



KPMG Taseer Hadi & Co.
Chartered Accountants

**WASEELA MICROFINANCE
BANK LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013



KPMG Taseer Hadi & Co.
Chartered Accountants
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AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the annexed balance sheet of **Waseela Microfinance Bank Limited** ("the Bank") as at 31 December 2013 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, 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 approved accounting standards, the requirements of the Companies Ordinance, 1984, Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan. 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 account have been kept by the Bank as required by the Companies Ordinance, 1984;
- b) in our opinion-
 - i) the balance sheet and profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan, 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 and 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, the 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 Bank's affairs as at 31 December 2013 and of the loss, its cash flows and changes in equity for the year then ended;
- 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.

Islamabad
03 April 2014

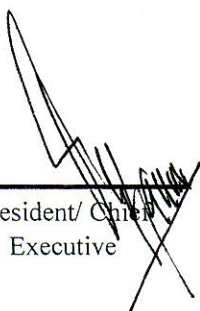
KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

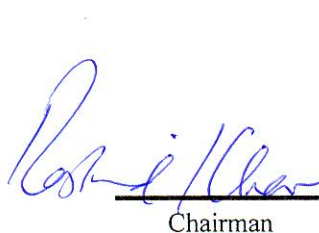
WASEELA MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2013

| | | 2013 | 2012 |
|--|-----------|----------------------|----------------------|
| | Note | Rupees | Rupees |
| <u>ASSETS</u> | | | |
| Cash and Balances with SBP and NBP | 6 | 73,018,742 | 9,771,095 |
| Balances With Other Banks/NBFIs/MFBs | 7 | 1,001,762,510 | 120,586,619 |
| Lending to financial Institutions | | - | - |
| Investments – Net Of Provisions | 8 | 409,516,889 | 915,410,581 |
| Advances – Net Of Provisions | 9 | 177,320,855 | 642,338 |
| Operating Fixed Assets | 10 | 180,221,154 | 110,379,153 |
| Other Assets | 11 | 71,557,454 | 24,106,825 |
| Deferred Tax Asset | 12 | - | - |
| Total Assets | | 1,913,397,604 | 1,180,896,611 |
| <u>LIABILITIES</u> | | | |
| Deposits and other accounts | 13 | 645,369,212 | 112,151,366 |
| Borrowings | | - | - |
| Subordinated Debt | | - | - |
| Other Liabilities | 14 | 123,983,802 | 22,064,678 |
| Deferred Tax Liabilities | | - | - |
| Total Liabilities | | 769,353,014 | 134,216,044 |
| Net Assets | | 1,144,044,590 | 1,046,680,567 |
| <u>REPRESENTED BY</u> | | | |
| Share Capital | 15 | 1,137,503,600 | 1,137,503,600 |
| Statutory & General Reserves | | - | - |
| Advance Against Issue of Shares | 16 | 320,250,000 | - |
| Accumulated Loss | | (307,687,140) | (91,727,433) |
| | | 1,150,066,460 | 1,045,776,167 |
| (Deficit) / Surplus on Revaluation of Assets | 17 | (6,021,870) | 904,400 |
| Deferred Grants | | - | - |
| Total Capital | | 1,144,044,590 | 1,046,680,567 |
| MEMORANDUM / OFF-BALANCE SHEET ITEMS | 18 | | |

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



 President/ Chief Executive



 Chairman



 Director



 Director

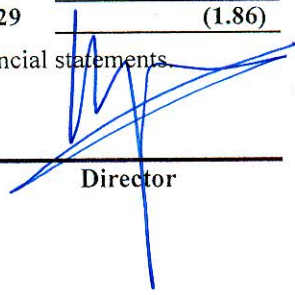
**WASEELA MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

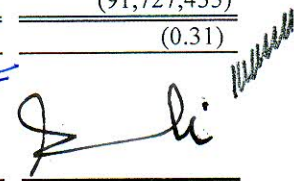
| | Note | 2013 Rupees | 2012 Rupees |
|--|------|----------------------|---------------------|
| Mark-up/Return/Interest Earned | 19 | 130,068,536 | 109,619,773 |
| Mark-up/Return/Interest Expensed | 20 | (11,966,249) | (1,251,758) |
| Net Mark-up/ Interest Income | | 118,102,287 | 108,368,015 |
| Provision against non-performing loans and advances | | (1,000,646) | (6,488) |
| Provision for diminution in the value of investments | | - | - |
| Bad debts written off directly | | - | - |
| | | (1,000,646) | (6,488) |
| Net Mark-up/ Interest Income after provisions | | 117,101,641 | 108,361,527 |
| NON MARK-UP/ NON INTEREST INCOME | | | |
| Fee, Commission and Brokerage Income | 21 | 188,009,101 | 1,310,917 |
| Dividend Income | | - | - |
| Other Income | | - | - |
| Total non-markup/non interest Income | | 188,009,101 | 1,310,917 |
| | | 305,110,742 | 109,672,444 |
| NON MARK-UP/ NON INTEREST EXPENSES | | | |
| Administrative expenses | 22 | (352,233,848) | (143,538,134) |
| Other provisions/write offs | | - | - |
| Commission | 23 | (160,191,949) | (774,066) |
| Other charges | 24 | (5,463,876) | - |
| Total non-markup/non interest expenses | | (517,889,673) | (144,312,200) |
| | | (212,778,931) | (34,639,756) |
| Extra ordinary/unusual items | | - | - |
| LOSS BEFORE TAXATION | | (212,778,931) | (34,639,756) |
| Taxation - Current | 25 | (3,180,776) | (554,653) |
| - Prior years | | - | - |
| - Deferred | | - | - |
| | | (3,180,776) | (554,653) |
| LOSS AFTER TAXATION | | (215,959,707) | (35,194,409) |
| Unappropriated Loss brought forward | | (91,727,433) | (56,533,024) |
| Loss available for appropriation | | (307,687,140) | (91,727,433) |
| APPROPRIATIONS: | | | |
| Transfer To: | | | |
| Statutory Reserve | | - | - |
| Capital Reserve | | - | - |
| Contribution to Depositors Protection Fund | | - | - |
| Revenue Reserve | | - | - |
| Dividend | | - | - |
| Others | | - | - |
| Accumulated loss carried forward | | (307,687,140) | (91,727,433) |
| Loss per share | 29 | (1.86) | (0.31) |

