

**Advans Pakistan Microfinance
Bank Limited**

Financial Statements
For the year ended December 31, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Advans Pakistan Microfinance Bank Limited (the Bank) as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended 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 our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984, Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a. in our opinion, proper books of account have been kept by the Bank as required by the Microfinance Institution Ordinance, 2001 and the Companies Ordinance, 1984;
- b. in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 4.3 to the financial statements with which we concur;
 - ii. the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;

- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984 and in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and of the loss, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Bank and would be deposited in the Central Zakat Fund established under section 7 of that Ordinance.



Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Date: February 28, 2014
Karachi

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2013

		2013	2012
	Note	-----Rupees-----	
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank Pakistan	7	6,433,584	46,193
Balances with other banks and microfinance banks	8	445,505,288	762,370,262
Lendings to financial institutions		-	-
Investments - net of provisions	9	176,710,960	-
Advances - net of provisions	10	42,107,794	-
Operating fixed assets	11	60,583,414	48,616,924
Other assets	12	28,551,135	17,261,033
Deferred tax asset		-	-
Total assets		759,892,175	828,294,412
LIABILITIES			
Deposits and other accounts	13	10,563,416	-
Borrowings		-	-
Subordinated debt		-	-
Other liabilities	14	113,129,546	91,697,696
Deferred tax liabilities		-	-
Total liabilities		123,692,962	91,697,696
Net assets		636,199,213	736,596,716
REPRESENTED BY:			
Share capital	15	800,000,000	800,000,000
Reserves		-	-
Accumulated loss		(163,800,787)	(63,403,284)
		636,199,213	736,596,716
Surplus/ (deficit) on revaluation of assets		-	-
Deferred grants		-	-
		636,199,213	736,596,716
MEMORANDUM / OFF BALANCE SHEET ITEMS			
	16		

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chief Executive

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Director

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Director

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Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

		Year ended December 31, 2013	April 17, 2012 to December 31, 2012
	Note	-----Rupees-----	
Mark-up / return / interest earned	17	61,117,153	37,829,541
Mark-up / return / interest expensed	18	(153,755)	-
Net mark-up / interest income		60,963,398	37,829,541
Provision/ (reversal) against non-performing advances	10.3	2,378,241	-
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		2,378,241	-
Net mark-up / return / interest income after provisions		58,585,157	37,829,541
Non mark-up / non interest income			
Fee, commission and brokerage income	19	2,039,483	-
Dividend income		-	-
Other income	20	90,796	-
		2,130,279	-
Total non-mark-up / non-interest income		60,715,436	37,829,541
Non mark-up / non interest expenses			
Administrative expenses	21	(152,188,994)	(97,367,844)
Other provision / write offs		-	-
Other operating expenses	22	(8,290,910)	(3,486,686)
Other charges		-	-
		(160,479,904)	(100,854,530)
Total non mark-up / non interest expenses		(99,764,468)	(63,024,989)
Loss before taxation			
Taxation - current	23	(633,035)	(378,295)
- prior		-	-
- deferred		-	-
		(633,035)	(378,295)
Loss after taxation		(100,397,503)	(63,403,284)
Accumulated loss brought forward		(63,403,284)	-
		(163,800,787)	(63,403,284)
Appropriations:			
Transfer to:			
Statutory reserve		-	-
Capital reserve		-	-
Depositors' protection fund		-	-
Revenue reserve		-	-
Proposed cash dividend		-	-
Accumulated loss carried forward		(163,800,787)	(63,403,284)
Loss per share-basic and diluted (Rupee)	24	(1.25)	(0.79)

The annexed notes from 1 to 34 form an integral part of these financial statements.

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T.C.
Chief Executive

Hannan
Director

Sohail
Director

[Signature]
Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

Year ended December 31, 2013	April 17, 2012 to December 31, 2012
-----Rupees-----	

Loss for the year	(100,397,503)	(63,403,284)
Other comprehensive income	-	-
Total comprehensive loss for the year / period	<u>(100,397,503)</u>	<u>(63,403,284)</u>

Surplus / (deficit) on revaluation of available-for-sale investments, if any, is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chief Executive

Director

Director

Director

Director

Director

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

Year ended
December 31,
2013

April 17, 2012 to
December 31,
2012

-----Rupees-----

Note

A. CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation

Adjustments for non-cash charges and other items

Depreciation
Amortization of intangible assets
Gain on disposal of operating fixed assets
Markup on investments
Provision against non performing advances

	(99,764,468)	(63,024,989)
11.2	9,311,105	1,871,139
11.3	5,734,100	2,129,219
	(90,796)	-
	(1,649,145)	-
10.3	2,378,241	-
	15,683,505	4,000,358
	(84,080,963)	(59,024,631)

(Increase)/ decrease in operating assets

Advances
Other assets (excluding advance taxation)

