

DIRECTORS' REPORT OF ADVANS PAKISTAN MICROFINANCE BANK LIMITED TO THE MEMBERS

It is our pleasure to present, on behalf of the Board of Directors, the Audited Financial Statements of the Bank along with the Auditors' report thereon for the year ended December 31, 2021.

Economic Review

Global economy is on the path of recovery, however, due to uneven vaccine access across regions and risks associated with virus mutations, the pandemic resurgence continuously remained cause of concern for the policy makers. This along with prolonged supply chain disruptions especially in emerging and developing regions have impacted the pace of recovery. IMF's Extended Fund Facility program together with prudent monetary and fiscal policies aided the economy of Pakistan to move progressively with IMF's projection of GDP at 3.9% and 4.0% for 2021 and 2022 respectively.

Economic recovery appears less vulnerable to pandemic-related uncertainty, evident from strong recovery in domestic demand, whereas on the other hand strong pick up in imports, higher international commodity prices and resultant rise in current account deficit coupled with negative real interest rates emphasized State Bank of Pakistan (SBP) on ensuring the appropriate policy mix to safeguard the longevity of growth, keep inflation expectations anchored and curb the growth in the current account deficit. On this basis SBP increased the discount rate by 275bps to 9.75%.

The Current Account posted a deficit of \$ 9.1 billion (5.7% of GDP) for Jul-Dec FY2022 due to constantly growing import volume of energy and non-energy commodities as compared to surplus of US\$ 1,131 million during first Half of FY 2020-21. Trade deficit widens 100% to stand at \$24.78 billion during July-December of FY 2020-21, as compared to \$12.36 billion in the corresponding half of the last fiscal year.

In Jul-Dec FY2022, workers' remittances reached \$ 15.8 billion (\$ 14.2 billion last year), increased by 11.3%. Strong Workers' Remittances continued their unprecedented streak of above \$ 2.0 billion for the 19th consecutive month in December 2021 as compared to US\$ 14,203 million during first half of FY 2020-21. CPI inflation during Jul-Dec FY2022 recorded at 9.8% against 8.6% during the same period last year. The fiscal deficit in Jul-Nov FY2022 was recorded at 1.5% of GDP (Rs 951 billion).

Pakistan's total liquid foreign exchange reserves increased to \$23.9 billion in Dec-2021 as compared to \$20.5 billion in Dec-2020. During the first five months

of the current fiscal year, the government has increased its expenditures under grants and subsidies.

Foreign Private Portfolio Investment has registered a net outflow of \$ 307.2 million during Jul-Dec FY2022 recorded an outflow of \$ 405.5 million during Jul-Dec FY2022 as against outflow of 438.2 million last year. The total foreign investment registered an inflow of \$ 651.1 million during the period under review.

Operational Review

Advans Pakistan Microfinance Bank Limited (APMBL) is licensed by the State Bank of Pakistan to operate as a micro finance bank in the province of Sindh, for providing microfinance services, mobilizing deposits from the public and providing credit to poor persons and microenterprises.

In terms of operational performance, 2021 was a landmark year where the portfolio increased by 132% and PAR 30 decreased from 8.9% to 3.1%. 1 branch was opened during the year and two branches resumed the business. SBP also approved the pilot project of agri financing during the last quarter of the year, after which agri lending started in the selected branches. In October, Advans Pakistan applied to SBP for the increase in the lending limit from PKR 500k to PKR 1 million and a relaxation in the enterprise ratio limit, set in the Prudential Regulations from 40% to 70%. Subsequent to the year-end SBP granted its approval on the request of APMFBL. Management believes that the said approval will have a significant positive impact on the overall business and the contribution of APMFBL to financial inclusion in Pakistan.

The loan portfolio restructured under the SBP relief program for Covid impacted businesses was over 50% of the GLP at the end of 2020. This percentage was brought down to below 10% of the GLP as of 2021 year-end. The loans written off during the year amount to PKR 129 million, partially driven by the restructured loan portfolio coming from previous year.

During 2021, disbursements of PKR 3,103 million were made to 13,536 borrowers, bringing the gross portfolio to PKR 2,494 million at December 31, 2021. The bank was able to grow its deposit portfolio from PKR 1.05 billion to PKR 2.27 billion during the year, which is a growth of 115%. It is pertinent to note that all the liquidity requirement for the year was met by deposit mobilization. As at the end of the year, a two-year financing line of EUR 2.2 million from Advans SA remained available for drawdown and PKR 100 million was drawn from Pakistan Microfinance Investment Company Limited, in last week of December, from the total approved facility of PKR 300 million.

On account of the continuous support from the Group, during the year TA services worth of Euro 337k, were provided free of charge and services mainly related to the MIS support and licenses amounted to EUR 163k were charged. This support was instrumental for the bank's operations.

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The disclosure regarding the performance in relation to complaint handling as required by BC & CPD Circular No. 1 of 2016 is attached as annexure 1 to this report.

Adequate internal control systems commensurate with the nature of the Company's business and size and complexity of its operations are in place which have been operating satisfactorily. Internal control systems comprising of policies and procedures are designed to ensure reliability of financial reporting, timely feedback on achievement of operational goals, compliance with policies, procedure, applicable laws and regulations.

Financial Review

The Bank posted a profit before taxes of PKR 56.39 million (2020: loss PKR 256.36 million) during the year 2021 which is due to strong business growth coming from the economic recovery after easing of business condition, as corona situation improved considerably.

Interest income during the year amounted to PKR 774.97 million (2020: PKR 449.81 million) of which PKR 13.10 million (1.69% of interest earned) was earned on deposits with other banks, while earnings from the loan portfolio of PKR 749.41 million accounted for 96.70% of total interest. The Bank also earned PKR 12.46 million (1.61% of interest income) (2020: PKR 17.12 million (3.81% of interest income)) from investments. On account of profit incurred during the year, the net equity of the Bank at year end 2021 was PKR 756.61 million (2020: PKR 552.72 million). The earnings per share for the year ended December 31, 2021 was 0.32 (2020: (1.89)).

The Bank has recognized additional PKR 9.28 million (2020: PKR 6.46 million) of deferred tax asset (DTA) taking the total to PKR 65.09 million (2020: PKR 55.81 million). The DTA recognized pertains to unabsorbed tax depreciation and amortization as at December 31, 2021. As per current tax laws there is no time limit for claiming the tax benefit in respect of unabsorbed tax depreciation and amortization. The deferred tax asset has been recorded based on the financial projections of the Bank.

Minimum Capital Requirement

During the year, right issue of 15,000,000 shares @ PKR 10 was issued to enhance equity. Although there was sufficient cushion available against the MCR at the time equity injection, but it was decided to proceed with the transaction as planned in the budget 2021, so that sufficient cushion is available for the remaining year, if required.

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Dividend

Board has proposed a cash dividend of PKR 30 million, PKR 0.17/share. This will be proposed to the forthcoming Annual General Meeting scheduled on March 29, 2022.

Future Outlook

Due to the timely measures taken by the government to curtail the spread of the Coronavirus and to support the economy, 2022 is expected to be an improved year for Pakistan. The main challenge that the government currently faces is to stimulate growth without significantly increasing the inflationary pressures in the economy. Also in this regard the SBP has increased the discount by 275 bps till December 2021

APMBL position for the end of 2021 significantly improved compared to the last year. The target for 2022 is to accelerate the growth, this will be achieved by focusing on all the key factors especially productivity in numbers, increase of the average loan size, recruitment of CROs, and of course dedicated efforts to circumvent the increase in cost of risk expected while we exit the crisis period. Further APMBL during 2022 plans to open 8 branches, 5 in first semester and the remaining in the last quarter of the year. The approval of SBP for increase in the lending limit and relaxation in the enterprise ratio, as also mentioned above will have a significant impact on the lending activities, as APMBL specializes lending large ticket size business loans and currently has largest average loan size in the sector. This project is in pilot phase and the increase of the average loan size will be progressive. APMBL also plans to apply to SBP for a national licenses, after increasing the capital to the required level as mentioned in the PR, during the later part of the year, which will enable APMBL to expand its network to other parts of the country.

In terms of deposit mobilization, the focus of 2022 will be on savings account and term deposits mobilization from a different target market with a particular attention to foster deposit stability and continue reducing concentration. Also management is in discussion with the international lenders for arranging financing. Management also believes that there are good chances of successfully concluding the financing facility with the local commercial banks.

The loan and deposit portfolios are expected grow significantly in 2022 crossing PKR 4.3 billion and PKR 3.6 billion mark that by the end of the year.

Parent Company

As of December 31, 2021 Advans SA, SICAR holds 99.999% shares of APMBL. Advans SA is incorporated in Luxembourg with its operating headquarters in Paris.

Paid-up Capital

The Bank's paid up capital as at December 31, 2021 was PKR 1.73 billion.

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Board of Directors

During the year 2019 the all the directors were reelected in the election of the board of directors held in the month of March. The election of the directors for the next term of three years will be schedule on March 29, 2022. Board has already through the Circular Resolution dated February 23, 2022, fixed the number of directors to seven (unchanged) for the next term.

During the period, following were present on the board of APMBL:

- Mr. Claude FALGON - Chairman
- Mr. Steven DUCHATELLE - Director
- Mr. Eelko BRONKHORST – Director
- Mr. Emmanuel ARIS – Director
- Ms. Isabelle MONTFORT - Director
- Ms. Yusra Arshad GILANI - Independent Director
- Ms. Ayesha GULZAR – Independent Director
- Mr. Guillaume VALENCE – Chief Executive Officer

The gender composition of the board remains unchanged from previous year i.e. three out of seven directors are female.

The details of the Board Committees is tabulated below:

Description	Audit Committee	HR & Compensation Committee	Risk Committee	Remuneration Committee
Chairperson	Ms. Ayesha GULZAR	Ms. Yusra A GILANI	Ms. Isabelle MONTFORT	Dr. Claude FALGON
Member	Mr. Emmanuel ARIS	Mr. Steven DUCHATELLE	Dr. Claude FALGON	Mr. Emmanuel ARIS
Member	Ms. Isabelle MONTFORT	Mr. Eelko BRONKHORST	Ms. Yusra A GILANI	Ms. Yusra A GILANI
Member		Mr. Emmanuel ARIS		

Performance evaluation Mechanism for the Board

The Board of Directors, while ensuring regulatory compliance is also vested with fiduciary responsibility on behalf of the shareholders to protect Bank's interests, provide strategic direction and monitor the execution of strategic objectives. The Companies Act 2017 and SBP's Prudential Regulations describes the role of the Board of Directors along with its responsibilities and functions. In compliance with the AC&MFD Circular No. 02 of 2019, Board Remuneration Committee was formulated in 2019 which subsequently developed and implemented an effective mechanism for the Board of Directors' evaluation.

