



KPMG Taseer Hadi & Co.
Chartered Accountants

**Waseela Microfinance Bank
Limited**

Financial Statements
For the year ended 31 December 2012



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AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the annexed balance sheet of **Waseela Microfinance Bank Limited** ("the Bank") as at 31 December 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984;
- b) in our opinion-
 - i) the balance sheet and profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2012 and of the loss, its cash flows and changes in equity for the year then ended;
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Islamabad
05 April 2013


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

WASEELA MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2012

ASSETS

Cash and Balances with SBP and NBP
 Balances With Other Banks/NBFIs/MFBs
 Lending to financial Institutions
 Investments – Net Of Provisions
 Advances – Net Of Provisions
 Operating Fixed Assets
 Other Assets
 Deferred Tax Asset

Note	2012 Rupees	2011 Rupees
6	9,771,095	-
7	120,586,619	1,024,733,539
	-	-
8	915,410,581	-
9	642,338	-
10	110,379,153	63,683,651
11	24,106,825	8,072,912
12	-	-
	1,180,896,611	1,096,490,102

Total Assets

LIABILITIES

Deposits and other accounts
 Borrowings
 Subordinated Debt
 Other Liabilities
 Deferred Tax Liabilities

13	112,151,366	-
	-	-
	-	-
14	22,064,678	15,519,526
	-	-
	134,216,044	15,519,526

Total Liabilities

Net Assets

1,046,680,567 **1,080,970,576**

REPRESENTED BY:

Share Capital
 Statutory & General Reserves
 Advance Against Issue of Shares
 Accumulated Loss

15	1,137,503,600	-
	-	-
	-	1,137,503,600
	(91,727,433)	(56,533,024)
	1,045,776,167	1,080,970,576

Surplus on Revaluation of Assets

16 904,400 -

Deferred Grants

- -

Total Capital

1,046,680,567 **1,080,970,576**

MEMORANDUM / OFF-BALANCE SHEET ITEMS:

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The annexed notes from 1 to 32 form an integral part of these financial statements.



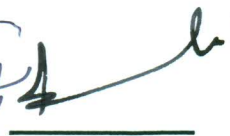
 President / Chief
 Executive



 Chairman



 Director



 Director

WASEELA MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

		29 November 2010 to 31 December 2011
	2012 Rupees	Rupees
Mark-up/Return/Interest Earned	18 109,619,773	11,790,377
Mark-up/Return/Interest Expensed	19 (1,251,758)	(6,669,880)
Net Mark-up / Interest Income	108,368,015	5,120,497
Provision against non-performing loans and advances	9 (6,488)	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(6,488)	-
Net Mark-up / Interest Income after provisions	108,361,527	5,120,497
NON MARK-UP/ NON INTEREST INCOME		
Fee, Commission and Brokerage Income	1,310,917	-
Dividend Income	-	-
Other Income	-	-
Total non-markup/non interest Income	1,310,917	-
	109,672,444	5,120,497
NON MARK-UP/ NON INTEREST EXPENSES		
Administrative expenses	20 (143,538,134)	(61,535,617)
Other provisions/write offs	-	-
Other charges	(774,066)	-
Total non-markup/non interest expenses	(144,312,200)	(61,535,617)
	(34,639,756)	(56,415,120)
Extra ordinary/unusual items	-	-
LOSS BEFORE TAXATION	(34,639,756)	(56,415,120)
Taxation - Current	21 (554,653)	(117,904)
- Prior period	-	-
- Deferred	-	-
	(554,653)	(117,904)
LOSS AFTER TAXATION	(35,194,409)	(56,533,024)
Accumulated loss brought forward	(56,533,024)	-
Loss available for appropriation	(91,727,433)	(56,533,024)
APPROPRIATIONS:		
Transfer To:		
Statutory Reserve	-	-
Capital Reserve	-	-
Contribution to Depositors Protection Fund	-	-
Revenue Reserve	-	-
Dividend	-	-
Others	-	-
Accumulated Loss carried forward	(91,727,433)	(56,533,024)
Loss per share (Rupee)	25 (0.31)	(5.47)

The annexed notes from 1 to 32 form an integral part of these financial statements.

