

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2019

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
Note		-----Rupees-----	
ASSETS			
	Cash and balances with State Bank of Pakistan and National Bank of Pakistan	7 79,333,374	101,998,500
	Balances with other banks and microfinance banks	8 98,581,821	28,246,980
	Lendings to financial institutions	-	-
	Investments - net of provisions	9 51,697,337	-
	Advances - net of provisions	10 1,213,438,914	978,030,637
	Operating fixed assets	11 193,247,885	97,994,443
	Other assets	12 65,746,237	64,913,943
	Deferred tax asset - net	13 31,411,111	25,416,095
	Total assets	1,733,456,679	1,296,600,598
LIABILITIES			
	Deposits and other accounts	14 700,942,753	552,310,868
	Borrowings	15 300,000,000	100,000,000
	Subordinated debt	-	-
	Other liabilities	16 101,312,120	132,807,144
	Lease liability	17 86,204,472	-
	Deferred tax liabilities	-	-
	Total liabilities	1,188,459,345	785,118,012
	Net assets	544,997,334	511,482,586
REPRESENTED BY			
	Share capital	1,290,163,100	1,290,163,100
	Reserves	-	-
	Accumulated losses	(745,880,435)	(779,829,667)
		544,282,665	510,333,433
	Surplus / (deficit) on revaluation of assets	-	-
	Deferred grant	18 714,669	1,149,153
		544,997,334	511,482,586
MEMORANDUM / OFF BALANCE SHEET ITEMS			
		19	

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Chairman

Director

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

Note	Half year ended June 30	
	2019	2018
	-----Rupees-----	
Mark-up / return / interest earned	20 243,238,224	144,967,618
Mark-up / return / interest expensed	(55,988,714)	(24,873,626)
Net mark-up / interest income	187,249,510	120,093,992
Provision against non-performing loans and advances - net	10.3 28,338,012	12,506,471
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	28,338,012	12,506,471
Net mark-up / return / interest income after provisions	158,911,498	107,587,521
Non mark-up / non interest income		
Fee, commission and brokerage income	35,058,468	20,045,541
Dividend income	-	-
Unrealised loss on revaluation of investments classified as held for trading - net	(47,143)	-
Other income	21 77,487,069	4,714,176
Total non-mark-up / non-interest income	112,498,394	24,759,717
	271,409,892	132,347,238
Non mark-up / non interest expenses		
Administrative expenses	236,987,262	188,196,956
Other provision / write offs	-	-
Other operating expenses / Other charges	1,306,346	3,788,626
Total non mark-up / non interest expenses	238,293,608	191,985,582
Extra ordinary / unusual items	-	-
Profit / (loss) before taxation	33,116,284	(59,638,344)
Taxation - current	5,162,068	2,798,245
- prior	-	-
- deferred	(5,995,016)	-
	(832,948)	2,798,245
Profit / (loss) after taxation	33,949,232	(62,436,589)
Accumulated loss brought forward	(779,829,667)	(665,620,870)
	(745,880,435)	(728,057,459)
Appropriations		
Transfer to:		
Statutory reserve	-	-
Capital reserve	-	-
Depositors' protection fund	-	-
Revenue reserve	-	-
Proposed cash dividend	-	-
Accumulated loss carried forward	(745,880,435)	(728,057,459)
Profit / (loss) per share - basic and diluted (Rupee)	0.26	(0.48)

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

Chairman

Director

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

	<u>Half year ended June 30</u>	
	<u>2019</u>	<u>2018</u>
	<u>-----Rupees-----</u>	
Profit / (loss) for the period after taxation	33,949,232	(62,436,589)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	<u>33,949,232</u>	<u>(62,436,589)</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) for Microfinance institutions / banks.

