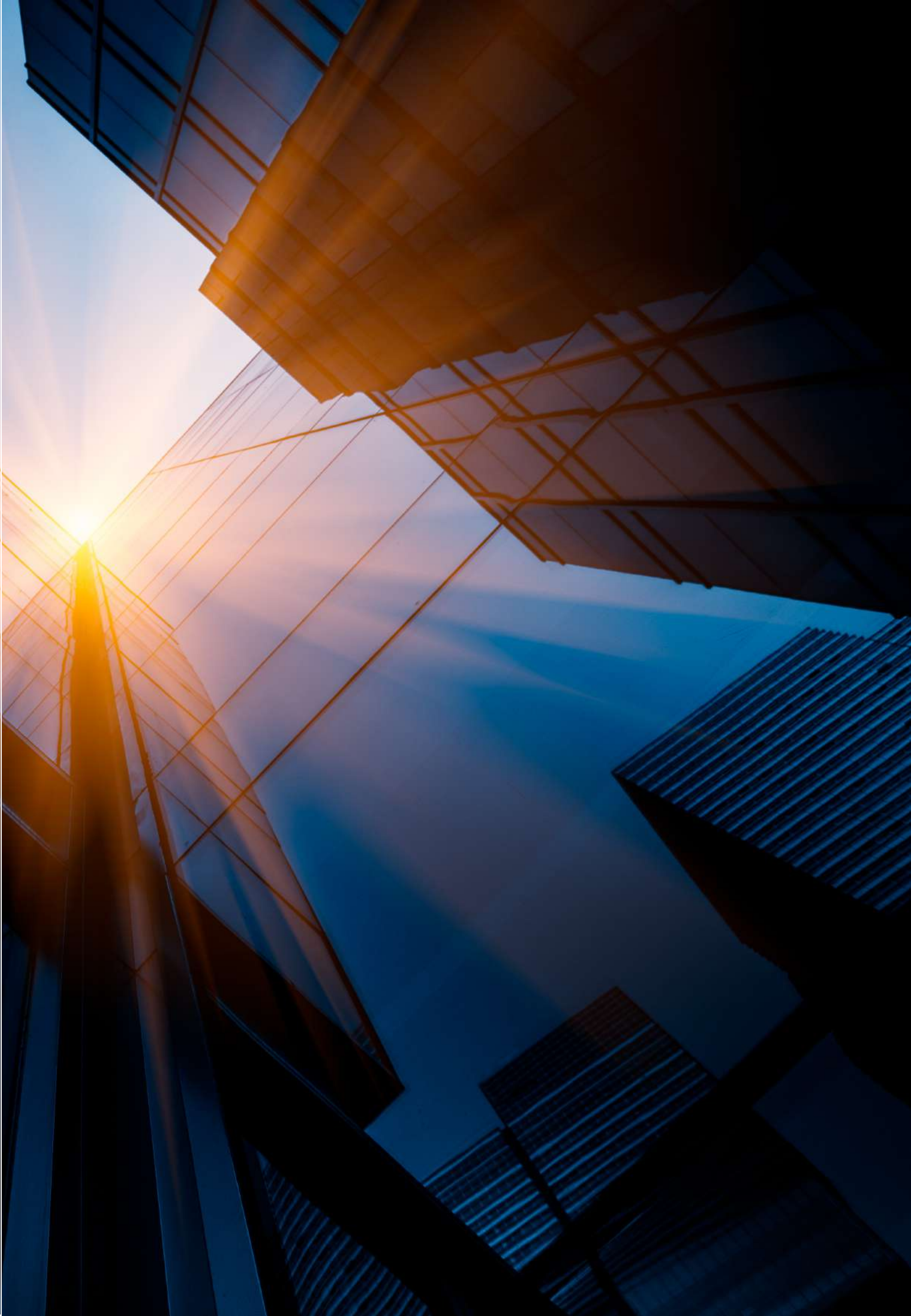
Pakistan Microfinance Network

Achieving Together

2022 ANNUAL REPORT



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ABOUT US

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

POSITIONED FOR A BRIGHT FUTURE

As we embark on a new phase of growth while tackling the recent economic challenges faced by the country, I am confident that PMN is superbly positioned to seize emerging opportunities by harnessing our strengths. Our unwavering commitment is to persistently execute our Business Strategy, enhance public outreach, and diligently work towards fostering a more sustainable Network for our members. Backed by effective governance, robust internal controls, and a dedicated management team, we are not just well-prepared but have also set ambitious benchmarks aligned with our overall Mission and Vision.

I am proud to work with such a distinguished and dedicated Board, as we continue to oversee the work of PMN's management and staff towards meeting key objectives.

Regards,
Ghalib Nishtar
Chairperson Board of Directors

BUILDING BRAND EQUITY

Since its inception, PMN has made great strides to stand out in the local and global landscape. As the representative body of the microfinance sector in Pakistan, it has made strong linkages locally and globally and has formed crucial strategic alliances with leading organizations in the field of financial inclusion. They maintain a close relationship with donors working in this field such as Karandaaz Pakistan, The World Bank (WB), ADB JIICA, FCDO, KfW and IFC. Within Pakistan, PMN is a consistent presence 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 is largely thanks to 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.

ACKNOWLEDGMENTS:

I would like to extend my sincerest thanks to the CEO of PMN and the entire management team for their support and hard work that has enabled us to grow positively. I also extend my gratitude to my fellow directors for their valuable contributions to the Network. Last but not 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 take full advantage of new opportunities by leveraging on our strengths. We will continue to focus on the execution of our Business Strategy, and public outreach 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.

STRATEGY FOR **2023**

In 2023, the Pakistan Microfinance Network (PMN) is committed to strengthening its efforts to tackle the challenges posed by Covid-19 and the devastating floods that have recently plagued large parts of the country. PMN plans to engage with policymakers and regulators to develop effective strategies to address these challenges. Additionally, PMN is keenly aware of the impact of climate change on Pakistan and aims to develop a medium- and long-term disaster risk strategy for the microfinance industry.

In the field of digitization, PMN plans to establish its Digital Services Platform and encourage shareholders to transform Munsalik into a high-quality shared platform for the microfinance industry. Building on its investments in the Center of Excellence initiative and credit bureau, PMN will prioritize addressing HR and credit risk-related issues in the sector.

Moreover, PMN aims to enhance its research capabilities to meet the sector's needs and increase its networking and partnerships with other global players. With a vision to be at the forefront of the latest research and development, PMN will focus on developing partnerships, outreach, and advocacy for a more sustainable microfinance industry.

PMN recognizes the importance of staying ahead of the curve and responding effectively to the changing needs of the microfinance industry. Therefore, PMN is committed to prioritizing its research and development initiatives and forging new partnerships to achieve its objectives. With these efforts, PMN hopes to contribute significantly to the growth and sustainability of the microfinance industry in Pakistan.

HIGHLIGHTS OF RESEARCH PROJECTS FROM JAN 2022- DEC 2022

SAFCO BRIEF

PMN explores the transformational journey of SAFCO Support Foundation (SSF) from a non-profit to a for-profit entity. Based in Sanghar, Sindh, SSF remains a leading NGO for welfare and poverty reduction in rural Sindh. However, last year, SSF became the sole shareholder of SAFCO Microfinance Company (SMC), a for-profit Microfinance Institute. PMN explores the reasons, challenges, and transformational journey with insights from the company management and the Securities and Exchange Commission (SECP). This transformation is the first of its kind in the industry.

COVID MICROFINANCE INDUSTRY IMPACT STUDY PROPOSAL

Numerous academic and industry research highlights the impacts of Covid-19 on microfinance borrowers. The State Bank (SBP) and SECP also notified of various measures to protect the borrowers. However, all those studies were conducted during the Covid-19 period. Discussions of this impact after the Covid-19 period is believed to have different results: that microfinance and small-scale borrowers were not as badly hit as previously thought. This proposal will study the impact of Covid-19 on microfinance borrowers in South Asia following different regulatory relaxations given to microfinance borrowers over time.

