



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mobilink Microfinance Bank Limited - formerly Waseela Microfinance Bank Limited, (the Bank) as at December 31, 2016 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 and 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 conduct 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 the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984;
- b) in our opinion -
 - i) the balance sheet, 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 accounts 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;

A.F.Ferguson



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 December 31, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (xviii of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F. Ferguson & Co.

Chartered Accountants
Islamabad: March 24, 2017

Engagement partner: JehanZeb Amin

MOBILINK MICROFINANCE BANK LIMITED
(Formerly Waseela Microfinance Bank Limited)
BALANCE SHEET
AS AT DECEMBER 31, 2016

ASSETS	Note	2016 (Rupees)	2015 (Rupees)
Cash and Balances with SBP and NBP	6	747,930,012	266,578,027
Balances with other Banks/NBFIs/MFBs	7	4,742,891,348	2,402,370,277
Lending to financial Institutions		-	-
Investments – net of provisions	8	1,495,053,230	125,271,966
Advances – net of provisions	9	5,858,824,209	1,342,557,145
Operating fixed assets	10	388,447,521	289,234,838
Other assets	11	853,361,423	270,088,401
Deferred tax asset	12	147,349,687	194,455,975
Total Assets		14,233,857,430	4,890,556,629
 LIABILITIES			
Deposits and other accounts	13	10,306,362,467	3,197,311,437
Borrowings		-	-
Subordinated debts		-	-
Other liabilities	14	2,697,001,907	692,909,346
Deferred tax liabilities		-	-
Total Liabilities		13,003,364,374	3,890,220,783
Net assets		1,230,493,056	1,000,335,846
 REPRESENTED BY:			
Share Capital	15	1,451,753,600	1,451,753,600
Statutory reserves	5.8	46,151,566	-
Depositor's protection fund	5.8	11,537,892	-
Accumulated losses		(278,950,002)	(452,018,374)
		1,230,493,056	999,735,226
Surplus on revaluation of assets	16	-	600,620
Deferred grants		-	-
Total Capital		1,230,493,056	1,000,335,846
 MEMORANDUM / OFF-BALANCE SHEET ITEMS			
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The annexed notes from 1 to 35 form an integral part of these financial statements.

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President/ CEO

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Chairman

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Director

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Director

MOBILINK MICROFINANCE BANK LIMITED
(Formerly Waseela Microfinance Bank Limited)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees)	2015 (Rupees)
Mark-up/Return/Interest earned	18	1,241,070,085	353,307,829
Mark-up/Return/Interest expensed	19	(255,330,339)	(54,710,577)
Net Mark-up/ Interest Income		<u>985,739,746</u>	<u>298,597,252</u>
Provision against non-performing loans and advances		(67,610,733)	(5,170,193)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		<u>(67,610,733)</u>	<u>(5,170,193)</u>
Net Mark-up/ Interest Income after provisions		<u>918,129,013</u>	<u>293,427,059</u>
NON MARK-UP/ NON INTEREST INCOME			
Fee, Commission and Brokerage Income - net	20	703,855,723	531,144,891
Dividend Income		-	-
Other Income	21	3,660,355	-
Total non-markup/non interest Income		<u>707,516,078</u>	<u>531,144,891</u>
		<u>1,625,645,091</u>	<u>824,571,950</u>
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses	22	(1,287,181,352)	(1,018,141,704)
Other provisions/write offs		-	-
Other charges	23	(3,629,020)	(98,000)
Total non-markup/non interest expenses		<u>(1,290,810,372)</u>	<u>(1,018,239,704)</u>
		<u>334,834,719</u>	<u>(193,667,754)</u>
Extra ordinary/unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		<u>334,834,719</u>	<u>(193,667,754)</u>
Taxation - Current	24	(56,921,902)	-
- Prior years	24	-	-
- Deferred	24	(47,154,987)	156,390,336
		<u>(104,076,889)</u>	<u>156,390,336</u>
PROFIT / (LOSS) AFTER TAXATION		<u>230,757,830</u>	<u>(37,277,418)</u>
Accumulated loss brought forward		(452,018,374)	(414,740,956)
Loss available for appropriation		<u>(221,260,544)</u>	<u>(452,018,374)</u>
APPROPRIATIONS:			
Transfer To:			
Statutory reserve		(46,151,566)	-
Capital reserve		-	-
Contribution to depositors protection fund		(11,537,892)	-
Revenue reserve		-	-
Dividend		-	-
Others		-	-
		<u>(57,689,458)</u>	<u>-</u>
Accumulated loss carried forward		(278,950,002)	(452,018,374)
Profit / (Loss) per share (Rupee)	28	<u>1.59</u>	<u>(0.26)</u>

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

President/ CEO

Chairman

Director

Director

MOBILINK MICROFINANCE BANK LIMITED
(Formerly Waseela Microfinance Bank Limited)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 (Rupees)	2015 (Rupees)
Profit /(Loss) after taxation		230,757,830	(37,277,418)
Other comprehensive income/ (loss)		48,699	-
Comprehensive income/ (loss) transferred to equity		230,806,529	(37,277,418)
Components of comprehensive income not reflected in equity			
Surplus / (deficit) on revaluation of investments	8.2	-	1,331,608
Related tax impact		-	(48,699)
		-	1,282,909
		230,806,529	(35,994,509)

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President/ CEO

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Chairman

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Director

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Director

MOBILINK MICROFINANCE BANK LIMITED
(Formerly Waseela Microfinance Bank Limited)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

