2021
ANNUAL REPORT

Pakistan
Microfinance Network
Achieving Together

khushhali MICROFINANCE BANK

NRSP National Rural Support Programme

Mobilink Microfinance Bank

telenor microfinance bank

microfinance U bank

HBL MICROFINANCE BANK مائیکروفنانس بینک
Formerly – The First MicroFinanceBank Ltd

FINCA® Microfinance Bank Limited

ADVANS PAKISTAN MICROFINANCE BANK

GBTI

ISLAMIC RELIEF

JWS PAKISTAN

Kashf FOUNDATION

AGAHE PAKISTAN

apna bank اپنا بینک

micro OPTIONS

AKHUWAT
Iman - Ihsan - Ikhlas

ASA PAKISTAN LTD

MOJAZ SUPPORT PROGRAM
Lets Bring Change

NRSP Microfinance Bank

OPD Support Program
او پی ڈی سپورٹ پروگرام

OPP-OCT

OLP

LOLC Microfinance Bank
Formerly Pak Oman Microfinance Bank

P R S P

RCDP
Ray of Hope

SMC SAFCO

SRSO

SRSP
SARHAD RURAL SUPPORT PROGRAMME

SVDP

FFO SUPPORT PROGRAM

TALEEM FINANCE COMPANY LTD

THARDEEP
Microfinance Foundation

وصل
WASIL

OUR MEMBERS

CON-TENTS

ABOUT PMN

The **Pakistan Microfinance Network - PMN** is an association of retail microfinance providers and is registered under Section 42 of the Companies Ordinance, comprised of Microfinance Banks - MFBs and Non-Bank Microfinance Companies – NBMFCs, based out of Islamabad, Pakistan. The Network's strength today stands at 46 retail microfinance providers (MFPs) that collectively account for over 99% of the total microfinance outreach in Pakistan. PMNs vision is to extend the frontiers of formal financial services to all, and mission is to support the financial sector, especially retail financial service providers, to enhance their scale, quality, diversity, and sustainability in order to achieve inclusive financial services.

Over the years, PMN has emerged as an information hub publishing various reports, papers and conducting large-scale qualitative and quantitative research studies with partners in the industry on Microfinance, Financial Inclusion, Financial literacy, Digital Microfinance, insurance and Product Development etc. At PMN, our success over the years has placed us in a position with access to all the microfinance institutions and develop in-depth institutional learning and expertise.

PROVIDER

Serving our members and stakeholders as an information gateway

01 ENABLING ENVIRONMENT

Promoting an enabling environment that benefits the work of all Stakeholders

02 CAPACITY BUILDING

Building the capacity of stakeholders, especially that of retail microfinance institutions

03 DIGITAL PAYMENT ECOSYSTEM

Enabling a payment ecosystem for the microfinance Industry

04 ADVOCACY

Championing the interests of microfinance industry with the business community

PMN’s VISION

Frontiers of Formal Financial Services reach out to all.

PMN’s MISSION

Support the financial sector, especially retail financial service providers, to enhance their scale, quality, diversity, and sustainability in order to achieve inclusive financial services.

PMN’s GOAL

Achieving together

CORE VALUES

The following values are key to PMN’s culture. They are reflected in the work we do, how we treat each other, and how we represent ourselves:

INNOVATION

COLLABORATION

DIVERSITY

TRANSPARENCY

EMPOWERMENT

COMMITTEES

POLICY COMMITTEE

- Mr Amir Khan – Chair
- Dr Rashid Bajwa
- Mr Kabeer Naqvi
- Ms Roshaneh Zafar
- Dr Amjad Saqib
- Mr Mudassar Aqil

AUDIT COMMITTEE

- Mr Kabeer Naqvi – Chair
- Mr Barak Ullah
- Ms Khurhseed Kotwal

RISK COMMITTEE

- Ms Khursheed Kotwal – Chair
- Mr Mudassar Aqil
- Ms Nilofer Sohail
- Mr Faisal Ejaz Khan

HR COMMITTEE

- Ms Sadaffe Abid – Chair
- Muhammad Murtaza
- Syed Sajjad Ali

AUDITORS

- KPMG

LEGAL AND TAX ADVISORS

- Azam Chaudhry Law Associates
- PwC

PMN BOARD OF DIRECTORS

CHAIRPERSON

- **Mr. Ghalib Nishtar**
  President & CEO
  Khushhali Microfinance Bank Ltd

VICE CHAIRPERSON

- **Ms. Sadaffe Abid**
  Co-Founder CIRCLE

DIRECTORS

- **Mr. Amir Khan**
  President & CEO
  HBL Microfinance Bank Limited

- **Mr.Kabeer Naqvi**
  President & CEO
  U Microfinance Bank Ltd.

- **Ms. Roshaneh Zafar**
  Managing Director
  Kashf Foundation

- **Dr.Rashid Bajwa**
  CEO
  National Rural Support Program

- **Dr, Amjad Saqib**
  Founder & CEO
  Akhuwat

- **Mr.Mudassar Aqil**
  President & CEO
  Telenor Microfinance Bank

- **Muhammad Murtaza**
  CEO
  Rural Community Development Program

- **Mr. Ghazanfar Azzam**
  President & CEO
  Mobilink Microfinance Bank Ltd,

- **Syed Sajjad Ali Shah**
  Managing Director & Company Secretary
  SAFCO Support Foundation

- **Mr.Barak Ullah**
  CEO
  Aaghe Pakistan

- **Mr.Faisal Ejaz Khan**
  CIO
  Bank of Punjab

- **Ms. Khursheed Kotwal**
  CEO
  Aasman International

- **Ms. Nilofer Sohail**
  AGM & Head Channel Strategy & Execution
  EFU

PMN TEAM MEMBERS

- **Syed Mohsin Ahmed**
  Chief Executive Officer
- **Mr. Ali Basharat**
  Head of Operations
- **Muhammad Waqas Khan**
  Chief Financial Officer &
  Company Secretary
- **Mr. Fahd Zaman Khan**
  Manager HR & Operations
- **Mr. Taimur Ahmed Farooq**
  Manager Research
- **Mr. Zeenoor Sheikh**
  Financial Analyst
- **Muhammad Hasnain**
  Manager Finance
- **Syed Zeeshan Ahmed**
  Accounts & Finance Assistant
- **Mr. Nadir Murad Khan**
  Admin Manager

MESSAGE FROM THE CHAIRMAN

On behalf of the Board of Directors, I am pleased to present to you PMN's annual report for the financial year ended 31 December 2021 ("FY 2021").

BUILDING BRAND EQUITY

Since its inception, PMN has come a long way and has a number of achievements to its name. It is now recognized locally and internationally as a cutting-edge organization, and a representative body of the microfinance sector in Pakistan. It has strong linkages locally and globally and has formed important strategic alliances with leading organizations in the field of financial inclusion. It also has a close relationship with donors working in this field such as Karandaaz Pakistan, The World Bank (WB), ADB, FCDO, KfW and IFC. On the domestic front, PMN is now represented on all important forums and committees relating to microfinance and financial inclusion. PMN also prides itself on its relationships at the policy level with organizations like the State Bank of Pakistan, SECP, Ministry of Finance and the Planning Commission. All this remains possible only because of the commitment and support of PMN's members, who generously contribute to the Network's work in terms of their time, information and data, and intellectual capital.

NAVIGATING INCLUSIVE FINANCE

Financial inclusion is distinctly moving up the reform agenda, both in individual countries and at the international level. Achieving financial inclusion is one of the key enablers of economic prosperity; an inclusive financial system, one that allows broader access to financial services, can lead to faster and more equitable growth. Financial development is not simply a result of economic growth; it is also the driver of economic growth. The drive for Financial Inclusion in Pakistan is aimed at ensuring that all adult members of the society have easy access to a broad range of financial products, designed according to their needs and provided at affordable costs. These products include payments, savings, credit, and insurance.

To accelerate the progress and to achieve the new milestones, PMN convened its fifth Annual Microfinance Conference AMC-5 with the main theme of "Embracing New Milestones; Navigating Inclusive Finance in a Post Pandemic Era" on October 5th- 7th, 2021 at Serena Hotel, Islamabad. The primary objective of this conference was to initiate a dialogue for concerted efforts among all relevant stakeholders, to identify the possible bottlenecks that exist in the industry that can possibly hinder the financial inclusion process and propose ideas to overcome it. The event featuring conversations, fireside chats, policy dialogue, lightening talk, situation room, debates and panel discussions was attended by over 200 national and international professionals and experts including representatives from microfinance providers, regulators, policy makers, donors, investors, commercial banks, digital financial players, and government authorities. Our most sincere gratitude and appreciation goes out to all those who took out their time to join us in the event which turned out to be huge success.

BUILDING CAPACITY

Activities were curtailed due to COVID-19 related travel restrictions and limitations on holding corporate events during the year. The Network reached out to international and national institutes such as Asian Institute of Technology (AIT, Thailand), International Training Center of the ILO (ITC-ILO), National Institute of Banking & Finance (NIBAF), PACRA, Institute of Cost & Management Accountants (ICMA) and Pakistan Institute of Corporate Governance (PICG) to develop certification courses and programs in order to expand its service offering to members under its Center of Excellence (COE) initiative. We expect our efforts will lead to fruitful outcomes for the sector especially in the areas of Corporate Governance, Risk Management, Finance, Leadership etc. With the aim to provide peer-to-peer learning opportunity, the Network aims to carry out international training events in collaboration with South-Asia Micro-Entrepreneurs Network (SAMN) and IMFN-International Islamic Microfinance Network.

KNOWLEDGE MANAGEMENT

The Network collaborated with Foreign, Commonwealth and Development Office (FCDO) and Microfinance Opportunities (MFO) for projects titled "FIP Impact Study" and "Wage Digitization Market Scoping". Going forward, the Network is strengthening its Research function for tailored-made research activities which will be identified and initiated for the different segments of the membership (e.g., RSPs, Telco-owned MFBs, Conventional MFPs). Relationship building with Academia, research institutes and international & local donors strategic alliances such as Pakistan Fintech Network, Islamic Microfinance Network etc. will be prioritized along with building a resource pool of consultants. Researches will focus on product development, creating linkages between microfinance and larger players in the financial inclusion eco system, carry out impact evaluation and help in informing policy makers on factors that can help in growth.

SUSTAINABILITY

It goes without saying that none of what the Network has achieved during the year would have been possible without ensuring that the Network has the financial resources to carry out its mandate. We were extremely fortunate in attracting major sponsorships and financial support during the past year. Our sincere thanks go to our many supporters in both the private and public sectors, especially UKAIDs DFID that has been a longstanding donor and supporter to PMN.

PMN has always regarded sustainability as one of our priorities in creating sustainable long-term value for our members. We will continue to put sustainability at the forefront of our business, balancing between economic objectives and social responsibility to the best of our abilities. PMN has been able to diversify and strengthen its revenue model while at the same time successfully managed to keep the fixed operating costs on the lower side. Thus, we will leverage on our diversified business model, track record of operational excellence and good financial discipline to bring about long-term value to our members.

WORDS OF APPRECIATION

I would like to thank the CEO and the entire management team for their support and hard work that has enabled us to come this far. I would also like to extend my gratitude to my fellow directors for their contributions to the Network. Last but not the least, I would like to show appreciation to our regulators (SECP & SBP) for their constant support in creating an enabling environment for the Microfinance Industry.

