

**Thardeep Microfinance Foundation**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2023**

**Independent Auditor's Report  
To the Board of Directors of Thardeep Microfinance Foundation  
Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **Thardeep Microfinance Foundation (the Company)** which comprise the statement of financial position as at 30 June 2023 and statement of income and expenditure and statement of other comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure, statement of other comprehensive income, the statement of changes in funds, 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 30 June 2023 and of the profit and other comprehensive income, the changes in fund 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 Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information Other than the Financial Statements and Auditor's Report Thereon**

The management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a

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material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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 the 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 judgment 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.

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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**

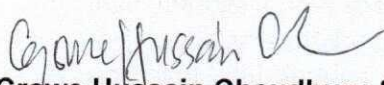
Based on our audit, we further report that in our opinion:

- 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 statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

#### **Other Matter**

The financial statements of the Company for the year ended 30 June 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 28 October 2022.

The engagement partner on the audit resulting in this independent auditor's report is Imran Shaikh.

  
**Crowe Hussain Chaudhury & Co.**  
Chartered Accountants

**Karachi**

Date:

17 OCT 2023

**UDIN: AR202310207TBSbnU3W5**



**THARDEEP MICROFINANCE FOUNDATION**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

	Note	2023 ----- RUPEES -----	2022
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, and equipment	6	87,330,689	98,864,329
Intangible assets	7	-	-
Investment property	8	1,102,900	-
Long term microfinance loan - net of provision	9	334,195,332	305,404,374
Long term loans and deposits	10	12,649,212	11,294,981
		<b>435,278,133</b>	<b>415,563,684</b>
<b>CURRENT ASSETS</b>			
Short term investments	11	1,146,662,887	1,125,821,599
Inventory	13	2,028,000	-
Microfinance loan - net of provision	16	3,164,534,873	3,253,788,293
Accrued markup	12	882,208,373	745,348,139
Other receivables	13	2,375,184	52,970,511
Advances, deposits and prepayments	14	32,680,015	24,259,327
Advance tax	17	88,138,682	64,840,848
Cash and bank balances	18	638,864,634	151,565,039
		<b>5,957,492,648</b>	<b>5,418,593,756</b>
		<b>6,392,770,781</b>	<b>5,834,157,440</b>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUNDS</b>			
<b>NON CURRENT LIABILITIES</b>			
Deferred capital grant	19	-	141,956
Deferred liabilities	20	115,076,914	97,819,388
Sub-ordinated loan	21	400,000,000	400,000,000
Long term loans	22	2,472,300,212	1,830,614,923
Lease liabilities	23	30,341,594	38,841,686
		<b>3,017,718,720</b>	<b>2,367,417,953</b>
<b>CURRENT LIABILITIES</b>			
Short term borrowings	24	1,338,782,207	1,232,782,207
Current portion of lease liabilities	23	34,335,553	31,475,824
Current portion of long-term loans	25	1,296,092,489	1,455,105,443
Accrued mark-up	26	258,181,610	160,310,640
Other liabilities	27	93,298,170	96,887,409
		<b>3,020,690,028</b>	<b>2,976,561,523</b>
		<b>6,038,408,748</b>	<b>5,343,979,476</b>
<b>TOTAL LIABILITIES</b>			
<b>FUNDS REPRESENTED BY</b>			
Reserves arising upon demerger			
Loan loss reserve	28	165,281,109	165,281,109
Members contribution		90,538,524	90,538,524
Special loss reserve		300,000	300,000
Accumulated surplus		967,842	967,842
		<b>97,274,558</b>	<b>233,090,489</b>
		<b>354,362,033</b>	<b>490,177,964</b>
		<b>6,392,770,781</b>	<b>5,834,157,440</b>
<b>TOTAL LIABILITIES AND FUNDS</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes from 1 to 49 form an integral part of these financial statements.

**DIRECTOR**

**CHIEF EXECUTIVE OFFICER**



**THARDEEP MICROFINANCE FOUNDATION**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**INCOME AND EXPENDITURE STATEMENT**  
**FOR THE PERIOD ENDED JUNE 30, 2023**

	Note	2023 ----- RUPEES -----	2022
Financial income	30	<b>1,258,730,886</b>	1,162,407,447
Financial charges	31	<b>(914,441,035)</b>	(566,860,977)
Gross financial margin		<b>344,289,851</b>	595,546,470
Provision for doubtful loans	32	<b>(108,983,042)</b>	(148,760,842)
Gross operating margin		<b>235,306,809</b>	446,785,628
Micro finance programme and operating expenses	33	<b>(452,803,326)</b>	(384,289,849)
Administrative expenses	34	<b>(186,647,147)</b>	(151,139,496)
Amortization of deferred grant	19	<b>141,956</b>	1,925,322
Other expenses	35	<b>(21,250,000)</b>	(148,915,478)
Other income	36	<b>291,975,181</b>	254,990,715
(Deficit) / surplus before taxation		<b>(133,276,527)</b>	19,356,842
Taxation		-	-
Net (deficit) / surplus for the year		<b>(133,276,527)</b>	19,356,842

The annexed notes from 1 to 49 form an integral part of these financial statements.

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**DIRECTOR**

  
**CHIEF EXECUTIVE OFFICER**

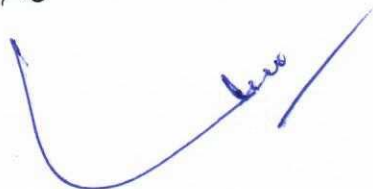


**THARDEEP MICROFINANCE FOUNDATION**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED JUNE 30, 2023**

	2023	2022
	----- RUPEES -----	
Net (deficit) / surplus for the year	(133,276,527)	19,356,842
Other comprehensive surplus / (deficit)		
Items that will not be reclassified to income and expenditure statement subsequently		
Actuarial loss on remeasurement of post employment benefit plans	(2,539,404)	(1,991,117)
Total comprehensive (deficit) / surplus for the year	<u>(135,815,931)</u>	<u>17,365,725</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

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**DIRECTOR**



**CHIEF EXECUTIVE OFFICER**



**THARDEEP MICROFINANCE FOUNDATION**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED JUNE 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

(Deficit) / Surplus before tax  
Adjustments for items not involving movement of funds:  
Depreciation  
Amortization of deferred capital grant  
Amortization of transaction cost  
Gain on sale of property, plant and equipment  
Provision for doubtful loans  
Provision against gratuity  
Financial charges  
Unrealised exchange loss / (gain) on foreign currency loan - net  
Realised exchange (gain) on foreign currency loan - net  
Unrealised loss on derivative financial instrument - net  
Realised loss on derivative financial instrument - net  
Deficit before working capital changes

**(Increase) / decrease in current assets**

Advances, deposits and prepayments  
Inventory  
Accrued markup  
Other receivable

**(Decrease) / increase in current liabilities**

Other liabilities  
Cash generated from operating activities  
Loans - disbursed  
Loans - recovered

Tax paid  
Gratuity paid  
Net cash generated / (used in) from operating activities

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Fixed capital expenditure  
Proceeds from disposal of property, plant and equipment  
Long term advances and deposits  
Short term investments purchased  
Short term investments matured  
Net cash used in investing activities

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Long term loans received  
Long term loans paid  
Settlement against loan repaid  
Repayment of lease liabilities  
Long term advances  
Financial charges paid  
Net cash used in financing activities  
Net decrease in cash and cash equivalents  
Cash and cash equivalents at beginning of the year  
Cash and cash equivalents at the end of the year

Note

2023

2022

----- RUPEES -----

(133,276,527)	19,356,842
36,226,833	40,597,856
(141,956)	(1,925,322)
-	1,182,441
(209,302)	(16,666)
108,983,042	148,760,842
24,398,612	23,309,312
914,441,035	566,860,977
-	(48,000,000)
(23,441,254)	(77,600,000)
-	48,000,000
21,250,000	76,115,037
948,230,483	796,641,319

(8,420,688)	(10,470,779)
(2,028,000)	-
(136,860,234)	(193,355,780)
50,595,327	2,215,633
(96,713,595)	(201,610,926)

(3,589,239)	15,531,821
847,927,649	610,562,214
(3,531,046,423)	(3,739,684,387)
3,482,525,843	3,132,556,498
(48,520,580)	(607,127,889)
(23,297,834)	(13,253,453)
(13,259,135)	(11,955,995)
762,850,100	(21,775,123)

(3,780,975)	(760,883)
307,716	16,666
(1,354,231)	(1,603,664)
(20,841,288)	(1,125,821,599)
-	996,294,812
(25,668,778)	(131,874,668)

1,710,000,000	2,150,000,000
(1,173,508,367)	(2,089,080,282)
(51,770,000)	-
(27,753,895)	(31,888,423)
3,578,644	6,518,026
(816,428,109)	(493,146,161)
(355,881,727)	(457,596,840)
381,299,595	(611,246,631)
(1,072,434,961)	(461,188,330)
(691,135,366)	(1,072,434,961)

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The annexed notes from 1 to 49 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE OFFICER



**THARDEEP MICROFINANCE FOUNDATION**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**STATEMENT OF CHANGES IN FUNDS**  
**AS AT JUNE 30, 2023**

Reserves arised upon demerger	Members contribution	Loan loss reserve	Special reserve	Accumulated surplus	Total
165,281,109	300,000	90,538,524		216,692,606	472,812,239

Balance as at June 30, 2021

Total comprehensive surplus for the year  
Net surplus for the year  
Other comprehensive surplus  
Actuarial loss on remeasurement of post employment benefit plans

Transfer to special reserve

Balance as at June 30, 2022

Total comprehensive surplus for the year  
Net deficit for the year  
Other comprehensive surplus  
Actuarial loss on remeasurement of post employment benefit plans

Balance as at June 30, 2023

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**DIRECTOR**

**CHIEF EXECUTIVE OFFICER**



**THARDEEP MICROFINANCE FOUNDATION**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2023**

**1 NATURE AND STATUS OF THE COMPANY**

Thardeep Rural Development Programme (TRDP) demerged its Micro Credit and Enterprise Development Unit and incorporated a separate entity namely Thardeep Microfinance Foundation (the Company) on October 06, 2016 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017).

The Company was granted a license by the Securities and Exchange Commission of Pakistan (SECP) under Section 42 of the Companies Act, 2017 on September 02, 2016 as the Company limited by guarantee and not having share capital.

