



INDEPENDENT AUDITOR'S REPORT

To the members of Mobilink Microfinance Bank Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Mobilink Microfinance Bank Limited, (the Company), which comprise of the balance sheet as at December 31, 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the Company and our auditor's report thereon.

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

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If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company'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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Mr. JehanZeb Amin.

Chartered Accountants
Islamabad
Date: April 14, 2020

MOBILINK MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2019

ASSETS	Note	2019 (Rupees)	2018 (Rupees)
Cash and Balances with SBP and NBP	6	2,187,973,424	2,134,916,179
Balances with other Banks/NBFIs/MFBs	7	10,830,601,597	5,162,381,361
Lending to financial institutions		-	-
Investments – net of provisions	8	5,252,109,674	5,408,581,609
Advances – net of provisions	9	15,072,876,354	12,428,377,027
Operating fixed assets	10	1,560,757,340	729,541,801
Other assets	11	3,129,116,474	2,194,622,020
Deferred tax asset - net	12	141,647,212	56,273,879
Total Assets		38,175,082,075	28,114,693,876
 LIABILITIES			
Deposits and other accounts	13	29,224,876,433	22,091,485,932
Borrowings		-	-
Subordinated debt		-	-
Other liabilities	14	4,090,960,329	2,059,393,830
Deferred tax liabilities		-	-
Total Liabilities		33,315,836,762	24,150,879,762
Net assets		4,859,245,313	3,963,814,114
 REPRESENTED BY:			
Share Capital	15	2,713,596,830	2,713,596,830
Statutory reserve	5.8	516,340,244	332,173,703
Depositor's protection fund	5.8	147,614,175	86,860,323
Unappropriated Profit		1,480,440,643	789,816,115
		4,857,991,892	3,922,446,971
Surplus on revaluation of assets	16	1,253,421	41,367,143
Deferred grants		-	-
Total Capital		4,859,245,313	3,963,814,114
MEMORANDUM / OFF-BALANCE SHEET ITEMS	17		

The annexed notes from 1 to 36 form an integral part of these financial statements.

MOBILINK MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Markup/Return/Interest Earned	18	5,303,981,442	3,356,863,523
Markup/Return/Interest Expensed	19	(961,515,684)	(389,543,416)
Net Mark-up/ Interest Income		4,342,465,758	2,967,320,107
Provision against non-performing loans and advances - net	9.3	(460,475,975)	(197,192,207)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.4	-	-
		(460,475,975)	(197,192,207)
		-	-
Net Markup/ Interest Income after provisions		3,881,989,783	2,770,127,900
NON MARKUP/ NON INTEREST INCOME			
Fee, Commission and Brokerage Income - net	20	79,245,758	430,200,263
Dividend income		75,109,486	82,832,546
Other Income	21	4,635,404	556,437
Total non-markup/non interest Income		158,990,648	513,589,246
		4,040,980,431	3,283,717,146
NON MARKUP/ NON INTEREST EXPENSES			
Administrative expenses	22	(2,767,197,147)	(2,058,286,242)
Other provisions / write offs		-	-
Other charges	23	(8,090,646)	(4,629,562)
Total non-markup/non interest expenses		(2,775,287,793)	(2,062,915,804)
		1,265,692,638	1,220,801,342
Extra ordinary/ unusual items		-	-
PROFIT BEFORE TAXATION		1,265,692,638	1,220,801,342
Taxation - Current	24	(416,956,181)	(391,914,275)
- Prior year		-	(32,489,925)
- Deferred		72,096,247	21,624,108
		(344,859,934)	(402,780,092)
PROFIT AFTER TAXATION		920,832,704	818,021,250
Unappropriated profit / (loss) brought forward		793,633,011	180,117,074
Profit available for appropriation		1,714,465,715	998,138,324
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		(184,166,541)	(163,604,250)
Capital reserve		-	-
Contribution to depositors protection fund		(46,041,635)	(40,901,063)
Revenue reserve		-	-
Proposed cash dividend Rs. Nil per share (2018: Rs. Nil per share)		-	-
Others		-	-
		(230,208,176)	(204,505,313)
Unappropriated profit carried forward		1,484,257,539	793,633,011
Earnings per share (Rupees)	29	3.39	3.01

The annexed notes from 1 to 36 form an integral part of these financial statements.

**MOBILINK MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019 (Rupees)	2018 (Rupees)
Profit after taxation	920,832,704	818,021,250
Other comprehensive loss	-	-
Comprehensive income transferred to equity	920,832,704	818,021,250
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	8.2 1,765,381	55,156,190
Related tax impact	(511,960)	(13,789,047)
	1,253,421	41,367,143
Total comprehensive income for the year	922,086,125	859,388,393

The annexed notes from 1 to 36 form an integral part of these financial statements.

MOBILINK MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Share Capital (Rupees)	Capital Reserves		Revenue Reserves	Total (Rupees)
		Statutory Reserve (Rupees)	Depositors Protection Fund (Rupees)	Unappropriated Profit (Rupees)	
Balance at January 01, 2018	2,713,596,830	168,569,453	42,283,977	179,975,461	3,104,425,721
Profit for the year	-	-	-	818,021,250	818,021,250
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	818,021,250	818,021,250
Transfers to Statutory reserves	-	163,604,250	-	(163,604,250)	-
Transfer to Depositors protection fund	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	40,901,063	(40,901,063)	-
- return on investments - net of tax	-	-	3,675,283	(3,675,283)	-
	-	-	44,576,346	(44,576,346)	-
Balance at December 31, 2018	2,713,596,830	332,173,703	86,860,323	789,816,115	3,922,446,971
Profit for the year	-	-	-	920,832,704	920,832,704
Other comprehensive loss	-	-	-	-	-
Total comprehensive income for the year	-	-	-	920,832,704	920,832,704
Transfers to Statutory reserves	-	184,166,541	-	(184,166,541)	-
Transfer to Depositors protection fund	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	46,041,635	(46,041,635)	-
- return on investments	-	-	14,712,217	-	14,712,217
	-	-	60,753,852	(46,041,635)	14,712,217
Balance at December 31, 2019	2,713,596,830	516,340,244	147,614,175	1,480,440,643	4,857,991,892

The annexed notes from 1 to 36 form an integral part of these financial statements.

MOBILINK MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 (Rupees)	2018 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,265,692,638	1,220,801,342
Less: Dividend income	(75,109,486)	(82,832,546)
	<u>1,190,583,152</u>	<u>1,137,968,796</u>
Adjustments for non-cash charges		
Depreciation	253,457,345	135,448,467
Amortization	97,754,816	35,534,077
Provision against non-performing advances	460,475,975	197,192,207
Provision for diminution in the value of investments / other assets	-	-
Gain on sale of fixed assets	(4,635,404)	(556,437)
Finance charges on leased liability	47,443,996	-
Operating fixed assets written off	1,041,729	3,747,153
Provision for gratuity	750,000	3,595,820
	<u>856,288,457</u>	<u>374,961,287</u>
	<u>2,046,871,609</u>	<u>1,512,930,083</u>
(Increase)/ decrease in operating assets		
Lendings to financial institutions	-	-
Advances	(3,104,975,302)	(2,806,223,270)
Other Assets (excluding advance taxation)	(984,229,450)	(590,889,650)
	<u>(4,089,204,752)</u>	<u>(3,397,112,920)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	35,866,710	(5,406,409)
Borrowings from financial institutions	-	-
Deposits	7,133,390,501	7,148,428,596
Other liabilities (excluding current taxation and gratuity)	1,581,295,816	(432,341,538)
	<u>8,750,553,027</u>	<u>6,710,680,649</u>
Cash inflows from operations	<u>6,708,219,884</u>	<u>4,826,497,812</u>
Payments against provisions held against off-balance sheet obligations	-	-
Income tax paid	(437,707,456)	(445,906,499)
Contribution made to gratuity fund	-	(17,329,979)
Net cash inflow from operating activities	<u>6,270,512,428</u>	<u>4,363,261,334</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	117,793,344	(825,617,928)
Net investment in held-to-maturity securities	-	-
Dividend income	75,109,486	82,832,546
Investments in operating fixed assets	(627,232,730)	(442,792,875)
Sale proceeds of property and equipment disposed	6,548,399	807,509
Net cash outflow from investing activities	<u>(427,781,501)</u>	<u>(1,184,770,748)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts / payments of sub-ordinated loan	-	-
Payments of lease obligations	(121,453,446)	-
Issue of share capital	-	-
Dividend paid	-	-
Net cash outflow from financing activities	<u>(121,453,446)</u>	<u>-</u>
Increase in cash and cash equivalents	<u>5,721,277,481</u>	<u>3,178,490,586</u>
Cash and cash equivalents at beginning of the year	<u>7,297,297,540</u>	<u>4,118,806,954</u>
Cash and cash equivalents at end of the year	<u>13,018,575,021</u>	<u>7,297,297,540</u>

