



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Waseela Microfinance Bank Limited (the Bank) as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, 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;
- 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, 2015 and of the loss, its cash flows and changes in equity for the year then ended; and

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- 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.

The financial statements of Waseela Microfinance Bank Limited for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2015.

A.F. Ferguson & Co.

Chartered Accountants
Islamabad: March 30, 2016

Engagement partner: JehanZeb Amin

WASEELA MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2015

ASSETS	Note	2015 (Rupees)	2014 (Rupees)
Cash and Balances with SBP and NBP	6	266,578,027	121,820,231
Balances with other Banks/NBFIs/MFBs	7	2,402,370,277	1,154,463,355
Lending to financial Institutions		-	-
Investments – net of provisions	8	125,271,966	326,779,758
Advances – net of provisions	9	1,342,557,145	497,812,466
Operating fixed assets	10	289,234,838	220,961,347
Other assets	11	274,657,617	180,895,567
Deferred tax asset	12	194,455,975	38,114,338
Total Assets		4,895,125,845	2,540,847,062
LIABILITIES			
Deposits and other accounts	13	3,197,311,437	1,287,918,740
Borrowings		-	-
Subordinated debts		-	-
Other liabilities	14	697,478,562	216,597,967
Deferred tax liabilities		-	-
Total Liabilities		3,894,789,999	1,504,516,707
Net assets		1,000,335,846	1,036,330,355
REPRESENTED BY:			
Share Capital	15	1,451,753,600	1,451,753,600
Statutory and General reserves		-	-
Accumulated losses		(452,018,374)	(414,740,956)
		999,735,226	1,037,012,644
Surplus / (deficit) on revaluation of assets	16	600,620	(682,289)
Deferred grants		-	-
Total Capital		1,000,335,846	1,036,330,355
MEMORANDUM / OFF-BALANCE SHEET ITEMS	17		

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

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President/CEO


Chairman


Director


Director

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

	Note	2015 (Rupees)	2014 (Rupees)
Mark-up/Return/Interest earned	18	353,307,829	224,924,256
Mark-up/Return/Interest expensed	19	(54,710,577)	(30,188,348)
Net Mark-up/ Interest Income		<u>298,597,252</u>	<u>194,735,908</u>
Provision against non-performing loans and advances		(5,170,193)	(1,582,709)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		<u>(5,170,193)</u>	<u>(1,582,709)</u>
Net Mark-up/ Interest Income after provisions		<u>293,427,059</u>	<u>193,153,199</u>
NON MARK-UP/ NON INTEREST INCOME			
Fee, Commission and Brokerage Income	20	2,651,072,334	1,403,344,263
Dividend Income		-	-
Other Income	21	-	1,511,011
Total non-markup/non interest Income		<u>2,651,072,334</u>	<u>1,404,855,274</u>
		<u>2,944,499,393</u>	<u>1,598,008,473</u>
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses	22	(1,018,141,704)	(574,320,174)
Other provisions/write offs		-	-
Commission	23	(2,119,927,443)	(1,172,466,882)
Other charges	24	(98,000)	(125,000)
Total non-markup/non interest expenses		<u>(3,138,167,147)</u>	<u>(1,746,912,056)</u>
		<u>(193,667,754)</u>	<u>(148,903,583)</u>
Extra ordinary/unusual items		-	-
LOSS BEFORE TAXATION		<u>(193,667,754)</u>	<u>(148,903,583)</u>
Taxation - Current		-	-
- Prior years	25	-	3,735,429
- Deferred	25	156,390,336	38,114,338
		<u>156,390,336</u>	<u>41,849,767</u>
LOSS AFTER TAXATION		<u>(37,277,418)</u>	<u>(107,053,816)</u>
Accumulated loss brought forward		(414,740,956)	(307,687,140)
Loss available for appropriation		<u>(452,018,374)</u>	<u>(414,740,956)</u>
APPROPRIATIONS:			
Transfer To:			
Statutory reserve		-	-
Capital reserve		-	-
Contribution to depositors protection fund		-	-
Revenue reserve		-	-
Dividend		-	-
Others		-	-
		-	-
Accumulated loss carried forward		<u>(452,018,374)</u>	<u>(414,740,956)</u>
Loss per share (Rupee)	29	<u>(0.26)</u>	<u>(0.75)</u>

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

President/CEO

Chairman

Director

Director

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

	Note	2015 (Rupees)	2014 (Rupees)
Loss after taxation		(37,277,418)	(107,053,816)
Other comprehensive income/ (loss)		-	-
Comprehensive income/ (loss) transferred to equity		(37,277,418)	(107,053,816)
Components of comprehensive income not reflected in equity			
Surplus / (deficit) on revaluation of investments	8.2	1,331,608	5,339,581
Related tax impact		(48,699)	-
		1,282,909	5,339,581
		(35,994,509)	(101,714,235)

