

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, 2020.

Economic Review

The rapid spread of COVID-19 and sharp deterioration in global economic outlook created severe economic and financial shock for many countries around the world, leading to a sudden halt in economic activity aggravated by subsequent preventive measures of country-wide and localized lock downs, business restrictions and social distancing norms. Various restrictive measures have been re-instated as COVID-19 pandemic has continued to surge around the World. Although Global economic activity is recovering again by exploring new frontiers. In synchronization with the Global trend, Pakistan's economy has witnessed a contraction by 0.4% in 2020 compared to a Gross Domestic Product (GDP) growth rate of 1.9% during 2019.

Support from the International Monetary Fund (IMF) emergency financing under the Rapid Financing Instrument (USD 1.39bn) in April 2020 provided strong support to the authorities' emergency policy response, preserving fiscal space for essential health spending, shoring up confidence and catalyzing additional donor support. Pakistan also received approval for its participation in the G-20's Debt Service Suspension Initiative (DSSI), which will materially lower FY21 debt repayments to bilateral creditors.

State Bank of Pakistan (SBP) adopted timely measures, including lowering of the policy rate (625 bps since March 2020) and new refinancing facilities, to support liquidity, credit conditions and safeguarding of financial stability. Under the SBP relief package, loan repayments amounting to more than Pakistani Rupee (PKR) 650bn have been deferred along with disbursement of PKR ~238bn in payroll support facilities for Corporate/ SME sector

Current account has witnessed a surplus for five consecutive months of FY 2020-21 leading to a surplus of US\$ 1,131 million during first Half of FY 2020-21 as compared to a deficit of US\$ 2,032 during July-December FY 2019-20; registering a growth of 156%. Trade deficit has contracted by 8% and amounted to US\$ 12,381 million during first half of FY 2020-21. Strong Workers' Remittances have proved to be yet another key savior for the current account, which has amounted to US\$ 14,203 million during first half of FY 2020-21 registering a robust growth of 25% as compared to US\$ 11,371 million during the corresponding period of last year. Consumer price index (CPI) under new base methodology has increased by 7.8% over 2020 as compared to 12.6% in 2019 .

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The decline is primarily driven by largely stable core inflation in line with subdued underlying demand in the economy.

The sizable current account surplus and manageable economic outlook have supported a 5% appreciation in the US\$ PKR parity since June 2020. Pakistan's Fiscal Deficit for the quarter ended September 2020 amounted to Rs. 484,324 million, i.e., -1.1% of GDP as compared to a deficit of Rs. 286,024 million -0.7% of GDP same period last year. In spite of higher debt repayments due this year, Foreign exchange reserves (FX) are anticipated to be sustained at the current position owing to expected receipt of third tranche of US\$ 450 million from IMF upon successful review and Eurobond issuance in coming months along with G-20 debt relief.

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.

Amidst the inert business environment, the portfolio decreased by 22% during the year and more than 80% of the portfolio applied for SBP relief program quality deteriorated with respect to previous year with PAR 30 standing at 8.3% at end of December, which translated into a cost of risk of 15.91% of the average portfolio over 2020. Consequently, write-offs also increased during the year to PKR 120.87 million.

During 2020, disbursements of PKR 1,304.43 million were made to 7,278 borrowers with the gross portfolio of PKR 1,074.44 million at December 31, 2020. The bank was able to grow its deposit portfolio in 2020 by PKR 101.463 million. The Bank closed the year with a deposit base of PKR 1,055.18 million.

On account of the continuous support from the Group, during the year TA services worth of Euro 550k, were provided free of charge. This support was instrumental for the bank's operations.

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.

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Financial Review

The Bank posted a loss before taxes of PKR 256.36 million (2019: profit PKR 0.43 million) during the year 2020 which was due to low business activities resulting from the corona virus pandemic. Management estimate that it is appropriate to maintain an additional general provision up to 15% on the portfolio that has applied for restructuring / rescheduling excluding gold loans and Non Grace period clients. In this regard APMBL has recognized an additional provision of PKR 70.49 million in the profit and loss account.

Interest income during the year amounted to PKR 449.81 million of which PKR 14.03 million (3.12% of interest earned) was earned on deposits with other banks, while earnings from the loan portfolio of PKR 418.67 million accounted for 93.08% of total interest. The Bank also earned 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 2020 was PKR 552.72 million (2019: 525.28 million). The loss per share for the year ended December 31, 2020 was (1.89) (2019 profit per share: 0.12).

APMBL obtained PKR 300 million financing from Pakistan Microfinance Investment Company Limited (PMICL) in 2018 and started the repayment of the principal from the last quarter of 2019. In 2020 after the start of COVID crisis, due to uncertain situation APMBL rescheduled the remaining financing facility of PKR 225 million from PMICL for the period of one year and the repayment of the principle will resume from April 2021. However, the payment of the interest during this period was furnished on time.

The Bank has recognized additional PKR 6.46 million of deferred tax asset (DTA) taking the total to PKR 55.81 million. The DTA recognized pertains to unabsorbed tax depreciation and amortization as at December 31, 2020. 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, due to operational losses, the equity of the bank was close to the level of minimum amount of PKR 500 million on three occasions. In order to ensure compliance with MCR, three equity injections were done, detail of which is tabulated below:

Number of share	Price	Amount	Date
5,000,000	10	50,000,000	March 30, 2020
1,000,000	10	10,000,000	July 03, 2020
22,500,000	10	225,000,000	September 28, 2020

Subsequent to the year end, another right issue of 15,000,000 shares @ PKR 10 was issued, aimed to restore the MCR against the operational losses. The said

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equity injection is expected to cover the operational losses until the Bank breaks even.

Future Outlook

Due to the timely measures taken by the government to curtail the spread of the Coronavirus and to support the economy, 2021 is expected to witness a quick economic recovery in Pakistan. The main challenge that the government currently faces is to stimulate growth without significantly increasing the inflationary pressures in the economy.

The target for 2021 is to accelerate GLP growth, by focusing on productivity in numbers, increase of the average loan size, further reduction of CROs turnover, and of course dedicated efforts to circumvent the increase in cost of risk expected while we exit the crisis period. Further APMBL will not undertake significant geographical expansion nor important diversification projects, but maintain its focus on serving urban entrepreneurs with adapted and efficient services.

In terms of deposit mobilization, the focus of 2021 will be on savings account and term deposits mobilization from a different target market with a particular attention to foster deposit stability.

The loan portfolio is expected to grow significantly in 2021 and cross the PKR 2.3 billion mark by the end of the year. Driven by related increase in revenue from lending activities, APMBL is expected to achieve monthly financial break-even by October 4th quarter.

Parent Company

As of December 31, 2020 Advans SA, SICAR holds 99.999% shares of APMBL. Advans SA is incorporated in Luxembourg with its operating headquarters in Paris. On February 17, 2020, entire shareholding of APMBL shares owned by FMO, 25% of the total shares of APMBL, were transferred to Advans SA and consequently APMBL became a wholly owned subsidiary of Advans SA, SICAR.

Paid-up Capital

The Bank's paid-up capital as at December 31, 2020 was PKR 1,575 million.

Board of Directors

During the year 2020 the all the directors were reelected in the election of the board of directors held in the month of March.

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

- Mr. Claude FALGON - Chairman
- Mr. Steven DUCHATELLE – Director

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- 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

Three out of seven directors are female, improving the gender diversity compared to the previous years.

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.

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

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results are discussed in the Board Remuneration Committee and subsequently in the board meeting. These results are also presented in the Shareholders Annual General meeting. The Board of Directors, in its March 17, 2021 meeting, noted the results of the Board of Directors Annual evaluation for the year 2020 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 “Negative” outlook in 2020.

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) was appointed the auditors by the board for the current year.

Pattern of Shareholding

The Pattern of Shareholding of the Bank as at December 31, 2020 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	157,516,000	157,516,500	157,516,308
Total			157,516,310

Categories of the Shareholders

Particular	Number	Shares held	Percentage
Director(s)	2	2	0.00%
Corporate Entity	1	157,516,308	100%

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.