GARMENT FACTORY WORKERS' DIARY

A project by MFO with the objectives of exploring the financial well-being and working conditions of factory workers. This is a tracking project, that monitors the responses of participants weekly. Under this project, we collect the data with the help of a Survey firm. This exercise was carried out in four factories, which are located in Lahore and Faisalabad. The total sample size is 170 in which both genders are interviewed. The project is a total of 19 weeks of exercise, currently, we are done with Week 17th.

Events and Trainings

1. ANNUAL MICROFINANCE CONFERENCE – AMC 6

Annual Microfinance Conference successfully and has established its brand to hold regular annual events where the microfinance and financial inclusion industry comes together along with policymakers, regulators, donors and investors and share their ideas, thoughts, challenges, and plans. PMN convened its Sixth Annual Microfinance Conference AMC-6 with the theme **"20 Years of Excellence: Creating Resilience & Enabling Rehabilitation"** on October 5th- 7th, 2021 at Serena Hotel, Islamabad.

The primary objective of this conference was to unveil to the audience the performance, work, benefits, and achievement of the microfinance sector in the last 20 years and the crucial role it has played in financial inclusion, poverty reduction, and its support to achieve economic objectives of sustainable development of the local community and the country overall. Secondly, the objective was also 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 them.

Thirdly, the conference also brought to light the current flood crisis in Pakistan, which has been hit by the worst flooding this monsoon season that has affected millions of people. 1 in 7 people in Pakistan were affected by the historic disaster. All four provinces have been badly affected, killing more than 1200 people, with Balochistan and Sindh being the hardest hit areas. The situation is even worse than the devastating floods of 2010. Millions of people needed and were provided with emergency food and humanitarian assistance.

Another purpose of this event was 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, policymakers, regulators, development agencies, multilateral companies, and government authorities and discuss the ways to further broaden the horizons of the microfinance industry. The conference provided opportunities and space for creating 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. Through this event, we addressed some of the myths surrounding the industry and tried to unravel them for clarity at a larger ecosystem level.

The main topics for the conference included:

Low-cost Housing
Policy and regulatory challenges

Digital Finance & The Fintech Eco-system
Financial Inclusion and Inclusion of other marginalized segments (youth, transgender, old age, race, minorities etc.)

Esg / Climate Change & Disaster Risk Facility For The Microfinance Sector

Inclusive Insurance

2. PAKISTAN FINTECH NETWORK - AGRITECH CONFERENCE - "EMPOWERING FARMERS THROUGH AGRITECH"

In April 2022, the Pakistan Microfinance Network (PMN) and the Pakistan Fintech Network (PFN) collaborated to hold a hybrid conference titled "Empowering Farmers through Agritech" in Islamabad. The main objective of the conference was to identify the challenges faced by agrotech companies and explore ways to form collaborations between traditional agricultural value chain players and new agricultural technological players. The event aimed to address the challenges involved in digitizing the entire value chain and improving farmers' access to digital insurance and credit facilities.

The conference was a significant step in initiating discussions and identifying potential collaborative opportunities to digitize the agricultural value chain. The event also aimed to enhance farmers' access to formal financial products and services, improved cropping tools, and technology, and reduce information asymmetry.

The PMN and PFN recognized the importance of technology in transforming the agricultural sector and empowering farmers. Through this collaboration, they aimed to bring together key stakeholders to share their experiences and expertise and collectively work towards improving the lives of farmers. The conference was a starting point towards this goal and aimed to pave the way for more significant initiatives in the future.

3. SAMN’S SOUTH ASIA'S FINANCIAL INCLUSION TRAINING (S-FIT)

The South Asia Micro-Entrepreneurs Network (SAMN) is a regional network committed to enhancing capacity, financing, and regional dialogue in the microfinance sector of South Asia. The governance of SAMN comprises leading apex institutions from the countries in the region, along with the Agency for Technical Cooperation and Development (ACTED). Additionally, SAMN collaborates with MFIs, investors, banks, and other key microfinance stakeholders to achieve its objectives.

In May 2022, Pakistan Microfinance Network (PMN), in collaboration with the South Asian Micro-Entrepreneurs Network (SAMN), organized the South Asia's Financial Inclusion Training (S-FIT) in Dubai. The S-FIT was a five-day training event that brought together a diverse group of professionals from across the world, representing microfinance banks, non-bank microfinance companies, donors, regulators, investors, and the larger FinTech industry, under one roof.

The main aim of this event was to provide a platform for participants to engage in a series of interactive and informative sessions. The training aimed to equip participants with the latest knowledge and skills required to promote financial inclusion in South Asia. The event also provided a unique opportunity for participants to exchange ideas, best practices, and experiences, and to network with key stakeholders from the microfinance industry.

Through this collaboration, SAMN and Pakistan Microfinance Network demonstrated their commitment to promoting financial inclusion in South Asia. The S-FIT event was a significant step towards achieving this goal, and it is expected to pave the way for more initiatives in the future.

4. TRAINING PROGRAMMES:

PMNs Center of Excellence initiative was significantly impacted as it was not able to provide the training services to the industry as it had been doing effectively in the past. PMN successfully launched training on **“Affordable Housing”** in collaboration with Pakistan Mortgage Refinance Company Ltd.

Pakistan Microfinance Network (PMN) under the banner of Center of Excellence (CoE) in collaboration with the Pakistan Mortgage Refinance Company (PMRC) organized a three-day training program titled "Training on Affordable Housing" which ran from **9th-11th March 2022** in **Ramada Hotel, Lahore.**

This training on affordable housing was organized to provide an in-depth understanding and to develop the capacity building of the Microfinance Providers – MFPs, House Finance Companies, and other financial institutions to build mortgage loan portfolios. This training also sheds light on the risks faced by the housing sector and the opportunities that exist to capture growth and profitability.

To equip the microfinance industry with the right tools special sessions were included in the program to make it more comprehensive. This made it a unique opportunity for all the participants to Connect, and Collaborate with practitioners as well as their peers, who shared the same interests and concerns, and to learn from the industry leaders.

5. ROUND TABLE SESSIONS

PMN successfully organized a set of round table sessions, the first roundtable was on the topic **"Promoting Commercial Lending to MFPs"** in Karachi on 6th July 2022, which was attended by MFBs, MFIs, and the leading Commercial Banks of the country, through this event, PMN aimed to create better awareness about the dynamics of the microfinance industry for commercial banks to encourage them to lend to the industry. In this dialogue, queries and concerns related to governance, financial sustainability of microfinance players, industry infrastructure, post covid operations, clientage and risk management were addressed.

The second roundtable was on the topic "Succession Planning Not for Profit – NBMFCs" at Ramada Hotel Lahore on 29th September 2022. The purpose of holding this round table session was to see what policies and changes the microfinance providers in the country have adopted for succession planning in their organizations. emphasizing the point that how crucial it is to have the right leaders in place should a change happen quickly. And by failing to create an orderly plan for succession, a company may not get a second chance if it doesn't adapt immediately after a key player leaves the company or passes away.

6. BOOTCAMP FOR FINANCE PROFESSIONALS:

PMN under its banner successfully organized a three-day Bootcamp for Finance Professionals from **6th – 8th December 2022** at Beach Luxury Hotel Karachi. This training for Finance Professionals was organized to provide senior finance professionals whose next career step is CFO, or current CFOs who want to sharpen their strategic and leadership skills. The Program was designed to help develop CFOs and aspiring CFOs as a trusted, valued, and comprehensive "go-to" resource for personal career development and success as the CFO role evolves to address new demands.

To equip the CFOs with the right tools special sessions were included in the program to make it more comprehensive. This was a unique opportunity for all the participants to Connect, and Collaborate with practitioners as well as with their peers, who share the same interests and concerns, and to Learn from the industry leaders.

The Bootcamp for Finance Professionals was designed to help financial leaders take their next career step. A comprehensive curriculum was designed and driven by highly qualified and the latest industry research and insights. This program helped participants drive financial frameworks that embrace global business strategies while preparing them to manage investors, analysts, and the board to optimize business efficiency.