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The Board of Directors decided to opt for in-house approach with quantitative techniques for evaluations. As per approved mechanism, performance evaluation of following categories is carried out:

1. Board Activity
2. Board Organization
3. Board Meeting
4. Board membership
5. Management support

The responses and feedback from the Directors on each of the abovementioned categories are compiled and consolidated with the Company Secretary. The results are discussed in the board meeting. These results are also presented in the Shareholders Annual General meeting. The Board of Directors, in its March 07, 2022 meeting, noted the results of the Board of Directors Annual evaluation for the year 2021 and expressed its satisfaction on the results.

Credit Rating

JCR-VIS Credit Rating Company Limited has reaffirmed rating of “BBB+” and “A-3” to the Bank with “Stable” outlook in 2021.

Transfer Pricing

All transactions with the related parties undertaken during the financial year were at concessional rates or free of cost, as admissible in the best interest of the Bank.

Auditors

A.F. Ferguson Co. Chartered Accountant (a member firm of PWC) after completing 5 years as statutory Auditors being replaced with BDO Ebrahim & Co. Chartered Accountants for the year 2022.

Pattern of Shareholding

The Pattern of Shareholding of the Bank as at December 31, 2021 as required under Section 227 of the Companies Act 2017 is as Follow:

No. of Shareholder(s)	Shareholding from	Shareholding to	Total Shares Held
2	1	100	2
1	172,516,000	172,516,500	172,516,308
Total			172,516,310

Categories of the Shareholders

Particular	Number	Shares held	Percentage
Director(s)	2	2	0.00%
Corporate Entity	1	172,516,308	100%

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Acknowledgement

We would like to take this opportunity to thank our valued clients, shareholders and other stakeholders for their patronage and confidence and our management and employees for their dedication and hard work.

We would also like to express our gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan for their continued guidance and support.

Karachi: March 07, 2022

On behalf of the Board


Guillaume Valence (Mar 29, 2022 17:19 GMT+5)

Guillaume VALENCE
Chief Executive Officer



Claude FALGON
Chairman of the Board

Annexure 1

Disclosure on Complaint Handling

As a responsible financial services provider which puts its clients first, Advans Pakistan aims to implement complaint mechanisms as part of its customer service standards and in line with the Client Protection Principles of the SMART Campaign. Our staff across the network values and recognize the "voice of the customer" that we receive through various touch points and we have made great strides to live up to the expectations of our clients on grievance management and complaint handling. We ensure to make efforts to educate our clients of their rights, collect feedback frequently on our customer services, and aware them of the complaint process. Client touch points were revised, enriched and communication via all of the Bank's communication channels; same were made part of the branch notice boards, social media pages and our website, as well. The following points are given special consideration:

- Clients are made aware of their right to complain and have access to at least four channels on top of in-branch staff to complain that are in branch complaint boxes, UAN & dedicated email services
- Each client complaint is acknowledged and taken seriously, with no discrimination & a complaint number is issued that is provided to client through an auto sms & logged into our CRM system
- Client complaints at branch level are sent to the Head Office and each client complaint is prioritised depending on severity
- Each client complaint is dealt with objectively, impartially and consistently and ensure Clients give feedback on the resolution of their complaint over a recorded line
- Client complaint data is kept private and is only accessible to designated staff
- Client complaints are used to improve services, update policies and increase compliance

New Initiatives taken to improve the Complaint Handling Mechanism:

- ✱ Centralized System and Reporting of Complaints to monitor the efficiency.
- ✱ Comprehensive Reports are produced regularly for Management Review.
- ✱ Revised and improved Policy and Procedure for Complaint Handling encapsulating all critical elements, is in process.
- ✱ Increased awareness among clients on complaint channels to ensure no grievance goes unaddressed
- ✱ Ensure all staff are aware and trained on complaint management ethics/ work codes in order to capture the essence of customers' voice.

Complaint Handling Performance – 2021

In the year 2021, total of 39 complaints were received (including feedback & inquiries) and all resolved and addressed. Advans has standard TATs in place and the average TAT for complaint resolution for 2022 was 7.4 working days, which was relatively higher due to covid-19 as compared to previous year.

Channels for client complains and grievances lodging:

- ✱ Call Centre assistance: 111-ADVANS (111-238-267)

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- ✦ Email: customerservices@advanspakistan.com
- ✦ Website: www.advanspakistan.com, Email : customer.services@advanspakistan.com
- ✦ Postal Address: Complaint Management Unit, Advans Pakistan Microfinance Bank Ltd.
Bahria Complex 1, MT Khan Road. Lalazar, Karachi.
- ✦ Social Media: www.facebook.com/advanspakistan
- ✦ State Bank of Pakistan - Banking Mohtasib Pakistan
- ✦ Securities and Exchange Commission of Pakistan

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ایڈوانس پاکستان مائیکرو فنانس بینک لمیٹڈ کے ڈائریکٹرز کی رپورٹ

ہم انتہائی مسرت کے ساتھ بورڈ آف ڈائریکٹرز کی جانب سے، آڈٹ شدہ مالیاتی گوشواروں اور اس کے ساتھ ساتھ اس پر آڈیٹرز کی رپورٹ برائے سال اختتام پذیر 31 دسمبر 2021 پیش کر رہے ہیں۔

اقتصادی جائزہ

عالمی معیشت بحالی کی راہ پر گامزن ہے، تاہم، تمام خطوں میں ویکسین کی غیر مساوی رسائی اور وائرس کی نوعیت میں تبدیلی و تغیر کی وجہ سے وبائی امراض کا دوبارہ سر اٹھانا، پالیسی سازوں کے لیے مسلسل تشویش کا باعث بنا ہوا ہے۔ خاص طور پر ابھرتے ہوئے اور ترقی پذیر خطوں میں بحالی کی رفتار مزید متاثر ہوئی ہے جس کی وجہ یہاں سپلائی چین میں طویل مدتی رکاوٹیں ہیں۔ IMF کے ایکسٹینڈڈ فنڈ فیسلٹی پروگرام اور دانشمندانہ اقتصادی اور مالیاتی پالیسیوں نے پاکستان کی معیشت کو آگے بڑھانے میں مدد فراہم کی ہے اور IMF پروگرام کے ذریعے GDP میں سال 2021 اور 2022 میں بالترتیب 3.9 فیصد اور 4.0 فیصد اضافہ ہوا ہے۔

مقامی طلب میں اضافہ اس بات کو ثابت کرتا ہے کہ، وبائی امراض کی شدت میں کمی آنے سے معاشی بحال کولاحق خطرات میں کمی کی توقع ہے جبکہ دوسری جانب درآمدات میں زبردست اضافہ، بین الاقوامی تجارتی اشیاء کی قیمتوں میں اضافہ اور کرنٹ اکاؤنٹ خسارہ میں اضافہ کے نتیجے میں حقیقی منفی شرح سود بڑھنے سے اسٹیٹ بینک پاکستان نے، شرح نمو کو طویل مدتی تحفظ کو یقینی بنانے، افراط زر کو کنٹرول کرنے اور کرنٹ اکاؤنٹ خسارے میں تخفیف لانے کیلئے ڈسکاؤنٹ ریٹ کو 275bps سے 9.75 فیصد بڑھا دیا ہے۔

جولائی تا دسمبر مالی سال 2022 میں کرنٹ اکاؤنٹ میں 9.1 بلین امریکی ڈالر (یعنی GDP کا 5.7 فیصد) خسارہ رپورٹ کیا گیا ہے جس کی وجہ سے توانائی اور غیر توانائی اشیاء کی درآمدات میں مسلسل اضافہ ہے جبکہ مماثل دورانیہ کی بات کی جائے تو سال 2020-21 کے پہلی شش ماہی کے دوران کرنٹ اکاؤنٹ میں 1,131 ملین امریکی ڈالر کا اضافہ رپورٹ کیا گیا تھا۔ تجارتی خسارہ 100 فیصد تک بڑھ کر مالی سال 2020-21 کے جولائی تا دسمبر کے دوران 24.78 بلین امریکی ڈالر پر آگیا ہے جبکہ گذشتہ سال مماثل شش ماہی میں 12.36 بلین امریکی ڈالر تھا۔

مالی سال 2022 کے جولائی تا دسمبر میں ورکرز کی ترسیلات زر 11.3 فیصد تک بڑھ کر 15.8 بلین امریکی ڈالر تک جا پہنچی ہیں (جو کہ گذشتہ سال 14.2 بلین امریکی ڈالر تھیں)۔ لگاتار 19 ویں مہینے یعنی دسمبر 2021 میں ورکرز کی ترسیلات زر میں غیر متوقع طور پر 2 بلین امریکی ڈالر پر پہنچ گئی جبکہ اس کے مقابلے میں مالی سال 2020-21 کی پہلے شش ماہی کے دوران 14,203 ملین امریکی ڈالر تھیں۔ مالی سال 2022 کے جولائی تا دسمبر کے دوران CPI افراط زر کی شرح 9.8 فیصد ریکارڈ کی گئی جو کہ گذشتہ سال دورانیہ میں 8.6 فیصد تھی۔ مالی سال 2022 کے جولائی تا دسمبر میں مالیاتی خسارہ GDP کا 1.5 فیصد (یعنی 951 بلین روپے) ریکارڈ کیا گیا۔

دسمبر 2021 میں پاکستان کے کل لیکویڈ زر مبادلہ کے ذخائر میں 23.9 بلین امریکی ڈالر کا اضافہ ہوا ہے جو کہ دسمبر 2020 میں 20.5 بلین امریکی ڈالر تھا۔ زیر غور مالی سال کے پچھلے پانچ مہینوں کے دوران، گرانٹس اور سبسڈیز کی مدت میں حکومت نے اپنے اخراجات میں اضافہ کیا ہے۔

مالی سال 2022 کے جولائی تا دسمبر کے دوران فارن پرائیویٹ پورٹ فولیو انویسٹمنٹ نے کل آؤٹ فلو 307.2 بلین امریکی ڈالر رجسٹر کیا ہے اور مالی سال 2022 کے جولائی تا دسمبر کے دوران 405.5 بلین امریکی ڈالر کا آؤٹ فلو ریکارڈ کیا ہے جو کہ گذشتہ سال 438.2 بلین ڈالر ریکارڈ کیا گیا تھا۔ کل غیر ملکی سرمایہ کاری نے زیر جائزہ مدت کے دوران 651.1 بلین امریکی ڈالر کا ان فلو رجسٹر کیا ہے۔

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عملیاتی جائزہ:-

ایڈوانس پاکستان مائیکرو فنانس بینک لمیٹڈ (APMBL) اسٹیٹ بینک پاکستان کا لائسنس یافتہ بینک ہے، جسے صوبہ سندھ میں مائیکرو فنانس بینک کے طور پر کام کرنے، مائیکرو فنانس سروسز فراہم کرنے، عوام الناس سے رقوم جمع کرنے اور غریب افراد اور مائیکرو انٹرپرائزز کو قرض فراہم کرنے کی اجازت ہے۔