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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 17, 2021


Guillaume Valence (Mar 21, 2021 18:47 GMT+5)

Guillaume VALENCE
Chief Executive Officer

On behalf of the Board



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 two channels on top of in-branch staff to complain
- Each client complaint is acknowledged and taken seriously, with no discrimination
- 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 are given feedback on the resolution of their complaint
- 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 – 2020

In the year 2020, total of 21 complaints were received (including feedback & inquires) and all resolved and addressed. Advans has standard TATs in place and the average TAT for complaint resolution for 2020 was 08 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)
- ⊕ Email: customerservices@advanspakistan.com
- ⊕ Website: www.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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ممبران کیلئے ایڈوائس پاکستان مائیکروفنانس بینک لمیٹڈ کی ڈائریکٹرز رپورٹ

ہم بورڈ آف ڈائریکٹرز کے توسط سے ہم 31 دسمبر 2020 کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات بشمول آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

معاشی جائزہ:

کورونا وباء کے تیزی سے پھیلاؤ اور عالمی معاشی نقطہ نظر میں تیزی سے بگاڑ کے نتیجے میں دنیا کے متعدد ممالک شدید معاشی اور مالی حالات کا شکار ہوئے۔ اس کے نتیجے میں معاشی سرگرمیوں میں اچانک رکاوٹ پیدا ہو گئی جس کے نتیجے میں ملک بھر میں اور مقامی طور پر تالا بندی (لاک ڈاؤن)، کاروباری پابندیوں اور معاشرتی فاصلاتی اصولوں کی روک تھام کے اقدامات پیدا ہوئے۔ دنیا بھر میں کورونا وباء کے جاری سلسلہ کے باعث دوبارہ مختلف قسم کی پابندیوں کے اقدامات کئے گئے ہیں۔ اگرچہ عالمی اقتصادی سرگرمی نئے فریئر کی تلاش کر کے دوبارہ بہتر ہو رہی ہے۔ عالمی رجحان کے ساتھ ہم آہنگی میں، 2020 میں پاکستان کی معیشت میں 0.4 فیصد کی کمی واقع ہوئی جبکہ اس کے مقابلے میں 2019 کے دوران مجموعی ملکی پیداوار (جی ڈی پی) کی شرح نمو 1.9 فیصد تھی۔

اپریل 2020 میں ریپڈ فنانسنگ انسٹرومنٹ (1.39 بلین امریکی ڈالر) کے تحت بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) کی ہنگامی مالی اعانت کی مدد سے، حکام کی ہنگامی پالیسی ردعمل، صحت کے اخراجات کے لئے مالی جگہ کا تحفظ، اعتماد میں اضافے اور اضافی ڈونر کی حوصلہ افزائی کی حمایت کا بھرپور تعاون فراہم کیا گیا۔ پاکستان کو G-20 کے ڈیپٹ سروس سسپنشن انیشیٹیو (ڈی ایس ایس آئی) میں شرکت کے لئے بھی منظوری حاصل ہوئی، جو دوطرفہ قرض دہندگان کے لئے مالیاتی سال 2021 کے قرضہ جات کی ادائیگی کو مادی طور پر کم کرے گا۔

اسٹیٹ بینک آف پاکستان (ایس بی پی) نے بروقت اقدامات کئے جن میں پالیسی کی شرح کو کم کرنا (مارچ 2020 کے بعد سے 625 بی پی ایس) اور نئی مالی سہولیات شامل کرنا ہیں، تاکہ لیکویڈیٹی، قرضہ جات کی شرائط اور مالی استحکام کی حفاظت کی جاسکے۔ اسٹیٹ بینک ریلیف پیکیج کے تحت کارپوریٹ / ایس ایم ای سیلٹر کے لئے پے رول سپورٹ سہولیات میں 238 ارب پاکستانی روپے کی فراہمی کے ساتھ 650 ارب پاکستانی روپے سے زیادہ کے قرض کی ادائیگی ملتوی کر دی گئی۔

کرنٹ اکاؤنٹ میں مالی سال 2020-21 کے لگاتار پانچ مہینوں کے لئے اضافی رقم دیکھنے کو ملی جو کہ مالی سال 2020-21 کے پہلی سہ ماہی کے دوران 1,131 ملین امریکی ڈالر کی سرپلس ہو گئی جس کا موازنہ جولائی تا دسمبر 2019-20 کے دوران 2,032 امریکی ڈالر کے خسارے کے مقابلہ میں 156 فیصد کی شرح سے کیا جاسکتا ہے۔ مالی سال 2020-21 کی پہلی سہ ماہی میں تجارتی

خسارہ 8 فیصد کم ہو کر 12,381 ملین امریکی ڈالر رہا۔ موجودہ اکاؤنٹ کے لئے ورکرز کی ترسیلات زر ایک اور کلیدی نجات دہندہ ثابت ہوئی ہیں، جو مالی سال 2020-21 کی پہلی سہ ماہی کے دوران 14,203 ملین امریکی ڈالر رہی جبکہ گذشتہ سال کی اسی مدت کے دوران 11,371 ملین امریکی ڈالر کے مقابلے میں 25 فیصد کا مضبوط اضافہ ریکارڈ کیا گیا۔ نئے بیس طریقہ کار کے تحت صارفین کی قیمتوں کا اشاریہ (سی پی آئی) 2020 کے مقابلے میں 7.8 فیصد بڑھ گیا ہے جبکہ اس کے مقابلے 2019 میں یہ 12.6 فیصد تھی۔ اس کمی کو بنیادی طور پر معیشت میں بنیادی مطالبہ کے مطابق بڑی حد تک مستحکم بنیادی افراط زر کی وجہ سے حاصل کیا گیا ہے۔

کرنٹ اکاؤنٹ کے انتظامی معاشی نقطہ نظر بڑے پیمانے پر جون 2020 کے بعد سے امریکی ڈالر پاکستانی روپے کی برابری میں 5 فیصد قدر کی حمایت کی ہے۔ 20 ستمبر 2020 کو ختم ہونے والی سہ ماہی میں پاکستان کا مالی خسارہ 484,324 ملین روپے یعنی GDP کا 1.1% جبکہ گذشتہ سال اسی مدت میں مالی خسارہ 286,024 ملین روپے یعنی GDP کا 0.7% تھا۔ اس سال واجب الادا قرضہ جات کی ادائیگی کے باوجود، زرمبادلہ کے ذخائر (ایف ایکس) کے موجودہ سطح پر برقرار رہنے کی توقع کی جا رہی ہے کیونکہ آئی ایم ایف سے کامیاب جائزہ لینے پر آنے والے مہینوں میں یورو بونڈ کا اجراء اور G-20 ڈیپٹ ریلیف کی تیسری 450 ملین ڈالر کی قسط کی وصولی کی توقع ہے۔

کارکردگی کا جائزہ:

ایڈوانس پاکستان مائیکرو فنانس بینک لمیٹڈ (APMBL) کو اسٹیٹ بینک آف پاکستان نے صوبہ سندھ میں مائیکرو فنانس بینک کی حیثیت سے کام کرنے، مائیکرو فنانس خدمات فراہم کرنے، عوام سے موبیل انٹرنیشنل ڈپازٹ کرنے اور غریب افراد اور مائیکرو انٹرپرائزز کو قرض دینے کے لئے لائسنس دیا ہے۔

غیر فعال کاروباری ماحول کے درمیان، دوران سال پورٹ فولیو میں 22 فیصد کی کمی واقع ہوئی اور گزشتہ سال کے سلسلے میں اسٹیٹ بینک آف پاکستان ریلیف پروگرام کے لئے لگائے گئے پورٹ فولیو کا 80 فیصد سے زیادہ معیار دسمبر کے آخر میں 30 پار کے ساتھ 8.3% رہا جس نے 2020 کے دوران اوسط پورٹ فولیو کا 15.91 فیصد کے خطرہ کی لاگت ظاہر کی۔ اس کے نتیجے میں، دوران سال رائٹ آفس بڑھ کر 54.54 ملین روپے ہو گیا۔

2020 کے دوران 31 دسمبر 2020 کو 1,074.44 ملین روپے کے مجموعی پورٹ فولیو کے ساتھ 7,278 قرض دہندگان کو 1,304.43 ملین روپے کی فراہمی کی گئی۔ بینک 2020 میں 101.463 ملین روپے کے ذریعہ اپنے ڈپازٹ پورٹ فولیو میں اضافہ کر سکے گا۔ بینک نے 1,055.18 ملین روپے کے ڈپازٹ بیس کے ساتھ سال کا اختتام کیا۔

دوران سال 550k یورو مالیت کی ٹی اے خدمات مفت فراہم کی گئیں۔ یہ تعاون بینک کے آپریشنز میں مددگار ثابت ہوا۔

BC&CPD سرکلر نمبر 1/2016 کے تحت کمپلیٹ ہینڈلنگ کے سلسلے میں کارکردگی کے بارے میں انکشاف اس رپورٹ میں منسلک 1 کے ساتھ منسلک ہے۔