7. 11th Global Islamic Microfinance Forum – GIMF:

Pakistan Microfinance Network formed an **alliance** with AlHuda CIBE, Islamic Microfinance Network, and Wings Media to Promote Islamic Finance and Microfinance globally. The Alliance members are an established name in the microfinance & financial inclusion sector with a vision to increase the outreach of financial services, especially with the unserved and marginalized segment. The Alliance members have a focus on Research, Development, Capacity Building, Product Development, and Publications.

The Alliance collaborated and organized the **"11th Global Islamic Microfinance Forum - GIMF"** which was scheduled from November 21st to November 22nd, 2022, with two days Post Event Workshop on ''Practical Aspects of Islamic Micro, Agriculture & Rural Finance and One Day Field Visit & City Tour.
GIMF is an annual apex gathering of Islamic (Micro)finance, Rural Finance, funder/ donor agencies, multilateral organizations, and other allied sectors of Microfinance to discuss and address the challenges around financial inclusion and poverty reduction.

The GIMF featured conversations, fireside chats, policy dialogue, power talks, debates, and panel discussions on Islamic microfinance's future development & potential, funding sources, building an enabling environment for inclusive Islamic finance, and various supportive elements of Islamic financing. There were around 200 international professionals and experts including representatives from Islamic finance providers, microfinance providers, regulators, policymakers, donors, investors, commercial banks, digital financial players, and government authorities that participated in this event.


Pakistan
Microfinance Network
Achieving Together

KPMG Taseer Hadi & Co.
Chartered Accountants

Pakistan Microfinance Network

Financial Statements

For the period ended 31 December 2022

KPMG

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Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Microfinance Network

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Microfinance Network ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, income and expenditure statement, statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act 2017, (XIX of 2017) in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the surplus and other comprehensive income, the changes in funds and reserves and its cash flows for the year then ended.

Basis for Opinion

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

KPMG Taseer Hadi & Co.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Ubbaid Ullah**.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
Date: 30 August 2023
UDIN: AR202210240WftqBowI5

Pakistan Microfinance Network
Statement of Financial Position
As at 31 December 2022

	Note	2022	2021
		----------Rupees----------	
NON - CURRENT ASSETS			
Property and equipment	4	**10,643,516**	16,306,268
Intangible assets	5	**1,287,353**	2,574,323
Long term loans	6	**-**	245,444
Long term investments	7	**308,936,801**	308,936,801
		320,867,670	328,062,836
CURRENT ASSETS			
Consultancy fees receivable	8	**3,845,530**	2,100,832
Loans and advances	9	**11,911,184**	3,189,123
Deposits and short term prepayments	10	**3,036,671**	4,527,731
Training and other receivables	11	**31,185,364**	29,977,769
Receivable from subsidiary	12	**57,390,973**	30,808,193
Short term investments	13	**10,000,000**	22,003,000
Bank balances	14	**2,477,278**	4,055,711
		119,847,000	96,662,359
TOTAL ASSETS		**440,714,670**	424,725,195
FUNDS AND RESERVES			
Unrestricted funds		**329,020,945**	320,877,309
Endowment fund		**70,485,728**	70,485,728
		399,506,673	391,363,037
NON CURRENT LIABILITIES			
Deferred grants	15	**11,962**	1,330,628
Long term loan	16	**-**	531,146
Lease liability	17	**-**	4,407,806
		11,962	6,269,580
CURRENT LIABILITIES			
Current portion of long term loan	16	**-**	10,303,903
Current portion of lease liability	17	**4,332,547**	3,235,842
Short Term Borrowings	18	**8,901,265**	-
Deferred grants	19	**540,717**	944,673
Accrued and other liabilities	20	**27,421,506**	12,608,160
		41,196,035	27,092,578
TOTAL FUNDS, RESERVES AND LIABILITIES		**440,714,670**	424,725,195
CONTINGENCIES AND COMMITMENTS	21		

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Pakistan Microfinance Network
Income and Expenditure Statement
For the year ended 31 December 2022

	Note	2022	2021
		----------Rupees----------	
INCOME			
Grant income	22	**1,493,420**	241,101,673
Members' contributions	23	**18,425,000**	18,760,000
Institutional contributions	24	**11,625,000**	26,000,000
Income from trainings	25	**7,525,572**	-
Income from research projects / consultancy	26	**6,132,132**	11,631,244
Income from sponsorships	27	**15,764,827**	12,506,034
Facilitation fee income	28	**11,978,763**	19,374,877
Other income	29	**5,492,113**	1,497,924
		78,436,827	330,871,752
EXPENDITURE			
Governance and management	30	**(26,885,403)**	(31,618,116)
Programme costs	31	**(39,606,840)**	(62,265,011)
		(66,492,243)	(93,883,127)
Surplus from operations		**11,944,584**	236,988,625
Finance income	32	**1,670,554**	3,125,120
Finance costs	33	**(1,511,242)**	(2,140,553)
Net finance income		**159,312**	984,567
Net (impairment loss) / reversal of impairment loss gain on receivables		**(3,960,260)**	(316,101)
		(3,800,948)	668,466
Taxation	3.8	-	-
SURPLUS FOR THE YEAR		**8,143,636**	237,657,091

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network

Statement of Comprehensive Income

For the year ended 31 December 2022

	2022	2021
	----------Rupees----------	
SURPLUS FOR THE YEAR	**8,143,636**	237,657,091
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,143,636**	237,657,091

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network
Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022	2021
		------------Rupees------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		8,143,636	237,657,091
Adjustments for:			
Depreciation	4	5,829,306	5,935,809
Amortization	5	1,286,970	1,637,096
Net Impairment loss on receivables		3,960,260	316,101
Gain on disposal of operating fixed assets		(48,591)	(18,062)
Amortization of deferred capital grant	15.1	(1,493,420)	(1,618,702)
Amortization of deferred grant	22	-	(225,878,583)
Finance costs	33	1,511,242	2,140,553
Finance income	32	(1,670,554)	(3,125,120)
		9,375,213	(220,610,908)
Changes in:			
Consultancy fees receivable		(3,104,988)	4,247,130
Loans and advances		(8,885,165)	(2,013,369)
Deposits and short-term prepayments		1,491,060	(937,913)
Grant receivable		-	44,473,207
Training and other receivables		(3,807,565)	(10,546,378)
Receivable from subsidiary		(26,582,780)	(30,808,193)
Accrued and other liabilities		14,813,346	(21,225,451)
		(26,076,092)	(16,810,967)
Net cash (used in) / generated from operating activities		(8,557,243)	235,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment including capital work in progress		(166,554)	(257,581)
Acquisition of intangibles - including capital work in progress		-	(12,956,488)
Proceeds from disposal of operating fixed assets		48,591	62,000
Long term investment in subsidiary		-	(80,100,000)
Short term investments redeemed		12,003,000	9,999,999
Long term loans issued		-	(500,000)
Long term loans recovered		408,549	376,386
Interest received		1,670,554	3,125,120
Net cash(used in) / generated from investing activities		13,964,140	(80,250,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred grants		-	69,090,095
Long term loans received		-	-
Running finance facility availed		8,901,265	-
Interest paid on running finance		(245,006)	-
Long term loans repaid		(11,186,998)	(11,516,433)
Repayment of lease liability		(4,454,591)	(5,736,973)
Net cash (used in) generated from financing activities		(6,985,330)	51,836,689
Net decrease in cash and cash equivalents during the year		(1,578,433)	(28,178,659)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,055,711	32,234,370
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	2,477,278	4,055,711

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

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CHIEF EXECUTIVE OFFICER **DIRECTOR**

Pakistan Microfinance Network

Statement of Changes in Funds and Reserves

For the year ended 31 December 2022

	Funds and Reserves		
	Unrestricted funds	Endowment fund	Total
	----------Rupees----------		
Balance as at 01 January 2021	83,220,218	70,485,728	153,705,946
Surplus for the year	237,657,091	-	237,657,091
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	237,657,091	-	237,657,091
Balance as at 31 December 2021	320,877,309	70,485,728	391,363,037
Balance as at 01 January 2022	**320,877,309**	**70,485,728**	**391,363,037**
Surplus for the year	**8,143,636**	-	**8,143,636**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**8,143,636**	-	**8,143,636**
Balance as at 31 December 2022	**329,020,945**	**70,485,728**	**399,506,673**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pakistan Microfinance Network
Notes to the Financial Statements
For the year ended 31 December 2022

1 LEGAL STATUS AND OPERATIONS

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

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

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

1.2 License issued to the Company under section 42 of the Companies Act, 2017 expired on 10 August 2020. In the previous year the Company has filed for renewal of the license to the Securities and Exchange Commission of Pakistan (SECP) which was forwarded by SECP to the Ministry of Interior for obtaining necessary approval before grant of license, however, Securities and Exchange Commission of Pakistan ("SECP") vide notification no. S.R.O 1574(I)/2021 dated 29 November 2021, amended the Association with Charitable and Not for Profit Objects Regulations, 2018 ("the Regulations") whereby a license once granted by the commission under section 42 of the Companies Act, 2017 is no more required to be renewed and the original license granted by the SECP remains valid.