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

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President/CEO


Chairman


Director

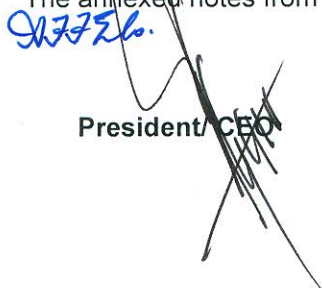

Director

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

Note	2015 (Rupees)	2014 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(193,667,754)	(148,903,583)
Less: Dividend income	-	-
	<u>(193,667,754)</u>	<u>(148,903,583)</u>
Adjustments for non-cash charges		
Depreciation	65,418,020	54,481,294
Amortization	17,311,184	11,259,986
Provision for gratuity	4,730,073	2,409,207
Provision against non-performing advances	5,170,193	1,582,709
Provision for diminution in the value of investments/ other assets	-	-
Loss/ (gain) on sale of fixed assets	87,247	(1,511,011)
Assets transferred to related party	12,777	-
Others - Expenses incurred on behalf of the holding company	-	(6,000,000)
	<u>92,729,494</u>	<u>62,222,185</u>
	(100,938,260)	(86,681,398)
(Increase)/ decrease in operating assets		
Lending to financial institutions	-	-
Advances	(849,914,872)	(322,074,320)
Other assets (excluding advance taxation)	(77,949,066)	(92,634,393)
	<u>(927,863,938)</u>	<u>(414,708,713)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	33,755,730	-
Borrowings from financial institutions	-	-
Deposits	1,909,392,697	642,549,528
Other liabilities (excluding current taxation)	444,545,173	90,536,594
	<u>2,387,693,600</u>	<u>733,086,122</u>
	1,358,891,402	231,696,011
Gratuity paid	(2,150,381)	(331,640)
Payments against provisions held against off-balance sheet obligations	-	-
Income tax paid	(15,812,984)	(12,968,291)
	<u>1,340,928,037</u>	<u>218,396,080</u>
Net cash inflow from operating activities	1,340,928,037	218,396,080
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	202,839,400	88,076,712
Net investment in held-to-maturity securities	-	-
Dividend income	-	-
Investments in operating fixed assets	(152,646,719)	(109,264,871)
Sale proceeds of property and equipment disposed-off	1,544,000	4,294,413
	<u>51,736,681</u>	<u>(16,893,746)</u>
Net cash inflow / (outflow) from investing activities	51,736,681	(16,893,746)
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	1,392,664,718	201,502,334
Cash and cash equivalents at beginning of the year	1,276,283,586	1,074,781,252
Cash and cash equivalents at end of the year	2,668,948,304	1,276,283,586

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


President/CEO


Chairman


Director


Director

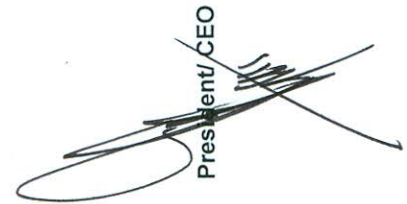
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WASEELA MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

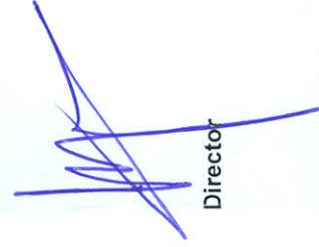
	Share Capital (Rupees)	Capital Reserve (Rupees)	Statutory Reserve (Rupees)	Revenue Reserve (Rupees)	Advance against issue of shares (Rupees)	Accumulated losses (Rupees)	Total (Rupees)
Balance at January 01, 2014	1,137,503,600	-	-	-	320,250,000	(307,687,140)	1,150,066,460
Loss for the year	-	-	-	-	-	(107,053,816)	(107,053,816)
Other comprehensive income/ (loss)	-	-	-	-	-	-	-
Transfers to Statutory reserves	-	-	-	-	-	-	-
Other appropriations	-	-	-	-	-	-	-
Issue of share capital	314,250,000	-	-	-	(314,250,000)	-	-
Transfer from advance against issue of shares to others - expenses incurred on behalf of holding company	-	-	-	-	(6,000,000)	-	(6,000,000)
Balance at December 31, 2014	1,451,753,600	-	-	-	(6,000,000)	(414,740,956)	1,037,012,644
Loss for the year	-	-	-	-	-	(37,277,418)	(37,277,418)
Other comprehensive income/ (loss)	-	-	-	-	-	-	-
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

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

S.A.F.F.