Note	2016 (Rupees)	2015 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	334,834,719	(193,667,754)
Less: Dividend income	-	-
	<u>334,834,719</u>	<u>(193,667,754)</u>
Adjustments for non-cash charges		
Depreciation	88,332,296	65,418,020
Amortization	32,897,932	17,311,184
Provision for gratuity	5,024,139	4,730,073
Provision against non-performing advances	67,610,733	5,170,193
Provision for diminution in the value of investments/ other assets	-	-
(Gain) /loss on sale of fixed assets- net	(2,462,889)	87,247
Assets transferred to related party	-	12,777
	<u>191,402,211</u>	<u>92,729,494</u>
	526,236,930	(100,938,260)
(Increase)/ decrease in operating assets		
Lending to financial institutions	-	-
Advances	(4,583,877,797)	(849,914,872)
Other assets (excluding advance taxation)	(594,577,185)	(77,949,066)
	<u>(5,178,454,982)</u>	<u>(927,863,938)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	28,551,824	33,755,730
Borrowings from financial institutions	-	-
Deposits	7,109,051,030	1,909,392,697
Other liabilities (excluding current taxation)	1,972,053,060	444,545,173
	<u>9,109,655,914</u>	<u>2,387,693,600</u>
	4,457,437,862	1,358,891,402
Gratuity paid	(1,536,462)	(2,150,381)
Payments against provisions held against off-balance sheet obligations	-	-
Income tax paid	(45,617,739)	(15,812,984)
	<u>4,410,283,661</u>	<u>1,340,928,037</u>
Net cash inflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(1,370,430,583)	202,839,400
Net investment in held-to-maturity securities	-	-
Dividend income	-	-
Investments in operating fixed assets	(221,888,203)	(152,646,719)
Sale proceeds of property and equipment disposed-off	3,908,181	1,544,000
	<u>(1,588,410,605)</u>	<u>51,736,681</u>
Net cash (outflow) / inflow from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts/ payments of Sub-ordinated loan	-	-
Receipts/ payments of lease obligations	-	-
Issue of share capital	-	-
Dividend paid	-	-
	<u>-</u>	<u>-</u>
Net cash flow from financing activities		
Increase / (decrease) in cash and cash equivalents	2,821,873,056	1,392,664,718
Cash and cash equivalents at beginning of the year	2,668,948,304	1,276,283,586
Cash and cash equivalents at end of the year	<u>5,490,821,360</u>	<u>2,668,948,304</u>

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

President/ CEO

Chairman

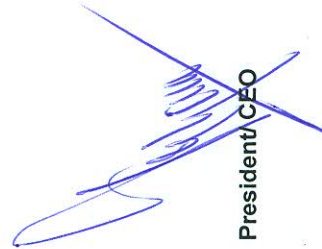
Director

Director

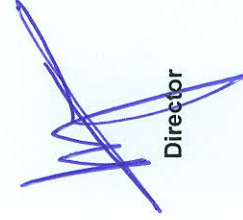
MOBILINK MICROFINANCE BANK LIMITED
 (Formerly Waseela Microfinance Bank Limited)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Share Capital (Rupees)	Capital Reserve (Rupees)	Statutory Reserve (Rupees)	Revenue Reserve (Rupees)	Depositors Protection Fund (Rupees)	Advance against issue of shares (Rupees)	Accumulated losses (Rupees)	Total (Rupees)
Balance at January 01, 2015	1,451,753,600	-	-	-	-	-	(414,740,956)	1,037,012,644
Loss for the year	-	-	-	-	-	-	-	-
Other comprehensive income/ (loss)	-	-	-	-	-	-	(37,277,418)	(37,277,418)
Transfers to Statutory reserves	-	-	-	-	-	-	-	-
Other appropriations	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-
Balance at December 31, 2015	1,451,753,600	-	-	-	-	-	(452,018,374)	999,735,226
Profit for the year	-	-	-	-	-	-	230,757,830	230,757,830
Other comprehensive income/ (loss)	-	-	-	-	-	-	-	-
Transfers to Statutory reserves	-	-	46,151,566	-	-	-	(46,151,566)	-
Transfer to Depositors protection fund	-	-	-	-	11,537,892	-	(11,537,892)	-
Other appropriations	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-
Balance at December 31, 2016	1,451,753,600	-	46,151,566	-	11,537,892	-	(278,950,002)	1,230,493,056

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


 President/CEO


 Chairman


 Director


 Director

MOBILINK MICROFINANCE BANK LIMITED
(Formerly Waseela Microfinance Bank Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1 STATUS AND NATURE OF BUSINESS

Mobilink Microfinance Bank Limited formerly known as Waseela Microfinance Bank Limited (the Bank) was incorporated in Pakistan on November 29, 2010 as a public limited company under the Companies Ordinance, 1984. The Bank obtained license for Microfinance 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 has 51 business locations / touch points comprising of 35 branches and 16 booths / service centres (2015: 41 business locations / touch points comprising of 30 branches and 11 booths/ service centres) in operation. The Bank is a subsidiary of Global 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 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.

Further, pursuant to the special resolution passed in the Extraordinary General Meeting of the shareholders held on 2016 and approval of SBP and the SECP, the name of the Bank was changed from "Waseela Microfinance Bank Limited" to "Mobilink Microfinance Bank Limited" with effect from April 29, 2016.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the Banking Supervision Department (BSD) Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan.

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.

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. 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. Further, the SECP vide its S.R.O No. 411 (I)/ 2008 dated April 28, 2008 has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures", which is applicable for annual periods beginning on or after July 01, 2009, till further orders.

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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.

