Company has been claiming tax credit under section 100C of the Income Tax Ordinance, 2001 (the Ordinance) 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, which for current year also require recognition as a non-profit organization under section 2(36) of the Ordinance. Previously, the Company obtained said recognition which owing to a change in rule 214 of the Income Tax Rules, 2002, now requires renewal after every three years. The Company has filed an application for renewal which is pending approval.

No provision for taxation has been recognized in these financial statements as the management and its tax advisor believes that the Company's recognition as a not-for-profit organization will be granted and in case of rejection of the application, the Company has a right to contest the matter in appeal.

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.

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. Deferred Grants

Deferred 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.

Assets received against which no grant is received or no consideration is paid is considered as non-monetary grant and both the asset and the deferred grant is recorded at fair value at the date of receipt of non-monetary grant.

Government Grant – Loans at below market interest rates

Benefit of loan obtained at below market interest rate under State Bank of Pakistan's salary refinance scheme is recognized as 'deferred grant'. This is measured as the difference between the fair value of the loan on initial recognition and actual proceeds received.

Subsequent to initial recognition, deferred grant is recognised in the income and expenditure statement in line with the recognition of related interest expenses and is presented net of related interest expenses.

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.	Revenue is recognized over time to the extent that performance obligations have been satisfied.

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Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
	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.	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.

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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.

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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.

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Pakistan Microfinance Network
Notes to the Financial Statements
For the year ended 31 December 2020

4 PROPERTY AND EQUIPMENT

	Note	2020	2019
		----------Pak Rupees----------	
Operating fixed assets	4.1	**22,028,434**	2,170,768
Advance for acquisition of hardware		**-**	5,587,820
Capital work in progress	4.2	**134,451,842**	-
		156,480,276	7,758,588

4.1 OPERATING FIXED ASSETS

	Note	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
2020											
Owned											
Leasehold improvements		**4,829,121**	**4,762,000**	**(4,829,121)**	**4,762,000**	**20**	**4,369,490**	**527,447**	**(4,488,564)**	**408,373**	**4,353,627**
Furniture and fittings		**1,634,944**	**791,000**	**(811,207)**	**1,614,737**	**20**	**1,154,329**	**140,265**	**(613,310)**	**681,284**	**933,453**
Office equipment		**3,998,791**	**190,750**	**(859,896)**	**3,329,645**	**20**	**2,920,647**	**338,917**	**(825,052)**	**2,434,512**	**895,133**
Motor Vehicles	4.1.1	**-**	**3,831,250**	**-**	**3,831,250**	**33**	**-**	**195,916**	**-**	**195,916**	**3,635,334**
Computer equipment	4.1.1	**2,971,549**	**429,500**	**-**	**3,401,049**	**33**	**2,819,171**	**241,849**	**-**	**3,061,020**	**340,029**
Right of use Assets	18.1	**-**	**14,838,573**	**-**	**14,838,573**	**20**	**-**	**2,967,715**	**-**	**2,967,715**	**11,870,858**
		13,434,405	**24,843,073**	**(6,500,224)**	**31,777,254**		**11,263,637**	**4,412,109**	**(5,926,926)**	**9,748,820**	**22,028,434**
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

4.1.1 During the year, the Company received 2 vehicles and office and computer equipment from Department for International Development (DFID) with the condition that these assets will be used solely for development purposes. These assets have been recognized in the financial statements at a fair value of Rs. 3,831,250 and Rs. 468,250 respectively. Title of ownership in respect of vehicles have been endorsed in the name of the Company.

4.2 CAPITAL WORK IN PROGRESS	**Note**	**2020**	2019
		----------**Pak Rupees**----------	
Balance at the beginning of the year		-	-
Transfers from advance for acquisition of hardware	4	**5,587,820**	
Additions made during the year		**128,864,022**	-
Balance at the end of the year	4.3	**134,451,842**	-

4.3 This represents costs incurred by the Company for purchase of hardware infrastructure from Pakistan Telecommunications Company Limited (PTCL) for setting up Digital Services Platform (the Platform). During the year, the Company entered into a grant agreement with Karandaaz Pakistan to finance the Company's initiative of setting up the Platform. As per milestones committed under the said grant agreement, the Company is required to set up a Subsidiary Company to branch out the operations of the Platform. Subsequent to the year end, the Company incorporated the Subsidiary named "Munsalik Digital Private Limited (MDPL)" and obtained approval from Securities and Exchange Commission of Pakistan (SECP) for investment in MDPL. The Company is also in process of signing a novation agreement with MDPL and all vendors, whereby all the rights and outstanding obligations of the Company relating to provision of hardware and software infrastructure will be transferred to the MDPL, and thereafter upon the payments being made in full by the MDPL, the ownership of the infrastructure will rest with MDPL. After signing of novation agreements, the Company will be issued shares of MDPL against the payments made till that date.