			
President / Chief Executive	Chairman	Director	Director

**WASEELA MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 Rupees	29 November 2010 to 31 December 2011 Rupees
Loss after taxation		(35,194,409)	(56,533,024)
Other comprehensive income		-	-
Comprehensive income transferred to equity		(35,194,409)	(56,533,024)
Components of comprehensive income not reflected in equity			
Surplus on revaluation of investments	8.4	904,400	-
		(34,290,009)	(56,533,024)

The annexed notes from 1 to 32 form an integral part of these financial statements.



President / Chief
Executive



Chairman



Director



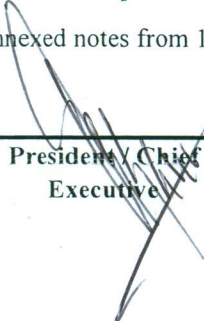
Director

WASEELA MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

29 November 2010
to 31 December
2011

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(34,639,756)	(56,415,120)
Less: Dividend income		-	-
		(34,639,756)	(56,415,120)
Adjustments for non-cash charges			
Depreciation		15,866,363	2,933,567
Amortization		3,790,412	502,565
Provision Against Non-performing Advances		6,488	-
Provision for Diminution in the value of investments/ other assets		-	-
Loss / (Gain) on sale of fixed asset		-	-
Gain on revaluation of available for sale investments		(904,400)	-
Others		-	-
		18,758,863	3,436,132
		(15,880,893)	(52,978,988)
Increase in operating assets			
Lending to financial institutions		-	-
Advances		(648,826)	-
Other assets (excluding advance taxation)		(10,669,779)	(7,031,621)
		(11,318,605)	(7,031,621)
Increase in operating liabilities			
Bills Payable		-	-
Borrowings from financial institutions		-	-
Deposits		112,151,366	-
Other liabilities (excluding current taxation)		6,545,152	15,519,526
		118,696,518	15,519,526
		91,497,020	(44,491,083)
Payments against provisions held against off-balance sheet obligations		-	-
Income tax paid		(5,918,787)	(1,159,195)
Net cash inflow / (outflow) from operating activities		85,578,233	(45,650,278)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(201,935,000)	-
Net investment in held-to-maturity securities		(711,666,781)	-
Dividend income		-	-
Investments in operating fixed assets		(66,352,277)	(67,119,783)
Sale proceeds of property and equipment disposed-off		-	-
Net cash outflow from investing activities		(979,954,058)	(67,119,783)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts / Payments of Sub-ordinated loan		-	-
Receipts / Payments of lease obligations		-	-
Advance against equity received		-	1,137,503,600
Issue of share capital		-	-
Dividend paid		-	-
Net cash inflow from financing activities		-	1,137,503,600
(Decrease) / Increase in cash and cash equivalents		(894,375,825)	1,024,733,539
Cash and cash equivalents at beginning of the year / period		1,024,733,539	-
Cash and cash equivalents at end of the year / period	27	130,357,714	1,024,733,539

The annexed notes from 1 to 32 form an integral part of these financial statements.


President / Chief
Executive


Chairman


Director


Director

WASEELA MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	SHARE CAPITAL	CAPITAL RESERVE	STATUTORY RESERVE	REVENUE RESERVE	ADVANCE AGAINST ISSUE OF SHARES	ACCUMULATED LOSS	TOTAL
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance at 29 November 2010	-	-	-	-	-	-	-
Total comprehensive income for the period - (Loss)	-	-	-	-	-	(56,533,024)	(56,533,024)
Transfers to Statutory reserves	-	-	-	-	-	-	-
Other appropriations	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Advance against issue of shares	-	-	-	-	1,137,503,600	-	1,137,503,600
Balance at 31 December 2011	-	-	-	-	1,137,503,600	(56,533,024)	1,080,970,576
Balance at 01 January 2012	-	-	-	-	1,137,503,600	(56,533,024)	1,080,970,576
Total comprehensive income for the year - (Loss)	-	-	-	-	-	(35,194,409)	(35,194,409)
Transfers to Statutory reserves	-	-	-	-	-	-	-
Other appropriations	-	-	-	-	-	-	-
Issue of share capital	1,137,503,600	-	-	-	(1,137,503,600)	-	-
Balance at 31 December 2012	1,137,503,600	-	-	-	-	(91,727,433)	1,045,776,167

The annexed notes from 1 to 32 form an integral part of these financial statements.



