Building a better
working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax:+9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT

To the members of Pak Oman Microfinance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pak Oman Microfinance Bank Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2019, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flows 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 statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and 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 Institution 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 31 December 2019 and of the profit, 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 *Auditors' 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 Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' reports thereon.

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

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

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Microfinance Institution 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.
The Board of Directors is 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 auditors' 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.

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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. 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 Institution Ordinance, 2001 and Companies Act, 2017 (XIX of 2017);

   b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Microfinance Institution 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 in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

   d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Other Matters:

The financial statements of the Bank for the year ended 31 December 2018 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 14 March 2019.

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.

EY Ford Rhodes

Chartered Accountants

Place: Karachi
Date: 30 March 2020

PAK OMAN MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019	2018
		(Rupees)	
ASSETS			
Cash and balances with SBP and NBP	6	**3,621,997**	3,751,514
Balances with other banks / NBFIs / MFBs	7	**1,197,269,451**	491,355,790
Investments	8	**1,258,489,777**	630,621,534
Advances - net of provisions	9	**1,902,927,173**	1,208,640,993
Operating fixed assets	10	**132,483,018**	52,318,751
Other assets	11	**110,713,459**	48,095,023
Deferred tax asset - net	12	**29,452,631**	22,897,238
Total assets		**4,634,957,506**	2,457,680,843
LIABILITIES			
Deposits and other accounts	13	**6,701,291**	6,784,301
Borrowings	14	**1,982,284,483**	-
Other liabilities	15	**242,965,937**	116,426,732
Lease obligation		**37,723,330**	-
Total liabilities		**2,269,675,041**	123,211,033
NET ASSETS		**2,365,282,465**	2,334,469,810
REPRESENTED BY:			
Share capital	16.2	**2,308,300,000**	2,308,300,000
Share premium		**52,041,600**	52,041,600
Statutory and general reserves		**32,059,174**	26,320,606
Depositors' protection fund		**8,995,465**	6,873,233
Accumulated losses		**(36,113,774)**	(59,065,629)
		2,365,282,465	2,334,469,810
MEMORANDUM / OFF BALANCE SHEET ITEMS	17		

The annexed notes from 1 to 35 form an integral part of these financial statements.

President / Chief Executive	Chairman	Director	Director

PAK OMAN MICROFINANCE BANK LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		(Rupees)	
Mark-up / return / interest earned	18	**782,766,964**	439,075,898
Mark-up / return / interest expensed	19	**(124,290,216)**	(49,676)
Net mark-up / return / interest income		**658,476,748**	439,026,222
Provision against non-performing loans and advances	9.3	**225,418,279**	89,138,659
Provision for diminution in the value of investments		**-**	-
Bad debts written off directly		**-**	-
		225,418,279	89,138,659
Net mark-up / return / interest income after provisions		**433,058,469**	349,887,563
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income		**83,846,432**	52,661,896
Dividend income		**13,729,129**	5,443,337
Other income	20	**18,704,277**	11,057,025
Total non-mark-up / non-interest income		**116,279,838**	69,162,258
		549,338,307	419,049,821
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	21	**488,563,150**	318,702,405
Finance cost for Lease		**8,225,518**	-
Other provision / write off		**-**	-
Other charges		**-**	(225,438)
Total non mark-up / non interest expenses		**496,788,668**	318,476,967
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**52,549,639**	100,572,854
Taxation - current		**30,412,192**	38,794,938
- prior years		**-**	2,917,360
- deferred		**(6,555,393)**	(1,367,155)
	22	**23,856,799**	40,345,143
PROFIT AFTER TAXATION		**28,692,840**	60,227,711
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss account - net of tax		**1,432,225**	(2,810,063)
COMPREHENSIVE INCOME FOR THE YEAR		**30,125,065**	57,417,648
Accumulated losses brought forward		**(59,065,629)**	(101,288,862)
		(28,940,564)	(43,871,214)
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		**(5,738,568)**	(12,045,542)
Capital reserve		**-**	-
Depositors' Protection Fund		**(1,434,642)**	(3,148,873)
Revenue reserve		**-**	-
Proposed cash dividend		**-**	-
Accumulated losses carried forward		**(36,113,774)**	(59,065,629)
Earning per share - Basic and diluted	27	**0.124**	0.261

The annexed notes from 1 to 35 form an integral part of these financial statements.

President / Chief Executive	**Chairman**	**Director**	**Director**

PAK OMAN MICROFINANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**52,549,639**	100,572,854
Less: Dividend income		**(13,729,129)**	(5,443,337)
		38,820,510	95,129,517
Adjustments for non-cash charges:			
Depreciation	21	**42,243,683**	11,508,754
Amortization	10.2	**2,396,084**	550,325
Amortization of premium on PIBs	18	**(181,632)**	165,013
Provision against non-performing advances	9.3	**225,418,279**	89,138,659
Reversal of provision for diminution in the value of investments	4.1	**(117,267)**	-
Gain on disposal of fixed assets	20	**(1,284,676)**	(1,389,696)
Finance cost on lease obligation		**8,225,518**	-
Provision for gratuity	24.6	**6,714,470**	3,120,902
Capital gains on mutual funds	20	**(1,131,457)**	-
Surplus on revaluation on investments	8	**(582,701)**	-
Provision for leave fare assistance	21	**9,720,353**	4,545,030
		291,420,654	107,638,987
		330,241,164	202,768,504
(Increase) / decrease in operating assets			
Lendings to financial institutions		**-**	450,000,000
Advances		**(919,704,459)**	(609,653,086)
Other assets (excluding advance taxation)		**(52,532,916)**	(9,927,079)
		(972,237,375)	(169,580,165)
Increase / (decrease) in operating liabilities			
Deposits and other accounts		**(83,010)**	(2,248,963)
Other liabilities (excluding current taxation)		**128,896,851**	34,962,473
		128,813,841	32,713,510
		(513,182,370)	65,901,849
Income tax paid	11.1	**(39,582,840)**	(27,210,946)
Gratuity paid	24.5	**(7,000,000)**	(4,427,618)
Leave fare assistance paid		**(9,515,214)**	(3,822,739)
Net cash (outflow) / inflow from operating activities		**(569,280,424)**	30,440,546
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		**117,267**	163,999,152
Net investments in held to maturity securities		**154,328,472**	163,312,508
Net investments in held for trading securities		**(203,735,717)**	-
Dividend received		**13,729,129**	5,443,337
Rentals paid against lease obligation		**(36,359,016)**	-
Investment in operating fixed assets		**(53,815,930)**	(34,258,720)
Sale proceeds of property and equipment disposed-off		**2,835,742**	2,228,664
Net cash (outflow) / inflow from investing activities		**(122,900,053)**	300,724,941
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of further shares		**-**	-
Transaction cost on issuance of shares		**-**	-
Borrowings from SBP		**1,982,284,483**	-
Net cash flow from financing activities		**1,982,284,483**	-
Increase in cash and cash equivalents		**1,290,104,006**	331,165,487
Cash and cash equivalents at the beginning of the year		**655,428,442**	324,262,955
Cash and cash equivalents at the end of the year	29	**1,945,532,448**	655,428,442

The annexed notes from 1 to 35 form an integral part of these financial statements.

President / Chief Executive	Chairman	Director	Director

PAK OMAN MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		(Rupees)	
Profit after taxation		**28,692,840**	60,227,711
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss account			
Remeasurement of defined benefit obligation	24.7.1	**2,017,218**	(3,957,835)
Related tax impact		**(584,993)**	1,147,772
		1,432,225	(2,810,063)
Comprehensive income for the year transferred to equity		**30,125,065**	57,417,648
Component of comprehensive income for the year not transferred to equity			
Surplus on revaluation of 'available for sale' investments		**-**	(179,337)
Related tax impact		**-**	44,834
			(134,503)
Total comprehensive income for the year		**30,125,065**	57,283,145

The annexed notes from 1 to 35 form an integral part of these financial statements.