5 INTANGIBLE ASSETS - SOFTWARES	**Note**	**2020**	2019
		----------**Pak Rupees**----------	
Softwares	5.1	**350,122**	962,381
Advance for acquisition of software		-	36,200,676
Capital work in progress - Digital Services Platform	5.2	**64,125,142**	-
		64,475,264	37,163,057

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
2020										
GIS based support system - MicroEye	**4,004,755**	-	-	**4,004,755**	**33**	**3,129,686**	**524,947**	-	**3,654,633**	**350,122**
Accounting and anti-virus software	**2,432,523**	-	-	**2,432,523**	**33**	**2,345,211**	**87,312**	-	**2,432,523**	-
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**		**6,865,763**	**612,259**	-	**7,478,022**	**350,122**
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

		Note	2020	2019
			----------Pak Rupees----------	
5.2	**Capital work in progress**			
	Digital Services Platform			
	Balance at the beginning of the year		-	-
	Transfer from advance for acquisition of soft\	5	**36,200,676**	
	Additions made during the year		**27,924,466**	-
	Balance at the end of the year	5.3	**64,125,142**	-

5.3 This represents payments made by the Company to vendors for provision of software for setting up Digital Services Platform (DSP). Refer to Note 4.3 for further details on DSP.

		Note	2020	2019
			----------Pak Rupees----------	
6	**LONG TERM LOANS**			
	Considered good - unsecured			
	Loans to employees		**284,934**	1,102,209
	Current portion shown under current assets	11	**(235,278)**	(817,277)
			49,656	284,932

6.1 Interest at the rate of 5% per annum (2019: 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	2020	2019
			----------Pak Rupees----------	
7	**LONG TERM INVESTMENTS**			
	Term deposit receipts	7.1	-	-
	Investment in equity securities	8.1	-	37,478,000
	Subsidiary incorporation fee	7.2	**2,011,135**	-
			2,011,135	37,478,000
7.1	Term deposit receipts - at amortised cost			
	In associated companies:			
	FINCA Microfinance Bank Limited		-	13,398,002
	In others		-	13,238,712
			-	26,636,714
	Less: current portion		-	(26,636,714)
			-	-

7.2 This represents amount paid by the Company to Securities and Exchange Commission of Pakistan (SECP) for incorporation of the Subsidiary Company named "Munsalik Digital Private Limited" (MDPL) and registration of its authorized capital of Rs 500 million. The Company will be issued shares of MDPL against payment of this fee.

8 INVESTMENT IN ASSOCIATE – Equity Accounted Investee

	Note	2020	2019
		----------Pak Rupees----------	
Fair value of equity investment on initial recognition as Associate	8.1	**37,478,000**	-
Share of loss for the period	8.2	**(3,677,383)**	-
Balance as at 31 Dec 2020		**33,800,617**	-

8.1 The Company acquired 3,325,000 shares of Aequitas Information Services Limited (AISL) on 23 May 2019 which represented 9.5% shareholding in AISL. In previous year, this equity investment was measured at fair value with changes in fair value being recognized in other comprehensive income. During the year, on 20 January 2020, one of the Company's nominee director was appointed on the board of AISL. The Company has determined that it is able to exert significant influence on AISL because it has meaningful representation on its board. Accordingly, in current year, this Investment has been accounted for under the equity method of accounting in accordance with the requirements of International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

8.2 AISL was incorporated in Pakistan on 25 May 2016 as a Public Limited Company under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The main objectives of the Company are to carry out the business of a Credit Information Company for collecting credit Information as permissible by law relating to debtors of banks, financial Institutions, non–banking financial Institutions, non-financial companies and other lenders or authorities Including retailers, insurance companies, utility providers and also to collect and maintain any credit information, with respect to individuals, partnerships, corporations, Institutions, trusts. estates, cooperatives, associations, Government or Governmental subdivisions or agencies or any other entity.

Share of loss from AISL is based on its audited financial statements for the year ended 30 June 2020 and un-audited financial statements for the six months period ended 31 December 2020.

The following table summarizes the financial information of AISL as included in its Un-audited condensed interim financial statements for the six-month period ended 31 December 2020 and audited financial statements for the year ended 30 June 2020. The financial year-end of AISL is 30 June.

	2020	2019
	----------Pak Rupees----------	
Percentage of ownership %	**9.50%**	9.50%
Current assets	**45,746,457**	-
Non-current assets	**328,435,680**	-
Current liabilities	**(30,720,141)**	-
Non-current liabilities	**(81,713,234)**	-
Net assets	**261,748,762**	-
Company's share of net assets (9.5%)	**24,866,132**	-
Carrying amount of interest in associates	**33,800,617**	-
Revenue	**47,771,057**	-
Loss after taxation	**(42,447,302)**	-
Other comprehensive income for the year	**3,738,005**	-
Total comprehensive loss for the year	**(38,709,297)**	-
Company's share of total comprehensive loss for the period (9.5%)	**(3,677,383)**	-