On November 21, 2016, the SECP granted license to the Company to carry out Investment Finance Services as Non-Banking Finance Company (NBFC) under Rule 5 of the NBFC (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The principal activity of the Company is to mobilize funds for provision of microfinance services to poor persons, particularly, poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

**2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS**

The registered office of the Company is situated near old Naka, Naukot Road, Mithi, Tharparkar, Sindh, Pakistan. The geographical area of the Company is spread over the 19 districts of Sindh including Hyderabad, Tando Allahyar, Tharparker, Badin, Umerkot, Dadu, Jamshoro, Mirpurkhas, Sanghar, Shaheed Banazir Abad, Nowshero Feroz, Sujawal, Khairpur, Tando Mohammad Khan, Sukkar, Mitayari, Thatta, Qambar Shahdadkot and Larkana for its operations. The Company has 4 regions, Tharparkar, Mirpurkhas, Hyderabad & Sukkur and 17 area offices and 83 branches.

The regional offices of the Company are located at following addresses:

- Banglow no. 21, Block - B, Sohail Town, Mirpurkhas, Sindh, Pakistan,
- Nead Old Naka, Naukot Road Mithi, Sindh, Pakistan,
- A-206 (Suehs Jamshoro Society Phase-1 Near Regional Passport Office Jamshoro, Sindh, Pakistan, and
- Banglow No A/B 56 Hamdard Society Airport Road Sukkur, Sindh, Pakistan respectively.

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### **3 BASIS OF PREPARATION**

#### **3.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), and
- Provisions of and directives issued under the Companies Act, 2017

Where provisions of and directives issued under the Companies Act, 2017, the NBFC Rules and the NBFC Regulations and accounting standards for NPO differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules and the NBFC Regulations and accounting standards for NPO have been followed.

#### **3.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, unless otherwise stated. These financial statements are prepared following accrual basis of accounting except for cash flow information.

#### **3.3 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

### **4 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

#### **4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023**

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

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**Effective date  
(annual periods  
beginning on or  
after)**

Interest Rate Benchmark Reform - Phase 2  
(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) January 01, 2021

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid -  
19 related rent concessions April 01, 2021

**4.2 New accounting standards, amendments and interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 1 'Presentation of Financial Statements' - Classification  
of liabilities as current or non-current January 01, 2024

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of  
Accounting Policies January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates  
and Errors' - Definition of Accounting Estimates January 01, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and  
Liabilities arising from a single transaction January 01, 2023

Certain annual improvements have also been made to a number of IFRSs.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards  
IFRS 17 Insurance Contracts

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Securities and Exchange Commission of Pakistan (SECP) vide its S. R. O. 800 (I)/2021 dated June 22, 2021 modified the effective date for applicability of International Financial Reporting Standard 9 - Financial Instruments (IFRS-9) in place of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies (NBFC) as "Reporting period/year ending on or after June 30, 2022. Subsequently, SECP vide its S.R.O 1827 (I)/2022 dated September 29, 2022 further extend the applicability of IFRS-9 for NBFC as "Reporting period/year ending on or after June 30, 2024".

Accordingly, the Company has recorded provisions as per Schedule X, Regulation 25 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## **5 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **5.1 Property, plant and equipment**

#### **a) Owned**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charge to statement of income and expenditure applying the straight-line method over the estimated useful life of the assets.

Depreciation in respect of additions and disposals made during the year is charged from the month of acquisition and up to the month preceding the month of disposals.

Maintenance costs and normal repairs are charged to income and expenditure statement as and when incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably and the assets so replaced, if any, are retired.

Gains and losses on disposal of property, plant and equipment are taken to the statement of income and expenditure.

#### **b) Right-of-use assets**

The right of use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease payments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

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The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

### **Lease liability**

The lease liability is measured upon initial recognition at the present value of the future lease payments over the lease term and discounted with incremental borrowing rate.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the 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.

## **5.2 Intangible assets**

An intangible asset is stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged to statement of income and expenditure applying the straight line method over the useful life of the asset. Amortisation is charged on additions during the year from the month in which the asset is acquired and in respect of disposals during the year upto the month in which the asset is disposed off.

Cost associated with maintaining intangible assets are recognised as an expense as and when incurred.

Gains and losses if any, on disposal of intangible assets are included in statement of income and expenditure.

## **5.3 Impairment of non financial assets**

The carrying amount of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the statement of income and expenditure.

## **5.4 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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### 5.4.1 Financial assets

#### i. Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that neither measured at amortised cost nor measured at Fair Value through Other Comprehensive Income (FVOCI) shall measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

**Financial assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of income and expenditure.

**Financial assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (5.4.2) below). Interest income, foreign exchange gains and losses and impairment are recognised in statement of income and expenditure.

### 5.4.2 Impairment of financial assets

The impairment model under IFRS 9 requires the recognition of impairment based on expected credit losses. The impairment model applies to financial assets classified at amortised cost. The Company has recorded provisions as per Schedule X, Regulation 25 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 as the requirement of local laws prevails over the requirements of IFRS.

*MC*



SECP vide its S. R. O. 800 (I)/2021 dated June 22, 2021 modified the effective date for applicability of International Financial Reporting Standard 9 - Financial Instruments in place of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies as "Reporting period/year ending on or after June 30, 2023.

#### **5.4.3 Financial liabilities**

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost. Financial liabilities are derecognised when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, paid, or expires. Any gain or loss on derecognition is taken to the statement of income and expenditure for the period in which it is derecognised.

#### **5.4.4 Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in statement of income and expenditure.

#### **5.5 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognised amounts and the Company intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

#### **5.6 Loan loss reserve**

Loan loss reserve was created on outstanding loan portfolio at the rate of 5% of gross loan portfolio in TRDP - Micro Credit and Enterprise Development Unit which was transferred to the Company upon demerger of TRDP - Micro Credit and Enterprise Development Unit from erstwhile TRDP.

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## **5.7 Outstanding loan portfolio**

Lending policy for loans to beneficiaries is in accordance with the objectives of the Company. In view of the nature of the lending, the loans are un-secured as security against loans cannot be obtained. Loans lending to beneficiaries ranges from Rs. 10,000 to Rs. 1,500,000. Loans to beneficiaries are stated net of specific and general provisions. As at the reporting date, specific and general provisions are determined on the basis of NBFC and Notified Entities Regulations, 2008 applicable to Non-Bank Microfinance Company and the Company's own assessment and subjective evaluation of loan portfolio and charged to the statement of income and expenditure. Write off against provision are recorded for loans overdue for 365 days or more and not recovered upto the date of signed off of the financial statements.

## **5.8 Borrowings**

Borrowings are recognised initially at fair value net of transaction cost incurred. Borrowing cost are subsequently carried at amortised cost. Any difference between the proceeds received net of transaction cost and the financial liability is recognised in the statement of income and expenditure over the period of the borrowings using the effective interest method.

Finance cost are accounted for on accrual basis and are shown as interest/markup accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## **5.9 Creditors, accrued and other liabilities**

Trade and other payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortised cost.

## **5.10 Provisions**

A provision is recognized in the statement of financial position when the Company has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount of that obligation can be measured reliably. Provision are not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

*CYC*



### 5.11 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or the Company has a present legal or constructive obligation that arises from past events, but it is not probable and possible 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.

### 5.12 Taxation

The Company is registered with the income tax authorities as not-for-profit organisation under section 2(36) (c) of the Income Tax Ordinance, 2001 and Rule 212 and 220 of the Income Tax Rules, 2002. The Company does not account for taxation, as NPOs are allowed a tax credit equal to one hundred percent (100%) of the tax payable including minimum tax and final tax payable, under section 100C of the Income Tax Ordinance, 2001, if it meet the conditions placed in.

### 5.13 Use of critical accounting estimates and judgments

Presentation of these financial statements in conformity with accounting and reporting standards applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures.

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments and carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements are as follows:

- depreciation method, useful lives and residual values of property, plant and equipment (notes 5.1 and 6);
- depreciation method, useful lives and residual values of right of use asset (notes 5.1 and 6);
- amortization of intangibles (notes 5.2 and 7);
- expected credit loss allowance on financial assets (notes 5.4.2, 13.5, 13.6 and 30);
- employee benefit obligations (notes 5.19, 18.1 and 36);
- taxation (note 5.12);

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- deferred capital grant (note 5.16 and 17);
- contingencies (notes 5.11 and 27);

Assumptions and judgements made by management in application of accounting policies that have significant effect on the financial statements are not expected to result in material judgement to the carrying amounts of assets and liabilities in the next year.

#### 5.14 **Provision for advances**

Provision for potential losses against advances are determined by applying percentages to the outstanding balances of principal amount in various categories, as stated below:

##### **Advances with overdue principal amount**

0-29 days later	0%
30-59 days later	0%
60-89 days later	25%
90-179 days later	50%
180 days or more	100%

#### 5.15 **Revenue recognition**

Financial Income is recognized on accrual / time proportion basis using effective interest rate.

Insurance processing fee is recorded on accrual / time proportion basis.

Microfinance loans written off and subsequently recovered are recorded in the statement of income and expenditure on receipt basis.

Profit on bank deposits and term deposit receipts is recognized on accrual / time proportion basis using effective interest rate.

#### 5.16 **Deferred grant**

Donations received in cash are recognized as income over the periods necessary to match them with the related costs or on a systematic basis. Donations for purchase of property and equipment and donation received in kind are taken to deferred grant. Funding for property, plant and equipment to be utilised are deferred and amortised over the estimated useful lives of assets.

#### 5.17 **Cash and cash equivalents**

Cash and cash equivalents comprise of cash, cheques in hand and balances with banks, overdrafts and on borrowing payable on demand.

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## 5.18 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

## 5.19 Post-employment benefits

### 5.19.1 Employees benefits

The Company's employees benefits comprise of provident fund, gratuity scheme, compensated absences and medical benefits for eligible employees.

### 5.19.2 Gratuity

The Company has an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial method. The remeasurement gains / losses as per actuarial valuation are recognised immediately in other comprehensive income and all other expenses are recognised in accordance with IAS 19 "Employee Benefits" in the statement of income and expenditure.

### 5.19.3 Compensated absences

The Company provides a facility to its employees for accumulating their annual earned leaves. Under the unfunded scheme employees are entitled for 30 days privilege leaves for each completed year of service with accumulating maximum limit of 90 days. Provisions are made to cover the obligation under the scheme and are charged to statement of income and expenditure.

### 5.19.4 Provident fund

The Company has a Provident Fund scheme for all its permanent employees who attain the minimum qualification period for entitlement to the scheme. The Company contributes provident fund scheme for all its permanent employees. Equal monthly contributions, both by the Company and the employees are made, at the rate of 10% of the basic salary. Obligation for contributions to defined contribution plan by the Company is recognised as an expense in the statement of income and expenditure.

