

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants



Member of
Deloitte Touche Tohmatsu Limited

FINCA Microfinance Bank Limited

Financial Statement

For The Year Ended

December 31, 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FINCA Microfinance Bank Limited (the Bank) as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the accounting standards and the requirements of the Companies Ordinance, 1984 and the Microfinance Institution Ordinance, 2001. Our responsibility is to express an opinion on these statements based on our audit.

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

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

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984 and the Microfinance Institution Ordinance, 2001, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2015 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Rana M Usman Khan

Dated: March 31, 2016
Lahore

FINCA MICROFINANCE BANK LIMITED

BALANCE SHEET

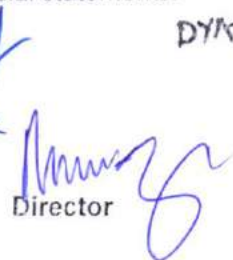
AS AT DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Cash and balances with SBP and NBP	7	356,638,478	320,860,590
Balances with other banks/NBFIs/MFBs	8	409,990,696	597,224,270
Lending to financial institutions		-	-
Investments - net of provisions	9	1,039,196,250	447,527,092
Advances - net of provisions	10	5,418,675,734	3,994,667,715
Operating fixed assets	11	776,652,189	582,646,784
Other assets	12	283,848,386	214,588,341
Deferred tax asset	13	166,917,194	222,956,184
Total assets		8,451,918,927	6,380,470,976
LIABILITIES			
Deposits and other accounts	14	6,057,364,103	4,656,176,907
Borrowings	15	115,000,880	201,099,714
Subordinated debt		-	-
Other liabilities	16	346,019,502	241,007,252
Deferred tax liabilities		-	-
Total liabilities		6,518,384,485	5,098,283,873
Net assets		1,933,534,442	1,282,187,103
REPRESENTED BY:			
Share capital	17	6,348,887,110	4,731,980,440
Discount on issue of shares		(4,089,040,293)	(2,957,205,624)
Statutory reserve		68,843,467	35,504,563
Depositors' protection fund		17,928,449	8,881,508
Accumulated loss		(431,381,215)	(555,185,410)
		1,915,237,518	1,263,975,477
Deferred grants	18	18,296,924	18,211,626
Total capital		1,933,534,442	1,282,187,103
Memorandum / Off-balance sheet items	19	-	-

The annexed notes from 1 to 39 form an integral part of these financial statements.


Chief Executive Officer


Chairman


Director


Director



FINCA MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
Mark-up / return / interest earned	20	1,899,753,877	1,247,136,155
Mark-up / return / interest expensed	21	(534,669,450)	(361,257,501)
Net mark-up / interest income		<u>1,365,084,427</u>	<u>885,878,654</u>
Provision against non-performing loans and advances	10.5	(77,511,013)	(47,015,612)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		(28,143,149)	(767,329)
		<u>(105,654,162)</u>	<u>(47,782,941)</u>
Net mark-up / interest income after provisions		<u>1,259,430,265</u>	<u>838,095,713</u>
Non mark-up / non interest income			
Fee, commission and brokerage income	22	283,396,327	218,933,961
Dividend income		-	-
Other income	23	42,775,745	16,282,686
Total non mark-up / non interest income		<u>326,172,072</u>	<u>235,216,647</u>
		<u>1,585,602,337</u>	<u>1,073,312,360</u>
Non mark-up / non interest expenses			
Administrative expenses,	24	(1,322,012,402)	(1,030,557,203)
Other charges	25	(18,369,779)	(11,968,019)
Total non mark-up / non interest expenses		<u>(1,340,382,181)</u>	<u>(1,042,525,222)</u>
Profit before taxation		<u>245,220,156</u>	<u>30,787,138</u>
Taxation - Current year		(21,831,502)	(14,660,702)
Prior years		-	-
Deferred		(56,694,134)	160,010,360
	26	<u>(78,525,636)</u>	<u>145,349,658</u>
Profit after taxation		<u>166,694,520</u>	<u>176,136,796</u>
Earning per share	30	<u>0.308</u>	<u>0.372</u>

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Appropriations are reflected in the statement of changes in equity.

The annexed notes from 1 to 39 form an integral part of these financial statements.


Chief Executive Officer


Chairman


Director


Director

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FINCA MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rupees	2014 Rupees
Profit after tax	166,694,520	176,136,796
Other comprehensive income for the year - net of tax		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of post defined benefit obligation	(1,871,839)	(5,779,761)
Impact of deferred tax	655,144	2,022,916
	(1,216,695)	(3,756,845)
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-
Total comprehensive income for the year	165,477,825	172,379,951

The annexed notes from 1 to 39 form an integral part of these financial statements.

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Chief Executive Officer


Chairman


Director


Director



FINCA MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Capital reserves			Revenue reserve		
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Accumulated loss	Total
	(Rupees)					
Balance at December 31, 2013	4,731,980,440	(2,957,205,624)	277,204	69,301	(683,531,162)	1,091,590,159
Profit for the year	-	-	-	-	176,136,796	176,136,796
Other comprehensive income - (net of tax)	-	-	-	-	(3,756,845)	(3,756,845)
Total comprehensive income for the year	-	-	-	-	172,379,951	172,379,951
Transfer to statutory reserve	-	-	35,227,359	-	(35,227,359)	-
Transfer to depositors' protection fund - return on investments - net of tax	-	-	-	8,806,840	(8,806,840)	-
	-	-	-	5,367	-	5,367
Balance at December 31, 2014	4,731,980,440	(2,957,205,624)	35,504,563	8,881,508	(555,185,410)	1,263,975,477
Profit for the year	-	-	-	-	166,694,520	166,694,520
Other comprehensive income - (net of tax)	-	-	-	-	(1,216,695)	(1,216,695)
Total comprehensive income for the year	-	-	-	-	165,477,825	165,477,825
Transfer to statutory reserve	-	-	33,338,904	-	(33,338,904)	-
Transfer to depositors' protection fund - return on investments - net of tax	-	-	-	8,334,726	(8,334,726)	-
	-	-	-	712,215	-	712,215
Transactions with owners:						
- Issue of share capital	1,616,906,670	(1,131,834,669)	-	-	-	485,072,001
Balance at December 31, 2015	6,348,887,110	(4,089,040,293)	68,843,467	17,928,449	(431,381,215)	1,915,237,518

The annexed notes from 1 to 39 form an integral part of these financial statements.

