

**U MICROFINANCE BANK LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**



**A. F. FERGUSON & CO.**

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of U Microfinance Bank Limited (the Bank) as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984. 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 requirements of Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 5.5 with which we concur;
  - 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 Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984, 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, 2013 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (xviii of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on February 7, 2013.

Chartered Accountants  
Islamabad: January 21, 2014

Engagement partner: S. Haider Abbas



**U MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2013**

	Note	2013 Rupees	2012 Rupees (Restated)
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	25,739,898	847,251
Balances with other Banks/ NBFIs/ MFBs	7	704,613,132	1,043,050,562
Investments	8	294,736,071	4,936,880
Advances - net of provisions	9	41,039,268	443,523
Operating fixed assets	10	198,884,378	50,333,470
Other assets	11	57,603,293	13,470,880
Deferred tax asset	12	58,894,148	-
<b>Total Assets</b>		<b>1,381,510,188</b>	<b>1,113,082,566</b>
<b>LIABILITIES</b>			
Deposits	13	205,178,232	5,573,753
Other liabilities	14	137,514,717	23,629,556
<b>Total Liabilities</b>		<b>342,692,949</b>	<b>29,203,309</b>
<b>NET ASSETS</b>		<b>1,038,817,239</b>	<b>1,083,879,257</b>
<b>REPRESENTED BY:</b>			
Share capital	15	1,185,714,290	1,185,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and other reserve		2,041,825	2,041,825
Accumulated loss		(123,224,586)	(78,162,568)
<b>Total Capital</b>		<b>1,038,817,239</b>	<b>1,083,879,257</b>

**MEMORANDUM / OFF BALANCE SHEET ITEMS** 16

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

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

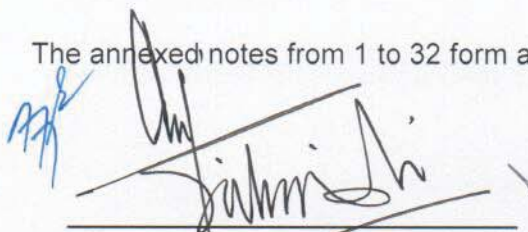
  
**DIRECTOR**

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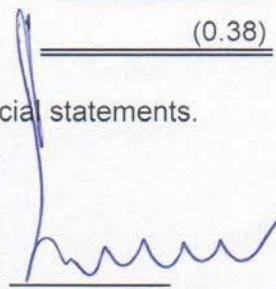
**U MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Note	2013 Rupees	2012 Rupees (Restated)
Mark-up/ return/ interest earned	17	97,194,171	14,078,840
Mark-up/ return/ interest expensed	18	(1,305,617)	(451,915)
Net mark-up/ interest income		<u>95,888,554</u>	<u>13,626,925</u>
Provision against non-performing advances	9.4	(362,721)	(515,392)
Net mark-up/ interest income after provisions		<u>95,525,833</u>	<u>13,111,533</u>
<b>NON MARK-UP/ NON INTEREST INCOME</b>			
Fee, commission and brokerage income	19	19,565,357	1,520
Other income	20	508,707	1,616,895
Total non-markup/ non interest income		<u>20,074,064</u>	<u>1,618,415</u>
		<u>115,599,897</u>	<u>14,729,948</u>
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>			
Administrative expenses	21	218,388,468	31,837,021
<b>LOSS BEFORE TAXATION</b>		<u>(102,788,571)</u>	<u>(17,107,073)</u>
<b>TAXATION</b>			
Current		(1,167,595)	(140,804)
Deferred		58,894,148	-
	22	<u>57,726,553</u>	<u>(140,804)</u>
<b>LOSS AFTER TAXATION</b>		<u>(45,062,018)</u>	<u>(17,247,877)</u>
Accumulated loss brought forward		(78,162,568)	(60,914,691)
		<u>(123,224,586)</u>	<u>(78,162,568)</u>
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserve		-	-
Depositors' Protection Fund		-	-
		-	-
<b>ACCUMULATED LOSS CARRIED FORWARD</b>		<u>(123,224,586)</u>	<u>(78,162,568)</u>
<b>LOSS PER SHARE</b>	26	<u>(0.38)</u>	<u>(0.80)</u>

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

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

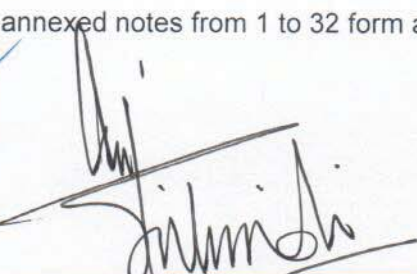
  
**DIRECTOR**



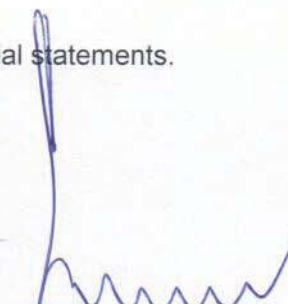
**U MICROFINANCE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>2013 Rupees</b>	<b>2012 Rupees</b>
Loss for the year	(45,062,018)	(17,247,877)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(45,062,018)</u>	<u>(17,247,877)</u>

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

  
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 PRESIDENT / CHIEF EXECUTIVE