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The annexed notes from 1 to 36 form an integral part of these financial statements.

MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1 STATUS AND NATURE OF BUSINESS

Mobilink Microfinance Bank Limited (the Bank) was incorporated in Pakistan on November 29, 2010 as a public limited company under the then applicable Companies Ordinance, 1984 (Repealed by the Companies Act, 2017). The Bank obtained license for Microfinance operations from the State Bank of Pakistan (SBP) on September 12, 2011 to operate on a nationwide basis and received the certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on February 13, 2012 whereas certificate of commencement of business from SBP was received on April 20, 2012. The Bank also operates in the territory of Azad Jammu Kashmir (AJK) and has one branch in Muzaffarabad AJK.

The Bank has 74 business locations/ touch points comprising of 74 branches (including 1 in Muzaffarabad AJK) and no booth/ service centre (2018: 61 business locations/ touch points comprising of 61 branches and no booths/ service centres) in operation. The Bank's registered and principal office is situated at Plot No. 3-A/2, F-8 Markaz, Islamabad, Pakistan. The Bank is a subsidiary of Global Telecom Holding S.A.E (the holding company) which owns 99.99% share capital in the Bank.

The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society under the Microfinance Institution Ordinance, 2001. The Bank is also offering Branchless Banking Services through agency agreement with Pakistan Mobile Communications Limited (PMCL), a related party, under the Branchless Banking license from the SBP.

2 BASIS OF PRESENTATION

These financial statements are presented in accordance with the Banking Supervision Department (BSD) Circular No. 11 dated December 30, 2003 issued by the SBP.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Banks/DFIs/MFIs. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001,
- and the directives issued by the SECP and SBP.

Wherever the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, and directives issued by SECP and SBP differ with the requirements of the IFRSs and IFASs, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, and the requirements of the said directives shall prevail.

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. The SBP, vide its circular BPRD Circular No. 04 of 2019 dated October 23, 2019 has deferred the requirements of IFRS 9; the effective date for implementation of IFRS 9 for Microfinance Institution is January 1, 2021. Accordingly, the requirements of IFRS 9 have not been considered in preparation of these financial statements.

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" till further instructions. Further, SECP vide its S.R.O. 411(I)/2008 dated April 28, 2008 has deferred the applicability of IFRS 7 – 'Financial instruments – disclosures'. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the Prudential Regulations (the Regulations) of the SBP and presented in accordance with the requirements of SBP BSD Circular No. 11 dated December 30, 2003.

4 BASIS OF MEASUREMENT

The financial statements are prepared under the historical cost convention except:

- Investments classified as held-for-trading and available-for-sale are measured at fair value.
- Right of use asset and lease liability initially measured at their present values.

4.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Bank's functional currency. All financial information presented in PKR has been rounded to the nearest of PKR, unless otherwise stated.

4.2 Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments/ estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments/ estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements relates to valuation and impairment of investments, advances, determination of useful lives of depreciable assets and intangible assets, provision for income taxes and other provisions which are discussed in following paragraphs:

a) Impairment of investments

Impairment in the value of investments is made after considering objective evidence of impairment. Provision for diminution in the value of investments is made as per the Regulations issued by SBP.

b) Advances

The Bank reviews its micro credit loan portfolio to assess amount of non-performing advances and provision required there against on regular basis. While assessing this requirement, the Regulations of SBP are taken into consideration.

c) Taxation

The Bank takes into account the current income tax law and decisions taken by the taxation authorities. Those amounts are shown as contingent liabilities wherein, the Bank's views differ from the views taken by the taxation authorities at the assessment stage and where the Bank considers that its view on items of material nature is in accordance with law.

d) Operating fixed assets/ intangible assets

Estimates of residual values and useful lives of operating fixed assets and intangible assets are reassessed annually and any change in estimate is taken into account in the determination of depreciation/ amortization charge and impairment loss. Changes in estimates are accounted for over the estimated remaining useful life of the assets.

e) Provisions and contingencies

The Bank reviews the status of all the legal cases on a regular basis. Based on the expected outcome and consideration of opinion of its legal advisor, appropriate provision/ disclosure is made.

f) Impairment of financial assets

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

g) Other provisions

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. As actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

h) Lease term and effective interest rate for recognition of lease contracts

The Bank determines the lease term as the non cancellable period of lease, together with periods covered by an option to extend and terminate the lease, if the Bank is reasonably certain to exercise that option at the time of entering the contract. Further, the Bank uses incremental borrowing rate to discount the lease payments to measure lease liability at the time of entering the contract.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with SBP/ National Bank of Pakistan (NBP) and other banks/ Non-Banking Financial Institutions (NBFIs)/ Microfinance Banks (MFBs).

5.2 Investment

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

Investments of the Bank are classified into the following categories:

a) Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. These securities are disposed off within 90 days from the date of their acquisition. These are marked to market and surplus/ deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by SBP.

b) Held to maturity

Investments with fixed maturity, where management has both the intention and the ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of held to maturity investments is amortized through profit and loss account over the remaining period till maturity.

c) Available-for-sale

Investments which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available-for-sale investments are initially recognized at cost and subsequently measured at fair value. Profit on available-for-sale investments is recognized on a time proportion basis taking into account the effective yield on the investments.

The surplus /(deficit) arising on revaluation of available for sale investments is kept in "surplus/ (deficit) on revaluation of assets" through statement of comprehensive income. The surplus/ (deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal of the investment.

5.3 Advances

Advances are stated net of provision for non-performing advances. The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more are classified as non-performing loans (NPLs). The unrealized interest/ profit/ markup/ service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are divided into following categories:

a) Other assets especially mentioned

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

b) Substandard

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

c) Doubtful

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

d) Loss

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

In addition the Bank maintains a Watch List of all accounts overdue for 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 of outstanding principal net of cash collaterals and Gold (ornaments and bullion) realizable without recourse to a Court of Law at the following rates:

Other assets especially mentioned	Nil
Substandard	25% of outstanding principal net of cash collaterals
Doubtful	50% of outstanding principal net of cash collaterals
Loss	100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 2% (2018: 2%) of the net outstanding balance (advances net of specific provisions) in accordance with the requirement of the Regulations.

General and specific provisions are charged to the profit and loss account in the period in which they occur.

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.

5.4 Operating fixed assets

a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring on which they are located, if any.