POSITIONED FOR A BRIGHT FUTURE

In this dawn of a new growth cycle, I believe that PMN is well-positioned to seize new opportunities as we arise by leveraging on our strengths. We will continue to focus on the execution of our Business Strategy and strive towards a more sustainable Network for our members. With good governance, strong internal controls and dedicated management, we are well positioned and have set the bar high. The Network has worked hard and earned the right to pursue its ambition to become one of the best Industry Networks in the world. On behalf of the Board of Directors, I wish them the very best.

MESSAGE FROM THE CEO

Respected stakeholders,

As we all know that Microfinance works as an instrument of self-employment for people including men and women to bring about change. Microfinance is the provision of financial services, usually in the form of small sized financial transactions to people who are unable to access such services from commercial banks. Microfinance has started gaining significance, as a tool of social mobilization and poverty reduction, since the late 1990s. Indeed, the enhanced international emphasis, in particular the increased funding from International Financial Institutes - IFIs for Microfinance, encouraged both public and private sector to develop microfinance sector in Pakistan.

The year 2021 was quite gloomy as the COVID-19 pandemic played havoc and worsened matters for the microfinance sector. MFIs suffered from both lack of repayments and a lack of access to capital and liquidity from funders. As per MFI's and MFB's reports active loans had gone down due to pandemic. However, the reduction in loan portfolio was lower than initially expected. The SBP loan scheme for paying wage bills helped several MFI's managing financial difficulties during the crisis. MFI's and MFB's survived the first wave of complete lock down in terms of massive defaults. However, if the situation had continued for long, it would have posed serious threats of bankruptcies for microfinance institutions and banks in Pakistan.

PMNs center of excellence initiative was impacted greatly as it was not able to provide the training services to the industry as it had been doing effectively in the past. We were only able to successfully launch Risk Management training in collaboration with PACRA. Having said that, I am pleased to inform that despite COVID-19 PMN held its 5th Annual Microfinance Conference successfully and has established its brand to hold regular annual events where microfinance and financial inclusion industry comes together along with policy makers, regulators, donors, and investors and share their ideas, thoughts, challenges, and plans.

I am delighted to report that the microfinance industry is very well-recognized by donors, investors, policy makers and regulators as one key pillar to provide convenient and accessible financial services to the underserved and low-income households. For this reason, our members should be commended for their spirit and commitment in somewhat unstable political and economic environment.

Just to give you a glimpse, the industry has witnessed some outstanding results by reaching to 8.12 million active borrowers with a gross loan portfolio of PKR 392 billion, savings have increased by 12.8%, from PKR 374 billion to PKR 422 billion by the end of the calendar year with 78.73 million active savers. The number of insurance policy holders crossed the 8 million mark and reached 8.2 million.

We believe our success is dependent upon our members' achievements and success. With the ongoing support of our donors, support from both the regulators (SBP and SECP), partners and the Board that provides strategic directions along with membership that is committed to the success of PMN and its initiatives, PMN is ready to achieve more in the face of challenges ahead in 2022. In the end, I would like to thank my team who have worked determinedly to keep PMN as one of the top microfinance associations. Without the support of all the stakeholders these achievements would not have been possible.

KEY MILESTONES

01. RESEARCH:

a. Pakistan's Wage Digitization Market: Scoping Research

02. POLICY ADVOCACY

a. AML/CFT Compliance Issues
b. Action Plan for NBMFCs to Transform into For Profit
c. SECP Amendments
d. MFCGs Operationalization
e. Housing Collaboration between NBMFCs and MFBs
f. Post Covid-19 TNA

03. PEER LEARNING:

- Annual Microfinance Conference – 5 (AMC-5) on "**Embracing New Milestones: Navigating Inclusive Finance in a Post Pandemic Era**" October 2021.
- Partnered with ECI, NIBAF, AIT, ICMA, and PACRA, for customized training programs.
- Quarterly Webinars were held during the year on:
  c.1."Debt Relief During the Global Health Crisis"
  c.2. "Addressing the Challenges to the Education Ecosystem Due to Covid-19" and
  c.3. "Provision of Microfinance to Street Vendors under Ehsaas Rehribaan Initiative"

04. DIGITAL FINANCIAL SERVICES:

- Funding secured from Karandaaz covering entire CAPEX
- Partnered with Easy Paisa, UBL Omni, HBL connect, NayPay, 1 Link, Bank of Punjab, Bank Alfalah, and Love for Data for provision of services
- Strategic Road Map for future operations

YEAR IN REVIEW 2021

PMN like always has worked for the benefit of not only its members but for the whole Microfinance sector and has been very persistent and effective in raising the sectors concerns on every platform. It has echoed its voice with the regulators and the policy makers, very effectively built their knowledge and skills, always stays connected with the top peers and experts, and help navigate changes in their business environments. Like every year PMN has been on the forefront in engaging with the regulators, policy makers, donors/investors, and global stakeholders in assessing the impact of COVID-19 and requesting for policy and funding support for the microfinance sector and its clients. PMN through its Centre of Excellence for Microfinance providers and through launch of digital services platform -Munsalik Digital Pvt Ltd. has always strived for the benefit of the Microfinance sector. These developments by PMN are just a steppingstone and it will continuously strive and move forward with more zeal and passion for the benefit of its members and of the sector in the coming years.

• DIGITAL SERVICES PLATFORM – MUNSALIK:

Digitization has become the buzz word in the world of technology and has revolutionized the money and the payment system. Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.

Digitalization of business helps to improve the efficiency of its process, consistency, and quality. It eliminates redundancies and shortening of communications chain, Improves and facilitates a better informational exchange, helps in providing customer service anywhere in the world, reduce operational costs, prevents human error, and improves the continuity of business growth.

Creative digital solutions give a competitive edge in the business world to enhance quality, reinvent profitable methods and promote consistency. Hence, there are many companies who have adopted digitalization of business as it saves cost, increases efficiency, reduces operational costs, lacks human error, and enables data to be analyzed.

The impact of digital change is rapid and far reaching. Never have individuals, businesses and nations been so dependent on technology, as they are nowadays. Nations becoming increasingly digital have experienced growth and productivity in their economies and businesses, leading to more jobs, higher levels of innovation, and better quality of life.

Historically, the financial sector is considered an early adopter of technological tools because of demanding client needs. Market conditions and current global trends have changed the strategic direction, urging the importance of digitalization in financial institutions.

Keeping this in mind, Pakistan Microfinance Network (PMN) initiated a digital services platform "Munsalik", formed in January 2021, to aid to the digital needs of the microfinance industry. Munsalik Digital (Private) Limited is a wholly owned, for profit, subsidiary of Pakistan Microfinance Network. Incorporated in Islamabad, MDPL is a technology services company with a vision to be the leading shared services platform that provides end-to-end digital connectivity with the financial ecosystem. MDPL aims to enable microfinance providers, institutions, and banks to digitally manage the loans including the loan disbursements and repayments through a shared digital services platform ("DSP").

Its core objective is to affect a paradigm shift by moving away from siloed infrastructure resulting in efficiencies and reduced risks, which, creates focus on core business for our members. This will be a boutique platform which will encapsulate innovation in the financial ecosystem.

Munsalik's inception is deeply intertwined and echo's with the needs of NBMFC's. In urgent need of technology, but not having the deep pockets to heavily invest in a technology, a request for low-cost services offering was received by the Pakistan Microfinance Network and that's how the Munsalik seed was planted. This idea led to the development of a shared services platform encapsulating the fundamental services required by the industry i.e., a robust loan management system and a financial middleware connecting all the transactional banking partners within the ecosystem. There are 11 microfinance institutions (representing 65% of the NBMFC industry) that have signed up for Munsalik Services. More than 46,000 transactions and 787 million rupees worth of transactions have been processed via the shared services platform in 3 (short) months since go-live. Further, microfinance banks are also showing interest in the financial middleware and are keen to use Munsalik's services because it provides competitive commercial pricing per channel and takes away the challenges of individually managing bilateral agreements with individual branchless banking providers. The road ahead is exciting as Munsalik paves the way for incorporating additional value-added services by partnering with relevant fintech partners resulting in a paradigm shift within the microfinance sector.

MFI	CONNECTIVITY	STATUS
• AGAHE PAKISTAN	LMS	✓
• FFO SUPPORT PROGRAM	LMS	✓
• UNION MICROFINANCE	LMS	✓
• THARDEEP FOUNDATION	Middleware	✓
• MOJAZ FOUNDATION	Middleware	✓
• SAFCO	Middleware	✓
• KASHF FOUNDATION	Middleware	✓
• DAMEN SUPPORT PROGRAM	Middleware	✓
• CSC EMPOWERMENT & INCLUSION PROGRAM	Middleware	✓
• JWS PAKISTAN	Middleware	✓
• RCDP	Middleware	✓

TRANSACTIONAL PARTNERS:

DFS	STATUS
• UBL Omni	✓
• HBL Konnect	✓
• Easy Paisa	✓
• 1 Link	In progress
• Bank of Punjab	In progress
• Bank Al Falah	Agreement
• NayPay	In progress
• Love for Data (LFD)	In progress

Transactions to date – 42,481
Value of transactions – 786,919,805

• PUBLICATIONS & RESEARCH:

PMN as always conducted solid and extensive Research and publications work this year. The studies included variety of themes and areas which were of utmost importance to our members and the microfinance sector. These studies were carried out to help the members in better understanding, decision making and, discerning and analytical ideas to facilitate better results. These findings have been shared across with our members, donors, and strategic partners. Our research work is a driving force and will add value to our goals and will encourage us in performing better in the coming years.

- IDENTIFICATION AND ASSESSMENT OF RISKS 2021:

The Pakistan Microfinance Network (PMN) has taken constructive steps to promote sound risk management practices amongst microfinance practitioners across Pakistan. As part of PMN's long-term strategy to achieve sustainable growth in the Pakistan microfinance sector, PMN had launched the first Risk Register for the microfinance sector in Pakistan in 2016. The Risk Register focuses on four broad risk categories: Operational Risk, Financial Risk, External Risk, and Strategic Risk. For each major risk category, the template further includes specific risk sub-categories keeping in view global best practices and regulatory requirements pertaining to risk management, along with constructive input from industry practitioners.

This exercise is carried out to provide management, the board, and key stakeholders with significant information on the main risks faced by the industry. The risk register also gives the institution's risk management stakeholders a clear view of the current status of each risk, at any point in time.

The previous findings of the consolidated risk register were dominated by the risks that had been aggravated by the Global Health Crisis and continued to affect the industry. However, the findings of this year's Risk Map indicated that the industry has been recovering gradually, as growth in outreach has also once again picked up.

It is recommended that the Risk Map for the industry and respective peer groups should be used as a benchmark by institutions to develop an appropriate and robust Risk Management Framework. This framework would prove essential in monitoring and consequently managing the key risks being faced by the institution.

To mitigate external risks (specifically Climate Risks), PMN is actively advocating the development of a meso level Disaster Risk Fund at different national and international forums. The sector-level Fund will ensure that adequate financial resources are available to protect the sector and its clients before a natural disaster strikes. These resources would then be available quickly to the MFPs to continue lending in the communities which are or may become vulnerable to climate risks. PMN is currently in the process of consolidating resources to conduct a thorough risk assessment nationally with respect to each MFP's potential risks, prevention, and reduction strategies, matching their location vulnerability with the disaster risk mapping. This will help in identification of disaster risk zones affecting the MFPs and its clients, along with impact-measurement, which will help in deciding the insurance/ risk transfer needs of each individual institution.

Lastly, based on the findings of the risk register, the persisting challenges on the external and strategic front being faced by the industry shall be discussed at the PMN's Risk Forum for the development of potential risk mitigation strategies. Furthermore, trainings and capacity building exercises for MFPs under PMN's Center of Excellence (CoE) are to be organized to develop the capacity of PMN members that will eventually aim to mitigate these risks.