2 STATEMENT OF COMPLIANCE & BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan, as notified under the Companies Act, 2017; and
- Provisions of, and directives issued under the Companies Act, 2017.

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

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2.2 Basis of measurement and preparation

The accompanying financial statements have been prepared under historical cost convention except for lease liability which is measured at present value.

These are separate financial statements of the Company in which investment in subsidiary and associate are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

Note 3.1 - 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

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

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

Note 3.10 - measurement of ECL allowance for receivables

Measurement of fair values

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

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1, which are observable and available for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable and available market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-

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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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

- 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 to 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.

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- Definition of Accounting Estimates (Amendments to IAS 8) 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 an entity 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, with earlier application permitted, 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) 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.

- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control

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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 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

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their recoverable amount. Any change in the estimates in the future might affect the carrying amount of the respective item of property and equipment, with a corresponding effect on the related depreciation charge and impairment.

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

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

Right of use assets

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

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

All purchases and sale of investments are recognized using settlement date accounting that is, the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.3.1 Investments in subsidiary

Investments in subsidiary are initially recognized at cost. At subsequent reporting dates, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in income and expenditure. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to their revised recoverable amounts but limited to the extent of initial cost of investments. Reversal of impairment loss is recognized in the income and expenditure.

Income and expenditure of subsidiary is carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gain and losses on disposal of investments is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate the retained investment is carried at fair value.

3.3.2 Investments in associates

Associates are entities in which the Company has significant influence but not control over the financial and operating policies. Investments in associates are initially recognized at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the income and expenditure. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the income and expenditure.

The profits and losses of associates are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the associates and jointly controlled entities which are recognized in other income. Gains and losses on disposal of investment is included in other income.

3.4 Financial instruments

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

3.4.1 Financial asset

Classification

On initial recognition, a financial asset is classified and measured at:
- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

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

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.

a) Fair value through other comprehensive income (FVOCI)

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

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

b) 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.

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Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in income and expenditure statement. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to income and expenditure statement.
Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in income and expenditure statement.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in income and expenditure statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to income and expenditure statement.

De-recognition

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

3.4.2 Financial liabilities

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

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

3.4.3 Offsetting

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

3.5 Lease liability

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

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

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

3.6 Provisions and contingencies

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

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

3.7 Staff retirement benefits

Defined contribution plans
The Company operates a defined contribution voluntary pension scheme for its permanent employees. Contributions to the scheme are made by the Company and

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its employees, in accordance with the employment contract. The rate of employer and employee contributions is 10% of the basic pay of permanent employees. The scheme is fully funded and is being managed by MCB - Arif Habib Savings and Investments Limited, on behalf of each individual employee.

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

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

3.8 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from that taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company has been claiming tax credit under section 100C of the Income Tax Ordinance, 2001 (the Ordinance) equal to one hundred percent of the tax payable, including minimum tax and final tax payable, under any of the provisions of the Ordinance. The credit is subject to compliance with certain conditions listed in section 100C, which also requires recognition as a non-profit organization (NPO). Previously the Company obtained said recognition which owing to rule 214 of the Income Tax Rules 2002, required renewal after every three years. On 03 September 2021, the Company was granted approval as an NPO under section 2(36) of the Income Tax Ordinance with a validity from 01 January 2021 to 31 December 2023 from the Commissioner Inland Revenue Islamabad accordingly no provision for taxation has been recognized in these financial statements.

3.9 Foreign currency transactions and translation

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

3.10 Impairment

Financial assets

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

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For recognition of impairment on financial assets due from the Government of Pakistan entities, the Company continues to apply the accounting policy as stated below.

Non-financial assets

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

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3.11 Income recognition

I. Income related Grants

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

II. Deferred Grants

Deferred Capital Grants

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

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

Government Grant – Loans at below market interest rates

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

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

III. Contracts with Customers

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

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Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Training Income	The Company delivers local and international trainings to participants of the member organizations. The consideration is pre-agreed at the time of receipt of nominations from member organizations. Income comprises the invoiced value for the delivery of trainings, which is recognized over time as the customers simultaneously receive and consume the benefits provided by the Company's performance of delivery of trainings. Invoices are usually payable in 30 days. Other than the trade discounts which are provided at the time of negotiation of the rates, the Company does not provide any discounts for early settlement of the invoices.	Revenue is recognized over time to the extent that performance obligations have been satisfied. Progress of satisfaction of performance obligations is determined by the number of days in which trainings have been delivered against total of duration of trainings in days.
Membership Fee	The Company receives annual membership fees from Microfinance institutions (MFIs) as consideration for being members of the Company and for provision of continuous support and representation on different forums. Income comprises the membership fees for each category of members as approved by the Board of the Company. Performance obligation regarding membership fees is satisfied over time as and when the MFIs simultaneously receive and consume the benefits provided by the Company's performance of services.	Income is recognized over time as and when performance obligation is satisfied. Since Membership fee is received for twelve-month period (January-December) and services rendered evenly during the period hence income is recognized evenly over the period of twelve months.

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Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
	Invoices are usually payable in 30 days. The Company does not provide any discounts for early settlement of the invoices. Further, no refunds are offered.	
Sponsorship Income	The Company generates sponsorship income from its Annual Microfinance Conference. As per the agreed sponsorship packages, the Company provides brand visibility to its members. Income comprises the invoiced value for the provision of the brand visibility service, which is recognized over time as the MFIs simultaneously receive and consume the benefits provided by the Company's performance of brand visibility services. Invoices are usually payable in 30 days. Other than the trade discounts which are provided at the time of negotiation of the rates, the Company does not provide any discounts for early settlement of the invoices.	Revenue is recognized over time to the extent that performance obligations have been satisfied. Progress of satisfaction of performance obligations is determined by the number of days in which brand visibility is provided against total of duration of the Annual Microfinance event.
Research Studies / Consultancy Income	The Company carries out research studies for members and other donor organizations. The consideration is pre-agreed through formal agreements and payment is linked with the achievement of milestones. Income comprises the invoiced value for carrying out research studies which is recognized at a point in time as the Company achieves the milestone agreed and thereafter submits research reports.	Income is recognized at a point in time as and when the performance obligation is satisfied i.e. when the Company has achieved a pre-agreed milestone and submits research reports.

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Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
	Invoices are usually payable in 30 days. The Company does not provide any discounts for early settlement of the invoices.	