Depreciation is charged on the straight line method at rates specified note 10.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives.

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

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income during the year.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts. Gains are recognized within "other income" while losses are recognized in administrative expenses in the profit and loss account.

b) Capital work-in-progress

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

c) Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 10.3 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

5.5 Deposits

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

5.6 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit or loss account except to the extent that it relates to items recognized directly in equity or below equity/ other comprehensive income in which case it is recognized in equity or below equity/ other comprehensive income.

Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Instances where the Bank's view differs from the view taken by the income tax department at the assessment stage, the amounts are shown as contingent liabilities.

a) Current

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of previous years.

b) Deferred

Deferred tax is accounted for on all major taxable temporary differences between the carrying amounts of assets for financial reporting purposes and their tax base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the bank reassesses the carrying amount and the unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply for the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted till the balance sheet date. Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

5.7 Staff retirement benefits

a) Provident fund

The Bank participates in a defined contribution provident fund for its eligible employees. Monthly contributions are made by the Bank and its employees at the rate of 10% of basic salary. The Bank's obligation for contribution to the provident fund scheme is recognized in the profit or loss, as incurred.

b) Gratuity

The Bank maintains provision of gratuity for all contractual employees, according to the agreement signed with HRSG Outsourcing (Pvt) Limited, an outsourcing company. Gratuity equivalent to one month's last drawn basic salary for each completed year of service is paid to outgoing employees with at least 1 year of past service rendered.

5.8 Reserves

a) Statutory reserve

In compliance with the related regulatory requirements, the Bank is required to maintain statutory reserve to which an appropriation equivalent to 20% of the profit after tax is required to be made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is to be reduced to 5% of the profit after tax.

b) Depositor's protection fund

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

c) Cash reserve

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

d) Statutory liquidity requirement

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

5.9 Provisions

A provision is recognized when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.10 Contract liability

The contract liabilities of the Bank comprises of advance payments received from customers in respect of which services are yet to be rendered by the Bank.

5.11 Foreign currency transactions

The financial statements are presented in Pakistani Rupee, which is the Bank's functional currency. Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

5.12 Revenue recognition

a) Markup / income on advances

Markup / income / return / service charges on advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the loan products. Markup/ income on advances is collected with loan instalments. Due but unpaid service charges / income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and recognition of unpaid service charges / income ceases. Further, accrued markup on non-performing advances are reversed and credited to suspense account. Subsequently, markup recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations.

b) Income from investments

Markup / income on investments is recognized on accrual / time proportion basis using the effective interest method. Where debt securities are purchased at premium or discount, those premiums / discounts are amortized through profit and loss account over the remaining period of maturity.

c) Fee, commission and brokerage income

Fee, commission and brokerage income is recognized in the profit and loss to the extent of services rendered. Any advance payments received from customers for which services are yet to be rendered by the bank, are recognized as contract liability in the financial statements.

d) Income from inter bank deposits

Income from inter bank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method .

e) Dividend income

Dividend income is recognized when the Bank's right to receive the dividend is established.

f) Gain/ loss on sale of operating fixed assets

Gain on sale of operating fixed assets are recognized under other income in the profit and loss account.

Loss on sale of operating fixed assets are recognized under administrative expenses in the profit and loss account.

g) Gain/ loss on sale of investments

Gains and losses on sale of investments are recognised in the profit and loss account.

5.13 Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

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, amortized cost or historical cost, as the case may be.

a) Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks/NBFIs/MFBs, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as held for trading and available for sale are valued at year end prices and investments classified as held to maturity are stated at amortized cost.

b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposit and other accounts and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

5.14 Off-setting

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.15 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

5.16 Markup bearing borrowings

Markup bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition markup bearing borrowings are stated at original cost less subsequent repayments.

5.17 Grants

The grant related to an asset is recognized in the balance sheet initially as deferred income when grant is received or there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it. Grants that compensate the Bank for expenses incurred are recognized as revenue 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 recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

5.18 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. There were no dilutive potential ordinary shares in issue at December 31, 2019 (2018: nil).

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

IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's financial statements is disclosed in note 5.21.

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

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

- a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

	Effective date (annual periods beginning on or after)	
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
IAS 39	Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2020
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2020
IFRS 9	Financial Instruments (Amendments)	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2022

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

- b) Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of its applicability in Pakistan:

IFRS 1 First Time Adoption of International Financial Reporting Standards
IFRS 17 Insurance contracts

5.21 Changes In Accounting Policies

Leases

- (a) During the period, IFRS 16 - 'Leases' became applicable to the Bank. IFRS 16 replaces existing guidance on accounting for leases, including 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'. IFRS 16 introduces an on balance sheet accounting model for leases entered by the lessee. A lessee recognises a right of use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019 and has not restated comparatives for the 2018 reporting period, as the said treatment is permitted under the specific transitional provisions, specified in IFRS 16.

- (b) On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	December 31, 2019	January 01, 2019
	-----Rupees -----	
Lease liability recognised	<u>431,736,954</u>	<u>329,689,757</u>

- (c) On adoption of IFRS 16, the associated right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the balance sheet immediately before the date of initial application.

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

	December 31, 2019	January 01, 2019
	-----Rupees -----	
Right of use Assets	<u>461,701,262</u>	<u>382,093,047</u>

- (d) The effect of this change in accounting policy is as follows:

Impact on Balance sheet

Increase in fixed assets - right-of-use assets	<u>461,701,262</u>	382,093,047
Decrease in other assets - advances, deposits and prepayments	<u>(72,701,192)</u>	(52,851,790)
Increase in other assets - advance taxation	<u>9,470,252</u>	-
Increase in total assets	<u>398,470,322</u>	329,241,257
Decrease in other liabilities - rent payable	<u>10,080,843</u>	448,500
Increase in other liabilities - lease liability against right of use assets	<u>(431,736,954)</u>	(329,689,757)
	<u>(421,656,111)</u>	(329,241,257)
Decrease in net assets	<u>(23,185,789)</u>	-

Impact on Profit and loss account

(Increase) / decrease in administrative expenses:

- Depreciation on right of use assets	(96,448,432)
- Finance cost - lease liability of right of use assets	(47,443,996)
- Rent expense	<u>111,236,387</u>
Decrease in profit before tax	<u>(32,656,041)</u>
Decrease in tax	<u>(9,470,252)</u>
Decrease in profit after tax	<u>(23,185,789)</u>

For the year
ended
December 31,
2019
---- 'Rupees ----

Earnings per share for the year ended December 31, 2019 is Rs. 0.09 lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right of use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

	2019 (Rupees)	2018 (Rupees)
6. CASH AND BALANCES WITH SBP AND NBP		
Cash in hand	646,081,183	391,041,079
Balance with State Bank of Pakistan (SBP) - note 6.1	1,530,331,292	1,642,440,128
Balance with National Bank of Pakistan (NBP)		
- Current accounts	11,560,949	101,434,972
- Deposit accounts	-	-
	<u>2,187,973,424</u>	<u>2,134,916,179</u>

6.1 This includes balance held with SBP in a current account to comply with the requirement of maintaining minimum balance equivalent to 5% (2018: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.

	2019 (Rupees)	2018 (Rupees)
7. BALANCES WITH OTHER BANKS/NBFIs/MFBs		
In Pakistan		
- on current accounts - Local currency	6,465,697	-
- on saving accounts - Local currency - note 7.1	3,324,135,900	554,332,817
- on term deposits accounts - Local currency - note 7.2	7,500,000,000	4,608,048,544
	<u>10,830,601,597</u>	<u>5,162,381,361</u>
- on current accounts - Foreign currency - note 7.3	-	-
	<u>10,830,601,597</u>	<u>5,162,381,361</u>

7.1 These carry markup ranging from 11.25% to 13.8% (2018: 3.75% to 9%) per annum.

7.2 These carry markup ranging from 13.50% to 14.08% (2018: 5.95% to 10.75%) per annum.

7.3 This account is being maintained with United Bank Limited for the purpose of Home Remittance under Pakistan remittance initiative as approved by the SBP.