Read more at: file:///C:/Users/HP/Desktop/Identification-Assessment-of-Risks-2021-vf.pdf

- PAKISTAN'S WAGE DIGITIZATION MARKET:

Scoping Research In Collaboration With Microfinance Opportunities (Mfo)

The objective of the research was to understand the current status of wage payments in Pakistan and the financial needs and support required for the transition to wage digitization.

It analyzed data collected from about three different stakeholders in wage digitization in the garments, textiles, and footwear sector in Pakistan: workers, factories/employers, and financial service providers.

The report suggested that workers prefer cash for everyday transactions, which makes sense given the typical small ticket size of the types of transactions they conduct. But there is the potential for that to change.

Additionally, it was found that there are a number of challenges to widespread adoption of digital payment system. On the worker side it will take some getting used to a system that seems to transfer money to another person with such ease. Trust in the system will have to be built so that workers do not fear losing all their money by touching their phone or card to a reader in the wrong way. On the merchant side, there is likely to be resistance because small cash payments that were not visible to the taxing authorities and other government entities will become digitally visible, and taxable.

- QUARTERLY BULLETIN ON MICROFINANCE INDUSTRY - MICROWATCH 62

By the end of the calendar year 2021, the loan portfolio of the industry depicted a 7% quarterly growth as disbursements jumped by 20%, while Savings surpassed the PKR 400 billion mark to clock at PKR 423 billion.

The GLP of the microfinance sector grew by 21% year-on-year (YoY) as of December 2021. MFBs dominated the market with a portfolio share of 74% compared to 69% in the prior quarter, while the share of NBMFCs was 36%. In terms of disbursements, the total number of loans disbursed stood at 4.8 million compared to 4.5 million in Q3. The average loan size also grew from PKR 24,846 to PKR 28,292 during the period backed by the surge in disbursements. Growth in deposits was driven by MFBs with HBL MFB (previously FMFB) leading the way by contributing PKR 16 billion in deposits, while KBL and MMFB amassed PKR 7 billion each. By the end of the year, MMFB led the market share in terms of depositors with 51% while KBL maintained the largest deposit base with PKR 93 billion, a market share 22%. MicroInsurance indicators depicted a decline as policy holders compared to the prior quarter as policy holders declined to 8.2 million from 8.5 million. By Q4, the market share of MFBs in terms of policy holders stood at 31% compared to 69% for NBMFCs.

The branch network of the industry increased from 3,795 to 3,823 by the end of 2021. Akhuwat maintained the largest geographic footprint in the country by increasing their network to 102 districts followed by KBL and Ubank as each serviced 81 and 78 districts respectively.

- QUARTERLY BULLETIN ON MICROFINANCE INDUSTRY - MICROWATCH 61

All key Microfinance outreach indicators depicted a steady growth trajectory in the third quarter of the year as the industry continued to recover from the effects of the global health crisis of COVID-19.

Active Borrowers were recorded at 8.2 million clients, an increase of 2% compared to the last quarter and 20% compared to the same period a year ago. The GLP surpassed PKR 365 billion from PKR 355 billion. Growth continues to be driven by MFBs as they added over 106,000 clients and 6.5 billion in GLP. The key contributors to outreach in terms of borrowers were MMFB, ASA and NRSP, which combined to add around 319,000 clients, while the growth in GLP was led by MMFB, KBL and FMFB, which managed to accumulate over PKR 8 billion.

The number of loans disbursed during the quarter decreased by 29% to 4.5 million loans, given the seasonal variation in disbursements. Whereas the quarter witnessed the average loan size grew despite the decrease in the number of loans disbursed. Credit Risk ncreased for MFBs while it declined for NBMFCs. On the MicroSavings front, Active Savers had increased to 72.5 million, a quarterly increase of 3.1% and an increase of 24% compared to a year ago. Consequently, savings grew the primary driver behind this growth were MMFB's MWallets, while the growth in savings was led by Ubank, FMFB, and MMFB as they amassed over PKR 10 billion in deposits. Policy Holders depicted a marginal decrease compared to the previous quarter but still up by 22% compared to the same period last year. The growth in policy holders was driven by TMFB, Kashf and MMFB, which amassed over 242,000 policy holders. Whereas the growth in the sum insured was led by MMFB, KBL and FMFB, which accumulated around PKR 10 billion. Kashf lead the market with the highest number of policy holders with 2.8 million and sum insured of PKR 78 billion, representing a market share of 33% and 24% in terms of each indicator. The total number of branches increased to 3,795 from 3,703 previously. Akhuwat maintained the largest geographic footprint nationwide by increasing their outreach to 100 districts followed by KBL and FMFB as each serviced 81 districts.

Read more at: https://pmn.org.pk/microwatch-issue-61/

- QUARTERLY BULLETIN ON MICROFINANCE INDUSTRY - MICROWATCH 60

All key Microfinance outreach indicators portrayed a positive outlook as the second quarter of the year ended. Active Borrowers surpassed 8 million, depicting an increase of 6%. Consequently, the GLP also crossed PKR 355 billion from PKR 340 billion, an increase of 4.5% quarterly and 19% on a YoY basis.

Growth was once again driven by the MFBs as they accumulated over 346,000 clients and over 12.6 billion in GLP. The key contributor in terms of clients remains MMFB as they successfully experiment with their Digital Lending portfolio, while KBL led the growth in GLP as they amassed over 3.3 billion. The two entities also remain the largest providers of Microcredit in terms of clients and GLP respectively. The NBMFCs also contributed to the growth in credit with an addition of over 94,000 clients and 2.6 billion in portfolio. The number of loans disbursed during the quarter increased by 55%. In contrast, the disbursements increased by 7% compared to last quarter, led by Akhuwat and MMFB. However, the significant number of loans disbursed drove the average loan size down.

Active Savers had increased to 70 million, savings grew to PKR 379 billion, an increase of 29% compared to a year ago. The major contributor to the number of savers were MMFB's M-Wallets, while the growth in savings was led by FMFB, AMFB and Ubank as they amassed over PKR 11 billion in deposits. On the MicroInsurance front, Policy Holders rose to 8.5 million, depicting a growth of 11%, Similarly, the Sum Insured also surged by 20%. The growth in both policy holders and sum insured was led by Kashf, MMFB and NRSP as they accumulated around 806,000 policies with a sum insured of around PKR 46 billion. The total number of branches declined to 3,703 from 3,783 previously. Akhuwat maintained the largest geographic footprint nationwide by covering 97 districts followed by KBL and FMFB with 82 and 81 districts serviced respectively.

- QUARTERLY BULLETIN ON MICROFINANCE INDUSTRY - MICROWATCH 59

The first quarter of 2021 depicted steady growth as the industry and country prepared to tackle the third wave of the Global Health Crisis caused by Covid-19. The quarter under review saw the Active Borrowers finally exceed pre-Covid figures as the indicator reached 7.6 million borrowers. The GLP surpassed PKR 340 billion. The growth in active borrowers and GLP continues to be driven by the MFB peer group as they managed to add over 614,000 clients and PKR 11 billion in GLP. The increase in clients was due to the fact that MMFB digital credit substantially improved. In terms of GLP, the surge was led by FMFB, MMFB, KBL and Ubank as together they added over PKR 10 billion to the portfolio. NBMFC peer group also contributed to portfolio growth with an addition of PKR 4.7 billion, led mainly by Kashf and NRSP. The number of loans disbursed increased which translated into over 4 million, while the disbursements declined. This is because of the high number of digital loans disbursed by MMFB, which also contracted the average loan size from PKR 36,175 to PKR 25,022. On the Microsavings front, Active Savers increased however, savings declined marginally. The increase in savers was driven by M-Wallets, as MMFB added an additional 3.5 million. Of the traditional accounts, the increase in savers was led by Ubank, FMFB, KBL and Finca as they accumulated over 630,000 clients. However, in terms of savings, FMFB, NRSP-B and MMFB led the way by amassing PKR 7.3 billion. The increase in policyholders was driven by the NBMFC peer group, led by Damen and Kashf which accumulated over 400,000 policyholders and a sum insured of almost PKR 12 billion. Of the MFBs, FMFB and KBL amassed over PKR 5 billion in terms of the sum insured.

The total number of branches declined to 3,783 from 3,828 previously. Akhuwat continued to maintain the largest geographic footprint nationwide by covering 97 districts followed by KBL and FMFB with 82 and 81 districts serviced respectively.

Read more at: https://pmn.org.pk/microwatch-issue-59/

• EVENTS & WEBINARS:

The organization of events is a central task for all the organizations. Special events are a catalyst for improvement in the organization and they help the organization to focus on the efforts of individuals in achieving medium and long-term goals. The Microfinance sector in Pakistan has a huge potential and to tap that potential the capacity of the institutions needs to be improved by capacity building. Capacity building enables nonprofit organizations or any organization and their leaders to develop competencies and skills that can make them more effective and sustainable, thus increasing the potential for charitable nonprofits to enrich lives and solve society's most intractable problems.

PMN uses several tools to achieve the capacity building goal such as events, trainings (local and international), and exposure and exchange visits (local and international). Under the umbrella of PMN's Center of Excellence, PMN has been involved in arranging some trainings at local level and at international level. Unfortunately, due to the COVID-19 pandemic we were unable to organize any training for the sector.

EVENTS

- Annual Microfinance Conference AMC-5:

Pakistan Microfinance Network - PMN to accelerate the progress and to achieve the new milestones, PMN convened its fifth Annual Microfinance Conference AMC-5 with the main theme of "Embracing New Milestones; Navigating Inclusive Finance in a Post Pandemic Era" on October 5th- 7th, 2021 at Serena Hotel, Islamabad. The primary objective of this conference was to initiate a dialogue for concerted efforts among all relevant stakeholders, to identify the possible bottlenecks that exist in the industry that can possibly hinder the financial inclusion process and propose ideas to overcome it. Another purpose of this event is to provide a platform to all stakeholders such as microfinance providers, financial service providers involved in financial inclusion (like banks, digital financial service providers, FinTechs and insurance companies), donor agencies, policy makers, regulators, development agencies and government authorities and discuss the ways to broaden the horizons of the microfinance industry. Additionally, another objective of the conference was to create space for presentation of current results amidst the Global Health Crisis caused due to COVID-19 in the financial inclusion ecosystem and its impact on social and regional policy.

The conference created space for forming collaborative links between Financial Service Providers, Investors/Donors, Multi-lateral companies, and all other relevant stakeholders, aiming at long-term sharing of knowledge and discussions of highly current issues. The main issues discussed at the conference were:

- Policy and regulatory challenges
- Microfinance and Low-cost housing
- Catering the youth; Kamyab Jawan – youth empowerment scheme
- Digital Finance & the FinTech Eco-System
- Financial Inclusion and Inclusion of other marginalized segments (youth, transgender, old age, race, minorities etc.)
- COVID-19: Lessons from around the globe
- Developing the funding landscape
- Climate Change & Disaster Risk Facility for the Microfinance Sector and
- Inclusive Insurance

The annual microfinance conference featured conversations, fireside chats, policy dialogue, debates and panel discussions on microfinancing & low-cost housing, financial Inclusion in economically deprived areas, COVID-19, digital finance, and making microfinance more credible through setting up of a structure that can provide necessary financial support in events like COVID-19. Over 200 national and international professionals and experts including representatives from microfinance providers, regulators, policy makers, donors, investors, commercial banks, digital financial players, and government authorities participated in this event.

