



**OPD Support Program**

اوپن ڈی سپورٹ پروگرام

# **OPD Support Program**

## **Director Report**

June, 2022

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## 1. COMPANY INFORMATION

### Vision

To contribute in the development of an inclusive, equal and sustainable society.

### Mission

To promote and deliver sustainable development by alleviating poverty and reducing gender gaps.

### Board of Directors

- |                            |          |
|----------------------------|----------|
| a. Mr. Muhammad Aniq Zafar | Chairman |
| b. Mr. Rizwan Hameed       | Member   |
| c. Mrs. Tanveer Jahan      | Member   |
| d. Mr. Syed Ahsan Shahzad  | Member   |
| e. Mr. Zafarullah Khan     | Member   |

### Management

- |                               |  |
|-------------------------------|--|
| a. Mr. Nadeem Sarwar          | Chief Executive Officer                  |
| b. Mr. Muhammad Sulaman Tariq | Manager Accounts, Finance and Compliance |
| c. Mr. Akbar Baig             | Manager Program Operations               |
| d. Mr. Shahzad Warraich       | Manager Admin, HR and Legal Affair       |
| e. Mr. Usman Khalid           | Manager IT and Data Reporting            |
| f. Mr. Faizan Tariq           | Manager AML/CF Compliance                |

### Legal Advisor

- |                         |                                 |
|-------------------------|---------------------------------|
| a. Mr. Shahzad Warraich | B.A, LL.B (Advocate High Court) |
|-------------------------|---------------------------------|

### Company Secretary

- |                               |               |
|-------------------------------|---------------|
| a. Mr. Muhammad Sulaman Tariq | MBA (Finance) |
|-------------------------------|---------------|

### Auditor

- |                            |                       |
|----------------------------|-----------------------|
| a. M/s Junaidy Shoaib Asad | Chartered Accountants |
|----------------------------|-----------------------|

### Banks

- Allied Bank Limited
- Mobilink Microfinance Bank Limited

### Registered Office

- |                |   |
|----------------|---|
| a. Head Office | CB 2060 D, Near Pulli Stop, Rahwali Cantt.,<br>G.T. Road, District Gujranwala |
|----------------|---|

## DIRECTORS' REPORT TO THE MEMBERS

On the behalf of the Board of Directors of "OPD Support Program" (the company),  
 I am pleased to present our report, the audited financial statements and auditor's report for the year  
 ended June 30, 2022.

### 2. FINANCIAL HIGHLIGHTS

#### a. Statement of Income and Expenditure

	Note	2022 Rupees	2021 Rupees
<b>Financial Income</b>			
Service charges on microfinance loan portfolio		32,763,455	26,337,544
Loan processing fee		6,739,550	4,739,450
Profit on bank deposits		1,116,314	1,530,142
Amortization of grants relating to operating assets	15	69,439	117,878
Other income	22	2,286,315	154,102
		42,975,073	32,879,115
<b>Expenses</b>			
Program expenses	23	(35,237,610)	(30,065,388)
Administrative expenses	24	(3,407,007)	(3,425,999)
Finance cost	25	(7,216,578)	(8,610,362)
Loan write off	10	-	(612,949)
Services charges write off	9	-	(694,936)
Provision against non- performing loans	8.2, 9 & 10.4	(651,714)	(2,854,643)
		(46,512,909)	(46,264,277)
<b>Deficit for the year</b>		<b>(3,537,836)</b>	<b>(13,385,162)</b>
<b>Other Comprehensive Income</b>			
Experience adjustments of re-measurement of plan obligation	16	1,287,892	450,455
<b>Total comprehensive loss for the year</b>		<b>(2,249,944)</b>	<b>(12,934,707)</b>

## b. Balance Sheet

	Note	2022 Rupees	2021 Rupees
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Property and equipment	5	6,492,686	3,424,293
Intangible assets	6	204,901	256,126
Long term receivables	7	2,264,162	2,672,162
		8,961,749	6,352,581
<b><u>Current assets</u></b>			
Loan and advances - net of provisions	8	81,748,621	78,145,991
Accrued service charges	9	5,362	666,631
Advances, deposits and other receivables - net of provisions	10	1,355,424	1,522,494
Advance income tax	11	1,389,770	1,336,400
Cash and bank balances	12	18,295,791	17,449,397
		102,794,968	99,120,913
		<b>111,756,717</b>	<b>105,473,494</b>
<b>FUNDS AND LIABILITIES</b>			
<b><u>Funds</u></b>			
General funds		(18,040,130)	(15,790,186)
Members contribution		300,000	300,000
Endowment fund - unsecured	13	17,600,000	17,600,000
Sub-ordinate loan - unsecured	14	37,733,333	37,733,333
		37,593,203	39,843,147
<b><u>Non current liabilities</u></b>			
Deferred grant - related to operating assets	15	294,307	363,747
Deferred liability	16	6,815,950	6,074,025
Long term loan	17	8,000,000	21,000,000
Accrued mark-up on PPAF loan	18	-	-
		15,110,257	27,437,772
<b><u>Current liabilities</u></b>			
Current portion of long-term loans	17	19,000,000	6,000,000
Accrued mark-up on PPAF loan	18	8,989,640	8,466,863
Accrued and other liabilities	19	27,023,767	19,685,861
Short term loans	20	4,039,850	4,039,850
		59,053,257	38,192,575
		<b>111,756,717</b>	<b>105,473,494</b>
<b>Contingencies and commitments</b>	21		

**c. Statement of Change in Funds**

PARTICULARS	General Fund	Members contribution	Endowment fund	Sub-Ordinate Loan	Total
	-----Rupees-----				
Balance as at July 1, 2020 (Restated)	(2,855,479)	300,000	17,600,000	37,733,333	52,777,854
Total comprehensive loss for the year 2021	(12,934,707)	-	-	-	(12,934,707)
Balance as at June 30, 2021	(15,790,186)	300,000	17,600,000	37,733,333	39,843,147
Total comprehensive loss for the year 2022	(2,249,944)	-	-	-	(2,249,944)
Balance as at June 30, 2022	(18,040,130)	300,000	17,600,000	37,733,333	37,593,203

#### d. Cash Flow Statement

	Note	2022 Rupees	2021 Rupees
<b>Cash flows from operating activities</b>			
Deficit for the year before tax		(3,537,836)	(13,385,162)
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization		1,337,633	790,473
Loans written off		-	612,949
Markup written off		-	694,936
Provision against non-performing loans		651,714	2,854,643
Provision of gratuity		2,029,817	1,865,033
Finance cost		7,216,578	8,610,362
Loss on disposal of operating fixed assets		4,518	-
Gain on disposal of operating fixed assets		(2,222,195)	-
Amortization of grants		(69,439)	(117,878)
		8,948,626	15,310,518
<b>Net cash flows before working capital changes</b>		<b>5,410,789</b>	<b>1,925,356</b>
<b>Changes in working capital</b>			
Increase in loans and advances		(4,010,542)	(11,099,222)
Decrease in long term receivable		351,006	-
Decrease in accrued service charges		586,242	1,466,153
Decrease in advances, deposits and other receivables		295,801	173,227
Increase/(decrease) and other liabilities		1,151,382	(1,221,742)
<b>Cash generated from/(used in) operations</b>		<b>(1,626,111)</b>	<b>(10,681,584)</b>
Finance cost paid		(507,276)	(194,994)
Tax paid		(296,884)	(325,758)
<b>Net cash generated from/(used in) operations</b>		<b>2,980,518</b>	<b>(9,276,980)</b>
<b>Cash flows from investing activities:</b>			
Purchase of operating fixed assets		(5,348,664)	(261,880)
Sales proceeds of operating fixed assets		3,214,540	-
<b>Net cash used in investing activities</b>		<b>(2,134,124)</b>	<b>(261,880)</b>
<b>Cash flows from financing activities:</b>			
Borrowings repaid during the year		-	(960,150)
Borrowings obtained during the year		-	-
<b>Net cash (outflow) from financing activities</b>		<b>-</b>	<b>(960,150)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>846,394</b>	<b>(10,499,010)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>17,449,397</b>	<b>27,948,408</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>18,295,791</b>	<b>17,449,397</b>