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


President/Executive


Chairman


Director

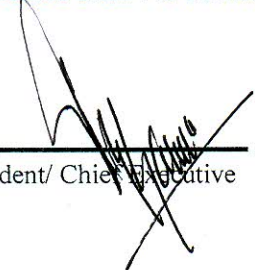
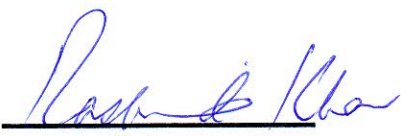
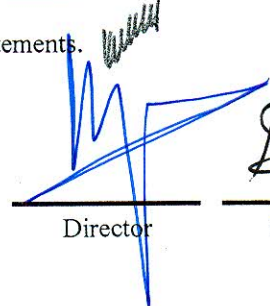


Director



**WASEELA MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Note | 2013 Rupees | 2012 Rupees |
|---|------|----------------------|---------------------|
| Loss after taxation | | (215,959,707) | (35,194,409) |
| Comprehensive income transferred to equity | | <u>(215,959,707)</u> | <u>(35,194,409)</u> |
| Components of comprehensive income not reflected in equity | | | |
| (Deficit) / Surplus on Revaluation of Investments | | (6,021,870) | 904,400 |
| | | <u>(221,981,577)</u> | <u>(34,290,009)</u> |

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

| | | | |
|--|---|--|--|
|  <hr style="width: 100%;"/> President/ Chief Executive |  <hr style="width: 100%;"/> Chairman |  <hr style="width: 100%;"/> Director |  <hr style="width: 100%;"/> Director |
|--|---|--|--|

WASEELA MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 Rupees | 2012 Rupees |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (212,778,931) | (34,639,756) |
| Less: Dividend income | - | - |
| | <u>(212,778,931)</u> | <u>(34,639,756)</u> |
| Adjustments for non-cash charges | | |
| Depreciation | 35,026,520 | 15,866,363 |
| Amortization | 4,567,365 | 3,790,412 |
| Provision for gratuity | 1,335,232 | - |
| Provision Against Non-performing Advances | 1,000,646 | 6,488 |
| Provision for Diminution in the value of investments/ other assets | - | - |
| Loss/ (Gain) on sale of fixed assets | 109,410 | - |
| Loss/ (Gain) on revaluation of available for sale investments | 6,926,270 | (904,400) |
| Others | - | - |
| | <u>48,965,443</u> | <u>18,758,863</u> |
| | <u>(163,813,488)</u> | <u>(15,880,893)</u> |
| (Increase)/ Decrease in operating assets | | |
| Lending to financial institutions | - | - |
| Advances | (177,679,163) | (648,826) |
| Other assets (excluding advance taxation) | (48,033,040) | (10,669,779) |
| | <u>(225,712,203)</u> | <u>(11,318,605)</u> |
| Increase/ (Decrease) in operating liabilities | | |
| Borrowings from financial institutions | - | - |
| Deposits | 533,217,846 | 112,151,366 |
| Other liabilities (excluding current taxation) | 93,750,109 | 6,545,152 |
| | <u>626,967,955</u> | <u>118,696,518</u> |
| | <u>237,442,264</u> | <u>91,497,020</u> |
| Gratuity paid | (92,487) | - |
| Payments against provisions held against off-balance sheet obligations | - | - |
| Income tax paid | (2,598,365) | (5,918,787) |
| Net cash inflow from operating activities | <u>234,751,412</u> | <u>85,578,233</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investment in available-for-sale securities | (124,622,647) | (201,935,000) |
| Net investment in held-to-maturity securities | 623,590,069 | (711,666,781) |
| Dividend income | - | - |
| Investments in operating fixed assets | (109,545,296) | (66,352,277) |
| Sale proceeds of property and equipment disposed-off | - | - |
| Net cash inflow / (outflow) from investing activities | <u>389,422,126</u> | <u>(979,954,058)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts/ Payments of Sub-ordinated loan | - | - |
| Receipts/ Payments of lease obligations | - | - |
| Advance against equity received | 320,250,000 | - |
| Issue of share capital | - | - |
| Dividend paid | - | - |
| Net cash inflow from financing activities | <u>320,250,000</u> | <u>-</u> |
| Increase / (Decrease) in cash and cash equivalents | <u>944,423,538</u> | <u>(894,375,825)</u> |
| Cash and cash equivalents at beginning of the year | <u>130,357,714</u> | <u>1,024,733,539</u> |
| Cash and cash equivalents at end of the year | <u>1,074,781,252</u> | <u>130,357,714</u> |

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

President/Chief Executive

Director/Chairman

Director

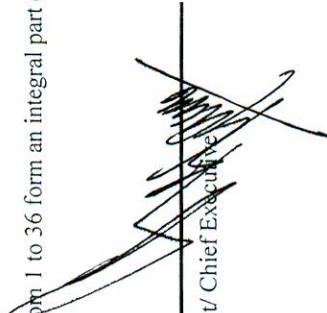
Director

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WASEELA MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