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

Chairman

Director

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

Note	Half year ended	
	2019	2018
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	33,116,284	(59,638,344)
Adjustments for non-cash charges and other items		
Depreciation	21,588,133	6,553,999
Finance cost on lease liability	6,874,748	-
Gain on disposal operating fixed assets	(70,077)	(668,705)
Amortisation of intangible assets	3,096,597	4,833,571
Amortisation of Market Treasury bills	(946,928)	3,440,130
Unrealised loss on revaluation of investments classified as held for trading - net	47,143	
Grant utilised against expenses	18 (1,034,484)	(2,818,710)
Provision against non performing loans and advances - net	10.3 28,338,012	12,506,471
	57,893,144	23,846,756
	91,009,428	(35,791,588)
(Increase)/ decrease in operating assets		
Advances	(263,676,212)	(205,301,199)
Other assets (excluding advance taxation)	(13,547,650)	(3,119,439)
	(277,223,862)	(208,420,638)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	148,631,885	132,027,254
Borrowings	200,000,000	-
Other liabilities (excluding current taxation)	(33,287,456)	47,094,259
	315,344,429	179,121,513
	129,129,995	(65,090,713)
Income tax paid	(3,369,636)	(2,829,907)
Net cash generated from / (used in) operating activities	125,760,359	(67,920,620)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in held-for-trading treasury bills	(50,797,552)	(98,591,000)
Investment in operating fixed assets	(15,066,944)	(21,574,379)
Net cash used in investing activities	(65,864,496)	(120,165,379)
CASH FLOW FROM FINANCING ACTIVITIES		
Grant received during the year	18 600,000	-
Lease payments	(12,826,148)	-
Net cash used in financing activities	(12,226,148)	-
Net increase / (decrease) in cash and cash equivalents during the period	47,669,715	(188,085,999)
Cash and cash equivalents at beginning of the period	130,245,480	322,165,520
Cash and cash equivalents at end of the period	23 177,915,195	134,079,521

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Chairman

Director

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2019

	Share capital	Statutory reserve	Capital Reserve	Accumulated losses	Total
	Rupees				
Balance as at December 31, 2017 - (audited)	1,290,163,100	-	-	(665,620,870)	624,542,230
Comprehensive income / (loss) for the period					
Loss for the period	-	-	-	(62,436,589)	(62,436,589)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(62,436,589)	(62,436,589)
Balance as at June 30, 2018 - (Un-audited)	1,290,163,100	-	-	(728,057,459)	562,105,641
Comprehensive income / (loss) for the period					
Loss for the period	-	-	-	(51,772,208)	(51,772,208)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(51,772,208)	(51,772,208)
Balance as at December 31, 2018 - (audited)	1,290,163,100	-	-	(779,829,667)	510,333,433
Comprehensive income / (loss) for the period					
Profit for the period	-	-	-	33,949,232	33,949,232
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	33,949,232	33,949,232
Balance as at June 30, 2019 - (audited)	1,290,163,100	-	-	(745,880,435)	544,282,665

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Chairman

Director

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2019

1 STATUS AND NATURE OF BUSINESS

- 1.1 Advans Pakistan Microfinance Bank Limited (the Bank) was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on April 17, 2012 and was granted license by the State Bank of Pakistan on June 28, 2012 to operate as a microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan and the State Bank of Pakistan 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. The Bank operates through branches spread within the province of Sindh.

The Bank is a subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which holds 74.99% (December 31, 2018: 74.99%) share capital of the Bank.

- 1.2 The Bank's capital (free of losses) amounted to Rs 544.283 million as at June 30, 2019 which is above the minimum capital requirements as at June 30, 2019.

2 STATEMENT OF COMPLIANCE

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

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 and the said directives, shall prevail.

- 2.2 These condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2018.

In accordance with BPRD Circular No. 10 of 2018 dated November 27, 2018, all Banks / Development Finance Institutions / Microfinance Banks (listed or non-listed) are required to prepare their half yearly financial statements with limited scope review to be performed by statutory auditors. Previously, the Bank was not required to prepare half-yearly financial statements. Accordingly, the condensed interim financial statements of the Bank for the half year ended June 30, 2019 have been prepared for the first time and comparative figures of condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are unaudited / unreviewed.

- 2.3 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' (replaced by IFRS 9: 'Financial instruments') and International Accounting Standard (IAS) 40, 'Investment Property'. Further, the Securities and Exchange Commission of Pakistan (SECP) has also deferred the applicability of International Financial Reporting Standard 7, "Financial Instruments: Disclosures" on banking companies vide SRO 411(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments, if any, have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

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3 BASIS OF MEASUREMENT

3.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except for investments held for trading which are measured at fair value.

3.2 Functional and presentation currency

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

3.3 Standards, interpretations and amendments to accounting and reporting standards that are effective in the current period

During the current period, IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 4.1.1.