### **3. AN EXTRAORDINARY YEAR**

In 2021-22, we have submitted financial proposal to strengthen the microfinance program. Since the company has faced the problem on short of equity, which effect the investment plan of institutions as well as individual. Being NBFC, we are still in negotiation with different partner organizations i.e Pakistan Poverty Alleviation Fund (PPAF) on rescheduling of sub-ordinated loan and convert outstanding markup into Endowment Fund to improve the equity position of the company. To succeed this transaction between PPAF and OPDSP, board members and management has arranged meeting to satisfy the PPAF management Team in presence of Mr. Nadir Gul Barech. We have also submitted request letter to PPAF along with revised business plan upto Five (5) years. The assumptions are based on PPAF support then move toward PMIC's program on microfinance credit line. The company will generate profit after successful completion of TWO year program. The company will become in position to payback the conversional loan of PPAF with due commitments and satisfy the obligation of PMIC. But all effort the rescheduling of subordinated loan and conversion of outstanding markup still in process.

For next year, the major challenge is to maintain the equity above the line to keep the NBMFC license. Next is to find credit line to increase the profitability of the company making it sustainable. We are in negotiation with multiple private and public sectors investors to provide this facility. Meanwhile we are following the developments of government programs like 'Kamyab Pakistan' etc. of which we can be a part of to achieve the objectives of the company. We are positive that with the help of a dedicated team, the company has the ability to turn around this negative trend the company is facing at the moment.

### **4. FINANCIAL HIGHLIGHTS - STANDALONE**

#### **a. Net Income / (Deficit)**

During the period the company has faced deficit amount of PKR. 2.24 million after taxation. The company has obtained license to carry our Investment Finance Service under rule 5 of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 on 19<sup>th</sup> June, 2020. Along this, the Tax Exemption Certificate under section 2(36) of the Income Tax Ordinance, 2001 valid up to Jun 30, 2022 issue by Commission – IR, RTO Gujranwala.

The microcredit portfolio size increase for PKR. 84.11 million (2022) and PKR. 80.61 million (2021) which was improved by increasing disbursement while disbursement was slow down during the COVID19 pandemic since April, 2020. Similarly, the average disbursement loan size increase during the period by PKR.43,177 in FY 2022 from PKR.40,391 in FY 2021 and the average outstanding loan size improved for PKR. 17,066 from PKR. 15,700 in FY2021.

During the period, the 3,739 borrowers disbursed as compared to 3,491 borrowers in corresponding period. The number of loan outstanding against 4,929 borrowers and the 1,244 borrowers included in, who has fully paid their loan amount while deferred markup still due as on June 30, 2022. The portfolio yield on a gross portfolio has improved by 47% in FY 2022 from 39% in FY-2021 by increasing the rate of return of microfinance loan @ 3% since September, 2021.

The pricing policy against microfinance portfolio has been revised by increasing Upfront charge @ 1% and service charge @ 2%. The impact of KIBOR and high inflation rate increase the cost of delivery which lead increase the losses of the company. The purpose of revision in price policy to cover the impact of the high inflation rate and the impact of high cost of capital.

During the period, markup earned PKR. 32.76 million as compared to PKR. 26.33 million in FY-2021. The processing fee collected PKR. 6.73 million against 3,739 new loans in FY-2022 while PKR.4.73 million against 3,491 loans disbursed in FY2021.

Further, the markup earned during the period but not collect charge as accrued markup (refer to Note 9) PKR.2.30 million against 1,337 borrowers while markup earned but not collected PKR. 2,70 million against 2,044 borrowers. Simultaneously, the amount of provision charge to account PKR. 2.29 million in FY 2022 and PKR. 2.04 million in FY 2021.

#### **b. Financial Cost, Branchless Banking Cost**

The financial cost include markup on outstanding loans and branchless banking cost on recovery collection has been reduced by PKR.7.21 million in FY-2021 as compared to corresponding

period was PKR.8.61 million was charge to account which is inked with 6-month KIBOR (offer) prevailing on first working day of January and July for the first and second half of the year respectively with a floor of 8%. While the discounting of long receivable amount (ref to Note 7) and amortization of financial cost (ref to Note 18) charge to account is PKR. 0.52 million in FY-2022 and PKR.3.13 million in FY-2021 also included in financial cost.

### **c. Portfolio and Provision**

The portfolio for the period ended was PKR. 84.11 million in FY-2022 and 80.61 million in FY-2021 after lock down during COVID19 pandemic increase gradually with the increasing in volume of disbursement to community and recovery collection. The recovery, disbursement and loan outstanding portfolio figure for the period is shown in **Annex – A**. The portfolio at risk reduced by 1.90% in FY-2022 from 2.62% in FY-2021 by recovering the default portfolio related to deferred portfolio which was stuck since COVID19 pandemic while the remaining portfolio quality ensured periodically by monitoring / risk department. The amount of disbursement for the period was PKR.161.44 million in FY-2022 and 141.00 million in FY-2021. The caseload per loan officer was 289 borrowers in FY-2022 from 302 borrowers in FY-2021, the by increase the disbursement and portfolio in different vicinity as compared to microfinance industry average that is 350 cases per loan officer. The written-off against death cases was 0.60% in FY-2022 and 0.40% in FY-2021 and subsequently the create provision against Overdue and general portfolio by covering risk, the risk coverage ratio 153.43% in FY-2022 more than 147.49% in FY 2021 as per NBFC rules.

### **d. Borrowing**

With receipt of NBMFC license, the scope of getting a credit line from another financial institution has increased. We have submitted financial proposal to Pakistan Microfinance Investment Company (PMIC) and pursuing on multiple fronts in this regard. During period, we had conduct meeting with PPAF for rescheduling of subordinated loan PKR. 37.73 million over another three years which was mature on Dec 31, 2021 and highlighted the outstanding markup PKR. 32.38 million on account of financial cost on borrowing (Conventional loan and subordinated loan) still pending to PPAF. In this connection, we have already put request to PPAF and present the challenges faced by OPD Support Program the non-compliance of NBFC under

section 4 of regulation. Further, the two installments of PKR. 6 million are still pending against conventional loan amounting PKR. 27 million which was rescheduled against 3<sup>rd</sup> First Supplementary Financing Agreement till Dec, 2023. BoD has also been mulling to find a partner who can invest in equity of the company. With any funding coming in, the company is able to go into expansion at once.