- Pakistan Microfinance Review 2020:

Pakistan Microfinance Review 2020 was officially launched during PMNs Annual Microfinance Conference AMC-5 in October 2021.

The year 2020 was challenging for the economy and the microfinance industry due to the prevailing Global Health Crisis caused by the COVID-19 Pandemic, which tested the entire economy and the country. The year began with the looming shadow of COVID-19. With the first Covid case reported in the country by the end of quarter 1 of the year followed by widespread closure of businesses due to lockdowns and the restrictions filled the industry with uncertainty about the future. Moreover, operations of the MFPs were severely restricted, and there were instances that they were closed. Field operations were severely curtailed keeping in view the safety and well-being of both the staff and the clients.

Policy makers and regulators were cognizant to the situation of the industry with a cut of 625 bps in the policy rate and number of regulatory changes were made to facilitate the banking fraternity particularly MFPs and their clients. Moreover, players were allowed to defer and reschedule loans of the client's facing problem in repaying their loans due to business closure. In turn, MFPs were given the choice to defer/reschedule loans due to financial institutions including PMIC and commercial banks. Salary wages scheme was also made available to NBMFCs. Implementation of accounting laws like IFRS 9 was delayed in order to facilitate the sector. These steps allowed MFPs to whether the crisis.

Despite the adversity, several steps were taken on the funding side including setting up of guarantee fund and social impact funds. A few players raised Tier 2 capital and issued bonds.

The economy suffered a major setback during the Financial Year (FY) 20 as economic growth plunged from 1.9 percent in FY 19 to negative 0.4 percent against a target of 4.0 percent during the year. The COVID relief measures and initiatives rolled out by the SBP were instrumental in ensuring business continuity and income security. The initiatives introduced by the Central Bank proved pivotal in managing the crisis and it is estimated that the liquidity impact from these relief measures was equivalent to 4.0 percent of GDP.

Amidst the deployment of COVID-19 measures during the year, both the regulators, the SBP and the SECP also announced regulatory relief for all microfinance providers towards the end of March 2020. This Debt Relief Scheme aimed to preserve the solvency of the borrowers and enabled them to combat the temporary economic disruptions. These measures allowed flexibility in regulatory reporting and compliance and encouraged these entities to defer borrowers' obligations to repay loan principal by one year (upon request from clients), while continuing to collect interest/mark-up payments. Furthermore, the deferment or rescheduling would not affect the credit history of the borrower and would not be reported as restructuring in the Credit Information Bureau.

Responding to the outbreak of COVID-19 pandemic and the lockdowns, the SECP introduced targeted regulatory reforms and relaxations to facilitate NBMFCs. These included amendments to the NBFC Regulations, 2008 to provide relief to NBMFCs in order to enable them to have access to credit lines from their wholesale lender and to strengthen their equity base.

In the wake of the Pandemic, the SBP introduced a Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Businesses in April 2020. The main aim of this facility was to prevent layoffs due to the adverse conditions caused by COVID-19 by financing wages and salaries of employees for six months (April 2020-Sep 2020) for businesses. Entities that were not eligible under the scheme included Government entities, public sector enterprises, autonomous bodies and deposit taking financial institutions.

Overall, global health crisis due to Covid 19 can be called the biggest crisis that hit the microfinance sector so far. MFPs witnessed a negative growth after a decade due to the uncertainty. The sector was able to weather the crisis with the help of the regulatory support extended to it. MFPs facilitated their clients by deferring their loans. However, the impact of the health crisis on the country remained less as compared to the region and many other countries around the globe. With no extended lockdowns saw the businesses activity continue. Those MFPs that had embraced digitization performed better than the rest.

Despite challenges a number of policy initiatives were launched including setting up of STR, launch of social impact fund and Credit Enhancement facility. As the players plan for post-Covid scenario, it is widely understood that the sector will play an important role in the economic recovery.

WEBINARS

PMN launched a series of webinars in the year 2021 to discuss issues that were most pertinent for the microfinance sector.

- Moving the Needle: Making Microinsurance More Inclusive:

PMN in collaboration with MicroInsurance Network – MiN organised a country workshop on the theme "Moving the Needle: Making Microinsurance More Inclusive" in February 2022, with focus on Pakistan.

The idea to organize this webinar was to form awareness about insurance and its importance as its existence is close to none in Pakistan. The main purpose of this workshop was to create awareness among the microfinance community about the prospects and challenges of insurance in Pakistan and to help identify next steps and foster the development of the national ecosystem.

This initiative tried to highlight the importance of Insurance for everyone as it provides protection and avenues for investment. This webinar also highlighted the idea that how extremely important is it to prepare for the future and be ready for any catastrophe with regards to life's unpredictability.

It was highly encouraged that Government bodies and insurance companies collaborate and work together to ensure that insurance initiatives expand within the country and reach people who need it most.

- Addressing the Challenges to the Education Ecosystem Due to Covid-19:

PMN conducted its second webinar in May 2021 on "Addressing the Challenges to the Education Ecosystem Due to Covid-19". The webinar dwelled upon the pandemic's adverse effects on the education ecosystem in Pakistan.

Discussions mainly revolved around on how the extended shutdown of schools has impacted the national education ecosystem in distinct ways. And how the closure of schools has created a huge gap in students' learning and knowledge not only in Pakistan but all over the globe. The experts gave their views and advised the kind of policies and facilities that need to be adopted to stop the pandemic from having a huge impact on the education ecosystem. And gave suggestions on how to avert a looming learning crisis, permanent school closures, and a higher dropout rate.

- Provision of Microfinance to Street Vendors under Ehsaas Rehribaan Initiative

Pakistan Microfinance Network (PMN) and Pakistan Institute of Development Economics (PIDE) jointly conducting a webinar in August 2021 on "Provision of Microfinance to Street Vendors under Ehsaas Rehribaan Initiative". The purpose of this webinar was to create awareness among the microfinance community about the commercial prospects of financing street vendors and government facilitation in viable product development.

• POLICY ADVOCACY:

Pakistan Microfinance Network values its association with key stakeholders in the Government, particularly with SBP, SECP and the Ministry of Finance other than this with PMIC and FCDO. Like always PMN continued to hold dialogues with SBP through sector level discussions during the meetings between the PMN CEO and the Director MFD. Since PMN is a member of most of the SBP committees that oversee microfinance issues, the sector's views were discussed at those forums in detail. PMN is part of the task force set up by the Planning Commission that reviews Pakistan's achievements and challenges to its commitments with the United Nations on the Millennium Development Goals.

- AML/CFT Session with SECP:

PMN organized a meeting with SECP Commissioner on its NBMFC members related to AML/CFT issues being faced by them. In the follow up to session, SECP approached NADRA for reduction of CNIC verification rates and access to biometric verification on behalf of NBMFCs. Also, SECP held awareness session on AML/CFT for NBMFCs and took up industry's request for standardized format for list of proscribed persons for all agencies working in this ambit. In addition, PMN prepared guidelines for BoD of AML/CFT.

- Transforming NBMFCs into For Profit Entities:

PMN approached SECP on behalf of the NBMFCs for assistance in transformation of not-for-profit NBMFCs into for-profit entities. In this regard, SECP formed a committee comprising of three of its Executive Directors to guide the transformation. At the moment, one NBMFCs transformation has been successfully completed.

- Microfinance Consultative Group – MFCG:

Data related to loan rescheduled/deferred by the industry was shared with the MFCG and relaxations on IFRS 9 and provisioning were requested on behalf of the industry.

• STRATEGY FOR 2022:

During 2022 PMN will focus on addressing the challenges of Covid19 and the floods that has caused havoc in the country by interacting with regulators and policy makers. Keeping the climate change impact on Pakistan PMN will focus and work towards developing a medium- and long-term strategy for having a disaster risk facility for the industry.

PMN will also work towards spinning of its Digital Services Platform and invite shareholders to convert Munsalik into a high-quality shared platform for the microfinance industry.

PMN will also emphasize on capitalizing its investments in the Center of Excellence initiative and credit bureau to address HR and credit risk related challenges of the industry. PMN will also move towards building its research capacity to cater to the sector requirements and focus on increasing its networking and linkages with other global players.

2021 AUDITED FINANCIAL STATEMENTS

Pakistan Microfinance Network

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021	2020
		----------Pak Rupees----------	
NON - CURRENT ASSETS			
Property and equipment	4	**157,147,210**	156,480,276
Intangible assets	5	**115,757,512**	64,475,264
Long term loans	6	**245,444**	49,656
Long term investment	7	**33,284,789**	33,800,617
Deferred tax	8	-	-
		306,434,955	254,805,813
CURRENT ASSETS			
Grant receivable	9	-	44,473,207
Consultancy fees receivable	10	**2,100,832**	6,780,940
Loans and advances	11	**3,189,123**	5,109,225
Deposits and short term prepayments	12	**6,442,639**	3,589,818
Training and other receivables	13	**30,058,932**	21,325,648
Short term investments	14	**22,003,001**	32,003,000
Bank balances	15	**4,302,962**	32,234,370
		68,097,489	145,516,208
TOTAL ASSETS		**374,532,444**	400,322,021
FUNDS AND RESERVES			
Unrestricted funds		**262,338,493**	79,542,835
Endowment fund		**70,485,728**	70,485,728
		332,824,221	150,028,563
NON CURRENT LIABILITIES			
Deferred grants	16	**1,330,628**	2,275,301
Long term loan	17	**531,146**	10,175,415
Lease liability	18	**4,407,806**	7,643,647
		6,269,580	20,094,363
CURRENT LIABILITIES			
Deferred grants	19	**944,673**	159,215,796
Accrued and other liabilities	20	**20,954,225**	56,019,417
Current portion of long term loan	17	**10,303,903**	10,915,275
Current portion of lease liability	18	**3,235,842**	4,048,607
		35,438,643	230,199,095
TOTAL FUNDS, RESERVES AND LIABILITIES		**374,532,444**	400,322,021
CONTINGENCIES & COMMITMENTS	21		

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Pakistan Microfinance Network

Consolidated Income and Expenditure Statement

For the year ended 31 December 2021

	Note	2021	2020
		----------Pak Rupees----------	
INCOME			
Grant income	22	**241,101,673**	64,735,969
Members' contributions	23	**18,760,000**	8,625,000
Institutional contributions	24	**26,000,000**	-
Income from trainings	25	-	2,488,725
Income from research projects / consultancy	26	**11,631,244**	7,583,480
Income from sponsorships	27	**12,506,034**	11,750,791
Facilitation fee income	28	**19,374,877**	-
Annual support charges	29	**225,000**	-
Other income	30	**1,497,924**	4,179,352
		331,096,752	99,363,317
EXPENDITURE			
Governance and management	31	**(53,030,667)**	(28,994,641)
Programme cost	32	**(62,265,011)**	(66,546,775)
Cost of services	33	**(33,555,627)**	-
		(148,851,305)	(95,541,416)
Surplus from operations		**182,245,447**	3,821,901
Finance income	34	**3,522,693**	3,203,887
Finance costs	35	**(2,140,553)**	(1,907,189)
Net finance income		**1,382,140**	1,296,698
Net (impairment loss) / reversal of impairment		**(316,101)**	3,485,746
Share of gain / (loss) from associate	7	**(515,828)**	(3,677,383)
Surplus before tax		**182,795,658**	4,926,962
Provision for taxation	3.8	-	-
SURPLUS FOR THE YEAR		**182,795,658**	4,926,962

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Pakistan Microfinance Network