President / Chief Executive	**Chairman**	**Director**	**Director**

PAK OMAN MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

			Capital reserves		Revenue reserves	
	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Accumulated losses	Total
	(Rupees)					
Balance as at 31 December 2017	2,308,300,000	53,776,320	14,275,064	3,724,360	(101,288,862)	2,278,786,882
Total comprehensive income:						
Profit after tax for the year ended 31 December 2018	-	-	-	-	60,227,711	60,227,711
Other comprehensive income - net of tax	-	-	-	-	(2,810,063)	(2,810,063)
Total comprehensive income	-	-	-	-	57,417,648	57,417,648
Transfer to Statutory Reserve	-	-	12,045,542	-	(12,045,542)	-
Issue of share capital - deferred tax	-	(1,734,720)	-	-	-	(1,734,720)
Transfer to Depositors' Protection Fund						
- 5% of the profit after tax	-	-	-	3,011,386	(3,011,386)	-
- return on investment - net of tax	-	-	-	137,487	(137,487)	-
	-	-	-	3,148,873	(3,148,873)	-
Balance as at 31 December 2018	2,308,300,000	52,041,600	26,320,606	6,873,233	(59,065,629)	2,334,469,810
Total comprehensive income:						
Profit after tax for the year ended 31 December 2019	-	-	-	-	**28,692,840**	**28,692,840**
Other comprehensive income - net of tax	-	-	-	-	**1,432,225**	**1,432,225**
Total comprehensive income	**-**	**-**	**-**	**-**	**30,125,065**	**30,125,065**
Transfer to statutory reserve	**-**	**-**	**5,738,568**	**-**	**(5,738,568)**	**-**
Issue of share capital - deferred tax	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to Depositors' Protection Fund						
- 5% of the profit after tax	**-**	**-**	**-**	**1,434,642**	**(1,434,642)**	**-**
- return on investment - net of tax	**-**	**-**	**-**	**687,590**	**-**	**687,590**
	-	**-**	**-**	**2,122,232**	**(1,434,642)**	**687,590**
Balance as at 31 December 2019	**2,308,300,000**	**52,041,600**	**32,059,174**	**8,995,465**	**(36,113,774)**	**2,365,282,465**

The annexed notes from 1 to 35 form an integral part of these financial statements.

President / Chief Executive	**Chairman**	**Director**	**Director**

PAK OMAN MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. STATUS AND NATURE OF BUSINESS

1.1 Pak Oman Microfinance Bank Limited (the Bank) was incorporated on 09 March 2006 as a public limited company under Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017) and was granted license by the State Bank of Pakistan (SBP) on 12 April 2006. The Bank received certificate of commencement of business on 06 May 2006, effective from 08 May 2006. The Bank's principal business is to provide microfinance 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 20-C, Khayaban-e-Nishat, Ittehad Commercial Area, Phase-VI, DHA, Karachi, Pakistan. As at 31 December 2019, the Bank has 30 branches (2018: 25) and 35 service centers (2018: 22) in operation in all provinces of Pakistan, and Azad Jammu & Kashmir other than Gilgit Baltistan, including the Federal Capital Islamabad and is licensed to operate nationwide.

In the year 2016, the Board of Directors of the Bank entered into an agreement with LOLC PLC, the Parent Company, who in lieu of the agreement acquired the majority of the stake (50.1%) in the Bank. As per the signed agreement dated 03 February 2017, the existing shareholders retained their shareholdings while new 115,648,000 shares were issued (equal to the existing issued and paid up capital) at an offer price of Rs.10.5 each (face value of Rs.10 each).

1.2 JCR-VIS has determined the Bank's medium to long-term rating as 'A-' and the short-term rating as 'A-2'.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standard issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

- The Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the SBP.

Where provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the SBP differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the SBP have been followed.

3.2 The SBP, through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments and non-banking assets have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments that have been marked to market and are carried at fair value and staff retirement benefits which are measured at present value.

4.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the functional currency of the Bank, and have been rounded off to the nearest Rupee.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Bank has adopted the following standards and amendment to IFRSs which became effective for the current year:

Standard, Interpretation or Amendment

IFRS 15 - Revenue from contracts with customers

IFRS 16 - Leases

Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures

Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

IFRIC 23 - Uncertainty over Income Tax Treatments

The adoption of the above standards / amendment to accounting standards did not have any effect on these unconsolidated financial statements. The nature and effect of the changes as a result of adoption of IFRS 15 and IFRS 16 are in Note 5.1.1 and 5.1.2 below respectively:

5.1.1 IFRS 15 ‘Revenue from Contracts with Customers’ supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related Interpretations and it applies to all revenue arising from contracts with customers unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Based on the above assessment, the Bank considers that its existing accounting policies are substantially in compliance with the requirements of IFRS 15.

5.1.2 IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model.

The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease.

In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The Bank has adopted modified retrospective approach upon transition to IFRS 16. The standard also provides practical expedients, which have been applied by the Bank.

Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

Impact on Statement of Financial Position	**As at January 01, 2019 (Rupees in '000)**
Increase in fixed assets - right-of-use assets	**72,449,147**
Decrease in other assets - advances, deposits,	**(6,592,319)**
Increase in other liabilities - lease liability against right-of-use assets / other payable	**65,856,828**

Impact on Profit and Loss account	**For the year December 31, (Rupees in '000)**
Increase in mark-up expense - lease liability against right-of-use assets	**8,225,518**
(Increase) / decrease in administrative expenses	
- Depreciation on right-of-use assets	**24,149,716**
- Rent expense	**(23,868,499)**
	281,217
Decrease in profit before tax	**8,506,735**
Decrease in profit after tax	**6,624,382**

5.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. SBP has advised the effective date of implementation of IFRS 9 from January 01, 2021. Meanwhile, SBP has directed banks to perform parallel run of IFRS 9 implementation starting from January 01, 2020 to assess the impact of implementation of IFRS 9.

The above amendments are not likely to have an impact on Bank's financial statements except for IFRS 9 'Financial instruments' the bank is currently evaluating the impact of the said standard. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant to the Bank's operations and therefore, are not detailed in these unconsolidated financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2021

5.3 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2019.

5.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting standards requires the use of certain critical accounting estimates. It also requires the 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, including expectations of future events that are believed to be reasonable under the circumstances. Revision 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 the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policy are as follows:

i) Classification and provisioning of investments (notes 5.7 and 8)

ii) Provision against advances (notes 5.8 and 9)

iii) Provision for current and deferred taxation (notes 5.13, 11 and 22)

iv) Provision for staff retirement benefits (notes 5.12, 15 and 24)

v) Fixed assets, depreciation and amortization (notes 5.9, 10 and 21)

5.5 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand and balances held with State Bank of Pakistan, balances with other banks in current and deposit accounts and TDRs having a maturity upto 3 months. Cash and cash equivalents are carried at cost in the statement of financial position.

5.6 Lendings to financial institutions

Lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision, if any. Mark-up on such lendings is charged to profit or loss account on a time proportionate basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognized on receipt basis.

5.7 Investments

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

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

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

Impairment

Impairment in the value of equity securities is made after considering objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of security is also considered as an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations. In the event of impairment of available for sale securities, the cumulative loss that had been recognized directly in surplus on revaluation of securities on the statement of financial position below equity is thereof removed and recognized in the profit and loss account.

5.8 Advances

These are stated at cost net of specific and general provisions which are determined on the basis of the Prudential Regulations (the Regulations) for Microfinance Banks issued by SBP and charged to profit or loss account. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances in to following categories:

a) Other Assets Especially Mentioned (OAEM)

These are advances in arrears (payment / instalments overdue) of 30 days or more but less than 60 days.

b) Substandard

These are advances in arrears (payment / instalments overdue) for 60 days or more but less than 90 days.

c) Doubtful

These are advances in arrears (payment / instalments overdue) for 90 days or more but less than 180 days.

d) Loss

These are advances in arrears (payment / instalments overdue) for 180 days or more.

In addition the Bank maintains a watch list of all accounts delinquent by 5 - 29 days. However, such accounts are not treated as non-performing for the purpose of classification / provisioning.

In accordance with the Regulations, the Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

Substandard	25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Doubtful	50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Loss	100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

In addition, a general provision is made in accordance with the requirements of the Prudential Regulations for Microfinance Banks issued by SBP equivalent to 1% (2018: 1%) of the net outstanding balance (advances net of specific provisions) for potential loan losses.

Non-performing advances are written off one month after the loan is classified as "Loss". However, the Bank continues its efforts for recovery of the written off balances.

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. The classification made as per the Regulation is not changed due to such rescheduling.

5.9 Operating fixed assets and intangibles

5.9.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of items.

Depreciation is charged to profit or loss account at the rates mentioned in note 10.1 applying the straight line method over estimated useful life of assets. The asset's residual values and useful lives are reviewed annually, and adjusted if required.

Full depreciation is charged on additions in the month of purchase and no depreciation is charged on disposals in the month of disposal.

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

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount. These are recognized in the profit or loss account.

5.9.2 Capital work in progress

All expenditure connected with specific assets incurred during installation and development period are carried under capital work in progress. These are transferred to specific assets as and when these are available for use. Capital work in progress is stated at cost less accumulated impairment losses, if any.

5.10 Intangible assets

Intangible assets with a definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method at the rates mentioned in note 10.2 over their estimated useful life.

Amortisation is charged on additions from the date the asset available for use and on disposals up to the date of disposal.

The asset's residual values and useful lives are reviewed annually, and adjusted if required, at each reporting date.

5.11 Impairment

5.11.1 Non-Financial Assets (except for deferred tax assets)

The Bank assesses at the end of each reporting period whether there is any indication that non-financial assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

5.11.2 Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost reversal is recognized in profit or loss.

5.11.3 Grants

Grants are initially recognised at fair value in the statement of financial position when there is a reasonable assurance that the grant will be received and that the Bank will comply with all the attached conditions.