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.

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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.

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.

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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 / mark-up / 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.

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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 1.5% (2015: 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) 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.

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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 of proceeds received. Mark-up 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 on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, its related tax is recognized in other comprehensive income or below equity.

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.

a) Current

Current tax is the tax due 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 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.

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.

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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 rate of 10% of basic salary.

b) Gratuity

The Bank maintains provision of gratuity for all its 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 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 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 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

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.

f) Gain/ loss on sale of investments

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

5.12 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.

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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.

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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, 2016.

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

- a) The following amendments and interpretations to published accounting standards were effective during the year and have been adopted by the Bank:

	<u>Effective date (annual periods beginning on or after)</u>
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 1, 2016
IFRS 11 Joint Arrangements (Amendments)	January 1, 2016
IAS 1 Presentation of financial statements (Amendments)	January 1, 2016
IAS 16 Property, plant and equipment (Amendments)	January 1, 2016
IAS 19 Employee Benefits (Amendments)	January 1, 2016
IAS 27 Separate financial statements (Amendments)	January 1, 2016
IAS 38 Intangible Assets (Amendments)	January 1, 2016

The management considers that adoption of above amendments and interpretations had no material impact on the Bank's financial statements other than in presentation/disclosure.

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

	<u>Effective date (annual periods beginning on or after)</u>
IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 14 Regulatory Deferral Accounts	January 1, 2016

- c) Following standards and amendments to published accounting standards will be effective in future periods and have not been early adopted by the Bank.

	<u>Effective date (annual periods beginning on or after)</u>
IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2 Share-based payment (Amendments)	January 1, 2018
IFRS 4 Insurance Contracts	January 1, 2018
IFRS 7 Financial Instruments (Amendments)	January 1, 2018
IFRS 12 Disclosure of Interests in Other Entities (Amendments)	January 1, 2017
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 Leases	January 1, 2019
IAS 12 Income taxes (Amendments)	January 1, 2017
IAS 39 Financial Instruments: Recognition and Measurement	January 1, 2018
IAS 40 Investment property (Amendments)	July 1, 2018

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Bank's financial statements other than in presentation/disclosure.

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	2016 (Rupees)	2015 (Rupees)
6. CASH AND BALANCES WITH SBP AND NBP		
Cash in hand	249,860,266	95,892,067
Balance with State Bank of Pakistan (SBP) - note 6.1	466,316,546	170,685,960
Balance with National Bank of Pakistan (NBP)	31,753,200	-
	<u>747,930,012</u>	<u>266,578,027</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% (2015: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.

	2016 (Rupees)	2015 (Rupees)
7. BALANCES WITH OTHER BANKS/NBFIs/MFBs		
In Pakistan		
- on current accounts - Local currency	-	-
- on saving accounts - Local currency - note 7.1	1,442,891,348	302,370,277
- on term deposits accounts - Local currency - note 7.2	3,300,000,000	2,100,000,000
	<u>4,742,891,348</u>	<u>2,402,370,277</u>
- on current accounts - Foreign currency - note 7.3	-	-
	<u>4,742,891,348</u>	<u>2,402,370,277</u>

7.1 These carry markup ranging from 4% to 6.5% (2015: 4% to 7.15%) per annum.

7.2 These carry markup ranging from 6% to 6.25% (2015: 6.6% to 7.45%) 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.

	2016 (Rupees)	2015 (Rupees)
8. INVESTMENTS - net of provisions		
Federal Government securities - available for sale		
Pakistan Investment Bonds	-	124,622,647
Market treasury bill - note 8.1	1,495,053,230	-
Surplus / (deficit) on revaluation of available for sale investments - note 8.2	-	649,319
	<u>1,495,053,230</u>	<u>125,271,966</u>

8.1 These carry markup at 5.85% and 5.90% per annum maturing on January 19, 2017 and February 2, 2017 respectively.

	2016 (Rupees)	2015 (Rupees)
8.2 Particulars of surplus / (deficit) on revaluation of available for sale investments:		
Balance at the beginning	649,319	(682,289)
Transferred (from) / to revaluation of assets	(649,319)	1,331,608
Balance at the end	<u>-</u>	<u>649,319</u>

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9. ADVANCES - net of provisions

	2016		2015	
	Loans outstanding (Number)	Amount outstanding (Rupees)	Loans outstanding (Number)	Amount outstanding (Rupees)
Micro credit				
-Secured against gold	12,069	955,190,655	8,583	574,490,934
-Unsecured	79,678	4,978,771,502	18,642	775,824,456
	<u>91,747</u>	<u>5,933,962,157</u>	<u>27,225</u>	<u>1,350,315,390</u>
Less: Provision held				
Specific provision	41	463,325	-	-
General provision - note 9.1	79,678	74,674,623	18,642	7,758,245
	<u>79,719</u>	<u>75,137,948</u>	<u>18,642</u>	<u>7,758,245</u>
Advances - net of provisions		<u>5,858,824,209</u>		<u>1,342,557,145</u>

9.1 This represents general provision maintained against unsecured microcredit advances net of specific provision at the rate of 1.5 % (2015: 1%) against the requirement of 1% specified under the Prudential Regulations issued by the State Bank of Pakistan.