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	2021	2020
	----------------Pak Rupees----------------	
SURPLUS FOR THE YEAR	**182,795,658**	4,926,962
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**182,795,658**	4,926,962

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network

Consolidated Statement of Changes in Funds and Reserves

For the year ended 31 December 2021

	Funds and Reserves		
	Unrestricted funds	Endowment fund	Total
	------------------Pak Rupees------------------		
Balance as at 01 January 2020	74,615,873	70,485,728	145,101,601
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
Balance as at 01 January 2021	**79,542,835**	**70,485,728**	**150,028,563**
Surplus for the year	**182,795,658**	-	**182,795,658**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**182,795,658**	-	**182,795,658**
Balance as at 31 December 2021	**262,338,493**	**70,485,728**	**332,824,221**

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network
Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		---------Pak Rupees---------	
Surplus before tax		182,795,658	4,926,962
Adjustments for:			
Depreciation	4.1	16,073,031	4,412,109
Amortization	5.1	9,508,472	612,259
Amortization of pre-incorporation expenses		402,227	-
Net impairment gain on receivables		316,101	(3,485,746)
Share of loss from associate	7	515,828	3,677,383
Gain on disposal of operating fixed assets		(18,062)	63,298
Amortization of deferred capital grant	22	(1,618,702)	(1,514,509)
Amortization of deferred grant		(225,878,583)	-
Finance costs	35	2,140,553	1,907,189
Finance income	34	(3,522,693)	(3,203,887)
		(202,081,828)	2,468,096
Changes in:			
Consultancy fees receivable		4,247,130	(3,256,517)
Loans and advances		1,847,928	1,225,889
Deposits and short-term prepayments		(1,243,913)	(1,369,801)
Grant receivable		44,473,207	(33,800,389)
Training and other receivables		(10,546,378)	3,885,786
Sales tax receivable		(81,164)	-
Accrued and other liabilities		(35,065,192)	24,487,210
		3,631,618	(8,826,822)
Cash used in operating activities		(15,654,552)	(1,431,764)
Interest received		397,573	-
Income taxes paid		-	-
		397,573	-
Net cash used in operating activities		(15,256,979)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment including capital work in progress		(16,783,903)	(90,072,913)
Acquisition of intangibles - including capital work in progress		(60,790,720)	(27,924,466)
Proceeds from disposal of operating fixed assets		62,000	510,000
Short term investments made		-	(42,003,000)
Short term investments redeemed		9,999,999	30,000,000
Payment of subsidiary incorporation fee		-	(2,011,135)
Long term investments redeemed		-	26,636,714
Long term loans issued		(123,614)	817,275
Interest received		3,125,120	3,343,152
Net cash used in investing activities		(64,511,118)	(100,704,373)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred grants received		69,090,095	112,292,379
Long term loans received during the year		(11,516,433)	21,962,426
Repayment of lease liability		(5,736,973)	(1,687,345)
Net cash generated from financing activities		51,836,689	132,567,460
Net (decrease) / increase in cash and cash equivalents during the year		(27,931,408)	30,431,323
Cash and cash equivalents at the beginning of the year		32,234,370	1,803,047
Cash and cash equivalents at the beginning of the year	15	4,302,962	32,234,370

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

1 CORPORATE AND GENERAL INFORMATION

1.1 The Group and Its Operations

Pakistan Microfinance Network (the Holding 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 Holding Company is to enhance the scale, quality, diversity, and sustainability of retail Microfinance Institutions (MFIs) in Pakistan. The Holding Company pursues this mission through the achievement of the following three primary objectives:

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

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

1.2 Holding Company's license issued under Section 42 of the Companies Act, 2017 expired on 10 August 2020. The Holding Company has applied for renewal of license and its renewal by the Securities and Exchange Commission of Pakistan is pending on account of clearance from Ministry of Interior.

1.3 The Holding Company has 99.9% shareholding in Munsalik Digital (Private) Limited ("the subsidiary Company") and has the right to elect and appoint directors for the proportionate shareholding of Munsalik Digital (Private) Limited

1.4 Munsalik Digital (Private) Limited (the subsidiary Company), was incorporated in Pakistan on January 05, 2021, under the Companies Act 2017 as Private Limited Company. The subsidiary Company's registered office is located at 1st Floor, 85-East Kamran Centre, Blue Area, Islamabad. Main objectives of the subsidiary Company are to improve the technological infrastructure of the microfinance industry. It focuses on digitizing the internal and external operations of the microfinance providers through a state-of-the-art shared Loan Management System (and a shared middleware that connects the Microfinance Providers (MFPs) with various financial touchpoints for loan disbursement and recovery. In addition, the subsidiary Company also provides services such as credit history checks and sanction list screening in partnership with established players in the market.

As at the reporting date, the Holding Company has a wholly owned subsidiary, Munsalik Digital (Private) Limited, which together with the Holding Company constitutes "the Group".

2 STATEMENT OF COMPLIANCE & BASIS OF PREPARATION

2.1 Statement of Compliance

These consolidated 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 consolidated financial statements have been prepared under historical cost convention except for investment in associate which is stated using equity method of accounting.

2.3 Basis of Consolidation:

These consolidated financial statements include the financial statements of Pakistan Microfinance Network and its subsidiary company Munsalik Digital (Private) Limited (the Group).

The financial year of the subsidiary Company ends on 31 December which coincides with the Holding Company's financial year.

Subsidiaries

A subsidiary is an enterprise:

i. In case of a company or body corporate, in which the Parent Company, directly or indirectly controls, beneficially owns, or holds more than 50 percent of voting securities, or otherwise, has the power to elect and appoint more than 50 percent of its directors; or

ii. In case of any other investee (including a company or body corporate for which the above condition is not met), over which the Group has obtained control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the enterprise. Generally, there is a presumption that a majority of voting rights result in control.

To support this presumption and when the Group has less than majority of the voting or similar rights of an investee, the Group consider all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangements with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights. The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences, until the date that control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the net assets of the subsidiaries.

Material intra-group balances and transactions have been eliminated.

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

The preparation of consolidated 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 Group's accounting policies, management has made the following estimates and judgments, which are significant to the consolidated financial statements:

Note 3.1 - useful lives, reassessed values, residual values and depreciation method of property and equipment

Note 3.2 - useful lives, reassessed values, residual values and amortization method of intangible assets.

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

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

Note 3.10 - measurement of ECL allowance for receivables

Measurement of fair values

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

The Group 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 Group 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 Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.6 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 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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.

- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  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 annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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.

- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods 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.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- 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.

The above amendments are not likely to have an impact on the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

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 Group 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 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 charged to income.

3.3 Investment in associates

The Group's interests in equity-accounted investees comprise of interests in associates. Associates are those entities in which the Holding 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 Group 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 Group 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 Group 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 Group 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 Group 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 consolidated financial position when, and only when, the Group 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 Group 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 Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group 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 Group 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

The Holding Company

Defined contribution plans

The Group operates a defined contribution voluntary pension scheme for its permanent employees. Contributions to the scheme are made by the Group 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 Group 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 Group 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.

The Subsidiary Company:

Voluntary pension scheme

Permanent employees are entitled to provident fund contribution after completing his/her probation period. The Provident Fund is financed by employee's contributions and equal contribution by the Company equivalent to 10% of basic salary. The contribution is transferred to the Voluntary Pension Scheme (VPS) account maintained with the Pension Fund Manager.

Fund balances can be temporarily or permanently withdrawn by employees in accordance with the provisions of Income Tax Rules 2002.

3.8 Taxation

The Holding Company:

The Holding 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. The Holding Company has been granted a recognition as not-for-profit organization under section 2(36) of the Income Tax Ordinance, 2001. Therefore, no provision for taxation has been recognized in the Holding Company's financial statements.

The Holding 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 Subsidiary Company:

Current Tax:
Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of previous years.

Deferred Tax:
Deferred tax is accounted for on all major taxable temporary differences between the carrying amounts of the assets for financial reporting purposes and their taxation base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each consolidated statement of financial position date, Munsalik re-assesses the carrying and unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the consolidated statement of financial position date.

3.9 Foreign currency transactions and translation

These consolidated financial statements are presented in Pak Rupees, which is the Group'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 Group 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group is exposed to credit risk.

At each reporting date, the Group 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 Group 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 Group 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

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Sponsorship Income	The Holding Company generates sponsorship income from its Annual Microfinance Conference. As per the agreed sponsorship packages, the Holding 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 Holding 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 Holding 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 Holding 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 Holding Company achieves the milestone agreed and thereafter submits research reports. Invoices are usually payable in 30 days. The Holding 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.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
IT & Allied Services	The performance obligation is satisfied at a point in time upon completion of rendering of services and acceptance by the customer. Invoices are usually payable in 30 days. Munsalik Digital (Private) Limited does not provide any discounts for early settlement of the invoices.	Revenue from IT and allied services is recognized at the point in time when the services are rendered to the customer, generally on completion of the services.

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 Group'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 Group 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 Group 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 Group 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 Group 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 Holding Company, comprising of the surplus generated from the Holding Company's operations, and is available for utilization for the day-to-day operations of the Holding 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 Holding Company'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 Holding Company and accordingly, the Holding 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 Holding Company.

3.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not to the Group.

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and cheques in hand, bank balances, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and running finances under mark-up arrangements.

Pakistan Microfinance Network
Notes to the consolidated financial statements
For the year ended 31 December 2021

4 PROPERTY AND EQUIPMENT

	Note	2021	2020
		---Pak Rupees---	
Operating fixed assets	4.1	157,147,210	22,028,434
Capital work in progress	4.2	-	134,451,842
		157,147,210	156,480,276

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
2021		---Pak Rupees---				%	---Pak Rupees---				Pak Rupees
Owned											
Leasehold improvements		4,762,000	-	-	4,762,000	20	408,373	952,400	-	1,360,773	3,401,227
Furniture and fittings		1,614,737	-	-	1,614,737	20	681,284	274,156	-	955,440	659,297
Office equipment		3,329,645	257,581	(179,964)	3,407,262	20	2,434,512	321,431	(136,026)	2,619,917	787,345
Motor Vehicles		3,831,250	-	-	3,831,250	33	195,916	1,276,956	-	1,472,872	2,358,378
Computer equipment		3,401,049	95,000	(109,600)	3,386,449	33	3,061,020	152,600	(109,600)	3,104,020	282,429
Specialized servers & IT equipment	4.1.1	-	150,883,164	-	150,883,164	10	-	10,127,774	-	10,127,774	140,755,390
Right of use Assets	18.1	14,838,573	-	-	14,838,573	20	2,967,715	2,967,714	-	5,935,429	8,903,144
		31,777,254	151,235,745	(289,564)	182,723,435		9,748,820	16,073,031	(245,626)	25,576,226	157,147,210
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		-	3,831,250	-	3,831,250	33	-	195,916	-	195,916	3,635,334
Computer equipment		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

4.1.1 This includes transfer of assets from capital work in progress amounting to Rs. 134.45 million (2020: Nil). This hardware infrastructure is placed at data centers of Pakistan Telecommunication Company Limited (PTCL). The primary site is situated in Islamabad and the disaster recovery site is located in Lahore.