President/CEO


Chairman


Director


Director

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

1 STATUS AND NATURE OF BUSINESS

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 41 business locations / touch points comprising of 30 branches and 11 booths / service centers (2014: 41 business locations / touch points comprising of 30 branches and 11 booths/ service centers) 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.

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. 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.

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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 have had 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 shall be suspended and credited to interest suspense account. Further the NPLs shall be divided into following 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.

d) Loss

These are advances in arrears (payments/installments 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% 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 10.1 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 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 unconsolidated 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 it is recognized in other comprehensive income 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 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 atleast 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) Contributions

In compliance with the requirements of section 19 of the Microfinance Institution Ordinance, 2001, the Bank contributes 5% of annual profit after tax to the Depositor's Protection Fund.

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 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 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.

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5.17 Adoption of new and revised standards and interpretations

Standards, amendments and interpretations to existing standards that are effective and adopted by the Bank:

IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 27	Separate financial statements (revised 2011)
IAS 28	Associates and joint ventures (revised 2011)

IFRS 10 'Consolidated Financial Statements'

The standard requires a parent to present consolidated financial statements as those of a single economic entity. The standard replaces all the guidance on control and consolidation in IAS 27-'Consolidated and separate financial statements' and SIC-12, 'Consolidation - special purpose entities'. The adoption of the standard does not have any impact on the Bank's financial statements.

IFRS 11 'Joint Arrangements'

The standard replaces IAS 31 'Interests in Joint Ventures' and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. This standard impacts the decision related to classification and accounting of Bank's interest in joint arrangements. The adoption of the standard does not have any impact on the Bank's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities'

The standard requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The adoption of the standard has resulted in inclusion of some additional disclosures in the consolidated financial statements related to Bank's interest in associated companies.

IFRS 13 'Fair Value Measurement'

The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The adoption of the standard does not have any material impact on the Bank's financial statements.

IAS 27 'Separate financial statements (Revised 2011)'

The standard deals only with accounting for subsidiaries, associates and joint ventures in separate financial statements of the parent company. Adoption of this standard does not have any material impact on the Bank's financial statements.

IAS 28 'Investment in associated and joint ventures (Revised 2011)'

The standard set out the requirements of application of equity method of accounting when accounting for investment in associated and joint ventures. Adoption of this standard does not have any material impact on the Bank's financial statements

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Standards, amendments and interpretations to existing standards that are not yet effective and have not been early 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 01, 2016
IFRS 7 Financial Instruments: Disclosures (Amendments)	January 01, 2016
IFRS 10 Consolidated Financial Statements (Amendments)	January 01, 2016
IFRS 11 Joint Arrangements (Amendments)	January 01, 2016
IFRS 12 Disclosure of interests in Other Entities (Amendments)	January 01, 2016
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2017
IAS 1 Presentation of Financial Statements (Amendments)	January 01, 2016
IAS 16 Property, Plant and Equipment (Amendments)	January 01, 2016
IAS 19 Employee Benefits (Amendments)	January 01, 2016
IAS 27 Separate Financial Statements (Amendments)	January 01, 2016
IAS 28 Investments in Associates and Joint Ventures (Amendments)	January 01, 2016
IAS 34 Interim Financial Reporting (Amendments)	January 01, 2016
IAS 38 Intangible Assets (Amendments)	January 01, 2016
IAS 41 Agriculture (Amendments)	January 01, 2016

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation / disclosures. The Bank is yet to assess the full impact of the amendments.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS 1	First-Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments

The following interpretations issued by the IASB have been waived off by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