Grants relating to operating fixed assets are recorded as deferred revenue in the statement of financial position and recognised as income on a systematic basis over the useful lives of the assets acquired from grant proceeds.

5.12 Staff retirement benefits

5.12.1 Defined contribution plan

The Bank also operates a recognised provident fund for its eligible employees. Equal monthly contributions are made by the Bank and its employees to the fund at the rate of 8.33% (2018: 8.33%) of basic salary per month.

5.12.2 Defined benefit plan

The Bank operates a funded-gratuity scheme for all of its permanent employees. The scheme was approved on 16 September 2014. Contributions to the fund are made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit or loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur.

5.12.3 Compensated absences

Compensated absences (leaves) of employees are accounted for in the period in which these absences are earned. Provisions to cover the obligations are made using the current salary level of employees.

5.13 Taxation

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

5.13.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum tax applicable in accordance with the Income Tax Ordinance, 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

5.13.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising at the date of reporting between the amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised on all deductible temporary differences and carry forward of unused tax losses, minimum tax and alternate corporate tax (ACT), if any, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of the 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 using the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

5.14 Deposits

Deposits are recorded at the proceeds received. Deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

5.15 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 reserves are equal to paid-up capital and thereafter 5% of profit after taxes.

5.16 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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

5.17 Depositors' 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 and profits earned on the investments of the fund shall be credited to the depositors' protection fund and such fund shall either be invested in Government securities or deposited with State Bank in a remunerative account.

5.18 Revenue recognition

- Return on investment / lending to financial institutions is recognised using effective interest rate method.

- Mark-up / interest / return on performing advances is recognised using effective interest rate method except that income suspended in accordance with the requirements of the Prudential Regulations for Microfinance Banks, is taken to income when actually received.

- Interest or mark-up recoverable on non-performing advances and classified investments is recognised on a receipt basis.

- Dividend income is recognised when the right to receive dividend is established.

- Processing fees is recognized when services are performed.

- Capital gains / (losses) on sale of investments are recognised in the profit or loss account at the time of sale.

- Other income are recognised on accrual basis.

5.19 Financial instruments

5.19.1 Financial assets and financial liabilities

All 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 financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Subsequently, these are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts, if any. All the financial assets are derecognised at the time when the Bank loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit or loss account.

5.19.2 Off setting

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and the Bank intends to settle either on a net basis, or to realise the assets and to settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

5.20 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 or loss account.

5.21 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pak Rupee, which is the Bank's functional and presentation currency.

5.22 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rate prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at reporting date are included in profit or loss account.

5.23 Earnings per share

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

5.24 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recognised as liability in the Banks' financial statements in the year in which these are approved by the appropriate authorities.

6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN

	Note	2019 (Rupees)	2018 (Rupees)
Cash in hand			
- local currency		**1,188,138**	427,722
Balance with State Bank of Pakistan (SBP)	6.1	**2,433,859**	3,323,792
		3,621,997	3,751,514

6.1 This represents current accounts maintained with SBP to meet the minimum balance requirement equivalent to 5% as cash reserve of Bank's demand and time deposits with tenor of less than 1 year in accordance with the Prudential Regulations.

7. BALANCES WITH OTHER BANKS

	Note	2019 (Rupees)	2018 (Rupees)
In Pakistan			
- on local currency current accounts		**49,472,963**	29,448,356
- on local currency deposit accounts	7.1	**1,147,796,488**	461,907,434
		1,197,269,451	491,355,790

7.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 7.00% to 14.30% per annum (2018: 8.00% to 11.00% per annum).

	Note	2019	2018
		(Rupees)	
8. INVESTMENTS			
Federal Govt. Securities			
- Pakistan Investment Bonds	8.2	**9,639,358**	11,051,636
- Market Treasury Bills	8.7	**299,891,001**	-
Provincial Govt. Securities		**-**	-
Investment in mutual funds	8.3	**203,735,717**	-
Fully paid up ordinary shares		**-**	-
Bonds, Participation Term Certificates & Term Finance Certificates	8.4	**6,311,657**	6,428,924
Sukuk	8.4	**10,000,000**	10,000,000
Term Deposit Receipts (TDRs)	8.5	**744,641,000**	619,569,898
Provision for diminution in value of investments	8.6	**(16,311,657)**	(16,428,924)
Surplus on revaluation of held for trading investments	8.3	**582,701**	-
Investments - net of provision		**1,258,489,777**	630,621,534

8.1 Investments Classification

	Note	2019	2018
Available for sale			
Term Finance Certificates	8.4	**6,311,657**	6,428,924
Sukuk	8.4	**10,000,000**	10,000,000
		16,311,657	16,428,924
Held to maturity			
Federal Government Securities - Pakistan Investment Bonds	8.2	**9,639,358**	11,051,636
Term Deposit Receipts (TDRs)	8.5	**744,641,000**	619,569,898
Federal Government Securities - Treasury Bills	8.7	**299,891,001**	-
		1,054,171,359	630,621,534
		1,070,483,016	647,050,458
Held for Trading			
Investment in mutual funds	8.3	**203,735,717**	-
Provision for diminution in value of investments	8.6	**(16,311,657)**	(16,428,924)
		1,257,907,076	630,621,534
Surplus on revaluation of held for trading	8.3	**582,701**	-
Investments - net of provision		**1,258,489,777**	630,621,534

8.2 Federal Government Securities - Pakistan Investment Bonds

	Note	As at 31 December 2019 Amortised cost of investment	Provision held	Amortised cost less provision	Market value	Surplus on revaluation	As at 31 December 2018 Amortised cost of investment	Provision held	Amortised cost less provision	Market value	Surplus on revaluation
		(Rupees)									
Pakistan Investment Bonds (PIB)	8.2.1	**2,726,925**	**-**	**2,726,925**	**-**	**-**	-	-	-	-	-
Pakistan Investment Bonds (PIB)	8.2.1	**918,651**	**-**	**918,651**	**-**	**-**	5,056,713	-	5,056,713	-	-
Pakistan Investment Bonds (PIB)	8.2.2	**2,014,437**	**-**	**2,014,437**	**-**	**-**	2,024,745	-	2,024,745	-	-
Pakistan Investment Bonds (PIB)	8.2.2	**3,979,345**	**-**	**3,979,345**	**-**	**-**	3,970,178	-	3,970,178	-	-
		9,639,358	**-**	**9,639,358**	**-**	**-**	11,051,636	-	11,051,636	-	-

8.2.1 PIB's were purchased from Pak Oman Investment Company Limited (POICL), an associated company, on 25 July 2019 and 17 July 2019 having cost of Rs.2,655,162 and Rs.891,795 respectively having maturity on 21 April 2021.

8.2.2 PIB having a face value Rs. 4 million was purchased from Pak Oman Investment Company Limited (POICL), an associated company, on 18 May 2018 at a cost of Rs. 3,964,812 and PIB having a face value Rs. 2 million was purchased from JS Bank Limited on 22 December 2016 at a cost of Rs. 2,043,710 . These carry mark-up rate of 7.75% per annum (2018: 9.0%) and 7.75% per annum (2018: 7.75%) respectively and have maturity on 29 December 2021 and 21 April 2021 respectively. The PIBs are classified as Held to Maturity.

8.3 Investment in mutual fund

Name of the investee fund	Number of Units	As at 31 December 2019 Cost of investment	Provision held	Value of investment after	Market Value	Surplus on revaluation	As at 31 December 2018 Cost of investment	Provision held	Value of investment after	Market value	Surplus on revaluation
		(Rupees)									
MCB Cash Management Optimizer	**1,011,052**	**101,754,583**	**-**	**101,754,583**	**102,048,788**	**294,204**	-	-	-	-	-
UBL Liquidity Plus Fund	**1,011,914**	**101,981,134**	**-**	**101,981,134**	**102,269,631**	**288,497**	-	-	-	-	-
Askari High Yield Scheme							-	-	-	-	-
		203,735,717	**-**	**203,735,717**	**204,318,419**	**582,701**	-	-	-	-	-

8.4 Investments in Term Finance Certificates / Sukuk

Name of the investee company	Profit / mark-up rate (per annum)	Maturity date	Note	As at 31 December 2019 Number of certificate	Redeemed value	Provision held	Value of investment after	Market value	Deficit on revaluation	As at 31 December 2018 Number of certificates	Redeemed value	Provision held	Value of investment after	Market value	Deficit on revaluation
					(Rupees)						(Rupees)				
Term Finance Certificate															
WorldCall Telecom Limited	6 month KIBOR + 1.6%	7-Oct-21	8.4.1	**3,000**	**4,861,657**	**4,861,657**	**-**	**-**	**-**	3,000	4,978,924	4,978,924	-	-	-
Agritech Limited	Zero rated	1-Jan-15	8.4.1	**290**	**1,450,000**	**1,450,000**	**-**	**Non Traded**	**-**	290	1,450,000	1,450,000	-	Non Traded	-
				3,290	**6,311,657**	**6,311,657**	**-**	**-**	**-**	3,290	6,428,924	6,428,924	-	-	-
Sukuk															
Agritech Limited	6 month KIBOR + 2%	15-Aug-15		**2,000**	**10,000,000**	**10,000,000**	**-**	**Non Traded**	**-**	2,000	10,000,000	10,000,000	-	Non Traded	-

Term Finance Certificates of Rs.5,000 each.