  
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 CHAIRMAN

  
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 DIRECTOR

  
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 DIRECTOR



**U MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Note	2013 Rupees	2012 Rupees (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(102,788,571)	(17,107,073)
Adjustments for:			
Depreciation		17,511,076	487,801
Amortization		3,118,750	-
Provision for gratuity		3,837,695	940,694
Provisions against non-performing advances		362,721	515,392
Loss on sale of fixed operating assets		-	2,701
		<u>24,830,242</u>	<u>1,946,588</u>
		(77,958,329)	(15,160,485)
(Increase)/ decrease in operating assets			
Advances		(40,958,466)	1,255,786
Other assets (excluding advance taxation)		(34,427,380)	(7,349,561)
Increase/ (decrease) in operating liabilities			
Deposits		199,604,479	(1,516,996)
Other liabilities		110,412,001	20,487,291
		<u>234,630,634</u>	<u>12,876,520</u>
Cash generated from operations		156,672,305	(2,283,965)
Gratuity paid		(364,535)	(191,184)
Taxes paid		(10,872,628)	(59,328)
Net cash generated/ (used in) from operating activities		<u>145,435,142</u>	<u>(2,534,477)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in operating fixed assets		(169,180,734)	(50,364,391)
Sale proceeds of property and equipment disposed-off		-	78,500
Net cash (outflow)/ inflow from investing activities		<u>(169,180,734)</u>	<u>(50,285,891)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of shares		-	1,000,000,000
Net cash inflow from financing activities		-	1,000,000,000
Net (decrease)/ increase in cash and cash equivalents		<u>(23,745,592)</u>	<u>947,179,632</u>
Cash and cash equivalents at beginning of the year		1,048,834,693	101,655,061
<b>Cash and cash equivalents at end of the year</b>	23	<u><u>1,025,089,101</u></u>	<u><u>1,048,834,693</u></u>

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

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**



**U MICROFINANCE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Statutory and other reserves					Total
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Accumulated loss	
	-----Rupees-----					
Balance as at December 31, 2011	185,714,290	(25,714,290)	1,633,460	408,365	(60,914,691)	101,127,134
Issue of shares during the year ended December 31, 2012	1,000,000,000	-	-	-	-	1,000,000,000
Loss for the year ended December 31, 2012	-	-	-	-	(26,083,623)	(26,083,623)
Transfer to:						
Statutory reserve	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-
Balance as at December 31, 2012 (as previously reported)	1,185,714,290	(25,714,290)	1,633,460	408,365	(86,998,314)	1,075,043,511
Effect of prior year adjustment - note 27	-	-	-	-	8,835,746	8,835,746
Balance as at December 31, 2012 (as restated)	1,185,714,290	(25,714,290)	1,633,460	408,365	(78,162,568)	1,083,879,257
Loss for the year ended December 31, 2013	-	-	-	-	(45,062,018)	(45,062,018)
Transfer to:						
Statutory reserve	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-
Balance as at December 31, 2013	1,185,714,290	(25,714,290)	1,633,460	408,365	(123,224,586)	1,038,817,239

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

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PRESIDENT / CHIEF EXECUTIVE

*[Signature]*

CHAIRMAN

*[Signature]*

DIRECTOR

*[Signature]*

DIRECTOR

*2013*



**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. STATUS AND NATURE OF BUSINESS**

U Microfinance Bank Limited - the Bank was incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984. The Bank's principal business is to assist in stimulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneur under the Microfinance Institutions Ordinance, 2001.

On September 14, 2004 the Bank was granted license No. MFI-004 by the State Bank of Pakistan (SBP) for commencement of business in the district of Karachi. The Bank commenced its commercial operations with effect from April 8, 2005.

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% share holding in the Bank. Further, pursuant to the special resolution passed in the Extraordinary General Meeting of the shareholders held on October 24, 2012 and approval of SBP and the Securities and Exchange Commission of Pakistan (SECP), the name of the Bank was changed from "Rozgar Microfinance Bank Limited" to "U Microfinance Bank Limited" with effect from December 7, 2012.

On January 31, 2013, the Bank was granted license No. MFI-014 by SBP for commencement of nationwide microfinance banking operations. Under the terms and conditions of the nationwide license, PTCL would reduce its shareholding in the Bank to 51% within a period of three years.

On July 11, 2013, approval for the nationwide commercial launch of Branchless Banking Services (BBS) was received from SBP. The Bank commenced commercial operations of BBS on July 23, 2013.

The Bank's head office and the principal place of business is located at the Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan.

**2. BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the requirements of format prescribed by the SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the directives issued by the SBP, the requirements of the Microfinance Institutions Ordinance 2001, the Companies Ordinance, 1984 and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standards Interpretation Committee of IASB as adopted in Pakistan. In case where provisions of directives issued by the SBP, the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984 differ with the requirements of these standards, such provisions of the SBP directive shall take precedence.

SBP vide BSD Circular no. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, 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 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 Standards (IFRS) 7 'Financial Instruments' which is applicable for annual years beginning on or after July 1, 2008 till further orders.



#### 4. Basis of measurement

##### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention as modified for investments available for sale and held for trading which are measured at mark-to-market basis.

###### *(a) New and amended standards adopted during the year*

The Bank has adopted the following new and amended IFRS, which became effective during the year, however the adaptation of these standards and amendments did not have any material effect on the financial statement.