	2019 (Rupees)	2018 (Rupees)
8. INVESTMENTS - net of provisions		
Available for Sale		
Federal Government securities		
Market Treasury Bills - note 8.1	5,250,344,293	2,599,246,556
Mutual Funds		
Lackson Investments - 7,448,041 units (2018: 4,863,681 units)	-	747,141,457
Atlas Money Market - 992,188 units (2018: Nil units)	-	498,246,942
ABL Investments - 97,866,510 units (2018: Nil units)	-	1,000,000,000
Faysal Asset Management - 2,456,340 units (2018: Nil units)	-	249,382,730
Alfalah GHP - 2,634,183 units (2018: Nil units)	-	259,407,734
	-	2,754,178,863
Surplus on revaluation of available for sale investments - note 8.2	1,765,381	55,156,190
	<u>5,252,109,674</u>	<u>5,408,581,609</u>

8.1 These represent securities with original maturity period of upto three months and carry markup at the rates ranging between 13.05% to 13.69% (2018: 5.96% to 9.15%) per annum. These also include securities with original maturity period of upto three months and carry markup at the rate of held for the purposes of Depositors' Protection Fund with a cumulative face value of amount of Rs. 150 million (2018: Rs. 87 million) and carry markup at the rates of 13.05% (2018: 8.715%) per annum.

	2019 (Rupees)	2018 (Rupees)
8.2 Particulars of surplus / (deficit) on revaluation of available for sale investments:		
Balance at the beginning	55,156,190	245,405
Transferred to/ (from) revaluation of assets	(53,390,809)	54,910,785
Balance at the end	<u>1,765,381</u>	<u>55,156,190</u>

9. ADVANCES - net of provisions

	2019		2018	
	Loans outstanding (Number)	Amount outstanding (Rupees)	Loans outstanding (Number)	Amount outstanding (Rupees)
Micro credit				
-Secured against gold	26,407	2,954,576,765	18,745	1,582,305,636
-Unsecured	293,038	12,583,204,513	157,909	11,131,499,166
	<u>319,445</u>	<u>15,537,781,278</u>	<u>176,654</u>	<u>12,713,804,802</u>
Less: Provision held				
Specific provision	7,020	217,592,687	3,035	64,079,380
General provision - note 9.1	291,965	247,312,237	157,909	221,348,395
	<u>298,985</u>	<u>464,904,924</u>	<u>160,944</u>	<u>285,427,775</u>
Advances - net of provisions		<u>15,072,876,354</u>		<u>12,428,377,027</u>

9.1 This represents general provision maintained against unsecured microcredit advances net of specific provision at the rate of 2 % (2018: 2%) against the requirement of 1% specified under the Prudential Regulations issued by the State Bank of Pakistan.

9.2 Particulars of non-performing advances

Advances include Rs 584.7 million (2018: 161.8 million) which as detailed below, have been placed under non performing status.

Category of classification	2019			2018		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	-----Rupees-----			-----Rupees-----		
OAEM	152,357,855	-	-	42,766,790	-	-
Sub-standard	131,105,790	32,776,447	32,776,447	26,976,779	6,679,441	6,679,441
Doubtful	232,930,071	116,465,035	116,465,035	67,359,796	33,392,369	33,392,369
Loss	68,351,205	68,351,205	68,351,205	24,755,970	24,007,570	24,007,570
	<u>584,744,921</u>	<u>217,592,687</u>	<u>217,592,687</u>	<u>161,859,334</u>	<u>64,079,380</u>	<u>64,079,380</u>

9.3 Particulars of provision against non-performing loans

	2019			2018		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
Opening balance	64,079,380	221,348,395	285,427,775	8,730,729	174,241,149	182,971,878
Charge for the year	434,512,133	25,963,842	460,475,975	153,205,957	47,107,246	200,313,203
Amounts written off - note 9.4	(280,998,826)	-	(280,998,826)	(94,736,310)	-	(94,736,310)
Reversals	-	-	-	(3,120,996)	-	(3,120,996)
Closing balance	<u>217,592,687</u>	<u>247,312,237</u>	<u>464,904,924</u>	<u>64,079,380</u>	<u>221,348,395</u>	<u>285,427,775</u>

9.4 Particulars of write offs

	2019 (Rupees)	2018 (Rupees)
Against provisions	280,998,826	94,736,310
Directly charged to profit and loss account	-	-
	<u>280,998,826</u>	<u>94,736,310</u>

10. OPERATING FIXED ASSETS	2019 (Rupees)	2018 (Rupees)
Capital Work in progress - note 10.1	458,701,557	172,505,780
Property and equipment - note 10.2	874,822,112	369,379,463
Intangible assets - note 10.3	227,233,671	187,656,558
	<u>1,560,757,340</u>	<u>729,541,801</u>

10.1 Capital Work in progress

Civil works	458,701,557	172,505,780
Equipments	-	-
Advances to suppliers and contractors	-	-
Others	-	-
	<u>458,701,557</u>	<u>172,505,780</u>

10.2 Property and equipment

	Cost				Accumulated Depreciation					Net book value		Rate per annum %
	At January 01	Additions	Adjustments /transfers	Disposals/ write offs	At December 31	At January 01	Charge for the year	Adjustments /transfers	Disposals/ write offs	At December 31	At December 31	
	Rupees				Rupees							
2019												
Leased Assets												
Right of Use - Asset	382,093,047	176,056,647	-	(5,671,548)	552,478,146	-	96,448,432	-	(5,671,548)	90,776,884	461,701,262	
Owned Assets												
Freehold land	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fixture	99,172,856	27,527,803	-	(4,274,004)	122,426,655	59,445,645	18,294,725	-	(3,876,751)	73,863,619	48,563,036	20%
Electrical, office and computer equipment	571,414,984	90,115,436	-	(1,666,491)	659,863,929	308,606,357	97,301,807	-	(1,088,396)	404,819,768	255,044,161	10-33%
Vehicles	56,908,893	27,087,552	-	(7,237,614)	76,758,831	20,629,413	18,308,986	-	(5,538,922)	33,399,477	43,359,354	25%
Leasehold improvements	85,169,977	58,974,233	-	(6,528,902)	137,615,308	54,605,832	23,103,395	-	(6,248,218)	71,461,009	66,154,299	25%
	<u>1,194,759,757</u>	<u>379,761,671</u>	<u>-</u>	<u>(25,378,559)</u>	<u>1,549,142,869</u>	<u>443,287,247</u>	<u>253,457,345</u>	<u>-</u>	<u>(22,423,835)</u>	<u>674,320,757</u>	<u>874,822,112</u>	
2018												
Leased Assets	-	-	-	-	-	-	-	-	-	-	-	
Owned Assets												
Freehold land	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fixture	100,255,086	6,069,603	(43,919)	(7,107,914)	99,172,856	47,111,253	17,747,197	-	(5,412,805)	59,445,645	39,727,211	20%
Electrical, office and computer equipment	449,629,453	127,325,011	(4,800)	(5,534,680)	571,414,984	223,078,267	90,517,164	-	(4,989,074)	308,606,357	262,808,627	10-33%
Vehicles	28,544,482	28,364,411	-	-	56,908,893	10,757,168	9,872,245	-	-	20,629,413	36,279,480	25%
Leasehold improvements	102,952,049	6,284,507	(98,537)	(23,968,042)	85,169,977	59,504,503	17,311,861	-	(22,210,532)	54,605,832	30,564,145	25%
	<u>681,381,070</u>	<u>168,043,532</u>	<u>(147,256)</u>	<u>(36,610,636)</u>	<u>812,666,710</u>	<u>340,451,191</u>	<u>135,448,467</u>	<u>-</u>	<u>(32,612,411)</u>	<u>443,287,247</u>	<u>369,379,463</u>	

10.2.1 The cost of fully depreciated assets still in use is Rs. 297,443,472 (2018: Rs. 185,454,818).

10.2.2 As required by BSD Circular No 11 of 2003, details of property and equipment disposed off during the year is disclosed in Annexure-I and forms integral part of these financial statements.