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant impact on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

3.4 Standards, interpretations of and amendments to the accounting and reporting standard that are not yet effective

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

Standard, Interpretations or Amendments	Effective date (accounting periods beginning on or after)
- IFRS 3: 'Business combinations' (amendments)	January 1, 2020
- IAS 1: 'Presentation of financial statements' (amendments)	January 1, 2020
IAS 8: 'Accounting policies, change in accounting estimates and errors' (amendments)	January 1, 2020
	Effective date (periods ending on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019*

*The SECP through SRO 229(1)/2019 dated February 14, 2019, has notified that IFRS 9: 'Financial instruments' is applicable for accounting period ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach. The ECL has impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or will not have any significant impact on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim financial statements are same as those applied in the preparation of financial statements of the Bank for the year ended December 31, 2018 except for the change as mentioned below:

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- 4.1 'Effective from January 1, 2019, the Bank has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. During the period the Bank has changed its accounting policy with respect to leases in accordance with IFRS 16 - "Leases".

The Bank has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17 except for certain short term leases in accordance with IFRS 16. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 16.50% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

4.1.1 Impact of IFRS 16

	December 31, 2018	Change	January 01, 2019
	(Rupees)		
Impact on Condensed Interim Balance Sheet			
Increase in right-of-use assets	-	104,871,228	104,871,228
Increase in lease liability	-	92,155,872	92,155,872
Decrease in prepayments	29,284,636	(12,715,356)	16,569,280
			(Un-audited) Half year Ended June 30, 2019 (Rupees)
Impact on Condensed Interim Profit and Loss Account			
Decrease in rent expense			12,544,822
Increase in finance cost			6,874,748
Increase in depreciation expense			9,978,211
Net decrease in profit before tax			4,308,137

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Bank for the year ended December 31, 2018.

6 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended December 31, 2018.

7 CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN

	Note	Un-audited June 30, 2019	Audited December 31, 2018
		-----Rupees-----	
Cash in hand		53,059,215	49,364,936
Balance with State Bank of Pakistan (SBP)	7.1	26,274,159	52,633,564
Balance with National Bank of Pakistan (NBP)		-	-
		<u>79,333,374</u>	<u>101,998,500</u>

- 7.1 This represents current account 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	Un-audited June 30, 2019	Audited December 31, 2018
8 BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS		-----Rupees-----	
In Pakistan:			
- Current accounts		6,087,447	14,515,967
- PLS deposit accounts	8.1	92,494,374	13,731,013
		<u>98,581,821</u>	<u>28,246,980</u>

- 8.1 These include deposits with commercial banks carrying mark-up rates ranging from 9% to 11% (December 31, 2018: 5.5% to 9%) per annum.

	Un-audited June 30, 2019	Audited December 31, 2018
9 INVESTMENTS - NET OF PROVISIONS	-----Rupees-----	
Held for trading		
Federal Government Securities		
Market Treasury Bills	51,697,337	-

10 ADVANCES - NET OF PROVISIONS

	Note	June 30, 2019 (un-audited)		December 31, 2018 (audited)	
		Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro credit	10.1	12,417	1,242,401,378	11,018	998,490,212
Less: Provision held					
- Specific	10.2 & 10.3	962	17,461,292	604	11,230,523
- General	10.3	-	11,501,172 (28,962,464)	-	9,229,052 (20,459,575)
			<u>1,213,438,914</u>		<u>978,030,637</u>

- 10.1 All advances are secured by personal guarantees except certain advances which are secured against gold provided by the borrowers.

10.2 Particulars of non-performing advances

Advances include Rs 41,220,586 (December 31, 2018: Rs 28,394,151) which have been placed under non-performing status as detailed below.