کمپنی کا انٹرئل کنٹرول سسٹم کمپنی کے کاروبار کی نوعیت کے عین مطابق اس کے آپریشنز، حجم اور پیچیدگیوں کے ساتھ اطمینان بخش طور پر جاری ہے۔ پالیسیوں اور طریقہ کار پر مشتمل انٹرئل کنٹرول سسٹم مالی رپورٹنگ کو قابل اعتبار بنانے، آپریشنل اہداف کے حصول پر بروقت آراء، پالیسیوں، طریقہ کار، قابل اطلاق قوانین اور ضوابط کی تعمیل کے مطابق بنایا گیا ہے۔

مالیاتی جائزہ:

سال 2020 کے دوران بینک کو 256.36 ملین روپے (2019: منافع 0.43 ملین روپے) کا قبل از ٹیکس خسارہ ہوا جس کی وجہ کورونا وباء کے نتیجے میں کم کاروباری سرگرمیاں تھیں۔ انتظامیہ کا اندازہ ہے کہ اس پورٹ فولیو میں 15 فیصد تک اضافی جنرل پروویژن کو برقرار رکھنا مناسب ہے جس میں سونے کے قرضہ جات اور نان گریس پیریڈ صارفین کو چھوڑ کر تنظیم نو/ بحالی کے لئے درخواست دی ہے۔ اس سلسلے میں اے APMBL نے منافع اور نقصان کے کھاتے میں 70.49 ملین روپے کے اضافی پروویژن کو تسلیم کیا ہے۔

دوران سال سودی آمدنی 449.81 ملین روپے رہی جس میں سے 14.03 ملین روپے (سودی آمدنی کا 3.12 فیصد) دوسرے بینکوں کے پاس جمع ہونے پر کمایا گیا، جبکہ 418.67 ملین روپے کے پورٹ فولیو سے حاصل ہونے والی آمدنی مجموعی سود کا 93.08 فیصد ہے۔ بینک نے سرمایہ کاری سے 17.12 ملین روپے (سودی آمدنی کا 3.81 فیصد) بھی حاصل کیا۔ دوران سال ہونے والے منافع کی وجہ سے، سال 2020 کے آخر میں بینک کی خالص ایکویٹی 552.72 ملین روپے (2019: 525.28 ملین) رہی۔ 31 دسمبر 2020 کو ختم ہونے والے سال کیلئے ہر شیئر کا خسارہ (1.89) (2019 منافع فی شیئر: 0.12) رہا۔

APMBL نے 2018 میں پاکستان مائیکرو فنانس انویسٹمنٹ کمپنی لمیٹڈ (PMICL) سے 300 ملین روپے کی مالی اعانت حاصل کی اور 2019 کی آخری سہ ماہی سے پرنسپل ادائیگی شروع کر دی۔ 2020 میں کورونا وباء کے آغاز کے بعد، غیر یقینی صورتحال کے باعث APMBL نے PMICL سے 225 ملین روپے کی بقایا مالی اعانت کو ایک سال کے لئے موزوں کر دیا اور اس کی پرنسپل کی ادائیگی اپریل 2021 سے دوبارہ شروع ہوگی۔ تاہم، اس مدت کے دوران سود کی ادائیگی وقت پر کی گئی۔

بینک نے 6.46 ملین روپے کے اضافی ڈیفنڈ ٹیکس (DTA) کو تسلیم کر لیا ہے جو مجموعی طور پر 55.81 ملین روپے تک پہنچا ہے۔ 31 دسمبر 2020 کو تسلیم شدہ DTA ٹیکس کی فرسودگی اور کساد بازاری سے متعلق ہے۔ موجودہ ٹیکس قوانین کے مطابق ٹیکسوں کی فرسودگی اور کساد بازاری کے سلسلے میں ٹیکس سے فائدہ اٹھانے کا دعویٰ کرنے کی کوئی حد نہیں ہے۔ ڈیفنڈ ٹیکس اثاثہ جات بینک کے مالی تخمینوں کی بنیاد پر ریکارڈ کئے گئے ہیں۔

سرمایہ کی کم سے کم ضروریات:

دوران سال، آپریشنل خسارہ جات کی وجہ سے، بینک کی ایکویٹی تین مواقع پر 500 ملین روپے کی کم سے کم سطح پر رہی۔ MCR کی تعمیل کو یقینی بنانے کے لئے، تین ایکویٹی لگائی گئیں جن کی تفصیل درج ذیل ہے:

شیرز کی تعداد	قیمت	رقم	تاریخ
5,000,000	10	50,000,000	30 مارچ 2020
1,000,000	10	10,000,000	03 جولائی 2020
22,500,000	10	225,000,000	28 ستمبر 2020

سال کے اختتام پر 15,000,000 شیرز بحساب 10 روپے فی شیرز کے رائٹ ایٹو جاری کئے گئے، جن کا مقصد آپریشنل خسارہ جات کے خلاف MCR کو بحال کرنا ہے۔ مذکورہ ایکویٹی انجکشن سے توقع ہے کہ یہ آپریشنل خسارہ جات کو پورا کرے گا۔

مستقبل کا نظریہ:

حکومت کی طرف سے کرونا واء کے پھیلاؤ کو روکنے اور معیشت کی بحالی کے لئے کئے گئے بروقت اقدامات کے سبب، 2021 میں پاکستان میں جلد معاشی بحالی کی توقع کی جا رہی ہے۔ حکومت کو اس وقت درپیش معاشی مسائل میں مہنگائی کے دباؤ میں نمایاں اضافہ کیے بغیر ترقی کو تیز کرنا ہے۔

سال 2021 کا ہدف GLP کی نمو میں تیزی، پیداواری صلاحیت پر توجہ مرکوز کرتے ہوئے، قرض کے اوسط سائز میں اضافہ، CRO کاروبار میں مزید کمی، یقینی طور پر ہم اس بحرانی کیفیت سے باہر نکلتے ہوئے متوقع خطرے کی لاگت میں اضافے کو روکنے کے لئے کوششیں کرنا چاہتے ہیں۔ APMBL نہ کہ مزید اہم جغرافیائی توسیع اور اہم منصوبوں کی شروعات کرے گی، بلکہ شہری تاجروں کی موافقت اور موثر خدمات کے ساتھ اپنی خدمات انجام دینے پر اپنی توجہ کو برقرار رکھے گی۔

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ڈپازٹ موبلائزیشن کے سلسلے میں، 2021 کی توجہ سیونگز اکاؤنٹ اور ٹرم ڈپازٹس موبلائزیشن پر مرکوز رہے گی جس میں ایک خاص ہدف مارکیٹ سے ڈپازٹ کو مستحکم کرنے پر خصوصی توجہ دی جا رہی ہے۔

توقع ہے کہ 2021 میں قرض کے پورٹ فولیو میں نمایاں اضافہ ہوگا اور کمپنی سال کے آخر تک 2.3 بلین روپے کا ہندسہ عبور کر لے گی۔ ماہانہ مالی وقفے حتیٰ کہ 4 اکتوبر کی سہ ماہی تک APMBL سے قرض دینے کی سرگرمیوں سے حاصل ہونے والے آمدنی میں اضافے کی توقع کی جا رہی ہے۔

ملکیتی کمپنی:

31 دسمبر، 2020 تک ایڈوانس SA، SICAR، APMBL کے 99.999 فیصد شیئرز کے حامل ہیں۔ ایڈوانس SA کی تشکیل لکسمبرگ میں ہے جس کا ہیڈ کوارٹر پیرس میں ہے۔ 17 فروری، 2020 کو، FMO کی ملکیت میں APMBL کے شیئرز کی پوری شیئر ہولڈنگ، APMBL کے کل شیئرز کا 25 فیصد، ایڈوانس SA کو منتقل کر دیا گیا اور اس کے نتیجے میں APMBL، ایڈوانس SA، SICAR کی مکمل ملکیتی ماتحت ادارہ بن گیا۔

اداشدہ سرمایہ:

31 دسمبر 2020 تک بینک کا اداشدہ سرمایہ مبلغ 1,575 ملین روپے رہا۔

بورڈ آف ڈائریکٹرز:

سال 2020 کے دوران، مارچ کے مہینے میں منعقدہ بورڈ آف ڈائریکٹرز کے انتخابات میں تمام ڈائریکٹرز دوبارہ منتخب ہوئے۔ دوران مدت APMBL کے بورڈ میں درج ذیل حاضر رہے:

- ☆ جناب کلاڈ فیلکن، چیئرمین
- ☆ جناب اسٹوین ڈوشیل، ڈائریکٹر
- ☆ جناب ایلکو برککوہورسٹ، ڈائریکٹر
- ☆ جناب ایمانوئل ایرس، ڈائریکٹر
- ☆ محترمہ ایزابیل مونٹ فورٹ، ڈائریکٹر
- ☆ محترمہ یسری ارشد گیلانی، آزاد ڈائریکٹر
- ☆ محترمہ عائشہ گلزار، آزاد ڈائریکٹر