8.4.1 Investments in WorldCall Telecom and Agritech Limited amounting to Rs. 4,861,657 and Rs. 1,450,000 respectively were fully provided in 2015. Further during the year, WorldCall Telecom has made a repayment of Rs. 117,267 and consequently, amount of investment is reduced and provision is reversed with the same amount.

8.5 These represent term deposit receipts having maturity in January 2020 and carrying mark-up rates ranging from 14.2% to 14.30% per annum (2018: 7.85% to 10.3% per annum).

8.6 Particulars of Provision for Diminution in value of investments

	Note	2019	2018
		(Rupees)	
Opening balance		**(16,428,924)**	(17,210,257)
Charge for the year		**-**	-
Reversals		**117,267**	781,333
Closing balance		**(16,311,657)**	(16,428,924)

8.7 Federal Government Securities - Treasury Bills

	Note	2019	2018
Purchase price	8.7.1	**290,943,000**	-
Amortized during the period		**8,948,001**	-
Value as at 31 December		**299,891,001**	-

8.7.1 This represents 3 months treasury bill with a face value of Rs. 300,000,000 having maturity on 02 January 2020.

9. ADVANCES - NET OF PROVISIONS

Loan type	Note	2019 Number of loans outstanding	2019 Amount outstanding (Rupees)	2018 Number of loans outstanding	2018 Amount outstanding (Rupees)
Micro credit advances					
- Considered good		**51,538**	**1,806,016,157**	34,114	1,143,453,453
- Considered doubtful	9.2	**8,150**	**172,445,250**	6,031	103,716,483
			1,978,461,407		1,247,169,936
Less: Provision held					
- Specific provision	9.2		**74,454,623**	6,031	36,440,582
- General provision	9.3		**19,039,100**		12,107,301
	9.3		**93,493,723**		48,547,883
			1,884,967,684		1,198,622,053
Net Investment in Finance Lease		**15**	**3,531,759**	-	
Staff loan	9.6		**14,427,730**		10,018,940
Advances - net of provisions			**1,902,927,173**		1,208,640,993

9.1 All advances are secured by personal guarantees. Further, a mandatory deposit account equivalent to 10% of amount of advances was required to be kept with the Bank until 30 September 2014. The details of such deposits held with the Bank are disclosed in note 13. The interest rates on the advances is 39% per annum (2018: 39% per annum).

9.2 Particulars of non-performing advances

Advances includes Rs. 172,445,250 (2018: Rs. 103,716,483) which have been placed under non-performing status as detailed below:

Category of classification	31 December 2019 Amount outstanding	Provision required	Provision held	31 December 2018 Amount outstanding	Provision required	Provision held
	------	------	------ (Rupees)	------	------	------
Other assets especially mentioned	**34,509,553**	**-**	**-**	31,823,465	-	-
Sub-standard	**27,334,940**	**6,833,735**	**6,833,735**	19,759,682	4,939,920	4,939,920
Doubtful	**85,959,737**	**42,979,868**	**42,979,868**	41,265,349	20,632,675	20,632,675
Loss	**24,641,020**	**24,641,020**	**24,641,020**	10,867,987	10,867,987	10,867,987
Total	**172,445,250**	**74,454,623**	**74,454,623**	103,716,483	36,440,582	36,440,582

9.3 Particulars of provision against non-performing loans and advances

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

	Note	31 December 2019 Specific	General	Total	31 December 2018 Specific	General	Total
		------	------	------ (Rupees)	------	------	------
Opening balance		**36,440,582**	**12,107,301**	**48,547,883**	8,504,275	6,862,552	15,366,827
Charge / (reversal) for the year		**218,486,480**	**6,931,799**	**225,418,279**	83,893,910	5,244,749	89,138,659
Amounts written off	9.3.1	**(180,472,439)**	**-**	**(180,472,439)**	(55,957,603)	-	(55,957,603)
		38,014,041	**6,931,799**	**44,945,840**	27,936,307	5,244,749	33,181,056
Closing balance		**74,454,623**	**19,039,100**	**93,493,723**	36,440,582	12,107,301	48,547,883

9.3.1 Particulars of write offs

	2019	2018
	(Rupees)	
Against provision	**180,472,439**	55,957,603
Directly charged to profit or loss account	**-**	-
	180,472,439	55,957,603

9.4 This represents general provision equivalent to 1% (2018: 1%) of the net outstanding advances held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

9.5 Portfolio by type

	2019	2018
	(Rupees)	
Micro business loan	**563,916,129**	812,012,721
Micro agri loan	**738,374**	149,112
Micro assets loan	**-**	31,933
Livestock loan	**330,226,548**	226,994,115
New micro business loan	**364,672,734**	2,680,197
Micro enterprise loan	**449,459,128**	137,435,077
Micro enterprise loan-LSL	**173,538,272**	64,224,842
Salary loan	**1,506,345**	3,641,939
Bara karobar loan	**85,038,085**	-
Bullet Zarai Karza	**9,365,792**	-
	1,978,461,407	1,247,169,936

9.6 This represents personal loans and house loans provided to employees as per the Bank's policy. The title documents of houses for house loans are held by the Bank as collateral and interest of 5% per annum (2018: 5% per annum) is charged on amounts exceeding Rs. 200,000.

10. OPERATING FIXED ASSETS

	Note	2019	2018
		(Rupees)	
Property and equipment	10.1	**70,201,423**	50,702,004
Right of use asset		**48,389,455**	-
Intangible assets	10.2	**13,892,140**	1,616,747
		132,483,018	52,318,751

10.1 Property and equipment

2019	COST			DEPRECIATION				
	As at 01 January 2019	Additions / (disposals)	As at 31 December 2019	As at 01 January 2019	Charge for the year / (disposals)	As at 31 December 2019	Book value as at 31 December 2019	Rate of depreciation
	(Rupees)							%
Owned								
Leasehold improvements (Building's fixtures)	**15,147,084**	**7,964,001 (246,170)**	**22,864,915**	**4,945,344**	**3,421,388 (181,885)**	**8,184,847**	**14,680,068**	20%
Office equipment	**11,222,353**	**8,809,719 (106,307)**	**19,925,765**	**4,450,877**	**2,529,315 (102,046)**	**6,776,452**	**13,149,313**	20%
Furniture and fixture	**13,262,839**	**8,867,830 (284,297)**	**21,846,372**	**5,765,581**	**2,661,798 (280,836)**	**7,792,894**	**14,053,478**	20%
Computers	**23,613,363**	**8,522,917 (53,500)**	**32,082,780**	**18,406,045**	**4,525,554 (53,500)**	**22,059,195**	**10,023,585**	33%
Vehicles	**37,071,598**	**4,979,986 (5,535,097)**	**36,516,487**	**16,047,386**	**4,955,912 (4,056,038)**	**18,221,508**	**18,294,979**	20%
	100,317,237	**39,144,453 (6,225,371)**	**133,236,319**	**49,615,233**	**18,093,967 (4,674,305)**	**63,034,896**	**70,201,423**	

2018	COST			DEPRECIATION				
	As at 01 January 2018	Additions / (disposals)	As at 31 December 2018	As at 01 January 2018	Charge for the year / (disposals)	As at 31 December 2018	Book value as at 31 December 2018	Rate of depreciation
	(Rupees)							%
Owned								
Leasehold improvements (Building's fixtures)	5,532,800	9,635,184 (20,900)	15,147,084	3,501,257	1,464,987 (20,900)	4,945,344	10,201,740	20%
Office equipment	4,622,394	6,625,845 (25,886)	11,222,353	3,563,261	911,152 (23,536)	4,450,877	6,771,476	20%
Furniture and fixture	6,166,279	7,391,458 (294,898)	13,262,839	4,888,124	1,166,492 (289,035)	5,765,581	7,497,258	20%
Computers	20,265,608	3,347,755	23,613,363	15,668,909	2,737,136	18,406,045	5,207,318	33%
Vehicles	34,319,934	5,998,314 (3,246,650)	37,071,598	13,234,294	5,228,987 (2,415,895)	16,047,386	21,024,212	20%
	70,907,015	32,998,556 (3,588,334)	100,317,237	40,855,845	11,508,754 (2,749,366)	49,615,233	50,702,004	

10.1.1 This includes property and equipment costing Rs. 29,731,903 (2018: Rs. 29,708,982) that have been fully depreciated as at 31 December 2018 but are still in use.