9 GRANT RECEIVABLE

	Note	**SBP NFIS Technical Assistance for Sub-Committees (Note 9.1)**	**Karandaaz Digital Services Platform (Note 9.2)**	**Total 2020**	SBP NFIS Technical Assistance for Sub-Committees	DFID PMN Business Plan Funding	Total 2019
		(Rupees)				(Rupees)	
Balance as at 01 January		**10,672,818**	**-**	**10,672,818**	2,752,027	43,374,591	46,126,618
Grants received during the year		**(9,211,615)**	**(175,800,000)**	**(185,011,615)**	(4,450,386)	(87,888,768)	(92,339,154)
Profit on bank placements		**(37,744)**	**(1,160,200)**	**(1,197,944)**	-	-	-
		1,423,459	**(176,960,200)**	**(175,536,741)**	(1,698,359)	(44,514,177)	(46,212,536)
Transferred to income and expenditure statement	21	**5,190,561**	**58,030,899**	**63,221,460**	12,371,177	44,514,177	56,885,354
Transferred to deferred grant	19	**-**	**156,788,488**	**156,788,488**	-	-	-
Balance as at 31 December - Grant receivable		**6,614,020**	**37,859,187**	**44,473,207**	10,672,818	-	10,672,818

9.1 In 2018, the Company was awarded a grant of Rs. 30 million on a draw down funds basis under the "Financial Inclusion Programme - Technical Assistance Component" by the State Bank of Pakistan. The objective of the grant was to provide technical assistance to National Financial Inclusion Strategy (NFIS) Technical Committees, to enhance formal financial access to the adult population of Pakistan. Under the Project titled "Consumer Perception Survey – Gauging Clients' Experiences" the Company submitted a proposal to the State Bank of Pakistan (SBP) under 'Technical Assistance to NFIS Technical Committees', which was approved by the Financial Inclusion Programme - Technical Assistance committee in its meeting held on 19 November 2020 and approved allocation for a sum not exceeding Rs. 9.9 million towards this project. At the end of the project, the Company will submit a report based on survey conducted to gauge the experiences of users of financial services and how their experience has been with regards to client protection principles put forward by State Bank of Pakistan, Securities and Exchange Commission of Pakistan & Pakistan Telecommunications Authority.

9.2 This represents capital costs incurred by the Company for setting up Digital Services Platform (DSP). Refer Note 4.3 and 5.3 for further details.

		Note	2020	2019
			----------Pak Rupees----------	
10	**CONSUMTANCY FEES RECEIVABLE**			
	Unsecured - Considered good			
	Ghana Microfinance Institutions Network (GHAMFIN)		**3,997,500**	3,878,750
	World Bank		**2,935,505**	21,655
	State Bank of Pakistan		**-**	-
	Foreign, Commonwealth and Development Office (FCDO)		**1,755,780**	-
	Mennonite Economic Development Associates		**-**	1,532,863
			8,688,785	5,433,268
	Less: Allowance for impairment		**(1,907,845)**	(2,902,298)
			6,780,940	2,530,970
10.1	Movement of allowance for impairment is as follows:			
	Balance as at January 01		**2,902,298**	-
	Recognition of expected credit losses on initial application of IFRS 9		**-**	3,369,774
	Net remeasurement of loss allowance		**(994,453)**	(467,476)
			1,907,845	2,902,298
11	**LOANS AND ADVANCES**			
	Loans - unsecured considered good			
	Current portion of long term loans	6	**235,278**	817,277
	Advances			
	to employees - considered good	11.2	**104,374**	1,551,579
	to vendors - unsecured considered good		**-**	231,611
	to consultants - unsecured considered good		**4,769,573**	4,548,257
		11.1	**5,109,225**	7,148,724

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

11.2 This includes advances to Chief Executive Officer and Chief Operating Officer amounting to Rs. Nil (2019: 961,570) and Rs. 50,000 (2019: 50,000) respectively. The maximum aggregate amount outstanding to Chief Executive Officer and Chief Operating Officer at any time during the year was PKR. 960,600 and Rs. 84,200 respectively. Provision for doubtful advance and aging are not disclosed as advance is not past due or impaired as at the reporting date.

		Note	2020	2019
			----------Pak Rupees----------	
11.2.1	Movement of advance to Chief Executive Officer is as follows:			
	Balance as at January 01		**961,570**	6,129
	Disbursements	11.2.2	**962,685**	1,595,064
	Repayments		**(1,924,255)**	(639,623)
			-	961,570

11.2.2 Advance to Chief Executive Officer was issued for official purposes amounting to Rs. Nil (2019: 267,260) and for personal purposes amounting to Rs. 962,685 (2019: 1,327,804). Advance issued for personal purposes is settled against salary.

Pakistan Microfinance Network

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		Note	2020	2019
			----------Pak Rupees----------	
12	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits		**1,271,004**	1,590,024
	Short term prepayments			
	Rent		**-**	2,162,576
	Employee Benefits / Insurance		**1,680,814**	1,644,648
	Others		**638,000**	22,860
			2,318,814	3,830,084
			3,589,818	5,420,108
13	**TRAINING AND OTHER RECEIVABLES**			
	Membership fees		**1,540,000**	1,765,000
	Training fees		**1,091,343**	2,704,786
	Sponsorship fees		**7,938,722**	21,359,057
	Investor linkages fee		**250,000**	500,000
	Receivable from South Asia Micro-entrepreneurs Network	13.1	**7,122,351**	3,972,423
	Withheld sales tax receivable		**1,421,906**	-
	Others		**4,014,409**	4,672,265
		13.3	**23,378,731**	34,973,531
	Less: Allowance for impairment	13.2	**(4,064,218)**	(14,496,136)
			19,314,513	20,477,395

13.1 This represents receivable from South Asia Micro-entrepreneurs Network (SAMN), which is a regional microfinance industry association registered in Sri Lanka. The Company provides operational and secretarial support to SAMN and as part of this support, Company makes payments and receives funds on behalf of SAMN. As per an understanding reached between the Company and members of SAMN, this receivable will be settled by SAMN through contributions from its respective members. During the year, the Company submitted an audited statement of receipts and expenditures relating to SAMN operations till 30 June 2020 for recovery of receivable balance.