	Unaudited 2023	Audited 2022
	----- (Rupees) -----	
<b>Details of Provident Fund</b>		
Size of the fund	89,142,673	79,328,632
Cost of investment	-	-
Fair value of investment	-	-
Percentage of investment	-	-

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#### **5.19.5 Medical benefits**

The Company maintains a group insurance policy (life) for its entitled employees. The Company contributes premium to the policy annually. Such premium is recognised as an expense in the statement of income and expenditure in the period on accrual basis.

#### **5.20 Transactions with related parties**

Transactions with connected persons are carried in the normal course of business, at contracted rates and terms determined in accordance with market rates.

#### **5.21 Derivative financial instruments**

The Company enters into derivative financial instruments. The derivatives that do not qualify for hedge accounting are recognized in the statement of financial position at fair value with corresponding effect in statement of income and expenditure. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of income and expenditure.

#### **5.22 Foreign currency translation**

Transactions in foreign currencies are converted into functional currency (PKR) at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing at each reporting period. Exchange gains and losses are recognised in the statement of income and expenditure.

*etc*



6 PROPERTY AND EQUIPMENT

Description	Owned						Right of use assets			Total assets
	Building on free hold land	Furniture and fixtures	Office equipments	Computer	Vehicles	Total Owned	Right of use assets		Total Right of use assets	
							Vehicles	Building		
Rupees										
Period ended June 30, 2023										
Net carrying value basis										
Opening net book value (NBV)	-	30,124,966	4,904,523	545,376	185,781	35,760,646	6,923,162	55,077,621	62,000,783	97,761,429
Additions (at cost)	207,730	552,970	89,250	2,931,025	-	3,780,975	-	21,935,703	21,935,703	25,716,678
Impact of modification of lease	-	-	-	-	-	-	-	-	-	-
Disposals (NBV)	-	-	-	-	-	-	177,829	-	177,829	177,829
Depreciation charge	(3,462)	(4,935,372)	(3,002,420)	(950,285)	(16,567)	(8,908,106)	(6,360,591)	(20,958,136)	(27,318,727)	(98,414)
Closing net book value	204,268	25,644,150	1,991,353	2,526,116	169,214	30,535,101	740,400	56,055,188	56,795,588	(36,226,833)
Gross carrying value basis		4,935,372	3,002,420	950,285.00	16,567.0					87,330,689
Cost	519,784	49,852,337	24,704,867	24,838,137	994,114	100,909,239	40,239,696	124,904,975	165,144,671	266,053,910
Accumulated depreciation	(315,516)	(24,208,187)	(22,713,514)	(22,312,021)	(824,900)	(70,374,138)	(39,499,296)	(68,849,787)	(108,349,083)	(178,723,221)
Net book value	204,268	25,644,150	1,991,353	2,526,116	169,214	30,535,101	740,400	56,055,188	56,795,588	87,330,689
Year ended June 30, 2022										
Net carrying value basis										
Opening net book value (NBV)	-	34,887,008	8,769,822	1,140,782	241,088	46,141,600	14,265,293	58,860,645	73,125,938	119,267,538
Additions (at cost)	-	163,800	172,935	424,148	-	760,883	-	18,852,552	18,852,552	19,613,435
Impact of remeasurement of lease	-	-	-	-	-	-	-	-	-	-
Disposals (NBV)	-	-	-	-	-	-	581,212	-	581,212	581,212
Depreciation charge	-	(4,925,842)	(4,038,234)	(1,019,554)	(55,307)	(10,038,937)	(7,923,343)	(22,635,576)	(30,558,919)	(40,597,856)
Closing net book value	-	30,124,966	4,904,523	545,376	185,781	36,863,546	6,923,162	55,077,621	62,000,783	98,864,329
Gross carrying value basis										
Cost	312,054	49,299,367	24,615,617	21,907,112	994,114	98,231,164	40,061,867	102,969,272	143,031,139	241,262,303
Accumulated depreciation	(312,054)	(19,174,401)	(19,711,094)	(21,361,736)	(808,333)	(61,367,618)	(33,138,705)	(47,891,651)	(81,030,356)	(142,397,974)
Net book value	-	30,124,966	4,904,523	545,376	185,781	36,863,546	6,923,162	55,077,621	62,000,783	98,864,329

CTC



2023

2022

----- RUPEES -----

Note

**7 INTANGIBLE ASSETS**

Microsoft 360 License

7.1

-

-

**7.1 Gross carrying value basis**

Cost

Accumulated amortization

Closing net book value

567,242

(567,242)

-

567,242

(567,242)

-

**8 INVESTMENT PROPERTY**

Freehold land

8.1

1,102,900

-

**8.1** This freehold land of 4,502 square feet is located at Khosa Mohallah, Beside Rind House, Malkani Petrol Pump Road, Umerkot. Sindh. Pakistan.

**9 LONG TERM MICROFINANCE LOAN-NET OF PROVISION**

Microfinance loan

16

334,195,332

305,404,374

**10 LONG TERM LOANS AND DEPOSITS**

Unsecured - considered good

Loans to employees

Less: current portion shown under current assets

10.1

14

17,453,268

(10,540,356)

6,912,912

5,736,300

12,649,212

14,424,108

(8,865,427)

5,558,681

5,736,300

11,294,981

Deposits against leases

**10.1** These loans are granted to employees of the Company and carry mark-up at the rate of 4% per annum and deductible in twenty four monthly installments against the salaries of the employees.

**11 SHORT TERM INVESTMENTS**

Term deposit receipts - at amortized cost

Habib Bank Limited

MCB Bank Limited

11.1 & 11.3

11.2 & 11.3

746,662,887

400,000,000

1,146,662,887

725,821,599

400,000,000

1,125,821,599

gpc



**11.1** These represent short term placements in term deposit receipts (TDRs) carry mark-up rates ranging from 7.25% to 21.75% (2022: 6.35% to 15.00%) per annum. These TDRs have maximum maturity upto June 29, 2024. TDRs are pledged against the facility of short term borrowings from Habib Bank Limited as disclosed in note 21.1.1 to the financial statements.

**11.2** These represent short term placements in TDRs carry mark-up rates ranging from 10.40% to 12.50% (2022: 6.90% to 10.40%) per annum. These TDRs have maximum maturity upto June 29, 2024. TDRs are pledged against the facility of short term borrowings from MCB Bank Limited as disclosed in note 22.1.1 to the financial statements.

**11.3 Movement of term deposit certificates**

Balance at beginning of the period  
Add: Purchased during the period  
Less: Matured during the period

1,125,821,599	996,294,812
20,841,288	1,125,821,599
-	(996,294,812)
<u>1,146,662,887</u>	<u>1,125,821,599</u>

2023

2022

----- RUPEES -----

**12 ACCRUED MARKUP**

Accrued mark-up on  
Microfinance loans

12.1

Bank balance

Short term investments

828,448,656

707,722,389

3,258,665

1,527,682

50,501,052

36,098,069

882,208,373

745,348,139

**12.1 Accrued mark-up on microfinance loans**

Micro-Credit Pool

Pakistan Microfinance Investment Company (PMIC)

State Bank of Pakistan (SBP)

386,998,505

311,771,734

430,825,623

385,545,998

10,624,528

10,404,657

828,448,656

707,722,389

**13 OTHER RECEIVABLES**

Derivative financial instruments

13.1

Receivable from employees

Receivable from employees - Solar System

State Bank of Pakistan

Other receivables

-

51,770,000

7,761

19,367

1,667,301

-

689,884

1,181,144

10,238

-

2,375,184

52,970,511

CAT



2023                      2022  
----- RUPEES -----

**13.1 Derivative financial instruments**

Opening - Derivative asset	51,770,000	93,320,000
Unrealised gain during the year	-	48,000,000
Realised gain during the year	-	58,600,000
Settlement against loan repaid	(51,770,000)	(148,150,000)
Closing - Derivative asset	-	51,770,000

**13.1.1 Derivative financial instruments - SIMA**

Opening - Derivative asset	-	85,780,000
Realised gain during the year	-	25,600,000
Settlement against loan repaid	-	(111,380,000)
Closing - Derivative asset	-	-

**13.1.2 Derivative financial instruments - Tridos 1**

Opening - Derivative (liability)		(5,600,000)
Realised gain during the year	-	19,000,000
Settlement against loan repaid	-	(13,400,000)
Closing - Derivative (liability)	-	-

**13.1.3 Derivative financial instruments - Tridos 2**

Opening - Derivative asset	51,770,000	7,540,000
Unrealised gain during the year	-	48,000,000
Realised gain during the year	-	33,000,000
Settlement against loan repaid	-	(36,770,000)
Closing - Derivative asset	51,770,000	51,770,000

**13.2** The Company entered into USD / PKR cross currency swap agreement with JS Bank Limited of an amount of US\$ 4.000 million in 2018 to manage exchange rate exposure on outstanding foreign currency payments under the terms of commitments of loan agreement. As per the terms of the agreement the Company swapped total outstanding balance of USD 4.000 million at a fixed rate of Rs. 115.76 / USD aggregating to Rs. 463.040 million. The Company also swapped interest at fixed markup rate of 7% with mark-up at the rate of 3 month KIBOR+4.5% quarterly unadjusted basis, payable in Pak Rupees. The loan of Rs. 463.040 million shall be paid in 4 equal quarterly installments after grace period of 36 months. Under the aforementioned agreement, the Company would pay respective rate agreed at the initiation of the contracts on respective settlement dates. As at reporting date, the fair value of this derivative is Nil (2022: Rs. Nil million).

**13.3** The Company entered into two currency swap agreement with Habib Bank Limited.

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With respect to Tranch 1 agreement dated June 27, 2019, the Company entered into currency swap agreement of an amount of USD 2.000 million to manage exchange rate exposure on foreign currency payments. As per the terms of the agreements, the Company swapped total outstanding balance of USD 2.000 million at a fixed rate of Rs. 164.25 / USD aggregating to Rs. 328.500 million. The Company also swapped interest rate of 6 month USD LIBOR+5% p.a, semiannually act/365 at fixed rate of 6 month KIBOR+4.81% act/365 per annum, semiannually unadjusted basis, payable in Pak Rupees. The loan Rs. 328.550 million shall be paid in 4 equal quarterly installments after grace period of 23 months.

With respect to Tranch 2 agreement dated December 20, 2019, the Company entered into currency swap agreement of an amount of USD 2.000 million to manage exchange rate exposure on foreign currency payments. As per the terms of the agreements, the Company swapped outstanding balance of USD 2.000 million at a fixed rate of Rs. 154.88 / USD aggregating to Rs. 309.755 million. The Company also swapped interest rate of 6 month USD LIBOR+5% p.a, semiannually act/365 at fixed rate of 6 month KIBOR+4.55% act/365 per annum, semiannually unadjusted basis, payable in Pak Rupees. The loan Rs. 328.550 million shall be paid in 4 equal quarterly installments after grace period of 23 months. As at reporting date, the fair value of these derivatives are is nil (2022: Rs. 51.770).