10.1.2 Details of disposals of assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 respectively whichever is less and property and equipment disposed off to the Chief Executive or to a director or to executives or to any other related party, irrespective of the values, are as follows:

	2019						
	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	----------	----------	(Rupees)	----------	----------		
Vehicles							
Suzuki Bolan	**740,424**	**592,339**	**148,085**	**481,889**	**333,804**	Negotiation	Nusrat Iqbal
Suzuki Bolan	**717,421**	**573,937**	**143,484**	**481,888**	**338,404**	Negotiation	Nusrat Iqbal
Suzuki Mehran	**716,505**	**580,356**	**136,149**	**320,045**	**183,896**	As per HR policy	Asad Abbas
Suzuki Bolan	**660,000**	**528,000**	**132,000**	**165,000**	**33,000**	Insurance	NJI Insurance
Suzuki Cultus	**630,414**	**504,331**	**126,083**	**125,800**	**(283)**	As per HR policy	Shahab Ahmed
	3,464,764	**2,778,963**	**685,801**	**1,574,622**	**888,821**		

10.2 Intangible assets

	COST			AMORTISATION			Book value as at 31 December	Rate of amortisation
	As at 01 January	Additions / Transfers	As at 31 December	As at 01 January	Charge for the year	As at 31 December		
	----------	----------	----------	(Rupees)	----------	----------	----------	
Computer software								
2019	**9,520,537**	**14,671,477**	**24,192,014**	**7,903,790**	**2,396,084**	**10,299,874**	**13,892,140**	**33%**
2018	8,260,373	1,260,164	9,520,537	7,353,465	7,903,790	1,616,747	906,908	33%

10.2.1 This includes intangible assets costing Rs. 7,272,799 (2018: Rs. 3,604,610) that have been fully amortised as at 31 December 2019 but are still in use.

11. OTHER ASSETS

	Note	2019	2018
		(Rupees)	
Income / mark-up accrued on Advances and Investments		**72,247,578**	20,231,049
Advances, deposits and other prepayments		**23,638,073**	24,729,310
Refundable / advance taxation (payments less provision)	11.1	**6,813,002**	-
Others		**8,014,806**	3,134,664
		110,713,459	48,095,023

11.1 Movement in advance tax - net

	2019	2018
	(Rupees)	
Balance as at 01 January	**(2,357,646)**	9,226,346
Tax paid	**39,582,840**	27,210,946
Provision for taxation	**(30,412,192)**	(38,794,938)
Balance as at 31 December	**6,813,002**	(2,357,646)

12. DEFERRED TAX ASSET-NET

	31 December 2019					
	Balance as at 01 January 2019	Recognised in profit or loss account	Recognised in other comprehensive income	Recognised in share premium	Recognised in revaluation of assets account	Balance as at 31 December 2019
	(Rupees)					
Taxable temporary differences						
Surplus on revaluation of securities	-	-	-	-	87,405	87,405
Amortisation of premium on investments	332,645	2,286,600	-	-	-	2,619,245
Difference between accounting book value of fixed assets and tax base	3,457,310	10,575,632	-	-	-	14,032,942
Difference between accounting book value of lease receivable and tax	-	56,683	-	-	-	56,683
	3,789,955	12,918,915	-	-	87,405	16,796,275
Deductible temporary differences						
Provision for other liabilities	5,028,397	(1,562,817)	-	-	-	3,465,580
Provision for diminution in value of investments	-	4,730,380	-	-	-	4,730,380
Difference between accounting book value of Lease Obligation IFRS 16	-	10,939,766	-	-	-	10,939,766
Provision against non-performing loans and advances	14,078,886	13,034,294	-	-	-	27,113,180
	19,107,283	27,141,623	-	-	-	46,248,906
Cost of issuance of new shares	-	-	-	-	-	-
Minimum tax and alternate corporate tax	-	-	-	-	-	-
Unabsorbed depreciation and carry forward losses	-	-	-	-	-	-
	22,897,238	40,060,538	-	-	87,405	29,452,631

	31 December 2018					
	Balance as at 01 January 2018	Recognised in profit or loss account	Recognised in other comprehensive income	Recognised in share premium	Recognised in revaluation of assets account	Balance as at 31 December 2018
	(Rupees)					
Taxable temporary differences						
Surplus on revaluation of securities	(44,834)	-	-	-	44,834	-
Difference between accounting book value of fixed assets and tax base	(23,373)	3,480,683	-	-	-	3,457,310
	(68,207)	3,480,683	-	-	44,834	3,457,310
Deductible temporary differences						
Provision for other liabilities	2,304,192	1,576,433	1,147,772	-	-	5,028,397
Provision for diminution in value of investments	5,163,080	(5,163,080)	-	-	-	-
Amortisation of premium on investments	88,117	244,528	-	-	-	332,645
Provision against non-performing loans and advances	4,610,048	9,468,838	-	-	-	14,078,886
Provision against other assets	-	-	-	-	-	-
	12,165,437	6,126,719	1,147,772	-	-	19,439,928
Cost of issuance of new shares	1,734,720	-	-	(1,734,720)	-	-
Minimum tax and alternate corporate tax	8,240,247	(8,240,247)	-	-	-	-
Unabsorbed depreciation and carry forward losses	-	-	-	-	-	-
	22,072,197	1,367,155	1,147,772	(1,734,720)	44,834	22,897,238

12.1 The deferred tax asset balance recognised in the financial statements represents the management's best estimate of the potential benefit which is expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in these years against losses carried forward from prior years.

For the purpose of computing this benefit, management has prepared projected financial statements of the Bank using assumptions which are linked to various variable factors such as the economic outlook of the country, new equity injection, investment growth, interest rate movements, expansion in depositors / advances portfolio of the Bank etc.

13. DEPOSITS AND OTHER ACCOUNTS

	Note	2019 Number of Accounts	2019 Amount (Rupees)	2018 Number of Accounts	2018 Amount (Rupees)
Saving deposits	13.2	**129**	**63,539**	129	60,592
Fixed deposits	13.2	**40**	**120,000**	73	120,000
Current deposits - mandatory		**13,901**	**6,172,784**	15,783	6,273,020
Current deposits - normal		**545**	**344,968**	809	330,689
	13.1	**14,615**	**6,701,291**	16,794	6,784,301

13.1 Particulars of deposits by ownership

	2019 Number of Accounts	2019 Amount (Rupees)	2018 Number of Accounts	2018 Amount (Rupees)
Individual depositors	**14,615**	**6,701,291**	16,794	6,784,301
	14,615	**6,701,291**	16,794	6,784,301

13.2 These carry interest rate of 3.50% (2018: 3.50%) per annum on saving deposits and 2.00% - 6.50% (2018: 2.00% to 6.50%) per annum for fixed deposits.

14. BORROWINGS

	Note	2019 (Rupees)	2018 (Rupees)
Borrowing from State Bank of Pakistan	14.1	**1,982,284,483**	-

14.1 This represents Line of Credit facility carrying interest at 6 month KIBOR minus 100 bps and is repayable in June 2024.

15. OTHER LIABILITIES

	Note	2019 (Rupees)	2018 (Rupees)
Mark-up / interest / return payable		**120,295,913**	75,955
Accrued expenses		**6,732,532**	7,801,925
Payable to shareholders	15.1	**1,764,199**	8,416,588
Payable to defined benefit plan	24.5	**4,775,989**	7,078,737
Provision for compensated absences		**5,093,863**	4,665,355
Provision for leave fare assistance		**2,080,425**	1,875,286
Withholding taxes payable		**1,986,927**	-
Sales taxes		**1,280,172**	7,983,850
Advance from customer		**98,955,917**	76,171,390
Current taxation (provisions less payments)	11.1	**-**	2,357,646
		242,965,937	116,426,732

15.1 This majorly represents amount payable to LOLC (Private) Limited.

16. Reconciliation of changes in other liabilities arising from financing activities

	2019 (Rupees)	2018 (Rupees)
Balance as at 01 January	**116,426,732**	71,869,487
Other changes - liability related		
Cash based	**124,521,987**	48,515,080
Actuarial gain / (loss) on defined benefit plan	**2,017,218**	(3,957,835)
	126,539,205	44,557,245
	242,965,937	116,426,732

16. SHARE CAPITAL

16.1 Authorised capital

2019	2018		2019	2018
(Number of shares)			(Rupees)	
250,000,000	250,000,000	Ordinary shares of Rs. 10 each	**2,500,000,000**	2,500,000,000

16.2 Issued, subscribed and paid-up share capital

2019	2018			2019	2018
(Number of shares)			Note	(Rupees)	
230,830,000	230,830,000	Ordinary shares of Rs. 10 each fully paid in cash	16.3	**2,308,300,000**	2,308,300,000

16.3 Share capital has been subscribed by the following:

	2019	2018
	(Rupees)	
Ministry of Finance - Sultanate of Oman	**767,112,110**	767,112,110
Ministry of Commerce - Sultanate of Oman	**10**	10
Pak Oman Investment Company Limited	**384,707,880**	384,707,880
LOLC (Private) Limited - Parent Company	**1,156,480,000**	1,156,480,000
	2,308,300,000	2,308,300,000

17. MEMORANDUM / OFF BALANCE SHEET ITEMS

There are no contingencies to be disclosed at the year end (2018: Rs. 2,415,540).