(44,486,035)	-
(11,301,804)	(16,825,953)
(55,787,839)	(16,825,953)

Increase / (decrease) in operating liabilities

Deposits and other accounts
Other liabilities (excluding current taxation)

14	10,563,416	-
	21,431,850	91,697,696
	31,995,266	91,697,696
	(107,873,536)	15,847,112
	(621,333)	(813,375)
	(108,494,869)	15,033,737

Income tax paid

Net cash (used in)/generated from operating activities

B. CASH FLOWS FROM INVESTING ACTIVITIES

Net investment in available for sale securities
Net investment in held-to-maturity treasury bills
Net investment in held-to-maturity term deposits
Proceeds from disposal of operating fixed assets
Investment in operating fixed assets

Net cash used in investing activities

(175,061,815)	-
150,000,000	(550,000,000)
1,427,202	-
(28,348,101)	(52,617,282)
(51,982,714)	(602,617,282)

C. CASH FLOWS FROM FINANCING ACTIVITIES

Issue of share capital

Net cash generated from financing activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

-	800,000,000
-	800,000,000
(160,477,583)	212,416,455
212,416,455	-
28	51,938,872
	212,416,455

The annexed notes from 1 to 34 form an integral part of these financial statements.

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T.G. I

Chief Executive

Director

Director

Director

Director

Director

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Share capital	Capital Reserve		Accumulated loss	Total
		Statutory reserve	Depositors' protection fund		
	Rupees				
Balance as at April 17, 2012	-	-	-	-	-
Issuance of share capital	800,000,000	-	-	-	800,000,000
Loss for the period	-	-	-	(63,403,284)	(63,403,284)
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(63,403,284)	(63,403,284)
Transfer to statutory reserve	-	-	-	-	-
Balance as at December 31, 2012	800,000,000	-	-	(63,403,284)	736,596,716
Loss for the year	-	-	-	(100,397,503)	(100,397,503)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(100,397,503)	(100,397,503)
Transfer to statutory reserve	-	-	-	-	-
Balance as at December 31, 2013	800,000,000	-	-	(163,800,787)	636,199,213

The annexed notes from 1 to 34 form an integral part of these financial statements.



Chief Executive



Director



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. STATUS AND NATURE OF BUSINESS

Advans Pakistan Microfinance Bank Limited (the Bank) was incorporated as a public limited company under the Companies Ordinance, 1984 on April 17, 2012 and was granted license by the State Bank of Pakistan on June 28, 2012 to operate as microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have granted permissions to the Bank for the commencement of business with effect from November 21, 2012 and January 04, 2013 respectively. The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at Ground Floor, Bahria Complex 1, Lalazar Area, Moulvi Tamizzuddin Khan Road, Karachi. As at December 31, 2013, the Bank has 3 (2012: Nil) branches in operation in the province of Sindh.

The Bank is a subsidiary of Advans SA Sicar (incorporated in Luxembourg) that holds 70% (2012: 70%) share capital of the Bank.

In response to application filed by the Advans SA Sicar on March 22, 2011 for obtaining grant under Institutional Support Fund (ISF), the State Bank of Pakistan (SBP) vide its letter dated April 01, 2011 gave the approval, in principle, for grant of Rs. 60 million under Technical Assistance support. The approval is contingent upon issuance of license, commencement of business letter for a provisional microfinance bank from the SBP and compliance of other eligibility criteria for obtaining financial support under ISF. In order to avail the benefit of above said grant, the SBP vide its letter dated January 28, 2013 advised the Bank to submit a proposal identifying areas for investment under ISF alongwith detailed breakup of cost and business plan. The management gave a presentation to the ISF Technical Committee of SBP on June 11, 2013. The SBP vide its letter dated July 24, 2013 advised the Bank to submit its future growth plan based on untapped market potential to achieve scale and sustainability by September 2013 for review of the Committee. The Bank vide its letter dated November 22, 2013 submitted the application to the SBP. Subsequent to year end, SBP vide its letter dated February 21, 2014 informed that the Technical Committee has approved grant of Rs. 35.249 million for the Bank and has directed to provide certain information in this regard.

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of Banking Surveillance Department (BSD) Circular No.11 dated December 30, 2003 issued by the SBP.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks or the requirements of the said directives shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property'. Further, the Securities and Exchange Commission of Pakistan (SECP) has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments : Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

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4.2 Functional and presentation currency

These financial statements have been presented in Pakistan Rupees, which is the Bank's functional and presentation currency.

4.3 New accounting standards / amendments and IFRS interpretations that became effective during the year

The following amendment to approved accounting standard is mandatory for the Company's accounting periods beginning on or after mentioned against it.

Effective for
accounting
periods
beginning on or
after

Amendments to IAS 1 - Presentation of Financial Statements

July 01, 2013

The said amendment change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application. Currently there are no items in the other comprehensive income and as such there is no effect of the said amendments on the Bank's financial statements.