		2020	2019
		----------Pak Rupees----------	
13.2	Movement of allowance for impairment is as follows:		
	Balance as at January 01	**14,496,136**	8,350,147
	Recognition of expected credit losses on initial application of IFRS 9	**-**	9,387,907
	Receivables written-off during the year	**(7,285,426)**	-
	Net remeasurement of loss allowance	**(3,146,492)**	(3,241,918)
		4,064,218	14,496,136

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13.3 Training and other receivables include following receivables from associated companies. Aging for these receivables have been disclosed in note 34.1.1 to the financial statements.

	2020		2019
	Pak Rupees		
	Maximum aggregate amount outstanding during the year	Balance as at 31 December 2020	Balance as at 31 December 2019
Membership fees			
U Microfinance Bank Limited	250,000	50,000	-
Telenor Microfinance Bank Limited	250,000	50,000	-
Akhuwat Islamic Microfinance Company	250,000	50,000	-
National Rural Support Programme	250,000	50,000	-
	1,000,000	200,000	-
Training fees			
U Microfinance Bank Limited	95,000	-	95,000
Akhuwat Islamic Microfinance Company	122,963	72,713	122,963
Mobilink Microfinance Bank Limited	185,000	90,000	185,000
National Rural Support Programme	179,998	259,998	-
Aequitas Information Services	218,139	218,139	218,139
Kashf Foundation	20,000	-	20,000
First Microfinance Bank Limited	22,000	-	22,000
AGAHE	135,000	-	135,000
NRSP Bank Limited	179,998	179,998	125,000
	1,158,098	820,848	923,102
Sponsorship fees			
Aequitas Information Services Limited	5,687,500	1,400,000	5,687,500
Telenor Microfinance Bank Limited	1,000,000	-	1,000,000
	6,687,500	1,400,000	6,687,500
Investor Linkage Fee			
AGAHE	500,000	250,000	-
	500,000	250,000	-
Others:			
Akhuwat Islamic Microfinance Company	120,000	-	120,000
Khushhali Microfinance Bank Limited	12,971	-	12,971
U Microfinance Bank Limited	9,781	-	9,781
AGAHE	54,146	-	54,146
	196,898	-	196,898
	9,542,496	2,670,848	7,807,500

		Note	2020	2019
			----------Pak Rupees----------	
14	**SHORT TERM INVESTMENTS**			
	Amortised cost			
	Investments in associated companies:			
	Term Deposit Receipts	14.1	**32,003,000**	20,000,000
	Accrued Interest on term deposit receipts		**-**	139,265
			32,003,000	20,139,265

14.1 This represents term deposit receipts (TDRs) of SAMBA Bank Limited and U Microfinance Bank Limited carrying interest at rate of 7% and 13.5% per annum respectively. TDRs of SAMBA bank limited amounting to Rs. 22.03 million are held as a collateral against long term loan.

		Note	2020	2019
			----------Pak Rupees----------	
15	**BANK BALANCES**			
	Cash at banks in local currency			
	Savings accounts	15.1	**30,812,467**	1,610,999
	Current accounts		**1,421,903**	192,048
		15.2	**32,234,370**	1,803,047

15.1 Savings accounts carry mark up at rates ranging between 6% to 7% (2019: 8% to 9%), per annum.

15.2 Bank balances include balances in saving account of Khushhali Microfinance Bank Limited of Rs. 39,373 (2019: 37,034) and balances in current accounts of U Microfinance Bank Limited and NRSP Microfinance Bank Limited of Rs. 940,008 (2019: 192,048) and Rs. Nil (2019: Nil) respectively.

		Note	2020	2019
			----------Pak Rupees----------	
16	**DEFERRED GRANTS**			
	Deferred capital grant	16.1	**3,664,801**	879,810
	Deferred income - Government Grant	17.2	**1,037,808**	-
			4,702,609	879,810
	Less: current portion shown under current liability	19	**(2,427,308)**	-
			2,275,301	879,810
16.1	**Deferred Capital grant**			
	Balance as at January 01		**879,810**	1,933,338
	Grants for the year relating to:			
	Property and equipment	4.1.1	**4,299,500**	-
	Transfers to the income and expenditure statement:			
	Amortization for the year		**(1,281,773)**	(1,053,528)
	Property and equipment disposed off during the year		**(232,736)**	-
		21	**(1,514,509)**	(1,053,528)
			3,664,801	879,810