9.2 Particulars of non-performing advances

Category of classification	2016			2015		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	-----Rupees-----			-----Rupees-----		
OAEM	556,040	-	-	-	-	-
Sub-standard	1,021,737	41,184	41,184	-	-	-
Doubtful	512,070	188,735	188,735	-	-	-
Loss	233,406	233,406	233,406	-	-	-
	<u>2,323,253</u>	<u>463,325</u>	<u>463,325</u>	<u>-</u>	<u>-</u>	<u>-</u>

9.3 Particulars of provision against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
Opening balance	-	7,758,245	7,758,245	1,791	2,588,052	2,589,843
Charge for the year	694,355	66,916,378	67,610,733	-	5,170,193	5,170,193
Amounts written off	(231,030)	-	(231,030)	-	-	-
Reversals	-	-	-	(1,791)	-	(1,791)
Closing balance	<u>463,325</u>	<u>74,674,623</u>	<u>75,137,948</u>	<u>-</u>	<u>7,758,245</u>	<u>7,758,245</u>

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10. OPERATING FIXED ASSETS

Capital Work in progress - note 10.1
Property and equipment - note 10.2
Intangible assets - note 10.3

	2016 (Rupees)	2015 (Rupees)
	4,915,860	2,283,480
	271,020,288	195,696,168
	112,511,373	91,255,190
	<u>388,447,521</u>	<u>289,234,838</u>

10.1 Capital Work in progress

Civil works
Equipments
Advances to suppliers and contractors
Others

	4,915,860	2,283,480
	-	-
	-	-
	-	-
	<u>4,915,860</u>	<u>2,283,480</u>

10.2 Property and equipment

	Cost				Depreciation				Net book value		Rate per annum %age	
	At January 01	Additions	Adjustments /transfers	Disposals/ write offs	At December 31	Charge for the year	Adjustments /transfers	Disposals/ write offs	At December 31	At December 31		
2016												
Furniture and fixture	55,736,451	15,252,634	-	(2,243,599)	68,745,486	12,869,074	-	(1,201,320)	30,311,810	38,433,676	20%	
Electrical, office and computer equipment	216,147,977	122,751,362	-	(2,405,644)	336,493,695	52,713,269	-	(2,169,202)	147,693,161	188,800,534	10-33%	
Vehicles	23,138,774	14,028,604	-	(13,031,895)	24,135,483	4,951,904	-	(12,870,982)	10,005,633	14,129,850	25%	
Leasehold improvements	68,859,833	13,180,834	(117,120)	(24,690)	81,898,857	17,798,049	(5,394)	(19,032)	52,242,629	29,656,228	25%	
	<u>363,883,035</u>	<u>165,213,434</u>	<u>(117,120)</u>	<u>(17,705,828)</u>	<u>511,273,521</u>	<u>88,332,296</u>	<u>(5,394)</u>	<u>(16,260,536)</u>	<u>240,253,233</u>	<u>271,020,288</u>		
2015												
Furniture and fixture	42,167,324	13,753,207	-	(184,080)	55,736,451	8,885,943	-	(77,408)	18,644,056	37,092,395	20%	
Electrical, office and computer equipment	150,935,990	65,426,147	(22,878)	(191,282)	216,147,977	34,987,139	(10,101)	(90,810)	97,149,094	118,998,883	10-33%	
Vehicles	24,233,222	1,052,936	-	(2,147,384)	23,138,774	5,877,626	-	(1,476,326)	17,924,711	5,214,063	25%	
Leasehold improvements	59,778,113	10,685,253	-	(1,603,533)	68,859,833	15,667,312	-	(850,488)	34,469,006	34,390,827	25%	
	<u>277,114,649</u>	<u>90,917,543</u>	<u>(22,878)</u>	<u>(4,126,279)</u>	<u>363,883,035</u>	<u>65,418,020</u>	<u>(10,101)</u>	<u>(2,495,032)</u>	<u>168,186,867</u>	<u>195,696,168</u>		

10.2.1 The cost of fully depreciated assets still in use is Rs. 87,619,901 (2015: Rs. 35,838,075)

10.2.2 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Vehicles						
Mercedes Benz	9,194,954	9,194,953	1	2,696,189	HR Policy	Ghazanfar Azaam (CEO)
Honda City	1,691,457	1,691,456	1	490,799	HR Policy	Samaha Ali Zahid (Head HR)
Honda Civic	2,145,484	1,984,573	160,911	630,000	HR Policy	Kamran Adeel (Ex - CFO)
	<u>13,031,895</u>	<u>12,870,982</u>	<u>160,913</u>	<u>3,816,988</u>		

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10.3 Intangible assets

	Cost			Amortization			Net book value		Rate per annum %age
	At January 01	Additions	Disposals/ write offs	At December 31	Charge for the year	Disposals/ write offs	At December 31	At December 31	
	----- Rupees -----								
2016									
Software License	128,686,702	54,154,115	-	182,840,817	32,897,932	-	70,329,444	112,511,373	10-33%
	<u>128,686,702</u>	<u>54,154,115</u>	<u>-</u>	<u>182,840,817</u>	<u>32,897,932</u>	<u>-</u>	<u>70,329,444</u>	<u>112,511,373</u>	
2015									
Software License	69,241,006	59,445,696	-	128,686,702	17,311,184	-	37,431,512	91,255,190	10-33%
	<u>69,241,006</u>	<u>59,445,696</u>	<u>-</u>	<u>128,686,702</u>	<u>17,311,184</u>	<u>-</u>	<u>37,431,512</u>	<u>91,255,190</u>	

10.3.1 This includes Temenos - 24 (R-10) software with carrying value of Rs. 31,611,207 (2015:34,574,272) and remaining amortization period of 4.9 (2015:5.9) years.