Further, the following standards, amendments and interpretations became effective during the year ended December 31, 2013. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Standards/ amendments/ interpretations

Effective for accounting periods beginning
on or after

Amendments to IAS 1 - Presentation of Financial Statements

July 01, 2013

IAS 19 (Revised 2011) Employees Benefits

January 01, 2013

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information

January 01, 2013

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment

January 01, 2013

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction

January 01, 2013

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities

January 01, 2013

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities

January 01, 2013

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

January 01, 2013

4.4 New accounting standards, amendments and IFRS 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, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

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**Effective for accounting periods beginning
on or after**

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as application in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In the process of applying the Bank's accounting policies, management makes the estimates and judgments that may have a significant risk of material adjustments to the financial statements which are as follows:

- Residual values and useful lives of property and equipment (note 6.2.1).
- Useful lives of intangible assets (note 6.2.3).
- Provision against non-performing advances (note 6.3).
- Taxation (note 6.4).
- Classification and valuation of investments (note 6.5).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are consistent with those of the previous year's financial statements and are set out below.

6.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash in hand and balances held with State Bank of Pakistan and with other banks in current and deposit accounts.

6.2 Operating fixed assets

6.2.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged using the straight line method over the estimated useful lives of assets at the rates stated in note 11.2 to the financial statements. Depreciation on additions is charged from the month when asset is available for use and on disposals upto the preceding month of disposal.

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The assets residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance cost is charged to profit and loss account during the period in which they are incurred.

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals, if any, are determined by comparing the sale proceeds with the carrying amount of asset and are included in profit and loss account.

6.2.2 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when those assets are available for use. These are carried at cost less impairment loss, if any.

6.2.3 Intangible assets

Intangible assets with definite useful life are stated at cost less accumulated amortization and impairment losses, if any. These are amortized using the straight line method over their estimated useful lives at the rates mentioned in note 11.3.

Amortization on additions is charged from the month in which the assets are available for use while no amortization is charged in the month in which the assets are disposed off.

The estimated useful lives and the amortization method are reviewed at the end of each balance sheet date, with the effect of any changes in the estimate being accounted for on a prospective basis.

Software and other development costs are only capitalized to the extent that future economic benefits are expected to flow to the Bank and that the cost can be measured reliably.

6.2.4 Impairment

The Bank assesses at end of each reporting period whether there is any indication that property and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

6.3 Advances

Advances are stated net of specific and general provisions. Provision against non-performing advances are made in accordance with the requirements of the Prudential Regulations issued by SBP and Bank's provisioning policy are charged to the profit and loss account. Advances are written off according to Prudential Regulations or when there is no realistic prospect of recovery.

6.4 Taxation

Income tax on the profit or loss for the year is comprised of the current and deferred tax. Income tax is recognized in the profit and loss account, except to the extent that it relates to the items recognized directly in the equity, in which case it is recognised in equity.

6.4.1 Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001. The charge for tax also includes adjustments, where considered necessary relating to prior years.

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6.4.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to surplus / (deficit) on revaluation of assets is charged / credited to such account.

6.5 Investments

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity and available-for sale, as appropriate.

Investments (other than held for trading) are initially measured at fair value plus transaction costs associated with investments. Held for trading investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

Purchase and sale of investments that require delivery within the timeframe established by regulation or market convention are recognised at the trade date, which is the date the Bank commits to purchase or sell the investment.

Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to profit and loss account.

Held-for-maturity

These are securities with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity. After initial measurement, such investments are carried at amortised cost.

Available-for-sale

These are investments which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realised upon disposal.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortised using effective interest method and taken to the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the requirement of the Prudential Regulations.

6.6 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

6.7 Statutory reserve

The Bank is required under the Microfinance Institutions Ordinance, 2001 to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made.

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6.8 Depositor's protection fund

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

6.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up on deposits is accrued to profit and loss account on time proportion basis. It is also recognized separately as part of other liabilities

6.10 Grants

The grant related to an asset is recognized in the balance sheet initially as deferred income when there is reasonable certainty that it will be received and the Bank will comply with the condition attached to it. Grants that compensate the Bank for expense incurred are recognised as revenue in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account on a systematic basis over the life of the asset.

6.11 Revenue recognition

- Mark-up / return / interest on performing advances is recognised on accrual basis using effective interest method. Mark-up on advances classified under the Prudential Regulations is recognised on receipt basis.
- Return on investment is recognised on accrual basis using effective interest method.
- Fee, commission and brokerage income is recognised when services are performed
- Gains and losses on sale of investments are included in profit and loss account in the period in which sale / settlement occurs.
- Return on balances with other banks is recognized in profit and loss account on accrual basis.
- Other income are recognized on accrual basis.