10.2.3 Operating fixed assets written off during the year had cost of Rs. 11,217,790 (2018: 31,843,912) and written down value of Rs. 1,041,729 (2018: 3,747,153).

10.3 Intangible assets

	Cost				Amortization				Net book value	
	At January 01	Additions	Disposals/ write offs	At December 31	At January 01	Charge for the year	Disposals/ write offs	At December 31	At December 31	Rate per annum
	----- Rupees -----				----- Rupees -----					%age
2019										
Software License	<u>335,081,060</u>	<u>137,331,929</u>	<u>-</u>	<u>472,412,989</u>	<u>147,424,502</u>	<u>97,754,816</u>	<u>-</u>	<u>245,179,318</u>	<u>227,233,671</u>	10-33%
	<u>335,081,060</u>	<u>137,331,929</u>	<u>-</u>	<u>472,412,989</u>	<u>147,424,502</u>	<u>97,754,816</u>	<u>-</u>	<u>245,179,318</u>	<u>227,233,671</u>	
2018										
Software License	<u>207,123,455</u>	<u>127,957,605</u>	<u>-</u>	<u>335,081,060</u>	<u>111,890,425</u>	<u>35,534,077</u>	<u>-</u>	<u>147,424,502</u>	<u>187,656,558</u>	10-33%
	<u>207,123,455</u>	<u>127,957,605</u>	<u>-</u>	<u>335,081,060</u>	<u>111,890,425</u>	<u>35,534,077</u>	<u>-</u>	<u>147,424,502</u>	<u>187,656,558</u>	

10.3.1 This includes Temenos - 24 (R-17) software with carrying value of Rs. 78,797,089 (2018: 43,368,339) and remaining amortization period of 1.9 (2018: 2.9) years.

	2019 (Rupees)	2018 (Rupees)			
11. OTHER ASSETS					
Income/ Markup accrued	2,395,761,571	1,472,204,257			
Advances, deposits and prepayments	166,032,475	115,588,692			
Advance taxation - net - note 11.1	3,116,794	-			
Branch adjustment account	-	-			
Suspense account	-	-			
Deferred cost	-	-			
Receivable from related parties - note 11.2	71,380,556	83,936,323			
Inventory / printed stationary - note 11.3	10,715,459	34,158,508			
Crop and livestock insurance claims - note 11.4	265,708,860	315,729,129			
Others	216,400,759	173,005,111			
	<u>3,129,116,474</u>	<u>2,194,622,020</u>			
Less : Provisions held against classified other assets	-	-			
Other assets - net of provisions	<u>3,129,116,474</u>	<u>2,194,622,020</u>			
11.1 Advance taxation - net					
Opening balance	(17,634,481)	-			
Tax paid	437,707,456	-			
Provision for taxation	(416,956,181)	-			
Closing balance	<u>3,116,794</u>	<u>-</u>			
11.2 Receivable from related parties					
PMCL	71,170,686	83,760,008			
Business Communication System (Private) Limited	209,870	176,315			
	<u>71,380,556</u>	<u>83,936,323</u>			
11.3	This represent inventory of cards held by third party.				
11.4	This represents claims for the amount of insurance premiums lodged with SBP under crop loan insurance scheme and livestock insurance scheme for borrowers of the Bank.				
12. DEFERRED TAX ASSET					
Deferred tax asset arising on account of deductible temporary differences on:					
Provision against non-performing advances	134,822,428	79,919,777			
Provision for gratuity	760,818	524,583			
Lease liability net of right of use assets	9,470,252	-			
	<u>145,053,498</u>	<u>80,444,360</u>			
Deferred tax liability arising on account of taxable temporary differences on:					
Operating fixed assets	(2,894,325)	(10,381,434)			
	<u>142,159,173</u>	<u>70,062,926</u>			
Surplus on revaluation of available for sale investments	(511,960)	(13,789,047)			
	<u>141,647,212</u>	<u>56,273,879</u>			
13. DEPOSITS AND OTHER ACCOUNTS					
	Note	2019 (Number)	2019 (Rupees)	2018 (Number)	2018 (Rupees)
Time Liabilities:					
Term deposits		1,087	6,706,676,219	2,533	4,649,732,587
Demand Liabilities:					
Savings deposits		40,597	3,876,553,959	41,527	3,249,863,366
Current deposits		316,511	1,420,782,576	261,327	1,229,266,255
Branchless deposits		19,262,840	17,220,863,679	16,293,843	12,962,623,724
		<u>19,619,948</u>	<u>22,518,200,214</u>	<u>16,596,697</u>	<u>17,441,753,345</u>
		<u>19,621,035</u>	<u>29,224,876,433</u>	<u>16,599,230</u>	<u>22,091,485,932</u>

	2019 (Number)	2019 (Rupees)	2018 (Number)	2018 (Rupees)
13.1 Particulars of deposits by ownership				
Individual depositors	19,532,570	19,594,801,205	16,516,578	13,867,310,791
Institutional depositors				
a) Corporations/firms etc.	454	7,255,696,559	3,715	5,096,865,886
b) Banks & financial institutions	12	1,872,694,596	416	1,556,375,005
Retailers	87,335	347,140,269	77,858	1,364,112,101
Franchisees	639	148,561,066	642	201,714,161
Customer care centers	25	5,982,739	21	5,107,988
	19,621,035	29,224,876,433	16,599,230	22,091,485,932

13.2 Deposits include related parties balance amounting to Rs 615 million (2018: Rs 496 million) as disclosed in note 30.

	2019 (Rupees)	2018 (Rupees)
14. OTHER LIABILITIES		
Markup/ Interest payable	217,261,138	32,346,688
Unearned commission and income on bills discounted	-	-
Bills payable	153,742,750	117,876,040
Accrued expenses	232,389,573	169,913,631
Advance payments	-	-
Provision of taxation - net - note 14.1	-	17,634,481
Unclaimed dividends	-	-
Unpaid dividends	-	-
Proposed dividends	-	-
Payable to related parties - note 14.2	204,246,532	2,482,123
Branch adjustment account	-	-
Provision for gratuity - note 14.3	2,623,509	1,873,509
Payable to defined contribution plan	-	-
Provision against off-balance sheet obligations	-	-
Security deposits against lease	-	-
Taxes and levies withheld	215,363,180	171,270,755
Payable to suppliers	156,963,719	422,479,204
Bills collected for settlement through NADRA	672,172,970	243,104,714
Uncollected remittances	937,931,841	446,028,681
Others - note 14.4	866,528,163	434,384,004
Lease liability on right of use asset - note 14.5	431,736,954	-
	4,090,960,329	2,059,393,830

14.1 Provision of taxation - net

Opening balance	-	39,136,780
Tax paid	-	(445,906,499)
Provision for taxation	-	424,404,200
Closing balance	-	17,634,481

14.2 Payable to related parties

PMCL	201,764,409	-
Global Telecom Holding S.A.E	-	-
Oracap - GTH	2,482,123	2,482,123
	204,246,532	2,482,123

14.3 Provision for gratuity

Opening balance	1,873,509	15,607,668
Charge for the year	750,000	3,595,820
Payment during the year	-	(17,329,979)
Closing balance	2,623,509	1,873,509

14.4 This includes an amount of Rs. 574,372,704 (2018: 154,753,161) in respect of remittances received through Western Union.