U. M. M. K. D. I.
Chief Executive Officer

C. M. M. K. D. I.
Chairman

M. M. M. K. D. I.
Director

J. M. M. K. D. I.
Director

P. M. M. K. D. I.

FINCA MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		245,220,156	30,787,138
Less : Dividend income		-	-
		<u>245,220,156</u>	<u>30,787,138</u>
Adjustments for non-cash charges			
Depreciation	11.2	65,547,276	52,382,197
Amortisation	11.3	24,342,007	19,435,062
Provision against non-performing advances	10.5	77,511,013	47,015,612
Provision for diminution in the value of investments/other assets		-	-
Loss on disposal of fixed assets	25	10,881,968	1,170,020
Finance charge on leased assets		-	-
Amortisation of discount on held to maturity investment	20	(77,477,643)	(45,771,820)
Provision for accumulated compensated absences	16.3.1	2,689,174	1,823,304
Deferred grant recognised as income	23	(9,167,155)	(5,089,323)
Provision for gratuity	16.2.1	21,082,557	13,666,402
		<u>115,409,197</u>	<u>84,631,454</u>
		<u>360,629,353</u>	<u>115,418,592</u>
Increase in operating assets			
Lending to financial institutions		-	-
Advances		(1,501,519,032)	(2,023,203,655)
Other assets (excluding advance taxation)		(69,260,045)	(78,130,836)
		<u>(1,570,779,077)</u>	<u>(2,101,334,491)</u>
Increase in operating liabilities			
Bills payable		918,567	3,108,550
Borrowings from financial institutions		(86,098,834)	201,099,714
Deposits		1,401,187,196	1,920,713,731
Other liabilities (excluding current taxation)		76,169,170	71,660,147
		<u>1,392,176,099</u>	<u>2,196,582,142</u>
		<u>182,026,375</u>	<u>210,666,243</u>
Gratuity paid	16.2.3	(4,885,042)	(2,698,784)
Income tax paid		(14,665,517)	(5,854,033)
Net cash from operating activities		<u>162,475,816</u>	<u>202,113,426</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in held for trading securities		352,545,759	(204,801,790)
Net investments in held-to-maturity securities		(866,737,274)	201,572,348
Interest income on depositors protection fund		712,215	5,367
Dividend income		-	-
Investments in operating fixed assets		(300,497,718)	(421,880,860)
Sale proceeds of property and equipment disposed-off	11.2.1	5,721,062	1,405,704
Net cash used in investing activities		<u>(808,255,956)</u>	<u>(423,699,231)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt/payments of sub-ordinated loan		-	-
Receipts/ payments of lease obligations		-	-
Issue of share capital		485,072,001	-
Dividend paid		-	-
Grant received from donors	18	9,252,453	10,345,000
Net cash from financing activities		<u>494,324,454</u>	<u>10,345,000</u>
Decrease in cash and cash equivalents		<u>(151,455,686)</u>	<u>(211,240,805)</u>
Cash and cash equivalents at beginning of the year		918,084,860	1,129,325,665
Cash and cash equivalents at end of the year	32	<u>766,629,174</u>	<u>918,084,860</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

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Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. STATUS AND NATURE OF BUSINESS

- 1.1** FINCA Microfinance Bank Limited, (the Bank) was incorporated on June 26, 2008 as a public limited company under the Companies Ordinance, 1984. The Bank obtained the Microfinance banking license from the State Bank of Pakistan (SBP) on August 12, 2008 under the provisions of Microfinance Institutions Ordinance, 2001 and certificate of commencement of business on September 4, 2008 from Securities and Exchange Commission of Pakistan. On October 27, 2008 the Bank received the certificate of commencement of business from SBP.

The Bank's principal business is to provide microfinance services to the poor and under-served segments of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at 387-E, Johar Town, Lahore, Pakistan. Subsequent to takeover by FINCA International the Bank has changed its name from Kashf Microfinance Bank Limited to FINCA Microfinance Bank Limited with effect from November 25, 2013.

The Bank is licensed to operate nationwide. As at December 31, 2015, the Bank has 79 branches (2014: 42 branches) and 21 permanent booths (2014: 58) operating in the provinces of Punjab, Khyber Pakhtunkhwa and Sindh.

- 1.2** The holding company of the Bank is FINCA Microfinance Cooperatief U.A., (a cooperative with exclusion of liability incorporated in the Netherlands). The ultimate holding company of the Bank is FINCA International, Inc., a not-for-profit corporation incorporated in the Washington DC, USA.

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003.

3. STATEMENT OF COMPLIANCE

- 3.1** These financial statements have been prepared in accordance with the directives issued by State Bank of Pakistan, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Ordinance, 1984, and the accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by International Financial Reporting Interpretation Committee, of the IASB as adopted in Pakistan.

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, SECP has deferred applicability of IFRS 7 "Financial Instruments: Disclosures" through its notification S.R.O 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

D/A

3.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2015

The following standards, amendments and interpretations are effective for the year ended December 31, 2015. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015
IFRS 13 – Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015
Amendments to IAS 19 Employee Benefits: Employee contributions	Effective from accounting period beginning on or after July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015

3.3 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 1 - Disclosure initiative	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016

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Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 27 - Equity method in separate financial statements	Effective from accounting period beginning on or after January 01, 2016
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after January 01, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation exception	Effective from accounting period beginning on or after January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

4. BASIS OF MEASUREMENT

4.1 Accounting convention

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved 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 expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements are as follows:

- a) Provision against doubtful advances (note 10.5)
- b) Gratuity payable (note 16.2)
- c) Accumulating compensated absences (note 16.3)
- d) Residual values of operating fixed assets and intangibles (note 11.2 and note 11.3)
- e) Deferred tax asset (note 13)

D/A

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

6.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand and balances held with treasury banks and balances held with other banks in current and deposit accounts with maturities of less than three months.

6.2 Advances

These are stated net of provision for non-performing advances, (if any). The outstanding portion of the advances, payments against which are overdue for 30 days or more, are classified as non-performing and divided into the following four categories as prescribed in Prudential Regulations for Microfinance Banks issued by SBP:

- a) Other assets especially mentioned (OAEM): These are advances in arrears (payments / installments overdue) for 30 days or more but less than 60 days.
- b) Substandard: These are advances in arrears (payments / installments overdue) for 60 days or more but less than 90 days.
- c) Doubtful: These are advances in arrears (payments / installments overdue) for 90 days or more but less than 180 days.
- d) Loss: These are advances in arrears (payments / installments overdue) for 180 days or more.

In addition, a general provision is maintained equivalent to 1% (2014:1%) of the net outstanding balance (advances net of specific provisions) for potential loan losses. General provision is not required in cases where loans have been secured against gold or other cash collaterals with appropriate margin.

Specific and general provisions are charged to income for the year.

Non-performing advances are written off one day after the loan is classified as 'Loss' in accordance with the requirements of the Prudential Regulations for Microfinance Banks issued by the State Bank Pakistan. However, the Bank continues its efforts for recovery of the written off balances.

6.3 Investments

All purchases and sale of investments are recognised using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognised when the right to receive the economic benefits from the investments has expired or has been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

Investments are classified as follows:

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Held for trading

Securities acquired with the intention to dispose off within 90 days trade by taking advantage of short-term market / interest rate movement are classified as held for trading investments.

These are measured at mark-to-market and surplus / deficit arising on revaluation of held for trading investments is recognised in profit and loss account.

Held-to-maturity

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held-to-maturity and are initially measured at cost.

Subsequently these are measured at amortised cost using the effective yield method. Any premium paid or discount availed on acquisition of held-to-maturity investments is amortised and charged to profit and loss account over the remaining term of the investment using the effective interest rate method.

Available for sale

Investments that are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration paid. Subsequent to initial recognition at cost, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

The surplus / (deficit) arising on revaluation of available for sale investments is shown in the balance sheet below equity. The surplus / (deficit) arising on these investments is recognised in the profit and loss account, when actually realised on upon disposal.

6.4 Operating fixed assets and depreciation

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

Tangible fixed assets - Owned

Operating fixed assets, other than capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Tangible fixed assets - Leased

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as assets subject to finance lease. These are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (if any).

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Financial charges are allocated over the period of the lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

Depreciation

Depreciation is calculated using the straight line method so as to write off the operating fixed assets, over their expected economic lives. Depreciation is calculated at the rates stated in note 11.2. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. The effect of any revision are charged to profit and loss account for the year, when the changes arise.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance are charged to income as and when incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income for the year.