| | SHARE CAPITAL | CAPITAL RESERVE | STATUTORY RESERVE | REVENUE RESERVE | ADVANCE AGAINST ISSUE OF SHARES | UNAPPROPRIATED LOSS | TOTAL |
|---------------------------------------|----------------------|-----------------|-------------------|-----------------|---------------------------------|----------------------|----------------------|
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Opening Balance (Prior year) | - | - | - | - | 1,137,503,600 | (56,533,024) | 1,080,970,576 |
| Loss for the Prior year | - | - | - | - | - | (35,194,409) | (35,194,409) |
| Transfers to Statutory reserves | - | - | - | - | - | - | - |
| Other appropriations | - | - | - | - | - | - | - |
| Issue of share capital | 1,137,503,600 | - | - | - | (1,137,503,600) | - | - |
| Opening Balance (Current Year) | 1,137,503,600 | - | - | - | - | (91,727,433) | 1,045,776,167 |
| Loss for the Current year | - | - | - | - | - | (215,959,707) | (215,959,707) |
| Transfers to Statutory reserves | - | - | - | - | - | - | - |
| Other appropriations | - | - | - | - | - | - | - |
| Issue of share capital | - | - | - | - | - | - | - |
| Advance against issue of shares | - | - | - | - | 320,250,000 | - | 320,250,000 |
| Closing Balance (Current year) | 1,137,503,600 | - | - | - | 320,250,000 | (307,687,140) | 1,150,066,460 |

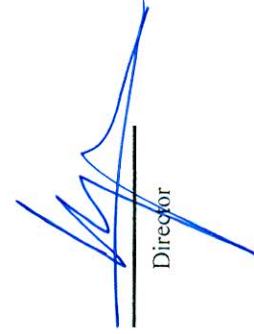
The annexed notes from 1 to 36 form an integral part of these financial statements.




President/ Chief Executive



Chairman



Director



Director

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1 STATUS AND NATURE OF BUSINESS

Waseela Microfinance Bank Limited (the Bank) was incorporated in Pakistan on 29 November 2010 as a public limited company under the Companies Ordinance, 1984. The Bank obtained Microfinance banking license from the SBP on 12 September 2011 to operate on a nationwide basis and received the certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on 13 Feb 2012 whereas certificate of commencement of business from SBP was received on 20 April 2012. The Bank has 36 business locations comprising of 30 branches/ point of links and 6 service centers (2012:10 business locations comprising of 4 branches/ point of links and 6 service centers) in operation. The Bank is a subsidiary of Global Telecom Holding S.A.E. (formerly Orascom Telecom Holding S.A.E.) ("the holding company") which owns 99.99% shareholding in the Bank. The Bank's registered and principal office is situated at Plot No. 3-A/2, F-8 Markaz, Islamabad, Pakistan. The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society with a view to alleviate poverty under the Microfinance Institution Ordinance, 2001. The Bank is also providing Branchless Banking Services with the Pakistan Mobile Communications Limited (PMCL), a related party, under the Branchless Banking license from the SBP.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the Banking Supervision Department (BSD) circular number 11 dated 30 December 2003 issued by the SBP.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, and the regulations/ directives issued by the SECP and the SBP. Wherever, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, or regulations/ directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, or the requirements of the said regulations/ directives shall prevail.

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost basis except available for sale investments which are measured at fair value.

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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, provision for income taxes, determination of useful lives of depreciable assets and intangible assets and other provisions which are discussed in following paragraphs:

4.2.1 Impairment of investments

Provision for 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.

4.2.2 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.

4.2.3 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/ amortisation charge and impairment loss. Changes in estimates are accounted for over the estimated remaining useful life of the assets.



WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

4.2.4 Taxation

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

4.2.5 Provisions and contingencies

The Bank reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

4.2.6 Impairment of financial assets

In making an estimates of future cash flows from the Bank's financial assets including investments in subsidiaries and associates, the management considers estimated future dividend stream and their terminal value.

4.2.7 Other provisions

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

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with SBP and other banks.

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 and the Bank has transferred substantially all the risks and rewards of ownership.

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Waseela

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Investments of the Bank are classified into the following categories:

(a) 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.

(b) 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" and is shown in the balance sheet below equity. The surplus / (deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal.

5.3 Advances

These are stated net of provision for non-performing advances, if any. The outstanding principal of the advances, payments against which are overdue for 30 days or more are classified as non-performing and divided into following four categories:

(a) Other Assets Especially Mentioned:

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.

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(d) Loss:

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

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

| | |
|--|---|
| (i) Other Assets Especially Mentioned | Nil |
| (ii) Substandard | 25% of outstanding principal net of cash collaterals |
| (iii) Doubtful | 50% of outstanding principal net of cash collaterals |
| (iv) Loss | 100% of outstanding principal net of cash collaterals |

In addition to above, a general provision is made equivalent to 1% 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) Capital work-in-progress

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

(b) 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 the site on which they are located, if any.

Depreciation is charged on the straight line method at rates specified note 10.1 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 period.

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

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Handwritten initials

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(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 amortisation and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortised over their estimated useful lives at rate specified in note 10.2 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 of proceeds received. Mark-up accrued on deposits, if any, is recognised separately as part of other liabilities and is charged to the profit and loss account over the period.

5.6 Taxation

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

The Bank takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Bank's view differs from the view taken by the income tax department at the assessment stage and where the Bank considers that its view on items of material nature is in accordance with law, 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 taxation 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 and the unrecognized amount of deferred tax assets.



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Deferred tax assets and liabilities are calculated at the rate that are expected to apply to 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 substantively enacted by the balance sheet date.

5.7 Staff retirement benefits

Defined contribution plan

The Bank operates a defined contribution provident fund scheme for its eligible employees. Monthly contributions are made by the Bank and its employees at rate of 10% of basic salary.

5.8 Reserves

(a) Statutory reserve

The Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of its annual profit after tax is made till such time the reserve fund equals the paid-up capital of the Bank and thereafter, an appropriation of a sum not less than 5% of its annual profit after taxes in accordance with statutory requirements under the Microfinance Institutions Ordinance, 2001.

(b) Depositors protection fund

The Bank is required to contribute 5% of its annual after tax profit along with related income on investment to the Depositors Protection Fund with effect from the expiry of five years from the date of first annual balance sheet, as required under the Microfinance Institutions Ordinance, 2001.