## 5. APPROPRIATIONS

### a. Capital Expenditure

During this year, the Company acquired assets PKR.5,348,664 and PKR.261,880 in FY-2021 towards capital expenditure with major addition of Car to replace the vehicle of CEO of the company-- most of which was incurred towards Furniture & Fixture, Motor Vehicle, Office Equipment, and Computer Equipment.

Further, the disposal amount 2,947,536 in FY-2022 and Zero in FY-2021 of Motor Vehicle and Computer equipment were made due to their unsatisfactory condition or not being repairable for productivity.

### b. Fixed Deposits

The amount of endowment for Rs.17.6 million invested in microfinance portfolio in FY-2022 with same investment in corresponding period.

### c. Sub-Ordinated Loan

The amount of sub-ordinated loan received from PPAF PKR.37.73 million was mature in Dec 31, 2021 which would be extended future as request to PPAF over three years and invested in microfinance portfolio in FY-2022 with same investment in corresponding period.

## 6. STRATEGIC INITIATIVES

The company objective is to work for the betterment of under-privilege and un-served community. To achieve the company's objectives of social and community development sustainability is of utmost importance and so is remaining committed to meeting the expectations of community In this regard, the Company is focusing on unveiling new opportunities in sectors other than microfinance.

## **7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has also placed an Internal Control System commensurate with the size, scale and complexity of its operations. The scope and authority of the Monitoring and Innovation function are defined in the company and need to be refined for further development. To maintain its objectivity and independence, the Monitoring and Innovation department reports directly to the Chairman of the Board and Chief Executive Officer.

The Monitoring and Innovation Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations (branches) of the Company.

In the absence of Internal Audit Department, Monitoring & Innovation department perform the duty of Internal Audit. The Monitoring and Innovation department, suggests and undertakes corrective action in their respective areas and thereby strengthens the controls. Significant observations and corrective actions suggested are presented to the Board and Chief Executive Officer. The laid down internal financial controls are adequate and have been operating effectively during the year.

During the period, the AML/CFT compliance department established by appointing Mr. Faizan Tariq as Acting Manager AML/CFT Compliance to ensure the timely compile the data with NACTA data, FIA record available on website and submit compliance report to SECP. Further, the policy documents on AML/CFT has been approved and implement to strengthen the department with regulatory compliance.

## **8. NUMBER OF EMPLOYEE AND STAFF TURN OVER**

The staff turnover increased by 50% with 43 employees in FY-2022 and 25% with 45 employees in FY-2021.

## 9. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statement for the year in respect of remuneration including certain benefits to the Chief Executive Officer of the Company is as follows:

- Remuneration of Chief Executive, Directors and Executives

	2022		
	Chief Executive	Directors	Executives
	----- Rupees -----		
Managerial remuneration	3,997,910	-	4,887,211
Medical Insurance	24,555	-	14,060
Gratuity - Salary	333,000	-	301,800
Vehicle Running & Maintenance	353,199	-	321,686
Communication	62,490	-	18,000
	<u>4,771,154</u>	<u>-</u>	<u>5,542,757</u>
<b>Number of persons (including those who worked part of the year)</b>	<b>1</b>	<b>5</b>	<b>3</b>

	2021		
	Chief Executive	Directors	Executives
	----- Rupees -----		
Managerial remuneration	3,600,000	-	4,986,000
Medical Insurance	34,378	-	19,686
Gratuity - Salary	300,000	-	415,500
Vehicle Running & Maintenance	373,069	-	325,535
Employee Loan	-	-	-
Communication	40,600	-	19,686
	<u>4,348,047</u>	<u>-</u>	<u>5,766,407</u>
<b>Number of persons (including those who worked part of the year)</b>	<b>1</b>	<b>5</b>	<b>3</b>

## 10. RELATED PARTY TRANSACTIONS

Reference to Note 27, the transactions with related parties during the period has been as follows;

Party Name	Transactions during the period	2022 Rupees	2021 Rupees
<b>Mr. Nadeem Sarwar (CEO)</b>	Opening receivable	11,880	315,435
	Loan given during the period	-	200,000
	Loan recovered during the period	-	(515,435)
	Advance against Salary	386,022	28,512
	Advance recovered during the period	(275,896)	(16,632)
	Salaries and benefits entitled	4,438,154	4,048,047
	Salaries and benefits Paid	(4,105,154)	(4,048,047)
	<b>Receivable at year end</b>	<b>455,006</b>	<b>11,880</b>
<b>Mr. Aniq Zafar (Director)</b>	Opening loan payable	4,039,850	5,000,000
	Loans repaid during the period	-	(960,150)
	<b>Payable at year end</b>	<b>4,039,850</b>	<b>4,039,850</b>
<b>Mr. Aniq Zafar (Director)</b>	Opening markup payable on loan	106,034	-
	Markup charged on loan	401,242	301,028
	Markup paid during the year	(507,276)	(194,994)
	<b>Payable at year end</b>	<b>-</b>	<b>106,034</b>

## 11. FINANCIAL RISK MANAGEMENT

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

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

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

**a. Credit risk and concentration of credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk, the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

**b. Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2022 Rupees	2021 Rupees
Loan and advances - net of provisions	81,748,621	78,145,991
Advances, deposits and other receivables - net of provisions	1,355,424	1,522,494
Bank balances	18,289,235	17,443,517
	<u>101,393,280</u>	<u>97,112,001</u>

**c. Counterparties with external credit ratings**

These include banking companies and financial institutions. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Name of Bank	Rating Agency	Long term credit rating	Short term credit rating	2022 Rupees	2021 Rupees
Allied Bank Limited	PACRA	AAA	A1+	11,935,044	15,670,157
Mobilink Microfinance bank	PACRA	A	A1	6,354,191	1,773,360
				<u>18,289,235</u>	<u>17,443,517</u>

**d. Liquidity risk**

Liquidity Risk is the risk that the company may encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected or difficulties in raising funds to meet commitments associated with financial liabilities as they fall due. The following



analysis shows the Company's financial liabilities into relevant maturity groupings based on the remaining period to their contractual maturities at the balance sheet date. The amount disclosed in the table are the contractual undiscovered cash flows and also include the impact of estimated future interest payments.