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	2016 (Rupees)	2015 (Rupees)			
11. OTHER ASSETS					
Income / Markup accrued	652,412,703	135,934,872			
Advances, deposits and prepayments	57,985,540	52,733,421			
Advance taxation - net - note 11.1	30,342,832	41,646,995			
Receivable from related parties - note 11.2	105,935	9,474,513			
Inventory/ printed stationary	9,002,299	4,609,785			
Receivable against Insurance premium - note 11.3	74,389,688	1,314,794			
Others	29,122,426	24,374,021			
	<u>853,361,423</u>	<u>270,088,401</u>			
11.1 Advance taxation - net - note 11.1					
Opening balance	41,646,995	25,834,011			
Tax paid	45,617,739	15,812,984			
Provision for taxation	(56,921,902)	-			
Closing balance	<u>30,342,832</u>	<u>41,646,995</u>			
11.2 Receivable from related parties					
Pakistan Mobile Communication Limited	-	9,386,353			
Business Communication System (private) Limited	105,935	88,160			
	<u>105,935</u>	<u>9,474,513</u>			
11.3	This represents the amount receivable from SBP in respect of insurance premium paid by the Bank for livestock and crop loans under AC&MFD Circular No. 1 of 2013 dated November 1, 2013.				
12. DEFERRED TAX ASSET					
Deferred tax asset arising on account of deductible temporary differences on:					
Provision against non-performing advances	22,541,384	2,327,473			
Precommencement expenditure	-	4,015,701			
Unused tax losses	75,470,589	194,412,599			
Unused tax credit	117,904	117,904			
Provision for gratuity	2,864,304	1,818,001			
Alternate Corporate Tax	56,921,902	-			
	<u>157,916,083</u>	<u>202,691,678</u>			
Deferred tax liability arising on account of taxable temporary differences on:					
Operating fixed assets	(10,566,396)	(8,187,004)			
	<u>147,349,687</u>	<u>194,504,674</u>			
Surplus on revaluation of available for sale investments	-	(48,699)			
	<u>147,349,687</u>	<u>194,455,975</u>			
12.1	Deferred tax asset has been recognised based on the premise that sufficient taxable profits will be available in future years against which unused tax losses amounting to Rs.251.57 million (2015: Rs. 641.06 million) can be utilised.				
13. DEPOSITS AND OTHER ACCOUNTS					
	Note	2016 (Number)	2016 (Rupees)	2015 (Number)	2015 (Rupees)
Time Liabilities:					
Term deposits		1,265	2,344,357,034	217	187,191,132
Demand Liabilities:					
Savings deposits		37,808	2,526,149,947	30,421	955,004,926
Current deposits		98,549	1,317,006,773	17,759	473,886,074
Branchless deposits		7,983,760	4,118,848,713	3,137,203	1,581,229,305
		<u>8,120,117</u>	<u>7,962,005,433</u>	<u>3,185,383</u>	<u>3,010,120,305</u>
		<u>8,121,382</u>	<u>10,306,362,467</u>	<u>3,185,600</u>	<u>3,197,311,437</u>
13.1 Particulars of deposits by ownership					
Individual depositors		8,050,538	5,686,390,251	3,126,691	2,177,843,422
Institutional depositors					
a) Corporations/firms etc.		1,031	1,834,000,242	340	484,441,189
b) Banks & financial institutions		33	1,941,623,675	1	15,462,664
Retailers		69,330	684,321,037	58,158	432,200,784
Franchisees		429	160,025,166	389	82,935,548
Customer care centers		21	2,096	21	4,427,830
		<u>8,121,382</u>	<u>10,306,362,467</u>	<u>3,185,600</u>	<u>3,197,311,437</u>

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	2016 (Rupees)	2015 (Rupees)
14. OTHER LIABILITIES		
Mark-up/ Interest payable	53,241,065	6,128,231
Accrued expenses	85,538,644	51,829,618
Payable to related parties - note 14.1	1,316,600,081	3,937,163
Taxes and levies withheld	83,654,788	49,448,457
Payable to suppliers	63,492,751	240,304,527
Bills collected for settlement through NADRA	327,679,666	60,975,033
Uncollected remittances	259,244,032	136,305,069
Bills payable	62,307,554	33,755,730
Provision for gratuity - note 14.2	9,547,681	6,060,004
Others	435,695,645	104,165,514
	<u>2,697,001,907</u>	<u>692,909,346</u>
14.1 Payable to related parties		
PMCL	25,537,867	-
Global Telecom Holding S.A.E - note 14.1.1	1,288,580,091	-
LinkdotNet Telecom Limited	-	1,455,040
Oracap - GTH	2,482,123	2,482,123
	<u>1,316,600,081</u>	<u>3,937,163</u>
14.1.1 This represents the amount received from PMCL, associated company under a tripartite arrangement with PMCL and Global Telecom Holding S.A.E., the holding company.		
14.2 Provision for gratuity		
Opening balance	6,060,004	3,480,312
Charge for the year	5,024,139	4,730,073
Payment during the year	(1,536,462)	(2,150,381)
Closing balance	<u>9,547,681</u>	<u>6,060,004</u>
15. SHARE CAPITAL		
Authorized Capital		
2016 Numbers	2015 Numbers	
<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>	
Issued, subscribed and paid-up capital		
145,175,360	145,175,360	Ordinary shares Fully paid in cash of Rs. 10 each.
<u>1,451,753,600</u>	<u>1,451,753,600</u>	
15.1 Global Telecom Holding S.A.E. is the holding company controlling 145,175,355 i.e. 99.99% shares (2015: 99.99%) of the Bank.		
16. SURPLUS ON REVALUATION OF ASSETS		
Federal government securities- available for sale investments	<u>-</u>	<u>600,620</u>
17. MEMORANDUM / OFF-BALANCE SHEET ITEMS		
17.1 Contingencies		
There are no contingencies at the year end (2015: Nil).		
17.2 Commitments:		
Commitments against contracts	<u>-</u>	<u>4,558,902</u>
	2016 (Rupees)	2015 (Rupees)
18. MARK-UP/RETURN/INTEREST EARNED		
Interest / Mark-up on;		
- Advances	995,539,799	212,595,891
- Government securities	71,075,993	72,959,033
- On Deposit accounts/placements with other banks/financial institution	174,454,293	67,752,905
	<u>1,241,070,085</u>	<u>353,307,829</u>