President / Chief Executive



Chairman



Director



Director

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 STATUS AND NATURE OF BUSINESS

Waseela Micro Finance Bank Limited (the Bank) was incorporated in Pakistan on 29 November 2010 as public limited company under the Companies Ordinance, 1984. The Bank obtained Microfinance banking license from the SBP on 12 September 2011 to operate on a nationwide basis and received the certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on 13 February 2012 whereas certificate of commencement of business from SBP was received on 20 April 2012. The Bank has 10 business locations comprising of 4 branches / point of links and 6 service centers (2011: Nil) in operation. The Bank is a subsidiary of Orascom Telecom Holding Company (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 micro finance banking and related services to the poor and underserved segment of the society with a view to alleviate poverty under the Microfinance Institution Ordinance, 2001. During the year, the Bank also started Branchless Banking Services with the Pakistan Mobile Communications Limited (PMCL), a related party, under the Branchless Banking license from the SBP.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

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

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies 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 number 11 dated 30 December 2003. Further, the SECP vide its S.R.O No. 411 (I) / 2008 dated 28 April 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 01 July 2009, till further orders.

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.

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

4.2 Significant accounting estimates

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

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

4.2.1 Impairment of investments

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

4.2.2 Advances

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

4.2.3 Operating fixed assets / intangible assets

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

4.2.4 Taxation

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

4.2.5 Provisions and contingencies

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

4.2.6 Impairment of financial assets

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

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

4.2.7 Other provisions

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

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Investment

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

Investments of the Bank are classified into the following categories:

(a) Held to maturity

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

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

(b) Available-for-sale

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

The surplus / (deficit) arising on revaluation of available for sale investments is kept in "Surplus / (deficit) on revaluation of assets" and is shown in the balance sheet below equity. The surplus / (deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal.

5.3 Advances

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

(a) Other Assets Especially Mentioned:

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

(b) Substandard:

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

(c) Doubtful:

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

(d) Loss:

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

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

In addition to above, a general provision is made equivalent to 1% of the net outstanding balance (advances net of specific provisions) in accordance with the requirement of the Regulations.

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

Non-performing advances are written off one month after the loan is classified as "Loss". However, the Bank continues its efforts for recovery of the written off balances.

5.4 Operating fixed assets

(a) **Capital work-in-progress**

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

(b) **Property and equipment**

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

Depreciation is charged on the straight line method at rates specified in note 10.1 to the financial statements, so as to write off the cost of assets over their estimated useful lives:

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

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

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

(c) **Intangible assets**

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

Intangible assets comprise of computer software and related applications. Intangible assets are amortised over their estimated useful lives at rate specified in note 10.2 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

5.5 Deposits

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

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

5.6 Taxation

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

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

(a) Current

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

(b) Deferred

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

Deferred tax assets and liabilities are calculated at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

5.7 Staff retirement benefits

Defined contribution plan

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

5.8 Reserves

(a) Statutory reserve

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

(b) Depositors protection fund

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

5.9 Provisions

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

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

5.11 Revenue recognition

(a) Markup / income on advances

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

(b) Income from investments

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

(c) Fee, commission and brokerage income

Fee, commission and brokerage income is recognized when the related services are rendered.

(d) Income from inter bank deposits

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

(e) Gain/ loss on sale of operating fixed assets

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

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

(f) Gain/ loss on sale on sale of investments

Gains and losses on sale of investments are included in income.

5.12 Related party transactions

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

5.13 Financial instruments

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

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

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(a) Financial assets

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

(b) Financial liabilities

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

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

5.14 Off-setting

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

5.15 Borrowing costs

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

5.16 Mark-up bearing borrowings

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

5.17 Forthcoming changes in approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2013:

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments are not likely to have material impact on financial statements of the Bank.

