



OPD Support Program

اوپي ڈی سپورٹ پروگرام

# 2024

## DIRECTOR REPORT



## Table of Contents

1.	COMPANY INFORMATION .....	4
2.	FINANCIAL HIGHLIGHTS.....	5
a.	Statement of Income and Expenditure.....	5
b.	Balance Sheet.....	6
c.	Statement of Change in Funds.....	7
d.	Cash Flow Statement .....	8
3.	AN EXTRAORDINARY YEAR.....	9
4.	FINANCIAL HIGHLIGHTS - STANDALONE.....	10
a.	Net Income / (Deficit).....	10
b.	Financial Cost, Branchless Banking Cost.....	11
c.	Portfolio and Provision.....	11
d.	Borrowing.....	11
5.	APPROPRIATIONS.....	12
a.	Capital Expenditure.....	12
b.	Fixed Deposits .....	12
c.	Sub-Ordinated Loan.....	12
6.	STRATEGIC INITIATIVES .....	13
7.	INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY .....	13
8.	NUMBER OF EMPLOYEE AND STAFF TURN OVER .....	13
9.	REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES.....	14
10.	RELATED PARTY TRANSACTIONS.....	15
11.	FINANCIAL RISK MANAGEMENT .....	15
a.	Credit risk and concentration of credit risk.....	15
b.	Exposure to credit risk .....	16
c.	Counterparties with external credit ratings .....	16
d.	Liquidity risk.....	16
e.	Market risk.....	17
f.	Currency risk .....	17
g.	Interest rate risk.....	17
h.	Cash flow sensitivity analysis for variable rate instruments.....	18
i.	Price risk.....	19
j.	Fair values of financial assets and liabilities.....	19
k.	Financial Instruments - Fair values .....	20
l.	Capital risk management .....	21
12.	IMPACT OF COVID-19 .....	21
13.	DIRECTORS AND KEY MANAGERIAL PERSONNEL .....	22
14.	FUTURE OUTLOOK .....	22
15.	PROFIT APPROPRIATIONS.....	23
16.	ACKNOWLEDGEMENT.....	23

## Table of Figure

<b>Figure 1: Month wise disbursement 2024 .....</b>	<b>24</b>
<b>Figure 2: Month wise disbursement 2023 .....</b>	<b>24</b>
<b>Figure 3: Month wise recovery 2024 .....</b>	<b>25</b>
<b>Figure 4: Month wise recovery 2023 .....</b>	<b>25</b>
<b>Figure 5: Sector wise and gender wise number of loan portfolio outstanding 2024 .....</b>	<b>26</b>
<b>Figure 6: Sector wise and gender wise number of loan portfolio outstanding 2023 .....</b>	<b>26</b>
<b>Figure 7: Sector wise amount of loan portfolio outstanding 2024 .....</b>	<b>27</b>
<b>Figure 8: Sector wise amount of loan portfolio outstanding 2023 .....</b>	<b>27</b>

## 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 HR and Legal Affair              |
| e. Mr. Usman Khalid           | Manager IT and Data Reporting            |
| f. Mr. Faizan Tariq           | Manager Admin and 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, 2024.

## 2. FINANCIAL HIGHLIGHTS

### a. Statement of Income and Expenditure

		2024	2023
	Note	Rupees	Rupees
<b>Financial Income</b>			
Mark-up and other charges on micro credit loan portfolio	23	58,926,790	42,926,659
Profit on bank deposits		3,125,165	3,074,823
Amortization of grants relating to operating assets	15	38,489	101,866
Other income	24	257,325	140,105
		62,347,769	46,243,453
<b>Expenses</b>			
Program expenses	25	(44,008,910)	(37,580,153)
Administrative expenses	26	(4,000,284)	(3,739,054)
Finance cost	27	(15,207,994)	(11,354,231)
Provision against non- performing loans	8.2, 9 & 10.4	(393,719)	(321,952)
		(63,610,907)	(52,995,390)
<b>Loss before income tax and minimum tax differential</b>		(1,263,139)	(6,751,937)
Minimum tax	28	(883,902)	(643,900)
<b>Loss before Income tax</b>		(2,147,040)	(7,395,837)
Taxation	29	-	-
<b>Loss for the period after taxation</b>		(2,147,040)	(7,395,837)
<b>Other Comprehensive Income</b>			
Experience adjustments of re-measurment of plan obligation	16	(661,443)	914,207
<b>Total comprehensive loss for the year</b>		(2,808,483)	(6,481,630)

## b. Balance Sheet

	Note	2024 Rupees	2023 Rupees
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Property and equipment	5	4,762,131	5,406,646
Intangible assets	6	131,137	163,921
Long term receivables	7	1,675,781	1,856,162
		6,569,049	7,426,729
<b><u>Current assets</u></b>			
Loan and advances - net of provisions	8	94,224,986	97,033,631
Accrued service charges	9	10,203	9,441
Advances, deposits and other receivables - net of provisions	10	1,769,427	1,824,782
Advance income tax	11	-	218,339
Cash and bank balances	12	32,772,132	12,526,023
		128,776,748	111,612,216
		135,345,797	119,038,945
<b>FUNDS AND LIABILITIES</b>			
<b><u>Funds</u></b>			
General funds		(27,330,243)	(24,521,760)
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
		28,303,090	31,111,573
<b><u>Non current liabilities</u></b>			
Deferred grant - related to operating assets	15	153,953	192,442
Deferred liability	16	10,744,578	7,769,254
Long term loan	17	-	-
		10,898,531	7,961,696
<b><u>Current liabilities</u></b>			
Current portion of long-term loans	17	27,000,000	27,000,000
Accrued mark-up on PPAF loan	18	8,989,640	8,989,640
Accrued and other liabilities	19	56,053,111	39,936,185
Income tax payable	20	61,575	-
Short term loans	21	4,039,850	4,039,850
		96,144,176	79,965,675
		135,345,797	119,038,945
Contingencies and commitments	22		