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☆ جناب گیوم ویلنس، چیف ایگزیکٹو آفیسر

گذشتہ سال کے مقابلے میں اس سال سات میں سے تین ڈائریکٹروں خواتین ہیں۔

بورڈ کی کمیٹیوں کی تفصیلات درج ذیل ہیں:

تفصیلات	آڈٹ کمیٹی	ہیومن ریسورس اور معاوضہ جاتی کمیٹی	خطرات کی کمیٹی	اجرتی کمیٹی
چیئر پرسن	محترمہ عائشہ گلزار	جناب یسریٰ اے گیلانی	محترمہ ایزابیل مونٹ فورٹ	ڈاکٹر کلاڈ فیلکن
ممبر	جناب ایمانوئل ایرس	جناب اسٹوین ڈوشیل	ڈاکٹر کلاڈ فیلکن	جناب ایمانوئل ایرس
ممبر	محترمہ ایزابیل مونٹ فورٹ	جناب ایلکو برنکو ہورسٹ	محترمہ یسریٰ اے گیلانی	محترمہ یسریٰ اے گیلانی
ممبر		جناب ایمانوئل ایرس		

بورڈ کے لئے کارکردگی کی تشخیص کا طریقہ کار:

بورڈ آف ڈائریکٹرز کو ریگولیٹری تعمیل کو یقینی بناتے ہوئے شیئر ہولڈرز کی جانب سے بینک کے مفادات کا تحفظ، اسٹراٹجک سمت فراہم کرنے اور اسٹراٹجک مقاصد پر عملدرآمد کی نگرانی ذمہ داری بھی دی گئی ہے۔

کمپنیز ایکٹ 2017 اور اسٹیٹ بینک کے پرنڈینشل ریگولیشنز، بورڈ آف ڈائریکٹرز کی اپنی ذمہ داریوں اور فرائض کے ساتھ ساتھ ان کردار کو بھی بیان کرتے ہیں۔ AC&MFD سرکلر نمبر 02/2019 کی تعمیل میں، بورڈ میں معاوضہ جاتی کمیٹی تشکیل دی گئی جس نے بعد میں بورڈ آف ڈائریکٹرز کی تشخیص کیلئے ایک موثر میکانزم تیار اور نافذ کیا۔

بورڈ آف ڈائریکٹرز نے تشخیص کے لئے مقداری تکنیکیوں کے ساتھ in-house ہونے کا انتخاب کیا۔ منظور شدہ میکانزم کے مطابق، مندرجہ ذیل کیٹگریز کی کارکردگی کی تشخیص کی جاتی ہے:

۱۔ بورڈ کی سرگرمی

۲۔ بورڈ کی انتظامیہ

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- ۳۔ بورڈ میٹنگ
۴۔ بورڈ ممبر شپ
۵۔ انتظامی تعاون

مذکورہ بالا ہر قسم کے ڈائریکٹرز کے جوابات اور آراء کمپنی سیکریٹری کے ساتھ مرتب اور مستحکم ہیں۔ نتائج پر بورڈ معاوضہ کمیٹی اور اس کے بعد بورڈ کے اجلاس میں تبادلہ خیال کیا گیا۔ یہ نتائج شیئر ہولڈرز کے سالانہ جنرل اجلاس میں بھی پیش کیے جاتے ہیں۔ بورڈ آف ڈائریکٹرز نے اپنے 17 مارچ 2021 کے اجلاس میں بورڈ آف ڈائریکٹرز کے سال 2020 کے سالانہ تشخیص کے نتائج کو نوٹ کیا اور نتائج پر اطمینان کا اظہار کیا۔

کریڈٹ کی درجہ بندی:

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے 2020 میں بینک کیلئے ”منفی“ آؤٹ لک کے ساتھ "BBB+" اور "A-3" کی درجہ بندی کی توثیق کی ہے۔

قیمتوں کی منتقلی کا تعین:

دوران مالی سال متعلقہ فریقین کے ساتھ ہونے والی تمام ٹرانزیکشنز بینک کے بہترین مفاد میں قابل قبول قیمتوں پر یا بلا معاوضہ تھیں۔

آڈیٹرز:

موجودہ سال کیلئے بورڈ کی جانب سے اے ایف فرگوسن کمپنی چارٹرڈ اکاؤنٹینٹ (PWC کی ایک ممبر فرم) کا بطور آڈیٹر تقرر کیا گیا۔

حصص کاری کا نمونہ:

کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت 31 دسمبر 2020 کو بینک کی حصص کاری طریقہ درج ذیل ہے:

حصص یافتگان کی تعداد	حصص کاری سے	حصص کاری تک	مجموعی حصص کے حامل
2	1	100	2
1	157,516,000	157,516,500	157,516,308
ٹوٹل			157,516,310

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شیئر ہولڈرز کی درجہ بندی:

تفصیلات	تعداد	حاصل حصص	فیصد
ڈائریکٹرز	2	2	0.00%
کارپوریٹ ادارہ	1	157,516,308	100%

اظہار تشکر:

ہم اس موقع پر اپنے قابل قدر صارفین، حصص یافتگان اور دیگر کاروباری متعلقین کی معاونت اور اعتماد اور اپنی انتظامیہ اور ملازمین کی سخت محنت اور لگن پر ان کا شکریہ ادا کرنا چاہیں گے۔

ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے ان کی مسلسل رہنمائی اور تعاون پر بھی ان کا تہہ دل سے شکریہ ادا کرنا چاہیں گے۔

کراچی: 17 مارچ 2021


Guillaume Valence (Mar 21, 2021 18:47 GMT+5)

گیوم ویلنس

چیف ایگزیکٹو آفیسر

بورڈ کی جانب سے



کلاڈ فیکل

بورڈ چیئرمین

شکایت سے نمٹنے کا انکشاف

ایڈوائس پاکستان، ایک ذمہ دار مالیاتی خدمات فراہم کرنے والا جو اپنے صارفین کو سب سے پہلے رکھتا ہے، کا مقصد اپنے صارفین کی خدمات کے معیار کے تحت اور اسمارٹ کمپین کے کلائنٹ پروٹیکشن اصولوں کے مطابق شکایت کے طریقہ کار کو نافذ کرنا ہے۔ ہمارا اسٹاف پورے نیٹ ورک کو اہمیت دیتا ہے اور "صارف کی آواز" کو پہچانتا ہے جو ہمیں مختلف ٹچ پوائنٹس کے ذریعہ موصول ہوتی ہیں اور ہم نے شکایت کے انتظام اور شکایت سے نمٹنے کے بارے میں اپنے صارفین کی توقعات پر عمل پیرا ہونے کے لئے بڑی پیشرفت کی ہے۔ ہم اپنے صارفین کو ان کے حقوق سے آگاہ کرنے، ہمارے کسٹمر سروسز پر کثرت سے رائے دینے، اور شکایات کے عمل سے آگاہ کرنے کی کوشش کو یقینی بناتے ہیں۔ بینک کے تمام کمیونیکیشن چینلز کے ذریعے کلائنٹ ٹچ پوائنٹس پر نظر ثانی، بہتری اور آگاہی کی گئی تھی۔ اس کو براؤنچ نوٹس بورڈ، سوشل میڈیا پیجز اور ہماری ویب سائٹ کا بھی حصہ بنایا گیا تھا۔ مندرجہ ذیل نکات پر خصوصی توجہ دی جا رہی ہے:

- ☆ صارفین کو ان کی اپنی شکایت کے حق سے آگاہ کیا جاتا ہے اور انہیں شکایت کرنے کے لئے براؤنچ میں اوپری سطح پر کم از کم دو چینلز تک رسائی حاصل ہے۔
- ☆ ہر صارف کی شکایت کو تسلیم کیا جاتا ہے اور بغیر کسی امتیاز کے اسے سنجیدگی سے لیا جاتا ہے۔
- ☆ براؤنچ سطح پر صارفین کی شکایات ہیڈ آفس بھجوا دی جاتی ہیں اور صارف کی ہر شکایت کو اہمیت کے لحاظ سے ترجیح دی جاتی ہے۔
- ☆ ہر صارف کی شکایات پر معقول، غیر جانبدارانہ اور مستقل مزاجی سے عملدرآمد کیا جاتا ہے اور اس بات کو یقینی بنایا جاتا ہے کہ صارفین کو ان کی شکایت کے حل پر رائے دی جاتی ہے۔
- ☆ صارف کی شکایت کی معلومات صیغہ راز میں رکھی جاتی ہیں اور یہ نامزد عملے تک ہی قابل رسائی ہیں۔
- ☆ صارفین کی شکایات کا استعمال خدمات کو بہتر بنانے، پالیسیوں کو اپ ڈیٹ کرنے اور تعمیل کو بڑھانے کے لئے استعمال کیا جاتا ہے۔