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	2016 (Rupees)	2015 (Rupees)
19. MARK-UP/RETURN/INTEREST EXPENSED		
On deposits	<u>255,330,339</u>	<u>54,710,577</u>
20. FEE, COMMISSION AND BROKERAGE INCOME - NET		
Income from branchless banking - note 20.1	528,811,396	482,684,687
Loan processing fee	143,635,710	30,895,903
Others	<u>31,408,617</u>	<u>17,564,301</u>
	<u>703,855,723</u>	<u>531,144,891</u>
20.1 Income from branchless		
Branchless banking income - note 20.2	3,746,551,522	2,602,612,130
Commission to retailer / franchisee	(2,093,138,008)	(1,419,701,987)
Commission to related party	<u>(1,124,602,118)</u>	<u>(700,225,456)</u>
	<u>528,811,396</u>	<u>482,684,687</u>
20.2 This represents the income from branchless banking operations (Jazz cash formerly Mobicash) carried out by the Bank together with Pakistan Mobile Communication Limited (PMCL) through agency agreement under SBP Branchless Banking Regulations. As per the agreement, Income from Mobicash (Net of Agents commission) is shared between the Bank and PMCL in the ratio of 30:70 respectively.		
	2016 (Rupees)	2015 (Rupees)
21. OTHER INCOME		
Gain on disposal of fixed assets	<u>3,660,355</u>	<u>-</u>
22. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	598,678,628	384,024,262
Contribution to defined contribution plan	22,669,055	14,573,916
Provision for gratuity	5,024,139	4,730,073
Training / Capacity building	6,323,141	5,728,024
Depreciation - note 10.2	88,332,296	65,418,020
Amortization - note 10.3	32,897,932	17,311,184
Travel and transportation	18,173,194	8,095,076
Rent, taxes, insurance, electricity, etc.	98,080,633	61,779,883
Loss on sale of fixed assets	1,197,466	87,247
Stationary and printing	29,962,201	33,983,511
Communications	11,268,723	8,378,497
Repair and maintenance - General	8,278,815	6,806,912
Repair and maintenance - Vehicle	890,239	1,074,652
Legal and professional charges	1,480,989	2,549,485
Auditors' remuneration - note 22.1	1,025,000	912,342
Bank charges	47,070,224	17,973,201
IT equipment and software maintenance	96,118,044	107,353,797
Security	38,580,161	26,377,545
NADRA verification charges	119,723,436	209,842,026
Janitorial services	18,351,251	15,782,310
Office supplies	7,908,347	2,408,848
Entertainment	10,074,619	5,670,890
G2P Project Cost	6,234,346	4,864,060
Advertisement and publicity	3,307,248	1,321,176
Others	<u>15,531,225</u>	<u>11,094,767</u>
	<u>1,287,181,352</u>	<u>1,018,141,704</u>
22.1 Auditors' remuneration		
Audit fee	675,000	675,000
Fee for audit of provident, pension, gratuity and other funds	-	-
Special certifications	300,000	175,000
Tax services	-	-
Out of pocket expenses	<u>50,000</u>	<u>62,342</u>
	<u>1,025,000</u>	<u>912,342</u>

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	2016 (Rupees)	2015 (Rupees)
23. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan - note 23.1	3,629,020	98,000
Others	-	-
	<u>3,629,020</u>	<u>98,000</u>

23.1 The charge for the year represents the penalties paid to the State Bank of Pakistan in the year 2016 against SBP thematic inspection on portfolio review, Branchless banking, Statutory reserve deficit as at December 31, 2015 and incorrect reporting of data to SBP.

24. TAXATION

For the year

Current	56,921,902	-
Deferred	43,178,379	(155,251,133)

For the prior years

Current	-	-
Deferred	3,976,608	(1,139,203)
	<u>104,076,889</u>	<u>(156,390,336)</u>

24.1 Relationship between tax expense and accounting loss

Profit / (Loss) before taxation	<u>334,834,719</u>	<u>(193,667,754)</u>
Tax at applicable tax rate of 31% percent (2015: 32% percent)	31%	32%
	103,798,763	(61,973,681)
Effect of:		
- Deferred tax asset not recognized	-	-
- Prior years		520,654
- Permanent differences	1,124,996	31,360
- Unused tax credits		(117,904)
- Unused tax losses		(106,360,385)
- Tax rate changes	(395,881)	11,513,413
- Others	(450,989)	(3,792)
	<u>104,076,889</u>	<u>(156,390,336)</u>

24.2 The provision of tax is recorded as Alternative Corporate Tax as specified in section 113(C) of the Income Tax Ordinance, 2001 (Ordinance).