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	2015 (Rupees)	2014 (Rupees)
6. CASH AND BALANCES WITH SBP AND NBP		
Cash in hand	95,892,067	63,934,693
Balance with State Bank of Pakistan (SBP) - note 6.1	<u>170,685,960</u>	<u>57,885,538</u>
	<u><u>266,578,027</u></u>	<u><u>121,820,231</u></u>
6.1 This includes balance held with SBP in a current account to meet the requirement of maintaining minimum balance equivalent to 5% (2014: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.		
7. BALANCES WITH OTHER BANKS/NBFIs/MFBs		
In Pakistan		
- on Current accounts - Local currency	-	500,760
- on Saving accounts - Local currency - note 7.1	302,370,277	1,153,962,595
- on Term Deposits accounts - Local currency - note 7.2	<u>2,100,000,000</u>	-
	<u>2,402,370,277</u>	<u>1,154,463,355</u>
- on Current accounts - Foreign currency - note 7.3	-	-
	<u><u>2,402,370,277</u></u>	<u><u>1,154,463,355</u></u>
7.1 These carry markup ranging from 4% to 7.15% (2014: 6.5% to 9.6%) per annum.		
7.2 These carry markup ranging from 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.		
8. INVESTMENTS - net of provisions		
Federal Government securities - available for sale		
Pakistan Investment Bonds - note 8.1	124,622,647	327,462,047
Surplus / (deficit) on revaluation of available for sale investments - note 8.2	<u>649,319</u>	<u>(682,289)</u>
	<u><u>125,271,966</u></u>	<u><u>326,779,758</u></u>
8.1 These carry markup at 11.5% (2014: 11.25% to 11.5%) per annum payable on semi-annual basis maturing on August 18, 2016.		
8.2 Particulars of surplus / (deficit) on revaluation of available for sale investments:		
Balance at the beginning	(682,289)	(6,021,870)
Transferred to revaluation of assets	<u>1,331,608</u>	<u>5,339,581</u>
Balance at the end	<u><u>649,319</u></u>	<u><u>(682,289)</u></u>

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9. ADVANCES - net of provisions

	2015		2014	
	Loans outstanding (Number)	Amount outstanding (Rupees)	Loans outstanding (Number)	Amount outstanding (Rupees)
Micro credit				
-Secured against gold	8,583	574,490,934	3,564	241,597,062
-Unsecured	18,642	775,824,456	7,838	258,805,247
	<u>27,225</u>	<u>1,350,315,390</u>	<u>11,402</u>	<u>500,402,309</u>
Less: Provision held				
Specific provision	-	-	1	1,791
General provision - note 9.1	18,642	7,758,245	7,837	2,588,052
	<u>18,642</u>	<u>7,758,245</u>	<u>7,838</u>	<u>2,589,843</u>
Advances - net of provisions		<u>1,342,557,145</u>		<u>497,812,466</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 non-performing advances

Category of classification	2015			2014		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	-----Rupees-----			-----Rupees-----		
OAEM	-	-	-	-	-	-
Sub-standard	-	-	-	7,162	1,791	1,791
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,162</u>	<u>1,791</u>	<u>1,791</u>

9.3 Particulars of provision against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
Opening balance	1,791	2,588,052	2,589,843	-	1,007,134	1,007,134
Charge for the year	-	5,170,193	5,170,193	1,791	1,580,918	1,582,709
Amounts written off	-	-	-	-	-	-
Reversals	(1,791)	-	(1,791)	-	-	-
Closing balance	<u>-</u>	<u>7,758,245</u>	<u>7,758,245</u>	<u>1,791</u>	<u>2,588,052</u>	<u>2,589,843</u>

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10. OPERATING FIXED ASSETS

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

	2015 (Rupees)	2014 (Rupees)
Property and equipment	195,696,168	171,840,669
Capital Work in progress	2,283,480	-
Intangible assets	91,255,190	49,120,678
Total	289,234,838	220,961,347

10.1 Property and equipment

	Cost				Depreciation				Net book value		Rate per annum %age	
	At January 01	Additions	Adjustments /transfers	Disposals/write offs	At December 31	At January 01	Charge for the year	Adjustments /transfers	Disposals/write offs	At December 31		At December 31
2015												
Furniture and fixture	42,167,324	13,753,207	-	(184,080)	55,736,451	9,835,521	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	62,262,866	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	13,523,411	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	19,652,182	15,667,312	-	(850,488)	34,469,006	34,390,827	25%
Total	277,114,649	90,917,543	(22,878)	(4,126,279)	363,883,035	105,273,980	65,418,020	(10,101)	(2,495,032)	168,186,867	195,696,168	
2014												
Furniture and fixture	27,930,818	14,274,841	56,065	(94,400)	42,167,324	3,042,251	6,826,823	2,633	(36,186)	9,835,521	32,331,803	20%
Electrical, office and computer equipment	97,952,694	48,311,216	4,999,026	(326,946)	150,935,990	32,337,343	28,561,519	1,441,737	(77,733)	62,262,866	88,673,124	10-33%
Vehicles	29,789,920	-	-	(5,556,698)	24,233,222	9,015,472	7,331,713	-	(2,823,774)	13,523,411	10,709,811	25%
Leasehold improvements	45,002,834	19,573,418	(4,798,139)	-	59,778,113	9,335,313	11,761,239	(1,444,370)	-	19,652,182	40,125,931	25%
Total	200,676,266	82,159,475	256,952	(5,978,044)	277,114,649	53,730,379	54,481,294	-	(2,937,693)	105,273,980	171,840,669	