شکایت سے نمٹنے کے طریقہ کار کو بہتر بنانے کے لئے کئے گئے نئے اقدامات:

- ☆ کارکردگی کی نگرانی کیلئے شکایات کا مرکزی نظام اور رپورٹنگ۔
- ☆ انتظامیہ کے جائزے کیلئے باقاعدگی سے جامع رپورٹس تیار کی جاتی ہیں۔
- ☆ نظر ثانی شدہ اور ترمیم شدہ پالیسی اور تمام اہم عناصر کی شکایت سے نمٹنے کے طریقہ کار پر عمل درآمد پراسس میں ہے۔

☆ شکایت کے چینلز پر صارفین کے درمیان آگاہی میں اضافہ کرنا اس بات کو یقینی بنانے کیلئے کہ کوئی شکایت عدم توجہی کا شکار نہیں ہے۔

☆ اس بات کو یقینی بنانا کہ صارفین کی بنیادی آواز کو حاصل کرنے کے لئے شکایت کے انتظام کے اخلاقیات/ورک کوڈ پر مامور تمام عملہ باخبر اور تربیت یافتہ ہے۔

شکایت سے نمٹنے کی کارکردگی۔ 2020:

سال 2020 میں، کل 21 شکایات موصول ہوئیں (بشمول آراء اور پوچھ گچھ) اور ان سبھی کو حل کیا گیا۔ ایڈوانس کے پاس معیاری TAT موجود ہے اور 2020 کے لئے شکایات کے حل کے لئے اوسط TAT 08 کاروباری ایام تھا جو گذشتہ سال کے مقابلہ میں کورونا وباء کی وجہ سے نسبتاً زیادہ تھا۔

صارفین کی شکایات کے اندراج کے لئے چینلز:

☆ کال سینٹر اسٹنس: 111-ADVANS(111-238-267)

☆ ای میل: customerservices@advanspakistan.com

☆ ویب سائٹ: www.advanspakistan.com

☆ پوسٹل ایڈریس: کمپلیٹ مینجمنٹ یونٹ، ایڈوانس پاکستان مائیکرو فنانس بینک لمیٹڈ، بحریہ کمپلیکس 1، ایم ٹی خان روڈ، لالہ زار، کراچی۔

☆ سوشل میڈیا: www.facebook.com/advanspakistan

☆ اسٹیٹ بینک آف پاکستان۔ بینکنگ محتسب پاکستان

☆ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان



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, 2020, 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, 2020 and of the loss 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.

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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.

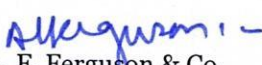
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 19, 2021
Karachi

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2020

Note 2020 2019
-----Rupees-----

ASSETS

Cash and balances with State Bank of Pakistan and
National Bank of Pakistan
Balances with other banks and microfinance banks
Investments
Advances - net of provisions
Operating fixed assets
Other assets
Deferred tax asset
Total assets

6	115,127,880	85,774,638
7	430,728,498	230,578,693
8	199,364,055	98,482,460
9	955,643,369	1,234,713,701
10	159,539,611	180,330,598
11	67,625,786	67,016,896
12	55,809,807	49,349,164
	<u>1,983,839,006</u>	<u>1,946,246,150</u>

LIABILITIES

Deposits and other accounts
Borrowings
Subordinated debt
Other liabilities
Deferred tax liabilities
Total liabilities
Net assets

13	1,055,182,575	953,719,167
14	225,000,000	300,000,000
	-	-
15	150,216,834	166,533,177
	-	-
	<u>1,430,399,409</u>	<u>1,420,252,344</u>
	<u>553,439,597</u>	<u>525,993,806</u>

REPRESENTED BY

Share capital
Reserves
Depositors' protection fund
Accumulated losses

16	1,575,163,100	1,290,163,100
	2,989,141	2,989,141
	747,285	747,285
	(1,026,174,598)	(768,620,389)
	<u>552,724,928</u>	<u>525,279,137</u>

Surplus / (deficit) on revaluation of assets
Deferred grant

	-	-
17	714,669	714,669
	<u>553,439,597</u>	<u>525,993,806</u>

MEMORANDUM / OFF BALANCE SHEET ITEMS

18

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

Signature

Signature
Guillaume Valence (Mar 17, 2021 17:59 GMT+5)

Chief Executive Officer

Signature

Chairman

Signature

Director

Signature


Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020

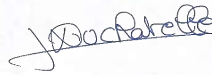
	Note	2020	2019
		-----Rupees-----	
Mark-up / return / interest earned	19	449,811,719	521,259,166
Mark-up / return / interest expensed	20	(163,490,796)	(127,822,163)
Net mark-up / interest income		286,320,923	393,437,003
Provision against non-performing loans and advances - net	9.3	204,799,571	68,952,919
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		204,799,571	68,952,919
Net mark-up / return / interest income after provisions		81,521,352	324,484,084
Non mark-up / non interest income			
Fee, commission and brokerage income	21	41,659,297	70,420,700
Dividend income		-	-
Other income	22	18,777,029	80,917,239
Total non-mark-up / non-interest income		60,436,326	151,337,939
		141,957,678	475,822,023
Non mark-up / non interest expenses			
Administrative expenses	23	396,495,246	474,390,132
Other provision / write offs		-	-
Other operating expenses / other charges	24	1,823,563	1,000,000
Total non mark-up / non interest expenses		398,318,809	475,390,132
Extra ordinary / unusual items		-	-
(Loss) / profit before taxation		(256,361,131)	431,891
Taxation - current	25	7,653,721	9,419,256
- prior	25	-	-
- deferred	25	(6,460,643)	(23,933,069)
		1,193,078	(14,513,813)
(Loss) / profit after taxation		(257,554,209)	14,945,704
Accumulated loss brought forward		(768,620,389)	(779,829,667)
		(1,026,174,598)	(764,883,963)
Appropriations			
Transfer to:			
Statutory reserve		-	(2,989,141)
Capital reserve		-	-
Depositors' protection fund		-	(747,285)
Revenue reserve		-	-
Proposed cash dividend		-	-
Accumulated loss carried forward		(1,026,174,598)	(768,620,389)
(Loss) / earnings per share - basic and diluted (Rupee)	26	(1.89)	0.12


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

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Guillaume Valence (Mar 17, 2021 17:59 GMT+5)
Chief Executive Officer


Chairman


Director


Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital	Capital reserve	Statutory reserve	Depositors' protection fund	Accumulated losses	Total
	----- Rupees -----					
Balance as at December 31, 2018	1,290,163,100	-	-	-	(779,829,667)	510,333,433
Issuance of share capital	-	-	-	-	-	-
Comprehensive income for the year						
Profit for the year	-	-	-	-	14,945,704	14,945,704
Transferred to statutory reserve	-	-	2,989,141	-	(2,989,141)	-
Transferred to depositors' protection fund	-	-	-	747,285	(747,285)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	2,989,141	747,285	11,209,278	14,945,704
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	<u>1,575,163,100</u>	<u>-</u>	<u>2,989,141</u>	<u>747,285</u>	<u>(1,026,174,598)</u>	<u>552,724,928</u>

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


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Guillaume Valence (Mar 17, 2021 17:59 GMT+5)

Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	-----Rupees-----	
(Loss) / profit for the year after taxation	(257,554,209)	14,945,704
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	<u>(257,554,209)</u>	<u>14,945,704</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.