2 0 2 3

2 0 2 2

----- RUPEES -----

**14 ADVANCES, DEPOSITS AND PREPAYMENTS**

Unsecured - considered good

Advance to staff

14.1

636,379

1,536,349

Current portion of loan to employees

10

-

8,865,427

Security deposit

2,172,515

1,160,000

Advances to suppliers

14.2

6,113,368

6,113,368

8,922,262

17,675,144

Prepayments

13,217,397

6,584,183

22,139,659

24,259,327

**14.1** This includes advances given to employees of the Company in accordance with their terms of employment and are adjustable on monthly basis against the salaries of the employees.

**14.2** This represents advances to suppliers / contractors in the normal course of business and does not carry any interest.

**15 INVENTORY**

Opening stock in trade

-

-

Solar systems Purchased during the year

15,485,000

-

Less: transfer to expenses

(13,457,000)

2,028,000

-

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16 MICROFINANCE LOAN - NET OF PROVISION

Note	30-Jun-23			
	Rupees			
	Micro credit pool	PMIC loans	SBP loans	Total
<b>Un-secured</b>				
Microfinance loan - gross	562,438,796	3,054,561,025	72,551,243	3,689,551,064
Specific provision	(21,971,111)	(59,853,396)	(788,201)	(82,612,708)
General provision	(16,214,031)	(89,841,229)	(2,152,891)	(108,208,151)
	(38,185,142)	(149,694,625)	(2,941,092)	(190,820,859)
Long term microfinance loan	524,253,654	2,904,866,400	69,610,151	3,498,730,205
Microfinance loan net of provision	(108,414,176)	(225,781,156)	-	(334,195,332)
	415,839,478	2,679,085,244	69,610,151	3,164,534,873

	30-Jun-22			
	Rupees			
	Micro credit pool	PMIC loans	SBP loans	Total
<b>Un-secured</b>				
Microfinance loan - gross	965,210,272	2,753,713,752	72,125,457	3,791,049,481
Specific provision	(48,795,365)	(162,200,026)	(2,976,032)	(213,971,423)
General provision	(4,582,075)	(12,957,569)	(345,747)	(17,885,391)
	(53,377,440)	(175,157,595)	(3,321,779)	(231,856,814)
Long term microfinance loan	911,832,832	2,578,556,157	68,803,678	3,559,192,667
Microfinance loan net of provision	(101,414,176)	(201,781,452)	(2,208,746)	(305,404,374)
	810,418,656	2,376,774,705	66,594,932	3,253,788,293

**16.1** Loans disbursed to the beneficiaries are un-secured. The principal amount disbursed to the beneficiary is charged with 27% (2022: 22%) service charges. In case of seasonal and housing loan that is recovered after six months, it is charged with 34% (2022: 30%) service charges and is recovered in lump sum at the date of maturity of loan.

**16.2** This amount is classified under long term microfinance loan, as these are recoverable after one year.

**16.3** As in the rest of the world, COVID-19 adversely affected lifestyles and business operations in Pakistan. In March 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19 including lockdown of businesses, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruptions to various businesses. As result the Company has rescheduled portfolio amounting to Rs. 186.850 million as at June 30, 2023 based on Circular No. 9 of 2020 which is further modified by Circular No. 21 and Circular No. 22 dated June 29, 2020 and July 22, 2020 respectively issued by SECP.

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#### 16.4 Movement of microfinance loan:

	30-Jun-23			
	Rupees			
	Micro credit pool	PMIC loans	SBP loans	Total
Opening balance at beginning of the period	965,210,272	2,753,713,752	72,125,457	3,791,049,481
Disbursement during the period	286,308,000	3,175,555,423	69,183,000	3,531,046,423
Recoveries during the period	1,251,518,272	5,929,269,175	141,308,457	7,322,095,904
Loan written off against death cases	(640,260,527)	(2,775,421,778)	(66,843,538)	(3,482,525,843)
Written off during the period	(48,818,949)	(99,286,372)	(1,913,676)	(150,018,997)
Balance at end of the period	562,438,796	3,054,561,025	72,551,243	3,689,551,064

Opening balance at beginning of the period  
Disbursement during the period  
Recoveries during the period  
Loan written off against death cases  
Written off during the period  
Balance at end of the period

	30-Jun-22			
	Rupees			
	Micro credit pool	PMIC loans	SBP loans	Total
Opening balance at beginning of the period	951,749,259	2,159,686,828	72,770,110	3,184,206,197
Disbursement during the period	772,839,887	2,882,779,500	84,065,000	3,739,684,387
Recoveries during the period	1,724,589,146	5,042,466,328	156,835,110	6,923,890,584
Loan written off against death cases	(759,296,039)	(2,288,550,806)	(84,709,653)	(3,132,556,498)
Written off during the period	(82,835)	(201,770)	-	(284,605)
Balance at end of the period	965,210,272	2,753,713,752	72,125,457	3,791,049,481

#### 16.5 Specific provision

Opening balance at the beginning of the period  
Add: (Reversal) / Provision made during the period  
Less: Written off during the period  
Balance at end of the period

	30-Jun-23			
	Rupees			
	Micro credit pool	PMIC loans	SBP loans	Total
Opening balance at the beginning of the period	48,795,365	162,200,026	2,976,032	213,971,423
Add: (Reversal) / Provision made during the period	21,994,695	(3,060,258)	(274,155)	18,660,282
Less: Written off during the period	(48,818,949)	(99,286,372)	(1,913,676)	(150,018,997)
Balance at end of the period	21,971,111	59,853,396	788,201	82,612,708

16.7



	30-Jun-22		
	Rupees		
	Micro credit pool	PMIC loans	SBP loans
	11,737,355	17,684,083	333,468
	25,866,269	73,359,569	2,424,804
	11,191,741	71,156,375	217,760
	-	-	-
16.7	48,795,365	162,200,026	2,976,032
			213,971,423

Total

Opening balance at the beginning of the period  
Add: Provision made during the year  
Add: Provision against restructured portfolio during the year  
Less: Written off during the period  
Balance at end of the period

	30-Jun-23		
	Rupees		
	Micro credit pool	PMIC loans	SBP loans
	562,438,796	3,054,561,025	72,551,243
	(21,971,111)	(59,853,396)	(788,201)
16.5	540,467,685	2,994,707,629	71,763,043
			3,606,938,357

#### 16.6 General provision

Advances - gross  
Specific provision  
Net microfinance loans after specific provision  
General provision made during the period at the rate of 3% of net loans after specific provision

	16,214,031	89,841,229	2,152,891	108,208,151
	4,582,075	12,957,569	345,747	17,885,391
	11,631,956	76,883,660	1,807,144	90,322,760
	16,214,031	89,841,229	2,152,891	108,208,151

Balance at the beginning of the period  
(Reversal) / provision made during the period  
Balance at end of the period

	30-Jun-22		
	Rupees		
	Micro credit pool	PMIC loans	SBP loans
	965,210,272	2,753,713,752	72,125,457
	(48,795,365)	(162,200,026)	(2,976,032)
16.5	916,414,907	2,591,513,726	69,149,425
			3,577,078,058
	4,582,075	12,957,569	345,747
	15,980,202	36,414,047	1,231,423
	(11,398,127)	(23,456,478)	(885,676)
	4,582,075	12,957,569	345,747
			17,885,391
			53,625,672
			(35,740,281)
			17,885,391

#### General provision

Advances - gross  
Specific provision  
Net microfinance loans after specific provision  
General provision made during the year at the rate of 0.5% of net loans after specific provision  
Balance at the beginning of the period  
(Reversal) / provision made during the period  
Balance at end of the period

24



2023 2022  
----- RUPEES -----

**16.7 Provisions for doubtful loans**

Note	2023	2022
Micro Credit Pool	21,971,111	48,795,365
Pakistan Microfinance Investment Company Limited (PMIC)	59,853,396	162,200,026
State Bank of Pakistan (SBP)	788,201	2,976,032
	<u>82,612,708</u>	<u>213,971,423</u>

**16.7.1 Micro Credit Pool**

Share of	Outstanding loan portfolio (Principal) Rupees	Percent	Loss reserve Rupees
87.25%	490,729,978	0%	-
4.30%	24,174,960	0%	-
2.96%	16,653,817	25%	4,163,454
4.65%	26,144,768	50%	13,072,384
0.84%	4,735,273	100%	4,735,273
100%	<u>562,438,796</u>		<u>21,971,111</u>

**16.7.2 Pakistan Microfinance Investment Company Limited (PMIC)**

0-29 days later	2,946,334,035	0%	-
30-59 days later	24,360,253	0%	-
60-89 days later	21,511,676	25%	5,377,919
90-179 days later	15,759,168	50%	7,879,584
180 days or more	46,595,893	100%	46,595,893
100%	<u>3,054,561,025</u>		<u>59,853,396</u>

**16.7.3 State Bank Of Pakistan (SBP)**

0-29 days later	70,897,905	0%	-
30-59 days later	250,151	0%	-
60-89 days later	445,051	25%	111,263
90-179 days later	562,396	50%	281,198
180 days or more	395,740	100%	395,740
100%	<u>72,551,243</u>		<u>788,201</u>

CAC



	Note	2023	2022
		----- RUPEES -----	
<b>17 ADVANCE TAX</b>			
Opening at the beginning of the period		64,840,848	51,587,395
Add: Additions during the period		23,297,834	13,253,453
		<u>88,138,682</u>	<u>64,840,848</u>
Less: Provision for taxation		-	-
		<u>88,138,682</u>	<u>64,840,848</u>
<b>18 CASH AND BANK BALANCES</b>			
Cash in hand		207,289	206,017
Cash at bank in:			
Current accounts		107,303,260	43,608,739
Profit and loss sharing accounts	18.1	23,086,078	5,319,937
Saving accounts	18.2	508,268,007	102,430,346
		<u>638,657,345</u>	<u>151,359,022</u>
		<u>638,864,634</u>	<u>151,565,039</u>

- 18.1** The PLS carry profit ranging from 12.25% to 20.45% (2022: 5.5% to 12.26% ) per annum.
- 18.2** The saving accounts carry markup at the rates ranging from 12.25% to 20.45% (June 30, 2022: 5.5% to 12.26%) per annum.

	Note	2023	2022
		----- RUPEES -----	
<b>19 DEFERRED CAPITAL GRANT</b>			
Opening balance		141,956	2,067,278
Addition		-	-
Amortization during the period		(141,956)	(1,925,322)
		<u>-</u>	<u>141,956</u>

- 19.1** During the year 2020, the Company has obtained loan amounting to Rs. 67.900 million from Habib Bank Limited under "Refinance Scheme for Payment of Salaries to the Workers and Employees of Business Concerns" introduced by the State Bank of Pakistan. The tenor of the term finance is two and a half year inclusive of six months grace period and is repayable in eight equal quarterly instalments beginning from January 2021.