عملیاتی کارکردگی کے بات کی جائے تو سال 2021 ایک امتیازی سال رہا کہ جس میں بینک کے پورٹ فولیو میں 133 فیصد تک اضافہ ہوا اور PAR 30، 8.35 فیصد سے کم ہو کر 3.06 فیصد ہو گئی۔ اس سال کے دوران کل 3 نئی برانچ کھولی گئیں جن میں سے ایک اصل بجٹ سے زیادہ ہے۔ زیر جائزہ سال کی آخری سہ ماہی کے دوران اسٹیٹ بینک پاکستان نے زرعی فنانس کے پائلٹ پروجیکٹ کو بھی منظور کیا ہے جس کے بعد مخصوص برانچوں میں زرعی قرض کی فراہمی شروع ہو گئی ہے۔ اکتوبر میں، ایڈوانس پاکستان نے قرض کی حد 500 لاکھ روپے سے بڑھا کر 1 ملین پاکستانی روپے کرنے اور انٹرپرائزز کے شرح تناسب میں رعایت دینے، یعنی پروڈیوشل ریگولیشنز میں 40 فیصد سے بڑھا کر 70 فیصد کرنے کیلئے اسٹیٹ بینک پاکستان سے درخواست کی ہے۔ سال اختتام پذیر کے بعد اسٹیٹ بینک پاکستان نے APMFBL کی درخواست پر اپنی منظوری عنایت کر دی ہے۔ انتظامیہ یہ یقین رکھتی ہے کہ مذکورہ منظوری سے کاروبار پر قابل ذکر حد تک مثبت اثرات مرتب ہوں گے اور پاکستانی معیشت میں AMBFBBL کی حصہ داری میں اضافہ ہو گا۔

سال 2020 کے اختتام پر، کووڈ کی وجہ سے کاروبار پر پڑنے والے اثرات کا سدباب کرنے کیلئے اسٹیٹ بینک پاکستان کے ریلیف پروگرام کے تحت دوبارہ ترتیب دیا گیا قرض کا پورٹ فولیو GLP کے 50 فیصد سے زائد تھا۔ سال 2021 کے اختتام پر یہ تناسب کم کرتے ہوئے 10 فیصد تک نیچے لے جایا گیا۔ زیر جائزہ سال کے دوران مالیت ختم ہو جانے والے قرضوں کی مالیت 129 ملین روپے ہے، جس کی بنیادی وجہ گذشتہ سال سے آنے والی اسٹرکچر ڈیلون پورٹ فولیو ہے۔

سال 2021 کے دوران، 13,536 قرض دہندگان کو 3103 ملین روپے کی رقم کی تقسیم کی گئی اور اس طرح 31 دسمبر 2021 پر مجموعہ پورٹ فولیو 2,494 ملین روپے ہو گیا۔

زیر جائزہ سال کے دوران، بینک اپنے ڈپازٹ پورٹ فولیو کو 15 فیصد یعنی 1.05 ملین روپے سے 2.27 ملین روپے تک بڑھانے میں کامیاب رہا۔ یہاں یہ بیان کرنا مناسب ہو گا کہ لیکویڈیٹی کے حوالے سے تمام ضروریات ڈپازٹ کے ذریعے پوری کر لی گئی۔ جیسا کہ سال کے آخر تک، Advans SA سے 2.2 ملین یورو کی 2 سالہ فنانس، استعمال میں لینے کیلئے دستیاب رہی اور دسمبر کے آخری ہفتے میں پاکستان مائیکرو فنانس انویسٹمنٹ کمپنی لمیٹڈ سے کل منظور شدہ 300 ملین روپے کی فنانس فیسلٹی میں سے 100 ملین روپے حاصل کیے گئے۔

گروپ کی طرف سے مسلسل تعاون کی وجہ سے، سال کے دوران 337 ہزار یورو مالیت کی TA خدمات مفت فراہم کی گئیں اور بنیادی طور پر MIS سپورٹ اور لائسنسوں کی مدد میں 163 ہزار یورو کی رقم چارج کی گئی۔ یہ تعاون بینک کے آپریشنز کے لیے انتہائی اہمیت کا حامل تھا۔ BC اور CPD کے سرکلر نمبر 1 برائے 2016 کے تقاضوں کے مطابق، شکایت کے ازالہ کے حوالے سے کارکردگی کا بیانیہ اس رپورٹ کے ضمیمہ 1 پر منسلک ہے۔

کمپنی کے کاروبار کی نوعیت اور اس کے آپریشنز کے حجم اور پیچیدگیوں کی مناسبت سے اندرونی کنٹرول کا معقول نظام موجود ہے اور تسلی بخش طریقے سے نافذ العمل ہے۔ پالیسیوں اور طریقہ کار پر مشتمل اندرونی کنٹرول کا نظام، قابل اعتماد مالیاتی رپورٹ رپورٹنگ، آپریشنل اہداف کے حصول پر بروقت فیڈبک دینے، پالیسیوں، طریقہ کار، لاگو قوانین اور قواعد و ضوابط پر عملدرآمد کرنے کو یقینی بنانے کیلئے بنایا گیا ہے۔

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مالیاتی جائزہ

سال 2021 کے دوران، بینک نے ٹیکس کی ادائیگی کے بغیر 59.39 ملین روپے کا منافع حاصل کیا (جو کہ سال 2020 میں 256.36 ملین روپے نقصان کی صورت میں تھا) جس کی وجہ کاروباری شرائط میں نرمی کے بعد معاشی بحالی کی وجہ سے کاروباری نمو میں آنے والے استحکام ہے، گو کہ کورونا وائرس کی صورتحال میں کافی حد تک بہتری آچکی ہے۔

زیر جائزہ سال کے دوران سود سے حاصل ہونے والی آمدنی 774.97 ملین روپے رہی (جو کہ سال 2020 میں 449.81 ملین روپے تھی جس کے 13.10 ملین روپے دیگر بینکوں کے پاس جمع کرائے گئے ڈپازٹس سے کمائے گئے (یعنی 1.69 فیصد سود حاصل کیا گیا)، جبکہ قرض کے پورٹ فولیو سے ہونے والے آمدنی کل انٹرسٹ کا 96.70 فیصد یعنی 749.41 ملین روپے رہی۔ بینک نے اس کے علاوہ سرمایہ کاریوں سے 12.46 ملین روپے بھی حاصل کیے (یعنی سود سے حاصل ہونے والی آمدنی کا 1.61 فیصد) (جو کہ سال 2020 میں 17.12 ملین روپے تھی (یعنی سود کی آمدنی کا 3.81 فیصد)۔ زیر جائزہ سال کے دوران حاصل کیے گئے منافع سے سال 2021 کے اختتام پر بینک کی کل حصہ داری 756.61 ملین روپے رہی (جو کہ سال 2020 میں 552.72 ملین روپے تھی)۔ سال اختتام پذیر 31 دسمبر 2021 پر فی شیئر کمائی 0.32 روپے تھی (جو کہ سال 2020 میں (1.89) تھی)

بینک نے ڈیفرڈ ٹیکس اسٹنس (DTA) کے اضافی 9.28 ملین روپے حساب میں لگائے ہیں (جو کہ سال 2020 میں 6.46 ملین روپے تھے) اور طرح کل DTA مبلغ 65.08 ملین روپے ہو گیا ہے (جو کہ سال 2020 میں 55.81 ملین روپے تھا)۔ یہ DTA 31 دسمبر 2021 تک ”آن لبرزورڈ ٹیکس ڈپرہی ایشن“ اور ”امورٹائزیشن“ کے حوالے سے ٹیکس بینیفٹ کا دعویٰ کرنے کیلئے وقت کی کوئی حد مقرر نہیں ہے۔ موجودہ DTA، بینک کی جانب سے لگائے گئے مالی تخمینوں کی بنیاد پر ریکارڈ کیا گیا ہے۔

مقررہ کم از کم سرمائے کی حد:

زیر جائزہ سال کے دوران، حصہ داری میں اضافہ کرنے کیلئے 10 روپے کے حساب سے 15,000,000 رائٹ ایشو جاری کیے گئے۔ اگرچہ حصہ داری میں اضافہ کے وقت MCR کے بدلے معقول نقدی (فوری حل پذیر اثاثہ جات) دستیاب نہیں تھے تاہم بجٹ 2021 کی منصوبہ بندی کے تحت ٹرانزیکشن کو آگے بڑھانے کا فیصلہ کیا گیا تاکہ ضرورت پڑنے پر بقیہ سال کے لیے معقول نقدی (فوری حل پذیر اثاثہ جات) دستیاب ہو سکیں۔

ڈیویڈنڈ (مقسوم):

بورڈ نے 30 ملین روپے یعنی 0.17 روپے فی شیئر کیش ڈیویڈنڈ (مقسوم) تجویز کیا ہے۔ یہ تجویز 29 مارچ 2022 کو منعقد ہونے والی آئندہ سالانہ جنرل میٹنگ میں پیش کی جائے گی۔

مستقبل کے امکانات:-

حکومت کی جانب سے کورونا وائرس کے پھیلاؤ کو روکنے اور معیشت کو سہارا دینے کے لیے کیے گئے بروقت اقدامات کے پیش نظر سال 2022 پاکستان کے لیے خوش آئند ہونے کی توقع ہے۔ حکومت کو اس وقت جن اہم چیلنجز کا سامنا ہے ان میں افراط زر میں اضافہ کیے بغیر ترقی کی رفتار کو تیز کرنا ہے۔ اس سلسلے میں اسٹیٹ بینک نے دسمبر 2021 تک ڈسکاؤنٹ ریٹ میں 275bps تک کا اضافہ کیا ہے۔

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2021 کے آخر میں APMBL کی پوزیشن گذشتہ سال کے مقابلے میں نمایاں حد تک بہتر ہوئی۔ سال 2022 کا ہدف ترقی کی شرح کو تیز کرنا ہے اور یہ صرف اس وقت حاصل کیا جاسکتا ہے جب تمام اہم عوامل پر خصوصی توجہ مرکوز رکھی جائے خصوصاً پیداوار میں اضافہ، قرض کے اوسط حجم میں اضافہ، CROs کی بھرتی اور یقیناً جب ہم کرائسز کے دور سے باہر نکلتے ہیں تو متوقع خطرات کی صورت میں بڑھتے اخراجات کو روکنے کیلئے خصوصی کوششیں بروئے کار لانے کی ضرورت ہے۔ مزید برآں، APMBL نے سال 2022 کے دوران 8 برانچیں کھولنے کا ارادہ کیا ہے جن میں سے 5 پہلی ششماہی میں اور بقیہ سال کی آخری سہ ماہی میں کھولی جائیں گی۔ جیسا کہ اوپر بیان کیا گیا ہے اسٹیٹ بینک کی جانب سے قرض دینے کی حد میں اضافے اور انٹرپرائزیشن میں نرمی کی وجہ سے قرض دینے کی سرگرمیوں پر نمایاں اثرات مرتب ہوں گے کیونکہ APMBL بڑے ٹکٹ سائز کے کاروباری قرضوں کی فراہمی کیلئے مشہور ہے اور اس وقت اس شعبے میں سب سے زیادہ اوسط قرض کا حجم APMBL کے پاس ہے۔ یہ منصوبہ ابھی ترقی کے ابتدائی مرحلے میں ہے اور قرض کے اوسط حجم میں بتدریج اضافہ ہوگا۔ PR میں ظاہر کردہ مطلوبہ حد تک سرمایہ کو بڑھانے کے بعد، APMBL نے نیشنل لائسنسز کیلئے بھی SBP کو درخواست دینے کا ارادہ کیا ہے، جس کی بدولت APMBL اپنا نیٹ ورک ملک کے دیگر حصوں میں بھی پھیلانے کے قابل ہو جائے گا۔