18. MARK-UP RETURN/ INTEREST EARNED

	2019	2018
	(Rupees)	
Interest / mark-up on:		
- Advances	**565,611,725**	342,587,674
- Investment in Government Securities	**33,426,101**	1,779,670
- Amortization of Pakistan Investment Bond	**181,632**	(165,013)
- Lendings to financial institutions	**-**	5,361,915
- Income from Lease	**150,773**	-
- Deposit accounts	**128,200,746**	39,815,107
- Term deposit receipts	**54,773,705**	49,388,643
- Others `	**422,282**	307,902
	782,766,964	439,075,898

		Note	2019	2018
			(Rupees)	
19.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**7,246**	49,676
	Mark up on borrowing		**124,282,970**	-
			124,290,216	49,676
20.	**OTHER INCOME**			
	Gain on disposal of fixed assets		**1,284,676**	1,389,696
	Recoveries against written off advances		**15,583,137**	8,032,879
	Capital gain on sale mutual funds unit		**1,131,457**	600,425
	Others		**705,007**	1,034,025
			18,704,277	11,057,025
21.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances etc.		**228,454,471**	144,866,701
	Bonus to employees		**22,895,322**	14,807,050
	Contribution to defined contribution plan		**10,368,071**	6,425,716
	Charge for defined benefit plan	24.6	**6,714,470**	3,120,902
	Charge for leave fare assistance		**9,720,353**	4,545,030
	Non-executive directors' fee and other expenses		**6,782,439**	2,782,414
	Training		**7,250,269**	8,470,820
	Rent, rates and taxes		**19,856,879**	25,839,767
	Legal and professional charges		**6,451,839**	4,160,406
	Utilities		**6,021,577**	5,050,543
	Communications		**15,954,252**	6,169,694
	Repairs and maintenance		**9,598,227**	6,077,605
	Vehicle running		**3,814,348**	951,455
	Insurance		**7,692,012**	8,631,128
	Travel and transportation		**14,010,631**	13,416,170
	Stationery and printing		**21,460,887**	13,148,456
	Fees and subscription		**1,693,231**	1,455,206
	Advertisement and business promotions		**9,726,909**	9,342,384
	Auditors' remuneration	21.1	**1,476,606**	1,706,889
	Depreciation	10.1	**18,093,967**	11,508,754
	Depreciation on right-of-use assets		**24,149,716**	-
	Amortisation of intangible assets	10.2	**2,396,084**	550,325
	Bank charges		**8,815,879**	3,236,578
	Security expense		**15,762,020**	11,935,385
	Kitchen expenses		**2,604,545**	2,020,050
	Entertainment expenses		**876,943**	1,280,164
	Medical staff		**957,758**	594,779
	Archiving		**1,437,962**	581,547
	Other expenses		**3,525,483**	6,026,487
			488,563,150	318,702,405
21.1	**Auditors' remuneration**			
	Audit services			
	Audit fee		**980,830**	473,550
	Out of pocket expenses		**495,776**	162,580
	Non-audit services			
	Certifications for regulatory purposes		**-**	146,298
	IFRS - 9 assessment review		**-**	924,461
			1,476,606	1,706,889

22. TAXATION

	2019	2018
	(Rupees)	
For the year		
- current	**30,412,192**	38,794,938
- deferred	**(6,555,393)**	(1,367,155)
	23,856,799	37,427,783
For prior year		
- current	**7,163,866**	2,917,360
- deferred	**-**	-
	7,163,866	2,917,360
	31,020,665	40,345,143

22.1 Relationship between tax expense and accounting profit

	2019	2018
Accounting profit before tax	**52,549,639**	100,572,854
Tax rate	**29%**	29%
Tax on accounting profit	**15,239,395**	29,168,128
Tax effect of taxation at reduced rate	**(1,922,078)**	(949,384)
Tax effect of ACT and Capital Gain Tax in current tax	**7,812,722**	8,240,247
Prior year tax	**7,163,866**	2,917,360
Tax effect of change in tax rate	**-**	(763,241)
Inadmissible expenses - FTR	**2,204,119**	1,109,302
Other	**522,641**	624,731
	31,020,665	40,347,143

22.2 The Finance Act 2007 had introduced amendments to the Income Tax Ordinance, 2001, through which income of Microfinance Banks has been conditionally exempted from tax for five years commencing 1 January 2008 under clause 66 (viii) of Part I of the Second Schedule. However, the Finance Act 2007 had also introduced the Seventh Schedule to the Income Tax Ordinance, 2001 which is applicable to Banking Companies. Under Rule 8 of the Seventh Schedule, no exemptions of the Second Schedule are to apply to Banking Companies. The exemption of Clause 66 (viii) therefore appears to be overruled by Rule 8 of the Seventh Schedule. However, based on the opinion of the Bank's lawyer, the Bank continues to prepare and submit its tax returns as a microfinance institution and does not follow the Seventh Schedule.

23. NUMBER OF EMPLOYEES

	2019			2018		
	Credit / Sales	Banking / Support	Total	Credit / Sales	Banking / Support	Total
Permanent	**291**	**164**	**455**	115	128	243
Contractual	**76**	**25**	**101**	99	43	142
Total number of employees	**367**	**189**	**556**	214	171	385

24. DEFINED BENEFIT PLAN

24.1 Staff Gratuity Scheme

As disclosed in note 5.12.2, the Bank operates an approved funded gratuity scheme for its employees. The accounting policy for recognising actuarial gains and losses is also disclosed in note 5.12.2 to the financial statements. The information in notes 24.1.1 to 24.9 relating to the 2019 and 2018 financial year has been obtained from the actuarial valuation report.

24.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2019 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2019	2018
	(Percent per annum)	
Discount rate	**12.25**	12.75
Expected rate of increase in salary levels - senior employees	**9.25**	9.75
Expected rate of increase in salary levels - other employees	**9.25**	9.75

Mortality rates assumed were based on the 70% of the EFU(61-66) table.

24.2 The amounts recognised in the statement of financial position are as follows:

	Note	2019	2018
		(Rupees)	
Present value of defined benefit obligation	24.3	**20,237,005**	15,478,160
Fair value of plan assets	24.4	**(15,461,016)**	(8,399,423)
		4,775,989	7,078,737

24.3 Movement in the present value of defined benefit obligation

	2019	2018
Present value of obligation as at January 1	**15,478,160**	10,072,655
Current service cost	**6,258,181**	2,949,332
Past service cost	**-**	-
Interest cost	**1,836,634**	726,321
Benefits paid	**(2,146,370)**	(1,401,530)
Actuarial (gain) / loss on remeasurement of obligation	**(1,189,600)**	3,131,382
Present value of obligation as at December 31	**20,237,005**	15,478,160

24.4 Movement in the fair value of plan assets

	2019	2018
Fair value of assets as at January 1	**8,399,423**	5,645,037
Expected return	**1,380,345**	554,751
Contributions	**7,000,000**	4,427,618
Benefits paid	**(2,146,370)**	(1,401,530)
Actuarial gain / (loss)	**827,618**	(826,453)
Fair value of assets as at December 31	**15,461,016**	8,399,423

24.5 Movement in the net liability recognised in the statement of financial position are as follows:

	Note	2019	2018
Opening liability		**7,078,737**	4,427,618
Charge for the year	24.6	**6,714,470**	3,120,902
Other comprehensive income		**(2,017,218)**	3,957,835
Benefits paid		**(7,000,000)**	(4,427,618)
Closing liability		**4,775,989**	7,078,737

24.6 The amount recognised in the profit or loss account is as follows:

	Note	2019	2018
		(Rupees)	
Current service cost		**6,258,181**	2,949,332
Past service cost		**-**	-
Interest cost		**456,289**	171,570
Net charge for the year		**6,714,470**	3,120,902

24.7 Actuarial (losses) / gains

	Note	2019	2018
Net unrecognised actuarial (losses) / gains as at January 1		**-**	-
Actuarial gain / (loss) on remeasurement of obligation	24.7.1	**(2,017,218)**	3,957,835
		(2,017,218)	3,957,835
Actuarial (gain) / loss recognised in:			
- other comprehensive income		**2,017,218**	(3,957,835)
- profit or loss account		**-**	-
Net unrecognised actuarial (losses) / gains as at December 31		**-**	-

24.7.1 Actuarial losses / (gain) on remeasurement of obligation comprise of:

	2019	2018
Experience adjustment	**(1,189,600)**	3,131,382
Investment return	**(827,618)**	826,453
	(2,017,218)	3,957,835

24.8 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		(Rupees)	
Discount rate	1%	(882,358)	968,614
Salary increases	1%	987,047	(913,453)

24.9 Historical information

	2019	2018	2017	2016
	(Rupees)			
Present value of defined benefit obligation	**20,237,005**	15,478,160	10,072,655	18,986,276
Fair value of plan assets	**(15,461,016)**	(8,399,423)	(5,645,037)	(6,553,158)
(Surplus) / deficit	**4,775,989**	7,078,737	4,427,618	12,433,118

24.10 The expected gratuity expense and contribution for the next year ending 31 December 2020 works out to Rs. 9,620,677 and Rs. 10,642,681 respectively.