		Note	2020	2019
			----------Pak Rupees----------	
17	**LONG TERM LOAN - SECURED**			
	Loan from SAMBA Bank Limited	17.1	**20,639,207**	-
	Accrued mark up		**451,483**	
			21,090,690	-
	Less: current portion shown under current liability		**(10,915,275)**	-
			10,175,415	-

17.1 This represents subsidized rate term loan received from SAMBA Bank Limited (the Bank) under 'Refinance Scheme for payment of Wages and Salaries to the Workers and Employees of Business Concerns' (the Scheme) introduced by State Bank of Pakistan. According to conditions of the Scheme, the Company after availing this loan will not lay off their employees at least during three months from the date of first disbursement (28 September 2020) except in case of any disciplinary action. The facility is secured against placement of Term Deposit Receipts amounting to Rs. 22.03 million with the bank. Tenure of the loan is 2.5 years and it is repayable in eight quarterly installments starting from January 2021. Facility carries mark-up at the rate of 3% per annum.

Below is detail of loan proceeds received and amount recognized as deferred grant for the impact of below market interest rate on the loan.

	Note	2020	2019
		----------Pak Rupees----------	
Loan proceeds received		**21,962,426**	-
Present value of future cash flows discounted at market interest rate		**(20,639,207)**	-
Amount recognized as deferred income		**1,323,219**	-

		Note	2020	2019
17.2	**Deferred income - Government Grant**			
	Grant recognised on loan at below market interest rate	17.1	**1,323,219**	-
	Grant amortized during the year		**(285,411)**	
			1,037,808	-
18	**LEASE LIABILITY**			
	Balance as at 01 January		**-**	-
	leases recognized during the year		**11,638,482**	-
	Finance cost on lease liabilities	30	**1,741,117**	-
	Payments made during the year		**(1,687,345)**	-
			11,692,254	-
	Less: current portion shown under current liability		**(4,048,607)**	-
		18.1	**7,643,647**	-

18.1 This represents lease liability for Company's office premises. Lease term of these premises has been determined to be five years based on consideration of the terms of the agreement and other factors.

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		Note	2020	2019
			----------Pak Rupees----------	
19	**DEFERRED GRANTS**			
	Related to Digital Services Platform (DSP)	9	**156,788,488**	-
	Current portion of deferred grants	16	**2,427,308**	-
			159,215,796	-
20	**ACCRUED AND OTHER LIABILITIES**			
	Accrued expenses		**1,175,695**	1,305,598
	Accounts payable		**6,880,501**	20,304,642
	Withheld income tax payable		**2,294,367**	4,283,847
	Withheld sales tax payable		-	1,436,967
	Payable to employees' voluntary pension scheme		**40,006**	318,824
	Payable related to Digital Services Platform	20.1	**44,496,109**	-
	Other liabilities	20.2	**1,132,739**	3,882,329
			56,019,417	31,532,207

20.1 This represents payable to Pakistan Telecommunications Company Limited (PTCL) for provision of hardware infrastructure for setting up Digital Services Platform (DSP). As detailed in note 4.3, DSP is being financed by Karandaaz Pakistan through the grant agreement entered into during the year. Accordingly, related grant receivable has also been recognized for this liability towards PTCL.

		Note	2020	2019
20.2	This includes balances payable to following associated companies:		----------Pak Rupees----------	
	National Rural Support Programme		-	168,091
	Kashf Foundation		-	442,386
	First Microfinance Bank Limited		**250,000**	-
			250,000	610,477
21	**GRANT INCOME**			
	State Bank of Pakistan (SBP)			
	- NFIS Technical Assistance for Sub-committees	9	**5,190,561**	12,371,177
	Karandaaz Pakistan			
	- Digital Services Platform	9	**58,030,899**	44,514,177
			63,221,460	56,885,354
	Amortization of deferred capital grant	16.1	**1,514,509**	1,053,528
			64,735,969	57,938,882
22	**MEMBERS' CONTRIBUTIONS**			
	Membership fee	22.1	**8,625,000**	8,625,000
	Contribution against international trainings	22.2	-	6,001,125
			8,625,000	14,626,125
22.1	Membership fees have been further disaggregated as from:			
	Microfinance Banks		**3,050,000**	2,925,000
	Non-Banking Microfinance Institutions		**5,575,000**	5,700,000
			8,625,000	8,625,000

		Note	2020	2019
			----------Pak Rupees----------	
22.2	Contribution against international trainings include the following:			
	Boulder microfinance training		-	3,594,541
	Harvard training course		-	2,157,840
	School of African Microfinance		-	248,744
		22.2.1	-	6,001,125
22.2.1	Contribution against international trainings has been further disaggregated as from:			
	Microfinance Banks		-	3,310,014
	Non-Banking Microfinance Institutions		-	2,691,111
			-	6,001,125
23	**INCOME FROM TRAININGS**			
	Training Income Gross		**3,336,205**	25,137,353
	Less: Trade discount		**(371,246)**	(2,443,212)
	Less: Sales Tax		**(476,234)**	(2,499,574)
	Training Income - net	23.1	**2,488,725**	20,194,568
23.1	Training income has been further disaggregated into the following categories			
	Microfinance Banks		**799,992**	2,335,225
	Non-Banking Microfinance Institution		**1,643,739**	14,277,144
	Non member organizations		**44,994**	3,582,199
			2,488,725	20,194,568
24	**INCOME FROM RESEARCH PROJECTS / CONSULTANCY**			
	World Bank		**5,827,700**	-
	Foreign, Commonwealth and Development Office (FCDO)		**1,755,780**	-
	Mennonite Economic Development Associates		-	2,509,993
	PROPARCO		-	2,219,831
			7,583,480	4,729,824