		Effective date (annual years beginning on or after)
IFRS 1	- First-time adoption of international financial reporting standards	January 1, 2013
IFRS 10	- Consolidated Financial Statements	January 1, 2013
IFRS 11	- Joint Arrangements	January 1, 2013
IFRS 12	- Disclosure of Interest in Other Entities	January 1, 2013
IFRS 13	- Fair value measurement	January 1, 2013
IFRS 7	- Financial Instruments – Disclosures	January 1, 2013
IAS 1	- Presentation of Financial Statements	January 1, 2013
IAS 16	- Property, Plant and Equipment	January 1, 2013
IAS 19	- Employee benefits (Revised)	January 1, 2013
IAS 27	- Separate financial statements (Revised)	January 1, 2013
IAS 28	- Investments in associates and joint ventures (Revised)	January 1, 2013
IAS 32	- Financial Instruments: Presentation	January 1, 2013
IAS 34	- Interim Financial Reporting	January 1, 2013

###### *(b) New standards, amendments and interpretations issued but not yet effective and not early adopted by the Bank*

		Effective date (annual years beginning on or after)
IFRS 7	- Financial Instrument: Disclosures	January 1, 2015
IFRS 9	- Financial Instruments	January 1, 2015
IFRS 10	- Consolidated Financial Statements	January 1, 2014
IFRS 12	- Disclosure of Interest in Other Entities	January 1, 2014
IAS 27	- Separate financial statements (Revised)	January 1, 2014
IAS 32	- Financial Instruments: Presentation	January 1, 2014
IAS 36	- Impairment of Assets	January 1, 2014
IAS 39	- Financial Instruments : Recognition and Measurement	January 1, 2014
IFRIC 21	- Levies	January 1, 2014

The management anticipates that, the adaption of the above standards, amendments and interpretations in future years, will have no material impact on the Bank's financial statements.

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## 4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates and assumptions. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment is exercised in application of accounting policies are as follows:

### a) *Operating fixed assets*

The Bank reviews useful life and residual value of operating fixed assets on regular basis. Any change in estimates may affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation / amortization charge.

### b) *Provision for income taxes*

The Bank recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax / legal advisors. Differences, if any, between the income tax provision and the final tax liability is recorded when such liability is determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

### c) *Classification of investments*

The classification of investments between different categories depends upon management's intentions to hold those investments. Any change in the classification of investments may affect their carrying amounts with a corresponding effect on the return and unrealized surplus / (deficit) on these investments.

### d) *Provision against advances*

The Bank maintains a provision against advances as per the requirements of the Prudential Regulations for microfinance and assesses the adequacy of provision against delinquent portfolio. Any change in the criteria / rate for provision may affect the carrying amount of the advances with a corresponding effect on the markup/interest earned and provision charge.

### e) *Provision and contingent liabilities*


The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

### 5.1 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.





## 5.2 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) is included in lending to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as return / markup expensed and earned respectively. Repo and reverse repo balances are reflected under borrowings from and lending to financial institutions respectively.

## 5.3 Investments

Investments are classified as follows:

### Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. These are measured at mark-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 the SBP through various circulars.

### Held to maturity investments

These are investments with fixed or determinable payments and fixed maturity and the Bank has positive intent and ability to hold the investment till maturity. These are carried at amortized cost, less provision for impairment in value, if any.

### Available for sale investments


These are investments which do not fall under the held for trading and held to maturity categories. Such investments are initially recognized at cost and subsequently measured at marked-to-market basis. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to profit and loss account when realized upon disposal.

## 5.4 Advances

Advances are stated net of provisions for non-performing advances. Advances that are overdue for 30 days or more are classified as non-performing and divided into following categories:

- a) Other Assets Especially Mentioned (OAEM)  
Advances in arrears for 30 days or more but less than 60 days.
- b) Substandard  
Advances in arrears for 60 days or more but less than 90 days.
- c) Doubtful  
Advances in arrears for 90 days or more but less than 180 days.
- d) Loss  
Advances in arrears for 180 days or more.

In addition the Bank maintains a Watch List of all accounts delinquent by 5 - 29 days. However, such accounts are not treated as non-performing for the purpose of classification / provisioning.





In accordance with the Prudential Regulations (the Regulations) for Microfinance Banks issued by the SBP, the Bank maintains specific provision for potential loan losses for all non-performing advances net of cash and gold collaterals realizable without recourse to a Court of Law at the following rates:

OAEM:	Nil
Substandard:	25%
Doubtful:	50%
Loss:	100%

In addition, minimum 1% general provision required under the Regulations is calculated on outstanding advances net of specific provision. However, general provision is not required where loans have been secured against gold or other cash collateral with appropriate margin.

General and specific provisions for the year are charged to the profit and loss account.

In accordance with the Regulations, non-performing advances are written-off one month after the loan is categorized as Loss. However, the Bank continues its efforts for recovery of the written-off balances.

## **5.5 Change in accounting policy**

The Bank changed its accounting policy for depreciation of property and equipment from reducing balance method to straight line method. Management takes the view that this policy reflects the better pattern in which the assets future economic benefits are expected to be consumed. The policy has been applied prospectively because the effects of applying the policy retrospectively from any earlier date was immaterial. Consequent to this change in policy, the carrying amount of property and equipment has been reduced by Rs 183,648 with the corresponding increase in depreciation expense.