10.2 Capital Work in progress

Civil works
 Equipments
 Advances to suppliers and contractors
 Others

	2015 (Rupees)	2014 (Rupees)
Civil works	-	-
Equipments	-	-
Advances to suppliers and contractors	-	-
Others	-	-
Total	2,283,480	-

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	
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>	
2014									
Software License	42,135,609	27,105,397	-	69,241,006	11,259,986	-	20,120,328	49,120,678	10-33%
	<u>42,135,609</u>	<u>27,105,397</u>	<u>-</u>	<u>69,241,006</u>	<u>11,259,986</u>	<u>-</u>	<u>20,120,328</u>	<u>49,120,678</u>	

10.3.1 This includes Temenous - 24 (R-10) software with carrying value of Rs. 34,574,272 (2014:28,582,814) and remaining amortization period of 5.9 (2014:6.9) years.

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	2015 (Rupees)	2014 (Rupees)
11. OTHER ASSETS		
Income / Markup accrued	135,934,872	68,372,934
Advances, deposits and prepayments	52,733,421	62,252,561
Advance taxation	41,646,995	25,834,011
Receivable from related parties - note 11.1	14,043,729	1,828,543
Inventory/ printed stationary	4,609,785	4,420,000
Others	25,688,815	18,187,518
	<u>274,657,617</u>	<u>180,895,567</u>
11.1 Receivable from related parties		
Pakistan Mobile Communication Limited	13,955,569	1,815,603
Business Communication System (private) Limited	88,160	12,940
	<u>14,043,729</u>	<u>1,828,543</u>
12. DEFERRED TAX ASSET		
Deferred tax asset arising on account of deductible temporary differences on:		
Provision against non-performing advances	2,327,473	855,648
Precommencement expenditure	4,015,701	8,549,556
Unused tax losses	194,412,599	37,483,829
Unused tax credit	117,904	-
Provision for gratuity	1,818,001	1,148,503
	<u>202,691,678</u>	<u>48,037,536</u>
Deferred tax liability arising on account of taxable temporary differences on:		
Operating fixed assets	(8,187,004)	(9,923,198)
	<u>194,504,674</u>	<u>38,114,338</u>
Surplus on revaluation of available for sale investments	(48,699)	-
	<u>194,455,975</u>	<u>38,114,338</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. 641.06 million can be utilised. In 2014 deferred tax asset on unused tax losses has been recognised upto the extent of Rs. 113.58 million out of total unused tax losses of Rs. 479.33 million.

13. DEPOSITS AND OTHER ACCOUNTS

	2015 (Number)	2015 (Rupees)	2014 (Number)	2014 (Rupees)
Note				
Time Liabilities:				
Term deposits	217	187,191,132	172	118,104,102
Demand Liabilities:				
Savings deposits	30,421	955,004,926	16,393	476,222,867
Current deposits	17,759	473,886,074	4,676	279,797,365
Current deposits-branchless	3,137,203	1,581,229,305	290,679	413,794,406
	<u>3,185,383</u>	<u>3,010,120,305</u>	<u>311,748</u>	<u>1,169,814,638</u>
	<u>3,185,600</u>	<u>3,197,311,437</u>	<u>311,920</u>	<u>1,287,918,740</u>

13.1 Particulars of deposits by ownership

Individual depositors	3,126,691	2,177,843,422	262,109	1,146,096,362
Institutional depositors				
a) Corporations/firms	340	484,441,189	237	12,484,476
b) Banks & financial institutions	1	15,462,664	1	113
Retailers	58,158	432,200,784	49,122	30,728,990
Franchisees	389	82,935,548	430	94,593,799
Customer care centers	21	4,427,830	21	4,015,000
	<u>3,185,600</u>	<u>3,197,311,437</u>	<u>311,920</u>	<u>1,287,918,740</u>