Category of classification	June 30, 2019 (un-audited)			December 31, 2018 (audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	-----Rupees-----			-----Rupees-----		
OAEM	7,064,170	-	-	5,544,330	-	-
Substandard	8,750,664	2,187,664	2,187,664	6,994,431	1,748,601	1,748,601
Doubtful	20,264,244	10,132,121	10,132,121	12,746,938	6,373,470	6,373,470
Loss	5,141,508	5,141,507	5,141,507	3,108,452	3,108,452	3,108,452
	<u>41,220,586</u>	<u>17,461,292</u>	<u>17,461,292</u>	<u>28,394,151</u>	<u>11,230,523</u>	<u>11,230,523</u>

10.3 Particulars of provision against non-performing advances

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

	June 30, 2019 (un-audited)			December 31, 2018 (audited)		
	Specific	General (Note 10.3.1)	Total	Specific	General (Note 10.3.1)	Total
	Rupees			Rupees		
Opening balance	11,230,523	9,229,052	20,459,575	3,867,181	5,298,316	9,165,497
Charge for the period / year						
- On non-performing advances	26,065,892	3,160,026	29,225,918	29,869,822	3,931,389	33,801,211
Reversals	-	(887,906)	(887,906)	(197,183)	(653)	(197,836)
	26,065,892	2,272,120	28,338,012	29,672,639	3,930,736	33,603,375
Amount written off	(19,835,123)	-	(19,835,123)	(22,309,297)	-	(22,309,297)
Closing balance	17,461,292	11,501,172	28,962,464	11,230,523	9,229,052	20,459,575

10.3.1 This represents general provision equivalent to 1% of the outstanding advances (other than gold loans) - net of specific provisions held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

	Note	Un-audited June 30, 2019	Audited December 31, 2018
		Rupees	
10.4 Particulars of Write Offs:			
Against Provisions		19,835,123	22,309,297
Directly charged to Profit and Loss account		-	-
		<u>19,835,123</u>	<u>22,309,297</u>
11 OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	996,197	12,990,448
Property and equipment	11.1	94,553,223	79,451,949
Right-of-use asset	11.1	94,893,017	-
Intangible assets	11.1	2,805,448	5,552,046
		<u>193,247,885</u>	<u>97,994,443</u>
11.1 Movement			
Carrying value at the beginning of the period / year		97,994,443	56,399,355
Add: Additions during the period / year	11.1.1	27,061,195	68,181,432
Less: Transfers from CWIP to tangible assets		(11,994,251)	-
Less: Disposals/ deletion during the period / year at carrying value		-	(1,931,295)
		<u>113,061,387</u>	<u>122,649,492</u>
Right of Use Assets	11.1.2	94,893,017	-
Less: Depreciation/ Amortisation for the period / year		(14,706,519)	(24,655,049)
Carrying value at the end of the period / year		<u>193,247,885</u>	<u>97,994,443</u>
11.1.1 Additions during the period / year			
Furniture and Fixtures		2,629,096	4,994,263
Computer Equipment		5,670,035	9,409,820
Leasehold Improvements		8,986,726	15,545,147
Office & Other Equipment		9,390,338	21,268,412
Vehicles		35,000	4,480,000
Intangibles		350,000	1,617,342
Capital work-in-progress		-	10,866,448
		<u>27,061,195</u>	<u>68,181,432</u>
11.1.2 Right-of-Use asset			
Right-of-use assets - Initial recognition under IFRS 16	4.1.1	104,871,228	-
Additions during the period		-	-
Depreciation charged during the period		(9,978,211)	-
Net book value at the end		<u>94,893,017</u>	<u>-</u>

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	Note	Un-audited June 30, 2019	Audited December 31, 2018
12 OTHER ASSETS		-----Rupees-----	
Prepayments for			
- rent		11,429,951	29,284,636
- insurance		3,306,311	1,885,220
- others		7,128,139	1,146,705
Mark-up / return / interest accrued		33,713,457	22,489,104
Receivable from a related party	12.1	2,104,540	1,352,538
Advances to staff		4,480,365	3,667,873
Security deposits		3,227,180	5,033,300
Others		356,294	54,567
		<u>65,746,237</u>	<u>64,913,943</u>

12.1 This represents amount receivable from Advans S.A. Sicar (holding company).

13 DEFERRED TAX ASSET - NET

Deferred tax comprises of deductible timing differences in respect of the following:

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	-----Rupees-----	
Deductible temporary differences arising in respect of		
- Unabsorbed tax depreciation and amortisation losses	28,157,585	25,288,906
- Un-realised loss on revaluation of held for trading investment	16,500	-
- Intangible assets	100,419	244,885
- Provision against non-performing loans	4,311,925	612,010
	<u>32,586,429</u>	<u>26,145,801</u>
Taxable temporary differences arising due to		
- Property and equipment	(1,175,318)	(729,706)
	<u>(1,175,318)</u>	<u>(729,706)</u>
	<u>31,411,111</u>	<u>25,416,095</u>