## **5.6 Operating fixed assets**

### **Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment loss (if any). Cost includes expenditure that is directly attributable to the acquisition of the asset.

### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged in the profit and loss account over estimated useful life of the related assets on straight line method at rates given in note 10 to these financial statements. Full month's depreciation is charged in the month of capitalization and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only 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. All other repairs and maintenance are recognize in profit and loss account during the year in which these are incurred. Gains and losses on disposal of fixed assets are taken to profit and loss account for the year.

### **Intangible assets**

Intangible assets are capitalized at cost and stated at cost less accumulated amortization and accumulated impairment loss (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.

#### **5.7 Impairment of non-financial assets**

The carrying value of the Bank's assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount and the impairment losses are recognized in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### **5.8 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, these are stated at original cost less subsequent repayments.

#### **5.9 Grants**

The grant related to an asset is recognized in the balance sheet initially as deferred income when 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 years in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

#### **5.10 Taxation**

##### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any, or one percent of turnover, whichever is higher.

##### **Deferred**

Deferred tax is provided using the balance sheet liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

#### **5.11 Revenue recognition**

Mark-up / return on investment is recognized on time proportion basis using effective interest rate method.

Mark-up/ return on advances is recognized on accrual/ time proportion basis, except for income, if any, which warrants suspension in compliance with the Regulations. Mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Loan processing fee is recognized as income on the approval of loan application of borrowers.



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

The effective interest rate is the rate that exactly discounts the estimated future cash payment and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liability. The effective interest rate is established on initial recognition of the financial assets and liability and is not revised subsequently.

Fee, commission and other income is recognized when earned.

#### **5.12 Financial Instruments**

All the financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account currently.

##### **Financial assets**

Financial assets are cash and balances with SBP and NBP, balances with other banks, 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 are stated at cost. Investments are classified as held to maturity, and are stated at amortized cost.

##### **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include other liabilities which are stated at their nominal value.

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

#### **5.13 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 or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

#### **5.14 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Bank has legally enforceable right to setoff the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.





**5.15 Staff retirement benefits**

a) Gratuity

The Bank operates a defined benefit gratuity scheme for all its regular employees. Gratuity equivalent to one month basic salary for each completed year of service is paid to entitled employees, if the period of their service is three years or above.

b) Provident fund

The Bank operates a funded provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by employees at the rate of 8% of the basic salary of the employees. The Bank's contribution is charged to profit and loss account.

**5.16 Deposits**

Deposits are initially recorded at the amounts of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account over the year.

**5.17 Statutory reserve**

In compliance with the requirements of the Regulation 7, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 5% of the profit after tax.

**5.18 Contributions**

In compliance with the requirements of the Regulation 8, the Bank contributes 5% of annual profit after tax to the Depositor's Protection Fund.

**5.19 Cash reserve**

In compliance with the requirements of the Regulation 6A, the Bank maintains a cash reserve equivalent to not less than 5% of its time and demand liabilities in a current account opened with the State Bank of Pakistan.

**5.20 Statutory liquidity requirement**

The Bank maintains liquidity equivalent to at least 10% of its time and demand deposits in the form of liquid assets i.e. cash, gold and unencumbered approved securities.

**5.21 Provisions**

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.



	Note	2013 Rupees	2012 Rupees
<b>6. CASH AND BALANCES WITH SBP and NBP</b>			
Cash in hand			
Local currency		13,738,775	55,806
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts	6.1	12,001,123	791,445
		<u>25,739,898</u>	<u>847,251</u>

**6.1** This represents balance held with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2012: 5%) of the Bank's time and demand deposits with a tenure of less than one year, in accordance with regulation 6A of the Regulations. This includes Rs 408,365 (2012: nil) placed for the Depositors' Protection Fund.

	Note	2013 Rupees	2012 Rupees
<b>7. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>			
In Pakistan - Local currency			
Current accounts	7.1	7,831,592	905,518
Savings accounts	7.2	446,781,540	1,042,145,044
Term deposit receipts	7.3	250,000,000	-
		<u>704,613,132</u>	<u>1,043,050,562</u>

**7.1** This includes Rs 6,365,151 held as deposit under lien in respect of standby letter of guarantee issued to customers of the Bank.

**7.2** Savings accounts carried interest at rates ranging from 6.5% to 10.85% (2012: 6% to 10%) per annum.

**7.3** Term Deposit Receipt (TDR) due to mature on January 22, 2014 carried interest at the rate of 9.7% (2012: Nil) per annum.

	2013 Rupees	2012 Rupees
<b>8. INVESTMENTS</b>		
Federal Government securities		
Held to maturity		
Market Treasury Bills (T-Bills)	294,736,071	4,936,880

This represents two T-Bills maturing on March 6, 2014 and March 20, 2014 respectively (2012: January 24, 2013) carrying interest at the rate of 9.87% and 9.91% (2012: 9.15%) per annum respectively.



## 9. ADVANCES - NET OF PROVISIONS

Loan type	Note	2013		2012	
		Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro credit		1,216	41,358,879	13	290,364
Micro lease		4	21,968	13	472,943
		<u>1,220</u>	<u>41,380,847</u>	<u>26</u>	<u>763,307</u>
Provisions held					
Specific provision		4	(10,984)	15	(313,001)
General provision	9.1	1,094	(330,595)	11	(6,783)
			<u>(341,579)</u>		<u>(319,784)</u>
Advances - net of provisions			<u>41,039,268</u>		<u>443,523</u>

**9.1** General provision is maintained at the rate of 1% (2012: 1.5%) of unsecured micro credit balance net of specific provision in accordance with the Regulations.