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Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments have no impact on the financial statements of the Bank.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Bank.

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

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on the Bank’s financial statements.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:

- a) IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
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- b) IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment is not likely to have any material impact on the financial statements.
- c) IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for period taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- d) IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. This improvement is not relevant to the Bank's financial statements.

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 Rupees	2011 Rupees
6 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand		3,821,345	-
Balance with State Bank of Pakistan	6.1	5,949,750	-
		<u>9,771,095</u>	<u>-</u>

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

	Note	2012 Rupees	2011 Rupees
7 BALANCES WITH OTHER BANKS/NBFIs/MFBs			
In Pakistan			
- on current accounts		52,877,601	-
- on deposit accounts	7.1	67,709,018	1,024,733,539
		<u>120,586,619</u>	<u>1,024,733,539</u>

7.1 These carry markup ranging from 8% to 11% (2011: 10% to 12%) per annum.

	Note	2012 Rupees	2011 Rupees
8 INVESTMENTS - Net Of Provisions			
Held to Maturity			
Federal Government securities			
Market Treasury Bills	8.1	193,076,617	-
Term Deposit Receipts	8.2	518,590,164	-
Available for sale			
Federal Government securities			
Pakistan Investment Bonds	8.3	202,839,400	-
Surplus on revaluation of available for sale investments	8.4	904,400	-
Provisions for Diminution in value of Investments		-	-
		<u>915,410,581</u>	<u>-</u>

8.1 This represents two treasury bills, having tenure of 6 months and one year, held for the purposes of maintaining statutory liquidity requirement carrying interest rates of 10.45% and 10.21% per annum (2011: Nil), maturing in January 2013 and September 2013 respectively.

8.2 These carry markup ranging from 10.5% to 13% (2011: Nil) per annum having maturity of six to twelve months.

8.3 These represent a three years bond carrying markup at the rate of 11.25% (2011: Nil) per annum, payable on semi-annual basis, maturing on 19 July 2015.

8.4 Particulars of surplus on revaluation of available for sale investments:

	2012 Rupees	2011 Rupees
Opening balance	-	-
Transferred to gain on revaluation of assets account below equity	904,400	-
Closing balance	<u>904,400</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

10.1 Property and equipment

Note	Cost				Rate per annum	Depreciation				Net Book Value	
	At 01 January	Additions / Transfers	Disposals/ Write offs/Transfers	At 31 December		At 01 January	Charge for the year	Disposals/ Write offs/Transfers	At 31 December	At 31 December	
	Rupees	Rupees	Rupees	Rupees		%age	Rupees	Rupees	Rupees	Rupees	
2012											
Furniture and Fixture	-	1,690,995	-	1,690,995	20%	-	285,666	-	285,666	1,405,329	
Electrical Office and Computer Equipment	27,792,538	17,461,531	-	45,254,069	10-33%	2,933,567	11,132,010	-	14,065,577	31,188,492	
Vehicles	-	21,997,055	-	21,997,055	25%	-	2,650,151	-	2,650,151	19,346,904	
Leasehold Improvements	-	14,285,165	-	14,285,165	25%	-	1,798,536	-	1,798,536	12,486,629	
Total	27,792,538	55,434,746	-	83,227,284		2,933,567	15,866,363	-	18,799,930	64,427,354	
2011											
Furniture and Fixture	-	-	-	-	20%	-	-	-	-	-	
Electrical Office and Computer Equipment	-	27,792,538	-	27,792,538	10-33%	-	2,933,567	-	2,933,567	24,858,971	
Vehicles	-	-	-	-	25%	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	25%	-	-	-	-	-	
Total	-	27,792,538	-	27,792,538		-	2,933,567	-	2,933,567	24,858,971	
10.2 Intangible assets											
2012											
Software License	10.2.	20,326,780	19,204,984	-	39,531,764	10-33%	502,565	3,790,412	-	4,292,977	35,238,787
Total		20,326,780	19,204,984	-	39,531,764		502,565	3,790,412	-	4,292,977	35,238,787
2011											
Software License		-	20,326,780	-	20,326,780	10-33%	-	502,565	-	502,565	19,824,215
Total		-	20,326,780	-	20,326,780		-	502,565	-	502,565	19,824,215

10.2.1 This includes Temenos 24 (MCB) R10 software with carrying value of Rs. 29,436,268 (2011: Rs. 18,612,671) and remaining amortisation period of 8.9 (2011: 9.9) years.