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 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.

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5.11 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 installments. 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 income 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 when the related services are rendered.

(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) Gain/ loss on sale of operating fixed assets

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

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

(f) Gain/ loss on sale of investments

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

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

5.12 Related party transactions

Transactions between the Bank and its related parties are carried out on arm's length basis using the comparable uncontrolled price method.

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, amortised 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 available for sale are valued at year end prices and investments classified as held to maturity are stated at amortised 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 period 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.



WASEELA MICROFINANCE BANK LIMITED
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5.15 Borrowing costs

Borrowing costs are recognised 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 capitalised 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 Mark-up bearing borrowings

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

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

5.17 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2014:

IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans¹ that involve contributions from employees or third parties meeting certain criteria.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2013

| 6 CASH AND BALANCES WITH SBP AND NBP | Note | 2013 Rupees | 2012 Rupees |
|--------------------------------------|------|-------------------|------------------|
| Cash in hand | | 38,118,992 | 3,821,345 |
| Balance with State Bank of Pakistan | 6.1 | 34,899,750 | 5,949,750 |
| | | <u>73,018,742</u> | <u>9,771,095</u> |

6.1 This represents balance maintained in current account with SBP to meet the requirement of maintaining Cash Reserve Requirement ("CRR").

| 7 BALANCES WITH OTHER BANKS/NBFIs/MFBs | Note | 2013 Rupees | 2012 Rupees |
|--|------|----------------------|--------------------|
| In Pakistan | | | |
| - on current accounts | | 2,736,145 | 52,877,601 |
| - on deposit accounts | 7.1 | 999,026,365 | 67,709,018 |
| | | <u>1,001,762,510</u> | <u>120,586,619</u> |

7.1 These carry markup ranging from 7% to 9.60% (2012: 8% to 11%) per annum.

| 8 INVESTMENTS: | Note | 2013 Rupees | 2012 Rupees |
|--|------|--------------------|--------------------|
| Federal Government Securities | | | |
| - Pakistan Investment Bonds | 8.1 | 327,462,047 | 202,839,400 |
| - Market Treasury Bills | | - | 193,076,617 |
| Term Deposit Receipts | 8.2 | 88,076,712 | 518,590,164 |
| Less: Surplus / (Deficit) on revaluation of available for sale investments | | (6,021,870) | 904,400 |
| Less: Provisions for Diminution in value of Investments | | - | - |
| Investments (Net of Provisions) | | <u>409,516,889</u> | <u>915,410,581</u> |

8.1 This represents investment in Pakistan Investment Bonds carrying markup ranging 11.25% to 11.50% (2012: 11.25%) per annum payable on semi-annual basis and are maturing in two to three years.

8.2 This represents investment in one Term Deposit Receipts carrying markup at the rate of 11% (2012: 10.5% to 13%) per annum and are maturing in one month.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

| 9 | ADVANCES - Net Of Provisions | Note | 2013 | 2013 | 2012 | 2012 |
|---|------------------------------|------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | | | Number of Loans Outstanding | Amount Outstanding Rupees | Number of Loans Outstanding | Amount Outstanding Rupees |
| | Micro Credit | | | | | |
| | -Secured against gold | | 1,133 | 77,614,549 | - | - |
| | -Unsecured | | 3,274 | 100,713,440 | 29 | 648,826 |
| | | | <u>4,407</u> | <u>178,327,989</u> | <u>29</u> | <u>648,826</u> |
| | Less: Provision held: | | | | | |
| | Specific provision | | | - | | - |
| | General provision | 9.1 | | 1,007,134 | | 6,488 |
| | | | | <u>1,007,134</u> | | <u>6,488</u> |
| | | | | <u>177,320,855</u> | | <u>642,338</u> |

9.1 This represents general provision maintained against outstanding advances at the rate of 1% as required under Prudential Regulations issued by the State Bank of Pakistan.

| 9.2 | Particulars of Provision against Non-Performing Advances | Note | 2013 General Rupees | 2012 General Rupees |
|-----|---|------|---------------------------|---------------------------|
| | Opening balance | | 6,488 | - |
| | Charge for the year | | 1,000,646 | 6,488 |
| | Amounts written off | | - | - |
| | Reversals | | - | - |
| | Closing balance | | <u>1,007,134</u> | <u>6,488</u> |

| 10 | OPERATING FIXED ASSETS | | 2013 Rupees | 2012 Rupees |
|----|--------------------------------------|------|--------------------|--------------------|
| | Property and equipment | 10.1 | 146,945,887 | 64,427,354 |
| | Intangible assets | 10.2 | 33,275,267 | 35,238,787 |
| | Advance for purchase of fixed assets | | - | 10,713,012 |
| | | | <u>180,221,154</u> | <u>110,379,153</u> |

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2013

| 11 OTHER ASSETS | 2013 Rupees | 2012 Rupees |
|------------------------------------|-------------------|-------------------|
| Income/Markup accrued | 28,546,766 | 11,241,645 |
| Advances, Deposits and Prepayments | 29,651,965 | 5,928,189 |
| Advance Taxation | 9,130,291 | 6,531,926 |
| Others | 4,228,432 | 405,065 |
| | <u>71,557,454</u> | <u>24,106,825</u> |

12 DEFERRED TAX ASSET

Due to uncertainty regarding the timing of future taxable profits, the Bank has not recognised deferred tax asset on estimated unused tax losses amounting to Rs. 104,613,628 (2012: Rs. 32,104,602).