IV. Profit on bank deposits and investments

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

V. Other Income

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

3.12 Fair value measurement

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

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

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

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

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

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

3.13 Unrestricted funds

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

3.14 Endowment fund

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

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4 PROPERTY AND EQUIPMENT

	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 (Note 4.1.1)	On disposals	As at 31 December	As at 31 December
		Rupees				%	Rupees				Rupees
2022											
Owned											
Leasehold improvements		4,762,000	-	-	4,762,000	20	1,360,773	952,400	-	2,313,173	2,448,827
Furniture and fittings		1,614,737	-	-	1,614,737	20	955,440	193,140	-	1,148,580	466,157
Office equipment		3,407,262	166,554	(305,580)	3,268,236	20	2,619,917	295,942	(305,580)	2,610,280	657,956
Motor Vehicles		3,831,250	-	-	3,831,250	33	1,472,872	1,276,956	-	2,749,828	1,081,422
Computer equipment		3,291,449	-	-	3,291,449	33	3,094,572	143,152	-	3,237,725	53,724
Right of use Assets	17.1	14,838,573	-	-	14,838,573	20	5,935,429	2,967,715	-	8,903,144	5,935,429
		31,745,271	166,554	(305,580)	31,606,245		15,439,003	5,829,306	(305,580)	20,962,729	10,643,516

	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	As at 31 December
		Rupees				%	Rupees				Rupees
2021											
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	4.1.1	3,831,250	-	-	3,831,250	33	195,916	1,276,956	-	1,472,872	2,358,378
Computer equipment	4.1.1	3,401,049	-	(109,600)	3,291,449	33	3,061,020	143,152	(109,600)	3,094,572	196,877
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	257,581	(289,564)	31,745,271		9,748,820	5,935,809	(245,626)	15,439,003	16,306,268

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4.1 Depreciation expense amounting to Rs. 1,568,045 (2021: Rs. 1,568,045) was charged to Munsalik Digital (Private) Limited under the resource sharing agreement.

Pakistan Microfinance Network
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5 INTANGIBLE ASSETS

	COST					ACCUMULATED AMORTIZATION				WRITTEN DOWN VALUE
	As at 01 January	Additions	Disposals	As at 31 December	Rate	As at 01 January	Charge for the year	On disposals	As at 31 December	As at 31 December
	Rupees				%	Rupees				Rupees
2022										
GIS based support system - MicroEye	4,004,755	-	-	4,004,755	33	4,004,755	-	-	4,004,755	-
Accounting and anti-virus software	2,432,523	-	-	2,432,523	33	2,432,523	-	-	2,432,523	-
Staff Information Bureau	273,311	-	-	273,311	33	273,311	-	-	273,311	-
Pakistan Microfinance Review	4,978,852	-	-	4,978,852	33	2,404,529	1,286,970	-	3,691,499	1,287,353
	11,689,441	-	-	11,689,441		9,115,118	1,286,970	-	10,402,088	1,287,353
2021										
GIS based support system MicroEye	4,004,755	-	-	4,004,755	33	3,654,633	350,122	-	4,004,755	-
Accounting and anti-virus software	2,432,523	-	-	2,432,523	33	2,432,523		-	2,432,523	-
Staff Information Bureau	273,311	-	-	273,311	33	273,311	-	-	273,311	-
Pakistan Microfinance Review	1,117,555	3,861,297	-	4,978,852	33	1,117,555	1,286,974	-	2,404,529	2,574,323
	7,828,144	-	-	11,689,441		7,478,022	1,637,096	-	9,115,118	2,574,323

	Note	2022	2021
		----------Rupees----------	
6 LONG TERM LOANS			
Considered good - unsecured			
Loans to employees		-	408,548
Current portion shown under current assets	9	-	(163,104)
		-	245,444

6.1 Interest at the rate of 5% per annum (2021: 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 INVESTMENTS

	Note	2022	2021
		----------Rupees----------	
Investments held at cost			
In subsidiary company			
Munsalik Digital (Private) Limited	7.1	**271,458,801**	271,458,801
In associated company			
Aequitas Information Services Limited			
Investment at cost	7.2	**37,478,000**	37,478,000
Less: Impairment loss		**-**	-
		37,478,000	37,478,000
		308,936,801	308,936,801

7.1 This represents invesment in 2,714,588 (2021: 2,714,588) fully paid ordinary shares of Rs. 100 each which represents 100% equity shares of Munsalik Digital (Private) Limited ("MDPL"). MDPL was set up as a private limited company under the Companies Act, 2017 to branch out the operations of the Digital Services Platform ("the Platform") as required under the grant agreement entered into on 13 April 2020 with Karandaaz Pakistan to finance the Platform.

7.1.1 Summary of investment in subsidiary made during the year	2022	2021
	----------Rupees----------	
Transfer of property and equipment	-	112,266,036
Transfer of intangible asset	-	77,081,630
Consideration paid in cash	-	82,111,135
	-	271,458,801

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7.2 This represents 3,419,763 (2021: 3,419,763) fully paid ordinary shares of Aequitas Information Services Limited (AISL) acquired on 23 May 2019 which represents 6.65% (2021: 6.65%) 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 is 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 Company's nominee director was appointed on the board of AISL. The Company has determined that it is able to exert significant influence on AISL because it has meaningful representation on its board. Accordingly, this Investment has been accounted at cost in accordance with the requirements of International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

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		Note	2022	2021
			----------Rupees----------	
8	**CONSULTANCY FEES RECEIVABLE**			
	Unsecured - Considered good			
	Ghana Microfinance Institutions Network (GHAMFIN)		**5,840,000**	4,420,000
	World Bank		**21,655**	21,655
	International Labor Office		**1,684,988**	-
			7,546,643	4,441,655
	Less: Allowance for impairment		**(3,701,113)**	(2,340,823)
			3,845,530	2,100,832
8.1	Movement of allowance for impairment is as follows:			
	Balance as at January 01		**2,340,823**	1,907,845
	Net remeasurement expected credit loss allowance		**1,360,290**	432,978
			3,701,113	2,340,823
9	**LOANS AND ADVANCES**			
	Loans - unsecured considered good			
	Current portion of long term loans	6	-	163,104
	Advances - unsecured considered good			
	to employees	9.1	**3,482,908**	897,743
	to consultants		**8,428,276**	2,128,276
		9.2	**11,911,184**	3,026,019
			11,911,184	3,189,123

9.1 This includes advances to Chief Executive Officer and Chief Financial Officer amounting to Rs. 2,100,000 (2021: Nil) and Rs. 1,165,830 (2021: 750,000). The maximum aggregate amount outstanding from Chief Executive Officer, Chief Financial Officer and Chief Operating Officer at any time during the year was Rs. 3,000,000, Rs. 1,559,784 and Rs. 527,914 respectively. Provision for doubtful advance and aging are not disclosed as advance is not past due or impaired as at the reporting date.

		Note	2022	2021
			----------Rupees----------	
9.1.1	Movement of advance to Chief Executive Officer is as follows:			
	Balance as at January 01		-	-
	Disbursements	9.1.2	**4,700,000**	3,188,500
	Repayments		**(2,600,000)**	(3,188,500)
			2,100,000	-

9.1.2 Advance to Chief Executive Officer (CEO) issued for personal purposes amounted to Rs. 4,200,000 (2021: Rs. 3,188,500).

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

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		Note	2022	2021
			----------Rupees----------	
10	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits		**1,271,004**	1,271,004
	Short term prepayments			
	Employee benefits / Insurance		**1,281,279**	2,582,559
	Others		**484,388**	674,168
			1,765,667	3,256,727
			3,036,671	4,527,731
11	**TRAINING AND OTHER RECEIVABLES**			
	Membership fees		**3,028,700**	2,666,700
	Training fees		**886,347**	731,347
	Sponsorship fees		**3,600,040**	4,450,040
	Institutional contributions	24.1	**5,000,000**	-
	Facilitation fees	11.1	**5,770,042**	7,374,877
	Investor linkages fee		**250,000**	250,000
	Social audit fee		-	250,000
	Receivable from South Asia Micro-entrepreneurs Network	11.2	**11,165,371**	9,183,493
	Others	11.3	**8,032,175**	9,018,653
			37,732,675	33,925,110
	Less: Allowance for impairment	11.4	**(6,547,311)**	(3,947,341)
			31,185,364	29,977,769

11.1 This respresent amount receivable from Aequitas Information Services Limited, an associated company, as share of inquiry fee against credit bureau inquiries made during the year under the cooperation and investment agreement.

11.2 This represents receivable from South Asia Micro-entrepreneurs Network (SAMN), which is a regional microfinance industry association registered in Sri Lanka. The Company provides operational and secretarial support to SAMN and as part of this support, Company makes payments and receives funds on behalf of SAMN. As per an understanding reached between the Company and members of SAMN, this receivable will be settled by SAMN through contributions from its respective members and receipts from SAMN conference which was held in Dubai during the year.