6.12 Financial instruments

6.12.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. The financial assets and financial liabilities are subsequently measured and carried at fair value, amortized cost or cost as the case may be. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on de-recognition of the financial assets and liabilities are recognised in the profit and loss account.

6.12.2 Derivative financial Instruments

These are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.12.3 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

6.13 Foreign currencies transactions

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains and losses are included in profit and loss account.

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6.14 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2013.

6.15 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recognised as liability in the period in which these are approved.

	Note	2013 -----Rupees-----	2012
7. CASH AND			
Cash in hand		5,650,964	46,193
Balance with State Bank of Pakistan (SBP)	7.1	782,620	-
Balance with National Bank of Pakistan (NBP)		-	-
		<u>6,433,584</u>	<u>46,193</u>

7.1 This represents balance maintained with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with the Prudential Regulations for Microfinance Banks.

	Note	2013 -----Rupees-----	2012
8. BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS			
In Pakistan:			
- Current accounts		13,743	153,568
- PLS deposit accounts	8.1	45,491,545	212,216,694
- Term deposits	8.2	400,000,000	550,000,000
		<u>445,505,288</u>	<u>762,370,262</u>

8.1 These include deposits with commercial banks carrying mark-up rates ranging from 7% to 7.2% (2012: 7% to 7.9%) per annum.

8.2 These represent term deposits with commercial banks carrying mark-up rates ranging from 8.5% to 8.75% (2012: 8.1% to 8.35%) per annum with maturities upto September 2014.

		2013 Rupees	2012
9. INVESTMENTS - net of provisions			
Held to maturity			
Federal Government Securities - Treasury Bills	9.1	<u>176,710,960</u>	<u>-</u>

9.1 These are three months treasury bills having maturity upto February 20, 2014.

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10. Advances - net of provisions

	Note	2013		2012	
		Number of loans outstanding	Amount outstanding (Rupees)	Number of loans outstanding	Amount outstanding (Rupees)
		-----Rupees-----		-----Rupees-----	
Micro credit	10.1	886	44,486,035	-	-
Less Provision held:					
- Specific	10.2 & 10.3	172	1,938,597	-	-
- General	10.3.3	-	439,644	-	-
			(2,378,241)		-
			<u>42,107,794</u>		<u>-</u>

10.1 All advances are secured by personal guarantees.

10.2 Particulars of non-performing advances

Advances include Rs 2.679 million (2012: Nil) which have been placed under non-performing status as detailed below.

Category of classification	2013			2012		
	Amount outstanding	Provision required	Provision held (Note 10.3.1)	Amount outstanding	Provision required	Provision held
	----- Rupees -----			----- Rupees -----		
OAEM	1,171,738	-	468,695	-	-	-
Sub-standard	956,681	239,170	669,677	-	-	-
Doubtful	550,792	275,396	550,792	-	-	-
Loss	-	-	-	-	-	-
	<u>2,679,211</u>	<u>514,566</u>	<u>1,689,164</u>	<u>-</u>	<u>-</u>	<u>-</u>

10.3 Particulars of provision against non-performing advances

The movement of provision against non-performing advances is as follows:

	2013			2012		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----			----- Rupees -----		
Opening balance	-	-	-	-	-	-
Charge for the year						
-On non-performing advances	1,689,164	439,644	2,128,808	-	-	-
-On watchlist parties (note 10.3.2)	249,433	-	249,433	-	-	-
Reversals	-	-	-	-	-	-
	<u>1,938,597</u>	<u>439,644</u>	<u>2,378,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount written off	-	-	-	-	-	-
Closing balance	<u>1,938,597</u>	<u>439,644</u>	<u>2,378,241</u>	<u>-</u>	<u>-</u>	<u>-</u>

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2012								
COST			DEPRECIATION			Net book value as at December 31, 2012	Annual rate of depreciation	
At April 17, 2012	Additions	At December 31, 2012	At April 17, 2012	Charge for the period	At December 31, 2012			
Rupees							%	
Owned								
Leasehold improvements	-	5,850,672	5,850,672	-	59,381	59,381	5,791,291	10
Furniture and fixtures	-	1,528,208	1,528,208	-	106,884	106,884	1,421,324	20
Office and other equipment	-	6,293,844	6,293,844	-	413,706	413,706	5,880,138	20
Computer equipment	-	14,449,879	14,449,879	-	1,272,210	1,272,210	13,177,669	33
Vehicles	-	462,500	462,500	-	18,958	18,958	443,542	20
	-	28,585,103	28,585,103	-	1,871,139	1,871,139	26,713,964	

11.2.1 Detail of property and equipment disposed with the original cost or book value in excess of Rs 1 million or Rs 250,000 respectively, whichever is less, are as under:

Description	Cost	Accumulated depreciation	Book Value	Sales proceeds	Mode of Disposal	Particular of buyers
Rupees						
Motor cycle	378,000	12,600	365,400	378,000	As per Bank's Policy	Various Employees
"	84,500	23,258	61,242	38,000	As per Bank's Policy	Various Employees
Network equipment	289,017	8,027	280,990	289,017	Equipment returned	Horus Development Finance (a related party)
"	256,676	64,164	192,512	256,676	Equipment returned	"
"	185,327	21,465	163,862	185,327	Equipment returned	"
"	280,182	7,782	272,400	280,182	Equipment returned	"
2013	1,473,702	137,296	1,336,406	1,427,202		
2012	-	-	-	-		

11.3 Intangible assets

2013								
	COST		AMORTISATION			Net book value	Annual rate of	
	At January 01, 2013	Additions	At December 31, 2013	At January 01, 2013	Charge for the year	At December 31, 2013	as at December 31, 2013	Amortisation
	Rupees							%
Core banking application and other licenses	21,368,424	352,445	21,720,869	2,100,805	5,400,846	7,501,651	14,219,218	25
Computer software	661,996	1,432,036	2,094,032	28,414	333,254	361,668	1,732,364	25
	22,030,420	1,784,481	23,814,901	2,129,219	5,734,100	7,863,319	15,951,582	
2012								
	COST		AMORTISATION			Net book value	Annual rate of	
	At April 17, 2012	Additions	At December 31, 2012	At April 17, 2012	Charge for the period	At December 31, 2012	as at December 31, 2012	Amortisation
	Rupees							%
Core banking application and other licenses	-	21,368,424	21,368,424	-	2,100,805	2,100,805	19,267,619	25
Computer software	-	661,996	661,996	-	28,414	28,414	633,582	25
	-	22,030,420	22,030,420	-	2,129,219	2,129,219	19,901,201	

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	2013	2012
	-----Rupees-----	
12. OTHER ASSETS		
Mark-up / return / interest accrued	14,710,818	8,640,274
Advances to staff	2,340,287	100,000
Security deposits	1,419,680	1,122,850
Prepayments	9,600,898	6,920,129
Advance tax (payments less provision)	423,378	435,080
Others	56,074	42,700
	<u>28,551,135</u>	<u>17,261,033</u>

13. Deposits and other accounts

	2013		2012	
	Number of accounts	Rupees	Number of accounts	Rupees
Saving deposits	568	6,389,925	-	-
Current deposits	1,516	4,173,491	-	-
	<u>2,084</u>	<u>10,563,416</u>	<u>-</u>	<u>-</u>

13.1 Particulars of deposits by ownership

	2013		2012	
	Number of accounts	Rupees	Number of accounts	Rupees
Individual depositors	2,049	9,519,448	-	-
Institutional depositors	-	-	-	-
Corporation/firms etc	35	1,043,968	-	-
	<u>2,084</u>	<u>10,563,416</u>	<u>-</u>	<u>-</u>

	Note	2013	2012
		-----Rupees-----	
14. OTHER LIABILITIES			
Markup/return/interest payable		1,117	-
Bills payable		75,573	-
Accrued expenses		9,767,732	2,658,342
Payable to related parties	14.1	98,396,291	88,430,503
Withholding tax payable		771,431	521,491
Provident fund payable		3,915,137	-
Payable to Employee Old Age Benefit Institution (EOBI)		200,960	87,360
Zakat payable		1,305	-
		<u>113,129,546</u>	<u>91,697,696</u>

- 14.1** This comprises of Rs. 20.234 million (2012: Rs. 17.624 million) payable to Advans SA Sicar, holding company, in respect of preliminary expenses comprising of regulatory and other fees, and expenses incurred during the course of establishment of the Bank, Rs. 77.862 million (2012: Rs. 70.810) payable to Horus Development Finance, a related party, for purchase of computer hardware, software / licenses, technical assistance fee under related agreements and other ancillary charges, Rs. 0.252 million (2012: Nil) payable to La Fayette Microfinance Bank Nigeria, a related party, against expenses incurred on behalf of the Bank and Rs. 0.05 (2012: Nil) to a director on account of travelling expenses.