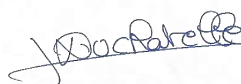
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Guillaume Valence (Mar 17, 2021 17:59 GMT+5)

Chief Executive Officer



Chairman



Director




Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020


	Note	2020	2019
		-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(256,361,131)	431,891
Adjustments:			
Depreciation	10.2	25,181,605	23,975,604
Depreciation on right-of-use asset	10.2	22,662,685	21,274,373
Amortisation of intangible assets	10.3	1,526,029	3,772,712
Provision against non performing advances - net	9.3	204,799,571	68,952,919
Loss on disposal of operating fixed assets	24	374,563	-
Financial charges on lease liability against right-of-use asset		13,115,181	13,318,069
Payment of lease liability against right-of-use asset		(26,101,674)	(23,579,558)
Grant income	17	-	(1,034,484)
		241,557,960	106,679,635
		(14,803,171)	107,111,526
Increase in operating assets			
Advances		74,270,761	(325,635,983)
Other assets		(6,221,564)	(14,818,309)
		68,049,197	(340,454,292)
Increase in operating liabilities			
Deposits and other accounts		101,463,408	401,408,299
Borrowings		(75,000,000)	200,000,000
Other liabilities (excluding current taxation)		(6,291,095)	(52,661,542)
		20,172,313	548,746,757
		73,418,339	315,403,991
Income tax paid		(8,285,824)	(8,322,986)
Net cash generated from operating activities		65,132,515	307,081,005
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in operating fixed assets		(19,899,239)	(23,090,694)
Proceeds from the disposal of operating fixed assets		151,366	-
Net cash used in investing activities		(19,747,873)	(23,090,694)
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received during the year	17	-	600,000
Issuance of share capital	16.2.2	285,000,000	-
Net cash generated from financing activities		285,000,000	600,000
Net increase in cash and cash equivalents during the year		330,384,642	284,590,311
Cash and cash equivalents at the beginning of the year		414,835,791	130,245,480
Cash and cash equivalents at the end of the year	31	745,220,433	414,835,791

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

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Guillaume Valence (Mar 17, 2021 17:59 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, 2020

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, 2019: 74.99%) share capital of the Bank.

- 1.2 The Bank's capital (free of losses) amounted to Rs 552.725 million as at December 31, 2020 (December 31, 2019: Rs 525.279 million) which is above the minimum capital requirements as at December 31, 2020.

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, 2021, 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 or after January 1, 2020 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.

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

As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed and implementation guidelines are awaited.

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, 2021 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. During the year, the Bank has also made 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, 2019.

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.

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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.

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.

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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.

This additional provision is based on management's best estimate. During the year, the Bank has recognised an additional provision of Rs 70.49 million in the profit and loss account.

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.

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.

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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.

5.10 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.

5.11 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.

5.12 Deposits

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

5.13 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.

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5.14 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.

5.15 Financial instruments

5.15.1 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.

5.15.2 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.

5.15.3 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.

5.16 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.

5.17 Share capital

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

5.18 Loss / earnings per share

The Bank presents basic and diluted (loss) / earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit and loss account 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, 2020 and December 31, 2019.

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5.19 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.

5.20 Staff retirement benefits

5.2.1 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	2020	2019
		-----Rupees-----	
6 CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN			
Cash in hand		62,238,487	56,942,308
Balances with State Bank of Pakistan (SBP)	6.1	52,889,393	28,832,330
Balance with National Bank of Pakistan (NBP)		-	-
		<u>115,127,880</u>	<u>85,774,638</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	2020	2019
		-----Rupees-----	
7 BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS			
In Pakistan:			
- Current accounts		556,271	473,663
- PLS deposit accounts	7.1	<u>430,172,227</u>	<u>230,105,030</u>
		<u>430,728,498</u>	<u>230,578,693</u>

- 7.1 These include deposits with commercial banks carrying mark-up rates ranging from 5.5% to 11.2% (2019: 5.5% to 13%) per annum.

8 INVESTMENTS

8.1 Investments by type:

	2020				2019			
	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								
<i>Federal Government Securities</i>								
- Market Treasury Bills	199,364,055	-	-	199,364,055	98,482,460	-	-	98,482,460

8.2 Investments by segments:

	2020				2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- Rupees -----				----- Rupees -----			
<i>Federal Government Securities</i>								
- Market Treasury Bills	199,364,055	-	-	199,364,055	98,482,460	-	-	98,482,460

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9 ADVANCES - NET OF PROVISIONS

Note	2020		2019	
	Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
	----- Rupees -----		----- Rupees -----	
Micro credit	9.1	8,564 1,074,441,467	11,466	1,269,590,951
Less: Provision held				
- Specific	9.1 & 9.2	755 38,987,407	1,302	23,342,151
- General	9.3	- 79,810,691	-	11,535,099
		(118,798,098)		(34,877,250)
		<u>955,643,369</u>		<u>1,234,713,701</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 89,722,530 (2019: Rs 65,054,252) which have been placed under non-performing status as detailed below:

Category of classification	2020			2019		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- Rupees -----			----- Rupees -----		
Other assets especially mentioned	29,443,223	-	-	16,351,827	-	-
Substandard	13,317,456	3,329,364	3,329,364	14,335,668	3,583,917	3,583,917
Doubtful	22,607,616	11,303,808	11,303,808	29,217,047	14,608,524	14,608,524
Loss	24,354,235	24,354,235	24,354,235	5,149,710	5,149,710	5,149,710
	<u>89,722,530</u>	<u>38,987,407</u>	<u>38,987,407</u>	<u>65,054,252</u>	<u>23,342,151</u>	<u>23,342,151</u>

9.3 Particulars of provision against non-performing advances

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

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Note 9.3.1)			(Note 9.3.1)		
	----- Rupees -----			----- Rupees -----		
Opening balance	23,342,151	11,535,099	34,877,250	11,230,523	9,229,052	20,459,575
Charge for the year						
- On non-performing advances	143,540,078	74,510,367	218,050,445	66,648,025	3,494,794	70,142,819
Reversals	(7,016,099)	(6,234,775)	(13,250,874)	(1,153)	(1,188,747)	(1,189,900)
	136,523,979	68,275,592	204,799,571	66,646,872	2,306,047	68,952,919
Amount written off	(120,878,723)	-	(120,878,723)	(54,535,244)	-	(54,535,244)
Closing balance	<u>38,987,407</u>	<u>79,810,691</u>	<u>118,798,098</u>	<u>23,342,151</u>	<u>11,535,099</u>	<u>34,877,250</u>

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. 70.49 million (2019: Nil) as discussed in note 5.3 to these financial statements.

9.4 Particulars of write offs:

	2020	2019
	----- Rupees -----	----- Rupees -----
Against provisions	120,878,723	54,535,244
Directly charged to profit and loss account	-	-
	<u>120,878,723</u>	<u>54,535,244</u>

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10 OPERATING FIXED ASSETS	Note	2020	2019
		-----Rupees-----	
Capital work-in-progress	10.1	5,996,197	996,197
Property and equipment	10.2	150,261,491	176,553,427
Intangible assets	10.3	3,281,923	2,780,974
		<u>159,539,611</u>	<u>180,330,598</u>

10.1 Capital work-in-progress

Equipment	996,197	996,197
Advances to suppliers and contractors	5,000,000	-
	<u>5,996,197</u>	<u>996,197</u>

10.2 Property and equipment

	2020								
	COST				DEPRECIATION			Net book value at December 31, 2020	Annual rate of depreciation
	At January 01, 2020	Impact of adoption of IFRS 16	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 69,382,707 (2019: Rs. 48,955,780) which are fully depreciated and are still in use.

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10.3 Intangible assets

Intangible assets

2020								
	COST			AMORTISATION			Net book value at December 31, 2020	Annual rate of amortisation
	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
	<u>63,146,114</u>	<u>2,026,978</u>	<u>65,173,092</u>	<u>60,365,140</u>	<u>1,526,029</u>	<u>61,891,169</u>	<u>3,281,923</u>	

2019								
	COST			AMORTISATION			Net book value at December 31, 2019	Annual rate of amortisation
	At January 01, 2019	Additions	At December 31, 2019	At January 01, 2019	Charge for the year	At December 31, 2019		
	----- Rupees -----							%
Core banking application and other licenses	54,176,967	651,640	54,828,607	50,312,993	3,385,202	53,698,195	1,130,412	25
Computer software	7,967,507	350,000	8,317,507	6,279,435	387,510	6,666,945	1,650,562	25
	<u>62,144,474</u>	<u>1,001,640</u>	<u>63,146,114</u>	<u>56,592,428</u>	<u>3,772,712</u>	<u>60,365,140</u>	<u>2,780,974</u>	

10.3.1 Intangible assets include software costing Rs 58,218,532 (2019: Rs 57,500,322) which are fully amortised and still in use.