Intangible assets

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. These are amortised using the straight line method over their estimated useful life.

Full month's amortisation is charged in the month of addition while no amortisation is charged in the month of deletion.

6.5 Impairment

The Bank assesses at each balance sheet date whether there is any indication that 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

6.6 Grants

Grants are initially recognised at fair value in the balance sheet when there is reasonable assurance that the grants will be received and the Bank will comply with all the attached conditions. Grants that compensate the Bank for expenses incurred are recognised as other income in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account as other income on a systematic basis over the useful life of the asset.

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6.7 Staff retirement benefits

6.7.1 Defined contribution plan

Provident Fund

The Bank operates an approved defined contribution provident fund scheme for all permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at the rate of 10% of basic salary per month.

6.7.2 Defined benefit plan

Gratuity scheme

The Bank operates an unapproved non-contributory defined benefit gratuity scheme for all permanent employees with a qualifying period of five years. Eligible employees are entitled to one month's basic salary for each completed year of service upon their departure from the Bank. The latest actuarial valuation was carried out as at December 31, 2015 using Projected Unit Credit Method. Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in other comprehensive income.

6.7.3 Accumulated compensated absences

The Bank provides for its liabilities towards vested compensated absences accumulated by its employees. The latest actuarial valuation was carried out as at December 31, 2015 using Projected Unit Credit Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendation.

6.8 Taxation

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

6.8.1 Current tax

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

6.8.2 Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

DYK

6.9 Deposits

Deposits are recorded at the proceeds received. Markup accrued on these deposits, if any, is recognised separately as part of other liabilities, and is charged to profit and loss account over the period.

6.10 Borrowing

Loans and borrowings are initially recorded at proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method.

Finance costs are accounted for on an accrual basis and are included in other liabilities to the extent of the amount remaining unpaid.

6.11 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 obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

6.12 Statutory reserve

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

6.13 Depositors' Protection Fund

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit and profit earned on the investments of the fund shall be credited to the Depositors' Protection Fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

6.14 Revenue recognition

- Mark-up / return on performing advances is recognised using effective interest rate method at the Bank's prevailing mark-up rates for the loan products. Mark-up / income on advances is collected with loan installments due but unpaid mark-up is accrued on overdue advances for a period up to 29 days. From the 30th day, overdue advances are classified as non-performing advances and further accrual of unpaid service charges / income ceases. Accrued mark-up on non-performing advances are reversed and credited to suspense account. Mark-up recoverable on non-performing advances and classified investments is recognised on a receipt basis.
- Return on bank deposits and investment is recognised on an accrual basis.
- Fees and commission income is recognised as services are rendered.
- Other income is recognised on an accrual basis.

D/M

6.15 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are charged to income in the period in which they arise.

6.16 Financial instruments

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument and the Bank loses control of the contractual contract that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received, respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.16.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lending to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

6.16.2 Off setting

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

6.17 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 Pakistani Rupees, which is the Bank's functional and presentation currency.

6.18 Earning per share

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

DYA

7	Cash and balances with SBP and NBP	Note	2015	2014
			Rupees	Rupees
	Cash in hand		93,549,573	93,848,843
	Balance with State Bank of Pakistan	7.1	245,236,566	193,269,879
	Balance with National Bank of Pakistan in :			
	Deposit account	7.1	17,601,439	6,852,218
	Current account	7.1	250,900	26,889,650
			<u>356,638,478</u>	<u>320,860,590</u>

7.1 This represents the balance maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5 % as cash reserve and 10% as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

8	Balances with other banks	Note	2015	2014
			Rupees	Rupees
	In Pakistan:			
	Saving accounts	8.1	238,715,690	305,191,014
	Deposit accounts	8.2	125,000,000	250,000,000
	Current accounts		46,275,006	42,033,256
			<u>409,990,696</u>	<u>597,224,270</u>

8.1 These accounts carry mark-up ranging from 4.5% to 9.3% (2014: 6.5% to 9.8%) per annum.

8.2 These term deposits carry mark-up ranging from 6.55% to 9.00% (2014: 9.9% to 10.65%) per annum with maturity up to one month.

9	Investments-net of provisions	Note	2015	2014
			Rupees	Rupees
	Federal Govt. Securities:			
	Market Treasury Bills (Held for trading)		-	347,179,992
	Pakistan Investment Bond (Held to maturity)		-	100,347,100
	Market Treasury Bills (Held to maturity)	9.1	1,039,196,250	-
			<u>1,039,196,250</u>	<u>447,527,092</u>

9.1 These carry yield rate ranging between 6.41% to 6.95% per annum and have maturity upto April 14, 2016. These securities have an aggregate face value of Rs. 1,050,000,000 (2014:Nil)

10	Advances	Note	2015		2014	
			Number	Rupees	Number	Rupees
	Micro credit advances	10.1	90,804	5,438,119,109	76,497	4,002,045,755
	Micro lease		-	-	-	-
	Other advances	10.2	476	40,638,816	294	26,369,254
				<u>5,478,757,925</u>		<u>4,028,415,009</u>
	Less: Provisions held:					
	Specific	10.4	2,154	14,415,116	931	8,274,453
	General	10.5		45,667,075		25,472,841
	Sub-Total			<u>60,082,191</u>		<u>33,747,294</u>
	Advances (net of provision)			<u>5,418,675,734</u>		<u>3,994,667,715</u>

10.1 All advances are secured by personal guarantees. This includes fully secured advances amounting to Rs.899,903,430 (2014: Rs 1,472,360,338) whereas the remaining advances are secured by personal guarantees except for staff loans.

10.2 These advances are staff loans and carry markup rate of 5% per annum (2014: 5%). This amount includes a loan sanctioned to the Chief Executive Officer of Rs. 4,260,830 (2014: Rs. 4,019,175) at a markup rate of 5% (2014: 5%).

10.3 Particulars of non-performing advances

The total advances of Rs. 126,350,998 (2014: Rs. 35,917,596) placed under non-performing status includes Rs 84,220,264 (2014: Rs. 10,934,466) against secured gold loans:

DVA

2015					
	Number	Amount outstanding Rupees	%	Provision required Rupees	Provision held Rupees
OAEM	471	26,748,246	0	-	-
Sub-standard	345	19,097,718	25	2,005,553	2,005,553
Doubtful	1,327	80,116,646	50	12,117,737	12,117,737
Loss	11	388,388	100	291,826	291,826
Total	2,154	126,350,998		14,415,116	14,415,116

2014					
	Number	Amount outstanding Rupees	%	Provision required Rupees	Provision held Rupees
OAEM	294	12,447,080	0	-	-
Sub-standard	226	9,218,825	25	1,440,565	1,440,565
Doubtful	408	14,088,029	50	6,670,225	6,670,225
Loss	3	163,662	100	163,662	163,662
Total	931	35,917,596		8,274,452	8,274,452

10.4 This represents general provision equivalent to 1% (2014: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken.

10.5 Particulars of non-performing advances

Movement of provision against non-performing advances is as under:

2015			2014			
	Specific	General	Total	Specific	General	Total
	(Rupees)			(Rupees)		
Opening balance	8,274,452	25,472,839	33,747,291	3,639,339	13,182,438	16,821,777
Charge for the year	57,316,777	20,194,236	77,511,013	34,725,211	12,290,401	47,015,612
Reversal during the year	-	-	-	-	-	-
Amounts written off	(51,176,113)	-	(51,176,113)	(30,090,098)	-	(30,090,098)
	6,140,664	20,194,236	26,334,900	4,635,113	12,290,401	16,925,514
Closing balance	14,415,116	45,667,075	60,082,191	8,274,452	25,472,839	33,747,291

10.5.1 Particulars of write offs

	Note	2015 Rupees	2014 Rupees
Against provisions		51,176,113	30,090,098
Directly charged to profit and loss account		28,143,149	767,329
		79,319,262	30,857,427

11 Operating fixed assets

		2015 Rupees	2014 Rupees
Capital work-in-progress	11.1	29,523,350	36,436,333
Property and equipment	11.2	638,494,507	463,999,450
Intangible assets	11.3	108,634,332	82,211,001
		776,652,189	582,646,784

11.1 Capital work-in-progress

		2015 Rupees	2014 Rupees
Civil works		7,609,988	18,503,129
Equipment		9,781,274	5,862,737
Intangible assets		10,291,902	-
Advances to suppliers and contractors		1,840,186	12,070,467
		29,523,350	36,436,333

DYA

11.2 Property and equipment

	2015									
	Cost as at January 1	Additions/ (deletions)	Adjustments/ (Write off)	Cost as at December 31	Accumulated depreciation as at January 1 (Rupees)	Depreciation charge/ (deletions)/transfers* for the year	Adjustments/ (Write off)	Accumulated depreciation as at December 31	Book value as at December 31	Annual depreciation rate
Owned assets										
Land	113,381,232	143,410,000	-	256,791,232	-	-	-	-	256,791,232	0%
Leasehold improvements	186,338,039	42,155,014	(33,328)	213,261,826	23,786,306	21,400,510	(5,831,642)	39,355,174	173,906,652	10%
Furniture and fixtures	73,298,240	3,674,882	(477,623)	73,188,982	13,554,087	7,748,408	(1,521,537)	19,526,729	53,662,253	10%
Computer equipment	134,924,603	37,471,199	-	171,900,807	84,667,329	22,472,776	-	106,723,128	65,177,679	30%
Office equipment	62,003,109	21,831,268	(11,900)	82,715,647	12,406,376	7,417,711	(533,168)	19,288,454	63,427,193	10%
Vehicles	32,653,000	8,103,000	-	34,832,096	4,184,680	6,507,871	-	9,302,502	25,529,498	20%
	602,598,228	256,645,363	(33,328)	832,690,494	136,598,778	65,547,276	(7,886,347)	194,195,987	638,494,507	
		(6,908,523)	(19,611,246)			(2,063,720)				
Assets held under finance lease										
2015	602,598,228	256,645,363	(33,328)	832,690,494	136,598,778	65,547,276	(7,886,347)	194,195,987	638,494,507	
		(6,908,523)	(19,611,246)			(2,063,720)				

DPR

	2014									
	Cost as at January 1	Additions/ (deletions) transfers	Adjustments/ (Write off)	Cost as at December 31	Accumulated depreciation as at January 1 (Rupees)	Depreciation charge/ (deletions) transfers* for the year	Adjustments/ (Write off)	Accumulated depreciation as at December 31	Book value as at December 31	Annual depreciation rate
Owned assets										
Land	-	113,381,232	-	113,381,232	-	-	-	-	113,381,232	0%
Leasehold improvements	51,254,048	136,174,853 (61,992)	(1,028,870)	186,338,039	13,618,072	10,292,368 (12,520)	(111,604)	23,786,306	162,551,733	10%
Vehicles	3,068,500	30,414,500 (830,000)	-	32,653,000	993,378	3,691,981 (500,679)	-	4,184,680	28,468,320	20%
Computer equipment	96,613,234	42,099,050 (2,346,445)	(1,441,231)	134,924,608	58,777,555	28,821,775 (1,008,609)	(1,923,392)	84,667,329	50,257,279	30%
Office equipment	32,892,329	29,293,362 (182,582)	-	62,003,109	8,121,046	4,365,325 (79,995)	-	12,406,376	49,596,733	10%
Furniture and fixtures	31,397,673	42,232,436 (331,869)	-	73,298,240	8,465,366	5,210,756 (122,035)	-	13,564,087	59,744,153	10%
	215,225,784	393,595,433 (3,752,888)	(2,470,101)	602,598,228	89,975,417	52,382,195 (1,723,838)	(2,034,996)	138,598,778	463,999,450	
Assets held under finance lease										
2014	215,225,784	393,595,433 (3,752,888)	(2,470,101)	602,598,228	89,975,417	52,382,195 (1,723,838)	(2,034,996)	138,598,778	463,999,450	

DYA

11.2.1 Detail of property and equipment sold:

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of purchaser	Mode of disposal
		Rupees				
Owned assets						
Vehicles						
Toyota Corolla GLI	1,770,500	(383,608)	1,386,892	1,628,860	Numan Ali Amjad	As per Policy
Toyota Corolla GLI	1,770,500	(29,508)	1,740,992	1,800,000	Omara Raza	As per Policy
Honda City Aspire	1,834,000	(427,933)	1,406,067	1,600,000	Car Valley	As per Policy
Suzuki Bolan	549,000	(548,999)	1	450,000	Insurance Claim	Thrift
Items with book value of lower than Rs. 250,000 or cost of lower than Rs. 1,000,000						
	20,595,769	(8,526,683)	12,069,086	232,202		As per Policy

11.3 Intangible assets

2015		Amortization charge/		Accumulated (deletions) (adjustments) for the year		Accumulated amortization as at		Book value as at		Useful Life	
Cost as at January 1	Cost as at December 31	Accumulated amortization as at January 1	Accumulated amortization as at December 31	Book value as at December 31	Useful Life years						

	2013	2012	2011	2010	2009
Computer software	169,492,178	50,765,338	219,257,516	86,281,177	24,342,007
	110,623,184	108,634,332	5-10		
	169,492,178	50,765,338	219,257,516	86,281,177	24,342,007
	110,623,184	108,634,332	5-10		
Intangible assets (cont'd)					
			2014		
			Amortization charge/		
			(deletions)/		
			(adjustments)		
			Accumulated amortization as at		
			January 1		
			December 31		
			Book value as at		
			December 31		
			Useful life years		
Computer software	143,284,167	25,208,011	169,492,178	66,846,115	19,435,062
	82,211,001	5-10			
	143,284,167	25,208,011	169,492,178	66,846,115	19,435,062
	82,211,001	5-10			

12 Other assets

	2015 Rupees	2014 Rupees
Income / mark-up accrued on loans and advances	223,531,465	131,261,224
Income / mark-up accrued on balance with banks	104,270	6,856,214
Prepayments	17,940,558	19,035,207
Security deposits	2,194,844	2,530,544
Stationery and stamps on hand	5,982,242	4,395,645
Receivable from FINCA International, Inc.	18,488,325	13,737,634
Receivable from Middle East and South Asia	3,168,015	2,869,473
Others	12,438,667	33,902,400
	<u>283,848,386</u>	<u>214,588,341</u>

13 Deferred tax asset

Deferred tax asset arising in respect of:

Gratuity payable	21,819,465	10,125,641
Accumulating compensated absences	4,981,280	1,471,009
Deferred tax asset on unused business losses	100,373,846	171,507,152
Deferred tax asset on unabsorbed depreciation	65,601,435	65,601,435
	<u>192,776,026</u>	<u>248,705,237</u>

Deferred tax liability arising in respect of:

Operating fixed assets	25,858,832	25,749,053
	<u>166,917,194</u>	<u>222,956,184</u>

13.1 The deferred tax asset recognized 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 those years against temporary differences.