جہاں تک ڈپازٹ حاصل کی بات ہے، سال 2022 میں خصوصی توجہ سیونگ اکاؤنٹ اور مختلف ٹارگٹ مارکیٹ سے ٹرم ڈپازٹس پر مرکوز کی ہوئی ہے اور اس کے ساتھ ساتھ ڈپازٹ کو بڑھانے اور کنسنٹریشن کو کم کرنے پر بھی خصوصی توجہ دی جائے گی۔ مزید انتظامیہ فنانسنگ کا انتظام کرنے کے لیے بین الاقوامی قرض دہندگان کے ساتھ بات چیت جاری رکھی ہوئی ہے۔ انتظامیہ کا یہ بھی ماننا ہے کہ مقامی کمرشل بینکوں کے ساتھ فنانسنگ کی سہولت سے اچھے اثرات مرتب ہونے کا امکان ہے۔

سال 2022 میں قرض اور ڈپازٹ کے پورٹ فولیومی نمایاں حد تک اضافہ کا امکان ہے جو کہ سال کے آخر تک 4.3 بلین روپے اور 3.6 بلین کی حد کو عبور کر لے گا۔

آبادی کمپنی

31 دسمبر 2021 تک ایڈوانس SA، SICAR کے پاس APMBL کے 99.999 فیصد شیئرز ہیں۔ ایڈوانس SA دراصل لکسمبرگ کی کمپنی ہے جس کے آپریٹنگ ہیڈ کوارٹرز پیرس سے کام کرتے ہیں۔

اداشدہ سرمایہ (پیڈ اپ کیپٹل)

31 دسمبر 2021 تک بینک کا اداشدہ سرمایہ 1.72 بلین روپے ہے۔

سال 2019 کے دوران، مارچ کے مہینے میں بورڈ آف ڈائریکٹرز کے منعقد ہونے والے الیکشن میں تمام ڈائریکٹر دوبارہ منتخب ہوئے۔ اگلی تین سالہ مدت کے لیے ڈائریکٹرز کے الیکشن 29 مارچ 2022 کو منعقد کیے جائیں گے۔ بورڈ نے پہلے ہی 23 فروری 2022 کو سرکلر ریزولوشن کے ذریعے اگلی مدت کے لیے (ناقابل تنسیخ) کل سات ڈائریکٹرز کی تعداد مقرر کی ہے۔

اس مدت کے دوران، APMBL کے بورڈ میں درج ذیل افراد شامل تھے:-

• مسٹر کلاؤڈا لگن - چیئرمین

• مسٹر اسٹیون ڈچیٹیل - ڈائریکٹر

• مسٹر ایلکو برانک ہورسٹ - ڈائریکٹر

• مسٹر ایمینوئل ایرس - ڈائریکٹر

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- مس ازائیل موٹفورٹ - ڈائریکٹر
 - مس یسرا ارشد گیلانی - آزاد ڈائریکٹر
 - مس عائشہ گلزار - آزاد ڈائریکٹر
 - مسٹر گو بیلامی ویلنس - چیف ایگزیکٹو آفیسر
- بورڈ کا صنفی مرکب پچھلے سال کی طرح بدستور برقرار ہے یعنی سات میں سے تین ڈائریکٹر خواتین ہیں۔

بورڈ کمیٹیوں کی تفصیلات درج ذیل ہیں:

تفصیلات	آڈٹ کمیٹی	ہیومن ریسورس اور کمپنیشن جاتی کمیٹی	رہس کمیٹی	معاوضہ جاتی کمیٹی
چیئر پرسن	مس عائشہ گلزار	مس یسریٰ اے گیلانی	مس ازائیل موٹفورٹ	مسٹر کلاڈ فالگن
ممبر	مسٹر ایمینوئل ایرس	مسٹر اسٹیون ڈیچٹیل	مسٹر کلاڈ فالگن	مسٹر ایمینوئل ایرس
ممبر	مس ازائیل موٹفورٹ	مسٹر ایلکو برانک ہورسٹ	مس یسریٰ اے گیلانی	مس یسریٰ اے گیلانی
ممبر		مسٹر ایمینوئل ایرس		

بورڈ کی کارکردگی کی تشخیص کا طریقہ کار

بورڈ آف ڈائریکٹرز، ریگولیٹری تقاضوں پر عملدرآمد کو یقینی بنانے کے ساتھ ساتھ، شیئر ہولڈرز کے حوالے سے بینک کے مفادات کے تحفظ دینے، حکمت عملی کا تعین کرنے اور حکمت عملی کے نافذ العمل رہنے کی نگرانی کرنے کی بھی ذمہ داریاں بخوبی سرانجام دیتے ہیں۔ کمپنیز ایکٹ 2017 اور SBP کے پروڈنشل ریگولیشنز، بورڈ آف ڈائریکٹرز کے کردار اور ان کی ذمہ داریاں اور فرائض کا تعین کرتے ہیں۔ AC&MFD کے سرکلر نمبر 02 برائے 2019 کی تعمیل میں، بورڈ کی معاوضہ جاتی کمیٹی سال 2019 میں تشکیل دی گئی تھی جس نے بورڈ آف ڈائریکٹرز کی کارکردگی کو جانچنے کیلئے ایک موثر طریقہ کار ترتیب دیا اور اسے نافذ العمل کیا۔

بورڈ آف ڈائریکٹرز نے کارکردگی کی تشخیص کیلئے اوزانی ٹیکنیک اور اندرون خانہ نقطہ نظر استعمال کرنے کا فیصلہ کیا ہے۔ مقررہ معیار اصول کے تحت، درج ذیل کے حوالے سے کارکردگی کا جائزہ لیا جاتا ہے:-

- 1- بورڈ کی سرگرمی
- 2- بورڈ کی تنظیم سازی
- 3- بورڈ کی میٹنگ
- 4- بورڈ کی ممبر شپ
- 5- مینجمنٹ سپورٹ

CF

مذکورہ بالا عوامل میں سے ہر ایک پر ڈائریکٹرز کے جوابات اور تاثرات کمپنی سکریٹری کے پاس مرتب اور یکجا کیے جاتے ہیں۔ بورڈ کی میٹنگ میں ان کے نتائج پر تبادلہ خیال کیا جاتا ہے۔ یہ نتائج شیئر ہولڈرز کی سالانہ جنرل میٹنگ میں بھی پیش کیے جاتے ہیں۔ بورڈ آف ڈائریکٹرز نے 07 مارچ 2022 کو منعقد ہونے والی میٹنگ میں سال 2021 کے بورڈ آف ڈائریکٹرز کی کارکردگی کے تشخیصی نتائج کو نوٹ کیا اور اس پر اپنے اطمینان کا اظہار کیا۔

GV

کریڈٹ ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے ایک بار پھر سال 2021 میں بھی "مستحکم" آؤٹ لک کے ساتھ بینک کو "BBB+" اور "A-3" کی ریٹنگ دی ہے۔

ٹرانسفر پرائسنگ

زیر جائزہ مالی سال کے دوران، بینک کے بہترین مفاد کو مد نظر رکھتے ہوئے متعلقہ فریقین کے ساتھ کئے گئے تمام لین دین رعایتی نرخوں پر یا مفت کی گئی ہے۔

آڈیٹرز

A.F فرگوسن کمپنی چارٹرڈ اکاؤنٹنٹ (PWC کی ایک رکن فرم) کو بطور قانونی آڈیٹرز 5 سال مکمل کرنے کے بعد سبکدوش ہو گئے ہیں اور سال 2022 میں ان کی جگہ BDO ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس خدمات سرانجام دیں گے۔

شیئر ہولڈنگ کا خاکہ

کمپنیز ایکٹ 2017 کی دفعہ 227 کے تحت 31 دسمبر 2021 تک بینک میں حصص داری کا خاکہ درج ذیل ہے:-

حصص داروں کی تعداد	حصص داری کا آغاز	حصص داری کا اختتام	کل حصص داری
2	1	100	2
1	172,516,000	172,516,500	172,516,308
کل			172,516,310

حصص داران کی اقسام


کوائف	تعداد	زیر ملکیت شیئر	تناسب
ڈائریکٹرز	2	2	0.00 فیصد
کارپوریٹ ادارہ	1	172,516,310	100 فیصد

تسلیات:-

ہم اس موقع پر اپنے قابل قدر کلائنٹس، شیئر ہولڈرز اور دیگر اسٹیک ہولڈرز کی سرپرستی اور اعتماد پر ان کا شکریہ ادا کرنا چاہیں گے اور اس کے علاوہ ہم اپنی انتظامیہ اور ملازمین کی تہدیت کو بھی سراہتے ہیں۔ ہم اسٹیک بینک پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن پاکستان کی جانب سے مسلسل رہنمائی اور تعاون کے بھی شکر گزار ہیں۔

کراچی: 7 مارچ، 2022

بورڈ کی جانب سے


Guillaume Valence (Mar 29, 2022 17:19 GMT+5)

گوئیلا می ویلنس

بورڈ کے چیئرمین



کلاؤ فگن

چیف ایگزیکٹو آفیسر

INDEPENDENT AUDITOR'S REPORT**To the members of Advans Pakistan Microfinance Bank Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of **Advans Pakistan Microfinance Bank Limited** (the Bank), which comprise the balance sheet as at December 31, 2021, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan, and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**A.F. FERGUSON & Co.**


We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Bank as required by the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Salman Hussain**.