13 DEPOSITS AND OTHER ACCOUNTS

| | Note | 2013 Number | 2013 Rupees | 2012 Number | 2012 Rupees |
|-----------------------------|------|----------------|--------------------|----------------|--------------------|
| Fixed Deposits | | 168 | 86,323,010 | 14 | 2,853,100 |
| Savings Deposits | | 5,433 | 213,339,613 | 127 | 68,356,554 |
| Current Deposits | | 1,808 | 102,255,798 | 427 | 3,014,959 |
| Current Deposits-Branchless | | 59,284 | 243,450,791 | 6,282 | 37,926,753 |
| | 13.1 | <u>66,693</u> | <u>645,369,212</u> | <u>6,850</u> | <u>112,151,366</u> |

13.1 All above deposits represent voluntary savings of depositors.

| 13.2 Particulars of Deposits by Ownership | 2013 Number | 2013 Rupees | 2012 Number | 2012 Rupees |
|---|----------------|--------------------|----------------|--------------------|
| 1) Individual Depositors | 40,142 | 407,318,292 | 6,849 | 62,108,479 |
| 2) Institutional Depositors | | | | |
| a) Corporations/Firms | - | - | - | - |
| b) Banks & Financial Institutions | 1 | 20,373 | 1 | 50,042,887 |
| 3) Retailers | 26,128 | 147,411,749 | - | - |
| 4) Franchisees | 401 | 84,509,605 | - | - |
| 5) Customer Care Centers | 21 | 6,109,193 | - | - |
| | <u>66,693</u> | <u>645,369,212</u> | <u>6,850</u> | <u>112,151,366</u> |

14 OTHER LIABILITIES

| | 2013 Rupees | 2012 Rupees |
|-----------------------------------|--------------------|-------------------|
| Mark-up/ Return/ Interest payable | 1,076,546 | 315,625 |
| Accrued expenses | 34,942,883 | 12,309,378 |
| Payable to related parties | 4,096,238 | 8,385,966 |
| Withholding tax payable | 2,905,379 | 413,756 |
| Payable to suppliers | 77,294,653 | 495,753 |
| Others | 3,668,103 | 144,200 |
| | <u>123,983,802</u> | <u>22,064,678</u> |

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WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2013

15 SHARE CAPITAL

15.1 Authorized Capital

| 2013 Numbers | 2012 Numbers | | 2013 Rupees | 2012 Rupees |
|--------------------|--------------------|---------------------------------|----------------------|----------------------|
| <u>150,000,000</u> | <u>150,000,000</u> | Ordinary shares of Rs. 10 each. | <u>1,500,000,000</u> | <u>1,500,000,000</u> |

15.2 Issued, subscribed and paid-up capital

| 2013 Numbers | 2012 Numbers | | 2013 Rupees | 2012 Rupees |
|--------------------|--------------------|---|----------------------|----------------------|
| <u>113,750,360</u> | <u>113,750,360</u> | Fully paid ordinary shares of Rs. 10 each | <u>1,137,503,600</u> | <u>1,137,503,600</u> |

15.3 Global Telecom Holding (S.A.E.) (formerly Orascom Telecom Holding S.A.E.) is the parent company controlling 113,750,355 i.e. 99.99% shares (2012: 99.99%) of the Bank.

15.4 Share capital of Bank is held as under:

| | 2013 Rupees | 2012 Rupees |
|-------------------------------|----------------------|----------------------|
| Related parties: | | |
| Global Telecom Holding S.A.E. | 1,137,503,550 | 1,137,503,550 |
| Directors | <u>50</u> | <u>50</u> |
| | <u>1,137,503,600</u> | <u>1,137,503,600</u> |

16 ADVANCE AGAINST ISSUE OF SHARE

This represents advance amounting to USD 3 Million received from Global Telecom Holding (S.A.E.) being sponsor of the Bank against issue of shares. Subsequent to the year end on 31 January 2014 the Bank issued 31,425,000 ordinary shares of Rs. 10 each to Global Telecom Holding (S.A.E.). Further the Bank through letter dated 11 February 2014 applied to the SBP for registration of foreign equity.

17 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

| | 2013 Rupees | 2012 Rupees |
|--------------------------------|--------------------|----------------|
| Available for sale investments | | |
| Government securities | <u>(6,021,870)</u> | <u>904,400</u> |

18 MEMORANDUM / OFF-BALANCE SHEET ITEMS

18.1 Commitments:

| | | |
|---|----------|------------------|
| Capital commitments - against contracts | <u>-</u> | <u>3,304,555</u> |
|---|----------|------------------|

18.2 Contingencies

There are no contingencies at the year end (2012: Nil)

WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2013

| | | 2013 | 2012 |
|-----------|---|--------------------|--------------------|
| | | Rupees | Rupees |
| 19 | MARK-UP / INTEREST / DISCOUNT / RETURN EARNED | | |
| | Interest / Mark-up On Advances | 17,816,715 | 48,361 |
| | Interest / Mark-up On Investments In Government Securities | 47,008,462 | 35,779,100 |
| | Interest / Mark-up On Deposits Accounts / Placement With Others | 65,243,359 | 73,792,312 |
| | Banks / Financial Institutions | - | - |
| | | <u>130,068,536</u> | <u>109,619,773</u> |
| | | 2013 | 2012 |
| 20 | MARK-UP/RETURN/INTEREST EXPENSED | Rupees | Rupees |
| | On Deposits | 11,587,892 | 982,742 |
| | On advances from related party | 378,357 | 269,016 |
| | | <u>11,966,249</u> | <u>1,251,758</u> |
| 21 | FEE, COMMISSION AND BROKERAGE INCOME | | |
| | Income from branchless | 183,126,371 | 1,084,128 |
| | Loan processing fee | 3,958,000 | 29,000 |
| | Others | 924,730 | 197,789 |
| | | <u>188,009,101</u> | <u>1,310,917</u> |

21.1 This represents the income from branchless banking operations carried out by the Bank together with the Pakistan Mobile Communication Limited (PMCL) under the SBP Branchless Banking Regulation.