	Note	2020	2019
		-----Rupees-----	
11 OTHER ASSETS			
Prepayments for			
- rent		9,699,476	16,489,729
- insurance		1,287,026	3,210,844
- others		4,643,411	1,680,404
Mark-up / return / interest accrued		43,438,741	34,252,214
Receivable from a related party	11.1	-	2,298,804
Advances to staff		4,713,181	3,338,355
Security deposits		3,054,780	3,254,780
Accrued income on PLS savings account		270,139	1,804,934
Others		519,032	686,832
		<u>67,625,786</u>	<u>67,016,896</u>

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

12 DEFERRED TAX ASSET

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

	2020	2019
	-----Rupees-----	
Deductible temporary differences arising in respect of		
- Unabsorbed tax depreciation and amortisation	55,235,072	45,232,751
- Intangible assets	-	-
- Provision against non-performing loans	-	5,275,808
	<u>55,235,072</u>	<u>50,508,559</u>
Taxable temporary differences arising due to		
- Property and equipment	700,256	(1,149,824)
- Intangible assets	(125,521)	(9,571)
	<u>574,735</u>	<u>(1,159,395)</u>
	<u>55,809,807</u>	<u>49,349,164</u>

- 12.1 The Bank has unabsorbed tax loss of Rs 767,961,125 [including unabsorbed tax depreciation and amortisation amounting to Rs 190,465,767] as at December 31, 2020. The management has recognised deferred tax asset of Rs 55,235,072 (2019: Rs 45,232,751) 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

	2020		2019	
	Number of accounts	Rupees	Number of accounts	Rupees
Fixed deposits	522	756,243,582	573	689,276,202
Saving deposits	1,191	250,688,005	1,168	185,936,939
Current deposits	32,105	48,250,988	29,739	78,506,026
	<u>33,818</u>	<u>1,055,182,575</u>	<u>31,480</u>	<u>953,719,167</u>

13.1 Particulars of deposits by ownership

Individual depositors	33,625	1,032,043,512	31,286	920,570,594
Institutional depositors				
- Corporation / firms etc.	193	23,139,063	194	33,148,573
- Banks and financial institutions	-	-	-	-
	<u>33,818</u>	<u>1,055,182,575</u>	<u>31,480</u>	<u>953,719,167</u>

	Note	2020	2019
		-----Rupees-----	
14 BORROWINGS			
Borrowings from Banks / Financial Institutions in Pakistan	14.1 & 14.2	<u>225,000,000</u>	<u>300,000,000</u>

14.1 Details of borrowings from financial institutions

Secured			
Borrowing from Non-Banking Finance Company (NBFC)	14.2	<u>225,000,000</u>	<u>300,000,000</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 the year 2018 and two further tranches of Rs. 100 million each in the year 2019. 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 was repayable by September 2020. First tranche of Rs 75 million was paid by the Bank on January 8, 2020. During the current year, an amendment agreement has been executed and now the Bank is required to make payment in three installments of Rs 75 million each on March 31, 2021, June 30, 2021 and September 30, 2021.

	Note	2020	2019
		-----Rupees-----	
15 OTHER LIABILITIES			
Mark-up / return / interest payable		31,335,482	37,292,525
Accrued expenses		37,690,103	23,667,100
Payable to related parties	15.1	2,796,208	2,675,353
Withholding tax payable		1,736,208	15,063,311
Provident fund payable		-	907,897
Payable to employee old age benefit institution		154,492	397,402
Current taxation (provisions less payments)		605,781	1,237,884
Lease liability against right-of-use assets		75,898,160	85,291,305
Others		400	400
		<u>150,216,834</u>	<u>166,533,177</u>

- 15.1 This represents amounts of Rs 2,789,881 (2019: Rs 2,669,026) and Rs 6,327 (2019: Rs 6,327) payable to Advans S.A. Sicar - holding company and FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands respectively.

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16 SHARE CAPITAL

16.1 Authorised capital

2020	2019		2020	2019
Number of shares			-----Rupees-----	
<u>200,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs 10 each	<u>2,000,000,000</u>	<u>1,500,000,000</u>

16.2 Issued, subscribed and paid-up share capital

2020	2019		2020	2019
Number of shares			-----Rupees-----	
<u>157,516,310</u>	<u>129,016,310</u>	Ordinary shares of Rs 10 each fully paid in cash	<u>1,575,163,100</u>	<u>1,290,163,100</u>

16.2.1 Share capital has been subscribed by the following:	Note	2020	2019
		Number of shares	
Advans S.A. Sicar - Luxembourg	16.3	157,516,308	96,751,309
FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands		-	32,265,000
Steven Duchatelle - Director Advans Pakistan Microfinance Bank Limited		1	-
Claude Falgon - Chairman Advans Pakistan Microfinance Bank Limited		1	1
		<u>157,516,310</u>	<u>129,016,310</u>

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

	2020			2019			2020	2019
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	----- Number of shares -----						----- Rupees -----	
Opening	129,016,310	-	129,016,310	129,016,310	-	129,016,310	1,290,163,100	1,290,163,100
Shares issued during the year	28,500,000	-	28,500,000	-	-	-	285,000,000	-
	<u>157,516,310</u>	<u>-</u>	<u>157,516,310</u>	<u>129,016,310</u>	<u>-</u>	<u>129,016,310</u>	<u>1,575,163,100</u>	<u>1,290,163,100</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. During the year, Advans S.A Sicar has further acquired 25% shares from FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands. Subsequent to this acquisition, 99.99% shares of the Bank are held by Advans S.A Sicar.

	Note	2020	2019
		-----Rupees-----	
17 DEFERRED GRANT			
Opening balance		714,669	1,149,153
Grant received during the year from: State Bank of Pakistan		-	600,000
Grant income recognised during the year		-	(1,034,484)
		<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, 2020 and December 31, 2019.

ALL

	Note	2020	2019
		-----Rupees-----	
19 MARK-UP / RETURN / INTEREST EARNED			
Interest / mark-up on:			
Advances		418,667,398	500,121,989
Government Securities - Market Treasury bills		17,117,120	10,050,213
Banks and financial institutions			
- Deposit accounts		14,027,201	11,086,964
		<u>449,811,719</u>	<u>521,259,166</u>
20 MARK-UP / RETURN / INTEREST EXPENSED			
Interest / mark-up on deposits		132,607,542	85,062,766
Interest / mark-up on borrowing		30,883,254	42,759,397
		<u>163,490,796</u>	<u>127,822,163</u>
21 FEE, COMMISSION AND BROKERAGE INCOME			
Loan processing fee		28,471,471	60,989,383
Other fee and commission		13,187,826	9,431,317
		<u>41,659,297</u>	<u>70,420,700</u>
22 OTHER INCOME			
Grant income	17	-	1,034,484
Recoveries against write-offs		5,239,422	3,210,169
Recoveries from Credit Guarantee Scheme		6,007,020	2,296,874
Liabilities no longer required written back		7,490,009	73,759,722
Others		40,578	615,990
		<u>18,777,029</u>	<u>80,917,239</u>
23 ADMINISTRATIVE EXPENSES			
Salaries and other allowances	23.1 & 23.2	187,626,906	233,677,018
Staff welfare		1,633,767	2,241,840
Director's remuneration		-	-
Non executive directors' fees, allowances and other expenses		900,000	785,570
Training and business development		726,360	1,239,267
Rent, rates and taxes		21,580,543	22,100,328
Legal and professional charges		5,620,206	4,433,254
Utilities		11,538,075	12,436,765
Communications		8,860,897	9,305,669
Repairs and maintenance - others		15,075,891	16,790,901
Repairs and maintenance - Vehicles		6,268,962	5,107,220
Financial charges on lease liability against right-of-use asset		13,115,181	13,318,069
Fuel for generator		9,500,184	10,303,358
Insurance		9,442,244	8,556,621
Travelling and conveyance		6,858,995	37,886,180
Printing and stationery		5,532,900	8,733,262
Fees and subscription		10,916,405	7,517,531
Security charges		12,189,967	12,057,965
Advertisement and publicity		3,838,279	4,291,800
Auditors' remuneration	23.3	2,612,189	2,343,802
Depreciation	10.2	25,181,605	23,975,604
Depreciation of Right-of-use-asset	10.2	22,662,685	21,274,373
Amortisation of intangible assets	10.3	1,526,029	3,772,712
Bank charges		2,129,538	4,531,806
Office supplies		94,828	387,411
Janitorial charges		4,445,228	4,433,946
Other expenses		6,617,382	2,887,860
		<u>396,495,246</u>	<u>474,390,132</u>

23.1 This includes amount of Rs 65,366,237 (2019: Rs 75,269,069) relating to remuneration of key management personnel.

23.2 This includes amount of Rs 5,814,221 (2019: Rs 5,724,850) related to Provident Fund.

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	Note	2020	2019
23.3 Auditors' remuneration		-----Rupees-----	
Audit fee		1,425,001	1,250,001
Half-yearly review fee		700,000	636,803
Fee for other certifications		200,000	200,000
		2,325,001	2,086,804
Sindh sales tax		186,000	166,944
Out of pocket expenses		101,188	90,054
		<u>2,612,189</u>	<u>2,343,802</u>

24 OTHER OPERATING EXPENSES / OTHER CHARGES

Exchange loss		-	-
Loss on disposal of operating fixed assets		374,563	-
Penalties imposed by State Bank of Pakistan	24.1	1,449,000	1,000,000
		<u>1,823,563</u>	<u>1,000,000</u>

24.1 This represents penalty imposed by the State Bank of Pakistan on account of excess recovery of mark-up from loan customers.