The Company recognized the Deferred Capital Grant under 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance' as per guidance issued by Institute of Chartered Accountants of Pakistan (ICAP) through circular No. 11/2020.

etc



	Note	2023 ----- RUPEES -----	2022
<b>20 DEFERRED LIABILITIES</b>			
Gratuity payable	18.1 & 35.2	<b>84,122,163</b>	70,443,282
Long term advances	20.2	<b>30,954,751</b>	27,376,106
		<b>115,076,914</b>	97,819,388
<b>20.1</b>	Movement of gratuity payable is as follows:		
Opening balance		<b>70,443,282</b>	57,098,848
Charge for the period		<b>24,398,612</b>	23,309,312
Deficit on remeasurement recognised in other comprehensive income		<b>2,539,404</b>	1,991,117
Benefits paid		<b>97,381,298</b>	82,399,277
Closing balance		<b>(13,259,135)</b>	(11,955,995)
		<b>84,122,163</b>	70,443,282
<b>20.2</b>	Certain employees have been provided with the Company owned and maintained vehicle at the executive level. The ownership of these vehicle would be transfer to the relevant employees upon completion of the lease period of 60 months. This amount of advances would be adjusted against disposal value (book value) of vehicle upon transfer of ownership.		

	Note	2023 ----- RUPEES -----	2022
<b>21 SUBORDINATED LOAN - UNSECURED</b>			
Subordinated loan	21.1	<b>400,000,000</b>	400,000,000
<b>21.1</b>	This represents long term loan from Thardeep Rural Development Programme (TRDP). Upon demerger of TRDP - Micro Credit and Enterprise Development Unit (the Unit) from TRDP by incorporating a separate entity namely Thardeep Microfinance Foundation (the Company) on October 06, 2016, the Company entered into Loan Subordination Agreement with TRDP dated December 31, 2016 for an amount of Rs. 400 million considered as subordinated loan out of total surplus created by the Unit till the date of incorporation of the Company.		

The TRDP's claims on the subordinated loan are wholly subordinated to the claims of all other non-subordinated creditors of the Company. As per terms of the subordinated loan, the Company shall not make any payment to TRDP which would result in the principal amount of the subordinated loan for the time being outstanding being reduced without prior consent of SECP. The rate of markup is six months KIBOR+3% at the cap of 12.5% per annum and is payable on monthly basis.

CAC



The loan shall be repayable after five years, except where the Company is being wound up, in which case the subordinated loan shall not become repayable before completion of five years unless SECP approves the repayment. The loan was further extended for a period of 3 years through agreement dated October 06, 2024. Neither the principal nor the interest on the subordinated loan may be repaid if such repayment would mean that the capital of the Company (or any component part thereof) is less than the SECP's capital adequacy requirement for the Company. The Company shall notify to the SECP without delay of all repayments of any part of the subordinated debt.

On July 24, 2018, the SECP has approved with ex-post facto effect this loan as subordinated loan. Accordingly, the loan has been classified as subordinated loan in these financial statements.

		2023	2022
		----- RUPEES -----	
<b>22</b>	<b>LONG TERM LOANS</b>		
	Secured		
	Loan from Pakistan Microfinance Investment Company Limited	22.1	1,840,000,000
	Loan from State Bank of Pakistan	22.3	322,810,220
	Loan from Pakistan Mortgage Refinance Company	22.5	194,878,881
	Loan from Habib Bank Limited	22.6	-
	Loan from Habib Bank Limited Under PMY&ALS	22.7	111,111,111
			2,468,800,212
	Unsecured		
	Loan from Roshan Khushal	22.2	3,500,000
			2,472,300,212
<b>22.1</b>	<b>Loan from Pakistan Microfinance Investment Company Limited</b>		
	Balance as at July 01,		2,650,000,000
	Received during the year		1,260,000,000
	Repaid during the year		(910,000,000)
			3,000,000,000
	Current portion	22.1.1	(1,160,000,000)
		25	1,840,000,000

gpc



**22.1.1** This loan is obtained from Pakistan Microfinance Investment Company Limited (PMIC). It includes Rs 1,740 Million from Rs 2,500 Million loan and Rs 1,260 Million from Rs 1,935 Million loan agreements. The loan carries mark-up at the rate 6 month KIBOR+3.50% (2022: 6 month KIBOR+3.25% to 6 month KIBOR+3.50%) payable quarterly in arrears. The loan is repaid in quarterly installments after grace period of 12 months from the date of first disbursement. The loan is fully secured against a hypothecation charge, at least on a pari passu basis on, all the present and future current assets of the company upto Rs 3,750 Million, and a demand promissory note also signed by the Board of Directors of the Company. The aggregate sanctioned limit of the facilities is Rs. 4,425 million (2022: Rs.4,525 million).

Note	2023	2022
	----- RUPEES -----	
Balance as at July 01,	3,500,000	3,500,000
Current portion	3,500,000	3,500,000
	-	-
	3,500,000	3,500,000

**22.2.1** This loan was obtained from Roshan Khushal Organization. This carries mark-up at the rate of 6 month KIBOR+3% with cap of 10% payable annually in arrears. The loan shall be paid in full at the expiry of the loan term. The loan agreement is for the period of 36 months having maturity of February 2021 and further extended by a period of 3 years with mutual consent of both parties. The sanctioned limit of the facility is Rs. 3.50 million (2022: Rs. 3.50 million).

Note	2023	2022
	----- RUPEES -----	

**22.3 Loan from State Bank of Pakistan (SBP)**

322,810,220	72,810,220
-------------	------------

**22.3.1** The Company has obtained loan from State Bank of Pakistan (SBP) against security of Bank Repayment Guarantee (RG) of Rs. 82.652 million and 306 million, from Habib Bank Limited and The Bank of Punjab respectively. A demand promissory note is also signed by the Company. This loan carries markup at the rate of six months KIBOR+0.50% and KIBOR minus 1% respectively. (2022: six months KIBOR+0.50%). The loan was disbursed on June 24, 2019 and June 26, 2023 is to be paid in full after 5 years and 3 years respectively.

CNC



	Note	2023 ----- RUPEES -----	2022
<b>22.4 Loan from Triodos Investment Management</b>			
Balance as at July 01,		<b>208,836,579</b>	477,196,581
Received during the year	22.4.2	-	-
Amortization of transaction cost		-	939,998
		<b>208,836,579</b>	478,136,579
Unrealised exchange gain		-	48,000,000
Realised exchange gain		-	52,000,000
		<b>208,836,579</b>	578,136,579
Repaid during the year		<b>(154,875,325)</b>	(319,130,000)
Settlement against derivatives		<b>(53,961,254)</b>	(50,170,000)
		-	208,836,579
Current portion	25	-	(208,836,579)
		-	-

**22.4.1** This represents loan obtained in USD from Triodos Investment Management (TRIODOS). The loan carry mark-up at rate 6 Months USD Libor + 5% semi-annually act/365, unadjusted basis, paid on USD Notional. The loan is payable in 2 equal installments after grace period of 23 months. The loans are fully secured against first ranking hypothecation charge over all the Company's current assets which charge shall secure the discharge of the borrowers obligation under this security (the 'Security'). The sanctioned limit of the facility is USD 2.00 million (2021: USD 2.00 million).

**22.4.2** This represents loan obtained in USD from Triodos Investment Management (TRIODOS) . The loan carry mark-up at rate 6 Months USD LIBOR + 5% semiannually act/365, unadjusted basis, paid on USD Notional. The loan is payable in 4 equal installments after grace period of 23 months. The loans are fully secured against first ranking hypothecation charge over all the Company's current assets which charge shall secure the discharge of the Borrowers obligation under this security (the 'Security').

The sanctioned limit of the facility is USD 2.00 million (2021: USD 2.00 million). Further, on June 27, 2019, the Company entered into USD / PKR cross currency swap agreement with Habib Bank Limited, as detailed in note no. 12.1 to the financial statements.

	Note	2023 ----- RUPEES -----	2022
<b>22.5 Loan from Pakistan Mortgage Refinance Company (PMRC)</b>			
Balance as at July 01,		<b>333,730,525</b>	188,210,807
Received during the year		-	200,000,000
Repaid during the year		<b>(69,425,822)</b>	(54,480,282)
		<b>264,304,703</b>	333,730,525
Current portion	22.5.1 25	<b>(69,425,822)</b>	(69,425,822)
		<b>194,878,881</b>	264,304,703

GXC



**22.5.1** This loan is obtained from Pakistan Mortgage Refinance Company Limited (PMRC). The loan carries mark-up at the rates ranging from 6.90% to 10.44% (2022: 6.90%) per annum payable quarterly. The loan shall be paid in quarterly installments after grace period of 15 months from the date of first disbursement. The loan is fully secured against a hypothecation charge, at least on a pari passu basis on all the present and future current assets. The sanctioned limit of the facility is Rs. 400 million (2022: Rs. 400 million).

22.6	Loan from Habib Bank Limited	Note	2023	2022
			----- RUPEES -----	
	Balance as at July 01,		16,843,042	48,867,720
	Received during the year		-	-
	Repaid during the year		(16,984,998)	(33,950,000)
	Interest accrued during the year		141,956	1,925,322
	Current portion	22.6.1 25	-	16,843,042
			-	(16,843,042)

**22.6.1** The Company has obtained loan from Habib Bank Limited (HBL) under the State Bank of Pakistan (SBP) Refinance Scheme for payment of Wages and Salaries (RFWS Scheme) to the employees of Rs. 67.90 million. This loan carries markup at the rate of SBP 2.0% + Bank Spread of 3.0%, SBP rate will be 0% for active tax payers. The loan shall be paid in 8 quarterly installments after grace period of 6 months from the date of disbursement. The sanctioned limit of the facility is Rs. 67.90 million.

22.7	Loan from Habib Bank Limited Under PMYB&ALS	Note	2023	2022
			----- RUPEES -----	
	Balance as at July 01,		-	-
	Received during the year		200,000,000	-
	Repaid during the year		(22,222,222)	-
	Current portion		177,777,778	-
			(66,666,667)	-
			111,111,111	-

**22.7.1** The Company has obtained loan from Habib Bank Limited (HBL) under the Prime Minister Youth Business & Agriculture Loan Scheme (PMYB&ALS) of Rs. 200 million. This loan is interest free and the loan shall be repaid in 36 equal monthly installments starting from subsequent month from the date of disbursement. The loan is secured against 1st pari passu charge of Rs. 160 million on all present and future microcredit/advances receivables of TMF.