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	2012 Rupees	2011 Rupees
11 OTHER ASSETS		
Income / Markup accrued	11,241,645	198,904
Advances, Deposits and Prepayments	5,928,189	6,418,915
Advance Taxation	6,531,926	1,041,291
Related party	-	413,802
Others	405,065	-
	<u>24,106,825</u>	<u>8,072,912</u>

12 DEFERRED TAX ASSET

Due to uncertainty regarding the timing of future taxable profits, the Bank has not recognised deferred tax asset on estimated unused tax losses amounting to Rs. 63,595,855 (2011: Rs. 24,160,754).

13 DEPOSITS AND OTHER ACCOUNTS

	Note	2012 Number	2012 Rupees	2011 Number	2011 Rupees
Time Liabilities					
Term Deposits	14		2,853,100	-	-
Demand Liabilities					
Saving Deposits	127	127	68,356,554	-	-
Current Deposits	427	427	3,014,959	-	-
Current Deposits - Branchless	6,282	6,282	37,926,753	-	-
		6,836	109,298,266	-	-
	13.1	<u>6,850</u>	<u>112,151,366</u>	<u>-</u>	<u>-</u>

13.1 All above deposits represent voluntary savings of depositors.

	2012 Number	2012 Rupees	2011 Number	2011 Rupees
13.2 Particulars of Deposits by Ownership				
Individual Depositors	6,849	62,108,479	-	-
Institutional Depositors				
Corporations / Firms	-	-	-	-
Banks & Financial Institutions	1	50,042,887	-	-
	<u>6,850</u>	<u>112,151,366</u>	<u>-</u>	<u>-</u>

14 OTHER LIABILITIES

	2012 Rupees	2011 Rupees
Accrued expenses	12,625,003	10,159,155
Payables to related parties	8,385,966	2,575,123
Withholding tax payable	413,756	2,785,248
Payable to suppliers	495,753	-
Others	144,200	-
	<u>22,064,678</u>	<u>15,519,526</u>

WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2012

15 SHARE CAPITAL

15.1 Authorized capital

2012 Numbers	2011 Numbers		2012 Rupees	2011 Rupees
<u>150,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each.	<u>1,500,000,000</u>	<u>1,000,000,000</u>

15.2 Issued, subscribed and paid-up capital

2012 Numbers	2011 Numbers		2012 Rupees	2011 Rupees
<u>113,750,360</u>	<u>-</u>	Fully paid ordinary shares of Rs. 10 each.	<u>1,137,503,600</u>	<u>-</u>

15.3 Orascom Telecom Holding Company (S.A.E) is the parent company controlling 113,750,355 i.e. 99.99% shares (2011: Nil) of the Bank.

15.4 Share capital of Bank is held as under:

	Note	2012 Rupees	2011 Rupees
Related parties:			
ORASCOM Telecom Holding (S.A.E)		1,137,503,550	-
Directors		50	-
		<u>1,137,503,600</u>	<u>-</u>

16 SURPLUS ON REVALUATION OF ASSETS

Available for sale investments

	Note	2012 Rupees	2011 Rupees
Government securities	8.4	904,400	-
		<u>904,400</u>	<u>-</u>

17 MEMORANDUM / OFF-BALANCE SHEET ITEMS

17.1 Commitments:

	2012 Rupees	2011 Rupees
Capital commitments - against contracts	<u>3,304,555</u>	<u>14,775,039</u>

17.2 Contingencies

There are no contingencies at the year end (2011: Nil).