### c. Statement of Change in Funds

PARTICULARS	General Fund	Members contribution	Endowment fund	Sub- Ordinate Loan	Total
	-----Rupees-----				
Balance as at July 01, 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
Total comprehensive loss for the year 2023	(6,481,630)	-	-	-	(6,481,630)
Balance as at June 30, 2023	(24,521,760)	300,000	17,600,000	37,733,333	31,111,573
Total comprehensive loss for the year 2024	(2,808,483)	-	-	-	(2,808,483)
Balance as at June 30, 2024	(27,330,243)	300,000	17,600,000	37,733,333	28,303,090

#### d. Cash Flow Statement

	Note	2024 Rupees	2023 Rupees
<b>Cash flows from operating activities</b>			
Deficit for the year before tax		(1,263,139)	(6,751,937)
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization		1,095,009	1,303,316
Provision against non-performing loans		393,719	321,952
Provision of gratuity		3,073,828	2,518,741
Finance cost		15,207,994	11,354,231
Loss on disposal of operating fixed assets		-	-
Gain on disposal of operating fixed assets		-	(11,996)
Amortization of grants		(38,489)	(101,866)
		19,732,062	15,384,379
<b>Net cash flows before working capital changes</b>		18,468,923	8,632,442
<b>Changes in working capital</b>			
Decrease/(Increase) in loans and advances		2,315,391	(15,778,205)
Decrease in long term receivable		335,072	360,462
Decrease in accrued service charges		138,998	204,734
(Decrease)/Increase in advances, deposits and other receivables		(139,562)	(459,390)
Increase accrued and other liabilities		1,780,976	2,270,367
<b>Cash generated from/(used in) operations</b>		4,430,876	(13,402,032)
Gratuity Paid		(759,947)	(651,230)
Finance cost paid		(872,044)	(712,178)
Tax paid		(603,989)	527,532
<b>Net cash generated from/(used in) operations</b>		20,663,819	(5,605,466)
<b>Cash flows from investing activities:</b>			
Purchase of operating fixed assets		(417,710)	(196,150)
Sales proceeds of operating fixed assets		-	31,850
<b>Net cash used in investing activities</b>		(417,710)	(164,300)
<b>Cash flows from financing activities:</b>			
Borrowings repaid during the year		-	-
Borrowings obtained during the year		-	-
<b>Net cash (outflow) from financing activities</b>		-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>		20,246,109	(5,769,766)
<b>Cash and cash equivalents at beginning of the year</b>		12,526,023	18,295,791
<b>Cash and cash equivalents at the end of the year</b>	12	32,772,132	12,526,023



### 3. AN EXTRAORDINARY YEAR

During 2023-24, following the submission of a proposal for new microfinance funding, the OPD Support Program introduced a new product: a short-term loan with a duration of three months (90 days, plus a 5-day grace period). This loan, titled the “Committee Loan,” is designed specifically to provide financing to the petty trading sector with the goal of minimizing processing time. The loan is disbursed within hours after initial verification and monitoring confirm eligibility criteria are met. The pilot project ran from October 2023 to December 2023. Based on the collection patterns and loan demand, management recommended to the board of directors the establishment of an independent branch, subject to meeting the standard branch criteria.

Furthermore, the portfolio and financial management software is currently undergoing an upgrade to enhance data efficiency and enable effective customization for future development. In the first stage, the existing database was reviewed, analyzed, and cleaned before importing the data into the new system to incorporate the previous history of borrower information.

During this period, the CEO and Chairman of the company held several meetings with PPAF’s management to discuss the rescheduling of the outstanding financing facility. The company faced an equity shortfall, impacting both institutional and individual investment plans. This strategy is designed to strengthen the company’s equity position. To facilitate the transaction between PPAF and OPDSP, board members and management met with PPAF’s leadership, headed by Mr. Nadir Gul Barech, to address their concerns. A request letter, along with a revised five-year business plan, has been submitted to PPAF. The plan’s assumptions are based on PPAF’s continued support, followed by engagement with PMIC’s microfinance credit line program. Profitability is projected after the successful completion of the two-year program, allowing the company to meet its obligations to both PPAF and PMIC. Despite these efforts, the rescheduling of the subordinated loan and conversion of the outstanding markup remain ongoing.

The upcoming year poses significant challenges, primarily in maintaining equity levels. Another crucial objective is securing a credit line to enhance the company's profitability and ensure sustainability. Negotiations are still underway with various private and public sector investors to facilitate this initiative. Simultaneously, we are closely monitoring government programs for

potential opportunities. Despite the current challenges, we hold a positive outlook, believing that our dedicated team possesses the capability to reverse the current negative trend the company is experiencing.

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

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

During this period, the company reported a post-tax deficit of PKR 2.80 million. The microcredit portfolio expanded to PKR 96.85 million in 2024, a slight decline from PKR 99.57 million in 2023. This decrease was driven by maintaining disbursements while increasing the average loan size, which kept the number of borrowers below 5,000. Concurrently, the average disbursement per loan increased to PKR 46,274 in FY 2024, up from PKR 44,896 in FY 2023. Additionally, the average outstanding loan size decreased slightly to PKR 19,846 in FY-2024, compared to PKR 20,718 in FY-2023.