11.3 This includes amounts receivable from Pakistan Fintech Network, sales tax receivable from members and refundable tax due from government.

		2022	2021
		----------Rupees----------	
11.4	Movement of allowance for impairment is as follows:		
	Balance as at 01 January	**3,947,341**	4,064,218
	Receivables written-off during the year	**2,599,970**	(116,877)
	Net remeasurement of expected credit loss allowance	**6,547,311**	3,947,341

11.5 Training and other receivables include following receivables from associated companies. Aging for these receivables have been disclosed in note 37.1.1 to the financial statements.

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	2022		2021
	Rupees		
	Maximum aggregate amount	**Balance as at 31 December 2022**	Balance as at 31 December 2021
Membership fees			
AGAHE	**150,000**	**150,000**	150,000
Training fees			
Akhuwat Islamic Microfinance Company	**72,713**	**72,713**	72,713
Mobilink Microfinance Bank Limited	**125,000**	**125,000**	90,000
National Rural Support Programme	**80,000**	**80,000**	80,000
Aequitas Information Services	**218,139**	**218,139**	218,139
	495,852	**495,852**	460,852
Facilitation Fee			
Aequitas Information Services Limited	**7,374,877**	**5,770,042**	7,374,877
	7,374,877	**5,770,042**	7,374,877
Investor Linkage Fee			
AGAHE	**250,000**	**250,000**	250,000
	250,000	**250,000**	250,000
Social Audit Fee			
HBL Microfinance Bank Limited	**250,000**	**-**	250,000
	250,000	**-**	250,000
	8,370,729	**6,515,894**	8,335,729

		Note	2022	2021
12	**RECEIVABLE FROM SUBSIDIARY**		----------Rupees----------	
	Resource sharing	12.1	**24,011,121**	12,202,744
	Others	12.2	**33,379,852**	18,605,449
			57,390,973	30,808,193

12.1 This represents staff and other office related costs allocated to Munsalik Digital (Private) Limited, a subsidiary company, as per the resource sharing agreement entered on 20 January 2021. As per the terms of the agreement, the Company will share administrative staff and operational resources, including office premises, with the subsidiary company at cost.

12.2 This represents payments made on behalf of Munsalik Digital (Private) Limited to different vendors.

		Note	2022	2021
13	**SHORT TERM INVESTMENTS**		----------Rupees----------	
	Amortised cost			
	Term Deposit Receipts	13.1	**10,000,000**	22,003,000

13.1 This represents term deposit receipt (TDR) of SAMBA Bank Limited carrying interest at rate of 11.27% (2021: 7%) per annum respectively. TDR of SAMBA Bank Limited amounting to Rs. 10 million is held as a collateral against the running finance facility.

		Note	2022	2021
14	**BANK BALANCES**		----------Rupees----------	
	Cash at banks in local currency			
	Savings accounts	14.1	**2,420,699**	3,185,124
	Current accounts		**56,580**	870,587
			2,477,278	4,055,711

14.1 Savings accounts carry mark up at rates ranging between 6% to 7% (2021: 6% to 7%) per annum.

14.2 Bank balances include balances in saving account of Khushhali Microfinance Bank Limited of Rs. 44,336 (2021: Rs. 41,781) and balances in current accounts of U Microfinance Bank Limited of Rs. 56,580 (2021: Rs. 56,580 respectively.

		Note	2022	2021
15	**DEFERRED GRANTS**		----------Rupees----------	
	Deferred capital grant	15.1	**552,679**	2,046,099
	Deferred income - Government Grant	16.1	**-**	229,202
			552,679	2,275,301
	Less: current portion shown under current liability	19	**(540,717)**	(944,673)
			11,962	1,330,628
15.1	**Deferred capital grant**			
	Balance as at January 01		**2,046,099**	3,664,801
	Grants for the year relating to:			
	Property and equipment		-	-
	Transfers to the income and expenditure statement:			
	Amortization for the year		**(1,493,420)**	(1,618,702)
	Property and equipment disposed off during the year		**-**	-
		22	**(1,493,420)**	(1,618,702)
			552,679	2,046,099

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		Note	2022	2021
			----------Rupees----------	
16	**LONG TERM LOAN**			
	Secured			
	Balance at the beginning of the year		**10,835,049**	21,090,690
	Accrued mark up		**351,951**	1,260,792
	Repayment made during the year		**(11,187,000)**	(11,516,433)
	Balance at the end of the year		-	10,835,049
	Less: current portion shown under current liability		-	(10,303,903)
			-	531,146

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

		Note	2022	2021
			----------Rupees----------	
16.1	**Deferred income - Government Grant**			
	Balance at the beginning of the year		**229,202**	1,037,808
	Grant recognised on loan at below market interest rate		-	-
	Grant amortized during the year		**(229,202)**	(808,606)
			-	229,202
17	**LEASE LIABILITY**			
	Balance as at 01 January		**7,643,648**	11,692,254
	Leases recognized during the year		-	-
	Finance cost on lease liabilities	33	**1,143,490**	1,688,367
	Payments made during the year		**(4,454,591)**	(5,736,973)
			4,332,547	7,643,648
	Less: current portion shown under current liability		**(4,332,547)**	(3,235,842)
		17.1	-	4,407,806

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

		Note	2022	2021
17.2	**Contractual maturity of remaining lease commitments**		----------Rupees----------	
	Within one year		**4,900,050**	4,454,591
	Between 2 and 4 years		**-**	4,900,050
	Total un-discounted lease commitments		**4,900,050**	9,354,641

18 This represents running finance facility from SAMBA Bank Limited. PMN during the year 2022 acquired this Running Finance Facility to meet the working capital requirements. As they repaid in full the Salary and Wages loan during the year and had already invested Rs 10 Million in a TDR. They decided to set up a running finance facility with Samba Bank by placing the TDR under lien.

19 DEFERRED GRANTS

	Note	2022	2021
Deferred capital grant	15	**540,717**	944,673
		540,717	944,673

20 ACCRUED AND OTHER LIABILITIES

	Note	2022	2021
Accrued expenses		**1,565,004**	1,199,998
Accounts payable		**16,483,249**	9,271,166
Withheld income tax payable		**6,484,136**	237,325
Withheld sales tax payable		**2,431,735**	1,499,117
Payable to employees' voluntary pension scheme		**186,074**	128,886
Other liabilities	20.1	**271,308**	271,668
		27,421,506	12,608,160

20.1 This includes balances payable to following associated company:

	2022	2021
HBL MicroFinanceBank Limited	**250,000**	250,000

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

The Company does not have any contingencies as at 31 December 2022 (2021: Nil).

21.2 Commitments

The Company does not have any commitments as at 31 December 2022 (2021: Nil).

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		Note	2022	2021
			----------Rupees----------	
22	**GRANT INCOME**			
	State Bank of Pakistan (SBP)			
	- NFIS Technical Assistance for Sub-committees		-	3,353,670
	Karandaaz Pakistan			
	- Digital Services Platform		-	10,250,718
			-	13,604,388
	Amortization of deferred grant		-	225,878,583
	Amortization of deferred capital grant	15.1	**1,493,420**	1,618,702
			1,493,420	241,101,673
23	**MEMBERS' CONTRIBUTIONS**			
	Membership fee	23.1	**18,425,000**	18,760,000

23.1 Membership fees have been further disaggregated as from:

	2022	2021
Microfinance Banks	**5,500,000**	6,100,000
Non-Banking Microfinance Institutions	**12,925,000**	12,660,000
	18,425,000	18,760,000

24 INSTITUTIONAL CONTRIBUTIONS

	2022	2021
Habib Bank Limited (HBL)	**5,000,000**	10,000,000
HBL Microfinance Bank	**5,000,000**	-
Pak Oman Microfinance Bank Limited	**500,000**	-
DAMEN Support Programme	**625,000**	-
Mobilink Microfinance Bank	**500,000**	-
National Bank of Pakistan (NBP)	-	8,000,000
Bank of Punjab (BOP)	-	5,000,000
Bank Alfalah Limited (BAL)	-	3,000,000
	11,625,000	26,000,000

24.1 These contributions were made by commercial and microfinance banks under the strategic and institutional partnership arrangement with the Company to identify and explore avenues for the purpose of promoting Financial Inclusion in Pakistan. The contribution was given for the annual event of the Company titled "Annual Microfinance Conference (AMC)" held in October 2022.