2022					
Financial liabilities	Carrying amount	Contractual cashflows	Less than one year	One to five years	More than five years
----- Rupees -----					
Loan from director	4,039,850	5,000,000	4,039,850	-	-
Microcredit loans - PPAF	27,000,000	27,000,000	19,000,000	8,000,000	-
Subordinated Loan - PPAF	37,733,333	37,733,333	37,733,333	-	-
Accrued markup - PPAF loan	8,989,640	8,989,640	8,989,640	-	-
Accrued & other liabilities	27,023,767	27,023,767	3,632,819	23,390,948	-
<b>Total</b>	<b>104,786,591</b>	<b>105,746,740</b>	<b>73,395,643</b>	<b>31,390,948</b>	<b>-</b>

2021					
Financial liabilities	Carrying amount	Contractual cashflows	Less than one year	One to five years	More than five years
----- Rupees -----					
Loan from director	4,039,850	5,000,000	5,000,000	-	-
Microcredit loans - PPAF	27,000,000	27,000,000	6,000,000	21,000,000	-
Subordinated Loan - PPAF	37,733,333	37,733,333	-	37,733,333	-
Accrued markup - PPAF loan	7,510,745	7,510,745	7,510,745	-	-
Accrued & other liabilities	19,685,861	19,685,861	4,062,960	15,622,901	-
<b>Total</b>	<b>95,969,790</b>	<b>96,929,939</b>	<b>22,573,705</b>	<b>74,356,234</b>	<b>-</b>

#### e. Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

#### f. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk as there is no loan in foreign currency.

### g. Interest rate risk

Mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. At the reporting date, the variable interest rate profile of the Company's significant interest-bearing financial instruments is as follows:

#### June 2022

Variable rate instruments	Effective rate of interest	Carrying value in Rupees
<b>Financial liabilities</b>		
Subordinated loan - PPAF	6 month KIBOR	37,733,333
Microcredit loans - PPAF	6 month KIBOR	27,000,000
Loan from director	6 month KIBOR - 0.5 %	4,039,850
<b>Total</b>		<b>31,039,850</b>
<b>Financial assets</b>		
Cash at bank - deposit accounts	7.50% to 12.50%	16,714,203
<b>Total</b>		<b>16,714,203</b>

#### June 2021

Variable rate instruments	Effective rate of interest	Carrying value in Rupees
<b>Financial liabilities</b>		
Subordinated loan - PPAF	6 month KIBOR	37,733,333
Microcredit loans - PPAF	6 month KIBOR	27,000,000
Loan from director	6 month KIBOR - 0.5 %	4,039,850
<b>Total</b>		<b>31,039,850</b>
<b>Financial assets</b>		
Cash at bank - deposit accounts	5.50 % to 7.5 %	16,873,060
<b>Total</b>		<b>16,873,060</b>

### h. Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) surplus for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

Cash flow sensitivity analysis for variable rate instruments	Increase of 100 bps	decrease of 100 bps
	-----Rupees-----	
<b>As at June 30, 2022</b>		
Cash flow sensitivity -variable rate financial assets	167,142	(167,142)
Cash flow sensitivity -variable rate financial liabilities	(310,399)	310,399
<b>(Decrease)/Increase in surplus during the year</b>	<b>(143,256)</b>	<b>143,256</b>
<b>As at June 30, 2021</b>		
Cash flow sensitivity -variable rate financial assets	168,731	(168,731)
Cash flow sensitivity -variable rate financial liabilities	(310,399)	310,399
<b>(Decrease)/Increase in surplus during the year</b>	<b>(141,668)</b>	<b>141,668</b>

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

#### **i. Price risk**

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

#### **j. Fair values of financial assets and liabilities**

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention to curtail materially the scale of its operations or to undertake a transaction on adverse terms. IFRS 13, 'Fair value Measurements' requires the Company to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can assess at reporting date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

The following table show the categories as well as carrying amounts and fair values of financial assets according to their respective category, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is reasonable approximation of fair value.

#### k. Financial Instruments - Fair values

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

	2022						
	Carrying amount			Fair value			
	Financial Assets	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	----- Rupees -----						
<b><u>Financial assets measured at amortized cost</u></b>							
Cash and bank balances	18,295,791	-	18,295,791	-	-	-	-
Long term security deposits	2,264,162	-	2,264,162	-	-	-	-
Loan and advances - net of provisions	81,748,621	-	81,748,621	-	-	-	-
Advances, deposits and other receivables	1,355,424	-	1,355,424	-	-	-	-
	<b>103,663,998</b>	<b>-</b>	<b>103,663,998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Financial liabilities measured at amortized cost</u></b>							
Loan from director	-	4,039,850	4,039,850	-	-	-	-
Long term loan - PPAF	-	27,000,000	27,000,000	-	-	-	-
Subordinated Loan - PPAF	-	37,733,333	37,733,333	-	-	-	-
Accrued markup - PPAF loan	-	8,989,640	8,989,640	-	-	-	-
Accrued & other payables	-	27,023,767	27,023,767	-	-	-	-
	<b>-</b>	<b>104,786,591</b>	<b>104,786,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2021						
	Carrying amount			Fair value			
	Financial Assets	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----							
<b>Financial assets measured at amortized cost</b>							
Cash and bank balances	17,449,397	-	17,449,397	-	-	-	-
Long term security deposits	2,672,162	-	2,672,162	-	-	-	-
Loan and advances - net of provisions	78,145,991	-	78,145,991	-	-	-	-
Advances, deposits and other receivables	1,522,494	-	1,522,494	-	-	-	-
	<b>99,790,043</b>	<b>-</b>	<b>99,790,043</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities measured at amortized cost</b>							
Loan from director	-	4,039,850	4,039,850	-	-	-	-
Long term loan - PPAF	-	27,000,000	27,000,000	-	-	-	-
Subordinated Loan - PPAF	-	37,733,333	37,733,333	-	-	-	-
Accrued markup - PPAF loan	-	7,510,745	7,510,745	-	-	-	-
Accrued & other payables	-	19,685,861	19,685,861	-	-	-	-
	<b>-</b>	<b>95,969,790</b>	<b>95,969,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## I. Capital risk management

Capital requirements applicable to the company are set and regulated by Security and Exchange Commission of Pakistan (SECP). The company manages its capital requirements by accessing its capital structure against required level at reporting date. The minimum requirement of funds and reserves as per NBFC Regulations for non-deposit taking non-banking micro finance companies is Rs. 50 million (2020: 50 million). As at June 30, 2021 the company's total fund is Rs. 39.843 million (2020: Rs. 52.77 million).

## 12. IMPACT OF COVID-19

The spread of COVID-19 as a pandemic caused imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities). The spread COVID-19 effected the Company in a way that there were no disbursements in last three months of the financial year and customers were given extension ranging from 1 to 4 months for repayment of loan. The management had analyzed the events as these are indicative of conditions for a review of recoverable amounts of assets of the Company and consequently concluded that there is no change in recoverable amounts of Company's assets and liabilities at the reporting date.

### **13. DIRECTORS AND KEY MANAGERIAL PERSONNEL**

The Key Managerial Personnel (KMP) of the Company are Mr. Muhammad Aniq Zafar – Chairman, Mr. Rizwan Hameed – Director, Mr. Syed Ahsan Shahzad – Director, Mr. Zafarullah Khan – Director, Mrs. Tanveer Jahan – Director, Mr. Nadeem Sarwar – CEO, Mr. Shahzad Warriach – Legal Advisor, Mr. Muhammad Sulaman Tariq – Company Secretary.

While the corresponding period, there were no resign and appointment of new director.

### **14. FUTURE OUTLOOK**

Major focus in coming years will be on sustainability which only is forthcoming with increase in portfolio. Additional incomes available for disbursement may come from public or private investments. With the support of BoD, and by re-distribution of recovered portfolio, revamping the internal systems, applying the smart management protocols, and following the best business practices of the field, the management is confident to make the operations of the company sustainable once again.

The strategy will be to apply for PMIC and private partnership funding at one hand and in communication with PPAF to reschedule the subordinated loan amount PKR. 37.73 million over three years and converted outstanding amount due markup to PPAF into Grant / wave off to improve the balance net assets which was shrink during the COVID19 pandemic, but also looking for opportunities of private funding as well.