| | | 2013 | 2012 |
|-----------|---|--------------------|--------------------|
| | | Rupees | Rupees |
| 22 | ADMINISTRATIVE EXPENSES | | |
| | Salaries, allowances etc. | 184,027,785 | 79,064,822 |
| | Contribution to defined contribution plan | 6,522,804 | - |
| | Training / Capacity building | 3,536,844 | - |
| | Depreciation | 35,026,520 | 15,866,363 |
| | Amortization | 4,567,365 | 3,790,412 |
| | License fee | 5,183,145 | 2,512,290 |
| | Travel and transportation | 14,141,329 | 4,823,704 |
| | Rent, taxes, insurance, electricity, etc. | 41,590,372 | 13,776,853 |
| | Loss on sale of fixed assets | 109,410 | - |
| | Stationary and printing | 5,876,840 | 1,370,139 |
| | Communications | 3,178,695 | 2,846,338 |
| | Repair and maintenance Vehicles | 1,945,497 | 1,689,677 |
| | Legal and professional charges | 2,518,744 | 3,008,928 |
| | Auditors' remuneration | 892,800 | 580,000 |
| | Bank charges | 4,617,126 | 116,706 |
| | IT equipment and software maintenance | 14,505,967 | 9,250,627 |
| | Security | 7,625,237 | 1,073,016 |
| | NADRA verification charges | 2,679,208 | 684,341 |
| | Janitorial services | 4,737,225 | 988,627 |
| | Office supplies | 4,452,386 | 1,142,135 |
| | Entertainment | 2,109,425 | 563,289 |
| | Others | 2,389,124 | 389,867 |
| | | <u>352,233,848</u> | <u>143,538,134</u> |

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WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2013

| | | 2013 Rupees | 2012 Rupees |
|---|-------------|----------------|----------------|
| 22.1 Auditors' Remuneration | Note | | |
| Audit fee | | 600,000 | 500,000 |
| Fee for audit of provident, pension, gratuity and other funds | | - | - |
| Special certification and sundry advisory services | | - | - |
| Tax services | | - | - |
| Out of pocket expenses | | 292,800 | 80,000 |
| | | <u>892,800</u> | <u>580,000</u> |

23 COMMISSION

| | | | |
|-------------------------------------|------|--------------------|----------------|
| Commission to retailer / franchisee | 23.1 | 107,146,934 | 774,066 |
| Commission to related party | 23.2 | 53,045,015 | - |
| | | <u>160,191,949</u> | <u>774,066</u> |

23.1 This represents the commission to retailer/franchisee from branchless banking operations carried out by the Bank together with the Pakistan Mobile Communication Limited (PMCL) under the SBP Branchless Banking Regulation.

23.2 This represents the share of the PMCL in respect of the branchless banking fee and commission. As per the agreement with the PMCL, income from Mobi Cash is shared between the Bank and PMCL in the ratio of 30% and 70% (2012: 30% and 70%).

| | | 2013 Rupees | 2012 Rupees |
|---|-------------|------------------|----------------|
| 24 OTHER CHARGES | Note | | |
| Penalties imposed by the State Bank of Pakistan | 24.1 | 50,000 | - |
| Others | | 5,413,876 | |
| | | <u>5,463,876</u> | <u>554,653</u> |

24.1 This represents the penalties paid to the State Bank of Pakistan for non-compliance with regards to submission of annual agent expansion plan for branchless banking.

| | | 2013 Rupees | 2012 Rupees |
|--------------------|--|------------------|----------------|
| 25 TAXATION | | | |
| Current | | <u>3,180,776</u> | <u>554,653</u> |

25.1 Relationship between tax expense and accounting loss

| | | |
|---|--------------------|------------------|
| Loss before taxation | (212,778,931) | (34,639,756) |
| Tax at applicable tax rate of 34% percent (2012: 35% percent) | (72,344,837) | (12,123,915) |
| Effect of: | | |
| - Deferred tax asset not recognised | 72,344,837 | 12,123,915 |
| - Minimum tax | (3,180,776) | (554,653) |
| | <u>(3,180,776)</u> | <u>(554,653)</u> |

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

26 NUMBER OF EMPLOYEES

| | | 2013 | | |
|-------------------------|--|--------------------|-----------------|------------|
| | | Credit/Sales Staff | Banking/Support | Total |
| Permanent | | 38 | 196 | 234 |
| Contractual / temporary | | - | - | - |
| Total | | 38 | 196 | 234 |
| | | 2012 | | |
| | | Credit/Sales Staff | Banking/Support | Total |
| Permanent | | 11 | 51 | 62 |
| Contractual / temporary | | - | 68 | 68 |
| Total | | 11 | 119 | 130 |

27 NUMBER OF BRANCHES/SERVICE CENTRES

| | 2013 Number | 2012 Number |
|--|----------------|----------------|
| Branches At The Beginning Of The Year | 10 | - |
| Add: Opened During The Year | | |
| -Branches | 26 | 4 |
| -Service Centres | - | 6 |
| Less: Closed / Merged During The Year | - | - |
| Total Branches At The End Of The Year | 36 | 10 |

28 REMUNERATION OF DIRECTORS AND EXECUTIVES

| | President/Chief Executive | | Executives | |
|---|---------------------------|-------------------|-------------------|-------------------|
| | 2013 Rupees | 2012 Rupees | 2013 Rupees | 2012 Rupees |
| Managerial remuneration | 11,754,540 | 8,795,455 | 52,718,413 | 26,544,045 |
| Rent and house maintenance | 270,000 | 225,000 | 12,019,942 | 3,786,136 |
| Utilities | 1,175,460 | 879,545 | 5,155,727 | 2,654,410 |
| Relocation allowance | - | 1,575,700 | 773,000 | 567,786 |
| Conveyance allowance | - | - | 555,000 | 116,364 |
| Contribution to defined contribution plan | 1,175,454 | 858,734 | 4,741,635 | 1,729,063 |
| Fuel allowance / reimbursements | 572,657 | 403,502 | 5,587,862 | 1,995,628 |
| Prizes and rewards | 3,458,630 | - | 3,334,789 | - |
| | 18,406,741 | 12,737,936 | 84,886,368 | 37,393,432 |
| Number of persons | 1 | 1 | 89 | 18 |

- (a) Executive means any employee whose gross salary exceeds Rs. 500,000 (2012: Rs. 500,000) per year.
- (b) The President / Chief Executive Officer and certain other executives are also provided with free use of the Bank's owned and maintained cars in accordance with their entitlement as per rules of the Bank.
- (c) No remuneration was paid to the directors of the Bank.

WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2013

| 29 | LOSS PER SHARE (RUPEES) | | 2013 | 2012 |
|----|--|-----|---------------|---------------|
| | Loss after taxation - Rupees | A | (211,449,793) | (35,194,409) |
| | Weighted average ordinary shares - Numbers | B | 113,750,360 | 113,750,360 |
| | Loss per share - Rupees | A/B | <u>(1.86)</u> | <u>(0.31)</u> |

30 RELATED PARTY TRANSACTIONS

The Bank is wholly sponsored by Global Telecom Holding S.A.E. (GTH). Therefore, all subsidiaries and associated undertakings of GTH are related parties of the Bank. Other related parties include directors, key management personnel, entities under common directorship. Remuneration to directors and chief executive is disclosed in note 26 to these financial statements. Amounts due from and due to these companies are shown in note 14 to these financial statements. All transactions involving related parties are entered into at contractual terms and conditions subject to the approval of the Board of Directors. Transactions with the related parties during the period are as follows:

| | | 2013 Rupees | 2012 Rupees |
|---|------|-------------------|-------------------|
| Transactions with the parent company | | | |
| Advance against equity | | 320,250,000 | - |
| Issue of Share Capital | | - | 1,137,503,600 |
| Related parties by virtue of common directorship | | | |
| Interest expense on branchless deposits | | 5,413,876 | - |
| Branchless commission expense | | 53,045,015 | - |
| Expenses incurred on our behalf | | 26,138,196 | 2,394,078 |
| Purchase of operating fixed assets | | 56,577 | 1,362,595 |
| Interest on advance | | 378,357 | 269,016 |
| Payments made for expenses incurred on our behalf | | 1,176,362 | 77,500 |
| Balance payable at the year end | | 4,096,238 | 8,385,966 |
| Services availed | | 719,100 | 2,368,612 |
| Transaction with key management personnel | | | |
| Remuneration, allowances and benefits | 30.1 | 40,656,990 | 36,796,123 |
| 30.1 Remuneration, allowances and benefits | | | |
| Managerial remuneration | | 34,673,390 | 30,216,823 |
| Rent and house maintenance | | 2,216,250 | 1,912,500 |
| Utilities | | 3,467,350 | 3,021,682 |
| Relocation allowance | | 300,000 | 1,645,118 |
| | | <u>40,656,990</u> | <u>36,796,123</u> |

The Bank has not extended financing or other microfinance services to members of management, directors or parties related to them.

| 31 | CASH AND CASH EQUIVALENTS | Note | 2013 Rupees | 2012 Rupees |
|----|--------------------------------------|------|----------------------|--------------------|
| | Cash and Balances with SBP and NBP | 6 | 73,018,742 | 9,771,095 |
| | Balances With Other Banks/NBFIs/MFBs | 7 | 1,001,762,510 | 120,586,619 |
| | | | <u>1,074,781,252</u> | <u>130,357,714</u> |

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WASELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

32 FINANCIAL INSTRUMENTS (based on contractual obligation)

| | Effective yield/interest rate | Interest/Mark up bearing | | | | | Non interest/mark up bearing | | | | | Total | | |
|---|-------------------------------|--------------------------|-------------|-------------------|--------|-----------------|------------------------------|---------------|--------|-------------------|------------|-------|-----------------|--------|
| | | Upto one year | | One to five years | | Over five years | | Upto one year | | One to five years | | | Over five years | |
| | | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | | Rupees | Rupees |
| 31 December 2012 | | | | | | | | | | | | | | |
| Financial assets | | | | | | | | | | | | | | |
| Cash and balances with SBP and NBP | | - | - | - | - | 9,771,095 | - | - | - | - | 9,771,095 | - | 9,771,095 | |
| Balances with other banks/NBFIs/MFBs | 8-11 | 67,709,018 | - | - | - | 67,709,018 | 52,877,601 | - | - | - | 52,877,601 | - | 120,586,619 | |
| Investments | 10.45-13 | 711,666,781 | 203,743,800 | - | - | 915,410,581 | - | - | - | - | - | - | 915,410,581 | |
| Advances | 48.22 | 642,338 | - | - | - | 642,338 | - | - | - | - | - | - | 642,338 | |
| Other assets | | - | - | - | - | - | 24,106,825 | - | - | - | 24,106,825 | - | 24,106,825 | |
| Financial liabilities | | 780,018,137 | 203,743,800 | - | - | 983,761,937 | 86,755,521 | - | - | - | 86,755,521 | - | 1,070,517,458 | |
| Deposits and other accounts | 6-10.5 | 71,209,654 | - | - | - | 71,209,654 | 40,941,712 | - | - | - | 40,941,712 | - | 112,151,366 | |
| Other liabilities | 8 | 2,581,757 | - | - | - | 2,581,757 | 19,482,921 | - | - | - | 19,482,921 | - | 22,064,678 | |
| Off balance sheet financial instruments: | | 73,791,411 | - | - | - | 73,791,411 | 60,424,633 | - | - | - | 60,424,633 | - | 134,216,044 | |
| Capital commitments | | - | - | - | - | - | 3,304,555 | - | - | - | 3,304,555 | - | 3,304,555 | |

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

32.1 Concentration of credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and causes the other party to incur a financial loss. Bank's credit risk is primarily attributable to its advances and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by the Regulations. Maximum amount of financial assets which are subject to credit risk amount to Rs: 1,543,760,920 (2012: Rs. 1,053,852,639).