	Note	2021	2020
		----------Pak Rupees----------	
4.2 CAPITAL WORK IN PROGRESS - OPERATING FIXED ASSETS			
Balance at the beginning of the year		**134,451,842**	-
Transfers from advance for acquisition of hardware	4	-	5,587,820
Additions made during the year		-	128,864,022
Transfer to operating fixed assets	4.2.1	**(134,451,842)**	-
Balance at the end of the year		-	134,451,842

4.2.1 This represents costs incurred for purchase of hardware infrastructure from Pakistan Telecommunications Company Limited (PTCL) for setting up Digital Services Platform (the Platform). In the prior year, the Group entered into a grant agreement with Karandaaz Pakistan to finance the Group's initiative of setting up the Platform. As per milestones committed under the said grant agreement, the Group was required to set up a Subsidiary Company to branch out the operations of the Platform. During the year, the Group incorporated the Subsidiary named "Munsalik Digital Private Limited (MDPL)" and obtained approval from Securities and Exchange Commission of Pakistan (SECP) for investment in MDPL.

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5 INTANGIBLE ASSETS

	Note	2021	2020
		---------Pak Rupees---------	
Softwares	5.1	109,939,388	350,122
Capital work in progress	5.2	5,818,124	64,125,142
		115,757,512	64,475,264

5.1 SOFTWARES

	Note	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	WRITTEN DOWN VALUE As at 31 December
		----Pak Rupees----				%	----Pak Rupees----				Pak Rupees
2021											
GIS based support system - MicroEye		4,004,755	-	-	4,004,755	33.33	3,654,633	350,122	-	4,004,755	-
Shared digital services platform	5.1.1	-	115,236,441	-	115,236,441	10-33	-	7,871,376	-	7,871,376	107,365,065
Accounting and anti-virus software		2,432,523	-	-	2,432,523	33.33	2,432,523		-	2,432,523	-
Staff Information Bureau		273,311	-	-	273,311	33.33	273,311	-	-	273,311	-
Pakistan Microfinance Review		1,117,555	3,861,297	-	4,978,852	33.33	1,117,555	1,286,974	-	2,404,529	2,574,323
		7,828,144	119,097,738	-	126,925,882		7,478,022	9,508,472	-	16,986,494	109,939,388
2020											
GIS based support system MicroEye		4,004,755	-	-	4,004,755	33.33	3,129,686	524,947	-	3,654,633	350,122
Accounting and anti-virus software		2,432,523	-	-	2,432,523	33.33	2,345,211	87,312	-	2,432,523	-
Staff Information Bureau		273,311	-	-	273,311	33.33	273,311	-	-	273,311	-
Pakistan Microfinance Review		1,117,555	-	-	1,117,555	33.33	1,117,555	-	-	1,117,555	-
		7,828,144	-	-	7,828,144		6,865,763	612,259	-	7,478,022	350,122

5.1.1 This includes transfer of intangible assets from capital work in progress amounting to Rs. 77.08 million (2020: Nil). This represents loan management system and financial middleware of Munsalik Digital (Private) Limited. Loan management system which also includes mobile application digitizes the process from loan initiation to disbursement and repayment. Whereas financial middleware will connect microfinance providers to DFS players to utilize their agent networks as well as DFS platforms for m-wallets. Breakup of the amount is as follows:

	2021 Rupees
Loan management system	101,796,002
Mobile app	13,440,439
	115,236,441

5.2 CAPITAL WORK IN PROGRESS - INTANGIBLE ASSETS	Note	2021	2020
		----------Pak Rupees----------	
Digital Services Platform			
Balance at the beginning of the year		**64,125,142**	-
Transfer from advance for acquisition of software		-	36,200,676
Additions made during the year		**18,774,612**	27,924,466
Transfer to intangible assets	5.3	**(77,081,630)**	-
Balance at the end of the year		**5,818,124**	64,125,142

5.3 This represents advance payments made to vendors for setting up mobile application system and loan management system for the Digitial Services Platform ("the Platform"). Also refer notes 4.2.1.

6 LONG TERM LOANS	2021	2020
	----------Pak Rupees----------	
Considered good - unsecured		
Loans to employees	**408,548**	284,934
Current portion shown under current assets	**(163,104)**	(235,278)
	245,444	49,656

6.1 Interest at the rate of 5% per annum (2020: 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.

7 LONG TERM INVESTMENT	2021	2020
	----------Pak Rupees----------	
Equity accounted investment in associated company		
Aequitas Information Services Limited		
Balance as the beginning of the year	**33,800,617**	37,478,000
Less: Share of loss of associate	**(515,828)**	(3,677,383)
Less: Impairment loss	-	-
	33,284,789	33,800,617

7.1 This represents 3,419,763 (2020: 3,325,000) fully paid ordinary shares of Aequitas Information Services Limited ("AISL") on 23 May 2019 which represents 6.65% (2020: 9.5%) shareholding in AISL. 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 AISL 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. On 20 January 2020, one of the Group's nominee director was appointed on the board of AISL. The Group has determined that it is able to exert significant influence on AISL because it has meaningful representation on its board. Accordingly, 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".

Share of loss from AISL is based on its audited financial statements for the year ended 30 June 2021 and un-audited financial statements for the six months period ended 31 December 2021.

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 2021 and audited financial statements for the year ended 30 June 2021. The financial year-end of AISL is 30 June.

	2021	2020
	----------Pak Rupees----------	
Percentage of ownership %	**6.65%**	9.50%
Current assets	**58,637,771**	45,746,457
Non-current assets	**403,263,190**	328,435,680
Current liabilities	**(91,838,479)**	(30,720,141)
Non-current liabilities	**(24,470,525)**	(81,713,234)
Net assets	**345,591,957**	261,748,762
Group's share of net assets 6.65% (2020: 9.5%)	**22,981,865**	24,866,132
Carrying amount of interest in associates	**33,284,789**	33,800,617
Revenue	**130,514,794**	47,771,057
Loss after taxation	**(3,547,667)**	(42,447,302)
Other comprehensive income for the year	**(4,209,139)**	3,738,005
Total comprehensive loss for the year	**(7,756,806)**	(38,709,297)
Group's share of total comprehensive loss for the year 6.65% (2020:9.5%)	**(515,828)**	(3,677,383)

8 DEFERRED TAX

Deferred tax asset amounting to Rs. 17 million has not been recognised due to uncertainities about future taxable profits against which deferred tax asset can be utilized.

	2021	2020
	----------Pak Rupees----------	
Taxable temporary differences		
Property and equipment	**(12,931,785)**	-
Deductible temporary differences		
Unused tax losses	**12,931,785**	-
	-	-
The expiry of tax losses is as follows:		
31 December 2027	**36,976,931**	-
Will never expire	**66,253,228**	-
	103,230,159	-

9 GRANT RECEIVABLE

	Note	SBP NFIS Technical Assistance for Sub-Committees (Note 9.1)	Karandaaz Digital Services Platform (Note 9.2)	Total 2021	SBP NFIS Technical Assistance for Sub-Committees	Karandaaz Digital Services Platform (Note 9.2)	Total 2020
		(Rupees)				(Rupees)	
Balance as at 01 January		6,614,020	37,859,187	44,473,207	10,672,818	-	10,672,818
Grants received during the year		(9,967,690)	(117,200,000)	(127,167,690)	(9,211,615)	(175,800,000)	(185,011,615)
Profit on bank placements		-	-	-	(37,744)	(1,160,200)	(1,197,944)
		(3,353,670)	(79,340,813)	(82,694,483)	1,423,459	(176,960,200)	(175,536,741)
Transferred to income and expenditure statement	22	3,353,670	10,250,718	13,604,388	5,190,561	58,030,899	63,221,460
Amount written-of due to non-recovery		-	-	-			-
Transferred to deferred grant		-	69,090,095	69,090,095	-	156,788,488	156,788,488
Balance as at 31 December - Grant receivable		-	-	-	6,614,020	37,859,187	44,473,207

9.1 In 2018, the Group 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 Group submitted a proposal in 2020 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 Group submitted 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 Group for setting up Digital Services Platform (DSP). Also refer Note 4.2.1 and 5.3.

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		Note	2021	2020
			----------Pak Rupees---------	
10	**CONSULTANCY FEES RECEIVABLE**			
	Unsecured - Considered good			
	Ghana Microfinance Institutions Network (GHAMFIN)		4,420,000	3,997,500
	World Bank		21,655	2,935,505
	Foreign, Commonwealth and Development Office (FCDO)		-	1,755,780
			4,441,655	8,688,785
	Less: Allowance for impairment		(2,340,823)	(1,907,845)
			2,100,832	6,780,940
	Movement of allowance for impairment is as follows:			
	Balance at the beginning of the year		1,907,845	2,902,298
	Net remeasurement of loss allowance		432,978	(994,453)
	Balance at the end of the year		2,340,823	1,907,845
11	**LOANS AND ADVANCES**			
	Loans - unsecured considered good			
	Current portion of long term loans	6	163,104	235,278
	Advances - unsecured considered good			
	to employees		897,743	104,374
	to consultants		2,128,276	4,769,573
			3,189,123	5,109,225

11.1 This includes advances to Chief Financial Officer and Chief Operating Officer amounting to Rs. 750,000 (2020: Nil) and Rs. Nil (2020: 50,000) respectively. The maximum aggregate amount outstanding from Chief Financial Officer and Chief Operating Officer at any time during the year was Rs. 750,000 and Rs. 50,000 respectively. Provision for doubtful advance and aging are not disclosed as advance is not past due or impaired as at the reporting date.

		Note	2021	2020
			----------Pak Rupees---------	
11.1.1	Movement of advance to Chief Executive Officer is as follows:			
	Balance as at 01 January		-	961,570
	Disbursements	11.1.2	3,188,500	962,685
	Repayments		(3,188,500)	(1,924,255)
			-	-

11.1.2 Advance to Chief Executive Officer (CEO) was issued for personal purposes amounting to Rs. 3,188,500 (2020: Rs. 962,685). Advance issued for personal purposes is settled against salary. The maximum amount oustanding from the CEO during the year at any time during the year was Rs. 3,188,500 (2020: Rs. 960,600).

11.2 Advances are interest free, and are due on demand.

		Note	2021	2020
			----------Pak Rupees----------	
12	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits		**1,577,004**	1,271,004
	Short term prepayments			
	Employee benefits / Insurance		**2,582,559**	1,680,814
	Others		**2,283,076**	638,000
			4,865,635	2,318,814
			6,442,639	3,589,818
13	**TRAINING AND OTHER RECEIVABLES**			
	Membership fees		**2,666,700**	1,540,000
	Training fees		**731,347**	1,081,343
	Sponsorship fees		**4,450,040**	7,938,722
	Facilitation fees	13.1	**7,374,877**	-
	Investor linkages fee		**250,000**	250,000
	Social audit fee		**250,000**	-
	Receivable from South Asia Micro-entrepreneurs Network	13.2	**9,183,493**	7,122,351
	Withheld sales tax receivable		**81,184**	1,421,908
	Others	13.3	**9,018,652**	6,025,544
			34,006,273	25,389,866
	Less: Allowance for impairment	13.4	**(3,947,341)**	(4,064,218)
			30,058,932	21,325,648

13.1 This represents amount receivable from Aequitas Information Services Limited, an associated company, as share of inquiry fee against credit bureau inquiries made during the period from 01 July 2020 to 30 June 2021 under the cooperation and investment agreement.

13.2 This represents receivable from South Asia Micro-entrepreneurs Network (SAMN), which is a regional microfinance industry association registered in Sri Lanka. The Group provides operational and secretarial support to SAMN and as part of this support, the Group makes payments and receives funds on behalf of SAMN. As per an understanding reached between the Group and members of SAMN, this receivable will be settled by SAMN through contributions from its respective members. During the year, the Group submitted an audited statement of receipts and expenditures relating to SAMN operations till 30 June 2021 for recovery of receivable balance.