24.3 Change in applicable income tax rate from 32% to 31% is due to change in relevant Income tax laws.

25. NUMBER OF EMPLOYEES

	2016			2015		
	Credit / Sales Staff	Banking / Support	Total	Credit / Sales Staff	Banking / Support	Total
Permanent	231	291	522	121	256	377
Contractual / temporary	175	54	229	83	160	243
	<u>406</u>	<u>345</u>	<u>751</u>	<u>204</u>	<u>416</u>	<u>620</u>

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26. NUMBER OF BRANCHES/SERVICE CENTRES	2016 (Number)	2015 (Number)
Beginning of the year	41	41
Opened during the year		
-Branches	5	-
-Service Centers/Booth	8	-
-Closed / Merged during the year	(3)	-
At the end of the year	<u>51</u>	<u>41</u>

This includes 35 branches and 16 booths/service centers (2015: 30 and 11)

27. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President/Chief Executive		Executives	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Managerial remuneration	14,168,940	13,482,545	69,417,600	51,412,434
Rent and house maintenance	270,000	270,000	15,339,503	10,997,123
Utilities	1,416,900	1,348,260	6,941,772	5,153,259
Relocation allowance	-	-	574,318	280,000
Conveyance allowance	-	-	1,072,111	698,654
Car allowance	-	-	6,380,000	1,690,000
Car maintenance	613,556	452,556	774,134	743,948
Contribution to defined contribution plan	1,416,900	1,348,260	6,863,705	4,924,507
Fuel allowance / reimbursements	340,608	440,000	1,775,072	1,606,777
Sales staff incentive	-	-	4,733,972	1,562,476
Training compensation	-	-	303,000	135,000
Bonus, Prizes and rewards	7,298,720	2,420,000	18,184,224	9,435,550
	<u>25,525,624</u>	<u>19,761,621</u>	<u>132,359,411</u>	<u>88,639,728</u>
Number of persons	<u>1</u>	<u>1</u>	<u>63</u>	<u>47</u>

- a) Executive means any employee whose basic salary exceeds Rs. 500,000 (2015: 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.
- c) Amount of Rs.150,000 is reimbursed to Non-Executive Director of the bank on account of attending board meetings as per SBP regulation (2015: Rs. 225,000).

28. EARNING / (LOSS) PER SHARE (RUPEE)		2016	2015
Profit / (Loss) after taxation - Rupees	A	<u>230,757,830</u>	<u>(37,277,418)</u>
Weighted average ordinary shares - Numbers	B	<u>145,175,360</u>	<u>145,175,360</u>
Profit / (Loss) per share - Rupee	A/B	<u>1.59</u>	<u>(0.26)</u>

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29. 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 27 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:

	2016 (Rupees)	2015 (Rupees)
Transactions with related parties by virtue of common Directorship		
Deposit Mobilization Commission Paid	66,426,078	31,149,166
Branchless commission (Net of agents commission)	1,058,176,040	669,076,290
Expenses incurred on behalf of the Bank by PMCL	38,463,396	9,608,723
Payments made for expenses incurred on behalf the Bank to PMCL	7,766,843	7,377,677
Services availed from LinkDotNet Telecom Limited	-	8,262,160
Payments made against defined contribution plan	32,669,154	25,541,370
Mark-up/ return/ interest expensed to PMCL	32,768,439	3,899,800

Deposits in savings account include an amount of Rs. 501,287,599 (2015: Rs. 282,746,127) of PMCL, whereas the term deposit receipt include an amount of Rs. 50,000,000 placed at a profit rate of 7.5 % per annum (2015: nil) by PMCL.

Transaction with key management personnel

Remuneration, allowances and benefits - note 29.1	42,787,864	39,244,619
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29.1 Remuneration, allowances and benefits

Managerial remuneration	36,895,542	33,682,198
Rent and house maintenance	2,202,750	2,182,500
Utilities	3,689,572	3,379,921
	<u>42,787,864</u>	<u>39,244,619</u>

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

30. CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP - note 6	747,930,012	266,578,027
Balances with other banks/NBFIs/MFBs - note 7	4,742,891,348	2,402,370,277
	<u>5,490,821,360</u>	<u>2,668,948,304</u>

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31. FINANCIAL INSTRUMENTS (based on contractual obligation)

	Effective yield/ interest rate	Interest/Mark up bearing			Non interest/mark up bearing			Total
		Up to one year	One to five years	Over five years	Up to one year	One to five years	Over five years	
		Rupees			Rupees			
		%						
31 December 2016								
Financial assets								
Cash and balances with SBP and NBP		-	-	-	747,930,012	-	-	747,930,012
Balances with other banks/NBFIs/MFBs	4-6.25	4,742,891,348	-	-	4,742,891,348	-	-	4,742,891,348
Investments	5.85-5.90	1,495,053,230	-	-	1,495,053,230	-	-	1,495,053,230
Advances	18-38.40	5,642,054,414	216,769,795	-	5,858,824,209	-	-	5,858,824,209
Other assets		-	-	-	853,361,423	-	-	853,361,423
		11,879,998,992	216,769,795	-	12,096,768,787	1,601,291,435	-	13,698,060,222
Financial liabilities								
Deposits and other accounts	6-12.35	4,126,298,749	744,208,232	-	4,870,506,981	5,435,855,486	-	10,306,362,467
Other liabilities		-	-	-	-	2,680,656,677	16,345,230	2,697,001,907
		4,126,298,749	744,208,232	-	4,870,506,981	8,116,512,163	16,345,230	13,003,364,374
Off balance sheet financial instruments:								
Commitments		-	-	-	-	-	-	-
31 December 2015								
Financial assets								
Cash and balances with SBP and NBP		-	-	-	266,578,027	-	-	266,578,027
Balances with other banks/NBFIs/MFBs	4-7.45	2,402,370,277	-	-	2,402,370,277	-	-	2,402,370,277
Investments	11.5	125,271,966	-	-	125,271,966	-	-	125,271,966
Advances	18-38.40	1,342,557,145	-	-	1,342,557,145	-	-	1,342,557,145
Other assets		-	-	-	274,657,617	-	-	274,657,617
		3,870,199,388	-	-	3,870,199,388	541,235,644	-	4,411,435,032
Financial liabilities								
Deposits and other accounts	6-12.35	1,110,794,558	31,401,500	-	1,142,196,058	2,055,115,379	-	3,197,311,437
Other liabilities		-	-	-	-	697,039,474	439,088	697,478,562
		1,110,794,558	31,401,500	-	1,142,196,058	2,752,154,853	439,088	3,894,789,999
Off balance sheet financial instruments:								
Commitments		-	-	-	-	4,558,902	-	4,558,902