CHC



	Note	2023	2022
		----- RUPEES -----	
<b>23 LEASE LIABILITIES</b>			
Secured			
Opening balance		<b>70,317,510</b>	76,264,358
Additions during the year		<b>21,935,703</b>	18,852,552
		<b>92,253,213</b>	95,116,910
Interest accrued		<b>10,647,541</b>	6,507,811
Payments during the year		<b>(38,401,436)</b>	(31,888,423)
Impact of remeasurement of lease		<b>177,829</b>	581,212
		<b>64,677,147</b>	70,317,510
Less: Current portion shown under current liabilities		<b>(34,335,553)</b>	(31,475,824)
		<b>30,341,594</b>	38,841,686

**23.1** Lease liabilities comprises of following:

- Lease of buildings amounting to Rs. 52.753 million (2022: Rs. 51.502 million). These are discounted using mark-up rates ranging from 12.5 to 18.5 % (2022: 11.38% to 12.51%) per annum.

- Lease of vehicles amounting to Rs. 11.286 million (2022: Rs. 18.816 million). These are discounted using mark-up rates ranging from 17.04% to 23.97% (2022: 8.35% to 15.44%) per annum. At the end of the lease period the ownership of assets shall be transferred to the Company on payment of residual values of the assets. These facilities are secured by security deposit.

**23.2** The company has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less). Payment made under such leases are expensed on a straight line basis.

**23.3** The expense relating to payment not included in the measurement of lease liability is as follows

	Note	2023	2022
		----- RUPEES -----	
Short-term lease		<b>9,315,428</b>	10,653,835

**24 SHORT TERM BORROWINGS**

Secured			
Short term borrowings from Habib Bank Limited	24.1	<b>630,000,000</b>	524,000,000
Short term borrowings from MCB Bank Limited	24.2	<b>400,000,000</b>	400,000,000
Short term general borrowings from MCB Bank Limited	24.3	<b>300,000,000</b>	300,000,000

CHU



2023

2022

----- RUPEES -----

Unsecured

Sindh Rural Support Organization

24.4

8,782,207

8,782,207

1,338,782,207

1,232,782,207

**24.1 Short term borrowings from Habib Bank Limited**

Balance as at July 01,  
Received during the year  
Repaid during the year  
Closing balance

24.1.1

524,000,000

350,038,357

106,000,000

1,053,961,643

-

(880,000,000)

630,000,000

524,000,000

**24.1.1** This represents short term running finance facility of Rs. 530 million availed from Habib Bank Limited. The facility carries mark-up at the rate consistent in respect of Term Deposit Receipts (TDR) placed with bank plus .50% that is 16.13% (2022: 9.36%) The facility is secured against lien over TDR placed with Habib Bank Limited of Rs. 546.662 million (2022: Rs. 725.822 million). The sanctioned limit of running finance facility is Rs. 530 million (2022: Rs. 524.5 million) respectively.

**24.1.1** This represents short term running finance facility of Rs. 100 million availed from Habib Bank Limited. The facility carries mark-up at the rate consistent in respect of 3 month KIBOR + 1.25% that is 23.23% (2022: 13.20%) per annum respectively. This facility is secured against collateral of 1st pari passu charge of Rs 100 million and the sanctioned limit of running finance facility is Rs. 100 million (2022: Rs. 100 million) respectively.

**24.2 Short term borrowings from MCB Bank Limited**

Balance as at July 01  
Received during the year  
Repaid during the year  
Closing balance

24.2.1

400,000,000

320,000,000

-

260,000,000

-

(180,000,000)

400,000,000

400,000,000

**24.2.1** This represents short term running finance facilities availed from MCB Bank Limited. This facility carry mark-up at the rate consistent in respect of Term Deposit Receipts placed with bank plus 0.50% i.e. 13.00% (2022: 10.90%) per annum. The facility is secured against lien over Term Deposit Receipts placed with MCB Bank Limited of Rs. 400 million (June 30, 2022: Rs. 400 million). The sanctioned limit of running finance facility is Rs. 600 million (June 30, 2022: Rs. 600 million).

**24.3 Short term general borrowings from MCB Bank Limited**

Balance as at July 01,  
Received during the year  
Repaid during the year  
Closing balance

24.3.1

300,000,000

-

-

300,000,000

-

-

300,000,000

300,000,000

CNC



**24.3.1** This represents short term general running finance facility availed from MCB Bank Limited. This facility carry mark-up at the rate 3 months KIBOR plus 1%, (June 30, 2022: 3 month KIBOR plus 1%) per annum. This facility is secured against collateral of 1st pari passu charge of Rs. 353 million and Rs. 100 million over all present and future current assets and fixed assets respectively (June 30, 2022: Rs. 453 million). The sanctioned limit of general running finance facility is Rs. 300 million (June 30, 2022: Rs. 300 million).

Note

2023

2022

----- RUPEES -----

#### 24.4 Sindh Rural Support Organization

8,782,207

8,782,207

This loan has been obtained from Sindh Rural Support Organization (SRSO) under Peoples Women Empowerment Programme (PWEPP) to provide interest free micro credit, for the support of those women of rural villages, who are very poor or destitute women. This loan is unsecured, interest free and is repayable on demand.

2023

2022

----- RUPEES -----

Note

#### 25 CURRENT PORTION OF LONG-TERM LIABILITIES

Pakistan Microfinance Investment

Company Limited loan

22.1

1,160,000,000

1,160,000,000

Loan from Triodos Investment

Management

22.4

-

208,836,579

Loan from Habib Bank Limited

22.6

-

16,843,042

Loan from Pakistan Mortgage

Refinance Company

22.5

69,425,822

69,425,822

Loan from Habib Bank Limited Under

PMYB&amp;ALS

22.7

66,666,667

-

1,296,092,489

1,455,105,443

#### 26 ACCRUED MARK-UP

Mark-up accrued on:

Long term loans

Short term borrowings

205,442,798

126,632,192

52,738,812

33,678,448

258,181,610

160,310,640

CXL



27	OTHER LIABILITIES	Note	2023	2022
			----- RUPEES -----	
	Derivative financial instruments	27.1	-	-
	Unearned mark-up	27.2	41,809,319	46,525,874
	Leave encashment payable	27.3	34,154,238	30,572,025
	Accrued branchless banking charges		305,417	1,509,268
	Insurance claim payable to community		703,980	1,090,362
	Insurance payable		1,720,369	3,084,815
	Accrued expense		6,141,485	5,947,736
	Accrued salary		2,439,217	883,493
	Bonus payable	27.4	-	1,146,964
	Provident fund payable		5,000,000	5,000,000
	Other payable		1,020,144	1,126,872
			<b>93,294,170</b>	<b>96,887,409</b>

- 27.1** The Company entered into currency swap agreement with Habib Bank Limited of an amount of US\$ 2.000 million in 2019 to manage exchange rate exposure on foreign currency payments. As per the terms of the agreement the Company swapped total outstanding balance of USD 2.000 million at a fixed rate of Rs. 164.25 / USD aggregating to Rs. 328.500 million. The Company also swapped interest rate of 6 month USD LIBOR+5% p.a, semiannually act/365 at fixed rate of 6 month KIBOR+4.81% act/365 p.a, semiannually unadjusted basis, payable in Pak Rupees. The loan Rs. 328.550 million shall be paid in 4 equal quarterly installments after grace period of 23 months. As at reporting date, the fair value of this derivative is Nil (June 30, 2022: Nil).

**Note**  
**2023**                      **2022**  
**----- RUPEES -----**

- 27.2** Movement of unearned mark-up is as follows:

Opening balance	46,525,874	37,578,976
Addition during the year	65,946,440	74,761,550
Mark-up earned during the year	(70,662,994)	(65,814,652)
Closing balance	<b>41,809,320</b>	<b>46,525,874</b>

- 27.2.1** The Company receive advance markup of 2 percent from their customers at the inception of microfinance loan. Subsequently, these advance markup has been amortised over the period of microfinance loan as a financial income and fixed Rs 100 is charged

- 27.2.2** Markup for an amount of Rs. 39.804 million (2022: 32.518 million) has been recognised in current year in respect of unearned markup at the beginning of year.

CAC



2023

2022

----- RUPEES -----

**Note**

**27.3** Movement of provision for leave encashment payable is as follows:

Opening balance		
Charge for the year	30,572,025	25,084,099
Repaid during the year	9,529,628	10,842,752
Closing balance	(5,947,415)	(5,354,826)
	<u>34,154,238</u>	<u>30,572,025</u>

**27.4** Movement of bonus payable is as follows:

Opening balance		
Charge for the year	1,146,964	2,774,260
Paid during the year	12,551,764	16,700,964
Closing balance	(11,961,413)	(18,328,260)
	<u>1,737,315</u>	<u>1,146,964</u>

**28 LOAN LOSS RESERVES**

Loan loss reserves

<u>90,538,524</u>	<u>90,538,524</u>
-------------------	-------------------

**28.1** Loan loss reserve was created on outstanding loan portfolio at the rate of 5% of gross loan portfolio in Thardeep Rural Development Programme - Micro Credit and Enterprise Development Unit which was transferred to the Company upon demerger of Thardeep Rural Development Programme - Micro Credit and Enterprise Development Unit from erstwhile Thardeep Rural Development Programme (TRDP).

**29 CONTINGENCIES AND COMMITMENTS**

**29.1** Sindh Revenue Board (SRB) vide its letter SRB-COM-IV/NBFC/DC-34/2018-19/7117 dated January 16, 2019 issued a notice to the Company for registration under section 24 of Sindh Sales Tax Act, 2011 (The Act).

SRB stated that the Company has been involved in providing or rendering services to customers thus engaged in economic activity in terms of section 4 of the Act, by providing taxable services in terms of section 3 of the Act, which fall under the services category / tariff heading "9813.8100-Others, including the services provided or rendered by non-banking, finance companies, modaraba and musharika companies and other financial institutions". and such services are taxable as specified in Second Schedule of the Sindh Sales Tax on Services Act, 2011. Therefore, the Company is required to get e-registration for Sindh Sales Tax on Services u/s 24 of the Act, besides its activities as withholding agent under the relevant statutory provisions of the Act, and appear for hearing at SRB office at specified date.

Company through letter dated March 07, 2019 informed SRB that the Company has registered u/s 24 of the Act. Management has paid tax amounting to Rs 14.146 million and requested SRB to waive of the tax for the period of October 6, 2016 to June 30, 2017 as it had operational losses during that year.

6/11/19



SRB has not acknowledged the letter from the Company for the waiver in writing, however the same has been agreed verbally in the meeting. Accordingly, the additional tax amounting to Rs.6.5 million has not been accounted for in these financial statements.