	2019 (Rupees)	2018 (Rupees)
14.5 Lease liability on right of use asset		
Lease liability on right of use asset - Initial Recognition under IFRS-16	329,689,757	-
Additions during the period	176,056,647	-
Deletion during the period	-	-
Finance cost on lease liability on right of use assets	47,443,996	-
Payment of lease liability on right of use assets	<u>(121,453,446)</u>	-
Net book value at the end	<u>431,736,954</u>	<u>-</u>

15. SHARE CAPITAL

Authorized Capital

	2019 Numbers	2018 Numbers		2019 (Rupees)	2018 (Rupees)
<u>300,000,000</u>	<u>300,000,000</u>	Ordinary shares of Rs. 10 each.		<u>3,000,000,000</u>	<u>3,000,000,000</u>

Issued, subscribed and paid-up capital

<u>271,359,683</u>	<u>271,359,683</u>	Ordinary shares Fully paid in cash of Rs. 10 each.		<u>2,713,596,830</u>	<u>2,713,596,830</u>
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15.1 Global Telecom Holding S.A.E. (GTH) is the holding company controlling 271,359,678 i.e. 99.99% shares (2018: 99.99%) of the Bank.

	2019 (Rupees)	2018 (Rupees)
16. SURPLUS ON REVALUATION OF ASSETS		
Available for sale investments - net of tax	<u>1,253,421</u>	<u>41,367,143</u>

17. MEMORANDUM / OFF-BALANCE SHEET ITEMS

17.1 Contingencies

There are no known material contingencies at the year end (2018: Nil).

17.2 Commitments:

Operating fixed assets	39,640,000	16,905,056
Bank Guarantee - note 17.3	100,000,000	100,000,000
Standby Letter of Guarantee - note 17.4	<u>15,484,760</u>	<u>13,886,190</u>
	<u>155,124,760</u>	<u>130,791,246</u>

17.3 This represents Bank guarantees issued by the Bank to Pakistan Railway against the online payment processing services.

17.4 This represents letter of guarantee issued by the Bank to Visa International Service Association for interbank settlement.

	2019 (Rupees)	2018 (Rupees)
18. MARK-UP/RETURN/INTEREST EARNED		
Interest / Mark-up on;		
- Advances	3,963,314,859	2,923,301,688
- Government securities	489,242,681	269,959,582
- On Deposit accounts/placements with other banks/financial institution	<u>851,423,902</u>	<u>163,602,253</u>
	<u>5,303,981,442</u>	<u>3,356,863,523</u>

19. MARK-UP/RETURN/INTEREST EXPENSED

On deposits	<u>961,515,684</u>	<u>389,543,416</u>
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19.1 Mark-up expense on deposits includes amount of Rs 39 million (2018: Rs 12 million) in respect of deposit balances of related parties as disclosed in note 30.

		2019 (Rupees)	2018 (Rupees)
20. FEE, COMMISSION AND BROKERAGE INCOME - NET			
(Loss) / income from branchless banking - note 20.1		(260,667,555)	151,932,689
Loan processing fee		307,299,582	265,144,504
Others		32,613,731	13,123,070
		79,245,758	430,200,263
20.1 (Loss) / income from branchless			
Branchless banking income - note 20.2		6,107,258,187	5,165,562,270
Commission to retailer / franchisee		(4,680,354,706)	(3,638,991,322)
Commission to related party		(1,441,027,497)	(1,102,169,306)
NADRA charges related to branchless banking		(246,543,539)	(272,468,953)
		(260,667,555)	151,932,689
20.2	This represents the income from branchless banking operations (Jazz cash formerly Mobicash) carried out by the Bank together with PMCL through agency agreement under SBP Branchless Banking Regulations. As per the agreement, Income from Jazz cash (Net of Agents commission) is shared between the Bank and PMCL in the ratio of 30:70 respectively.		
21. OTHER INCOME		2019	2018
	Note	(Rupees)	(Rupees)
Gain on disposal of fixed assets		4,635,404	556,437
22. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		1,231,137,163	1,022,775,336
Contribution to defined contribution plan		55,550,907	37,132,401
Provision for gratuity		750,000	3,595,820
Non-executive directors' fees, allowances and other expenses		410,000	600,000
Training / Capacity building		11,833,119	7,108,784
Rent, taxes, insurance, electricity, etc.		212,075,608	248,401,158
Legal and professional charges		11,732,799	16,749,193
Communications		17,889,203	13,352,092
Repair and maintenance - Vehicle		22,245,221	12,358,317
Rentals of operating leases		-	-
Finance cost of lease liability on right of use assets		47,443,996	-
Stationary and printing		73,824,439	68,717,678
Advertisement and publicity		13,910,033	7,936,398
Donations		-	-
Auditors remuneration	22.1	5,725,000	2,850,000
Depreciation	10.2	253,457,345	135,448,467
Amortization	10.3	97,754,816	35,534,077
Operating fixed assets written off		1,041,729	3,747,153
Travel and transportation		34,489,610	22,377,576
Repair and maintenance - General		34,806,758	15,645,716
NADRA verification charges	22.3	37,594,263	5,337,299
Bank charges		152,980,591	110,809,876
IT equipment and software maintenance		292,456,835	137,599,046
Security		68,196,838	56,027,440
Janitorial services		43,932,838	35,094,570
Office supplies		12,050,357	8,984,177
Entertainment		5,349,844	15,507,720
G2P Project Cost		10,807,000	11,978,864
Others		17,750,835	22,617,084
		2,767,197,147	2,058,286,242

	2019 (Rupees)	2018 (Rupees)
22.1 Auditors' remuneration		
Audit fee	2,000,000	2,000,000
Fee for half yearly review	700,000	-
Fee for special audits/certifications - note 22.2	2,725,000	700,000
Tax services	-	-
Out of pocket expenses	300,000	150,000
	<u>5,725,000</u>	<u>2,850,000</u>

22.2 This includes fee for audits of financial statements of AJK operations for the years 2017 to 2019 and for certifications required for submission to SBP.

22.3 This includes verification charges of National Database and Registration Authority (NADRA) for verisys and eCIB charges of SBP.

23. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan - note 23.1	3,580,000	1,062,000
Loss on foreign currency transactions	2,644,639	1,489,449
Workers Welfare Fund - Sindh	1,866,007	2,078,113
	<u>8,090,646</u>	<u>4,629,562</u>

23.1 The charge for the year represents the penalties paid to the State Bank of Pakistan (SBP) in respect of certain instances of violations of the Anti Money Laundering / Combating The Financing of Terrorism regulations and related directives issued by SBP.