13.3 This includes an amount receivable from Data Check (Private) Limited, Pakistan Fintech Network, sales tax receivable from members and refundable tax due from government.

		2021	2020
		----------Pak Rupees----------	
13.4	Movement of allowance for impairment is as follows:		
	Balance as at 01 January	**4,064,218**	14,496,136
	Receivables written-off during the year	-	(7,285,426)
	Net remeasurement of expected credit loss allowance	**(116,877)**	(3,146,492)
		3,947,341	4,064,218

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13.5 Training and other receivables include following receivables from associated companies. Aging for these receivables have been disclosed in note 39.1.1 to the financial statements.

		2021	2020
		---Pak Rupees---	
	Maximum aggregate amount outstanding during the year	Balance as at 31 December 2021	Balance as at 31 December 2020
Membership fees			
U Microfinance Bank Limited	50,000	-	50,000
Telenor Microfinance Bank Limited	50,000	-	50,000
Akhuwat Islamic Microfinance Company	50,000	-	50,000
AGAHE	400,000	150,000	-
National Rural Support Programme	50,000	-	50,000
	600,000	150,000	200,000
Training fees			
U Microfinance Bank Limited	-	-	-
Akhuwat Islamic Microfinance Company	72,713	72,713	72,713
Mobilink Microfinance Bank Limited	90,000	90,000	90,000
National Rural Support Programme	259,998	80,000	259,998
Aequitas Information Services	218,139	218,139	218,139
Kashf Foundation	-	-	-
First Microfinance Bank Limited	-	-	-
AGAHE	-	-	-
NRSP Bank Limited	-	-	179,998
	640,850	460,852	820,848
Sponsorship fees			
Aequitas Information Services Limited	1,400,000	-	1,400,000
	1,400,000	-	1,400,000
Facilitation Fee			
Aequitas Information Services Limited	13,452,815	7,374,877	-
	13,452,815	7,374,877	-
Investor Linkage Fee			
AGAHE	250,000	250,000	250,000
	250,000	250,000	250,000
Social Audit Fee			
The First MicroFinanceBank Limited	250,000	250,000	-
	250,000	250,000	-
	16,593,665	8,485,729	2,490,850

14 SHORT TERM INVESTMENTS

	Note	2021	2020
Amortised cost			
Term Deposit Receipts	14.1	22,003,001	32,003,000
		22,003,001	32,003,000

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 million are held as a collateral against long term loan.

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		2021	2020
		----------Pak Rupees----------	
15	**BANK BALANCES**		
	Cash at banks in local currency		
	Savings accounts	**3,432,375**	30,812,467
	Current accounts	**870,587**	1,421,903
		4,302,962	32,234,370

15.1 Savings accounts carry mark up at rates ranging between 6% to 7% (2020: 6% to 7%), per annum.

15.2 Bank balances include balances in saving account of Khushhali Microfinance Bank Limited of Rs. 41,781 (2020: Rs. 39,373) and balances in current accounts of U Microfinance Bank Limited of Rs. 56,580 (2020: Rs. 940,008).

		Note	2021	2020
			----------Pak Rupees----------	
16	**DEFERRED GRANTS**			
	Deferred capital grant	16.1	**2,046,099**	3,664,801
	Related to Digital Services Platform (DSP)	19.1	**-**	156,788,488
	Deferred income - Government Grant	17.2	**229,202**	1,037,808
			2,275,301	161,491,097
	Less: current portion shown under current liability		**(944,673)**	(159,215,796)
			1,330,628	2,275,301
16.1	**Deferred Capital grant**			
	Balance as at January 01		**3,664,801**	879,810
	Grants for the year relating to:			
	Property and equipment		**-**	4,299,500
	Transfers to the income and expenditure statement:			
	Amortization for the year		**(1,618,702)**	(1,281,773)
	Property and equipment disposed off during the year		**-**	(232,736)
		22	**(1,618,702)**	(1,514,509)
			2,046,099	3,664,801

		Note	2021	2020
			----------Pak Rupees----------	
17	**LONG TERM LOAN**			
	Secured			
	Balance at the beginning of the year		**21,090,690**	-
	Additions during the year	17.1	-	20,639,207
	Accrued mark up		**1,260,792**	451,483
	Repayment made during the year		**(11,516,433)**	-
	Balance at the end of the year		**10,835,049**	21,090,690
	Less: current portion shown under current liability		**(10,303,903)**	(10,915,275)
			531,146	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 Group 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 million with the Bank. Tenure of the loan is 2.5 years and it is repayable in eight quarterly installments which have started 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.

	2021	2020
	----------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

17.2 Deferred income - Government Grant

	2021	2020
Balance at the beginning of the year	**1,037,808**	-
Grant recognised on loan at below market interest rate	-	1,323,219
Grant amortized during the year	**(808,606)**	(285,411)
	229,202	1,037,808

18 LEASE LIABILITY

	2021	2020
Balance as at 01 January	**11,692,254**	-
Leases recognized during the year	-	11,638,482
Finance cost on lease liabilities	**1,688,367**	1,741,117
Payments made during the year	**(5,736,973)**	(1,687,345)
	7,643,648	11,692,254
Less: current portion shown under current liability	**(3,235,842)**	(4,048,607)
	4,407,806	7,643,647

18.1 This represents lease liability for the Group'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	2021	2020
			----------Pak Rupees----------	
18.2	**Contractual maturity of remaining lease commitments**			
	Within one year		**4,454,591**	5,736,973
	Between 2 and 4 years		**4,900,050**	9,354,641
	Total un-discounted lease commitments		**9,354,641**	15,091,614
19	**DEFERRED GRANTS**			
	Related to Digital Services Platform (DSP)	19.1	-	156,788,488
	Current portion of deferred grants	16	**944,673**	2,427,308
			944,673	159,215,796
19.1	Balance as at January 01		**156,788,488**	-
	Additions made during the year	9	**69,090,095**	156,788,488
	Transfers to the income and expenditure statement:		**(225,878,583)**	-
			-	156,788,488
20	**ACCRUED AND OTHER LIABILITIES**			
	Accrued expenses		**1,340,642**	1,175,695
	Accounts payable		**17,196,863**	6,880,501
	Withheld income tax payable		**354,355**	2,294,367
	Withheld sales tax payable		**1,499,117**	-
	Payable to employees' voluntary pension scheme		**282,008**	40,006
	Payable related to Digital Services Platform		-	44,496,109
	Other liabilities	20.1	**281,240**	1,132,739
			20,954,225	56,019,417
20.1	This includes balances payable to following associated company:			
	The First MicroFinanceBank Limited		**250,000**	-

21 **CONTINGENCIES AND COMMITMENTS**

Contingencies

The Group does not have any contingencies as at 31 December 2021 (2020: Nil).

Commitments

The Group has commitments to different vendors for provision of infrastructure for setting up Digital Services Platform (DSP) amounting to Rs. Nil (2020: Rs. 71,790,192) payable within 1 year.

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		Note	2021	2020
22	**GRANT INCOME**		----------Pak Rupees----------	
	State Bank of Pakistan (SBP)			
	- NFIS Technical Assistance for Sub-committees	9	**3,353,670**	5,190,561
	Karandaaz Pakistan			
	- Digital Services Platform	9	**10,250,718**	58,030,899
			13,604,388	63,221,460
	Amortization of deferred grant	19.1	**225,878,583**	-
	Amortization of deferred capital grant	18.1	**1,618,702**	1,514,509
			241,101,673	64,735,969
23	**MEMBERS' CONTRIBUTIONS**			
	Membership fee	23.1	**18,760,000**	8,625,000
23.1	Membership fees have been further disaggregated as from:			
	Microfinance Banks		**6,100,000**	3,050,000
	Non-Banking Microfinance Institutions		**12,660,000**	5,575,000
			18,760,000	8,625,000
24	**INSTITUTIONAL CONTRIBUTIONS**			
	Habib Bank Limited (HBL)		**10,000,000**	-
	National Bank of Pakistan (NBP)		**8,000,000**	-
	Bank of Punjab (BOP)		**5,000,000**	-
	Bank Alfalah Limited (BAL)		**3,000,000**	-
		24.1	**26,000,000**	-

24.1 This contribution was made by commercial banks under the strategic and institutional partnerhsip arrangement with the Group to identify and explore avenues for the purpose of promoting Financial Inclusion in Pakistan. The contribution was given for the annual event of the Group titled "Annual Microfinance Conference (AMC)" held in October 2021.

		Note	2021	2020
25	**INCOME FROM TRAININGS**		----------Pak Rupees----------	
	Training Income - gross		-	3,336,205
	Less: Trade discount		-	(371,246)
	Less: Sales Tax		-	(476,234)
	Training Income - net	25.1	-	2,488,726
25.1	Training income has been further disaggregated into the following categories			
	Microfinance Banks		-	799,992
	Non-Banking Microfinance Institution		-	1,643,739
	Non member organizations		-	44,994
			-	2,488,725

		2021	2020
		----------Pak Rupees----------	
26	**INCOME FROM RESEARCH PROJECTS / CONSULTANCY**		
	World Bank	-	5,827,700
	Foreign, Commonwealth and Development Office (FCDO)	7,487,884	1,755,780
	Microfinance Opportunities (MFO)	4,143,360	-
		11,631,244	7,583,480

27 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 Group. Sponsorship income has been disaggregated into the following categories.

		Note	2021	2020
			----------Pak Rupees----------	
	Sponsorship Income - gross		14,507,000	12,820,591
	Less: Sales Tax		(2,000,966)	(1,069,800)
	Sponsorship Income - net	27.1	12,506,034	11,750,791
27.1	Sponsorship income has been further disaggregated into the following categories			
	Microfinance Banks		3,250,000	2,250,000
	Non-Banking Microfinance Institution		4,256,034	1,650,000
	Non member organisations		5,000,000	7,850,791
			12,506,034	11,750,791

28 FACILITATION FEE INCOME

This represents income earned by the Group under the Cooperation and Investment agreement entered into with a private credit bureau, Aequitas Information Services Limited (AISL), an associated Company. As per the terms of the Cooperation and Investment agreement, the Group earns facillation fee as share of inquiry fee against credit bureau inquiries made by members of the Group from AISL.

29 ANNUAL SUPPORT CHARGES

This represents annual support & maintenance charges of Loan Management System.