- 29.2** The Company was approved as non-profit organization (NPO) by the concerned Commissioner Inland Revenue under section 2(36) of the Income Tax ordinance, 2001 which was expired on June 30, 2020. The Company had applied for renewal of the NPO approval, however, the same was rejected by the concerned Commissioner Inland Revenue on the basis that the certificate issued Pakistan Center for Philanthropy (PCP) was valid till September 06, 2019 and the Company did not get it renewed. Company has been granted NPO certificate by the concerned Commissioner Inland Revenue for the tax year 2023 and valid up to 4th November 2024 based on the PCP Certificate which was issued on 15th November 2021 and valid for 3 years from the time of issue.

	Note	2023	2022
		----- RUPEES -----	
<b>30 FINANCIAL INCOME</b>			
Financial income earned on loan portfolio of :			
Micro Credit Pool		250,426,659	295,195,707
Pakistan Microfinance Investment Company		980,433,393	838,070,971
State Bank of Pakistan		26,764,985	27,879,344
Insurance processing fee		1,257,625,036	1,161,146,022
		1,105,850	1,261,425
		<u>1,258,730,886</u>	<u>1,162,407,447</u>
<b>31 FINANCIAL CHARGES</b>			
Mark-up on:			
Long term loans		702,860,071	446,041,010
Short term borrowings		185,870,167	88,180,632
Finance lease		10,647,557	6,507,811
Conventional bank charges		899,377,795	540,729,453
Branch less banking charges		1,929,117	2,429,740
		13,134,123	23,701,784
		15,063,240	26,131,524
		<u>914,441,035</u>	<u>566,860,977</u>
<b>32 PROVISION FOR DOUBTFUL LOANS</b>			
Specific provision	16.5	18,660,282	184,216,518
General provision	16.6	90,322,760	(35,740,281)
Loan written off against death cases		108,983,042	148,476,237
		-	284,605
		<u>108,983,042</u>	<u>148,760,842</u>

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2023

2022

----- RUPEES -----

Note

### 33 MICROFINANCE PROGRAMME AND OPERATING EXPENSES

Salaries and other benefits	393,888,665	351,300,148
Staff development cost	1,899,204	1,997,400
Monthly review and meeting expenses	2,760,128	3,161,531
Credit Information Bureau report expense	1,182,629	1,395,132
Credit committee expense	2,067,588	1,618,791
Staff training cost	-	2,302,041
Information technology development cost	17,814,609	17,572,017
Publication and advertising expenses	799,756	2,066,729
Amortization of transaction cost	-	1,182,441
Annual report, Diary and calendar	373,747	1,174,554
Grant expense	18,560,000	519,065
Cost of good Sold- Solar Product	13,457,000	-
	<b>452,803,326</b>	<b>384,289,849</b>

### 34 ADMINISTRATIVE EXPENSES

Salaries and other benefits	34.1	11,372,585	13,609,008
Staff Recovery / disbursement bonus		21,048,679	8,047,612
Rent, rate and taxes		9,315,428	10,653,835
Travel and accommodation		14,120,840	10,686,431
Consumables		14,025,152	10,744,550
Communication		8,610,734	8,786,520
Repairs and maintenance	34.1	13,711,116	10,551,267
Petrol, oil and lubricants		34,007,936	10,639,678
Utilities		15,231,638	12,534,235
Sindh sales tax on processing fee		144,383	164,539
Printing and stationery		989,213	826,171
Depreciation	6	36,226,833	40,597,856
Legal and professional charges		2,580,592	1,791,405
Auditors' remuneration	34.2	988,080	1,279,800
Perdiem and allowances		1,201,882	7,080,874
Insurance		1,952,877	1,671,478
Other		1,119,179	1,474,237
		<b>186,647,147</b>	<b>151,139,496</b>

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## Note

2023

2022

----- RUPEES -----

## 34.1 Repairs and maintenance

Vehicle repair and mentanence  
Office repairs and maintenance  
IT equipments repair and maintenance  
Equipment repair and maintenance

5,832,774	4,348,034
5,768,708	4,508,060
1,027,830	722,147
1,081,804	973,026
<u>13,711,116</u>	<u>10,551,267</u>

## 34.2 Auditors' remuneration

Audit fee  
Out of pocket expense  
Sales tax

776,000	1,080,800
161,920	135,000
62,080	64,000
<u>1,000,000</u>	<u>1,279,800</u>

## 35 OTHER EXPENSES

Unrealised exchange loss on foreign currency loan  
Loss on interest rate swap  
Realised loss on derivative financial instrument

21,250,000	48,000,000
-	24,800,441
	76,115,037
<u>21,250,000</u>	<u>148,915,478</u>

## 36 OTHER INCOME

Unrealized gain on derivative instruments  
Realized gain on foreign currency loan  
Interest on term deposit receipts (TDRs)  
Interest on deposit accounts  
Recovery against bad debts  
Gain on disposal of property, plant and equipment  
Others

23,441,254	48,000,000
-	77,600,000
149,470,417	85,683,774
22,320,674	19,626,221
70,778,601	15,211,258
209,302	16,666
25,754,932	8,852,796
<u>291,975,180</u>	<u>254,990,715</u>

## 37 CASH AND CASH EQUIVALENTS

Cash and Bank  
Short term running

638,864,634	151,565,039
(1,330,000,000)	(1,224,000,000)
<u>(691,135,366)</u>	<u>(1,072,434,961)</u>

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## **38 RETIREMENT BENEFIT**

### **38.1 Defined contribution plan**

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Thardeep Microfinance Foundation - Contributory Provident Fund". The fund is maintained by the Trustees and all decisions regarding investments and distribution of income are made by the Trustees independent of the Company.

**38.1.1** According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 218 of Companies Act, 2017 and the rules made thereunder.

### **38.2 Defined benefit plan**

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at July 31, 2022, using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

**Salary Increase Risk** - The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

**Mortality Risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Withdrawal Risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

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2023

2022

----- RUPEES -----

### 38.2.1 Liability recognised in statement of financial position

Present value of defined benefit obligation	79,850,480	64,824,147
Add: Benefits due but not paid	4,271,683	5,619,135
Closing net liability	<u>84,122,163</u>	<u>70,443,282</u>

### 38.2.2 Movement of the liability recognized in the statement of financial position

Opening net liability	70,443,282	57,098,848
Current service cost	19,558,411	18,652,585
Interest cost on defined benefits obligation	7,770,463	4,656,727
Benefits paid	(13,309,028)	(11,955,995)
Remeasurement gain recognized in other comprehensive income	(340,965)	1,991,117
Closing net liability	<u>84,122,163</u>	<u>70,443,282</u>

### 38.2.3 Movement in the present value of defined benefit obligation

Opening balance	64,824,147	53,733,301
Current service cost	19,558,411	18,652,585
Interest cost	7,770,463	4,656,727
Remeasurement: actuarial gain	55,752	1,991,117
Benefits due but not paid	(2,566,743)	(4,860,803)
Benefits paid	(9,791,550)	(9,348,780)
Closing balance	<u>79,850,480</u>	<u>64,824,147</u>

### 38.2.4 Expenses recognised in income and expenditure statement

Current service cost	19,558,411	18,652,585
Interest cost	7,770,463	4,656,727
	<u>27,328,874</u>	<u>23,309,312</u>

### 38.2.5 Remeasurement gain on defined benefit obligation

	<u>(340,965)</u>	<u>1,991,117</u>
--	------------------	------------------

The expected contribution to unfunded gratuity scheme for the year ended June 30, 2024 is Rs. 25.721 million. This is the amount by which the net defined benefit liability is expected to increase. The amount of remeasurement to be recognised in other comprehensive income will be worked out as at the next valuation.

etc



**38.2.6 Principal actuarial assumptions**

Following were the significant actuarial assumptions used in the valuation:

	2023	2022
	-----Percentage-----	
Discount rate per annum	13.25%	10.00%
Discount rate used for year end obligation	16.25%	13.25%
Salary increase used for year end obligation		
Salary increase FY 2023	N/A	N/A
Salary increase FY 2024	15.25%	12.25%
Salary increase FY 2025	15.25%	12.25%
Salary increase FY 2026	15.25%	12.25%
Salary increase FY 2027	15.25%	12.25%
Salary increase FY 2028	15.25%	12.25%
Salary increase FY 2029 onward	15.25%	12.25%

**38.2.7 Sensitivity analysis**

Current liability	84,122,163	70,443,282
Discount rate+100bps	74,986,108	60,830,111
Discount rate-100bps	85,535,186	69,519,385
Discount rate+100bps	85,800,953	69,747,271
Discount rate-100bps	74,661,561	60,553,430

The average duration of the defined benefit obligation is 7 years.

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**RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

FINANCING ACTIVITIES

Description	Liabilities			Total
	Long term loan	Short term borrowing	Lease liabilities	
----- Rupees -----				
Balance as at July 01, 2022	3,285,720,366	1,232,782,207	70,317,510	4,588,820,083
Repayment during the year	(1,173,508,367)	(1,303,407,215)	(47,716,864)	(2,524,632,446)
Received during the year	1,710,000,000	1,409,407,215	-	3,119,407,215
Interest accrued	-	-	-	-
Effect of translation on revaluation of currency	(53,961,254)	-	-	(53,961,254)
Amortization of deferred grant	141,956	-	-	141,956
Balance as at June 30, 2023	3,768,392,701	1,338,782,207	22,600,646	5,129,775,554

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# **REMUNERATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVE**

The aggregate amounts charged in the financial statements for remunerations, including all benefits to Chief Executive Officer and Executives of the Company were as follows:

	30-Jun-23			
	Chief Executive Officer	Executives	Directors	Total
	Rupees			
Managerial remuneration	6,966,000	16,264,824	1,409,800	23,230,824
House rent	-	7,319,172	-	7,319,172
Retirement benefits	1,628,100	4,981,103	-	6,609,203
Medical allowance	500,000	1,444,712	-	1,944,712
Bonus	-	-	-	-
Total	9,094,100	30,009,811	1,409,800	39,103,911
Number of persons	1	6	7	7

	30-Jun-22			
	Chief Executive Officer	Executives	Directors	Total
	Rupees			
Managerial remuneration	5,940,000	13,669,200	877,800	19,609,200
House rent	-	6,151,140	-	6,151,140
Retirement benefits	1,134,000	3,246,432	-	4,380,432
Medical allowance	500,000	1,169,204	-	1,669,204
Bonus	540,000	2,315,216	-	2,855,216
Total	8,114,000	26,551,192	877,800	34,665,192
Number of persons	1	6	7	7

- 40.1 The Chief Executive Officer and certain employees at the executive level are also provided with the Company owned and maintained car and other benefits in accordance with their entitlement as per policy of the Company.