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32. MATURITIES OF ASSETS AND LIABILITIES

	Total (Rupees)	Up to one month (Rupees)	Over one month up to six month (Rupees)	Over six month up to one year (Rupees)	Over one year (Rupees)
31 December 2016					
Market rate assets					
Cash and Balance with SBP and NBP	747,930,012	747,930,012	-	-	-
Balances with other Banks/NBFIs/MFBs	4,742,891,348	1,442,891,348	3,300,000,000	-	-
Investments	1,495,053,230	1,196,584,659	298,468,571	-	-
Advances	5,858,824,209	91,523,088	2,013,956,766	3,536,574,560	216,769,795
Total market rate assets	12,844,698,799	3,478,929,107	5,612,425,337	3,536,574,560	216,769,795
Other non-earning assets					
Operating fixed assets	388,447,521	532,461	3,429,138	119,138,745	265,347,177
Other assets	853,361,423	172,591,245	652,412,703	28,357,475	-
Deferred tax asset	147,349,687	-	-	-	147,349,687
Total non-earning assets	1,389,158,631	173,123,706	655,841,841	147,496,220	412,696,864
Total assets	14,233,857,430	3,652,052,813	6,268,267,178	3,684,070,780	629,466,659
Cost/non cost bearing liabilities					
Deposits and other accounts	10,306,362,467	8,071,473,702	614,815,397	875,128,905	744,944,463
Other non-cost bearing liabilities					
Other liabilities	2,697,001,907	2,637,236,673	11,405,460	32,014,544	16,345,230
Total Liabilities	13,003,364,374	10,708,710,375	626,220,857	907,143,449	761,289,693
Net assets	1,230,493,056	(7,056,657,562)	5,642,046,321	2,776,927,331	(131,823,034)
Represented by :					
Share Capital	1,451,753,600				
Statutory reserves	46,151,566				
Depositor's protection fund	11,537,892				
Accumulated Losses	(278,950,002)				
Surplus / (deficit) on revaluation of assets	-				
	1,230,493,056				

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32. MATURITIES OF ASSETS AND LIABILITIES

	Total (Rupees)	Up to one month (Rupees)	Over one month up to six month (Rupees)	Over six month up to one year (Rupees)	Over one year (Rupees)
31 December 2015					
Market rate assets					
Cash and Balance with SBP and NBP	266,578,027	266,578,027	-	-	-
Balances with other Banks/NBFIs/MFBs	2,402,370,277	302,370,277	2,100,000,000	-	-
Investments	125,271,966	-	-	125,271,966	-
Advances	1,342,557,145	27,137,732	369,472,261	945,947,152	-
Total market rate assets	4,136,777,415	596,086,036	2,469,472,261	1,071,219,118	-
Other non-earning assets					
Operating fixed assets	289,234,838	-	2,908,535	4,965,122	281,361,181
Other assets	274,657,617	236,214,850	20,527,114	14,592,801	3,322,852
Deferred tax asset	194,455,975	-	-	-	194,455,975
Total non-earning assets	758,348,430	236,214,850	23,435,649	19,557,923	479,140,008
Total assets	4,895,125,845	832,300,886	2,492,907,910	1,090,777,041	479,140,008
Cost/non cost bearing liabilities					
Deposits and other accounts	3,197,311,437	3,014,835,315	51,219,001	68,287,800	62,969,321
Other non-cost bearing liabilities					
Other liabilities	697,478,562	694,589,720	825,166	751,058	1,312,618
Total Liabilities	3,894,789,999	3,709,425,035	52,044,167	69,038,858	64,281,939
Net assets	1,000,335,846	(2,877,124,149)	2,440,863,743	1,021,738,183	414,858,069
Represented by :					
Share Capital	1,451,753,600				
Accumulated losses	(452,018,374)				
(Deficit) / surplus on revaluation of assets	600,620				
	1,000,335,846				

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33. RECLASSIFICATION

The corresponding figures as at December 31, 2015 have been reclassified for more appropriate presentation. These reclassifications have no effect on previously reported net loss or shareholders' equity. The effect on presentation of the balance sheet as at December 31, 2015 and profit and loss account for the year ended December 31, 2015 is summarized below:

	Rupees (as previously reported)	Rupees (as reclassified)
Payable to related parties	8,506,379	3,937,163
Receivable from related parties	14,043,729	9,474,513
Fee, Commission and Brokerage income	2,651,072,334	531,144,891
Commission expense	(2,119,927,443)	-

34. GENERAL

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


35. 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 24 MAR 2017.

AKF/b.


President/ CEO


Chairman


Director


Director