A. F. Ferguson & Co.
Chartered Accountants
Dated: March 7, 2022
Karachi
UDIN: AR202110113gW70CUI18


ADVANS PAKISTAN MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2021


	Note	2021	2020
		-----Rupees-----	
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	6	259,926,324	115,127,880
Balances with other banks and microfinance banks	7	267,764,609	430,728,498
Investments	8	-	199,364,055
Advances - net of provisions	9	2,430,141,007	955,643,369
Operating fixed assets	10	239,372,574	159,539,611
Other assets	11	108,946,327	67,625,786
Deferred tax asset - net	12	65,086,908	55,809,807
Total assets		3,371,237,749	1,983,839,006
LIABILITIES			
Deposits and other accounts	13	2,272,272,578	1,055,182,575
Borrowings	14	100,000,000	225,000,000
Subordinated debt		-	-
Other liabilities	15	241,640,429	150,216,834
Deferred tax liabilities		-	-
Total liabilities		2,613,913,007	1,430,399,409
Net assets		757,324,742	553,439,597
REPRESENTED BY			
Share capital	16	1,725,163,100	1,575,163,100
Reserves		13,766,170	2,989,141
Depositors' protection fund		3,441,542	747,285
Accumulated losses		(985,760,739)	(1,026,174,598)
		756,610,073	552,724,928
Surplus / (deficit) on revaluation of assets		-	-
Deferred grant	17	714,669	714,669
		757,324,742	553,439,597
MEMORANDUM / OFF BALANCE SHEET ITEMS			
	18		


The annexed notes from 1 to 38 form an integral part of these financial statements.

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Guillaume Valence (Mar 7, 2022 16:57 GMT+5)
Chief Executive Officer


Chairman


Director


Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2021


	Note	2021	2020
		-----Rupees-----	
Mark-up / return / interest earned	19	774,970,662	449,811,719
Mark-up / return / interest expensed	20	(184,562,044)	(163,490,796)
Net mark-up / interest income		590,408,618	286,320,923
Provision against non-performing loans and advances - net	9.3	74,239,460	204,799,571
Provision for diminution in the value of investments		-	-
Bad debts written off directly		74,239,460	204,799,571
Net mark-up / return / interest income after provisions		516,169,158	81,521,352
Non mark-up / non interest income			
Fee, commission and brokerage income	21	110,931,594	41,659,297
Dividend income		-	-
Other income	22	31,315,281	18,777,029
Total non-mark-up / non-Interest income		142,246,875	60,436,326
		658,416,033	141,957,678
Non mark-up / non interest expenses			
Administrative expenses	23	600,524,503	396,495,246
Other provision / write offs		-	-
Other operating expenses / other charges	24	1,491,628	1,823,563
Total non mark-up / non interest expenses		602,016,131	398,318,809
Extra ordinary / unusual items		-	-
Profit / (loss) before taxation		56,399,902	(256,361,131)
Taxation - current	25	11,791,858	7,653,721
Taxation - prior	25	-	-
Taxation - deferred	25	(9,277,101)	(6,460,643)
		2,514,757	1,193,078
Profit / (loss) after taxation		53,885,145	(257,554,209)
Accumulated loss brought forward		(1,026,174,598)	(768,620,389)
		(972,289,453)	(1,026,174,598)
Appropriations			
Transfer to:			
Statutory reserve		(10,777,029)	-
Capital reserve		-	-
Depositors' protection fund		(2,694,257)	-
Revenue reserve		-	-
Proposed cash dividend		-	-
Accumulated loss carried forward		(985,760,739)	(1,026,174,598)
Earnings / (loss) per share - basic and diluted (Rupee)	26	0.32	(1.89)

The annexed notes from 1 to 38 form an integral part of these financial statements.

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Guillaume Valence (Mar 7, 2022 16:57 GMT+5)
Chief Executive Officer


Chairman


Director


Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021


	2021	2020
	-----Rupees-----	
Profit / (loss) for the year after taxation	53,885,145	(257,554,209)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	<u>53,885,145</u>	<u>(257,554,209)</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 38 form an integral part of these financial statements.

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Guillaume Valence (Mar 7, 2022 16:57 GMT+5)
Chief Executive Officer


Chairman


Director


Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Capital reserve	Statutory reserve	Depositors' protection fund	Accumulated losses	Total
	Rupees					
Balance as at December 31, 2019	1,290,163,100	-	2,989,141	747,285	(768,620,389)	525,279,137
Issuance of share capital	285,000,000	-	-	-	-	285,000,000
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(257,554,209)	(257,554,209)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(257,554,209)	(257,554,209)
Balance as at December 31, 2020	1,575,163,100	-	2,989,141	747,285	(1,026,174,598)	552,724,928
Issuance of share capital	150,000,000	-	-	-	-	150,000,000
Comprehensive income for the year						
Profit for the year	-	-	-	-	53,885,145	53,885,145
Transferred to statutory reserve	-	-	10,777,029	-	(10,777,029)	-
Transferred to depositors' protection fund	-	-	-	2,694,257	(2,694,257)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	10,777,029	2,694,257	40,413,859	53,885,145
Balance as at December 31, 2021	1,725,163,100	-	13,766,170	3,441,542	(985,760,739)	756,610,073

The annexed notes from 1 to 38 form an integral part of these financial statements.

AM 16


Guillaume Valence (Mar 7, 2022 16:57 GMT+5)

Chief Executive Officer



Chairman



Director



Director


ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021


	Note	2021	2020
		-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		56,399,902	(256,361,131)
Adjustments:			
Depreciation	10.2	28,605,706	25,181,605
Depreciation on right-of-use asset	10.2	24,477,194	22,662,686
Amortisation of intangible assets	10.3	1,704,286	1,526,029
Provision against non performing advances - net	9.3	74,239,460	204,799,571
(Gain) / loss on disposal of operating fixed assets	22	(568,938)	374,563
Financial charges on lease liability against right-of-use asset		12,419,830	13,115,181
		140,877,538	267,659,634
		197,277,440	11,298,503
(Increase) / decrease in operating assets			
Advances		(1,548,737,098)	74,270,761
Other assets		(41,320,541)	(6,221,564)
		(1,590,057,639)	68,049,197
Increase in operating liabilities			
Deposits and other accounts		1,217,090,003	101,463,408
Borrowings		(125,000,000)	(75,000,000)
Other liabilities (excluding current taxation)		44,828,917	(6,291,095)
		1,136,918,920	20,172,313
		(255,861,279)	99,520,013
Income tax paid		(11,434,730)	(8,285,824)
Net cash (used in) / generated from operating activities		(267,296,009)	91,234,189
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in operating fixed assets		(67,783,932)	(19,899,239)
Proceeds from the disposal of operating fixed assets		1,283,000	151,366
Net cash used in investing activities		(66,500,932)	(19,747,873)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use asset		(33,732,559)	(26,101,674)
Issuance of share capital	16.2.2	150,000,000	285,000,000
Net cash generated from financing activities		116,267,441	258,898,326
Net (decrease) / increase in cash and cash equivalents during the year		(217,529,500)	330,384,642
Cash and cash equivalents at the beginning of the year		745,220,433	414,835,791
Cash and cash equivalents at the end of the year	31	527,690,933	745,220,433

The annexed notes from 1 to 38 form an integral part of these financial statements.


Guillaume Valence (Mar 7, 2022 16:57 GMT+5)
Chief Executive Officer


Chairman


Director


Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 and service centre spread within the province of Sindh as disclosed in note 28 to these financial statements.

The Bank is a subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which holds 99.99% (December 31, 2020: 99.99%) share capital of the Bank.

- 1.2** The Bank's capital (free of losses) amounted to Rs 756.610 million as at December 31, 2021 (December 31, 2020: Rs 552.725 million) which is above the minimum capital requirements as at December 31, 2021.

2 BASIS OF PRESENTATION

These financial statements have been prepared in compliance with the format as prescribed under the Banking Surveillance Department (BSD) Circular No.11 dated December 30, 2003 issued by the State Bank of Pakistan.

3 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are 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 IFRS or IFAS, the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 and the said directives, shall prevail.

The SBP vide BSD Circular letter No.10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. Additionally, as the SBP has deferred the applicability of IFRS 9 to banks to accounting periods beginning on or after January 1, 2022, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

- 3.2** Standards, interpretations and amendments to accounting and reporting standards that have become effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on January 1, 2021 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 financial statements.

AMC

3.3 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

As per SBP's BPRD Circular Letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks in Pakistan effective January 1, 2022. The aforementioned circular letter required banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, it was stated that final instructions will be issued subsequently based on the results of parallel reporting of banks.

The Banks in Pakistan through the Pakistan Banks Association (PBA) have submitted their comments on instructions issued for parallel reporting and requested that those are addressed in the final instructions to be issued. The matters raised include retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, impact on Capital Adequacy Ratio (CAR), guidance on Significant Increase in Credit Risk (SICR) criteria, future tax impacts of any reversals, recording of Expected Credit Loss (ECL) on Government securities denominated in local currency, including further clarifications required in certain areas.

Due to the fact that final instructions have not yet been issued and there are a large number of reservations on the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as at December 31, 2021.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are, therefore, not detailed in these financial statements.

3.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- Depreciation methods, residual values and useful lives of property and equipment (notes 5.2.1 and 10.2).
- Valuation of right-of-use assets and their related lease liability (note 5.2.2).
- Taxation (notes 5.4, 12 and 25).
- Classification of investments (notes 5.5 and 8).
- Provision against non-performing advances (notes 5.3 and 9).
- Intangible assets valuation and amortization (notes 5.2.4 and 10.3).

Till December 31, 2019, the Bank was maintaining a general provision against its portfolio of loans and advances in accordance with the requirements of Prudential Regulations for MicroFinance Banks. Effective from January 1, 2020, the Bank has also started making a general provision against its portfolio of loans and advances which has been rescheduled / restructured as a result of COVID-19 as more fully explained in note 5.3 to these financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are same as those applied in the preparation of financial statements of the Bank for the year ended December 31, 2020.

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5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan, National Bank of Pakistan and with other banks in current and deposit accounts and short term highly liquid investment in Government securities with original maturity of three months or less.

5.2 Operating fixed assets

5.2.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged using the straight line method over the estimated useful lives of assets at the rates stated in note 10.2 to these financial statements. Depreciation on additions is charged from the month when the asset is available for use and on disposals upto the month preceding the month of disposal.

The assets residual values, useful lives and depreciation methods, are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised 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 the profit and loss account during the period in which they are incurred.

An item of fixed asset is derecognised 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 the profit and loss account.

5.2.2 Right-of-use assets and their related lease liability

5.2.2.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered till the month of disposal.

5.2.2.2 Lease liability against right-of-use assets

The lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

5.2.3 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 losses, if any.

5.2.4 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over their estimated useful lives at the rate mentioned in note 10.3.

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Amortisation on additions is charged from the month in which the assets are available for use while no amortisation is charged in the month in which the assets are disposed of.

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

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

5.2.5 Impairment

The Bank assesses at the 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 these are recorded in excess of their recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the profit and loss account.

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 recognised as income in the profit and loss account.

5.3 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 for Microfinance Banks issued by the State Bank of Pakistan and are charged to the profit and loss account. Advances are written off in accordance with the Prudential Regulations for Microfinance Banks or when there is no realistic prospect of recovery.

In addition, the Bank expects that several borrowers may be severely impacted by the COVID-19 pandemic. The potential impact of the economic stress is difficult to predict, as many of such borrowers have availed the SBP enabled deferment / restructuring and rescheduling relief. Hence, the management feels that it is appropriate to maintain an additional general provision of upto 15% on the portfolio that has applied for restructuring / rescheduling excluding gold loans.