Keeping in view, the company team has ambition to implement the financial inclusion program by introducing the technology which would integrate with banking channel for smooth disbursement and recovery collection. Further, the fintech factor will minimized the human resource interaction accept telephonic confirmation for loan application confirmation, meanwhile appraisal function will be performed through artificial intelligence (AI).



A Company incorporated under Section 42 of Companies Ordinance, 1984  
An approved NPO Under Section 2 (36) of the Income Tax Ordinance, 2001

## 15. PROFIT APPROPRIATIONS

The Company is set up Under Section 42 of the Companies Ordinance, 1984 obtained license to carry our Investment Finance Service under rule 5 of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003. In addition, the company has approved as an Not-Profit Organization (NPO) under section 2(36) of the Income Tax Ordinance, 2001 by the Commissioner IR, RTO, Gujranwala.

## 16. ACKNOWLEDGEMENT

In the end we would like to thank and appreciate the cooperation and dedication of the company's executives and staff dedicated in the smooth management of company's affairs during this harsh year.

On behalf of the board

**CHIEF EXECUTIVE OFFICER**

Place: Gujranwala



**CHAIRMAN**

**Date: 08 October, 2022**

## Disbursement

2022



Figure 1: Month wise disbursement 2022

2021

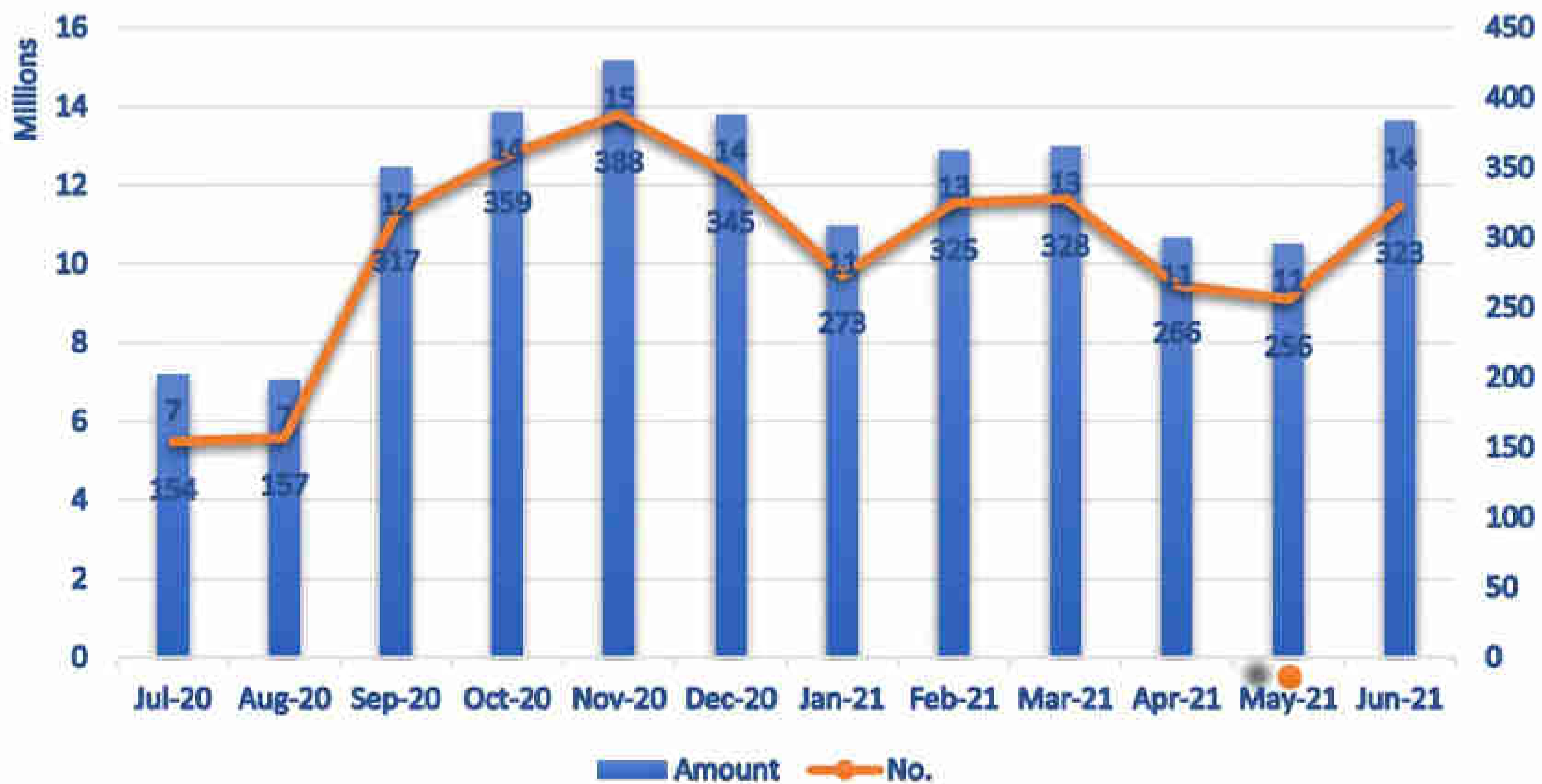


Figure 2: Month wise disbursement 2021



## Recovery

### 2022

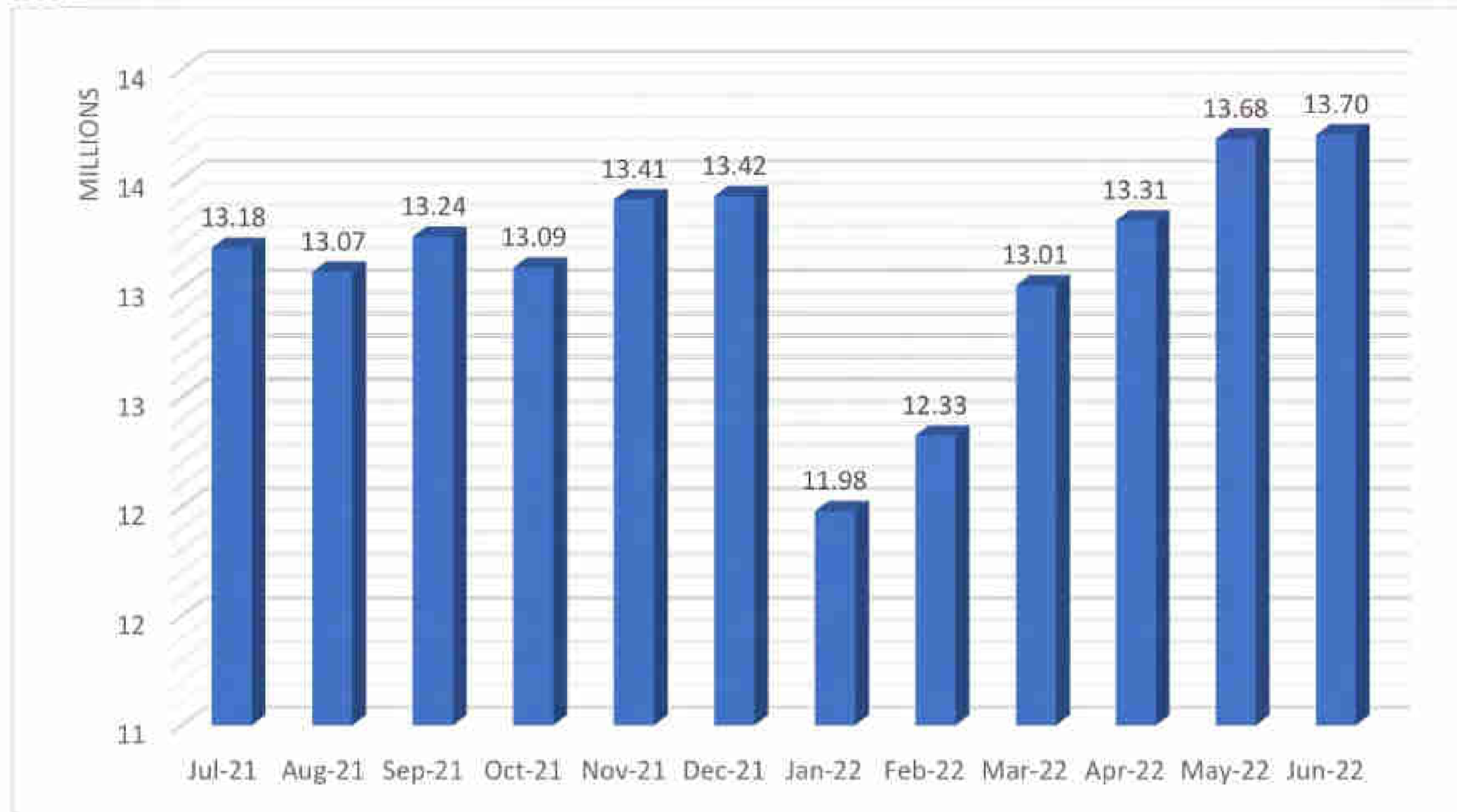


Figure 3: Month wise recovery 2022

### 2021

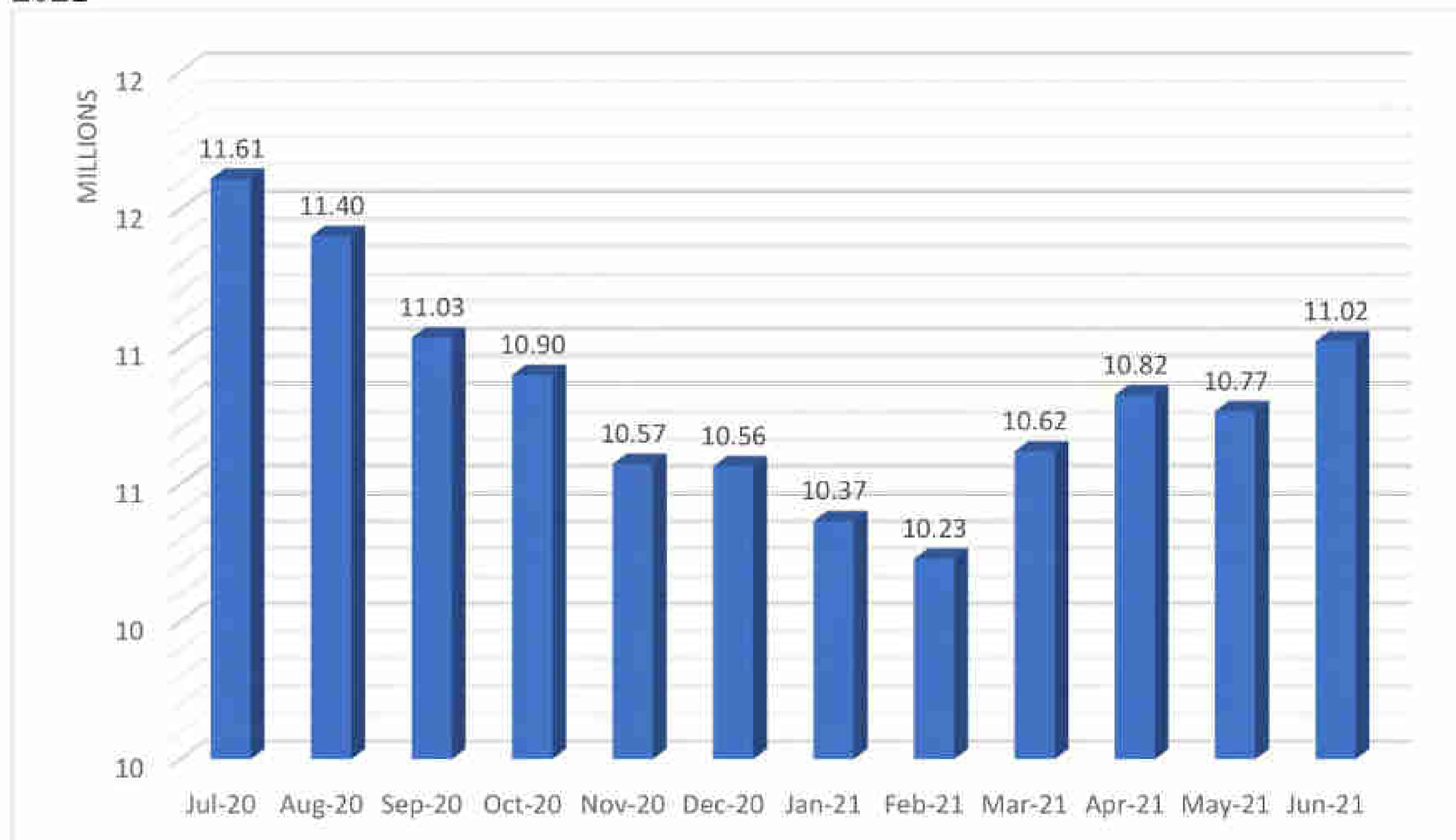