32.2 Liquidity risk:

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its net funding requirements. The Bank attempts to manage this risk by having adequate credit lines in place and maintaining sufficient liquidity at branch level to meet anticipated funding requirements.

32.3 Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The Bank's interest rate exposure stems mainly from investing activity. This risk is managed by regular review of investment portfolio of government securities.

32.4 Fair value of financial instruments:

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

32.5 Capital management

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. Currently, the paid up capital of the Bank is Rs. 1,137,503,600. The minimum paid up capital requirement applicable to the Bank is Rs. 1 billion. The Bank will maintain capital adequacy ratio in accordance with Section number 4 of the Regulations which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.

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WASELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

33 MATURITIES OF ASSETS AND LIABILITIES

| | 31 December 2013 | | | |
|---|----------------------|--------------------------|---|--|
| | Total Rupees | Upto one month Rupees | Over one month upto six months Rupees | Over six months upto one year Rupees |
| Market rate assets | | | | |
| Cash and Balance with SBP and NBP | 73,018,742 | 73,018,742 | - | - |
| Balances With Other Banks/NBFIs/MFBs | 1,001,762,510 | 1,001,762,510 | - | - |
| Investments | 409,516,889 | 88,076,712 | - | 321,440,177 |
| Advances | 177,320,855 | 6,338,678 | 72,639,718 | 98,342,460 |
| Total market rate assets | 1,661,618,996 | 1,169,196,642 | 72,639,718 | 98,342,460 |
| Other non-earning assets | | | | |
| Other assets | 71,557,454 | 32,778,457 | 18,594,237 | 6,630,971 |
| Operating fixed assets | 180,221,154 | 4,559,972 | 22,799,859 | 27,359,831 |
| Total non-earning assets | 251,778,608 | 37,338,429 | 41,394,096 | 33,990,802 |
| Total assets | 1,913,397,604 | 1,206,535,071 | 114,033,814 | 132,333,262 |
| Cost bearing liabilities | | | | |
| Deposits and other accounts | 645,369,212 | 568,776,203 | 16,900,010 | 59,693,000 |
| Other non-cost bearing liabilities | | | | |
| Other liabilities | 123,983,802 | 119,882,630 | - | 2,698,428 |
| Total Liabilities | 769,353,014 | 688,658,833 | 16,900,010 | 62,391,428 |
| Net assets | 1,144,044,590 | 688,658,833 | 16,900,010 | 62,391,428 |

Represented by :

| | |
|--|----------------------|
| Share Capital | 1,137,503,600 |
| Accumulated Loss | (307,687,140) |
| Advance Against Issue of Shares | 320,250,000 |
| (Deficit) / Surplus on Revaluation of Assets | (6,021,870) |
| | 1,144,044,590 |

WASELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

33 MATURITIES OF ASSETS AND LIABILITIES

31 December 2012

| | Upto one month | | Over one month upto six months | | Over six months upto one year | | Over one year | |
|---|----------------|-------------|--------------------------------|-------------|-------------------------------|-------------|---------------|--|
| | Rupees | | Rupees | | Rupees | | Rupees | |
| Total | | | | | | | | |
| Market rate assets | 9,771,095 | 3,821,345 | - | - | - | - | 5,949,750 | |
| Cash and Balance with SBP and NBP | 120,586,619 | 52,877,601 | 67,709,018 | - | - | - | - | |
| Balances With Other Banks/NBFIs/MFBs | 915,410,581 | 99,390,095 | 206,655,739 | 405,620,947 | 405,620,947 | 203,743,800 | | |
| Investments | 642,338 | 59,827 | 299,135 | 283,376 | 283,376 | - | | |
| Advances | 1,046,410,633 | 156,148,868 | 274,663,892 | 405,904,323 | 405,904,323 | 209,693,550 | | |
| Total market rate assets | | | | | | | | |
| Other non-earning assets | | | | | | | | |
| Other assets | 24,106,825 | 11,324,091 | 5,163,553 | 301,000 | 301,000 | 7,318,181 | | |
| Operating fixed assets | 110,379,153 | 2,839,546 | 14,197,729 | 17,037,275 | 17,037,275 | 76,304,603 | | |
| Total non-earning assets | 134,485,978 | 14,163,637 | 19,361,282 | 17,338,275 | 17,338,275 | 83,622,784 | | |
| Total assets | 1,180,896,611 | 170,312,505 | 294,025,174 | 423,242,598 | 423,242,598 | 293,316,334 | | |
| Cost bearing liabilities | | | | | | | | |
| Deposits and other accounts | 112,151,366 | 40,941,404 | 69,686,962 | - | - | 1,523,000 | | |
| Other non-cost bearing liabilities | | | | | | | | |
| Other liabilities | 22,064,678 | 4,029,936 | 18,034,742 | - | - | - | | |
| Total Liabilities | 134,216,044 | 44,971,340 | 87,721,704 | - | - | 1,523,000 | | |
| Net assets | 1,046,680,567 | 125,341,165 | 206,303,470 | 423,242,598 | 423,242,598 | 291,793,334 | | |
| Represented by : | | | | | | | | |
| Share capital | 1,137,503,600 | | | | | | | |
| Accumulated Loss | (91,727,433) | | | | | | | |
| Surplus/ (Deficit) on Revaluation of Assets | 904,400 | | | | | | | |
| | 1,046,680,567 | | | | | | | |

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WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 | 2012 |
|---|----------------------|---------------------|
| | Rupees | Rupees |
| 34 OPERATIONAL/NON-OPERATIONAL INCOME/ (LOSS) | | |
| Loss before taxation comprises of: | | |
| Operational loss | <u>(221,981,577)</u> | <u>(34,639,756)</u> |

35 GENERAL

35.1 Figures have been rounded off to the nearest rupee unless otherwise stated.

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 April 03, 2014.

| | | | |
|--|--|---|---|
|  |  |  |  |
| President/Chief Executive | Director/Chairman | Director | Director |

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