## 9.2 Particulars of non-performing advances

Advances include Rs. 21,968 (2012: Rs. 637,696) which have been placed under non-performing status.

Category of classification	Provision rate	2013		2012	
		Amount outstanding	Provisions required	Amount outstanding	Provisions required
OAEM	-	-	-	-	-
Sub-standard	25%	-	-	21,582	5,396
Doubtful	50%	21,968	10,984	233,665	116,833
Loss	100%	-	-	190,772	190,772
		<u>21,968</u>	<u>10,984</u>	<u>637,696</u>	<u>313,001</u>

-----Rupees-----

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	2013 Rupees	2012 Rupees
1. <b>Operating income</b>	1,000,000	1,000,000
2. <b>Operating expenses</b>	800,000	800,000
3. <b>Operating income</b>	200,000	200,000
4. <b>Non-operating income</b>	100,000	100,000
5. <b>Non-operating expenses</b>	50,000	50,000
6. <b>Net income</b>	250,000	250,000

#### 9.4 Provision against non-performing advances

Charge for the year	362,721	556,259
Reversal	-	(40,867)
	<u>362,721</u>	<u>515,392</u>

### 9.5 Particulars of write off

Against provisions	(340,926)	(294,611)
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**10 OPERATING FIXED ASSETS**

	Note	2013 Rupees	2012 Rupees
Capital work-in-progress			
Property and equipment	10.1	42,171,870	39,114,492
Intangible assets	10.2	96,868,288	11,218,978
	10.3	59,844,220	-
		<u>198,884,378</u>	<u>50,333,470</u>

**10.1 Capital work-in-progress**

Advances to suppliers/ contractors	10.1.1	20,060,280	-
Advances to suppliers for Branchless Banking System		-	32,134,377
Leasehold improvements		22,111,590	6,980,115
		<u>42,171,870</u>	<u>39,114,492</u>

**10.1.1** This represents advance given for license, middlewares and other operating fixed assets.

**10.2 Property and equipment**

	2013					Book value as at December 31, 2013	Rate of depreciation % (per annum)
	As at January 1, 2013	Cost	Deletion	As at December 31, 2013	Charge for the year	Depreciation On deletions	
		As at January 1, 2013	As at January 1, 2013	As at December 31, 2013	Charge for the year	Depreciation On deletions	
Furniture and fixture	883,421	8,490,524	-	9,373,945	472,542	-	10.00%
Computers	2,551,377	60,771,632	-	63,323,009	12,944,716	-	33.33%
Electrical equipment	2,682,100	11,860,647	-	14,542,747	1,607,396	-	20.00%
Vehicle	55,500	9,018,679	-	9,074,179	1,053,139	-	20.00%
Office improvement	7,342,517	13,018,904	-	20,361,421	1,433,283	-	10.00%
	<u>13,514,915</u>	<u>103,160,386</u>	<u>-</u>	<u>116,675,301</u>	<u>17,511,076</u>	<u>-</u>	
				2,295,937	19,807,013		

	2012					Book value as at December 31, 2012	Rate of depreciation % (per annum)
	As at January 1, 2012	Cost	Deletion	As at December 31, 2012	Charge for the year	Depreciation On deletions	
		As at January 1, 2012	As at January 1, 2012	As at December 31, 2012	Charge for the year	Depreciation On deletions	
Furniture and fixture	326,171	632,050	(74,800)	883,421	40,408	(49,728)	10.00%
Computers	2,022,545	572,332	(43,500)	2,551,377	132,717	(15,311)	33.33%
Electrical equipment	34,600	2,647,500	-	2,682,100	80,617	-	20.00%
Vehicle	205,600	55,500	(205,600)	55,500	9,641	(180,342)	20.00%
Office improvement	-	7,342,517	-	7,342,517	224,418	-	10.00%
	<u>2,588,916</u>	<u>11,249,899</u>	<u>(323,900)</u>	<u>13,514,915</u>	<u>487,801</u>	<u>(245,381)</u>	
				2,053,517	2,295,937		

**10.2.1** The cost of fully depreciated property and equipment that are still in use is Rs 2,024,345 (2012: Rs 2,024,345).

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**10.3.1** The cost of fully amortized intangible assets that are still in use is nil (2012: nil).

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	Note	2013 Rupees	2012 Rupees
<b>11. OTHER ASSETS</b>			
Income/ mark-up accrued		9,944,103	3,393,424
Advances, deposits and other prepayments	11.1	32,397,042	5,911,157
Advance taxation (payments less provisions)		13,371,069	3,666,036
Inventory of ATM cards		1,392,355	-
Others		498,724	500,263
		<u>57,603,293</u>	<u>13,470,880</u>

11.1 This includes an amount of Rs 9,516,834 paid to PTCL, the parent company, for disaster recovery service.

	2013 Rupees	2012 Rupees
<b>12. DEFFERED TAX ASSET</b>		
Deferred debits arising in respect of:		
Unused tax losses	65,452,833	-
Unused tax credit	1,425,880	-
Provision against advances	116,137	-
	<u>66,994,850</u>	<u>-</u>
Deferred credits arising in respect of:		
Accelerated tax depreciation / amortization	(8,100,702)	-
	<u>58,894,148</u>	<u>-</u>

12.1 The deferred tax asset recognised in the financial statements represents the management's best estimate of the potential benefit which is expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against unused tax losses of prior years.