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# **TRANSACTIONS WITH RELATED PARTIES**

Related parties include Board of Directors, other related associate undertaking and key management personnel. The Company in the normal course of business carries out transactions with related parties. Transactions with related parties during the Period and balances as at June 30, 2023 were as follows:

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#### 41.1 Transactions during the year

Nature of transaction	Relation with the Company	Basis of Relationship	30-Jun-23 Rupees	30-Jun-22 Rupees
Advance paid	Chief Executive	Executive employee	1,346,080	300,000
Advance received	Chief Executive	Executive employee	1,346,080	-
Advance paid	Key Personnel	Executive employee	2,100,189	9,117,084
Advance received	Key Personnel	Executive employee	3,523,599	1,797,000
Interest received	Key Personnel	Executive employee	46,000	44,000
Loan repaid to TRDP	Associated undertaking	Common Directorship	-	-
Interest charge TRDP	Associated undertaking	Common Directorship	50,000,000	40,000,000
Interest paid TRDP	Associated undertaking	Common Directorship	47,506,850	40,899,999

Note

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----- RUPEES -----

#### 41.2 Year end balances

##### Thardeep Rural Development Programme (TRDP) - Associated Undertaking

Payable against short term borrowings		-	-
Financial charges payable		12,465,753	9,972,602
Sub-ordinated loan	21	400,000,000	400,000,000
Gratuity fund payable	20	84,122,163	70,443,282
Provident fund payable	27	5,000,000	5,000,000

#### 41.3 Names of related parties, nature and basis of relationship

##### Board of Directors

Mr. Naseer Muhammad Nizamani  
 Ms. Sabiha Shah  
 Mr. Naval Vaswani  
 Mr. Allah Nawaz Samoo  
 Mr. Khalid Hussain Lakhari  
 Ms. Maleeha Humayun Bangash  
 Mr. Ali Abbas Sikandar

##### Chief Executive Officer

Dr. Sono Khangarani

##### Associated undertaking

Thardeep Rural Development Programme

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# Key Executives

Mr. Narumal (Senior HR Manager)  
Ms. Pathani (General Manager Operations)  
Mr. Kalaram (Assistant General Manager - Finance)  
Mr. Faisal Shafi (Head of Internal Audit)  
Mr. Khalid Akhter (Regional Manager)  
Mr. Muqtada (Head of Information Technology)

## Post Retirement Fund

Staff Provident Fund  
Gratuity Fund

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## FINANCIAL INSTRUMENTS BY CATEGORY

2023

2022

----- RUPEES -----

Financial assets at fair value  
through profit or loss  
Derivative financial instruments

- 51,770,000

Financial assets at amortized cost

Long term loans and deposits

Short term investments

Microfinance loans

Other receivables

Advances and deposits

Accrued markup

Cash and bank balances

17,453,268

5,558,681

1,146,662,887

1,125,821,599

3,498,730,205

3,559,192,667

2,375,184

1,200,511

636,379

10,401,776

882,208,373

745,348,140

638,864,634

151,565,038

6,186,930,930

5,650,858,412

Financial liabilities

Financial liabilities at fair value

through profit or loss

Derivative financial instruments

Financial liabilities at amortized cost

Long term loans

Sub-ordinated loan

Short term borrowings

lease liabilities

Other liabilities

Accrued mark-up

3,768,392,701

3,285,720,366

400,000,000

400,000,000

1,338,782,207

1,232,782,207

59,504,111

70,317,510

93,294,170

96,887,409

258,181,610

160,310,640

5,918,154,798

5,246,018,132

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## 43 FINANCIAL INSTRUMENTS RELATED DISCLOSURES

### 43.1 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the management under policies approved by the Board of Directors.

### 43.2 Credit risk

Credit risk represents the risk of financial loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its short term investments, microfinance loans, bank balances and accrued markup. The Company's policy is to enter into contracts with reputable counter parties in accordance with the policies approved by the Board of Directors and as per applicable local laws.

#### Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements as at September 30, 2022 is the carrying amount of the financial assets as set out below:

	2023	2022
	----- RUPEES -----	
Nature of financial assets		
Short term investments	1,146,662,887	1,125,821,599
Microfinance loans	3,498,730,205	3,559,192,667
Accrued markup	882,208,373	745,348,140
Other receivable	697,645	1,200,511
Bank balances	638,657,345	151,359,023
	<b>6,166,956,455</b>	<b>5,582,921,940</b>
The aging of microfinance loans at the reporting date is:		
0-29 days later	3,507,961,918	3,223,139,386
30-59 days later	48,785,364	23,682,876
60-89 days later	38,610,544	12,350,806
90-179 days later	42,466,332	45,193,208
180 days or more	51,726,906	105,721,241
	<b>3,689,551,064</b>	<b>3,410,087,517</b>

To manage exposure to credit risk in respect of microfinance loans, management performs credit reviews taking into account the borrower's financial position, past experience and determined by applying percentages to the outstanding balances of principal amount in various categories, as stated below:

EXC



Advances with overdue principal amount	% of outstanding amount	
	2023	2022
0-29 days later	95.08%	94.52%
30-59 days later	1.32%	0.69%
60-89 days later	1.05%	0.36%
90-179 days later	1.15%	1.33%
180 days or more	1.40%	3.10%

All Non-Performing Loans (NPLs) are written off; after the loan is classified as over 365 days overdue.

### 43.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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 stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

In the case of the Company, the liquidity level of Company remained on satisfactory level during the year and Company did not face any difficulty problem for generation of liquidity.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30. The rates of markup have been disclosed in relevant notes to these financial statements.

### 43.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. As at the reporting date the interest rate profile of the Company's interest-bearing financial instruments is as follows:

Financial liabilities Variable rate instruments	Effective rate (In percent)	2023	2022
		----- RUPEES -----	
Long term loans	6M KIBOR + 3.3%	3,768,392,701	3,285,720,366
Short term	6M KIBOR + 3%	1,338,782,207	1,232,782,207

CNC



**Financial assets**

**Fixed rate**

**instruments**

Microfinance loan -

net of provision

22% - 30%

**2023**

**2022**

----- RUPEES -----

**3,498,730,205**

**3,559,192,667**

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased surplus for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<b>100 bps increase</b>	<b>100 bps increase</b>
Cash flow sensitivity -		
Variable rate financial liabilities (Rupees) - Sep 2022	<b>8,887,302</b>	<b>(8,887,302)</b>
Variable rate financial liabilities (Rupees) - June 2022	<b>5,342,216</b>	<b>(5,342,216)</b>

The sensitivity analysis prepared is not necessarily indicative of the effects on surplus for the year and assets / liabilities of the Company.

**43.5 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities. The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate. As at October 31, 2022, if the Pakistani Rupee (Pak Rupee) had weakened / strengthened by 5% against the USD, with all other variables held constant. The Company had foreign currency loans, derivative asset and liability which were exposed to currency risk. The effect on the Company's profit before tax is as follows:

**(Increase) / decrease  
in USD and Euro  
to Pak rupee**

**2023**

**2022**

----- RUPEES -----

**Effect on profit before tax**

5%

-

**(2,400,000)**

-5%

-

**2,400,000**

**43.6 Portfolio at risk ratio**

Portfolio at risk (PAR) ratio is calculated by using outstanding balance of loans as a numerator that are at higher risk because a payment is late by a specified number of days, and the denominator is the outstanding balance for the entire portfolio of microfinance of that pool. The ratio is calculated separately for every pool.

CNC



----- RUPEES -----

**43.6.1 Micro Credit Pool**

0-29 days later  
30-59 days later  
60-89 days later  
90-179 days later  
180 days or more

Portfolio percentage	Rupees
87.25%	490,729,978
4.30%	24,174,960
2.96%	16,653,817
4.65%	26,144,768
0.84%	4,735,273
<b>100%</b>	<b>562,438,796</b>

**43.6.2 Pakistan Microfinance Investment Company Limited (PMIC)**

0-29 days later  
30-59 days later  
60-89 days later  
90-179 days later  
180 days or more

96.46%	2,946,334,035
0.80%	24,360,253
0.70%	21,511,676
0.52%	15,759,168
1.53%	46,595,893
<b>100%</b>	<b>3,054,561,025</b>

**43.6.3 State Bank of**

0-29 days later  
30-59 days later  
60-89 days later  
90-179 days later  
180 days or more

97.72%	70,897,905
0.34%	250,151
0.61%	445,051
0.78%	562,396
0.55%	395,740
<b>100%</b>	<b>72,551,243</b>

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**FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

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.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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 Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

etc



- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data ( that is, unadjusted) inputs.

As at June 30, 2023, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3
	Rupees		
<b>Financial assets</b>			
At fair value through profit or loss			
Derivative financial instrument			

- - - - -

	Level 1	Level 2	Level 3
	Rupees		
<b>Financial liabilities</b>			
At fair value through profit or loss			
Derivative financial instrument			

- - - - -

As at June 30, 2022, the Company held the following financial instruments measured at fair value:

<b>Financial assets</b>			
At fair value through profit or loss			
Derivative financial instrument			
	-	51,770,000	-

<b>Financial liabilities</b>			
At fair value through profit or loss			
Derivative financial instrument			
	-	-	-

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### Valuation techniques

For level 2 valuation, the Company enters in to derivatives contracts with various counter parties. Derivatives that are valued using valuation techniques based on market observable inputs are mainly interest rate swaps and cross currency swaps.

The most frequently applied valuation techniques include spot pricing of the exchange rate prevailing at reporting date.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

### Transfers during the year

During the year to June 30, 2023, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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### CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor / stakeholders, creditor and market confidence and to sustain the future development of its business. The Company's objectives when managing fund are to safeguard the Company's ability to continue as a going concern in order to provide services for the general public. The Company manages its fund structures and makes adjustments to it, in the light of changes in economic conditions. There were no changes to company's approach to fund management during the period.

(i)

The Company's objectives when managing capital are:  
to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and  
to provide an adequate return to shareholders.

(ii)

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements except as disclosed in note 19.1 of these financial statements.

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**The proportion of debt to equity at the year end was:**

**2023**                      **2022**  
**----- RUPEES -----**

Total Borrowings (notes 20 & 22)  
 Total Equity including subordinate loan  
 Gearing ratio

<b>5,107,174,908</b>	4,518,502,573
<b>754,362,033</b>	890,177,964
<b>677%</b>	508%

**46 NUMBER OF EMPLOYEES**

Number of employees  
 Average number of employees

**648**                      797  
**723**                      814

**47 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the current year.

**48 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements was authorized for issue on 09 OCT 2023 by the Board of Directors of the Company.

**GENERAL**

**49** Figures have been rounded off to the nearest Rupee unless otherwise stated.

*CME*

  
**DIRECTOR**

  
**CHIEF EXECUTIVE OFFICER**