5.4 Taxation

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

5.4.1 Current and prior year taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credits and rebates. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments finalised / made during the year.

5.4.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the reporting 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 reporting 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 utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

5.5 Investments

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity and available-for sale, as appropriate, based on the purpose for which these are acquired.

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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 in the profit and loss account.

All purchases and sales of investments that require delivery within the timeframe established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

Held-for-trading

These are 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 the profit and loss account.

Held-to-maturity

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

Available-for-sale

These are securities which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, all 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 acquisition of securities classified as "available-for-sale" and "held-to-maturity" is amortised using the effective interest method and taken to the profit and loss account.

Impairment loss in respect of investments categorised as available for sale and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. A significant or prolonged decline in the fair value of a listed equity investment below its cost is also considered an objective evidence of impairment. In case of impairment of "available for sale" securities, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Impairment on equity instruments is not reversed through profit and loss account.

5.6 Provisions

Provisions are recognised when the Bank has a present 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 reporting date and are adjusted to reflect the current best estimate.

5.7 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 till such time the reserve fund equals the paid-up capital of the Microfinance Bank; thereafter, a sum of not less than 5% of its annual profit after tax is required to be appropriated.

5.8 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.

5.9 Cash reserve

In compliance with the related regulatory requirements, the Bank is required to maintain a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank of Pakistan or its agent.

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5.10 Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 10% of its total demand and time liabilities with tenor of less than one year in form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purpose of determining liquidity.

5.11 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up on deposits is accrued on a time proportion basis.

5.12 Grants

The grant related to an asset is recognised in the balance sheet when there is a reasonable certainty that it will be received and the Bank will comply with the condition(s) 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 recognised in the profit and loss account on a systematic basis over the life of the asset.

5.13 Revenue recognition

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

5.14 Financial instruments

5.14.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised 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, amortised 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.

5.14.2 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.

5.14.3 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 amounts and the Bank intends either to settle on a net basis, or to realise 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.

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5.15 Foreign currency transactions and translations

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 reporting 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 the profit and loss account.

5.16 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

5.17 Earnings / (loss) per share

The Bank presents basic and diluted earnings / (loss) 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, 2021 and December 31, 2020.

5.18 Dividend and other appropriations

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

5.19 Staff retirement benefits

5.19.1 Contributory provident fund

The Bank operates an approved contributory provident fund for all employees. Monthly equal contributions are made to the fund by the Bank and the employees at the rate of 10% of basic salary.

	Note	2021	2020
		-----Rupees-----	
6 CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN			
Cash in hand		68,023,192	62,238,487
Balances with State Bank of Pakistan (SBP)	6.1	191,903,132	52,889,393
Balance with National Bank of Pakistan (NBP)		-	-
		<u>259,926,324</u>	<u>115,127,880</u>

6.1 These represent current accounts 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	2021	2020
		-----Rupees-----	
7 BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS			
In Pakistan:			
- Current accounts		9,239,159	556,271
- PLS deposit accounts	7.1	258,525,450	430,172,227
		<u>267,764,609</u>	<u>430,728,498</u>

7.1 These include deposits with commercial banks carrying mark-up rates ranging from 5.5% to 9.8% (2020: 5.5% to 11.2%) per annum.

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8 INVESTMENTS

8.1 Investments by type:

	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- Rupees -----				----- Rupees -----			
Held-to-maturity securities								
Federal Government Securities								
- Market Treasury Bills	-	-	-	-	199,364,055	-	-	199,364,055

8.2 Investments by segments:

	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- Rupees -----				----- Rupees -----			
Federal Government Securities								
- Market Treasury Bills	-	-	-	-	199,364,055	-	-	199,364,055

9 ADVANCES - NET OF PROVISIONS

	Note	2021		2020	
		Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
		----- Rupees -----		----- Rupees -----	
Micro credit	9.1	15,163	2,494,002,194	8,564	1,074,441,467
Less: Provision held					
- Specific	9.1 & 9.2	592	31,273,053	755	38,987,407
- General	9.3	-	32,588,134	-	79,810,691
			(63,861,187)		(118,798,098)
			<u>2,430,141,007</u>		<u>955,643,369</u>

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

9.2 Particulars of non-performing advances

Advances include Rs 77,710,689 (2020: Rs 95,530,575) which have been placed under non-performing status as detailed below:

Category of classification	2021			2020		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- Rupees -----			----- Rupees -----		
Other assets especially mentioned	16,193,767	-	-	29,917,208	-	-
Substandard	12,356,466	3,044,913	3,044,913	13,718,758	3,329,364	3,329,364
Doubtful	39,997,366	19,941,804	19,941,804	25,399,156	11,303,808	11,303,808
Loss	9,163,090	8,286,336	8,286,336	26,495,453	24,354,235	24,354,235
	<u>77,710,689</u>	<u>31,273,053</u>	<u>31,273,053</u>	<u>95,530,575</u>	<u>38,987,407</u>	<u>38,987,407</u>

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9.3 Particulars of provision against non-performing advances

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

	2021			2020		
	Specific	General	Total	Specific	General	Total
	(Note 9.3.1)			(Note 9.3.1)		
	Rupees			Rupees		
Opening balance	38,987,407	79,810,691	118,798,098	23,342,151	11,535,099	34,877,250
Charge for the year						
- On non-performing advances	124,399,996	20,604,529	145,004,525	143,540,078	74,510,367	218,050,445
Reversals	(2,937,979)	(67,827,086)	(70,765,065)	(7,016,099)	(6,234,775)	(13,250,874)
	121,462,017	(47,222,557)	74,239,460	136,523,979	68,275,592	204,799,571
Amount written off	(129,176,371)	-	(129,176,371)	(120,878,723)	-	(120,878,723)
Closing balance	31,273,053	32,588,134	63,861,187	38,987,407	79,810,691	118,798,098

- 9.3.1 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. General provision also includes Rs. 10.47 million (2020: Rs. 70.49 million) as discussed in note 5.3 to these financial statements.

	Note	2021	2020
		Rupees	
9.4 Particulars of write offs:			
Against provisions		129,176,371	120,878,723
Directly charged to profit and loss account		-	-
		129,176,371	120,878,723

10 OPERATING FIXED ASSETS

Capital work-in-progress	10.1	20,061,440	5,996,197
Property and equipment	10.2	216,157,707	150,261,491
Intangible assets	10.3	3,153,427	3,281,923
		239,372,574	159,539,611

10.1 Capital work-in-progress

Civil works	41,245	-
Equipment	16,461,344	996,197
Advances to suppliers and contractors	3,558,851	5,000,000
	20,061,440	5,996,197

10.2 Property and equipment

	2021							Annual rate of depreciation
	COST			DEPRECIATION			Net book value at December 31, 2021	
	At January 01, 2021	Additions / (disposal)	At December 31, 2021	At January 01, 2021	Charge for the year / disposal	At December 31, 2021		
	Rupees						%	
Owned								
Leasehold Improvements	47,235,299	13,520,233	60,755,532	19,654,657	5,344,913	24,999,570	35,755,962	10
Furniture and fixtures	19,218,073	4,471,581	23,689,654	12,617,228	2,873,564	15,490,790	8,198,864	20
Office and other equipment	58,552,025	13,150,550	71,702,575	36,193,454	9,565,563	45,759,017	25,943,558	20
Computer equipment	65,640,694	20,767,535	86,408,229	52,196,026	10,282,000	62,478,026	23,930,203	33
Vehicles	15,369,250	233,000 (1,647,836)	13,954,414	8,802,101	539,666 (933,774)	8,407,993	5,546,421	20
Right-of-use asset	113,965,669	67,550,279	181,515,948	40,256,055	24,477,194	64,733,249	116,782,699	13 - 100
	319,981,010	119,693,178 (1,647,836)	438,026,352	169,719,519	53,082,900 (933,774)	221,868,645	216,157,707	

	2020						Net book value at December 31, 2020	Annual rate of depreciation
	COST			DEPRECIATION				
	At January 01, 2020	Additions / (disposal)	At December 31, 2020	At January 01, 2020	Charge for the year / disposal	At December 31, 2020		
	Rupees							%
Owned								
Leasehold improvements	47,027,812	207,487	47,235,299	14,931,633	4,723,024	19,654,657	27,580,642	10
Furniture and fixtures	18,362,840	855,233	19,218,073	9,889,333	2,727,893	12,617,226	6,600,847	20
Office and other equipment	57,076,955	2,847,070 (1,372,000)	58,552,025	28,137,528	8,901,997 (846,071)	36,193,454	22,358,571	20
Computer equipment	56,910,697	8,729,997	65,640,694	43,889,235	8,306,791	52,196,026	13,444,668	33
Vehicles	15,309,276	59,974	15,369,250	8,280,201	521,900	8,802,101	6,567,149	20
Right-of-use asset	108,268,150	9,378,522 (3,681,003)	113,965,669	21,274,373	22,662,685 (3,681,003)	40,256,055	73,709,614	13 - 100
	302,955,730	22,078,283 (5,053,003)	319,981,010	126,402,303	47,844,290 (4,527,074)	169,719,519	150,261,491	

10.2.1 Property and equipment include assets costing Rs 71,839,497 (2020: Rs. 69,382,707) which are fully depreciated and are still in use.

10.2.2 The disposal relates to vehicle (Corolla XLI / BBJ-251) costing Rs1,647,836 with book value of Rs 714,062. The car was sold for Rs 1,150,000 through tender to the same employee who was using the car.

10.3 Intangible assets

	2021						Net book value at December 31, 2021	Annual rate of amortisation
	COST			AMORTISATION				
	At January 01, 2021	Additions	At December 31, 2021	At January 01, 2021	Charge for the year	At December 31, 2021		
	Rupees							
Core banking application and other licenses	56,704,385	-	56,704,385	54,541,276	329,266	54,870,542	1,833,843	25
Computer software	8,468,707	1,575,790	10,044,497	7,349,893	1,375,020	8,724,913	1,319,584	25
	65,173,092	1,575,790	66,748,882	61,891,169	1,704,286	63,595,455	3,153,427	

	2020							Annual rate of amortisation
	COST			AMORTISATION			Net book value at December 31, 2020	
	At January 01, 2020	Additions	At December 31, 2020	At January 01, 2020	Charge for the year	At December 31, 2020		
	Rupees							
							%	
Core banking application and other licenses	54,828,607	1,875,778	56,704,385	53,698,195	843,081	54,541,276	2,163,109	25
Computer software	8,317,507	151,200	8,468,707	6,666,945	682,948	7,349,893	1,118,814	25
	63,146,114	2,026,978	65,173,092	60,365,140	1,526,029	61,891,169	3,281,923	

10.3.1 Intangible assets include software costing Rs 60,527,138 (2020: Rs 58,218,532) which are fully amortised and still in use.