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25 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	2020	2019
		----------Pak Rupees----------	
Microfinance Banks		**2,250,000**	3,500,000
Non-Banking Microfinance Institution		**1,650,000**	3,550,000
Non member organisations		**7,850,791**	8,421,558
		11,750,791	15,471,558

26 OTHER INCOME

Income from financial assets

Profit on savings accounts	**672,848**	1,406,311
Interest income on loans to employees	**23,319**	59,600
Interest income on investments	**2,507,720**	3,733,014
	3,203,887	5,198,925

Income from non-financial assets

Liabilities written off during the year	**2,556,811**	-
Investor linkage	-	1,589,210
Others	**1,622,541**	615,597
	4,179,352	2,204,807
	7,383,239	7,403,732

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

The Company has filed an application for renewal of its recognition as not-for-profit organization under Section 2(36) of the Income Tax Ordinance, 2001 which is pending approval. No provision for taxation has been recognized in these financial statements as the management and its tax advisor believes that the Company's recognition as a not-for-profit organization will be granted and in case of rejection of the application, the Company has a right to contest the matter in appeal.

27.2 Commitments

Company's commitments to different vendors for provision of infrastructure for setting up Digital Services Platform (DSP) are as follows:

Amount payable within 1 year		**71,790,192**	195,512,353
Amount payable in 2 to 5 years		**-**	105,937,500
		71,790,192	301,449,853

28 GOVERNANCE AND MANAGEMENT

Salaries and benefits		**11,212,958**	7,898,849
Events / conferences / meetings		**972,062**	681,343
Rent and utilities		**589,171**	1,701,487
Depreciation and amortization		**5,024,369**	2,957,271
Legal and professional		**1,275,660**	225,620
Travel		**1,068,570**	856,666
Auditors' remuneration	28.1	**1,688,500**	795,000
Office supplies		**993,249**	1,433,095
Designing and printing		**144,444**	604,604
Office maintenance		**1,280,992**	615,618
Insurance		**206,634**	144,340
Entertainment		**394,051**	125,473
Other expenses		**4,086,102**	2,361,226
Bank charges		**57,879**	59,928
Exchange loss		-	31,653
		28,994,641	20,492,172

28.1 Auditors' remuneration include the following:

Audit fee	**1,000,000**	750,000
Other non audit services	**650,000**	-
Out of pocket expense	**38,500**	45,000
	1,688,500	795,000

	2020	2019
	----------Pak Rupees----------	
29 PROGRAMME COSTS		
Salaries and benefits	**39,778,904**	60,110,968
Consultant cost	**7,741,552**	26,977,358
Events / conferences / meetings	**7,408,404**	18,099,839
Travel	**2,169,078**	18,177,047
Tuition and accommodation fee	**279,185**	9,131,256
Accommodation	**2,414,140**	6,895,068
Per diem and other allowances	**1,285,000**	7,784,521
Rent and utilities	**1,779,333**	5,104,460
Designing and printing	**589,310**	2,665,811
International memberships	**866,031**	736,598
Entertainment	**272,207**	299,513
Exchange loss	**-**	94,959
Other expenses	**1,963,631**	8,284,023
	66,546,775	164,361,420
30 FINANCE COSTS		
Mark-up on:		
Long-term loans	**166,072**	-
lease liability	**1,741,117**	-
	1,907,189	-

31 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:

		Chief Executive Officer		Executives	
		2020	2019	**2020**	2019
	Note	----------Pak Rupees----------		----------Pak Rupees----------	
Managerial remuneration	31.1	**10,893,060**	9,474,828	**18,777,696**	21,494,400
Bonus for the year		**3,177,760**	1,662,250	**1,466,410**	4,758,942
Pension fund scheme		**-**	332,448	**456,583**	988,066
Contribution for gratuity		**-**	500,000	**-**	1,376,667
Reimbursements		**107,347**	115,463	**514,215**	582,601
Other benefits	31.2	**1,294,510**	1,479,557	**575,230**	1,312,412
		15,472,677	13,564,546	**21,790,134**	30,513,088
Number of person(s)		**1**	1	**5**	6

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

31.2 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.

32 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 11, 13, 15, 20 and Transactions with related parties are as follows:

	2020	2019
	----------Pak Rupees----------	
32.1 Transactions during the year:		
Transactions with associated companies:		
Training fee income	**1,229,990**	7,583,699
Membership and registration fee income	**3,400,000**	3,050,000
Sponsorship fee income	**2,750,000**	3,250,000
Social audit fee income	**-**	-
Interest income earned on TDRs	**1,456,191**	4,613,472
Others:		
Remuneration to key management personnel	**20,713,692**	18,362,468
Payments made on behalf of the Company by key management personnel	**5,002,212**	-

32.2 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
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
Mobilink Microfinance Bank Limited	Common directorship	N/A	N/A
National Rural Support Programme	Common directorship	N/A	N/A
SAFCO Support Foundation	Common directorship	N/A	N/A
Kashf Foundation	Common directorship	N/A	N/A
Rural Community Development Programme	Common directorship	N/A	N/A
Akhuwat Islamic Microfinance Company	Common directorship	N/A	N/A
AGAHE Pakistan	Common directorship	N/A	N/A
Aequitas Information Services Limited	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

33 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).