Figure 4: Month wise recovery 2021

## Portfolio Loan Outstanding

2022

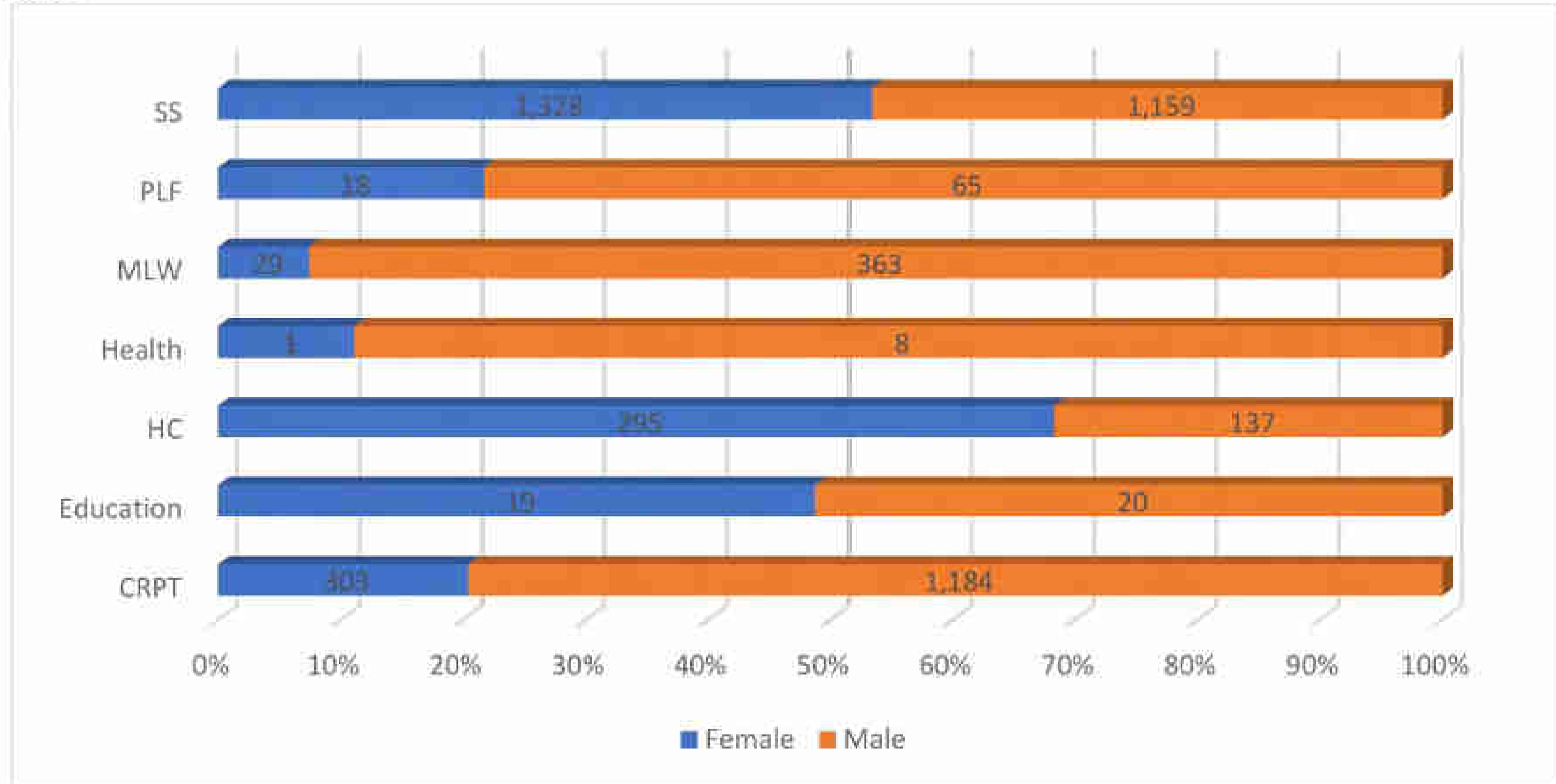


Figure 5: Sector wise and gender wise number of loan portfolio outstanding 2022

2021

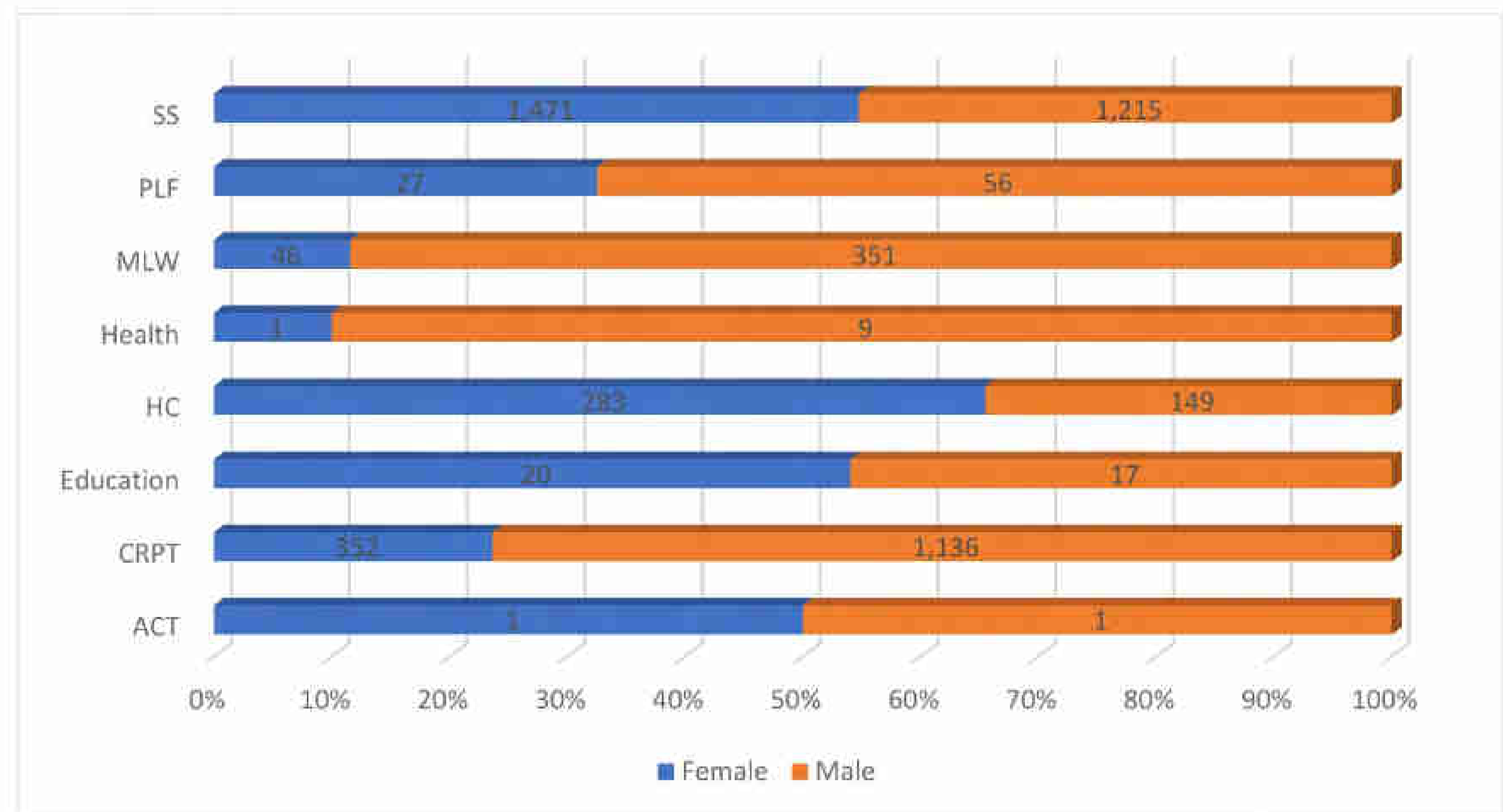


Figure 6: Sector wise and gender wise number of loan portfolio outstanding 2021

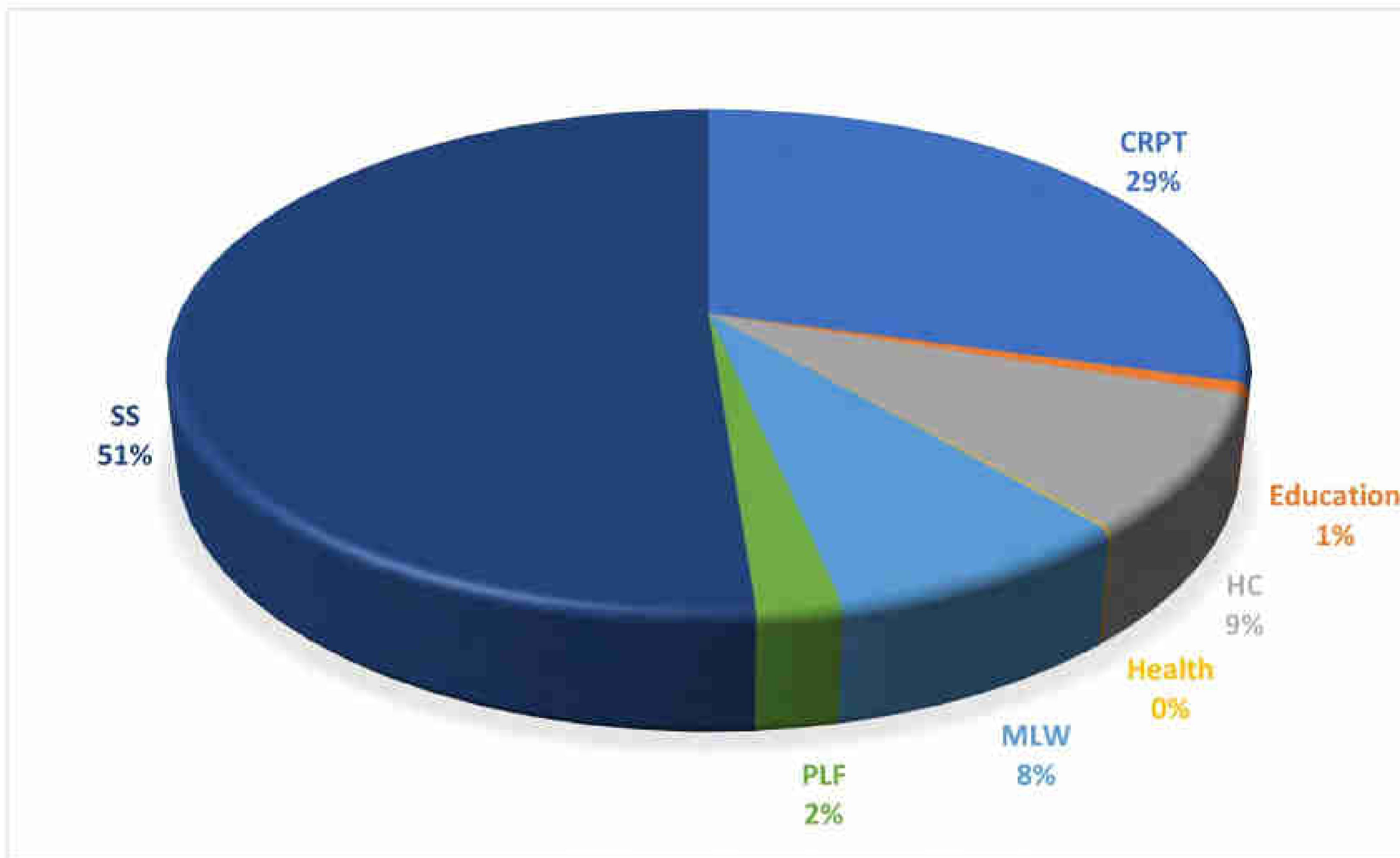


Figure 7: Sector wise amount of loan portfolio outstanding 2022

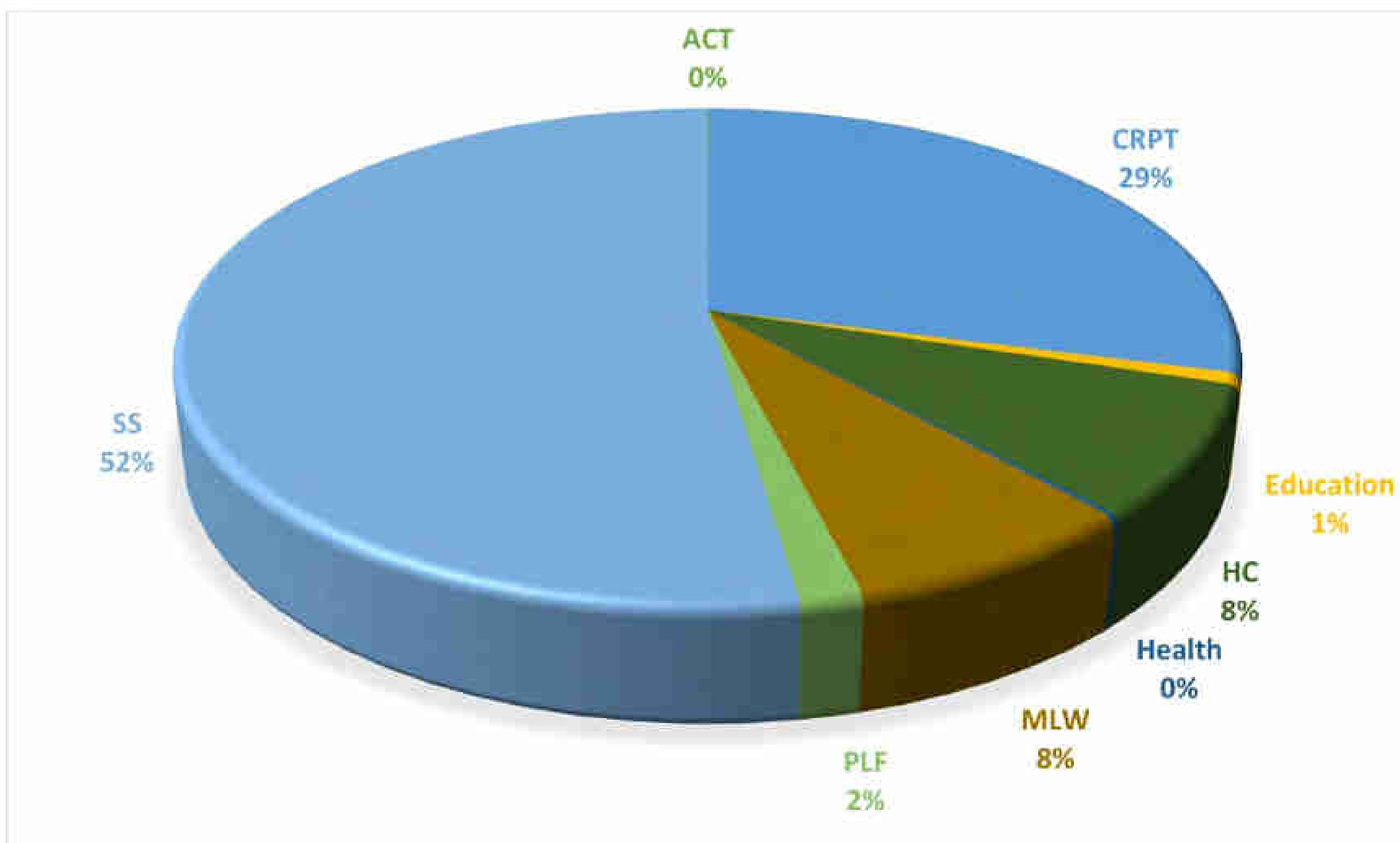


Figure 8: Sector wise amount of loan portfolio outstanding 2021