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		2013	2012
		-----Rupees-----	
15.	SHARE CAPITAL	Note	
15.1	Authorised capital		
	2013	2012	
	Number of shares		
	<u>80,000,000</u>	<u>80,000,000</u>	Ordinary shares of Rs 10 each
		<u>800,000,000</u>	<u>800,000,000</u>
		2013	2012
		-----Rupees-----	
15.2	Issued, subscribed and paid-up share capital		
	2013	2012	
	Number of shares		
	<u>80,000,000</u>	<u>80,000,000</u>	Ordinary shares of Rs 10 each
			fully paid in cash
		<u>800,000,000</u>	<u>800,000,000</u>
15.2.1	Share capital has been subscribed by the following:		
	Advans SA Sicar	15.3	55,999,999
	FMO (Nederlandse Financierings-Maatschappij voor		55,999,999
	Ontwikkelingslanden (N.V.)	15.4	24,000,000
	Claude Falgon - Chairman Advans Pakistan Microfinance Bank		24,000,000
			1
			1
		<u>80,000,000</u>	<u>80,000,000</u>
15.3	This represent 55,999,999 shares owned by the Advans SA Sicar, the holding company, and have been deposited in blocked account with Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MF1-012 dated June 28, 2012.		
15.4	This represents 24,000,000 shares owned by one of the sponsors, FMO which have been deposited with the State Bank of Pakistan as required under SBP-BPRD letter dated January 03, 2012.		
16	MEMORANDUM / OFF BALANCE SHEET ITEMS	2013	2012
		-----Rupees-----	
	Commitments for fixed capital expenditure	<u>582,220</u>	-
16.1	There were no contingencies as at December 31, 2013 and December 31, 2012.		
17.	MARK-UP / RETURN / INTEREST EARNED	Year ended	April 17, 2012
		December 31,	to December
		2013	31, 2012
		-----Rupees-----	
	Interest / mark-up on:		
	Advances	5,645,443	-
	Deposit accounts	9,507,566	23,635,774
	Term deposits	41,078,118	14,193,767
	Treasury Bills	4,886,026	-
		<u>61,117,153</u>	<u>37,829,541</u>

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	Year ended December 31, 2013	April 17, 2012 to December 31, 2012
Note	-----Rupees-----	

18. MARK-UP / RETURN / INTEREST EXPENSED

Interest / mark-up on deposits	153,755	-
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19. FEE COMMISSION AND BROKERAGE INCOME

Loan processing fee	1,205,860	-
Others fee and commission	833,623	-
	2,039,483	-

20. OTHER INCOME

Gain on disposal of property, plant and equipment	90,796	-
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21. ADMINISTRATIVE EXPENSES

Salaries and other allowances	49,251,786	13,147,119
Staff welfare	410,349	112,190
Preliminary expenses	1,806,224	22,259,755
Training and business development	1,468,396	1,667,793
Rent, rates and taxes	13,524,358	7,783,633
Legal and professional charges	2,810,232	219,000
Utilities	2,224,702	369,006
Communication	3,312,782	440,986
Repairs and maintenance	1,398,539	209,397
Vehicle running and maintenance	2,759,268	712,684
Fuel for generator	1,557,643	99,537
Insurance	3,135,161	968,024
Travelling and conveyance	10,587,300	1,166,232
Printing and stationery	1,195,699	208,968
Fees and subscription	909,468	1,631,769
Technical assistance fee	31,276,767	40,699,932
Security charges	2,118,473	-
Advertisement and publicity	652,116	520,248
Auditors' remuneration	826,900	398,000
Depreciation	9,311,105	1,871,139
Amortisation of intangible assets	5,734,100	2,129,219
Bank charges	3,389,313	20,242
Office supplies	1,313,486	465,721
Other expenses	1,214,827	267,250
	152,188,994	97,367,844

21.1

21.2

11.2

11.3

21.1 This represents fee payable under General Assistance Agreement to Horus Development Finance (a related party) for providing technical support.

21.2 Auditors' remuneration

Audit fee	579,000	330,000
Fee for other certification	190,000	35,000
Out of pocket expenses	57,900	33,000
	826,900	398,000

22. OTHER OPERATING EXPENSES

Exchange loss	8,290,910	3,486,686
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Year ended
December 31,
2013

April 17, 2012
to December
31, 2012

Note -----Rupees-----

23. TAXATION

For the period

- current	23.1	633,035	378,295
- deferred	23.2	-	-
		<u>633,035</u>	<u>378,295</u>

23.1 The current tax provision represents the minimum tax on turnover for the year under section 113 of the Income Tax Ordinance, 2001. Hence, the numerical reconciliation between tax expense and accounting loss has not been presented in these financial statements.

23.2 The Bank has not recognized deferred tax asset of Rs. 55.881 million (2012: Rs. 17.537 million) in respect of net deductible temporary differences of Rs.159.661 million (2012: Rs. 50.106 million), on prudence basis. These net deductible temporary differences arise on unused tax losses and payable to provident fund aggregating to Rs. 173.772 million (2012: Rs. 64.195 million) and Rs. 1.958 million (2012: Rs. Nil) respectively net of taxable temporary differences of Rs. 16.068 million (2012: Rs. 14.467 million) on account of operating assets of the Bank.

Year ended
December 31,
2013

April 17, 2012
to December
31, 2012

24. EARNINGS PER SHARE

24.1 Basic

Loss for the period	Rupees	<u>(100,397,503)</u>	<u>(63,403,284)</u>
Weighted average number of ordinary shares	Number	<u>80,000,000</u>	<u>80,000,000</u>
Basic loss per share		<u>(1.25)</u>	<u>(0.79)</u>

24.2 Diluted

No figure for diluted earnings per share has been presented as the Bank has not issued any convertible instruments which would have an impact on basic earnings per share when exercised.