33.1 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			
		Amortised Cost	FVTPL	FVOCI-Equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
2020	**Note**	Pak Rupees								
Financial assets measured at Fair Value										
Deposits	12	-	1,271,004	-	-	1,271,004	-	-	1,271,004	1,271,004
Financial assets not measured at Fair Value										
Long term loans	6	284,934	-	-	-	284,934	-	-	-	-
Grant receivable	9	44,473,207	-	-	-	44,473,207	-	-	-	-
Consultancy fees receivable	10	6,780,940	-	-	-	6,780,940	-	-	-	-
Training and other receivables	13	19,314,513	-	-	-	19,314,513	-	-	-	-
Short term investments	14	32,003,000	-	-	-	32,003,000	-	-	-	-
Bank balances	15	32,234,370	-	-	-	32,234,370	-	-	-	-
Financial liabilities not measured at Fair Value										
Accrued and other liabilities	20	-	-	-	53,725,050	53,725,050	-	-	-	-
Long term loan	17	21,090,690	-	-	-	21,090,690	-	-	-	-
Lease liability	18	11,692,254	-	-	-	11,692,254	-	-	-	-

		Carrying Amount					Fair Value			
		Amortised Cost	FVTPL	FVOCI- Equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
2019	Note	Pak Rupees								
Financial assets measured at Fair Value										
Investment in equity securities		-		37,478,000	-	37,478,000	-	-	37,478,000	37,478,000
Deposits	12	-	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	1,102,209	-	-	-	1,102,209	-	-	-	-
Grant receivable	9	10,672,818	-	-	-	10,672,818	-	-	-	-
Consultancy fees receivable	10	2,530,970	-	-	-	2,530,970	-	-	-	-
Other receivables	13	20,477,395	-	-	-	20,477,395	-	-	-	-
Short term investments	14	20,139,265	-	-	-	20,139,265	-	-	-	-
Bank balances	15	1,803,047	-	-	-	1,803,047	-	-	-	-
Financial liabilities not measured at Fair Value										
Accrued and other liabilities	20	-		-	25,811,393	25,811,393	-	-	-	-

34 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.

34.1 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 through risk committee of the Board.

34.1.1 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.3.48 million and relates to consultancy, and training and other receivables.

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

	Note	**2020**	2019
		----------Pak Rupees----------	
Grant receivable	9	**44,473,207**	10,672,818
Consultancy fees receivable	10	**6,780,940**	2,530,970
Deposits	12	**1,271,004**	1,590,024
Long term investments	7	-	26,636,714
Short term investments	14	**32,003,000**	20,139,265
Training and other receivables	13	**19,314,513**	20,477,395
Bank balances	15	**32,234,370**	1,803,047
		136,077,034	83,850,233

i) Consultancy, Grant, Training 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 customer base. 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:

	2020	2019
	----------Pak Rupees----------	
Associated companies	**2,300,850**	8,586,475
Banks - Associated companies	**1,349,379**	33,537,267
Banks - other than Associated Companies	**31,254,989**	15,041,759
Others	**101,171,816**	26,684,732
	136,077,034	83,850,233

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

	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
	--------------------Pak Rupees--------------------			
Not yet due	**1,759,998**	-	6,100,434	-
Past due 0-60 days	-	-	1,925,250	8,107
Past due 60-180 days	-	-	268,078	12,425
Past due 180-365 days	**540,852**	**144,484**	172,713	56,778
Over 365 days	-	-	120,000	120,000
	2,300,850	**144,484**	8,586,475	197,310

Expected credit loss assessment as at 31 December 2020

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 4 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 and exchange rate which are as follows.

Years	GDP Forecast	Unemployment Rate	Exchange rate
2020	-0.40	4.50	159.80
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 receivable 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 Training and other receivables as at 31 December 2020 and 31 December 2019, excluding receivable from South Asia Micro-entrepreneurs Network.

31 December 2020	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
	%	----------Pak Rupees---------		
Current	0.0%	**7,778,366**	**113**	No
0-30 days past due	0.0%	**250,000**	**37**	No
30-60 days past due	0.0%	**55,000**	**24**	No
60-90 days past due	0.0%	-	-	No
91-150 days past due	0.3%	**20,000**	**65**	No
151 days and above	49.8%	**8,153,014**	**4,063,979**	No
		16,256,380	**4,064,218**	

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	118.3%	12,234,781	14,470,778	No
		31,001,108	14,496,136	

The following table provides information about the exposure to credit risk and ECL for consultancy fee receivables as at 31 December 2020 and 31 December 2019.