Management has prepared strategic development plan of the Bank for five years using assumptions which are linked to various variable factors such as the

14 Deposits

	Note	2015		2014	
		Number of accounts	Rupees	Number of accounts	Rupees
Fixed deposits	14.1	4,669	3,921,406,395	3,680	3,322,180,203
Saving deposits	14.1	100,308	1,295,568,840	96,733	833,398,149
Current deposits		277,054	840,388,868	221,258	500,597,555
		<u>382,031</u>	<u>6,057,364,103</u>	<u>321,671</u>	<u>4,656,176,907</u>

14.1 These represents term deposits having tenure of 1 to 36 months carrying profit rates ranging from 5.25% to 14.15% (2014: 6.00% to 14.15%) per annum. The saving deposits represent accounts carrying interest rates ranging from 6% to 10% (2014: 6% to 10%) per annum.

14.2 Particulars of deposits by ownership		2015		2014	
		Number of accounts	Rupees	Number of accounts	Rupees
1) Individual depositors		381,276	5,261,196,362	321,606	4,159,086,634
2) Institutional depositors:					
a) Corporations, firms and other such entities		744	512,502,193	65	497,090,272
b) Banks and financial institutions		11	283,665,548	-	-
		<u>382,031</u>	<u>6,057,364,103</u>	<u>321,671</u>	<u>4,656,176,906</u>

14.3 Deposits include deposits from related parties amounting to Rs. 136,116,814 (2014: Rs. 146,103,385 thousand).

15 Borrowings

	Note	2015 Rupees	2014 Rupees
Borrowings from banks/ financial institutions in Pakistan			
-Running Finance - JS Bank Limited	15.1	-	201,099,714
-Running Finance - NIB Bank Limited	15.2	115,000,660	-
-Running Finance - United Bank Limited	15.3	220	-
		<u>115,000,880</u>	<u>201,099,714</u>

DTK

15.1 This is secured against the partial guarantee of 40% on the loss incurred on account of principal, as provided by the State Bank of Pakistan (SBP) Microfinance Credit Guarantee Facility (MCGF) loan guarantee and a first pari-passu charge on all present and future assets of FINCA MFB to the extent of financing amount with a 20% margin. Mark-up is payable quarterly at rate of 3 months KIBOR + 1.65bps. (2014: 3months KIBOR + 1.65bps). Maturity of the borrowing is upto October 1, 2015 i.e one year from the date of first draw down. The total financing amount is Rs. 400 million.

15.2 This is secured against the unconditional and irrevocable MCGF of 40% by SBP and rest 60% will be secured through first pari-passu hypothecation charge on all assets including current and fixed assets located everywhere in Pakistan with 25% margin. Further any other security may be requested by bank from time to time plus the bank shall have a banker's lien on all the customer deposits, accounts and properties held with the bank. Mark-up from first drawdown is payable quarterly at the rate computed at 3months KIBOR + 1.60bps. (2014: 3months KIBOR + 1.60bps.). Maturity of the borrowing is within 12 months. The facility agreement is made during the year but not availed as yet. The total financing amount is Rs. 200 million.

15.3 This is secured against the unconditional and irrevocable MCGF of 40% by SBP and rest 60% will be secured through first pari-passu hypothecation charge on all assets including current and fixed assets located everywhere in Pakistan with 25% margin. Mark-up from first drawdown is payable quarterly at the rate computed at 3months KIBOR + 1.00bps. (2014: 3months KIBOR + 1.55bps). Maturity of the borrowing is within 12 months. The total financing amount is Rs.

15.4	Details of borrowings from financial institutions	Note	2015	2014
			Rupees	Rupees
	Secured			
	Borrowings from financial institutions		115,000,880	201,099,714
			<u>115,000,880</u>	<u>201,099,714</u>
16	Other liabilities			
	Markup / return / interest payable	16.1	94,128,504	84,449,493
	Bills payable		5,840,158	4,921,591
	Accrued expenses		96,490,899	53,110,401
	Current taxation		19,819,806	12,653,821
	Gratuity payable	16.2	62,341,329	44,271,975
	Accumulating compensated absences	16.3	14,232,228	11,543,054
	Payable to FINCA Afghanistan		1,021,590	1,033,419
	Withholding tax payable		6,681,973	153,600
	Unutilized Grant payable to Stitching to Promote Women's World Banking		361,675	361,675
	Sundry creditors		45,101,340	28,508,223
			<u>346,019,502</u>	<u>241,007,252</u>

16.1 Markup payable on deposits from key management personnel amounts to Rs. 460 thousand (2014: Rs. 1,029 thousand) and on deposits from Directors amounts Nil (2014: Rs. 644 thousand).

16.2	Gratuity payable	2015	2014
		Rupees	Rupees
	Present value of defined benefit obligation	62,341,329	44,271,975
	Less : Fair value of plan asset	-	-
		<u>62,341,329</u>	<u>44,271,975</u>

Following is the reconciliation from the opening balances to the closing balances for the net defined benefit liability / (asset) and its components.

	2015	2014
	Rupees	Rupees
Balance at 1 January	44,271,975	27,572,886
Included in profit or loss		
Current service cost	16,376,744	10,257,348
Interest cost	4,705,813	3,409,054
	<u>21,082,557</u>	<u>13,666,402</u>
Included in OCI		
Actuarial loss/(gain) arising from experience adjustment	1,871,839	5,731,471
Less: Payments made during the year	4,885,042	2,698,784
Balance at 31 December	<u>62,341,329</u>	<u>44,271,975</u>
16.2.1 Expenses to be charged to profit or loss		
Current service cost	16,376,744	10,257,348
Interest cost	4,705,813	3,409,054
Interest income on plan asset	-	-
	<u>21,082,557</u>	<u>13,666,402</u>

16.2.2 Total remeasurement Chargeable in Other Comprehensive Income

DYK

Remeasurement of plan obligation:

Actuarial (gain)/losses from changes in demographic assumptions
 Actuarial (gain)/losses from changes in financial assumptions
 Experience adjustments

Return on plan assets, excluding interest income
 Total remeasurement chargeable in other comprehensive income

2015	2014
Rupees	Rupees
-	-
-	-
1,871,839	5,731,471
1,871,839	5,731,471
-	-
1,871,839	5,731,471

16.2.3 Changes in net liability

Balance sheet liability at January 1
 Expense chargeable to profit and loss
 Remeasurement chargeable in other comprehensive income
 Benefit paid
 Balance sheet liability at December 31

44,271,975	27,572,886
21,082,557	13,666,402
1,871,839	5,731,471
(4,885,042)	(2,698,784)
62,341,329	44,271,975

16.2.4 Significant actuarial assumptions

Discount rate used for profit and loss charge
 Discount rate used for year end obligation
 Mortality rates

11.25%	13.00%
10.00%	11.25%
SLIC 2001-05 Setback 1 Year	SLIC 2001-05

16.2.5 Estimated expense to be charged to P&L in 2016

Current service cost
 Interest cost on defined benefit obligation
 Interest income on plan asset

2016
Rupees
20,198,320
5,666,389
-
25,864,709

16.2.6 Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by Rs. 7,116,546 (increase by Rs. 8,643,000).
- If the expected rate of salary increase (decreases) by 100 basis points, the defined benefit obligation would increase by Rs. 8,813,625 (decrease by Rs. 7,385,557).