	2019 (Rupees)	2018 (Rupees)
24. TAXATION		
For the year		
Current	416,956,181	391,914,275
Deferred	(72,096,247)	(21,624,108)
For the prior years		
Current	-	32,489,925
Deferred	-	-
	<u>344,859,934</u>	<u>402,780,092</u>

24.1 Relationship between tax expense and accounting loss

Profit before taxation	1,265,692,638	1,220,801,342
Tax at applicable tax rate of 29% percent (2018: 29% percent)	29%	29%
	367,050,865	354,032,389
Effect of:		
- Prior years	-	32,489,925
- Permanent differences	1,579,342	307,980
- Income charged at different tax rate	(22,342,850)	12,816,547
- Super tax	-	1,698,322
- Others	(1,427,423)	1,434,929
	<u>344,859,934</u>	<u>402,780,092</u>

25. NUMBER OF EMPLOYEES

	2019			2018		
	Credit / Sales Staff	Banking / Support	Total	Credit / Sales Staff	Banking / Support	Total
Permanent	823	573	1,396	479	633	1,112
Contractual / temporary	-	30	30	-	53	53
	<u>823</u>	<u>603</u>	<u>1,426</u>	<u>479</u>	<u>686</u>	<u>1,165</u>

26. PROVIDENT FUND TRUST

The provident fund has been established collectively for the employees of Mobilink Microfinance Bank Limited, Pakistan Mobile Communication limited, LINKdotNET Telecom Limited, Business Communication Systems (Private) Limited, Veon Global Services (Private) Limited (formerly known as Vimpelcom Global services Pakistan (Private) Limited) and Warid Telecom (Pvt.) Limited. Details of employees Provident Fund are as follows:

	2019 (Rupees) Un-Audited	2018 (Rupees) Audited
Size of the Fund -Total Assets	1,761,921,000	1,600,765,699
Cost of investments made	1,719,187,000	1,478,120,616
Percentage of investments made	98%	92%
Fair value of investments	1,715,830,000	1,454,863,741

Breakup of Investments is as follows:

	(Rupees)	%	(Rupees)	%
Saving Accounts	99,667,000	6%	126,375,024	9%
Term Deposit Certificates	900,000,000	52%	236,813,037	16%
	<u>999,667,000</u>	<u>58%</u>	<u>363,188,061</u>	<u>25%</u>
Wapda Bonds	118,731,000	7%	176,057,762	12%
Term Finance Certificates (TFC)	105,370,000	6%	72,987,839	5%
Government Securities	202,411,000	12%	84,304,252	6%
Listed Unit Trust Schemes	139,705,000	8%	574,674,928	40%
Listed Securities	149,946,000	9%	183,650,899	13%
	<u>1,715,830,000</u>		<u>1,454,863,741</u>	

26.1 The figures for 2019 are based on the un-audited financial statements (2018: Audited financial statements) of the Provident Fund. All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

27. NUMBER OF BRANCHES/SERVICE CENTRES

	2019 (Number)	2018 (Number)
Beginning of the year	61	61
Opened during the year		
-Branches	13	-
-Closed / Merged during the year	-	-
At the end of the year	<u>74</u>	<u>61</u>

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President/ Chief Executive		Directors		Executives	
	2019 (Rupees)	2018 (Rupees)	2019 (Rupees)	2018 (Rupees)	2019 (Rupees)	2018 (Rupees)
Fees	-	-	410,000	600,000	-	-
Managerial remuneration	17,695,554	16,347,918	-	-	215,308,761	163,802,182
Rent and house maintenance	270,000	292,500	-	-	38,632,930	27,262,343
Utilities	1,742,724	1,609,906	-	-	21,472,154	16,359,240
Relocation allowance	-	-	-	-	2,408,812	852,693
Conveyance allowance	-	-	-	-	2,573,220	1,427,886
Car allowance	-	-	-	-	17,858,623	17,136,999
Car maintenance	-	-	-	-	3,806,401	1,911,867
Contribution to defined contribution plan	1,742,724	1,609,906	-	-	20,786,131	15,528,679
Fuel allowance / reimbursements	-	-	-	-	8,099,382	3,558,855
Sales staff incentive	-	-	-	-	21,367,629	12,882,624
Meal Allowance	-	-	-	-	1,907,833	1,044,917
Transport Allowance	-	-	-	-	-	-
Training compensation	-	-	-	-	-	-
Bonus, Prizes and rewards	9,000,000	6,620,731	-	-	31,387,553	24,261,444
	<u>30,451,002</u>	<u>26,480,961</u>	<u>410,000</u>	<u>600,000</u>	<u>385,609,429</u>	<u>286,029,729</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>153</u>	<u>90</u>

a) Executive means any employee whose basic salary exceeds Rs. 500,000 (2018: Rs. 500,000) per year.

b) The President / Chief Executive Officer and certain other executives are provided with free use of the Bank's owned and maintained cars in accordance with their entitlement as per rules of the Bank.

		2019	2018
29. EARNING PER SHARE (RUPEE)			
Profit after taxation - Rupees	A	<u>920,832,704</u>	<u>818,021,250</u>
Weighted average ordinary shares - Numbers	B	<u>271,359,683</u>	<u>271,359,683</u>
Earning per share - Rupees	A/B	<u>3.39</u>	<u>3.01</u>

30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Bank is a subsidiary of Global Telecom Holding S.A.E. (GTH) which holds 99.99% share capital of the Bank. Therefore, all subsidiaries and associated undertakings of GTH are related parties of the Bank. Other related parties include directors, key management personnel which include CEO and Head of Departments (HOD's), entities under common directorship. Remuneration to directors and executives is disclosed in note 28 to these financial statements. Amounts due from and due to the related party companies are shown in note 11 and 14 to these financial statements. All transactions involving related parties are subject to the approval of the Board of Directors. Significant transactions with the related parties other than those referred to in the foregoing entered into during the year are as follows:

		2019 (Rupees)	2018 (Rupees)
Transactions during the year:	Relationship with related party		
Global Telecom Holding (GTH)	Parent Company		
Payment set off against CDC subscription		-	1,000,000
Pakistan Mobile Communications Limited (PMCL)	Associated Company		
Payments made for expenses incurred on behalf of PMCL by the Bank		1,096,459,237	102,534,431
Payments made for expenses incurred on behalf of the Bank by PMCL		2,127,510	20,059,742
Payments made against defined contribution plan being employee and employer contributions		80,440,026	58,451,556
Deposits made during the year		25,111,930,127	18,087,024,620
Withdrawals during the year		24,992,811,412	18,160,416,208
Mark-up/ return/ interest expensed to PMCL		38,753,567	12,291,261
Deposit Mobilization Commission Paid		790,614,155	323,547,212
Branchless commission (Net of agents commission)		650,413,342	778,622,094
Employees' Provident Fund Trust			
Bank's contribution paid to the fund		55,550,907	37,132,401
Balances outstanding as at December 31, 2018			
Payable to GTH	Parent Company	2,482,123	2,482,123
(Payable) / Receivable from PMCL	Associated Company	(130,593,723)	83,670,008
Payable to Business Communication System (Private) Limited	Associated Company	209,870	176,315
Deposits accounts contain amounts relating to following related parties:			
Pakistan Mobile Communications Limited (PMCL)	Associated Company	614,764,579	495,645,889
31. CASH AND CASH EQUIVALENTS			
Cash and balances with SBP and NBP - note 6		2,187,973,424	2,134,916,179
Balances with other banks/NBFIs/MFBs - note 7		10,830,601,597	5,162,381,161
		<u>13,018,575,021</u>	<u>7,297,297,340</u>

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.2 to these financial statements.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used 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 inputs other than quoted prices included within Level 1 that are observable for the assets 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).

a) Financial instruments in level 1

Currently, no financial instruments are classified in level 1.

b) Financial instruments in level 2

Financial instruments included in level 2 comprise of investment in market treasury bills.

c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

	Level 1	Level 2	Level 3
	-----Rupees-----		
December 31, 2019			
Financial assets measured at fair value			
Available for sale investments - Market treasury bills	-	5,250,344,293	-
Available for sale investments - Units of mutual funds	-	-	-
	-	5,250,344,293	-
December 31, 2018			
Financial assets measured at fair value			
Available for sale investments - Market treasury bills	-	2,599,246,556	-
Available for sale investments - Units of mutual funds	-	2,754,178,863	-
	-	5,353,425,419	-

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and inputs used
Market treasury bills	Fair value of investment in market treasury bills is determined based on the rates / prices sourced from Reuters.
Units of mutual funds	Fair value of investment in units of mutual funds is determined based on Net Asset Value per unit as at close of business day available at MUFAP.