		Note	2022	2021
			----------Rupees----------	
25	**INCOME FROM TRAININGS**			
	Training Income - gross		**9,038,890**	-
	Less: Trade discount		-	-
	Less: Sales Tax		**(1,513,318)**	-
	Training Income - net	25.1	**7,525,572**	-

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		2022	2021
25.1	Training income has been further disaggregated into the following categories	----------Rupees----------	
	Microfinance Banks	**140,000**	-
	Non-Banking Microfinance Institution	**2,722,572**	-
	Non member organizations	**4,663,000**	-
		7,525,572	-

26 INCOME FROM RESEARCH PROJECTS / CONSULTANCY

	2022	2021
International Labor Office	**4,858,613**	-
Foreign, Commonwealth and Development Office (FCDO)	-	7,487,884
Microfinance Opportunities (MFO)	**1,273,519**	4,143,360
	6,132,132	11,631,244

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 Company. Sponsorship income has been disaggregated into the following categories.

	Note	2022	2021
		----------Rupees----------	
Sponsorship income - gross		**18,048,327**	14,507,000
Less: Sales Tax		**(2,283,500)**	(2,000,966)
Sponsorship Income - net	27.1	**15,764,827**	12,506,034

		2022	2021
27.1	Sponsorship income has been further disaggregated into the following categories		
	Microfinance Banks	**4,250,000**	3,250,000
	Non-Banking Microfinance Institution	**2,150,000**	4,256,034
	Non member organisations	**9,364,827**	5,000,000
		15,764,827	12,506,034

28 FACILITATION FEE INCOME

This represents income earned by the Company 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 Company earns facilitation fee as share of inquiry fee against credit bureau inquiries made by members of the Company from AISL.

29 OTHER INCOME

	2022	2021
	----------Rupees----------	
Income from non-financial assets		
Liabilities written off during the year	-	-
Social audit	-	500,000
Others	**5,492,113**	997,924
	5,492,113	1,497,924

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Notes to the Financial Statements
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30 GOVERNANCE AND MANAGEMENT	Note	2022	2021
		----------Rupees----------	
Salaries and benefits		**9,032,177**	14,075,848
Events / conferences / meetings		**1,152,645**	551,225
Rent and utilities		**632,341**	616,130
Depreciation and amortization		**5,548,229**	6,004,860
Legal and professional		**3,144,608**	3,021,328
Travel		**1,028,262**	1,057,932
Auditors' remuneration	30.2	**1,360,000**	1,238,500
Office supplies		**582,360**	750,482
Designing and printing		**200,000**	475,680
Office maintenance		**652,900**	508,177
Insurance		**739,442**	998,030
Entertainment		**465,119**	439,776
Other expenses		**1,966,280**	1,724,516
Bank charges		**381,040**	155,632
		26,885,403	31,618,116

30.1 The Company has charged governance and management expense amounting Rs. 14.60 million (2021: Rs. 12.20 million) as per the resource sharing agreement to Munsalik Digital (Private) Limited, the susidiary company.

30.2 Auditors' remuneration include the following:	2022	2021
	----------Rupees----------	
Audit fee	**1,320,000**	1,200,000
Other non audit services	**-**	-
Out of pocket expense	**40,000**	38,500
	1,360,000	1,238,500

31 PROGRAMME COSTS	2022	2021
Salaries and benefits	**20,748,457**	27,990,623
Consultant cost	**1,742,460**	20,971,906
Events / conferences / meetings	**11,570,582**	10,636,977
Per diem and other allowances	**4,788,179**	1,514,059
Rent and utilities	**-**	25,200
International memberships	**448,375**	282,331
Other expenses	**308,787**	843,915
	39,606,840	62,265,010

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		2021	2021
32	**FINANCE INCOME**	----------Rupees----------	
	Income from financial assets		
	Profit on savings accounts	**406,043**	1,014,803
	Interest income on loans to employees	**9,379**	18,581
	Interest income on investments	**1,255,132**	2,091,736
		1,670,554	3,125,120

33	**FINANCE COSTS**		
	Mark-up on:		
	Long-term loans	**122,746**	452,186
	Runnining finance facility	**245,006**	-
	Lease liability	**1,143,490**	1,688,367
		1,511,242	2,140,553

34 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	
		2022	2021	**2022**	2021
	Note	----------Rupees----------		----------Rupees----------	
Managerial remuneration	34.1	**7,843,848**	9,507,700	**12,795,006**	12,959,296
Bonus for the year		**2,614,618**	2,376,927	**-**	1,320,526
Pension fund scheme		**-**	-	**124,500**	257,441
Contribution for gratuity		**571,204**	1,935,192	**668,779**	1,465,848
Reimbursements		**121,012**	120,743	**200,755**	339,891
Other benefits	34.2	**53,910**	34,415	**125,567**	122,643
		11,204,592	13,974,977	**13,914,607**	16,465,645
Number of person(s)		**1**	1	**3**	4

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

34.2 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.

35 RELATED PARTY TRANSACTIONS AND BALANCES

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

Balances with related parties have been disclosed in note 9, 11, 12, 13, 14 and 20. Transactions with related parties are as follows:

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	2022	2021
35.1 Transactions during the year:	----------Rupees----------	
Transactions with associated companies:		
Training fee income	**1,157,000**	-
Membership and registration fee income	**6,500,000**	6,400,000
Sponsorship fee income	**5,375,000**	4,750,000
Facilitation fee income	**11,978,763**	19,374,877
Social audit fee income	-	500,000
Interest income earned on TDRs	-	2,091,736
Markup income	-	-
Other income	**1,214,888**	-
Property and equipment transferred to MDPL	-	112,266,036
Intangible assers transferred to MDPL	-	77,081,630
Payment against issue of shares	-	82,111,135
Others:		
Remuneration to key management personnel	**17,027,604**	18,605,420
Payments made on behalf of the Company by key management personnel	-	-

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

Associated Companies	Basis of Relationship	Number of shares held in the Company	Aggregate %age shareholding in the Company
U Microfinance Bank Limited	Common directorship	N/A	N/A
Telenor Microfinance Bank Limited	Common directorship	N/A	N/A
First Microfinance Bank Limited	Common directorship	N/A	N/A
Khushhali Microfinance Bank Limited	Common directorship	N/A	N/A
Mobilink Microfinance Bank Limited	Common directorship	N/A	N/A
National Rural Support Programme	Common directorship	N/A	N/A
SAFCO Support Foundation	Common directorship	N/A	N/A
Kashf Foundation	Common directorship	N/A	N/A
Rural Community Development Programme	Common directorship	N/A	N/A
Akhuwat Islamic Microfinance Company	Common directorship	N/A	N/A
AGAHE Pakistan	Common directorship	N/A	N/A
Aequitas Information Services Limited	Common directorship	N/A	N/A

Related Parties	Basis of Relationship	Number of shares held in the Company	Aggregate %age shareholding in the Company
Syed Mohsin Ahmed	Chief Executive Officer	N/A	N/A
Ali Basharat	Chief Operating Officer	N/A	N/A
Muhammad Waqas Khan	Chief Financial Officer	N/A	N/A
Munsalik Digital (Private) Limited	Wholly owned subididary	N/A	N/A