	Note	2020	2019
25 TAXATION		-----Rupees-----	
For the year			
- Current	25.1	7,653,721	9,419,256
- Prior		-	-
- Deferred	25.2	(6,460,643)	(23,933,069)
		<u>1,193,078</u>	<u>(14,513,813)</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.

		2020	2019
26 (LOSS) / EARNINGS PER SHARE			
26.1 Basic			
(Loss) / earnings for the year	Rupees	<u>(257,554,209)</u>	<u>14,945,704</u>
Weighted average number of ordinary shares	Number	<u>136,419,050</u>	<u>129,016,310</u>
(Loss) / earnings per share	Rupee	<u>(1.89)</u>	<u>0.12</u>

26.2 Diluted

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

27 NUMBER OF EMPLOYEES

	2020			2019		
	Credit / Sales staff	Banking / Support staff	Total	Credit / Sales staff	Banking / Support staff	Total
	Number			Number		
Permanent	120	96	216	150	168	318
Contractual	-	-	-	-	-	-
	<u>120</u>	<u>96</u>	<u>216</u>	<u>150</u>	<u>168</u>	<u>318</u>

27.1 Average number of employees during the year were 263 (2019: 338).

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28 NUMBER OF BRANCHES

	2020		2019	
	Branches	Service Centre	Branches	Service Centre
At the beginning of the year	13	-	11	-
Add: Opened during the year	-	-	2	-
At the end of the year	<u>13</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	
	2020	2019	2020	2019	2020	2019
	-----Rupees-----		-----Rupees-----		-----Rupees-----	
Fee	-	-	900,000	785,570	-	-
Managerial remuneration	15,565,992	14,535,250	-	-	17,555,437	24,728,755
Contribution to defined contribution plan	-	-	-	-	958,228	987,829
Rent and house maintenance	-	-	-	-	5,177,718	4,491,024
Utilities	1,556,616	1,453,525	-	-	2,771,240	3,371,080
Medical	1,556,592	1,453,525	-	-	1,755,554	2,472,876
Conveyance Allowance	-	-	-	-	2,179,548	1,888,000
Other benefits	10,947,990	10,061,505	-	-	6,299,550	10,813,529
	<u>29,627,190</u>	<u>27,503,805</u>	<u>900,000</u>	<u>785,570</u>	<u>36,697,275</u>	<u>48,753,093</u>
Number of persons during the year	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>6</u>	<u>9</u>

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	2020	2019
		-----Rupees-----	-----Rupees-----
31 CASH AND CASH EQUIVALENTS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	6	115,127,880	85,774,638
Balances with other banks and microfinance banks in current and deposit accounts	7	430,728,498	230,578,693
Market treasury bills	8	<u>199,364,055</u>	<u>98,482,460</u>
		<u>745,220,433</u>	<u>414,835,791</u>

31.1 As the market treasury bills of the Bank have original maturity of three months or less, therefore, these have been classified as "Cash and cash equivalents" as per the requirements of IAS 7 "Statement of Cash Flows".

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.

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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, 2020, the share capital of the Bank stood at Rs 1,575,163,100 (2019: 1,290,163,100) and paid up capital of the Bank free of losses is Rs 552,724,928. 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, 2020, the Bank's net equity and Capital Adequacy Ratio stood at Rs 552,724,928 (2019: Rs 525,279,137) and 38.12% (2019: 31.70%) respectively as against the minimum requirement of Rs 500,000,000 and 15% prescribed by the SBP.

33 FINANCIAL ASSETS AND LIABILITIES

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

Investments

Advances - net of provisions

Other assets

Financial liabilities

Deposits and other accounts

Borrowings

Other liabilities

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		-	-	-	-	-	115,127,880	115,127,880
		-	-	-	-	-	-	-
5.5% - 11.2%	430,172,227	-	-	-	430,172,227	556,271	430,728,498	
7.13% - 7.23%	199,364,055	-	-	-	199,364,055	-	199,364,055	
28% - 49%	173,397,068	297,197,266	485,049,035	-	955,643,369	-	955,643,369	
	-	-	-	-	-	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	
8.5% - 16.6%	478,984,383	517,412,204	10,535,000	-	1,006,931,587	48,250,988	1,055,182,575	
Kibor + 4%	225,000,000	-	-	-	225,000,000	-	225,000,000	
	12,380,728	11,425,055	52,092,377	-	75,898,160	71,822,193	147,720,353	
	716,365,111	528,837,259	62,627,377	-	1,307,829,747	120,073,181	1,427,902,928	

2019							
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

- - - - - 85,774,638 85,774,638

Balances with other banks

and microfinance banks

5.5% - 13% 230,105,030 - - - 230,105,030 473,663 230,578,693

Investments

13.41% - 13.42% 98,482,460 - - - 98,482,460 - 98,482,460

Advances - net of provisions

30% - 49% 301,104,909 580,780,592 352,828,200 - 1,234,713,701 - 1,234,713,701

Other assets

- - - - - 45,635,919 45,635,919

629,692,399 580,780,592 352,828,200 - 1,563,301,191 131,884,220 1,695,185,411

Financial liabilities

Deposits and other accounts

8% - 17% 304,728,939 405,477,946 165,006,256 - 875,213,141 78,506,026 953,719,167

Borrowings

Kibor + 4% 300,000,000 - - - 300,000,000 - 300,000,000

Other liabilities

13,175,690 10,366,325 61,749,290 - 85,291,305 64,543,275 149,834,580

617,904,629 415,844,271 226,755,546 - 1,260,504,446 143,049,301 1,403,553,747

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 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
Allied Bank Limited	PACRA	A1+	AAA
Habib Bank Limited	VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
Samba Bank Limited	VIS	A-1	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, during the current year the Bank has created an additional general provision of Rs 70.49 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.

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A change of 100 basis points in interest rates at the year end would have increased or decreased the loss for the year and shareholders equity by Rs 3.01 million (2019: Rs 3.85 million). This analysis assumes that all other variables remain constant. This analysis is performed on the same basis as for 2019.

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, 2020, 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.

34 RISK MANAGEMENT FRAMEWORK

34.1 Regulatory reliefs due to COVID-19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) allowing the banks to defer obligors' payment of principal on loan obligations by one year, provided that the obligor will continue to service the mark-up amount as per agreed terms and conditions; (ii) allowing for rescheduling / restructuring of loans for borrowers who are unable to service the mark-up amount or need deferment exceeding one year; (iii) requiring not to classify the financing facilities of borrowers who have requested for deferment under (i) and (ii), unless the payment obligations are past due by 90 days; and (iv) relaxing some requirements of AML / CFT Regulations.

COVID-19 has impacted banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a number of the Bank's staff is working from home.

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34.2 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 our 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.

34.3 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 70.49 million in respect of its restructured / rescheduled loans under COVID-19 as more fully explained in note 5.3 to these financial statements.

34.4 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and mark-up and rescheduling of loans there may be an impact on the maturity profile of the Bank. 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

	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

	2019				
	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	1,234,713,701	30,613,412	270,491,497	580,780,592	352,828,200
Other earning assets	328,587,490	230,105,030	98,482,460	-	-
Total market rate assets	1,563,301,191	260,718,442	368,973,957	580,780,592	352,828,200
Other non-earning assets	382,944,959	86,248,301	-	67,016,896	229,679,762
Total assets	1,946,246,150	346,966,743	368,973,957	647,797,488	582,507,962
Market rate liabilities					
Deposits	953,719,167	270,577,965	112,657,000	405,477,946	165,006,256
Borrowings	300,000,000	-	-	-	300,000,000
Total market rate liabilities	1,253,719,167	270,577,965	112,657,000	405,477,946	465,006,256
Other non-interest bearing liabilities	166,533,177	84,427,246	9,990,316	10,366,325	61,749,290
Total liabilities	1,420,252,344	355,005,211	122,647,316	415,844,271	526,755,546

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36 CORRESPONDING FIGURES

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

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 17, 2021 by the Board of Directors of the Bank.

M. L.


Guillaume Valence (Mar 17, 2021 17:59 GMT+5)

Chief Executive Officer



Chairman



Director



Director