Throughout this period, 4,040 loans were disbursed to borrowers, marking a slight improvement from the 3,664 loans disbursed in the corresponding period. Of the 4,880 borrowers, 99 had outstanding loans, including overdue principal and markup as of June 30, 2024, an increase from 88 borrowers in the previous period. The portfolio yield on the gross portfolio improved, for 63% in FY 2024 compared to 44% in FY 2023, due to a comparative increase in earned income from the deployed portfolio.

The pricing policy for the microfinance portfolio was revised, increasing the upfront charge to 4% and the service charge to 30% per annum. The pricing policy for Committee Loans included a 27% charge over 90 days, with daily recovery collections. The elevated KIBOR rates and high inflation significantly raised the cost of operations, leading to increased losses for the company. The policy revision aimed to mitigate the impact of inflation and the rising cost of capital on the company's financial performance.

During this period, the earned markup amounted to PKR 58.93 million in 2024 compared to PKR 42.95 million in 2023, which includes the upfront charges collected, totaling PKR 8.17 million for 4,040 new loans in FY-2024 and PKR 7.57 million for 3,664 disbursed loans in FY-2023.

The discounting factor applied to long receivable amounts (refer to Note 7) resulted in the recovery of PKR 0.33 million as per the agreed schedule, compared to PKR 0.36 million recovered in the corresponding period.

Additionally, the earned but uncollected markup during this period amounted to accrued service charges of PKR 2.54 million against 1,079 borrowers in 2024, compared to PKR 2.13 million against 1,167 borrowers in 2023 (as noted in Note 9). Simultaneously, a provision charge of PKR 2.04 million was recorded in FY 2024.

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

The financial costs, including the markup on outstanding loans, increased by PKR 15.21 million in FY-2024 compared to PKR 11.35 million in the corresponding period. This increase is linked to a 6-month KIBOR (offer) prevailing on the first working day of January and July for the respective halves of the year, with a floor of 8%.

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

For the period ending, the portfolio stood at PKR 96.85 million in FY-2024 and PKR 99.57 million in FY-2023. Further, presentation of recovery, disbursement, and outstanding loan portfolios for the period can be found in Annex – A.

The portfolio at risk decreased to 1.95% in FY-2024, down from 1.78% in FY-2023. This improvement was driven by the recovery of the defaulted portfolio related to deferred payments during the COVID-19 pandemic. The quality of the remaining portfolio was maintained through regular monitoring by the risk department. Disbursements for the period totaled PKR 186.95 million in FY-2024, compared to PKR 164.50 million in FY-2023.

In FY-2024, the caseload per loan officer was 244 borrowers, down from 267 borrowers in FY-2023. This reduction was attributed to increased disbursements and better portfolio distribution across various areas, compared to the microfinance industry average of 350 cases per loan officer. Regarding written-off cases due to death, these accounted for 0.42% in FY-2023 and 0.33% in FY-2024 (only death cases). Provisions were subsequently made for overdue and general

portfolios to mitigate risks, resulting in a risk coverage ratio of 142.16% in FY-2024, slightly lower than 143.52% in FY-2023, in compliance with NBFC regulations.

#### **d. Borrowing**

We've submitted a financial proposal to the Pakistan Poverty Alleviation Fund (PPAF) seeking to reschedule a financial agreement, actively pursuing this avenue from multiple angles.

During this period, we conducted a meeting with PPAF regarding the rescheduling of a subordinated loan of PKR 37.73 million, which had reached maturity on December 31, 2021. Additionally, we highlighted the outstanding markup of PKR 57.36 million related to financial borrowing costs (conventional and subordinated loans) that remains pending with PPAF.

Our Board of Directors is actively exploring the possibility of finding a partner willing to invest in the company's equity. Securing funding would enable the company to embark on expansion initiatives promptly.

### **5. APPROPRIATIONS**

#### **a. Capital Expenditure**

During this year, the Company acquired assets PKR.417,710 (2024) and PKR.196,150 (2023) towards capital expenditure with major addition - most of which was incurred towards Furniture & Fixture, Office Equipment, and Computer Equipment.

Further, the disposal amounts Zero in FY-2024 and 58,560 in FY-2023 Computer equipment's 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-2024 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-2023 with same investment in corresponding period.

## 6. STRATEGIC INITIATIVES

The company objective is to work for the betterment of the 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 ensure timely compliance of AML/CFT Compliance and compile the data with NACTA data, FIA record available on website and submit compliance report to SECP.

## 8. NUMBER OF EMPLOYEE AND STAFF TURN OVER

The staff turnover improved by 22% with 44 employees in FY-2024 from 23% with 41 employees in FY-2023.

## 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

	2024		
	Chief Executive Officer	Directors	Executives
	----- Rupees -----		
Managerial remuneration	4,017,450	-	3,496,050
Medical Insurance	-	-	-
Gratuity - Salary	333,000	-	278,700
Vehicle Running & Maintenance	712,511	-	319,400
Communication	78,690	-	60,500
	<b>5,141,651</b>	<b>-</b>	<b>4,154,650</b>
Number of persons (including those who worked part of the year)	1	5	3

	2023		
	Chief Executive Officer	Directors	Executives
	----- Rupees -----		
Managerial remuneration	4,008,750	-	3,647,100
Medical Insurance	-	-	-
Gratuity - Salary	333,000	-	301,800
Vehicle Running & Maintenance	548,613	-	555,232
Communication	37,950	-	29,270
	<b>4,928,313</b>	<b>-</b>	<b>4,533,402</b>
Number of persons (including those who worked part of the year)	1	5	2

## 10. RELATED PARTY TRANSACTIONS

Reference to Note 31, the transactions with related parties during the period has been as follows;