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NOTES TO THE FINANCIAL STATEMENTS
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		2012	29 November 2010 to 31 December 2011
	Note	Rupees	Rupees
18 MARK-UP/RETURN/INTEREST EARNED			
Interest / Mark-up On;			
- Deposit Accounts / Term Deposit Receipts		73,792,312	11,790,377
- Advances		48,361	-
- Treasury Bills		28,628,415	-
- Pakistan Investment Bonds		7,150,685	-
		<u>109,619,773</u>	<u>11,790,377</u>
19 MARK-UP/RETURN/INTEREST EXPENSED			
On advances from related party		269,016	6,669,880
On Deposits		982,742	-
		<u>1,251,758</u>	<u>6,669,880</u>
20 ADMINISTRATIVE EXPENSES			
Staff salary and benefits		79,064,822	31,748,451
Depreciation	10.1	15,866,363	2,933,567
Amortization	10.2	3,790,412	502,565
License fee		2,512,290	5,516,640
Travel and transportation		4,823,704	4,675,208
Utilities		11,298,839	104,492
Printing, stationary, and periodicals		1,370,139	70,581
Communications		2,846,338	614,928
Repair and maintenance		1,689,677	1,469,700
Registration and filing fee to SECP		-	3,027,900
Legal and professional		3,008,928	7,332,755
Auditors' remuneration	20.1	580,000	3,500,000
Bank charges		116,706	8,524
Insurance		2,478,014	-
IT equipment and software maintenance		9,250,627	-
Security		1,073,016	-
NADRA verification charges		684,341	-
Janitorial services		988,627	-
Office supplies		1,142,135	-
Entertainment		563,289	-
Other		389,867	30,306
		<u>143,538,134</u>	<u>61,535,617</u>
20.1 Auditors' Remuneration			
Audit fee		500,000	250,000
Other assignments		-	3,200,000
Out of pocket expenses		80,000	50,000
		<u>580,000</u>	<u>3,500,000</u>

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21 PROVISION FOR TAXATION

Numeric reconciliation between tax expense and accounting profit has not been presented as provision for minimum tax has been provided for in terms of Section 113 of the Income Tax Ordinance, 2001.

Calculation of minimum tax	Note	2012	29 November 2010 to 31 December 2011
		Rupees	Rupees
Mark-up/Return/Interest Earned	18	109,619,773	11,790,377
Fee, Commission and Brokerage Income		1,310,917	-
		<u>110,930,690</u>	<u>11,790,377</u>
Tax rate		0.5%	1%
		<u>554,653</u>	<u>117,904</u>

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

22 NUMBER OF EMPLOYEES

		2012		
		Credit/Sales Staff	Banking/Support	Total
Permanent		11	51	62
Contractual / temporary		-	68	68
Total		11	119	130
		2011		
		Credit/Sales Staff	Banking/Support	Total
Permanent		1	10	11
Contractual / temporary		-	23	23
Total		1	33	34

23 NUMBER OF BRANCHES/SERVICE CENTRES

	2012 Number	2011 Number
Branches At The Beginning Of The Year	-	-
Add: Opened During The Year		
-Branches	4	-
-Service Centres	6	-
Less: Closed / Merged During The Year	-	-
Total Branches At The End Of The Year	10	-

24 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President/Chief Executive		Executives	
	2012	29 November 2010 to 31 December 2011	2012	29 November 2010 to 31 December 2011
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	8,795,455	11,442,800	26,544,045	11,643,030
Rent and house maintenance	225,000	299,767	3,786,136	305,012
Utilities	879,545	1,145,766	2,654,410	1,165,815
Relocation allowance	1,575,700	950,000	567,786	2,125,000
Conveyance	-	-	116,364	-
	11,475,700	13,838,333	33,668,741	15,238,857
Number of persons	1	1	18	15

- (a) Executive means any employee whose basic salary exceeds Rs. 500,000 (2011: Rs. 500,000) per year.
- (b) The President / Chief Executive Officer and certain other executives are also provided with free use of the Bank's owned and maintained cars in accordance with their entitlement as per rules of the Bank.
- (c) No remuneration was paid to the directors of the Bank.

WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25	LOSS PER SHARE (RUPEE)		29 November 2010 to 31 December 2011
		2012	
	Loss after taxation - Rupees	A (35,194,409)	(56,533,024)
	Weighted average number of ordinary shares - Numbers	B 113,750,360	10,326,332
	Loss per share - Rupee	A/B (0.31)	(5.47)

26 RELATED PARTY TRANSACTIONS

The Bank is wholly sponsored by Orascom Telecom Holding S.A.E (OTH). Therefore, all subsidiaries and associated undertakings of OTH are related parties of the Bank. Other related parties include directors, key management personnel and entities under common directorship. Remuneration to directors and chief executive is disclosed in note 24 to these financial statements. Amounts due from and due to these companies are shown in notes 11 and 14 to these financial statements. All transactions involving related parties are entered into at contractual terms and conditions subject to the approval of the Board of Directors. Transactions with the related parties during the period are as follows:

		2012	29 November 2010 to 31 December 2011
	Note	Rupees	Rupees
Transactions with the parent company			
Advance against equity		-	1,137,503,600
Issue of Share Capital		1,137,503,600	-
Related parties by virtue of common directorship			
Expenses incurred on our behalf		2,394,078	109,399,958
Purchase of operating fixed assets		1,362,595	-
Interest on advance		269,016	6,669,880
Payments made for expenses incurred on our behalf		77,500	116,483,640
Balance receivable at the year end - unsecured		-	413,802
Balance payable at the year end		8,385,966	2,575,123
Services availed		2,368,612	237,580
Transactions with key management personnel			
Remuneration, allowances and benefits	26.1	36,796,123	28,847,841
26.1 Remuneration, allowances and benefits			
Managerial remuneration		30,216,823	24,290,080
Rent and house maintenance		1,912,500	1,177,267
Utilities		3,021,682	2,430,494
Relocation allowance		1,645,118	950,000
		<u>36,796,123</u>	<u>28,847,841</u>

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

27	CASH AND CASH EQUIVALENTS		2012 2011
		2012	
		Note	Rupees
	Cash and Balances with SBP and NBP	6	9,771,095
	Balances With Other Banks/NBFIs/MFBs	7	1,024,733,539
			<u>130,357,714</u>
			<u>1,024,733,539</u>

WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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28 FINANCIAL INSTRUMENTS (based on contractual obligation)

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

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WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2012

28 FINANCIAL INSTRUMENTS (based on contractual obligation)

	Effective yield/ interest rate	Interest/Mark up bearing				Non interest/mark up bearing				Total
		Upto one year	One to five years	Over five years	Sub total	Upto one year	One to five years	Over five years	Sub total	2011
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2011	%									
Financial assets										
Cash and balances with SBP and NBP		-	-	-	-	-	-	-	-	-
Balances with other banks/NBFIs/MFBs	10-12	1,024,733,539	-	-	1,024,733,539	-	-	-	-	1,024,733,539
Investments		-	-	-	-	-	-	-	-	-
Advances		-	-	-	-	-	-	-	-	-
Other assets	8	413,802			413,802	7,659,110	-	-	7,659,110	8,072,912
		<u>1,025,147,341</u>	<u>-</u>	<u>-</u>	<u>1,025,147,341</u>	<u>7,659,110</u>	<u>-</u>	<u>-</u>	<u>7,659,110</u>	<u>1,032,806,451</u>
Financial liabilities										
Deposits and other accounts		-	-	-	-	-	-	-	-	-
Other liabilities		-	-	-	-	15,519,526			15,519,526	15,519,526
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,519,526</u>	<u>-</u>	<u>-</u>	<u>15,519,526</u>	<u>15,519,526</u>
Off balance sheet financial instruments:										
Capital commitments		-	-	-	-	14,775,039	-	-	-	-

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WASEELA MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

28.1 Concentration of credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and causes the other party to incur a financial loss. Bank's credit risk is primarily attributable to its advances and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by the Regulations. Maximum amount of financial assets which are subject to credit risk amount to Rs. 1,053,852,639 (2011: Rs. 1,024,733,539).