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognised in the balance sheet

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

16.2.7 The average duration of the defined benefit obligation is 12 years**16.3 Accumulated compensated absences**

Present value of defined benefit obligation
 Less: Fair value of plan asset
 Closing balance

2015	2014
Rupees	Rupees
14,232,228	11,543,054
-	-
14,232,228	11,543,054

The following table shows reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components:

Balance at 1 January
 Included in profit or loss
 Current service cost
 Interest cost
 Actuarial gain arising from experience adjustment
 Benefits paid
 Balance at 31 December

2015	2014
Rupees	Rupees
11,543,054	9,671,460
2,441,488	541,836
(1,050,908)	48,290
1,298,594	1,281,468
2,689,174	1,871,594
-	-
14,232,228	11,543,054

DYA

16.3.1 Expenses to be charged to P&L

	2015 Rupees	2014 Rupees
Current service cost	2,441,488	541,836
Past service cost	-	-
Interest cost	1,298,594	1,281,468
Actuarial gain arising of experience adjustment	(1,050,908)	48,290
	<u>2,689,174</u>	<u>1,871,594</u>

16.3.2 Total remeasurement chargeable in Profit & Loss account.

Remeasurement of plan obligation:

	2015 Rupees	2014 Rupees
Actuarial (gain)/losses from changes in demographic assumptions	-	-
Actuarial (gain)/losses from changes in financial assumptions	-	-
Experience adjustments	(1,050,908)	48,290
	<u>(1,050,908)</u>	<u>48,290</u>
Return on planned assets, excluding interest income	-	-
Total remeasurement chargeable in profit or loss	<u>(1,050,908)</u>	<u>48,290</u>

16.3.3 Changes in net liability

Balance sheet liability at January 1	11,543,054	9,671,460
Expense chargeable to profit and loss	2,689,174	1,871,594
Benefit paid	-	-
Balance sheet liability at December 31	<u>14,232,228</u>	<u>11,543,054</u>

16.3.4 Significant actuarial assumptions

Discount rate used for profit and loss charge	11.25%	13.25%
Discount rate used for year end obligation	10.00%	11.25%
Mortality rates	SLIC 2001-05 Setback 1 Year	SLIC 2001-05 Setback 1 Year

16.3.5 The average duration of the defined benefit obligation is 11 years

17 Share capital

17.1 Authorised capital

2015	2014		Note	2015 Rupees	2014 Rupees
(Number of shares)					
750,000,000	500,000,000	Ordinary shares of Rs. 10 each		7,500,000,000	5,000,000,000

17.2 Issued, subscribed and paid-up share capital

2015	2014			2015	2014
(Number of shares)					
634,888,711	473,198,044	Ordinary shares of Rs. 10 each		6,348,887,110	4,731,980,440
		Fully paid in cash	17.3		

17.3 Share capital has been subscribed by the following:

			2015	2014		
17.3	Share capital has been subscribed by the following:		Percentage of holding			
548,498,653	391,730,653	FINCA Microfinance Cooperatief U.A	86.4%	82.3%	5,404,986,530	3,917,306,530
33,119,747	33,119,747	Kashf Holdings (Private) Limited	5.2%	7.0%	331,197,470	331,197,470
30,771,739	30,771,739	International Finance Corporation	4.8%	6.5%	307,717,390	307,717,390
5,130,253	5,130,253	Acumen Fund	0.8%	1.1%	51,302,530	51,302,530
17,368,319	12,445,652	Triodos Fair Share Fund	2.7%	2.6%	173,683,190	124,456,520
634,888,711	473,198,044		100%	100%	6,348,887,110	4,731,980,440

DYA

		2015 Rupees	2014 Rupees
18	Deferred grants		
	Opening balance	18,211,626	12,955,949
	Grant received from:		
	State Bank of Pakistan (value chain financing scheme)	18.1 4,075,000	6,670,000
	State Bank of Pakistan (value enterprise lending)	18.2 -	3,675,000
	Rumsfeld	18.3 6,199,374	-
		10,274,374	10,345,000
	Markup earned on funds	-	-
	Less: Grant amortised	(9,167,155)	(5,089,323)
	Less: Grant refunded	(1,021,921)	-
		<u>18,296,924</u>	<u>18,211,626</u>

18.1 This represents grant received from State Bank of Pakistan (SBP) under the Financial Innovation Challenge Fund (FICF) of Financial Inclusion Program (FIP) to promote Innovative Rural and Agricultural Finance in Pakistan. The term of the grant is from July 01, 2014 to December 31, 2014 and Rs. 10,745,000 amounts in aggregate.

18.2 This represents grant received from State Bank of Pakistan (SBP) under Institutional Strengthening Fund (ISF) of Financial Inclusion Program (FIP) to explore the segment of un-banked small entrepreneurs. The term of the grant is from April 01, 2014 to December 31, 2014 and Rs. 3,675,000 amounts in aggregate.

18.3 This represents grant receivable from Finca Internation Inc. to leverage technology through implementation of automated call center solution to enable the Bank to have direct communication channel with women clients to facilitate them and gauge service levels and promote marketing while fulfilling regulatory prerequisite for consumer protection.

		2015 Rupees	2014 Rupees
19	Memorandum / Off-balance sheet items		
	Bills for collection	-	-
	Acceptances, endorsements and other obligations	-	-
	Contingent liabilities	-	-
		<u>-</u>	<u>-</u>

19.1 Assistant Commissioner of Sindh Revenue Board issued an order regarding scrutiny of Input tax claimed and raised a demand of Rs.889,993/- Appeal has been filed to Commissioner Appeals Sindh Revenue Board against the said order, which is pending for fixation.

	Note	2015 Rupees	2014 Rupees
20	Mark-up / return / interest earned		
	Interest / mark-up on advances	1,788,636,094	1,145,559,891
	Markup earned on investments in government securities	77,477,643	45,771,820
	Interest / mark-up on bank accounts	33,640,140	55,804,444
		<u>1,899,753,877</u>	<u>1,247,136,155</u>

21	Mark-up / return / interest expensed		
	Deposits	517,104,251	354,779,866
	Borrowings	17,565,199	6,477,635
		<u>534,669,450</u>	<u>361,257,501</u>

22	Fee, commission and brokerage income		
	Loan processing fee	115,256,068	101,710,800
	Income on Cheque Book issuance	20,167,287	19,886,578
	Others	147,972,972	97,336,583
		<u>283,396,327</u>	<u>218,933,961</u>

23	Other income		
	Grant income	18 9,167,155	5,089,323
	Recovery of debts previously written off	33,257,811	10,998,981
	Others	350,779	194,382
		<u>42,775,745</u>	<u>16,282,686</u>