13.1 The Bank has unabsorbed tax loss of Rs 683,118,424 [including unabsorbed tax depreciation and amortisation amounting to Rs 160,900,489 (December 31, 2018: Rs 144,508,032)] as at June 30, 2019. The management has recognised deferred tax asset of Rs 28,157,585 (December 31, 2018: Rs 25,288,096) on unabsorbed tax depreciation and amortisation losses. The deferred tax asset has been recorded based on the financial projections of the Bank which have been prepared by the management. The financial projections prepared by the management are based on assumptions which are linked to various variable factors such as growth in enterprise loans, expansion in gold-backed loans, microloans, productivity, growth in loan size, effective interest rate etc. expected to be achieved during the next three years.

	June 30, 2019 (Un-audited)		December 31, 2018 (audited)	
	Number of accounts	Rupees	Number of accounts	Rupees
14 DEPOSITS AND OTHER ACCOUNTS				
Fixed Deposits	397	384,471,765	288	290,065,702
Saving deposits	1,167	192,027,232	1,104	171,704,275
Current deposits	26,856	124,443,756	22,030	90,540,891
	<u>28,420</u>	<u>700,942,753</u>	<u>23,422</u>	<u>552,310,868</u>
14.1 Particulars of deposits by ownership				
Individual depositors	28,221	663,437,494	23,250	551,068,843
Institutional depositors				
- Corporation / firms etc.	199	37,505,259	172	1,242,025
- Banks and financial institutions	-	-	-	-
	<u>28,420</u>	<u>700,942,753</u>	<u>23,422</u>	<u>552,310,868</u>

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
15 BORROWINGS		-----Rupees-----	
Borrowings from Banks / Financial Institutions in Pakistan	15.1 & 15.2	<u>300,000,000</u>	<u>100,000,000</u>

15.1 Details of borrowings from financial institutions

Secured

Borrowing from Non-Banking Finance Company (NBFC)	15.2	<u>300,000,000</u>	<u>100,000,000</u>
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- 15.2 During the year 2018, the Bank entered into an agreement with the Pakistan Microfinance Investment Company (PMIC) - NBFC for a term finance facility of Rs. 300 million for a period of one year. The facility carries mark-up at the rate of average six months KIBOR plus 4 percent (to be set at the start of each quarter). The facility is secured by way of hypothecation of fixed assets of the Bank and demand promissory notes. The agreement is valid for a period of one year starting from July 1, 2018 till June 30, 2019. The Bank has currently availed total amount of Rs 300 million in various tranches.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
16 OTHER LIABILITIES		-----Rupees-----	
Mark-up / return / interest payable		47,090,685	27,288,705
Accrued expenses		31,351,604	22,955,898
Payable to related parties	16.1	13,072,378	76,435,075
Withholding tax payable		7,435,792	3,854,157
Payable to Employee Old Age Benefit Institution (EOBI)		427,215	604,640
Current taxation (provisions less payments)		1,934,046	141,614
Bonus payable to executives		-	1,526,655
Others		400	400
		<u>101,312,120</u>	<u>132,807,144</u>

- 16.1 This includes Rs 10,397,025 (December 31, 2018: Rs 72,092,145) payable to Advans International (formerly Horus Development Finance), a related party, for technical assistance fee under related agreements. Furthermore, this include amounts of Rs 2,669,026 (December 31, 2018: Rs 2,669,026) and Rs 6,327 (December 31, 2018: Rs 6,327) payable to Advans S.A. Sicar - holding company and FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands respectively.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
17 LEASE LIABILITY		-----Rupees-----	
Lease liability - initial recognition under IFRS 16	4.1.1	92,155,872	-
Additions		-	-
Finance cost		6,874,748	-
Lease payment		(12,826,148)	-
		<u>86,204,472</u>	<u>-</u>

18 DEFERRED GRANT

Opening balance	18.1	1,149,153	5,617,102
Grant received during the period from:			
State Bank of Pakistan	18.2	600,000	600,000
Grant income recognised during the period		(1,034,484)	(5,067,949)
		<u>714,669</u>	<u>1,149,153</u>