Deferred tax asset is recognised in view of projected taxable profits as per the Bank's five year business plan 2013 - 2017 approved by the board of directors using assumptions which are linked to various variable factors such as the economic outlook of the country, investment growth, interest rate movement, expansion in depositors / advances portfolio, other initiatives and increased branchless banking operations.



	2013		2012	
	Number of accounts	Rupees	Number of accounts	Rupees
<b>13. DEPOSITS</b>				
Fixed deposits	9	7,575,000	1	1,000,000
Saving deposits	1,520	70,821,593	1,332	3,840,061
Current deposits	19,083	126,781,639	151	733,692
	<u>20,612</u>	<u>205,178,232</u>	<u>1,484</u>	<u>5,573,753</u>

**13.1 Particulars of deposits by ownership**

Individual depositors	20,437	180,114,060	1,443	4,890,360
Institutional depositors Corporation/ firms	175	25,064,172	41	683,393
	<u>20,612</u>	<u>205,178,232</u>	<u>1,484</u>	<u>5,573,753</u>

	Note	2013 Rupees	2012 Rupees (Restated)
<b>14. OTHER LIABILITIES</b>			
Interest payable on deposits		451,424	153,063
Accrued expenses		26,017,970	1,060,759
Payable to Pak Telecom Mobile Limited (PTML), an associated company	14.1	49,341,251	20,596,405
Payable to NADRA for utility bills collection		20,492,046	-
Uncollected remittances		8,494,291	-
Payable to provident fund		532,040	425,802
Provision for gratuity	14.2	4,744,626	1,271,466
Payable / accruals for capital expenditure		24,991,296	-
Sales tax / federal excise duty		1,823,403	-
Bills payable		129,665	122,061
Others		496,705	-
		<u>137,514,717</u>	<u>23,629,556</u>



- 14.1 This represents amount payable to PTML, an associated company, related to purchase of fixed assets from PTML, share of branchless banking income, prepaid and postpay bill collected and expenditure incurred by PTML on behalf of the Bank.

	2013 Rupees	2012 Rupees
14.2 Provision for gratuity		
Opening balance	1,271,466	521,956
Payment during the year	(364,535)	(191,184)
Charge for the year	3,837,695	940,694
Closing balance	<u>4,744,626</u>	<u>1,271,466</u>

14.3 Employees provident fund

Size of the fund (total assets)	4,495,381	-
Cost of investments held	4,495,381	-
Percentage of investments held	100%	-
Fair value of investments	4,495,381	-

Investment represents balances held with a bank.

Investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.





**15. SHARE CAPITAL**

**15.1 Authorized capital**

2013 Number	2012 Number		2013 Rupees	2012 Rupees
<u>125,000,000</u>	<u>125,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,250,000,000</u>	<u>1,250,000,000</u>

**15.2 Issued, subscribed and paid-up capital**

10,000,000	10,000,000	Ordinary shares of Rs. 10 each fully paid in cash	100,000,000	100,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	85,714,290	85,714,290
100,000,000	100,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	1,000,000,000	1,000,000,000
<u>118,571,429</u>	<u>118,571,429</u>		<u>1,185,714,290</u>	<u>1,185,714,290</u>

**15.3** Pakistan Telecommunication Company Limited (PTCL), parent company, holds 100% shares of the Bank.

**16. MEMORANDUM/ OFF BALANCE SHEET ITEMS**

**CONTINGENCIES**

There were no material known contingencies at year end.

**COMMITMENTS**

	Note	2013 Rupees	2012 Rupees
Standby Letter of Guarantee	16.1	5,425,975	-
Property and equipment		14,906,960	28,115,152
Intangible assets		18,440,733	45,835,945
		<u>38,773,668</u>	<u>73,951,097</u>

**16.1** This represents letter of guarantee issued by the Bank to UnionPay International Company Limited for interbank settlement.