24.11 The average duration of the plan 5.2 years on 31 December 2019 (2018: 5.1 years).

25. NUMBER OF BRANCHES

	2019	2018
	(Number)	
Branches at the beginning of the year	**25**	20
Opened during the year	**5**	5
Closed during the year	**-**	-
Branches at the end of the year	**30**	25

25.1 The Bank also has 35 service centers (2018: 24) in operation along with branches.

26. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	2019			2018		
	President / Chief Executive Officer	**Directors**	**Executives**	**President / Chief Executive Officer**	**Directors**	**Executives**
	(Rupees)					
Director fees	**-**	**1,846,681**	**-**	-	775,000	-
Managerial remuneration	**17,310,858**	**-**	**31,258,312**	15,737,148	-	17,238,124
Contribution to defined contribution plan	**1,468,740**	**-**	**2,413,773**	1,311,372	-	1,556,001
Medical allowance	**1,923,428**	**-**	**3,473,146**	1,748,568	-	1,915,348
Conveyance	**-**	**-**	**1,631,613**	552,800	-	1,227,186
Bonus	**2,914,286**	**-**	**3,103,346**	3,642,858	-	2,925,831
Charge for defined benefit plan	**1,632,000**	**-**	**2,237,500**	1,311,429	-	1,453,590
	25,249,312	**1,846,681**	**44,117,690**	24,304,175	775,000	26,316,080
Number of persons at year end	**1**	**9**	**17**	1	9	6

26.1 The Bank has provided free use of Bank's maintained car to the Chief Executive Officer. Some executives have also been provided with free use of the Bank owned car in accordance with the terms of their employment.

26.2 Executive means an employee, other than the Chief Executive and Directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

27. EARNING PER SHARE

27.1 Basic

		2019	**2018**
Profit after taxation	*Rupees*	**28,692,840**	60,227,711
Weighted average number of ordinary shares	*Number*	**230,830,000**	230,830,000
Earning per share - Basic and diluted	*Rupee*	**0.124**	0.261

27.2 Diluted

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

28. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its parent, associates, employee benefit plans, and its key management personnel (including their associates).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel is in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

28.1 The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

Nature of related party transaction	2019				2018			
	As at 01 January 2019	Given / made during the year	Repaid / sale during the year	As at 31 December 2019	As at 01 January 2018	Given / made during the year	Repaid / sale during the year	As at 31 December 2018
	(Rupees)							
Investments								
Associates	-	139,334,566	(139,334,566)	-	163,397,146	4,924,729	(168,321,875)	-
Lendings to financial institutions								
Associates	-	-	-	-	450,000,000	1,000,000,000	(1,450,000,000)	-
Advances - staff loans								
Key management personnel	10,018,890	1,935,000	(4,105,529)	7,848,361	8,733,930	3,141,264	(1,856,304)	10,018,890
Acquisition of Intangible Asset								
LOIT Tech	-		4,159,893	-	-	-	-	-

	Note	2019	2018
		(Rupees)	
Other payable			
Gratuity fund		-	7,078,737
Ministry of Finance - Sultanate of Oman		-	26,600
LOLC (Private) Limited		1,764,199	8,389,988
Other receivable			
Provident Fund		32,542	-
LOLC (Private) Limited		1,737,475	-
Mark-up income			
Associates		-	5,361,918
Key management personnel		2,698,352	307,902
Dividend income			
Associates		2,101,146	5,443,337
Expenses for the year			
Remuneration to key management personnel		69,367,002	50,620,255
Non-executive director's fee / remuneration		1,846,681	775,000
Charge for defined contribution plan		10,368,071	6,425,716
Charge for defined benefit plan		6,714,470	3,120,902

29. CASH AND CASH EQUIVALENTS

	Note	2019	2018
Cash and balances with SBP / NBP	6	3,621,997	3,751,514
Balances with other banks	7	1,197,269,451	491,355,790
Term Deposit Receipts (TDRs)	8.1	744,641,000	160,321,138
		1,945,532,448	655,428,442

30. CAPITAL RISK MANAGEMENT

30.1 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 maintain 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.

30.2 Goals of managing capital

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

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

The Bank has 82% gearing ratio as at December 31, 2019, due to borrowing from State Bank of Pakistan

30.3 Statutory minimum capital requirement and management of capital

30.3.1 As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 3 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2018. As of 31 December 2019, the share capital of the Bank stood at Rs. 2,308.300 million (2018: Rs. 2,308.300 million) and paid up capital of the Bank free of losses is Rs. 2,272 million (2018: Rs. 2,280 million).

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

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

As at 31 December 2019 the Bank's CAR was approximately 83.89% (2018: 143.78%) of its weighted exposure.

31. FINANCIAL ASSETS AND LIABILITIES

31.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The Bank's interest rate exposure stems mainly from its lendings to financial institutions, investments, Bank deposits and advances. This risk is managed by regular review of market rates.

	Effective yield / interest rate	Interest bearing					Non-Interest bearing					Total
		Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total	Up to 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total	
	%	(Rupees)										
31 December 2019												
Financial assets												
Cash and balances with SBP / NBP		-	-	-	-	-	**3,621,997**	**-**	**-**	**-**	**3,621,997**	**3,621,997**
Balances with other banks / NBFIs / MFBs	**7.00%-14.30%**	**1,147,796,488**	**-**	**-**	**-**	**1,147,796,488**	**49,472,963**	**-**	**-**	**-**	**49,472,963**	**1,197,269,451**
Lendings to financial institutions		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments - net of provisions		**1,044,532,001**	**-**	**9,639,358**	**-**	**1,054,171,359**	**204,318,418**	**-**	**-**	**-**	**204,318,418**	**1,258,489,777**
Advances - net of provisions	**39%**	**712,901,781**	**1,172,065,901**	**5,224,938**	**5,000,851**	**1,895,193,471**	**-**	**-**	**7,733,702**	**-**	**7,733,702**	**1,902,927,173**
Other assets		**-**	**-**	**-**	**-**	**-**	**110,713,459**	**-**	**-**	**-**	**110,713,459**	**110,713,459**
		2,905,230,270	**1,172,065,901**	**14,864,296**	**5,000,851**	**4,097,161,318**	**368,126,837**	**-**	**7,733,702**	**-**	**375,860,539**	**4,473,021,857**
Financial liabilities												
Deposits and other accounts		**63,539**	**120,000**	**-**	**-**	**183,539**	**6,517,752**	**-**	**-**	**-**	**6,517,752**	**6,701,291**
Borrowing from SBP		**-**	**-**	**1,982,284,483**	**-**	**1,982,284,483**	**-**	**-**	**-**	**-**	**-**	**1,982,284,483**
Other liabilities		**-**	**-**	**-**	**-**	**-**	**242,965,937**				**242,965,937**	**242,965,937**
		63,539	**120,000**	**1,982,284,483**	**-**	**1,982,468,022**	**249,483,689**	**-**	**-**	**-**	**249,483,689**	**2,231,951,711**
On balance sheet gap		**2,905,166,731**	**1,171,945,901**	**(1,967,420,187)**	**5,000,851**	**2,114,693,296**	**118,643,148**	**-**	**7,733,702**	**-**	**126,376,850**	**2,241,070,146**
31 December 2018												
Financial assets												
Cash and balances with SBP / NBP		-	-	-	-	-	3,751,514	-	-	-	3,751,514	3,751,514
Balances with other banks / NBFIs / MFBs	8.00%-11.00%	461,907,434	-	-	-	461,907,434	29,448,356	-	-	-	29,448,356	491,355,790
Lendings to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments - net of provisions		619,569,898	5,056,713	5,994,923	-	630,621,534	-	-	-	-	-	630,621,534
Advances - net of provisions	39%	327,550,562	871,071,499	1,973,669	5,113,223	1,205,708,953	-	-	2,694,263	237,778	2,932,041	1,208,640,994
Other assets		-	-	-	-	-	62,779,229	17,182,464	-	-	79,961,693	79,961,693
		1,409,027,894	876,128,212	7,968,592	5,113,223	2,298,237,921	95,979,099	17,182,464	2,694,263	237,778	116,093,604	2,414,331,525
Financial liabilities												
Deposits and other accounts		60,592	120,000	-	-	180,592	6,603,709	-	-	-	6,603,709	6,784,301
Other liabilities		-	-	-	-	-	47,248,921	45,791,692	23,386,119		116,426,732	116,426,732
		60,592	120,000	-	-	180,592	53,852,630	45,791,692	23,386,119	-	123,030,441	123,211,033
On balance sheet gap		1,408,967,302	876,008,212	7,968,592	5,113,223	2,298,057,329	42,126,469	(28,609,228)	(20,691,856)	237,778	(6,936,837)	2,291,120,492

31.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances, investments and its lendings to financial institutions. However, the Bank believes that it is not exposed to major concentration of credit risk. The Bank's credit risk in lendings to financial institutions is limited because the counter party is an associated undertaking having high credit rating. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by the Prudential Regulations for Microfinance Banks / Institutions. Maximum amount of financial assets which are subject to credit risk amount to Rs. 4,355 million (2018: Rs. 2,320 million).