	2021	2020
	-----Rupees-----	
11 OTHER ASSETS		
Mark-up / return / interest accrued	74,581,739	43,438,741
Prepayments for		
- rent	8,329,066	9,699,476
- insurance	3,323,056	1,287,026
- others	11,016,966	4,643,411
Advances to staff	3,304,179	4,713,181
Security deposits	7,262,180	3,054,780
Accrued income on PLS savings account	574,631	270,139
Others	554,510	519,032
	108,946,327	67,625,786

12 DEFERRED TAX ASSET - NET

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

	2021	2020
	-----Rupees-----	
Deductible temporary differences arising in respect of		
- Unabsorbed tax depreciation and amortisation	65,565,778	55,235,072
- Property and equipment	106,876	(700,256)
	<u>65,672,654</u>	<u>55,935,328</u>
Taxable temporary differences arising due to		
- Intangible assets	(585,746)	(125,521)
	<u>(585,746)</u>	<u>(125,521)</u>
	<u>65,086,908</u>	<u>55,809,807</u>

- 12.1** The Bank has unabsorbed tax loss of Rs 713,068,577 [including unabsorbed tax depreciation and amortisation amounting to Rs 226,088,890] as at December 31, 2021. The management has recognised deferred tax asset of Rs 65,565,778 (2020: Rs 55,235,072) on unabsorbed tax depreciation and amortisation. 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.

13 DEPOSITS AND OTHER ACCOUNTS

	2021		2020	
	Number of accounts	Rupees	Number of accounts	Rupees
Fixed deposits	526	1,319,281,283	522	756,243,582
Saving deposits	1,275	861,648,789	1,191	250,688,005
Current deposits	42,204	91,342,506	32,105	48,250,988
	<u>44,005</u>	<u>2,272,272,578</u>	<u>33,818</u>	<u>1,055,182,575</u>

13.1 Particulars of deposits by ownership

Individual depositors	43,816	1,628,323,075	33,625	1,032,043,512
Institutional depositors				
- Corporation / firms etc.	189	643,949,503	193	23,139,063
- Banks and financial institutions	-	-	-	-
	<u>44,005</u>	<u>2,272,272,578</u>	<u>33,818</u>	<u>1,055,182,575</u>

	Note	2021	2020
		-----Rupees-----	
14 BORROWINGS			
Borrowings from Banks / Financial Institutions in Pakistan	14.1 & 14.2	<u>100,000,000</u>	<u>225,000,000</u>

14.1 Details of borrowings from financial institutions

Secured			
Borrowing from Non-Banking Finance Company (NBFC)	14.2	<u>100,000,000</u>	<u>225,000,000</u>

- 14.2** 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. The Bank was entitled to obtain this facility during the period from July 1, 2018 till June 30, 2019 as per the agreement. The Bank has availed full facility in four tranches, two of Rs. 50 million each in 2019 and two further tranches of Rs. 100 million each in the prior 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 and is repayable by September 2020. During the year 2020, an amendment agreement has been executed and the bank was required to make payment in three installments of Rs 75 million each on March 31, 2021, June 30, 2021 and September 30, 2021. During the current year Bank entered into another similar agreement with PMIC for a term finance facility of upto Rs. 300 million. Bank has received first tranche of Rs. 100,000,000 as at December 31, 2021.

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	Note	2021	2020
		-----Rupees-----	
15 OTHER LIABILITIES			
Mark-up / return / interest payable		19,311,658	31,335,482
Accrued expenses		48,905,151	37,690,103
Payable to related parties	15.1	43,638,191	2,796,208
Withholding tax payable		5,553,530	1,736,208
Provident fund payable		832,372	-
Payable to employee old age benefit institution		300,508	154,492
Current taxation (provisions less payments)		962,909	605,781
Lease liability against right-of-use assets		122,135,710	75,898,160
Others		400	400
		<u>241,640,429</u>	<u>150,216,834</u>

15.1 This represents amounts of Rs 40,841,983 (December 31, 2020: Rs. Nil), Rs 2,789,881 (December 31, 2020: Rs 2,789,881) and Rs 6,327 (December 31, 2020: Rs 6,327) payable to Advans International - related party, Advans S.A. Sicar - Holding Company and FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands respectively

16 SHARE CAPITAL

16.1 Authorised capital

2021	2020		2021	2020
Number of shares			-----Rupees-----	
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs 10 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>

16.2 Issued, subscribed and paid-up share capital

2021	2020		2021	2020
Number of shares			-----Rupees-----	
<u>172,516,310</u>	<u>157,516,310</u>	Ordinary shares of Rs 10 each fully paid in cash	<u>1,725,163,100</u>	<u>1,575,163,100</u>

16.2.1 Share capital has been subscribed by the following:

	Note	2021	2020
		Number of shares	
Advans S.A. Sicar - Luxembourg	16.3	172,516,308	157,516,308
Steven Duchatelle - Director Advans Pakistan Microfinance Bank Limited		1	1
Claude Falgon - Chairman Advans Pakistan Microfinance Bank Limited		1	1
		<u>172,516,310</u>	<u>157,516,310</u>

16.2.2 Movement in issued, subscribed and paid-up share capital

	2021			2020			2021	2020
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	----- Number of shares -----						----- Rupees -----	
Opening	157,516,310	-	157,516,310	129,016,310	-	129,016,310	1,575,163,100	1,290,163,100
Shares issued during the year	15,000,000	-	15,000,000	28,500,000	-	28,500,000	150,000,000	285,000,000
	<u>172,516,310</u>	<u>-</u>	<u>172,516,310</u>	<u>157,516,310</u>	<u>-</u>	<u>157,516,310</u>	<u>1,725,163,100</u>	<u>1,575,163,100</u>

- 16.3 This represent shares owned by the holding company and have been deposited in blocked account with the Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MFI-012 dated June 28, 2012.

	2021	2020
	-----Rupees-----	
17 DEFERRED GRANT		
Opening balance	714,669	714,669
Grant received during the year from:		
State Bank of Pakistan	-	-
Grant income recognised during the year	-	-
	<u>714,669</u>	<u>714,669</u>
18 MEMORANDUM / OFF BALANCE SHEET ITEMS		
Bills for collection	-	-
Acceptances, Endorsements And Other		
Obligations Contingent Liabilities	-	-
Commitments for fixed capital expenditure	-	-
	<u>-</u>	<u>-</u>
18.1 There were no contingencies as at December 31, 2021 and December 31, 2020		
19 MARK-UP / RETURN / INTEREST EARNED		
Interest / mark-up on:		
Advances	749,411,330	418,667,398
Government Securities - Market Treasury bills	12,462,693	17,117,120
Banks and financial institutions		
- Deposit accounts	13,096,639	14,027,201
	<u>774,970,662</u>	<u>449,811,719</u>
20 MARK-UP / RETURN / INTEREST EXPENSED		
Interest / mark-up on deposits	171,549,647	132,607,542
Interest / mark-up on borrowing	13,012,397	30,883,254
	<u>184,562,044</u>	<u>163,490,796</u>
21 FEE, COMMISSION AND BROKERAGE INCOME		
Loan processing fee	100,965,514	28,471,471
Other fee and commission	9,966,080	13,187,826
	<u>110,931,594</u>	<u>41,659,297</u>
22 OTHER INCOME		
Recoveries against write-offs	21,189,641	5,239,422
Recoveries from Credit Guarantee Scheme	3,779,800	6,007,020
Liabilities no longer required written back	5,703,306	7,490,009
Gain on disposal of operating fixed assets	568,938	-
Others	73,596	40,578
ALL	<u>31,315,281</u>	<u>18,777,029</u>

	Note	2021	2020
		-----Rupees-----	
23 ADMINISTRATIVE EXPENSES			
Salaries and other allowances	23.1 & 23.2	291,763,703	199,287,054
Staff welfare		3,251,369	1,633,767
Non executive directors' fees, allowances and other expenses		900,000	900,000
Training and business development		3,901,415	726,360
Rent, rates and taxes		11,215,625	14,070,085
Legal and professional charges		7,888,888	5,580,206
Utilities		15,979,472	10,250,634
Communications		13,127,612	8,782,558
Repairs and maintenance - others		19,685,036	14,756,866
Repairs and maintenance - Vehicles		14,647,427	6,268,962
Financial charges on lease liability against right-of-use asset		12,419,830	13,115,181
Fuel for generator		11,178,410	9,500,184
Insurance		13,231,778	9,442,244
Travelling and conveyance		14,029,613	5,016,333
Printing and stationery		7,341,686	5,532,900
Fees and subscription		14,403,185	10,916,405
Technical assistance fee	23.4	39,450,356	-
Security charges		14,826,800	11,607,744
Advertisement and publicity		10,611,788	3,838,279
Auditors' remuneration	23.3	2,857,376	2,612,189
Depreciation	10.2	28,605,706	25,181,605
Depreciation of Right-of-use-asset	10.2	24,477,194	22,662,685
Amortisation of intangible assets	10.3	1,704,286	1,526,029
Bank charges		3,703,703	2,129,538
Office supplies		68,284	94,828
Janitorial charges		7,300,377	4,445,228
Other expenses		11,953,584	6,617,382
		<u>600,524,503</u>	<u>396,495,246</u>

23.1 This includes amount of Rs 155,741,352 (2020: Rs 108,663,981) relating to remuneration of key management personnel.

23.2 This includes amount of Rs 6,035,694 (2020: Rs 5,814,221) related to Provident Fund.

	Note	2021	2020
		-----Rupees-----	
23.3 Auditors' remuneration			
Audit fee		1,567,501	1,425,001
Half-yearly review fee		770,000	700,000
Fee for other certifications		200,000	200,000
		<u>2,537,501</u>	<u>2,325,001</u>
Sindh sales tax		203,000	186,000
Out of pocket expenses		116,875	101,188
		<u>2,857,376</u>	<u>2,612,189</u>

23.4 This represents amount of Rs 39,646,711 payable to Advans International - related party, for providing support and maintenance services to the bank related to the use of management information system (Orbit)

	Note	2021	2020
		-----Rupees-----	
24 OTHER OPERATING EXPENSES / OTHER CHARGES			
Exchange loss		1,391,628	-
Loss on disposal of operating fixed assets		-	374,563
Penalties imposed by State Bank of Pakistan	24.1	100,000	1,449,000
		<u>1,491,628</u>	<u>1,823,563</u>

24.1 This represents penalty imposed by the State Bank of Pakistan on account of issuance of unprocessed banknotes to Public / Bank Branches.

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25 TAXATION	Note	2021	2020
		-----Rupees-----	
For the year			
- Current	25.1	11,791,858	7,653,721
- Prior		-	-
- Deferred	25.2	(9,277,101)	(6,460,643)
		<u>2,514,757</u>	<u>1,193,078</u>

25.1 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.

25.2 Deferred tax debit balance represents benefit of tax losses relating to prior years which relate to unabsorbed depreciation and amortisation and can be carried forward for an indefinite period.