31 December 2020	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
	%	----------Pak Rupees---------		
Current	0.0%	**4,788,380**	-	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	48.9%	**3,900,405**	**1,907,845**	No
		8,688,785	**1,907,845**	

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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	

As per expected credit loss assessment no provision is required to be recognized against grant receivables.

Investments

The Company held investments of Rs. 32 million as at 31 December 2020 (2019: Rs. 46.7 million). These investments are held with the banks which are rated A1 to A1+ based on 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. 32,234,369 as at 31 December 2020 (2019: Rs. 1,803,047). 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.

34.1.2 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:

2020	**31 December 2020**				
	Carrying amount	**Contractual cash flows**	**Up to one year**	**Two to three years**	**Four to five years**
Accrued expenses	**1,175,695**	**(1,175,695)**	**(1,175,695)**	-	-
Accounts payable pension scheme	**6,880,501**	**(6,880,501)**	**(6,880,501)**	-	-
	40,006	**(40,006)**	**(40,006)**	-	-
Other liabilities	**1,132,739**	**(1,132,739)**	**(1,132,739)**	-	-
Long term loan	**21,090,690**	**(21,962,426)**	**(10,981,213)**	**(10,981,213)**	-
Lease liability	**11,692,254**	**(15,091,614)**	**(5,736,973)**	**(4,454,591)**	**(4,900,050)**
	42,011,885	**(46,282,981)**	**(25,947,127)**	**(15,435,804)**	**(4,900,050)**

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2019	31 December 2019				
	Carrying amount	Contractual cash flows	Up to one year	Two to three years	Four to five years
Accrued expenses	1,305,598	(1,305,598)	(1,305,598)	-	-
Accounts payable	20,304,642	(20,304,642)	(20,304,642)	-	-
Payable to employees' voluntary scheme	318,824	(318,824)	(318,824)	-	-
Other liabilities	3,882,329	(3,882,329)	(3,882,329)	-	-
	25,811,393	(25,811,393)	(25,811,393)	-	-

34.1.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

a) Currency risk

The Pak Rupee is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than the Pak Rupee. The Company is exposed to currency risk from consultancy fee receivable as follows:

	2020		2019	
	Rupees	**USD**	Rupees	USD
Consultancy fee receivable	**3,997,500**	**25,000**	5,433,268	35,019
Net exposure	**3,997,500**	**25,000**	5,433,268	35,019

The following significant exchange rates were applied during the year:

	Average rates		**Statement of Financial Position date rate**	
	2020	2019	**2020**	2019
US Dollars	**157.53**	147.33	**159.90**	155.15

Sensitivity Analysis

A 1% strengthening of the functional currency against USD as at 31 December 2020 would have decreased surplus by Rs. 39,975 (2019: Rs. 54,262). A 1% weakening of the functional currency against USD as at 31 December 2020 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

	2020		2019	
	Rupees	**GBP**	Rupees	GBP
Consultancy fee receivable	**1,755,780**	**8,205**	-	-
Net exposure	**1,755,780**	**8,205**	-	-

The following significant exchange rates were applied during the year:

	Average rates		Statement of Financial Position	
	2020	2019	**2020**	2019
GBP	**207.63**	188.30	**214.00**	201.25

Sensitivity Analysis

A 1% strengthening of the functional currency against GBP as at 31 December 2020 would have decreased surplus by Rs. 17,649 (2019: Rs. Nil). A 1% weakening of the functional currency against USD as at 31 December 2020 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

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, and short 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.

35 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.

36 NUMBER OF EMPLOYEES

	2020 (Number)	2019 (Number)
Number of employees of the Company at the reporting date	**15**	16
Average number of employees during the year	**16**	18

37 COMPARATIVE FIGURES

37.1 Reclassifications

Income and Expenditure Statement

Previously programme related expenses were classified as Capacity building, Enabling environment and information hub in income and expenditure statement. These have now been presented as part of Programme Cost for better presentation. Result of this reclassification is as follows:

	31 December 2019		
	As previously reported	Effect of reclassification	Balance after reclassification
	---------- Rupees in '000 ----------		
Programme cost	-	164,361,420	164,361,420
Capacity building	45,901,032	(45,901,032)	-
Enabling environment	74,979,420	(74,979,420)	-
Information hub	43,480,968	(43,480,968)	-

Since above reclassifications does not impact total expenses, net deficit and funds and reserves hence third statement of financial position is not required.

38 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year, COVID-19 pandemic emerged which impacted the global and national economies in general. Due to COVID-19 outbreak, there is a negative impact of Rs. 2.5 million on the revenues of the Company for the year ended 31 December 2020. This decline in revenue was because of global and national lockdown and travel restrictions imposed by the Governments to counter COVID-19 outbreak. The lockdown disrupted the planned activities under the Centre of Excellence (COE) initiative.

The management has evaluated that there are no significant implications of COVID-19 on items of income and expenditure or on the carrying amount of assets and liabilities of the Company other than those stated above.

39 GENERAL

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

40 DATE OF AUTHORIZATION

These financial statements were approved by the Board of Directors of the Company in their meeting held on 28 APR 2021.

CHIEF EXECUTIVE OFFICER

DIRECTOR