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	2015 (Rupees)	2014 (Rupees)
14. OTHER LIABILITIES		
Mark-up/ Interest payable	6,128,231	3,119,863
Accrued expenses	51,829,618	25,890,707
Payable to related parties - note 14.1	8,506,379	2,617,074
Withholding tax payable/Tax payable corporate/FED payable a/c	49,448,457	23,310,821
Payable to suppliers/Nadra payable	301,279,560	72,508,457
Uncollected remittances	136,305,069	69,428,311
Bills payable	33,755,730	-
Provision for gratuity - note 14.2	6,060,004	3,480,312
Others	104,165,514	16,242,422
	<u>697,478,562</u>	<u>216,597,967</u>
14.1 Payable to related parties		
Pakistan Mobile Communication Limited	4,569,216	134,951
LinkdotNet Telecom Limited	1,455,040	-
Oracap - GTH	2,482,123	2,482,123
	<u>8,506,379</u>	<u>2,617,074</u>
14.2 Provision for gratuity		
Opening balance	3,480,312	1,402,745
Charge for the year	4,730,073	2,409,207
Payment during the year	(2,150,381)	(331,640)
Closing balance	<u>6,060,004</u>	<u>3,480,312</u>
15. SHARE CAPITAL		
Authorized Capital		
2015 Numbers	2014 Numbers	
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs. 10 each.
		<u>1,500,000,000</u>
Issued, subscribed and paid-up capital		
<u>145,175,360</u>	<u>145,175,360</u>	Ordinary shares Fully paid in cash of Rs. 10 each.
		<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 (2014: 99.99%) of the Bank.	
16. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS		
Federal government securities- available for sale investments	<u>600,620</u>	<u>(682,289)</u>
17. MEMORANDUM / OFF-BALANCE SHEET ITEMS		
17.1 Contingencies		
There are no contingencies at the year end (2014: Nil).		
17.2 Commitments:		
Commitments against contracts	<u>4,558,902</u>	<u>30,008,763</u>
This represents the amount against the commitment for the procurement ATM Machine, Printer, Cabling & Network etc.		
	2015 (Rupees)	2014 (Rupees)
18. MARK-UP/RETURN/INTEREST EARNED		
Interest / Mark-up on;		
- Advances	212,595,891	91,439,937
- Government securities	72,959,033	36,472,502
- On Deposit accounts/placements with other banks/financial institution	67,752,905	97,011,817
	<u>353,307,829</u>	<u>224,924,256</u>

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	2015 (Rupees)	2014 (Rupees)
19. MARK-UP/RETURN/INTEREST EXPENSED		
On deposits	<u>54,710,577</u>	<u>30,188,348</u>
20. FEE, COMMISSION AND BROKERAGE INCOME		
Income from branchless - note 20.1	2,602,612,130	1,388,177,969
Loan processing fee	30,895,903	10,980,900
Others	<u>17,564,301</u>	<u>4,185,394</u>
	<u>2,651,072,334</u>	<u>1,403,344,263</u>
20.1 This represents the income from branchless banking operations (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 at the ratio of 30:70 respectively.		
21. OTHER INCOME		
Gain/ (Loss)-disposal of fixed assets	<u>-</u>	<u>1,511,011</u>
22. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	384,024,262	271,057,682
Contribution to defined contribution plan	14,573,916	13,184,256
Provision for gratuity	4,730,073	2,409,207
Training / Capacity building	5,728,024	6,184,943
Depreciation - note 10.1	65,418,020	54,481,294
Amortization - note 10.3	17,311,184	11,259,986
Travel and transportation	8,095,076	9,044,485
Rent, taxes, insurance, electricity, etc.	61,779,883	47,158,973
Loss on sale of fixed assets	87,247	-
Stationary and printing	33,983,511	9,344,467
Communications	8,378,497	7,067,793
Repair and maintenance - General	7,881,564	5,968,600
Legal and professional charges	2,549,485	873,801
Auditors' remuneration - note 22.1	912,342	1,287,879
Bank charges	17,973,201	9,122,720
IT equipment and software maintenance	107,353,797	34,645,453
Security	26,377,545	16,762,714
NADRA verification charges	209,842,026	37,195,652
Janitorial services	15,782,310	13,734,970
Office supplies	2,408,848	1,643,188
Entertainment	5,670,890	5,479,440
G2P Project Cost	4,864,060	10,782,170
Others	<u>12,415,943</u>	<u>5,630,501</u>
	<u>1,018,141,704</u>	<u>574,320,174</u>
22.1 Auditors' remuneration		
Audit fee	675,000	675,000
Fee for audit of provident, pension, gratuity and other funds	-	-
Special certifications	175,000	100,000
Tax services	-	-
Out of pocket expenses	<u>62,342</u>	<u>512,879</u>
	<u>912,342</u>	<u>1,287,879</u>