	Note	2013 Rupees	2012 Rupees
<b>17. MARK-UP/ RETURN/ INTEREST EARNED</b>			
Mark-up on advances		1,766,303	381,183
Interest on investment in Government securities		28,411,432	10,127,850
Interest on deposit accounts/ placements with other banks/ financial institutions/ mutual funds		67,016,436	3,569,807
		<u>97,194,171</u>	<u>14,078,840</u>
<b>18. MARK-UP/ RETURN/ INTEREST EXPENSED</b>			
This represents interest expense on depoists.			
<b>19. FEE, COMMISSION &amp; BROKERAGE INCOME</b>			
Fee from branchless banking		17,879,879	-
Other charges collected from customers	19.1	1,685,478	1,520
		<u>19,565,357</u>	<u>1,520</u>
<b>19.1</b>	This includes fee on loan processing and cheque book issuance collected from customers.		
<b>20. OTHER INCOME</b>			
Recovery against advances written off		501,096	1,580,616
Miscellaneous income		7,611	38,980
Loss on sale of fixed assets		-	(2,701)
		<u>508,707</u>	<u>1,616,895</u>
	Note	2013 Rupees	2012 Rupees (Restated)
<b>21. ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits		104,068,376	12,353,866
Salaries of contracted/ outsourced employees		9,051,198	-
Gratuity		3,837,695	940,694
Provident fund		2,308,191	-
Insurance		5,782,778	254,429
Rent, rate and taxes		28,032,516	1,661,340
Travelling and conveyance		6,185,843	923,238
Postage and courier		845,960	-
Utilities		6,112,826	563,874
Repair and maintenance		3,242,029	3,392,730
Depreciation and amortization		20,629,826	487,801
Software support and maintenance fee		6,732,496	600,000
Stationery and printing		9,493,241	443,257
Auditors' remuneration	21.1	946,000	209,050
Legal and professional fee		1,123,226	9,210,850
Security services		2,395,666	274,202
Office supplies		2,355,458	401,447
Internet and connectivity charges		1,277,140	-
NADRA verification charges		899,616	-
Bank charges		1,560,177	3,782
Miscellaneous expenses		1,508,210	116,461
		<u>218,388,468</u>	<u>31,837,021</u>

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	2013 Rupees	2012 Rupees
<b>21.1 Auditors' remuneration</b>		
Annual audit and half year review	650,000	175,000
Tax services	231,000	-
Out of pocket expenses	65,000	34,050
	<u>946,000</u>	<u>209,050</u>
<b>22. TAXATION</b>		
Current - for the year	(1,167,595)	(140,804)
Deferred - for the year	36,115,710	-
- for prior year	22,778,438	-
	58,894,148	-
	<u>57,726,553</u>	<u>(140,804)</u>
<b>22.1 Tax rate reconciliation</b>		
Loss before tax (Rupees)	<u>(102,788,571)</u>	-
Applicable tax rate	34.00%	-
Deferred tax relating to prior years	22.16%	-
Average effective tax rate	<u>56.16%</u>	<u>-</u>
<b>23. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with SBP and NBP	25,739,898	847,251
Balances with other banks	704,613,132	1,043,050,562
Investments	294,736,071	4,936,880
	<u>1,025,089,101</u>	<u>1,048,834,693</u>
<b>24. NUMBER OF EMPLOYEES</b>		
Credit sales staff		
Permanent	28	4
Contractual	3	2
	<u>31</u>	<u>6</u>
Banking/ support staff		
Permanent	138	32
Contractual	4	1
Outsourced	77	-
	<u>219</u>	<u>33</u>
Total number of employees at the end of the year	<u>250</u>	<u>39</u>
Average number of employees during the year	<u>145</u>	<u>30</u>
<b>25. NUMBER OF BRANCHES</b>		
Branches at beginning of the year	2	2
Opened during the year	13	-
Closed/ merged during the year	-	-
Branches at the end of the year	<u>15</u>	<u>2</u>

## 26. LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2013	2012 (Restated)
Loss attributable to equity holders (Rupees)	(45,062,018)	(17,247,877)
Weighted average number of ordinary shares in issue during the year (numbers)	118,571,429	21,576,893
Loss per share - basic (Rupees)	(0.38)	(0.80)

### (b) Diluted

There is no dilutive effect on the basic loss per share of the Bank.

## 27. PRIOR YEAR ADJUSTMENT

Administrative expenses for the year ended December 31, 2012 included IT service expenses and rent of head office amounting to Rs 6,776,454 and Rs 2,059,292 respectively debited by PTML. Such expenses have been reversed during the current year as these are not chargeable to the Bank. The corresponding figures for the year ended December 31, 2012 have been restated to incorporate the effect of this prior year adjustment of Rs. 8,835,746 by way of decrease in other liabilities and accumulated loss as at December 31, 2012. The effect on the balance sheet as at December 31, 2012 and the related profit and loss account is summarised below.

	Rupees (as previously reported)	Rupees (as restated)
<b>Effect on the Balance Sheet</b>		
Decrease in other liabilities		
Payable to PTML	32,465,302	23,629,556
Decrease in accumulated loss	(86,998,314)	(78,162,568)
<b>Effect on the Profit &amp; Loss Account</b>		
Decrease in administration expenses	40,672,767	31,837,021
IT service cost (Rs 6,776,454)		
Rent of head office (Rs 2,059,292)		
Decrease in loss after taxation	(26,083,623)	(17,247,877)



**28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2013		2012	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees		Rupees	
Managerial remuneration	9,600,000	25,695,431	2,440,000	4,436,731
Gratuity fund	600,000	1,805,640	203,333	369,728
Provident fund	576,000	1,507,002	195,200	354,938
Rent and house maintenance	4,200,000	12,514,992	1,423,333	2,548,329
Utilities	600,000	1,787,855	203,333	373,342
Medical	90,197	1,070,369	-	-
Conveyance	660,000	3,725,000	223,667	955,667
Others	600,000	1,805,640	-	-
Total	<u>16,926,197</u>	<u>49,911,929</u>	<u>4,688,866</u>	<u>9,038,735</u>
Number of person(s)	<u>1</u>	<u>25</u>	<u>1</u>	<u>13</u>

- 28.1** The chief executive is also provided with a Bank maintained car in accordance with the HR policy of the Bank.
- 28.2** Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.
- 28.3** No remuneration and other benefits were paid to directors of the Bank. Further, no fees was paid to the directors for attending the Board or sub committee meetings.

29. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2013

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
Rupees					
<b>Market rate assets</b>					
Advances	41,039,268	21,968	2,069,027	38,948,273	-
Investments	294,736,071	-	294,736,071	-	-
Other earning assets					
Balances with other banks - deposit accounts	696,781,540	696,781,540	-	-	-
<b>Total market rate assets</b>	<b>1,032,556,879</b>	<b>696,803,508</b>	<b>296,805,098</b>	<b>38,948,273</b>	<b>-</b>
<b>Other non-earning assets</b>					
Cash in hand	13,738,775	13,738,775	-	-	-
Balances with SBP and NBP - current accounts	12,001,123	12,001,123	-	-	-
Balances with other banks - current accounts	7,831,592	7,831,592	-	-	-
Operating fixed assets	198,884,378	2,968,621	16,119,400	19,718,362	160,077,995
Other assets	57,603,293	12,989,494	12,678,589	20,034,551	11,900,659
Deferred tax asset	58,894,148	-	-	-	58,894,148
<b>Total non-earning assets</b>	<b>348,953,309</b>	<b>49,529,605</b>	<b>28,797,989</b>	<b>39,752,913</b>	<b>230,872,802</b>
<b>Total assets</b>	<b>1,381,510,188</b>	<b>746,333,113</b>	<b>325,603,087</b>	<b>78,701,186</b>	<b>230,872,802</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	-	-	-	-	-
All other time deposits (including fixed rate deposits)	7,575,000	1,000,000	1,600,000	4,975,000	-
Other cost bearing deposits	70,821,593	70,821,593	-	-	-
<b>Total market rate liabilities</b>	<b>78,396,593</b>	<b>71,821,593</b>	<b>1,600,000</b>	<b>4,975,000</b>	<b>-</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	126,781,639	126,781,639	-	-	-
Other liabilities	137,514,717	48,356,413	84,413,678	-	4,744,626
<b>Total non-cost bearing liabilities</b>	<b>264,296,356</b>	<b>175,138,052</b>	<b>84,413,678</b>	<b>-</b>	<b>4,744,626</b>
<b>Total liabilities</b>	<b>342,692,949</b>	<b>246,959,645</b>	<b>86,013,678</b>	<b>4,975,000</b>	<b>4,744,626</b>
<b>Net assets</b>	<b>1,038,817,239</b>	<b>499,373,468</b>	<b>239,589,409</b>	<b>73,726,186</b>	<b>226,128,176</b>



### 30. RELATED PARTIES TRANSACTIONS

Related parties of the Bank comprise of parent company, associated company, directors, key management personnel and employees retirement benefit funds. The detail of Bank's shareholders is given in note 15.3 while remuneration of key employee personnel is disclosed in note 28 to the financial statements. PTCL, the parent company, holds 100% shares of the Bank, therefore, all subsidiaries and associated undertakings of PTCL are related parties of the Bank. Also, the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees retirement benefit funds. Detail of transactions during the year and balances outstanding as at the year ended December 31, 2013 are as follows:

Transactions	2013 Rupees	2012 Rupees
Parent Company - PTCL		
Payment for disaster recovery services	9,845,000	-
Internet, connectivity and utility charges	1,236,080	-
Associated Company - PTML		
Administrative expenses incurred on behalf of the Bank	13,731,187	3,332,019
Fixed assets transferred from PTML	7,634,727	8,512,036
Payment for fixed assets and administrative costs	10,976,965	-
Payment against brachless banking and bills collected	4,119,132	-
Interest expense on deposits	198,167	-
Employees provident fund		
Contribution to provident fund	2,308,191	-
<b>Balances</b>		
Parent Company - PTCL		
Prepaid for disaster recovery services	9,516,834	-
Associated Company - PTML		
Deposits	17,100,461	-
Payable to PTML		
Administrative expenses incurred on behalf of the Bank	14,838,591	3,332,019
Fixed assets transferred from PTML	16,146,763	8,512,036
Payable against brachless banking and bills collected	18,355,897	-
Fee for enhancement of share capital	-	8,752,350
Employees provident fund		
Payable to provident fund	532,040	425,802

*APK*

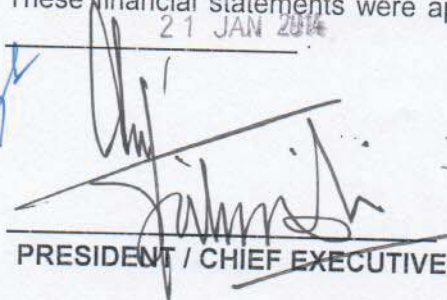
### 31. GENERAL

Corresponding figures have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances. Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 which have nil balances, have not been reproduced in these financial statements.

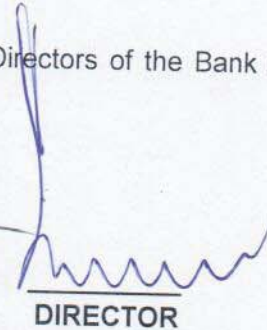
### 32. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on 21 JAN 2014

*AM*

  
\_\_\_\_\_  
PRESIDENT / CHIEF EXECUTIVE

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

*Alain*