25. NUMBER OF EMPLOYEES

	2013			2012		
	Credit / Sales staff	Banking / Support staff	Total	Credit / Sales staff	Banking / Support staff	Total
	-----Number-----			-----Number-----		
Permanent	46	66	112	21	35	56
Contractual	-	-	-	-	1	1
Total	<u>46</u>	<u>66</u>	<u>112</u>	<u>21</u>	<u>36</u>	<u>57</u>

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26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to the Chief Executive, Directors and Executives are as follows:

	Chief Executive		Executives	
	2013	2012 (Restated)	2013	2012
	----- Rupees -----		----- Rupees -----	
Managerial remuneration	3,913,755	1,420,169	11,726,440	5,012,170
Utilities allowance	391,209	149,155	1,172,082	511,950
Medical allowance	391,209	149,155	1,172,082	511,950
Other benefits	4,614,483	1,845,861	-	-
	<u>9,310,656</u>	<u>3,564,340</u>	<u>14,070,604</u>	<u>6,036,070</u>
Number of persons during the year	<u>2</u>	<u>1</u>	<u>14</u>	<u>5</u>

The Chief Executive is provided with use of a company maintained car, free furnished accommodation, and utilities, whereas head of departments are provided with use of a Company maintained car.

27. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the holding company, associates, directors and key management personnel and their close family members.

Transactions with related parties other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

Party name	Relationship	Nature of transaction	Year ended December 31, 2013	April 17, 2012 to December 31, 2012
			-----Rupees-----	
Advans SA SICAR	Holding Company	Expenses paid on behalf of Bank	137,374	7,057,050
		Regulatory and other fee paid on behalf of the Bank	-	10,566,942
		Insurance premium paid on behalf of the Bank	222,000	-
		Exchange loss on balance payable to related party	2,250,220	729,354
Horus Development I	Related party	Purchase of core banking application and other software	482,094	21,037,154
		Purchase of hardware equipment	1,672,651	5,348,376
		Travel and related expenses paid on behalf of the Bank	6,318,367	4,701,924
		Technical assistance fee	30,752,942	40,699,932
		Payment of advance	359,374	-
		Exchange loss on balance payable to related party	6,036,995	2,757,332
FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.)		Expenses paid on behalf of the Bank	145,928	-
Key management personnel		Salaries and benefits	17,385,756	7,358,340

Handwritten signature/initials

2013 2012
-----Rupees-----

Note

28. CASH AND CASH EQUIVALENTS

Cash and balances with SBP / NBP	7	6,433,584	46,193
Balances with other banks and microfinance banks	28.1	45,505,288	212,370,262
		<u>51,938,872</u>	<u>212,416,455</u>

28.1 As the term deposits of the Bank have original maturity of more than three months, therefore, these have been excluded from total balance of 'Balances with other banks and microfinance banks' and shown in investing activities as per requirements of IAS 7 Statement of Cash Flows.

29. CAPITAL RISK MANAGEMENT

29.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to have a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

29.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, as defined by the regulatory authorities and comparable to peers;
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

The Bank has no gearing risk in the current and prior year.

29.3 Statutory minimum capital requirement and management of capital

29.3.1 The minimum paid up capital requirement (MCR), free of losses, for Microfinance Banks operating at provincial level is Rs. 500 million. As of December 31, 2013, the share capital of the Bank stood at Rs. 800 million and paid up capital of the Bank free of losses is Rs. 636.199 million hence the bank is in compliant with the aforesaid requirements.

29.3.2 At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank has plan to conduct business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation.

The Bank manages its capital structure and makes adjustments to it in light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

As at December 31, 2013, the Bank's net equity and Capital Adequacy Ratio stood at Rs. 636.199 million (2012: Rs. 736.597 million) and 308% (2012: 525%) respectively as against the minimum requirement of 500 million and 15% prescribed by SBP.

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30. FINANCIAL ASSETS AND LIABILITIES

2013

	Effective yield / interest rate	Interest bearing				Non-Interest bearing				Total
		Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	
Rupees										
Financial assets										
Cash and balances with SBP / NBP		-	-	-	-	-	6,433,584	-	-	6,433,584
Balances with other banks	7%-7.2%	195,491,545	250,000,000	-	-	445,491,545	13,743	-	-	445,505,288
Investments - net of provisions	8.1%-8.35%	176,710,960	-	-	-	176,710,960	-	-	-	176,710,960
Advances - net of provisions	39%	24,761,943	14,769,739	2,576,112	-	42,107,794	-	-	-	42,107,794
Other assets		-	-	-	-	-	9,354,380	9,172,479	-	18,526,859
		396,964,448	264,769,739	2,576,112	-	664,310,299	15,801,707	9,172,479	-	689,284,485