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	2015 (Rupees)	2014 (Rupees)				
23. COMMISSION						
	1,419,701,987	724,360,788				
Commission to retailer / franchisee - note 23.1	<u>700,225,456</u>	<u>448,106,094</u>				
Commission to related party - note 23.2	<u>2,119,927,443</u>	<u>1,172,466,882</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 commission. As per the agreement with the PMCL, income from Mobicash is shared between the Bank and PMCL in the ratio of 30% and 70% respectively (2014: 30% and 70%).					
24. OTHER CHARGES						
Penalties imposed by the State Bank of Pakistan - note 24.1	98,000	125,000				
Others	<u>-</u>	<u>-</u>				
	<u>98,000</u>	<u>125,000</u>				
24.1	This represents the penalties paid to the State Bank of Pakistan against SBP inspection for the year 2013.					
25. TAXATION						
For the year						
Current	-	(3,735,429)				
Deferred	(155,251,133)	(38,114,338)				
For the prior years						
Current	-	-				
Deferred	(1,139,203)	-				
	<u>(156,390,336)</u>	<u>(41,849,767)</u>				
25.1 Relationship between tax expense and accounting loss						
Loss before taxation	(193,667,754)	(148,903,583)				
Tax at applicable tax rate of 32% percent (2014: 33% percent)	<u>32%</u>	<u>33%</u>				
	(61,973,681)	(49,138,182)				
Effect of:						
- Deferred tax asset not recognized	-	11,023,844				
- Prior years	520,654	(3,735,429)				
- Permanent differences	31,360	-				
- Unused tax credits	(117,904)	-				
- Unused tax losses	(106,360,385)	-				
- Tax rate changes	11,513,413	-				
- Others	(3,792)	-				
	<u>(156,390,336)</u>	<u>(41,849,767)</u>				
25.2	The provision of minimum tax as specified in section 113(1) of the Income Tax ordinance 2001 (Ordinance) are not attracted presently, as the Bank is in gross loss before setting off depreciation and other inadmissible expenses under the Ordinance.					
25.3	Change in applicable income tax rate from 33% to 32% is due to change in relevant Income tax laws.					
26. NUMBER OF EMPLOYEE	2015	2014				
	<u>Credit / Sales Staff</u>	<u>Banking / Support</u>	<u>Total</u>	<u>Credit / Sales Staff</u>	<u>Banking / Support</u>	<u>Total</u>
Permanent	121	256	377	64	250	314
Contractual / temporary	<u>83</u>	<u>160</u>	<u>243</u>	<u>21</u>	<u>140</u>	<u>161</u>
	<u>204</u>	<u>416</u>	<u>620</u>	<u>85</u>	<u>390</u>	<u>475</u>

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27. NUMBER OF BRANCHES/SERVICE CENTRES	2015 (Number)	2014 (Number)
Beginning of the year	41	36
-Opened during the year		
-Branches	-	-
-Service Centers/Booth	-	8
-Closed / Merged during the year	-	(3)
At the end of the year	<u>41</u>	<u>41</u>

This includes 30 branches and 11 booths/service centers (2014: 30 and 11)

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President/Chief Executive		Executives	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Managerial remuneration	13,482,545	12,954,540	51,412,434	56,573,571
Rent and house maintenance	270,000	270,000	10,997,123	10,643,425
Utilities	1,348,260	1,295,460	5,153,259	5,485,163
Relocation allowance	-	-	280,000	555,000
Conveyance allowance	-	-	698,654	681,706
Car allowance	-	-	1,690,000	1,549,001
Car maintenance	452,556	658,726	743,948	742,540
Contribution to defined contribution plan	1,348,260	1,295,454	4,924,507	5,479,071
Fuel allowance / reimbursements	440,000	572,828	1,606,777	3,637,059
Sales staff incentive	-	-	1,562,476	1,004,137
Training compensation	-	-	135,000	30,000
Bonus, Prizes and rewards	2,420,000	5,280,000	9,435,550	7,695,027
	<u>19,761,621</u>	<u>22,327,008</u>	<u>88,639,728</u>	<u>94,075,700</u>
Number of persons	<u>1</u>	<u>1</u>	<u>47</u>	<u>44</u>

- a) Executive means any employee whose basic salary exceeds Rs. 500,000 (2014: 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.225,000 is reimbursed to Non-Executive Director of the bank on account of attending board meetings as per SBP regulation (2014: Nil).

29. LOSS PER SHARE (RUPEE)		2015	2014
Loss after taxation - Rupees	A	<u>(37,277,418)</u>	<u>(107,053,816)</u>
Weighted average ordinary shares - Numbers	B	<u>145,175,360</u>	<u>142,506,387</u>
Loss per share - Rupee	A/B	<u>(0.26)</u>	<u>(0.75)</u>

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30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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 executives is disclosed in note 28 to these financial statements. Amounts due from and due to these companies are shown in note 11 & 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 year are as follows:

	2015 (Rupees)	2014 (Rupees)
Transactions with the holding company		
Issue of Share Capital	-	314,250,000
Expenses incurred on their behalf	-	6,806,933
Receivable from holding company	-	806,933
Transactions with related parties by virtue of common Shareholding		
Deposit Mobilization Commission Paid	31,149,166	15,923,342
Branchless commission (Net of agents commission)	669,076,290	432,182,752
Expenses incurred on behalf of the Bank by PMCL	9,608,723	37,850,338
Payments made for expenses incurred on behalf the Bank to PMCL	7,377,677	2,186,956
Services availed from LinkDotNet Telecom Limited	8,262,160	4,630,950
Payments made against defined contribution plan	25,541,370	23,097,926
Balances with related parties by virtue of common Shareholding		
Balance payable to related party at the year end	8,506,379	134,951
Balance receivable from related party at the year end	14,043,729	1,828,543
Transaction with key management personnel		
Remuneration, allowances and benefits - note 30.1	39,244,619	44,561,677
30.1 Remuneration, allowances and benefits		
Managerial remuneration	33,682,198	38,387,607
Rent and house maintenance	2,182,500	2,378,250
Utilities	3,379,921	3,795,820
	<u>39,244,619</u>	<u>44,561,677</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		
Cash and balances with SBP and NBP - note 6	266,578,027	121,820,231
Balances with other banks/NBFIs/MFBs - note 7	2,402,370,277	1,154,463,355
	<u>2,668,948,304</u>	<u>1,276,283,586</u>

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32. 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	
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	-	-	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	-	3,894,789,999
Off balance sheet financial instruments:								
Commitments		-	-	-	4,558,902	-	-	4,558,902
31 December 2014								
Financial assets								
Cash and balances with SBP and NBP		-	-	-	121,820,231	-	-	121,820,231
Balances with other banks/NBFIs/MFBs	6.5-9.6	1,153,962,595	-	-	1,153,962,595	-	-	1,154,463,355
Investments	11.25-11.50	201,952,600	124,827,158	-	326,779,758	-	-	326,779,758
Advances	27-38.22	497,812,466	-	-	497,812,466	-	-	497,812,466
Other assets		-	-	-	180,895,567	-	-	180,895,567
		1,853,727,661	124,827,158	-	1,978,554,819	-	-	2,281,771,377
Financial liabilities								
Deposits and other accounts	6-12.35	562,925,469	31,401,500	-	594,326,969	693,591,771	-	1,287,918,740
Other liabilities	-	-	-	-	216,158,879	439,088	-	216,597,967
		562,925,469	31,401,500	-	594,326,969	439,088	-	1,504,516,707
Off balance sheet financial instruments:								
Commitments		-	-	-	30,008,763	-	-	30,008,763

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33. MATURITIES OF ASSETS AND LIABILITIES

31 December 2015	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)
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)				
Surplus / (deficit) on revaluation of assets	600,620				
	1,000,335,846				

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33. MATURITIES OF ASSETS AND LIABILITIES

31 December 2014	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)
Market rate assets					
Cash and Balance with SBP and NBP	121,820,231	121,820,231	-	-	-
Balances with other Banks/NBFIs/MFBs	1,154,463,355	1,154,463,355	-	-	-
Investments	326,779,758	-	-	201,952,600	124,827,158
Advances	497,812,466	26,124,612	191,101,773	280,586,081	-
Total market rate assets	2,100,875,810	1,302,408,198	191,101,773	482,538,681	124,827,158
Other non-earning assets					
Operating fixed assets	220,961,347	-	2,908,535	4,965,122	213,087,690
Other assets	180,895,567	142,452,800	20,527,114	14,592,801	3,322,852
Deferred tax asset	38,114,338	-	-	-	38,114,338
Total non-earning assets	439,971,252	142,452,800	23,435,649	19,557,923	254,524,880
Total assets	2,540,847,062	1,444,860,998	214,537,422	502,096,604	379,352,038
Cost/non cost bearing liabilities					
Deposits and other accounts	1,287,918,740	1,180,009,638	16,026,002	50,481,600	41,401,500
Other non-cost bearing liabilities					
Other liabilities	216,597,967	213,709,125	825,166	751,058	1,312,618
Total Liabilities	1,504,516,707	1,393,718,763	16,851,168	51,232,658	42,714,118
Net assets	1,036,330,355	51,142,235	197,686,254	450,863,946	336,637,920
Represented by :					
Share Capital	1,451,753,600				
Accumulated losses	(414,740,956)				
(Deficit) / surplus on revaluation of assets	(682,289)				
	<u>1,036,330,355</u>				

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34. GENERAL

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

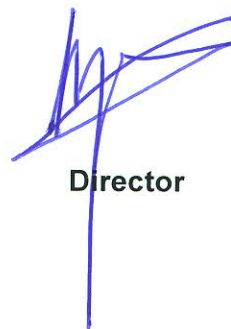
35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on 30 MAR 2016.

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President/CEO


Chairman


Director


Director