The analysis below summarizes the credit quality of the Bank's bank balances:

Bank	Rating category	As on 31 December 2019	As on 31 December 2018
		-------- (Percentage) --------	
Bank balances			
Local Currency			
United Bank Limited-Current Account	AAA	**2.7%**	6.4%
United Bank Limited-PLS Account	AAA	**3.8%**	8.1%
Habib Bank Limited-Current Account	AAA	**0.4%**	0.0%
Habib Bank Limited-PLS Account	AAA	**0.0%**	0.0%
Allied Bank Limited-Current Account	AAA	**0.1%**	-
Allied Bank Limited-PLS Account	AAA	**1.2%**	2.6%
JS Bank-Current Account	AAA	**0.0%**	-
JS Bank-PLS Account	AA-	**10.1%**	2.0%
United Bank Limited-Saving Account	AAA	**-**	0.0%
Telenor Microfinance Bank - TDR	A+	**0.0%**	0.9%
Khushhali Bank-Saving Account	A+	**22.4%**	59.0%
U Microfinance Bank Limited-Saving Account	A	**14.3%**	0.0%
Telenor Microfinance Bank	A+	**12.1%**	0.0%
Khushhali Bank-TDR	A+	**14.8%**	0.0%
U Microfinance Bank Limited-TDR	A	**0.0%**	0.0%
FINCA Microfinance Bank Limited-TDR	A	**-**	0.1%
NRSP Microfinance Bank Limited-Saving Account	A	**-**	20.9%
Mobilink Bank-TDR	A	**18.2%**	0.0%

31.3 Liquidity risk

Liquidity risk is the risk of being unable to raise funds at a reasonable price to meet commitments when they fall due, or to take advantage of investment opportunities when they arise. The management ensures that funds are available at all times to meet the funding requirements of the Bank. The Bank manages this risk by maintaining sufficient liquidity at Head Office and Branches. Maximum amount of financial assets which are subject to liquidity risk amount to Rs. 2,092 million (2018: Rs. 44.68 million).

32. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS & LIABILITIES

	2019				
	Total	**Up to one month**	**Over one month up to six months**	**Over six months up to one year**	**Over one year**
	------ (Rupees) ------				
Advances	**1,902,927,173**	**146,791,660**	**566,110,121**	**1,172,065,901**	**17,959,491**
Investments	**1,054,171,359**	**1,044,532,001**	**-**	**9,639,358**	**-**
Other Earning Assets	**-**	**-**	**-**	**-**	**-**
Total market rate assets	**2,960,630,291**	**1,191,323,661**	**566,110,121**	**1,181,705,259**	**21,491,250**
Other non-earning assets	**-**	**-**	**-**	**-**	**-**
Total assets	**2,960,630,291**	**1,191,323,661**	**566,110,121**	**1,181,705,259**	**21,491,250**
Market rate liabilities					
Large time deposits above rupees 100,000	**-**	**-**	**-**	**-**	**-**
All other time deposits - (including fixed rate deposits)	**120,000**	**-**	**-**	**120,000**	**-**
Other cost bearing deposits	**63,539**	**63,539**	**-**	**-**	**-**
Borrowings	**1,982,284,483**	**-**	**-**	**-**	**1,982,284,483**
Total market rate liabilities	**1,982,468,022**	**63,539**	**-**	**120,000**	**1,982,284,483**
Other non-cost bearing liabilities	**6,517,752**	**6,517,752**	**-**	**-**	**-**
Total liabilities	**1,988,985,774**	**6,581,291**	**-**	**120,000**	**1,982,284,483**

	2018				
	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	------ (Rupees) ------				
Market rate assets					
Advances	1,205,710,953	81,887,641	245,662,921	871,071,499	7,088,892
Investments	630,631,534	407,684,376	211,885,522	-	11,061,636
Other Earning Assets	-	-	-	-	-
Total market rate assets	1,836,342,487	489,572,017	457,548,443	871,071,499	18,150,528
Other non-earning assets	-	-	-	-	-
Total assets	1,836,342,487	489,572,017	457,548,443	871,071,499	18,150,528
Market rate liabilities					
Large time deposits above rupees 100,000	-	-	-	-	-
All other time deposits - (including fixed rate dep	120,000	-	-	120,000	-
Other cost bearing deposits	60,592	60,592	-	-	-
Borrowings	-	-	-	-	-
Total market rate liabilities	180,592	60,592	-	120,000	-
Other non-cost bearing liabilities	6,603,709	6,603,709	-	-	-
Total liabilities	6,784,301	6,664,301	-	120,000	-

33. Fair value of financial Instruments

Fair value is an amount for which an asset can be exchanged, or liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs use in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using input 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).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

On balance sheet financial instruments		**2019**									
		Carrying amount						**Fair value**			
	Note	**Available for sale**	**Held for Maturity**	**Held for Trading**	**Loans and receivables**	**Other financial assets / liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in '000)									
Financial assets measured at fair value											
- Investments - Mutual fund											
delete -In associate		-	-	-	-	-	-	-	-	-	-
-Others		-	-	204,318,419	-	-	204,318,419	204,318,419	-	-	204,318,419
delete - Investments - TFC's and Sukuk (net of provisions)		-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	35.1										
- Cash and bank balances with SBP and NBP		-	-	-	3,621,997	-	3,621,997	-	-	-	-
- Balances with other banks		-	-	-	1,197,269,451	-	1,197,269,451	-	-	-	-
- Investments - TDRs		-	744,641,000	-	-	-	744,641,000	-	744,641,000	-	744,641,000
- Investments - PIB		-	9,639,358	-	-	-	9,639,358	-	9,639,358	-	9,639,358
- Investments - T-Bills		-	299,891,001	-	-	-	299,891,001	-	299,891,001	-	299,891,001
- Advances		-	-	-	1,902,927,173	-	1,902,927,173	-	-	-	-
- Other assets		-	-	-	-	110,713,459	110,713,459	-	-	-	-
		-	1,054,171,359	204,318,419	3,107,350,381	110,713,459	4,476,553,618				
Financial liabilities not measured at fair value	35.1										
- Deposits and other accounts		-	-	-	-	6,701,291	6,701,291	-	-	-	-
- Other liabilities		-	-	-	-	242,965,937	242,965,937	-	-	-	-
- Borrowing from SBP		-	-	-	-	1,982,284,483	1,982,284,483	-	-	-	-
		-	-	-	-	2,231,951,711	2,231,951,711				

On balance sheet financial instruments		**2018**									
		Carrying amount						**Fair value**			
	Note	**Available for sale**	**Held for Maturity**	**Held for Trading**	**Loans and receivables**	**Other financial assets / liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in '000)									
Financial assets measured at fair value											
- Investments - Mutual fund											
-In associate		-	-	-	-	-	-	-	-	-	-
-Others		-	-	-	-	-	-	-	-	-	-
- Investments - TFC's and Sukuk (net of provisions)		-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	35.1										
- Cash and bank balances with SBP and NBP		-	-	-	3,751,514	-	3,751,514	-	-	-	-
- Balances with other banks		-	-	-	491,355,790	-	491,355,790	-	-	-	-
- Investments - TDRs		-	619,569,898	-	-	-	619,569,898	-	-	-	-
- Investments - PIB		-	11,051,636	-	-	-	11,051,636	-	10,521,294	-	10,521,294
- Investments - T-Bills		-	-	-	-	-	-	-	-	-	-
- Lending to financial institution		-	-	-	-	-	-	-	-	-	-
- Advances		-	-	-	1,208,640,993	-	1,208,640,993	-	-	-	-
- Other assets		-	-	-	-	79,961,693	79,961,693	-	-	-	-
		-	630,621,534	-	1,703,748,297	79,961,693	2,414,331,524				
Financial liabilities not measured at fair value	35.1										
- Deposits and other accounts		-	-	-	-	6,784,301	6,784,301	-	-	-	-
- Other liabilities		-	-	-	-	116,426,732	116,426,732	-	-	-	-
		-	-	-	-	123,211,033	123,211,033				

33.1 The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since these assets and liabilities are either short term in nature or in case of loans are frequently repriced.

34. GENERAL

Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation.

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

- Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No. 11 dated 30 December 2003 issued by the State Bank of Pakistan (SBP) in respect of forms of financial statements for Microfinance Institutions / Banks, these captions have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

35. DATE OF AUTHORISATION

These financial statements were authorized for issue on March 18, 2020 by the Board of Directors of the Bank.

President / Chief Executive	**Chairman**	**Director**	**Director**