- 18.1 This represents grant from the State Bank of Pakistan (SBP) as part of Institutional Strengthening Fund (ISF) under an agreement entered into by the Bank with SBP dated April 28, 2014 for the project relating to "Improving productivity through human resource and establishing alternative delivery channels". The grant is to be used for the purpose of (I) improving productivity through Human Resource Development; and (II) Establishment of Alternate Delivery Channels. Under the agreement, the SBP agreed to provide an amount of Rs 35,249,089 with matching contribution of at least 25 percent of the project cost by the Bank. The Bank has completed the activities covered under the agreement. Accordingly, as per the requirement of International Accounting Standards (IAS) 20 'Government Grants', an amount of Rs 1,034,484 (2018: Rs 2,818,710) relating to depreciable assets i.e. Alternative Delivery Channels, has been recognised in the profit and loss account of the Bank as "other income".
- 18.2 This represents grant received from the State Bank of Pakistan (SBP) vide circular letter no. 4 of 2017 in respect of financial assistance. Accordingly, the Bank was entitled to receive Rs. 1.2 million out of which the first tranche of Rs. 0.6 million was received during the year ended December 31, 2018 and second tranche has been received during the half year ended June 30, 2019.

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	-----Rupees-----	
19 MEMORANDUM / OFF BALANCE SHEET ITEMS		
Bills For Collection	-	-
Acceptances, Endorsements And Other Obligations Contingent Liabilities	-	-
Commitments for fixed capital expenditure	-	-
	<u>-</u>	<u>-</u>

- 19.1 There were no contingencies as at June 30, 2019 and December 31, 2018.

	Note	(Un-audited) Half Year ended June 30 2019	2018
		-----Rupees-----	
20 MARK-UP / RETURN / INTEREST EARNED			
Interest / mark-up on:			
Advances		240,284,127	139,507,201
Government Securities - Market Treasury bills		946,928	3,440,130
Banks and financial institutions			
- Term deposits		-	1,853,572
- Deposit accounts		2,007,169	166,715
		<u>243,238,224</u>	<u>144,967,618</u>

21 OTHER INCOME

Grant income	18	1,034,484	2,818,710
Recoveries against write-offs		1,619,175	1,217,201
Recoveries from Credit Guarantee Scheme		983,972	-
Insurance proceeds		-	-
Liabilities no longer required written back	21.1	73,779,361	-
Gain on sale of Fixed Assets		70,077	668,705
Others		-	9,560
		<u>77,487,069</u>	<u>4,714,176</u>

- 21.1 This represents reversal of liability in respect of technical service fee provided by a related party, Advans International (formerly Horus Development Finance). The liability was transferred by Advans International to Advans S.A., Sicar. Thereafter, the Board of Directors of Advans S.A., Sicar in their meeting held on June 25, 2019 approved for waiver of the technical services liability and accordingly the liability was reversed.

22 RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the holding company, associates, group companies, directors, key management personnel and their close family members. Transactions with related parties are carried out as per agreed terms.

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Transactions with related parties which have not been disclosed elsewhere in these condensed interim financial statements are disclosed below:

	(Un-audited)	
	Half Year ended June 30	
	2019	2018
	-----Rupees-----	
Remuneration of key management personnel (including directors)	60,639,365	44,812,416
Technical support services availed from Advans International	10,146,628	28,170,325

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		-----Rupees-----	
23 CASH AND CASH EQUIVALENTS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	7	79,333,374	101,998,500
Balances with other banks and microfinance banks in current and deposit accounts	8	98,581,821	28,246,980
		<u>177,915,195</u>	<u>130,245,480</u>

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer / settle a liability in an orderly transaction between market participants at the measurement date.

Fair value estimation:

The Bank discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy that reflects the significance of inputs 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;

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	----- Rupees '000 -----			
Investments held-for-trading	<u>51,697,337</u>	<u>-</u>	<u>-</u>	<u>51,697,337</u>
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	----- Rupees '000 -----			
Investments held-for-trading	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no transfers between levels 1 and 2 during the period.

The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values as the items are short term in nature.

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25 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current period.

26 GENERAL

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

27 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on _____ by the Board of Directors of the Bank.

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Chief Executive Officer

Chairman

Director

Director