DYK

	Note	2015 Rupees	2014 Rupees
24 Administrative expenses			
Staff salaries and other benefits	24.1	683,576,661	518,138,036
Contribution to employee provident fund		33,128,895	19,211,796
Printing, stationery and periodicals		23,892,271	19,636,742
Advertisement		36,189,519	35,549,652
Rent		75,293,960	63,089,657
Office running expenses		22,485,982	17,883,189
Vehicle running expenses		12,920,030	13,562,169
Insurance		13,304,026	5,621,656
Office security / personnel services		49,324,273	37,888,362
Repairs and maintenance		42,450,443	30,391,063
Communication		57,384,771	40,748,124
Travel and transportation		78,449,718	66,740,110
Utilities		36,729,241	36,460,937
Legal and professional		40,460,685	34,999,996
Auditors' remuneration	24.2	2,870,000	2,685,342
Training and research		20,401,473	14,547,012
Depreciation	11.2	65,547,276	52,382,197
Amortisation	11.3	24,342,007	19,435,062
Others		3,261,171	1,606,101
		<u>1,322,012,402</u>	<u>1,030,557,203</u>

24.1 This includes Rs. 1,363,674 (2014: 924,274) in respect of gratuity expense of Chief Executive Officer.

24.2	Audit fee	2,520,000	2,400,000
	Fee for certifications	50,000	25,000
	Out of pocket expenses	300,000	260,342
		<u>2,870,000</u>	<u>2,685,342</u>

25 Other charges

	Penalties imposed by SBP	740,750	1,266,000
	Bank charges	6,497,061	7,605,299
	Net loss on disposal / deletion of fixed assets	10,881,968	1,170,020
	Others	250,000	1,926,700
		<u>18,369,779</u>	<u>11,968,019</u>

26 Taxation

For the year

Current	(21,831,502)	(14,660,702)
Deferred	14,439,172	(11,496,792)
	<u>(7,392,330)</u>	<u>(26,157,494)</u>

For the prior year

Current	-	-
Deferred	(71,133,306)	171,507,152
	<u>(71,133,306)</u>	<u>171,507,152</u>
	<u>(78,525,636)</u>	<u>145,349,658</u>

	2015 Rupees	2014 Rupees
26.1 Reconciliation of tax		
Accounting profit / (loss) before taxation	<u>245,220,156</u>	<u>30,787,124</u>
Tax rate %	35%	35%
Tax on accounting rate	85,827,055	10,775,491
Tax effect of income chargeable to tax at lower rate	(114,418,379)	(18,260,228)
Tax effect of inadmissible expenses	43,849,307	15,863,113
Effect on deferred tax balance due to unabsorbed depreciation	(93,783,619)	147,540,756
Current tax provision	<u>(78,525,636)</u>	<u>157,919,132</u>

DYK

	2015			2014		
	Credit / Sales staff	Banking / Support staff	Total staff	Credit / Sales staff	Banking / Support staff	Total staff
Permanent	575	613	1,188	579	577	1,156
Contractual	1	135	136	1	111	112
Total	576	748	1,324	580	688	1,268

	2015		2014	
	Branches	Permanent Booths	Branches	Permanent Booths
At the beginning of the year	42	58	34	28
Upgraded from permanent booths	37	-	4	-
Opened during the year	-	-	4	34
	79	58	42	62
Less: Closed during the year	-	37	-	4
At the end of the year	79	21	42	58

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

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees)					
Managerial remuneration	12,928,896	13,252,107	-	-	78,514,575	49,583,111
House rent allowance	-	-	-	-	31,405,888	19,833,216
Provident fund	1,292,892	1,325,212	-	-	10,193,145	4,958,312
Utilities allowance	-	-	-	-	4,868,119	2,360,752
Medical Allowance	1,292,400	1,232,224	-	-	2,983,342	2,577,535
Conveyance/Car Allowance	576,000	599,800	-	-	13,331,750	13,328,667
Others	-	-	-	-	6,122,720	1,720,125
	16,090,188	16,409,343	-	-	147,419,539	94,381,718
Number of persons at year end	1	1	-	-	76	46

29.1 Executive means employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year.

29.2 Aggregate amount charged to profit and loss account for the year in respect of travelling and hotel expenses of directors is Rs. 376,879 (2014: Rs. 256,459) and Rs. 351,325 (2014: Nil) respectively.

29.3 The Bank provides car allowance of Rs. 576,000 (2014: 599,800) per annum to the Chief Executive Officer as part of the remuneration.

	Note	2015	2014
		Rupees	Rupees
30 Basic and diluted earning per share			
30.1 Profit for the year		166,694,520	176,136,796
		(Number)	
Weighted average number of ordinary shares		540,569,155	473,198,044
		(Rupees)	
Basic and diluted earning per share		0.308	0.372

30.2 There is no dilutive effect on the basic earning per share of the Bank.

DYA

The Bank's related parties comprise of directors, key management personnel, shareholders and entities over which the directors are able to exercise significant influence and employee gratuity fund. The detail of Bank's share holders is given in note 17.4 while remuneration of key employee personnel is disclosed in note 29 to the financial statements. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2015			2014		
	Key management personnel	Associated company / parent	Other related parties	Key management personnel	Associated company / parent	Other related parties
	(Rupees)					
Deposits						
Opening balance	61,622,976	600	84,479,808	14,806,583	600	51,144,439
Received during the year	209,676,332	-	15,271,226	345,341,838	-	483,864,178
Withdrawn during the year	(220,719,619)	-	(14,214,509)	(298,525,445)	-	(450,528,809)
Closing balance	50,579,689	600	85,536,525	61,622,976	600	84,479,808
Staff loans						
Opening balance	11,681,932	-	-	10,883,411	-	-
Disbursement during the year	13,993,400	-	-	16,895,347	-	-
Repayments during the year	(17,114,214)	-	-	(16,096,826)	-	-
Closing balance	8,561,118	-	-	11,681,932	-	-
Transactions during the year						
Mark-up/return/interest earned	897,822	-	-	500,000	-	-
Mark-up/return/interest expensed	5,652,337	-	301,928	3,251,000	-	5,503,000
Contribution to provident fund	10,147,194	-	-	19,212,000	-	-

32 Cash and cash equivalents

	Note	2015 Rupees	2014 Rupees
Cash and balances with SBP and NBP	7	356,638,478	320,860,590
Balances with other banks	8	409,990,696	597,224,270
Less: Deposits maturing after three months		-	-
		<u>766,629,174</u>	<u>918,084,860</u>

33 Capital risk management

33.1 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 and comply with capital requirements set by SBP. It is the policy of the Bank to maintain a strong capital base at a reasonable cost so as to maintain investor, creditor and market confidence, sustain future development of the business and achieve low overall cost of capital with appropriate mix of cost of capital. 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 higher gearing and the advantages and security afforded by a sound capital position.