2012

	2012											
	Effective yield / interest rate	Interest bearing					Non-Interest bearing					Total
		Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total	
Rupees												
Financial assets												
Cash and balances with SBP / NBP		-	-	-	-	-	46,193	-	-	-	46,193	
Balances with other banks	7%-7.9%	487,216,694	275,000,000	-	-	762,216,694	153,568	-	-	-	153,568	
Investments - net of provisions	8.1%-8.35%	-	-	-	-	-	-	-	-	-	-	
Other assets		-	-	-	-	-	9,805,824	100,000	-	-	9,905,824	
		487,216,694	275,000,000	-	-	762,216,694	10,005,585	100,000	-	-	772,322,279	
Financial liabilities												
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	
Other liabilities		-	-	-	-	-	91,088,845	-	-	-	91,088,845	
		-	-	-	-	-	91,088,845	-	-	-	91,088,845	

30.1 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances, investments and balances with other banks. The credit risk on liquid fund is limited because the counterparties are banks with reasonably high credit rating. The credit quality of Bank's balances and term deposits can be assessed with reference to external credit ratings as follows:

	Rating Agency	Short Term Rating	Long Term Rating
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA

The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by the Prudential Regulations for Microfinance Banks / Institutions.

30.2 Liquidity risk

Liquidity risk represents the risk that the Bank will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset. The Bank ensures that funds are available at all times to meet the funding requirements of the Bank. The Bank is not exposed to liquidity risk.

30.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risk. The Bank is not exposed to equity price risk. The exposure of the Bank to other two risks and their management are explained below:

30.3.1 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. The Bank's interest rate exposure stems mainly from its investments and balances with other banks. This risk is managed by regular review of market rates.

30.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's exposure to currency risk is due to amounts payable in Euros to related parties for expenses incurred during the year as disclosed in notes 14.1 to the financial statements. The average rate applied during the year is Rs. 136.625 / Euro (2012: Rs. 122.285 / Euro) and the spot rate as at December 31, 2013 was Rs. 144.75 / Euro (2012: Rs. 128.31 / Euro).

At December 31, 2013, if the Rupee had weakened/strengthened by 5% against the Euros with all other variables held constant, post-tax loss for the period would have been higher/lower by Rs. 5,279,996 mainly as a result of foreign exchange losses / gains on translation of Euro denominated related party payables.

30.3.3 Other price risk

The Bank is not currently exposed to other price risk.

30.4 Fair value of financial instruments

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

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31. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	2013				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	-----Rupees-----				
Market rate assets					
Advances	42,107,794	3,326,662	21,435,281	14,769,739	2,576,112
Investments	176,710,960	-	176,710,960	-	-
Other earning assets	447,831,832	45,491,545	152,340,287	250,000,000	-
Total market rate assets	666,650,586	48,818,207	350,486,528	264,769,739	2,576,112
Other non-earning assets	93,241,589	12,627,418	8,687,719	10,814,958	61,111,494
Total assets	759,892,175	61,445,625	359,174,247	275,584,697	63,687,606
Market rate Liabilities					
Deposits	10,563,416	10,563,416	-	-	-
Total market rate liabilities	10,563,416	10,563,416	-	-	-
Other non-cost bearing liabilities	113,129,546	113,129,546	-	-	-
Total liabilities	123,692,962	123,692,962	-	-	-
	2012				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	-----Rupees-----				
Market rate assets					
Advances	-	-	-	-	-
Investments	-	-	-	-	-
Other earning assets	762,216,694	212,216,694	275,000,000	275,000,000	-
Total market rate assets	762,216,694	212,216,694	275,000,000	275,000,000	-
Other non-earning assets	66,077,718	1,335,040	6,218,446	9,516,058	49,008,174
Total assets	828,294,412	213,551,734	281,218,446	284,516,058	49,008,174
Market rate Liabilities					
Deposits	-	-	-	-	-
Total market rate liabilities	-	-	-	-	-
Other non-cost bearing liabilities	91,697,696	91,697,696	-	-	-
Total liabilities	91,697,696	91,697,696	-	-	-

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32. Corresponding figures

The corresponding figures have been re-arranged and reclassified wherever necessary for the purpose of comparison and more appropriate presentation, which included the following:

Description	Reclassified		2012 Rupees
	From	To	
Term deposits	Investments	Balances with other banks and microfinance banks	550,000,000

33. GENERAL

33.1 Captions, as prescribed by BSD circular No. 11, dated December 30, 2003, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

33.2 Figures have been rounded off to the nearest Rupee unless otherwise specified.

34. DATE OF AUTHORISATION

These financial statements were authorised for issue on 28/02/2014 by the Board of Directors of the Bank.

44/AS7

T.G.

Chief Executive


Director


Director


Director