Party Name	Transactions during the period	2024 Rupees	2023 Rupees
<b>Mr. Nadeem Sarwar (CEO)</b>	Opening receivable	-	455,006
	Advance against Salary	387,018	591,366
	Advance recovered during the period	-	(713,372)
	Salaries and benefits entitled	4,008,750	4,033,230
	Salaries and benefits Paid	(4,395,768)	(4,366,230)
	<b>Receivable at year end</b>	<b>-</b>	<b>-</b>
<b>Mr. Aniq Zafar (Director)</b>	Opening loan payable	4,039,850	4,039,850
	Loans repaid during the period	-	-
	<b>Payable at year end</b>	<b>4,039,850</b>	<b>4,039,850</b>
	Opening markup payable on loan	-	-
	Markup charged on loan	872,044	712,178
	Markup paid during the year	(872,044)	(712,178)
	<b>Payable at year end</b>	<b>-</b>	<b>-</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:

	2024 Rupees	2023 Rupees
Loan and advances - net of provisions	94,224,986	97,033,631
Advances, deposits and other receivables - net of provisions	1,769,427	1,824,782
Bank balances	32,684,951	12,376,064
	<u>128,679,365</u>	<u>111,234,477</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	2024 Rupees	2023 Rupees
Allied Bank Limited	PACRA	AAA	A1+	20,749,780	8,690,594
Mobilink Microfinance bank	PACRA	A	A1	11,935,171	3,685,470
				<u>32,684,951</u>	<u>12,376,064</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.



2024					
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	4,039,850	4,039,850	-	-
Microcredit loans - PPAF	27,000,000	27,000,000	27,000,000	-	-
Subordinated Loan - PPAF	37,733,333	37,733,333	37,733,333	-	-
Accrued markup - PPAF loan	57,358,591	57,358,591	57,358,591	-	-
Accrued & other liabilities	7,684,160	7,684,160	7,684,160	-	-
<b>Total</b>	<b>133,815,935</b>	<b>133,815,935</b>	<b>133,815,935</b>	<b>-</b>	<b>-</b>

2023					
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	27,000,000	-	-
Subordinated Loan - PPAF	37,733,333	37,733,333	37,733,333	-	-
Accrued markup - PPAF loan	43,022,641	43,022,641	43,022,641	-	-
Accrued & other liabilities	39,936,185	39,936,185	39,936,185	-	-
<b>Total</b>	<b>151,732,009</b>	<b>152,692,159</b>	<b>151,732,009</b>	<b>-</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 2024

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	12.50% to 19.50%	32,772,132
<b>Total</b>		<b>32,772,132</b>

## June 2023

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	12.50% to 19.50%	6,088,342
<b>Total</b>		<b>6,088,342</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 2024.

Cash flow sensitivity analysis for variable rate instruments	Increase of 100 bps	decrease of 100 bps
	-----Rupees-----	
<b>As at June 30, 2024</b>		
Cash flow sensitivity -variable rate financial assets	327,721	(327,721)
Cash flow sensitivity -variable rate financial liabilities	(310,399)	310,399
<b>(Decrease)/Increase in surplus during the year</b>	<b>17,323</b>	<b>(17,323)</b>
<b>As at June 30, 2023</b>		
Cash flow sensitivity -variable rate financial assets	60,883	(60,883)
Cash flow sensitivity -variable rate financial liabilities	(310,399)	310,399
<b>(Decrease)/Increase in surplus during the year</b>	<b>(249,515)</b>	<b>249,515</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 a 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:

	2024						
	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	32,772,132	-	32,772,132	-	-	-	-
Long term security deposits	1,675,781	-	1,675,781	-	-	-	-
Loan and advances - net of provisions	94,224,986	-	94,224,986	-	-	-	-
Advances, deposits and other receivables	1,695,497	-	1,695,497	-	-	-	-
	130,368,396	-	130,368,396	-	-	-	-
<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	-	56,053,111	56,053,111	-	-	-	-
	-	133,815,935	133,815,935	-	-	-	-

2023						
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	12,526,023	-	12,526,023	-	-	-
Long term security deposits	1,856,162	-	1,856,162	-	-	-
Loan and advances - net of provisions	97,033,631	-	97,033,631	-	-	-
Advances, deposits and other receivables	1,807,497	-	1,807,497	-	-	-
	113,223,313	-	113,223,313	-	-	-
<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	-	8,989,640	8,989,640	-	-	-
Accrued & other payables	-	39,936,185	39,936,185	-	-	-
	-	117,699,008	117,699,008	-	-	-

## 1. 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, 2024 the company's total fund is PKR. 28.30 million (2023: PKR. 31.11 million).

## 12. IMPACT OF COVID-19

During the span of 2019 and 2020, the COVID-19 pandemic led to lockdowns imposed by both Federal and Provincial Governments of Pakistan. This situation significantly impacted the Company, resulting in no disbursements during the last three months of the financial year. Moreover, customers were granted extensions ranging from 1 to 4 months for loan repayments. Following a thorough analysis of these circumstances, the management deemed them indicative of conditions requiring a review of the recoverable amounts of the Company's assets. Consequently, it was concluded that there had been no changes in the recoverable amounts of the 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**

In the upcoming years, the primary focus will be on achieving sustainability, which hinges on expanding the portfolio. Potential additional funding for disbursement might originate from public or private investments. With the Board of Directors' support and through redistributing the recovered portfolio, restructuring internal systems, implementing efficient management protocols, and adhering to industry best practices, the management is confident about reinstating the company's operational sustainability.