28.2 Liquidity risk:

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

28.3 Interest rate risk:


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

28.4 Fair value of financial instruments:

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

28.5 Capital management

Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently, the paid up capital of Bank is Rs. 1,137,503,600 The minimum paid up capital requirement applicable to the Bank is Rs. 1 billion. The Bank will maintain capital adequacy ratio in accordance with Section number 4 of the Regulations which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.



WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2012

29 MATURITIES OF ASSETS AND LIABILITIES

31 December 2012

Market rate assets

Cash and Balances with SBP and NBP
 Balances With Other Banks/NBFIs/MFBs
 Investments
 Advances

Total market rate assets

Other non-earning assets

Other assets
 Operating fixed assets
Total non-earning assets

Total assets

Cost bearing liabilities

Deposits and other accounts

Other non-cost bearing liabilities

Other liabilities

Total Liabilities

Net assets

Represented by :

Share capital
 Accumulated Loss
 Surplus on Revaluation of Assets

Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
Rupees	Rupees	Rupees	Rupees	Rupees
9,771,095	3,821,345	-	-	5,949,750
120,586,619	52,877,601	67,709,018	-	-
915,410,581	99,390,095	206,655,739	405,620,947	203,743,800
642,338	59,827	299,135	283,376	-
1,046,410,633	156,148,868	274,663,892	405,904,323	209,693,550
24,106,825	11,324,091	5,163,553	301,000	7,318,181
110,379,153	2,839,546	14,197,729	17,037,275	76,304,603
134,485,978	14,163,637	19,361,282	17,338,275	83,622,784
1,180,896,611	170,312,505	294,025,174	423,242,598	293,316,334
112,151,366	40,941,404	69,686,962	-	1,523,000
22,064,678	4,029,936	18,034,742	-	-
134,216,044	44,971,340	87,721,704	-	1,523,000
1,046,680,567	125,341,165	206,303,470	423,242,598	291,793,334
1,137,503,600	(91,727,433)	904,400		
1,046,680,567				

WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2012

29 MATURITIES OF ASSETS AND LIABILITIES

31 December 2011

Market rate assets

Balances With Other Banks/NBFIs/MFBs

Total market rate assets

Other non-earning assets

Other assets

Operating fixed assets

Total non-earning assets

Total assets

Other non-cost bearing liabilities

Deposits and other accounts

Other liabilities

Total Liabilities

Net assets

Represented by :

Advance Against Issue of Shares

Accumulated Loss

Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
Rupees	Rupees	Rupees	Rupees	Rupees
1,024,733,539	424,733,539	600,000,000	-	-
1,024,733,539	424,733,539	600,000,000	-	-
8,072,912	1,151,245	5,305,503	1,616,164	-
63,683,651	970,334	23,852,134	5,822,002	33,039,181
71,756,563	2,121,579	29,157,637	7,438,166	33,039,181
1,096,490,102	426,855,118	629,157,637	7,438,166	33,039,181
-	-	-	-	-
15,519,526	125,267	12,752,981	2,641,278	-
15,519,526	125,267	12,752,981	2,641,278	-
15,519,526	125,267	12,752,981	2,641,278	-
1,080,970,576	426,729,851	616,404,656	4,796,888	33,039,181
1,137,503,600				
(56,533,024)				
1,080,970,576				

**WASEELA MICROFINANCE BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012	29 November 2010 to 31 December 2011
30 OPERATIONAL/NON-OPERATIONAL INCOME/ (LOSS)	Rupees	Rupees
Loss before taxation comprises of:		
Operational loss	<u>(34,639,756)</u>	<u>(56,415,120)</u>
	<u>(34,639,756)</u>	<u>(56,415,120)</u>

31 GENERAL

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

31.2 These financial statements reflects activities of the Bank for the year ended 31 December 2012. The comparatives reflect the results of the Bank from 29 November 2010 to 31 December 2011 therefore comparatives are not comparable.

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on APRIL 05, 2013.



 President / Chief
 Executive



 Chairman

 Director Director