		2021	2020
		----------Pak Rupees----------	
30	**OTHER INCOME**		
	Income from non-financial assets		
	Liabilities written off during the year	-	2,556,811
	Social audit	500,000	-
	Others	997,924	1,622,541
		1,497,924	4,179,352

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		Note	2021	2020
			----------Pak Rupees----------	
31	**GOVERNANCE AND MANAGEMENT**			
	Salaries and benefits		**21,799,472**	11,212,958
	Events / conferences / meetings		**2,551,225**	972,062
	Accomodation		**1,935,505**	-
	Rent and utilities		**1,026,883**	589,171
	Depreciation and amortization		**7,582,353**	5,024,369
	Legal and professional		**4,309,564**	1,275,660
	License, fees and subscriptions		**403,047**	-
	Branding		**245,000**	-
	Travel		**1,057,932**	1,068,570
	Auditors' remuneration	31.1	**1,738,500**	1,688,500
	Office supplies		**1,250,803**	993,249
	Designing and printing		**475,680**	144,444
	Office maintenance		**571,277**	1,280,992
	Insurance		**998,030**	206,634
	Entertainment		**625,043**	394,051
	Other expenses		**2,083,174**	4,086,102
	Bank charges		**166,045**	57,879
	Consultant fee		**4,211,134**	-
			53,030,667	28,994,640
31.1	Auditors' remuneration include the following:			
	Audit fee		**1,700,000**	1,000,000
	Other non audit services		-	650,000
	Out of pocket expense		**38,500**	38,500
			1,738,500	1,688,500
32	**PROGRAMME COSTS**			
	Salaries and benefits		**27,990,623**	39,778,904
	Consultant cost		**20,971,906**	7,741,552
	Events / conferences / meetings		**652,626**	7,408,404
	Travel		**1,819,280**	2,169,078
	Tuition and accommodation fee		-	279,185
	Accommodation		**7,495,812**	2,414,140
	Per diem and other allowances		**1,514,059**	1,285,000
	Rent and utilities		**25,200**	1,779,333
	Designing and printing		**88,000**	589,310
	International memberships		**282,331**	866,031
	Entertainment		**581,259**	272,207
	Other expenses		**843,915**	1,963,631
			62,265,011	66,546,774

	2021	2020
	----------Pak Rupees----------	

33 COST OF SERVICES

	2021	2020
Staff Cost	13,939,228	-
Depreciation	10,127,774	-
Amortization	7,871,376	-
Travel and perdiem	1,585,911	-
Insurance	31,338	-
	33,555,627	-

34 FINANCE INCOME

Income from financial assets

	2021	2020
Profit on savings accounts	1,412,376	672,848
Interest income on loans to employees	18,581	23,319
Interest income on investments	2,091,736	2,507,720
	3,522,693	3,203,887

35 FINANCE COSTS

Mark-up on:

	2021	2020
Long-term loans	452,186	166,072
lease liability	1,688,367	1,741,117
	2,140,553	1,907,189

36 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	
		2021	2020	2021	2020
	Note	----------Pak Rupees----------		----------Pak Rupees----------	
Managerial remuneration	36.1	12,676,937	10,893,060	20,520,175	18,777,696
Bonus for the year		2,376,927	3,177,760	1,320,526	1,466,410
Pension fund scheme		-	-	736,373	456,583
Contribution for gratuity		1,935,192	-	1,465,848	-
Reimbursements		120,743	107,347	494,121	514,215
Other benefits	36.2	34,415	1,294,510	345,018	575,230
		17,144,214	16,472,677	24,882,061	21,790,134
Number of person(s)		1	1	7	5

36.1 No remuneration was paid to the Group's directors in the current and previous year.

36.2 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.

37 RELATED PARTY TRANSACTIONS AND BALANCES

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

Balances with related parties have been disclosed in the relevant notes and transactions with related parties are as follows:

37.1 Transactions during the year:

	2021	2020
	---------Pak Rupees---------	
Transactions with associated companies:		
Facilitation fee income	**19,374,877**	-
Social audit fee income	**500,000**	-
Interest income earned on TDRs	**2,091,736**	1,456,191
Others:		
Remuneration to key management personnel	**22,671,302**	20,713,692
Payments made on behalf of the Group by key management personnel	-	5,002,212

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

Associated Companies	Basis of Relationship	Number of shares held in the Group	Aggregate percentage shareholding in the Group
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

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Related Parties	Basis of Relationship	Number of shares held in the Group	Aggregate percentage shareholding in the Group
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

38 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 Group 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).

38.1 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			
	Note	Amortised Cost	FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
				-----Pak Rupees-----					
2021									
Financial assets measured at Fair Value									
Deposits	12	-	1,577,004	-	1,577,004	-	-	1,577,004	1,577,004
Financial assets not measured at Fair Value									
Long term loans	6	408,548	-	-	408,548	-	-	-	-
Grant receivable	9	-	-	-	-	-	-	-	-
Consultancy fees receivable	10	2,100,832	-	-	2,100,832	-	-	-	-
Training and other receivables	13	29,977,768	-	-	29,977,768	-	-	-	-
Short term investments	15	22,003,001	-	-	22,003,001	-	-	-	-
Bank balances	16	4,302,962	-	-	4,302,962	-	-	-	-
		58,793,111	-	-	58,793,111	-	-	-	-
Financial liabilities not measured at Fair Value									
Accrued and other liabilities	20 & 38.2	-	-	19,100,754	19,100,754	-	-	-	-
Long term loan	18	10,835,048	-	-	10,835,049	-	-	-	-
Lease liability	19	7,643,648	-	-	7,643,648	-	-	-	-
		18,478,697	-	19,100,754	37,579,451	-	-	-	-
2020									
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	15	32,003,000	-	-	32,003,000	-	-	-	-
Bank balances	16	32,234,370	-	-	32,234,370	-	-	-	-
		135,090,964	-	-	135,090,964	-	-	-	-
Financial liabilities not measured at Fair Value									
Accrued and other liabilities	20 & 38.2	-	-	53,725,050	53,725,050	-	-	-	-
Long term loan	18	21,090,690	-	-	21,090,690	-	-	-	-
Lease liability	19	11,692,254	-	-	11,692,254	-	-	-	-
		32,782,944	-	53,725,050	86,507,994	-	-	-	-

38.2 This does not includes withholding income tax payable and withholding sales tax payable.

39 FINANCIAL RISK MANAGEMENT

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

39.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies through risk committee of the Board.

39.1.1 Credit risk

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

The carrying amounts of financial assets represent the maximum credit exposure. 'Impairment loss on financial assets' recognized in income and expenditure account amounts to Rs. 0.32 million (2020: 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	2021	2020
		----------Pak Rupees----------	
Long term loans	6	**408,548**	284,934
Grant receivable	9	-	44,473,207
Consultancy fees receivable	10	**2,100,832**	6,780,940
Short term investments	13	**29,977,768**	19,314,513
Training and other receivables	15	**22,003,001**	32,003,000
Bank balances	16	**4,302,962**	32,234,370
		58,793,111	135,090,964

i) Consultancy, Grant, Training and other receivables

The Group'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.

Group's receivables mainly arise from its members and donors. Maximum of the Group's members have been transacting with the Group for many years and none of these members' balances have been written off or are credit-impaired at the reporting date. The Group 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:

	2021	2020
	----------Pak Rupees----------	
Associated companies	**8,145,729**	2,300,850
Banks - Associated companies	**438,361**	1,349,379
Banks - other than Associated Companies	**3,957,350**	31,254,989
Others	**46,251,671**	100,185,746
	58,793,111	135,090,964

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

	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
	-------------------Pak Rupees-------------------			
Not yet due	**5,922,062**	-	1,759,998	-
Past due 180-365 days	**1,552,815**	**1,096,598**	540,852	144,484
Over 365 days	**670,852**	**670,852**	-	-
	8,145,729	**1,767,450**	2,300,850	144,484

Expected credit loss assessment as at 31 December 2021

The Group 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 Group'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
2021	3.90	7.72	171.80
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

The Group 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 2021 and 31 December 2020, excluding receivable from South Asia Micro-entrepreneurs Network.

31 December 2021	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	%	----------Pak Rupees---------		
Current	0.00%	8,013,775	128	No
30-60 days past due	0.04%	1,700,000	687	No
91-150 days past due	0.0%	-	-	No
151 days and above	26.3%	15,027,841	3,946,518	No
		24,741,616	3,947,333	
31 December 2020				
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
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	

The following table provides information about the exposure to credit risk and ECL for consultancy fee receivables as at 31 December 2021 and 31 December 2020.

31 December 2021	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	%	----------Pak Rupees---------		
Current	0.0%	422,500	-	No
0-150 days past due	0.0%	-	-	No
151 days and above	58.2%	4,019,155	2,340,823	No
		4,441,655	2,340,823	
31 December 2020				
Current	0.0%	4,788,380	-	No
0-150 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	

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

Grants Receivable

The grants received during the year from State Bank of Pakistan and Karandaaz were the under Financial Inclusion Program (FIP). The Group considers that the grant receivable has low credit risk based on the assumption that the contractual arrangements for funding are with government entities.

Long Term Loans

Long term loans given to permanent employees of the Group are secured against the post-retirement benefits such as gratuity fund and provident fund. Accordingly, the Group considers long term loans to have the low credit risk.

Investments

The Group held investments of Rs. 22.03 million as at 31 December 2021 (2020: Rs. 32 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 Group considers that its investments have low credit risk based on external credit rating of the counterparties.

Cash at Bank

The Group held cash at bank of Rs. 4,302,962 as at 31 December 2021 (2020: Rs. 32,234,369). 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 Group considers that its cash at bank have low credit risk based on external credit rating of the counterparties.

39.1.2 Liquidity Risk

Liquidity risk is the risk that the Group 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 Group'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 Group's reputation. The maturity profile of the Group's financial liabilities based on the contractual amount is as follows:

	31 December 2021				
2021	**Carrying amount**	**Contractual cash flows**	**Up to one year**	**Two to three years**	**Four to five years**
Accrued expenses	**1,340,642**	**(1,340,642)**	**(1,340,642)**	-	-
Accounts payable	**17,196,863**	**(17,196,863)**	**(17,196,863)**	-	-
Payable to employees' voluntary pension scheme	**282,008**	**(282,008)**	**(282,008)**	-	-
Other liabilities	**281,240**	**(281,240)**	**(281,240)**	-	-
Long term loan	**10,835,049**	**(10,835,049)**	**(10,835,049)**	-	-
Lease liability	**7,643,648**	**(9,354,641)**	**(4,454,591)**	**(4,900,050)**	-
	37,579,450	**(39,290,443)**	**(34,390,393)**	**(4,900,050)**	-
2020					
Accrued expenses	1,175,696	(1,175,696)	(1,175,695)	-	-
Accounts payable	6,880,501	(6,880,501)	(6,880,501)	-	-
Payable to employees' voluntary pension scheme	40,006	(40,006)	(40,006)	-	-
Payable related to Digital Services Platform	44,496,109	(44,496,109)	(44,496,109)	-	-
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)
	86,507,994	(90,779,090)	(70,443,236)	(15,435,804)	(4,900,050)

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

	2021		2020	
	Rupees	**USD**	Rupees	USD
Consultancy fee receivable	**4,420,000**	**25,000**	3,997,500	25,000

The following significant exchange rates were applied during the year:

	Average rates		**Statement of Financial Position date rate**	
	2021	2020	**2021**	2020
US Dollars	**168.35**	157.53	**176.80**	159.90

Sensitivity Analysis

A 1% strengthening of the functional currency against USD as at 31 December 2021 would have decreased surplus by Rs. 44,200 (2020: Rs. 39,975). A 1% weakening of the functional currency against USD as at 31 December 2021 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 Group's interest bearing financial instruments comprise of cash at bank in savings accounts, loans and advances and short term investments carrying fixed interest

The Group 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 Group 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.

40 **CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital is to safeguard the Group'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 Group.

Pakistan Microfinance Network

Notes to the consolidated financial statements
For the year ended 31 December 2021

39	NUMBER OF EMPLOYEES	2021 (Number)	2020 (Number)
	Number of employees of the Group at the reporting date	**18**	15
	Average number of employees during the year	**17**	16

40 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of bank balances amounting to Rs. 4.3 million (2020: Rs. 32.23 million) for the purpose of the consolidated statement of cash flows.

41 GENERAL

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

42 DATE OF AUTHORIZATION

These consolidated financial statements were approved by the Board of Directors of the Group in their meeting held on ______________

CHIEF EXECUTIVE OFFICER **DIRECTOR**

INSTITUTIONAL PARTNERS

MUNSALIK DIGITAL (PVT) LTD.
DIGITIZING MICROFINANCE

تصدیق
TASDEEQ

NBP
National Bank of Pakistan
نیشنل بینک آف پاکستان

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