The strategic approach involves seeking funding from PMIC and private partnerships while engaging with PPAF to renegotiate the subordinated loan amount of PKR 37.73 million over a three-year period. Additionally, there's an effort to convert the outstanding markup due to PPAF into a grant or write-off to bolster the diminished net assets, impacted during the COVID-19 pandemic. Simultaneously, exploring opportunities for private funding remains a priority.

Moreover, the company team aspires to execute a financial inclusion program by integrating technology that links with banking channels for seamless disbursements and recovery collections. Embracing fintech will reduce human resource involvement, replacing it with telephonic confirmations for loan applications. Furthermore, the appraisal function will transition to artificial intelligence (AI) for enhanced efficiency.

## 15. PROFIT APPROPRIATIONS

The Company was established under Section 42 of the Companies Ordinance, 1984. Additionally, the company is in the process of engaging with PCP for organizational assessment before submitting an application to the FBR to be approved as a Not-for-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

**Date: 04 October, 2024**



  
**CHAIRMAN**

## Annexures

### Disbursement

#### 2024

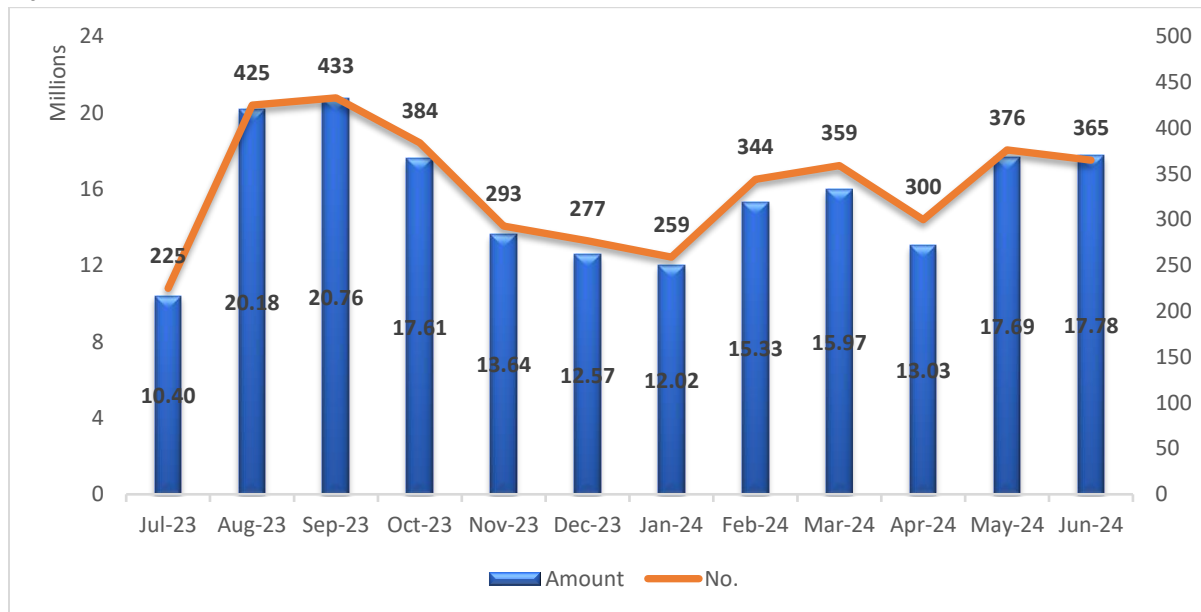


Figure 1: Month wise disbursement 2024

#### 2023

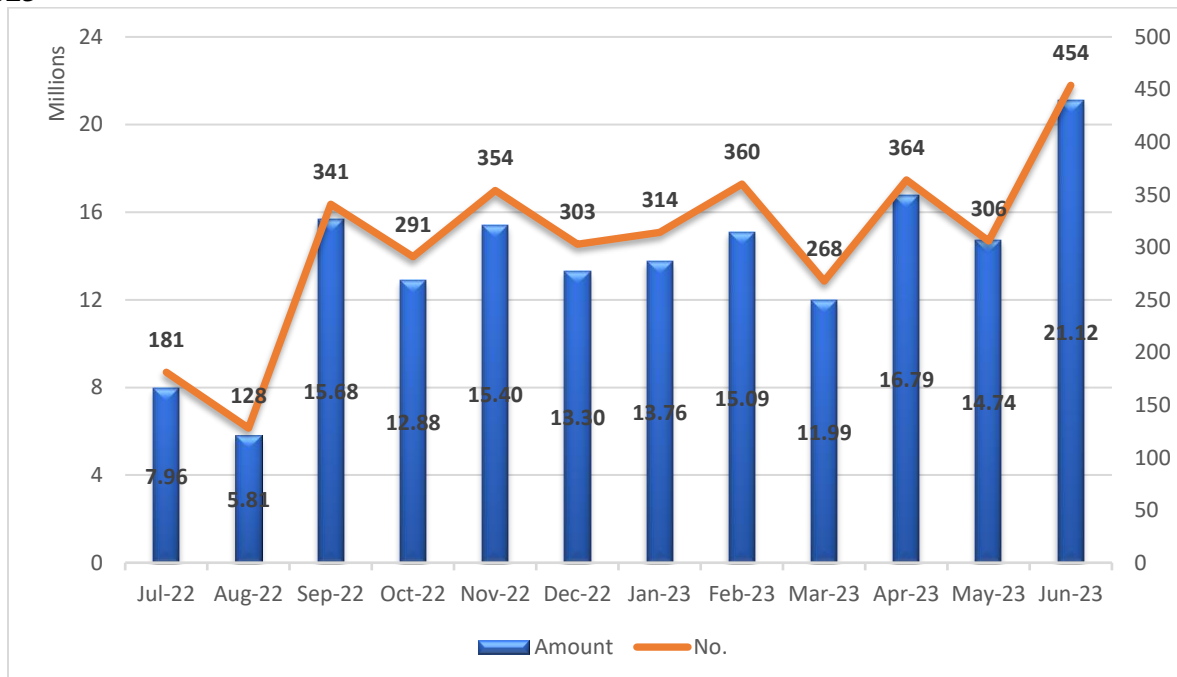


Figure 2: Month wise disbursement 2023



## Recovery

2024

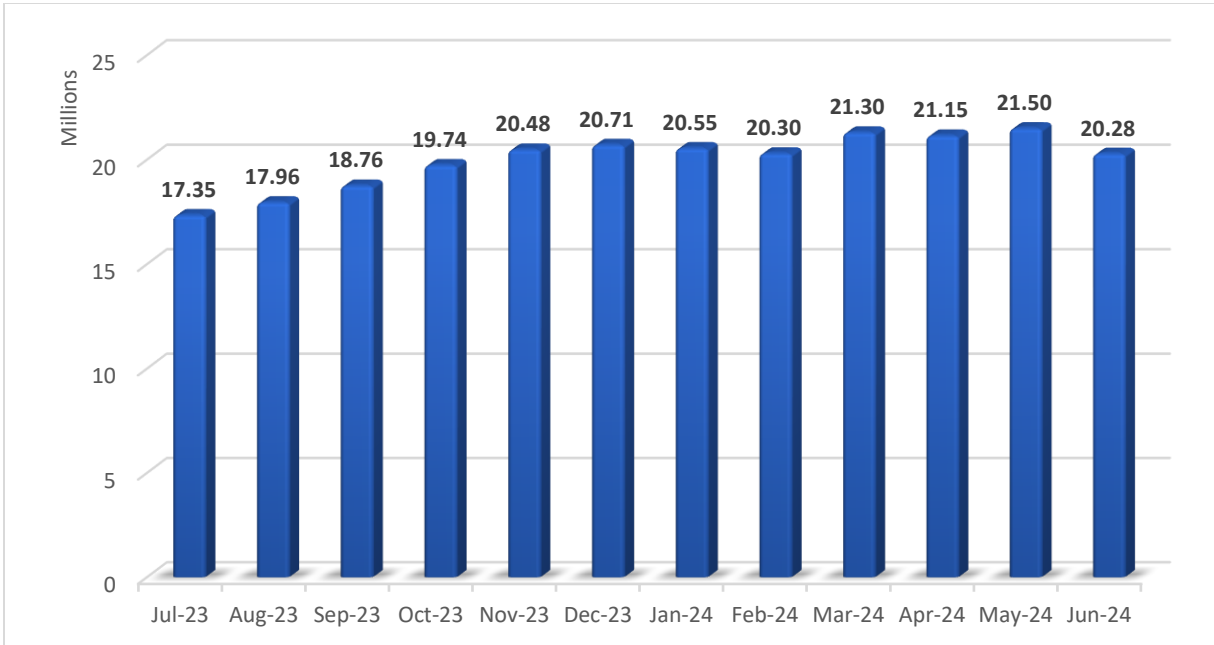


Figure 3: Month wise recovery 2024

2023

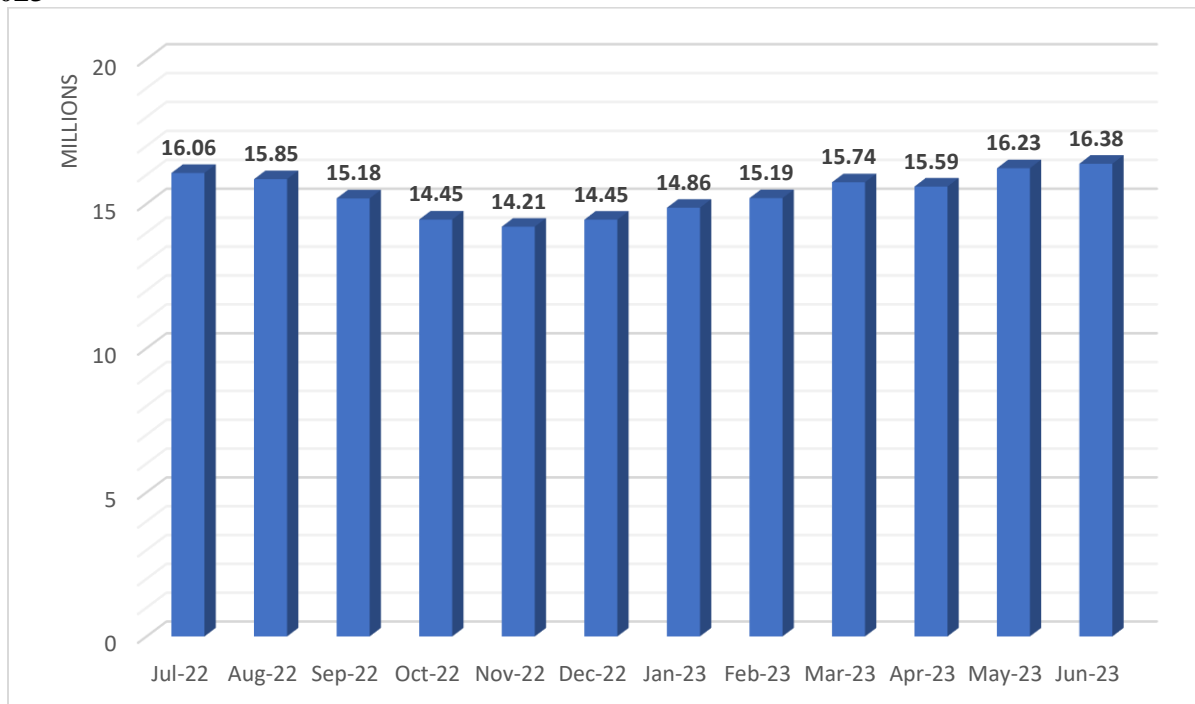