26 EARNINGS / (LOSS) PER SHARE

26.1 Basic

Earnings / (loss) for the year	Rupees	53,885,145	(257,554,209)
Weighted average number of ordinary shares	Number	168,488,913	136,419,050
Earnings / (loss) per share	Rupee	0.32	(1.89)

26.2 Diluted

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

27 NUMBER OF EMPLOYEES

	2021			2020		
	Credit / Sales staff	Banking / Support staff	Total	Credit / Sales staff	Banking / Support staff	Total
	-----Number-----			-----Number-----		
Permanent	88	189	277	77	136	213
Contractual	128	4	132	36	-	36
	<u>216</u>	<u>193</u>	<u>409</u>	<u>113</u>	<u>136</u>	<u>249</u>

27.1 Average number of employees during the year were 221 (2020: 263).

28 NUMBER OF BRANCHES

	2021		2020	
	Branches	Service Centre	Branches	Service Centre
At the beginning of the year	13	-	13	-
Add: Opened during the year	1	-	-	-
At the end of the year	<u>14</u>	<u>-</u>	<u>13</u>	<u>-</u>

29 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		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	-----Rupees-----		-----Rupees-----		-----Rupees-----	
Fee	-	-	900,000	900,000	-	-
Managerial remuneration	16,259,310	15,565,992	-	-	49,708,483	35,220,836
Contribution to defined contribution plan	-	-	-	-	4,149,641	2,937,516
Rent and house maintenance	10,130,899	6,105,472	-	-	23,228,409	15,035,175
Special Allowance	-	-	-	-	8,248,188	5,479,189
Utilities	2,809,486	2,577,654	-	-	9,506,067	6,536,936
Medical	1,625,856	1,556,592	-	-	4,970,824	3,522,105
Conveyance Allowance	-	-	-	-	-	-
Other benefits	12,342,116	13,427,705	-	-	28,186,621	11,459,157
	<u>43,167,667</u>	<u>39,233,415</u>	<u>900,000</u>	<u>900,000</u>	<u>127,998,233</u>	<u>80,190,714</u>
Number of persons during the year	1	1	2	2	92	52

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- 29.1 The Chief Executive Officer (CEO) and head of departments are provided with free use of Bank's maintained car.

30 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.

Transactions with related parties have been specifically disclosed in the relevant notes to the financial statements.

	Note	2021	2020
		-----Rupees-----	
31 CASH AND CASH EQUIVALENTS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	6	259,926,324	115,127,880
Balances with other banks and microfinance banks in current and deposit accounts	7	267,764,609	430,728,498
Market treasury bills	8	-	199,364,055
		<u>527,690,933</u>	<u>745,220,433</u>

32 CAPITAL RISK MANAGEMENT

- 32.1 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.

32.2 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.

32.3 Statutory minimum capital requirement and management of capital

- 32.3.1 The minimum paid up capital requirement (MCR), free of losses, for Microfinance Banks operating at provincial level is Rs 500,000,000. As of December 31, 2021, the share capital of the Bank stood at Rs 1,725,163,100 (2020: 1,575,163,100) and paid up capital of the Bank free of losses is Rs 756,610,073. Hence, the Bank is in compliance with the aforesaid requirement.

- 32.3.2 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" as required by the Prudential Regulations for Microfinance Banks / Institutions which is 15% of risk weighted assets. The calculation of capital adequacy enables the Bank to assess the long-term financial viability. As the Bank has plans to establish a wide network of branches to conduct business therefore, it is critical that the Bank is able to continuously monitor the exposure across the entire organisation.

The Bank manages its capital structure and makes adjustments to it in the 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, 2021, the Bank's net equity and Capital Adequacy Ratio stood at Rs756,610,073 (2020: Rs 552,724,928) and 26.07% (2020: 38.12%) respectively as against the minimum requirement of Rs 500,000,000 and 15% prescribed by the SBP.

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33 FINANCIAL ASSETS AND LIABILITIES

2021							
Effective yield / Interest rate	Interest bearing				Sub total	Non-interest bearing financial instruments	Total
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years			

Rupees

Financial assets

Cash and balances with State Bank

of Pakistan and National Bank of Pakistan

Balances with other banks							
and microfinance banks	5.5% - 9.8%	258,525,450	-	-	-	258,525,450	9,239,159
Advances - net of provisions	28% - 49%	436,340,297	1,031,821,390	961,979,320	-	2,430,141,007	-
Other assets		-	-	-	-	86,277,239	86,277,239
		694,865,747	1,031,821,390	961,979,320	-	2,688,666,457	355,442,722
							3,044,109,179

Financial liabilities

Deposits and other accounts

Borrowings

Other liabilities

	8.5% - 14.5%	1,375,181,089	802,748,983	3,000,000	-	2,180,930,072	91,342,506
	Kibor + 4%	100,000,000	-	-	-	100,000,000	-
		24,924,077	28,371,865	62,303,169	-	115,599,111	112,687,772
		1,500,105,166	831,120,848	65,303,169	-	2,396,529,183	204,030,278
							2,600,559,461

2020							
Effective yield / Interest rate	Interest bearing				Sub total	Non-interest bearing financial instruments	Total
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years			

Rupees

Financial assets

Cash and balances with State Bank

of Pakistan and National Bank of Pakistan

Balances with other banks							
and microfinance banks	5.5% - 11.2%	430,172,227	-	-	-	430,172,227	556,271
Investments	13.41% - 13.42%	199,364,055	-	-	-	199,364,055	-
Advances - net of provisions	30% - 49%	173,397,068	297,197,266	485,049,035	-	955,643,369	-
Other assets		-	-	-	-	51,995,873	51,995,873
		802,933,350	297,197,266	485,049,035	-	1,585,179,651	167,680,024
							1,752,859,675

Financial liabilities

Deposits and other accounts

Borrowings

Other liabilities

	8% - 17%	478,984,383	517,412,204	10,535,000	-	1,006,931,587	48,250,988
	Kibor + 4%	225,000,000	-	-	-	225,000,000	-
		12,380,728	11,425,055	52,092,377	-	75,898,160	71,822,193
		716,365,111	528,837,259	62,627,377	-	1,307,829,747	120,073,181
							1,427,902,928

33.1 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 including markup 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 balances can be assessed with reference to external credit ratings as follows:

	Rating Agency	Short Term Rating	Long Term Rating
United Bank Limited	VIS	A-1+	AAA
Habib Bank Limited	VIS	A-1+	AAA
Samba Bank Limited	VIS	A-1	AA
Allied Bank Limited	PACRA	A1+	AAA
Bank of Punjab	PACRA	A1+	AA+

The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrower's credit worthiness and identify potential problem loans. The Bank follows SBP provisioning policy therefore, the provision held is considered to be adequate to cover any anticipated loss that may arise due to the default of customers. Moreover, the Bank has also created an additional general provision of Rs 10.47 million in respect of its restructured / rescheduled loans under COVID-19 as more fully explained in note 5.3 of these financial statements.

33.2 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 assets. At present the Bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

33.3 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 as it does not hold any equity instruments. The exposure of the Bank to the other two risks and their management are explained below:

33.3.1 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 in Treasury Bills and balances with other banks. The Bank's interest rate exposure is low due to the short term nature of the majority of business transactions.

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit for the year and shareholders equity by Rs 2.23 million (2020: Rs 3.01 million). This analysis assumes that all other variables remain constant. This analysis is performed on the same basis as for 2020.

33.3.2 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. At December 31, 2021, the Bank is not exposed to currency risk.

33.3.3 Other price risk

The Bank is not currently exposed to other price risk.

33.4 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).

As at year end, there are no financial instruments carried at fair value which require classification in the above mentioned levels.

There were no transfers between level 1 and 2 during the year.

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

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34 RISK MANAGEMENT FRAMEWORK

34.1 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to the customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

34.2 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak. The Bank has created an additional general provision of Rs 10.473 million in respect of its restructured / rescheduled loans under COVID-19 as more fully explained in note 5.3 to these financial statements.

34.3 Liquidity Risk Management

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

35 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	2021				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
Market rate assets					
Advances - net of provisions	2,430,141,007	32,218,546	404,121,751	1,031,821,390	961,979,320
Other earning assets	258,525,450	258,525,450	-	-	-
Total market rate assets	2,688,666,457	290,743,996	404,121,751	1,031,821,390	961,979,320
Other non-earning assets	682,571,292	269,165,483	-	108,946,327	304,459,482
Total assets	3,371,237,749	559,909,479	404,121,751	1,140,767,717	1,266,438,802
Market rate liabilities					
Deposits	2,272,272,578	1,117,918,695	348,604,900	802,748,983	3,000,000
Borrowings	100,000,000	-	-	-	100,000,000
Total market rate liabilities	2,372,272,578	1,117,918,695	348,604,900	802,748,983	103,000,000
Other non-interest bearing liabilities	241,640,429	130,001,970	20,963,425	28,371,865	62,303,169
Total liabilities	2,613,913,007	1,247,920,665	369,568,325	831,120,848	165,303,169

	2020				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
Market rate assets					
Advances - net of provisions	955,643,369	26,003,099	147,393,969	297,197,266	485,049,035
Other earning assets	629,536,282	430,172,227	199,364,055	-	-
Total market rate assets	1,585,179,651	456,175,326	346,758,024	297,197,266	485,049,035
Other non-earning assets	398,659,355	115,684,151	-	67,625,786	215,349,418
Total assets	1,983,839,006	571,859,477	346,758,024	364,823,052	700,398,453
Market rate liabilities					
Deposits	1,055,182,575	349,941,993	177,293,378	517,412,204	10,535,000
Borrowings	225,000,000	-	150,000,000	75,000,000	-
Total market rate liabilities	1,280,182,575	349,941,993	327,293,378	592,412,204	10,535,000
Other non-interest bearing liabilities	150,216,834	74,318,674	12,380,728	11,425,055	52,092,377
Total liabilities	1,430,399,409	424,260,667	339,674,106	603,837,259	62,627,377

36 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year:

Reclassification from	Reclassified to	For the year ended December 31, 2020
		-----Rupees-----
Rent, rates and taxes	Salaries and other allowances	7,510,458
Utilities	Salaries and other allowances	1,287,441
Communications	Salaries and other allowances	78,339
Repairs and maintenance	Salaries and other allowances	319,025
Travelling and conveyance	Salaries and other allowances	1,842,662
Security charges	Salaries and other allowances	582,223
Legal and professional	Salaries and other allowances	40,000

37 GENERAL

37.1 As prescribed by BSD circular No. 11, dated December 30, 2003, except for the captions of the balance sheet and profit and loss account, cash flow statement and statement of changes in equity, captions in respect of which there are no amounts have not been reproduced in these financial statements.

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

38 DATE OF AUTHORISATION

These financial statements were authorised for issue on March 07, 2022 by the Board of Directors of the Bank.

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Guillaume Valence (Mar 7, 2022 16:57 GMT+5)

Chief Executive Officer



Chairman



Director



Director