33. MATURITIES OF ASSETS AND LIABILITIES

	Total	Up to one month	Over one month up to six month	Over six month up to one year	Over one year
December 31, 2019	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Market rate assets					
Cash and Balances with SBP and NBP	2,187,973,424	2,187,973,424	-	-	-
Balances with other Banks/NBFIs/MFBs	10,830,601,597	10,830,601,597	-	-	-
Investments	5,252,109,674	5,252,109,674	-	-	-
Advances	15,072,876,354	698,869,550	5,664,168,664	7,440,169,984	1,269,668,156
Total market rate assets	33,343,561,049	18,969,554,245	5,664,168,664	7,440,169,984	1,269,668,156
Other non-earning assets					
Operating fixed assets	1,560,757,340	114,874,826	5,094,933	16,398,781	1,424,388,800
Other assets	3,129,116,474	31,142,558	2,633,174,599	207,336,736	257,462,581
Deferred tax asset	141,647,212	-	-	-	141,647,212
Total non-earning assets	4,831,521,026	146,017,384	2,638,269,532	223,735,517	1,823,498,593
Total assets	38,175,082,075	19,115,571,629	8,302,438,196	7,663,905,501	3,093,166,749
Cost/ non cost bearing liabilities					
Deposits and other accounts	29,224,876,433	23,377,080,104	2,455,902,188	2,778,047,527	613,846,614
Other non-cost bearing liabilities					
Other liabilities	4,090,960,329	2,796,808,436	619,222,997	233,875,607	441,053,289
Total Liabilities	33,315,836,762	26,173,888,540	3,075,125,185	3,011,923,134	1,054,899,903
Net assets	4,859,245,313	(7,058,316,911)	5,227,313,011	4,651,982,367	2,038,266,846
Represented by :					
Share Capital	2,713,596,830				
Statutory reserve	516,340,244				
Depositor's protection fund	147,614,175				
Unappropriated Profit	1,480,440,643				
Surplus on revaluation of assets	1,253,421				
	4,859,245,313				

34. MATURITIES OF ASSETS AND LIABILITIES

	Total	Up to one month	Over one month up to six month	Over six month up to one year	Over one year
December 31, 2018	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Market rate assets					
Cash and Balance with SBP and NBP	2,134,916,179	2,134,916,179	-	-	-
Balances with other Banks/NBFIs/MFBs	5,162,381,361	4,162,381,361	1,000,000,000	-	-
Investments	5,408,581,609	5,408,581,609	-	-	-
Advances	12,428,377,027	742,317,715	3,912,389,602	6,475,689,437	1,297,980,273
Total market rate assets	25,134,256,176	12,448,196,864	4,912,389,602	6,475,689,437	1,297,980,273
Other non-earning assets					
Operating fixed assets	729,541,801	8,834,119	44,170,595	53,004,715	623,532,372
Other assets	2,194,622,020	196,109,157	1,352,590,690	538,776,537	107,145,636
Deferred tax asset	56,273,879	-	-	-	56,273,879
Total non-earning assets	2,980,437,700	204,943,276	1,396,761,285	591,781,252	786,951,887
Total assets	28,114,693,876	12,653,140,140	6,309,150,887	7,067,470,689	2,084,932,160
Cost/ non cost bearing liabilities					
Deposits and other accounts	22,091,485,932	17,497,602,345	3,348,317,500	663,885,287	581,680,800
Other non-cost bearing liabilities					
Other liabilities	2,059,393,830	1,592,663,138	466,730,692	-	-
Total Liabilities	24,150,879,762	19,090,265,483	3,815,048,192	663,885,287	581,680,800
Net assets	3,963,814,114	(6,437,125,343)	2,494,102,695	6,403,585,402	1,503,251,360
Represented by :					
Share Capital	2,713,596,830				
Statutory reserve	332,173,703				
Depositor's protection fund	86,860,323				
Unappropriated Profit	789,816,115				
Surplus on revaluation of assets	41,367,143				
	3,963,814,114				

35. CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

- a) To comply with the capital requirements set by the SBP;
- b) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- c) To maintain a strong capital base to support the development of its business.

Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. The minimum paid up capital requirement applicable to the Bank is Rs 1 billion whereas the paid up capital of the Bank as at December 31, 2019 is Rs 2.71 billion (2018: Rs 2.71 billion).

The Bank intends to maintain the required regulatory capital either through its risk management strategies or by increasing the capital in line with the business and capital needs.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on _____.

MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Details of property and equipment disposed off during the year as referred to in Note 10.2.2 of financial statements:

Particulars of Asset	Cost	Accumulated Depreciation	Book Value	Sales Proceed	Gain/ (loss)	Mode of Disposal	Particulars of buyers
----- Rupees -----							
Hp probook 450 G2	75,400	75,400	-	-	-	As per Policy	Given to Employees
HP ProBook 450 G2	73,950	73,950	-	-	-	As per Policy	Given to Employees
Hp probook 450 G2	75,400	75,400	-	-	-	As per Policy	Given to Employees
HP PROBOOK 450 Laptop	109,000	109,000	-	-	-	As per Policy	Given to Employees
Laptop lenovo E550	72,000	72,000	-	16,500	16,500	As per Policy	Given to Employees
Laptop lenovo E550	72,000	72,000	-	-	-	As per Policy	Given to Employees
Laptop lenovo E550	72,000	72,000	-	-	-	As per Policy	Given to Employees
Laptop lenovo E550	72,000	72,000	-	-	-	As per Policy	Given to Employees
HP Probook 450 (Ci5)	76,650	76,650	-	-	-	As per Policy	Given to Employees
HP Probook 450 G2	75,400	75,400	-	-	-	As per Policy	Given to Employees
Motor Cycle	69,500	69,500	-	32,538	32,538	Asset Auction	Mumtaz Khan
Honda City PT	1,702,330	1,702,330	-	1,331,100	1,331,100	Asset Auction	Sajid Hussain
Suzuki Cultus FB-632	1,052,936	1,009,064	43,872	936,700	892,828	Asset Auction	Khalid Iqbal Malik
Hilux Revo	4,225,500	2,515,040	1,710,461	4,119,196	2,408,736	Asset Auction	Muhammad Sabeel Khan
Hilux Revo Registration cost	187,348	117,093	70,256	-	(70,256)	Asset Auction	Muhammad Sabeel Khan
Laptop lenovo E550	72,000	72,000	-	6,000	6,000	As per Policy	Given to Employees
Laptop lenovo E550	70,000	70,000	-	8,750	8,750	As per Policy	Given to Employees
Laptop lenovo E560	70,000	68,056	1,944	23,333	21,389	As per Policy	Given to Employees
HP Probook 450G3	91,500	81,333	10,167	36,219	26,052	As per Policy	Given to Employees
HP Probook 450 G3	91,350	71,050	20,300	38,063	17,763	As per Policy	Given to Employees
Generator 8.5KVA	82,957	26,961	55,996	-	(55,996)	Insurance Claim	Insurance Claim
	8,489,221	6,576,226	1,912,995	6,548,399	4,635,404		