Figure 4: Month wise recovery 2023

## Portfolio Loan Outstanding

2024

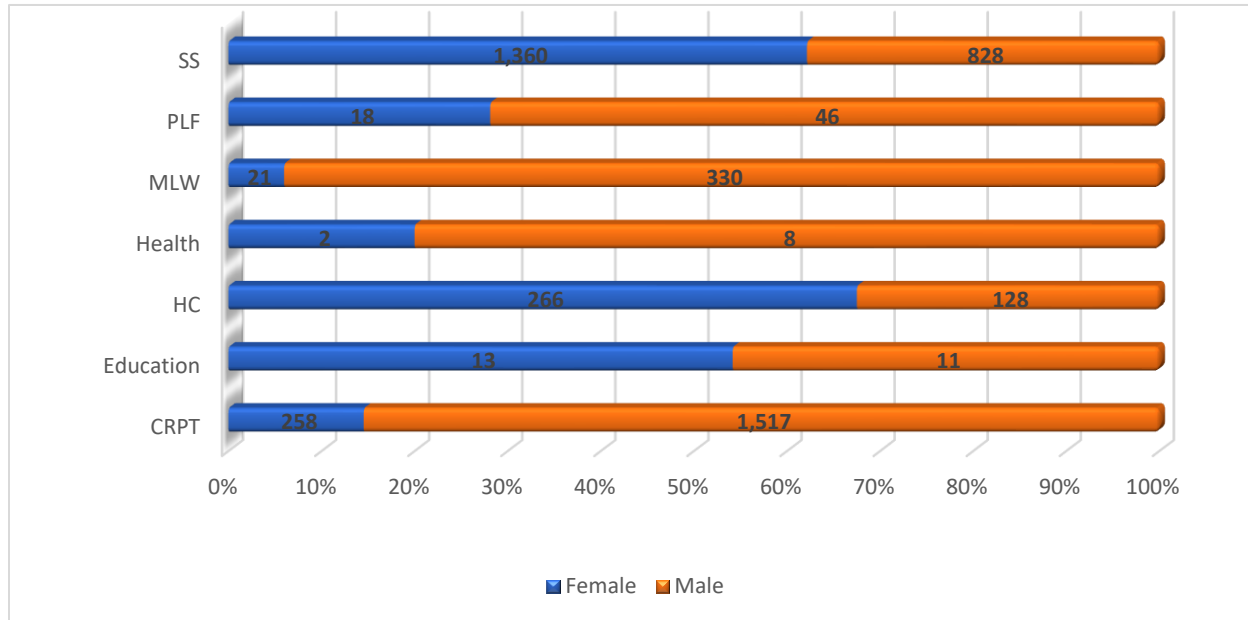


Figure 5: Sector wise and gender wise number of loan portfolio outstanding 2024

2023

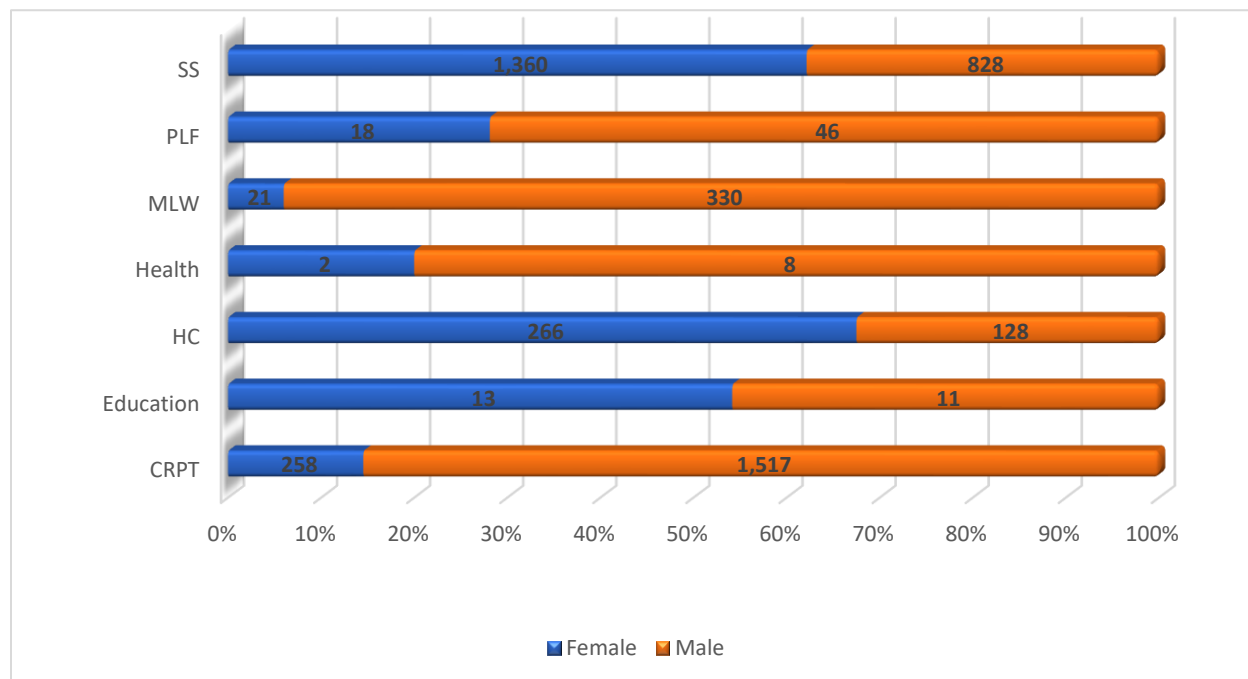


Figure 6: Sector wise and gender wise number of loan portfolio outstanding 2023

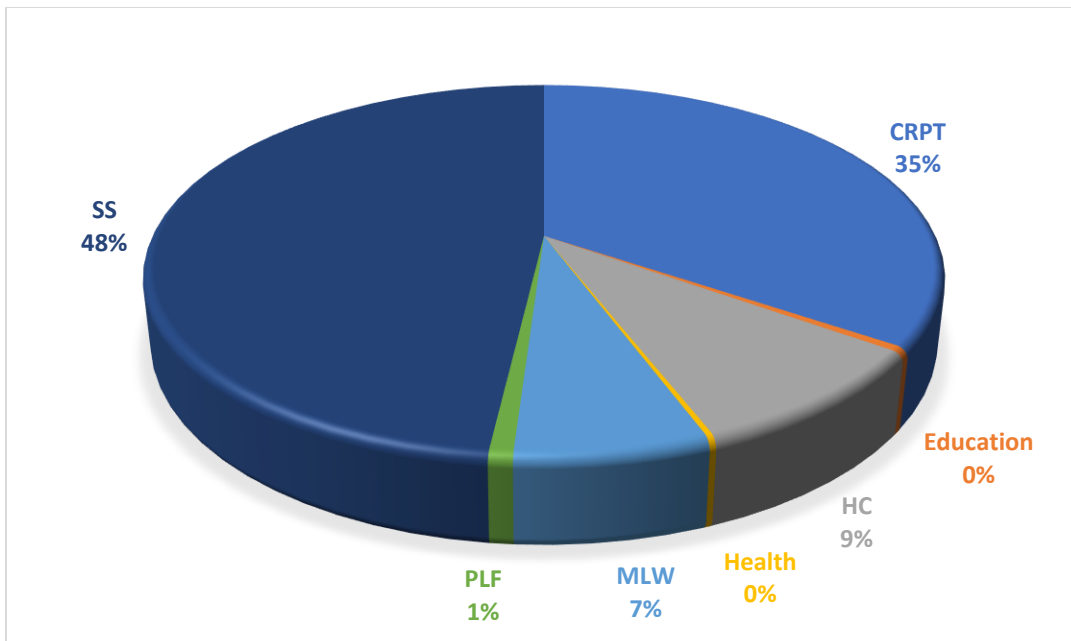


Figure 7: Sector wise amount of loan portfolio outstanding 2024

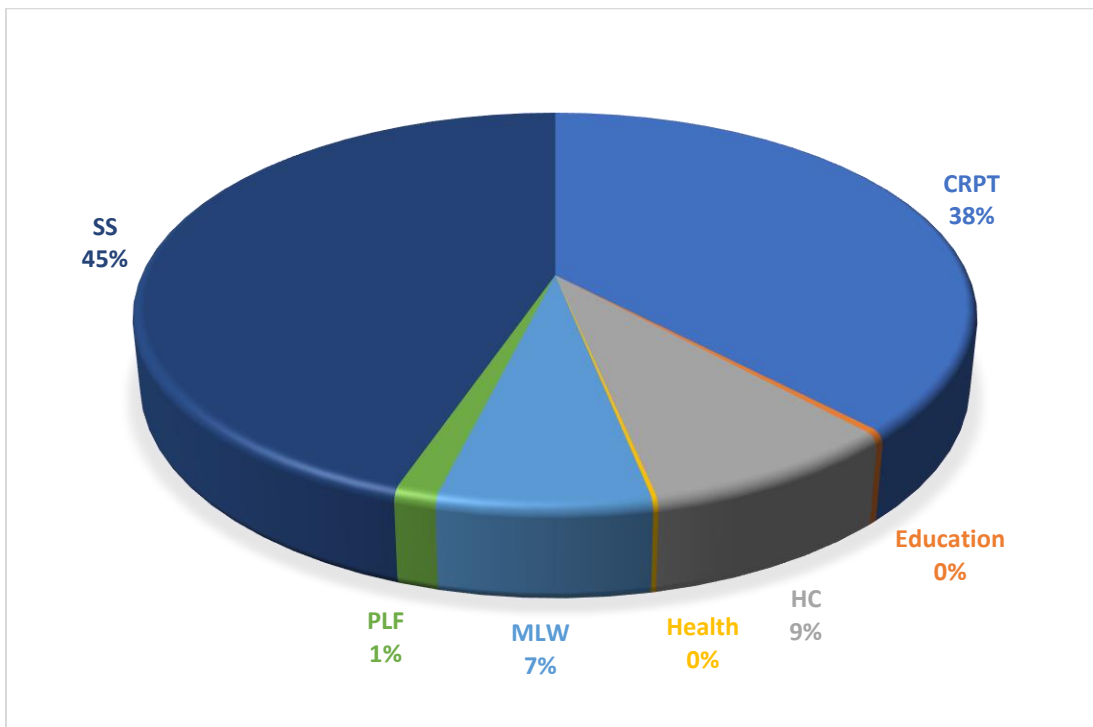


Figure 8: Sector wise amount of loan portfolio outstanding 2023