36 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

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

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

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

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

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

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

36.1 Fair value of financial assets and liabilities

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

		Carrying Amount				Fair Value			
		Amortised Cost	FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
2022	**Note**				---Rupees---				
Financial assets measured at Fair Value									
Deposits	10	-	1,271,004	-	1,271,004	-	-	1,271,004	1,271,004
Financial assets not measured at Fair Value									
Consultancy fees receivable	8	3,845,530	-	-	3,845,530	-	-	-	-
Training and other receivables	11	31,185,364	-	-	31,185,364	-	-	-	-
Receivable from subsidiary	12	57,390,973	-	-	57,390,973	-	-	-	-
Short term investments	13	10,000,000	-	-	10,000,000	-	-	-	-
Bank balances	14	2,477,278	-	-	2,477,278	-	-	-	-
		104,899,145	-	-	104,899,145	-	-	-	-
Financial liabilities not measured at Fair Value									
Accrued and other liabilities	20 & 36.2	-	-	18,505,635	18,505,635	-	-	-	-
Long term loan	16	-	-	-	-	-	-	-	-
Short Term Borrowing		-	-	8,901,265	8,901,265	-	-	-	-
Lease liability	17	4,332,547	-	-	4,332,547	-	-	-	-
		4,332,547	-	27,406,900	31,739,447	-	-	-	-
2021									
Financial assets measured at Fair Value									
Deposits	10	-	1,271,004	-	1,271,004	-	-	1,271,004	1,271,004
Financial assets not measured at Fair Value									
Long term loans	6	408,548	-	-	408,548	-	-	-	-
Consultancy fees receivable	8	2,100,832	-	-	2,100,832	-	-	-	-
Training and other receivables	11	29,977,768	-	-	29,977,768	-	-	-	-
Receivable from subsidiary	12	30,808,193	-	-	30,808,193	-	-	-	-
Short term investments	13	22,003,001	-	-	22,003,001	-	-	-	-
Bank balances	14	4,055,711	-	-	4,055,711	-	-	-	-
		89,354,053	-	-	89,354,053	-	-	-	-
Financial liabilities not measured at Fair Value									
Accrued and other liabilities	20 & 36.2	-	-	10,871,718	10,871,718	-	-	-	-
Long term loan	16	10,835,049	-	-	10,835,049	-	-	-	-
Lease liability	17	7,643,648	-	-	7,643,648	-	-	-	-
		18,478,697	-	10,871,718	29,350,415	-	-	-	-

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

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Pakistan Microfinance Network
Notes to the Financial Statements
For the year ended 31 December 2022

37 FINANCIAL RISK MANAGEMENT

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

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

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

37.1 Risk management framework

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

37.1.1 Credit risk

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

The carrying amounts of financial assets represent the maximum credit exposure. 'Impairment loss on financial assets' recognized in income and expenditure account amounts to Rs. 3.96 million (2021: 0.32 million) and relates to consultancy, and training and other receivables.

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

	Note	2022	2021
		----------Rupees----------	
Long Term Loans	6	-	408,548
Consultancy fees receivable	8	**3,845,530**	2,100,832
Training and other receivables	11	**31,185,364**	29,977,768
Receivable from subsidiary	12	**57,390,973**	30,808,193
Short term investments	13	**10,000,000**	22,003,001
Bank balances	14	**2,477,278**	4,055,711
		104,899,145	89,354,053

i) Consultancy, Grant, Training and other receivables

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

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

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

	2022	2021
	----------Rupees----------	
Associated companies	**6,540,894**	8,145,729
Banks - Associated companies	**125,000**	438,361
Banks - other than Associated Companies	**2,376,363**	3,957,350
Others	**95,856,888**	76,812,613
	104,899,145	89,354,053

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

	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
	----------Rupees----------			
Not yet due	**5,770,042**	**16,389**	7,374,877	-
Past due 180-365 days	-	-	100,000	43,494
Over 365 days	**620,852**	**510,759**	670,852	291,778
	6,390,894	**527,148**	8,145,729	335,272

Expected credit loss assessment as at 31 December 2022

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

Exposure within each credit risk are segmented by type of receivables like consultancy, grant and others and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past 4 years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

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

Years	GDP Forecast	Unemployment Rate	Exchange rate
2022	5.97	9.3	225.7
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

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

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

The following table provides information about the exposure to credit risk and ECL for Training and other receivables as at 31 December 2022 and 31 December 2021, excluding receivable from South Asia Micro-entrepreneurs Network.

31 December 2022	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit Impaired
	%	----------Rupees----------		
Current	0.01%	**5,141,948**	**629**	No
0-60 days past due	0.22%	**1,063,612**	**2,317**	No
61-90 days past due	0.56%	**8,217,045**	**46,139**	No
91-150 days past due	0.0%	-	-	No
151 days and above	74.2%	**8,757,295**	**6,498,226**	No
		23,179,900	**6,547,311**	

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31 December 2021				
Current	0.00%	8,013,775	128	No
0-60 days past due	0.04%	1,700,000	687	No
61-90 days past due	0.0%	-	-	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	

The following table provides information about the exposure to credit risk and ECL for consultancy fee receivables as at 31 December 2022 and 31 December 2021.

31 December 2022	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	%	------------Rupees------------		
Current	0.0%	**1,420,000**	**426**	No
0-150 days past due	0.0%	**1,684,988**	**505**	No
151 days and above	83.3%	**4,441,655**	**3,700,182**	No
		7,546,643	**3,701,113**	
31 December 2021				
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	

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 Company 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 Company are secured against the post-retirement benefits such as gratuity fund and provident fund. Accordingly, the Company considers long term loans to have the low credit risk.

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Investments

The Company held investments of Rs. 10 million as at 31 December 2022 (2021: Rs. 22 million). These investments are held with the banks which are rated A1 to A1+ based on JCR - VIS ratings.

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

Cash at Bank

The Company held cash at bank of Rs. 2,477,278 as at 31 December 2022 (2021: Rs. 4,055,711). These balances are held with the banks which are rated A1+ to AAA based on PACRA and JCR - VIS ratings.

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

37.1.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The maturity profile of the Company's financial liabilities based on the contractual amount is as follows:

	31 Decemebr 2022				
2022	**Carrying amount**	**Contracual cash flows**	**Up to one year**	**Two to three years**	**Four to five years**
Accrued Exepnse	**1,565,004**	**(1,565,004)**	**(1,565,004)**	-	-
Accounts Payable	**16,483,249**	**(16,483,249)**	**(16,483,249)**	-	-
Payable to employees' voluntary pension scheme	**186,074**	**(186,074)**	**(186,074)**	-	-
Other Liabilities	**271,308**	**(271,308)**	**(271,308)**	-	-
Running finance facility	**8,901,265**	**(8,901,265)**	**(8,901,265)**	-	-
Lease liability	**4,332,547**	**(4,332,547)**	**(4,332,547)**	-	-
	31,739,447	**(31,739,447)**	**(31,739,447)**	-	-
2021					
Accrued Exepnse	1,199,998	(1,199,998)	(1,199,998)	-	-
Accounts Payable	9,271,166	(9,271,166)	(9,271,166)	-	-
Payable to employees' voluntary pension scheme	128,886	(128,886)	(128,886)	-	-
Other Liabilities	271,668	(271,668)	(271,668)	-	-
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)	-
	29,350,415	(31,061,408)	(26,161,358)	(4,900,050)	-

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37.1.3 Market risk

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

a) Currency risk

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

	2022		2021	
	Rupees	**USD**	Rupees	USD
Consultancy fee receivable	**5,840,000**	**25,000**	4,420,000	25,000

The following significant exchange rates were applied during the year:

	Average rates		Statement of Financial Position date rate	
	2022	2021	**2022**	2021
US Dollars	**205.20**	168.35	**233.60**	176.80

Sensitivity Analysis

A 1% strengthening of the functional currency against USD as at 31 December 2022 would have decreased surplus by Rs. 58,400 (2021: Rs. 44,200). 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 Company's interest bearing financial instruments comprise of cash at bank in savings accounts, loans and advances and short term investments carrying fixed interest rates.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

c) Other market price risk

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

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

38 CAPITAL RISK MANAGEMENT

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

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39 NUMBER OF EMPLOYEES

	2022 (Number)	2021 (Number)
Number of employees of the Company at the reporting date	**11**	11
Average number of employees during the year	**11**	13

40 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of bank balances amounting to Rs. 4,055,711 (2021: Rs. 32,234370) for the purpose of the statement of cash flows.

41 GENERAL

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

42 DATE OF AUTHORIZATION

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

CHIEF EXECUTIVE OFFICER

DIRECTOR