37X

2015

	Interest bearing / exposed to yield / interest risk					Non-interest bearing / not exposed to yield / interest risk				
	Effective yield / interest rate %	Up to one month	Over one month up to six months	Over six months up to one year	Over one year	Sub total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
		Rupees in '000								
Financial assets										
On balance sheet										
Cash and balances with SBP and NBP	-	17,601,439	-	-	-	17,601,439	339,037,039	-	-	-
Balance with other banks (RISB/MB/FS)	4.5% to 9.2%	383,715,690	-	-	-	383,715,690	46,275,006	-	-	-
Investments - net of provisions	6.41% to 6.55	199,228,923	630,950,327	-	-	1,039,190,250	-	-	-	-
Advances-net of provisions	5% - 51.44%	793,737,045	2,419,633,399	1,784,872,761	420,410,629	5,418,675,734	-	-	-	-
Other assets	-	-	-	-	-	-	297,730,742	-	-	-
Off balance sheet										
Total		1,374,301,087	3,259,604,726	1,784,872,761	420,410,629	6,839,189,113	643,042,787	-	-	-
Financial liabilities										
On balance sheet										
Deposit and other accounts	5% - 15.63%	1,509,110,305	1,015,366,612	779,535,106	1,512,660,575	5,216,675,234	640,388,869	-	-	-
Borrowings	-	-	-	115,000,880	-	115,000,880	-	-	-	-
Other liabilities	-	-	-	-	-	-	163,695,715	27,172,168	28,117,347	60,310,266
Off balance sheet										
Total		1,509,110,305	1,015,366,612	894,535,986	1,512,660,575	5,331,976,114	1,004,074,584	27,172,168	28,117,347	86,310,266
On balance sheet gap		(534,809,841)	2,244,238,114	890,336,772	(1,092,550,046)	1,507,212,999	(364,031,797)	(27,172,168)	(28,117,347)	(64,115,421)
Off balance sheet gap		-	-	-	-	-	-	-	-	-

137/14

2014

Interest bearing / exposed to yield / interest risk

Non-interest bearing / not exposed to yield / interest risk

Effective yield / interest rate %	Up to one month	Over one month up to six months	Over six months up to one year	Over one year	Sub total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year	Sub total	Total
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Financial assets

On balance sheet

Cash and balances with SGP and HRP	6,852,218	-	-	-	6,852,218	314,008,372	-	-	-	314,008,372	320,860,590
Reserves with other banks/BI/AM/FB	6.5%-10.4%	555,191,014	-	-	555,191,014	42,033,296	-	-	-	42,033,296	597,224,270
Investments - net of provisions	9.79%-9.91%	147,527,092	200,000,000	100,000,000	447,527,092	-	-	-	-	447,527,092	447,527,092
Advances-net of provisions	5% - 51.44%	472,205,640	1,691,624,002	1,540,216,556	3,694,067,715	-	-	-	-	3,694,067,715	3,694,067,715
Other assets	-	-	-	-	-	188,626,845	-	-	-	188,626,845	188,626,845
Off balance sheet	-	1,181,775,964	2,091,624,002	1,640,216,556	5,004,238,039	544,698,573	-	-	-	5,004,238,039	5,004,238,039
Total	-	1,181,775,964	2,091,624,002	1,640,216,556	5,004,238,039	544,698,573	-	-	-	5,004,238,039	5,004,238,039

Financial liabilities

On balance sheet

Deposits and other accounts	5%-15.53%	1,660,163,181	1,122,892,788	773,573,315	398,950,008	4,155,579,352	500,597,564	-	-	500,597,564	4,056,175,996
Borrowings	-	-	-	201,098,714	-	201,098,714	201,098,714	-	-	201,098,714	201,098,714
Other liabilities	-	1,660,163,181	1,122,892,788	974,673,029	398,950,008	4,356,678,066	64,104,377	174,271,034	23,630,654	16,201,837	52,553,042
Off balance sheet	-	-	-	-	-	-	554,701,531	323,370,748	23,630,654	16,201,837	553,155,596
Total	-	1,660,163,181	1,122,892,788	974,673,029	398,950,008	4,356,678,066	554,701,531	323,370,748	23,630,654	16,201,837	553,155,596
On balance sheet gap	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet gap	-	-	-	-	-	-	-	-	-	-	-

34 Financial assets and liabilities (cont'd)

34.1 Credit risk management

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. However, the Bank believes that it is not exposed to major concentration of credit risk. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' creditworthiness and identify potential problem loans. A provision for potential loan losses is maintained.

34.2 Liquidity risk management

Liquidity risk is the risk of being unable to raise funds at a reasonable price to meet commitments when they fall due, or take the 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 risk by maintaining sufficient liquidity at Head Office and the branches.

34.3 Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. This risk is managed by regular review of market rates.

34.4 Fair value of financial instruments

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate their fair values except held to maturity assets which are carried at amortized cost.

2/1/14

2015					
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
Market rate assets					
Advances	5,418,675,734	793,757,045	2,419,635,399	1,784,872,761	420,410,529
Investments	1,039,196,250	199,226,923	839,969,327	-	-
Other earning assets	381,317,129	381,317,129	-	-	-
Total market rate assets	6,839,189,113	1,374,301,097	3,259,604,726	1,784,872,761	420,410,529
Other non-earning assets	1,612,729,814	659,434,084	59,581,014	53,958,384	839,750,332
Total assets	8,451,918,927	2,033,735,181	3,319,185,740	1,838,831,145	1,260,166,861
Market rate liabilities					
Time deposits of Rs. 100,000 and above	3,887,889,957	504,627,206	1,004,787,675	776,132,901	1,502,342,175
Time deposits below Rs. 100,000	33,516,436	8,914,892	10,580,938	3,402,208	10,618,400
Other cost bearing liabilities	1,410,569,720	1,295,568,840	-	115,000,880	-
Total market rate liabilities	5,331,976,115	1,909,110,938	1,015,368,613	894,535,989	1,512,960,575
Other non-cost bearing liabilities	1,186,408,370	1,010,756,555	27,172,168	28,117,347	120,362,300
Total liabilities	6,518,384,485	2,919,867,493	1,042,540,781	922,653,336	1,633,322,875
2014					
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
Market rate assets					
Advances	3,994,667,715	472,205,640	1,891,624,002	1,540,216,556	90,621,517
Investments	447,527,092	147,527,092	200,000,000	100,000,000	-
Other earning assets	562,043,232	562,043,232	-	-	-
Total market rate assets	5,004,238,039	1,181,775,964	2,091,624,002	1,640,216,556	90,621,517
Other non-earning assets	1,376,232,937	557,689,686	47,626,141	43,219,586	727,697,124
Total assets	6,380,470,976	1,739,465,650	2,139,250,143	1,683,436,142	818,318,641
Market rate liabilities					
Time deposits of Rs. 100,000 and above	3,293,851,265	1,017,705,280	1,112,494,704	768,554,213	395,097,068
Time deposits below Rs. 100,000	28,328,939	9,058,753	10,398,084	5,019,102	3,853,000
Other cost bearing liabilities	1,034,498,862	833,399,148	-	201,099,714	-
Total market rate liabilities	4,356,679,066	1,860,163,181	1,122,892,788	974,673,029	398,950,068
Other non-cost bearing liabilities	741,604,807	625,022,189	23,630,864	16,201,837	76,749,917
Total liabilities	5,098,283,873	2,485,185,370	1,146,523,652	990,874,866	475,699,985

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The following information is based on latest un-audited financial statements of the Fund:

	2015 Rupees	2014 Rupees
Size of the fund	168,330,406	116,095,387
Total investments	154,590,291	102,636,664
%age of investments made	92%	88%

The investments are made in Government treasury bills, Pakistan Investment Bonds and TDRs in the name of Trust, in accordance with requirements of section 227 of the Companies Ordinance, 1984.

37 Non adjusting event after the balance sheet date

The Board of Directors of the Bank in their meeting held on 31 MAR 2016 have recommended the dividend for the year ended December 31, 2015 @ _____% (Rs. _____ per share).

38 Date of authorisation

These financial statement were authorised for issue by the Board of Directors of the Bank on March 31, 2016

39 General

- Figures have been rounded to the nearest Rupee unless otherwise specified.
- Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.
- Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No.11 dated December 30, 2003 issued by SBP in respect of forms of financial statements for Microfinance banks, these captions have not been reproduced in these financial statements.


Chief Executive Officer


Chairman


Director


Director



