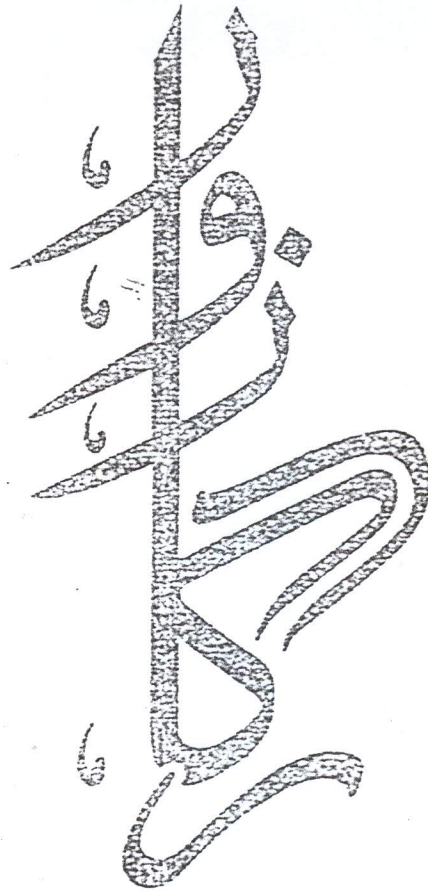


# ANNUAL REPORT 2010



**ROZGAR**  
Micro Finance  
Bank Limited

64 C, 7<sup>th</sup> Commercial Street, Khayabane Jami Phase-7, DHA, Karachi

## Corporate Information (Current)

### Board of Directors

Mr. Mohammad Hanif Janoo	Chairman
Mr. Muhammad Afzal Munif	Director
Mr. Mohammad Rafiq Rangoonwala	Director
Mr. Ahsan mehanti	Director
Mr. Manzoor Ahmed	Director
Mr. Amin Bhooori	Director
Choudhry Azmat Khan	Director (Acting C.E.O.)
Mr. Badar-ud-Din Khan	Director

### Audit Committee

Mr. Mohammad Rafiq Rangoonwala	Chairman
Mr. Nadir Fazwani	Member
Mr. Ahsan Mehanti	Member

### Company Secretary

Mr. Azmat Khan

### Registered & Head Office

64-C, 7<sup>th</sup> Commercial Street  
Khayabane Jami, Phase-7  
DHA, Karachi, Pakistan.  
Telephone 35316200-7

Telefax 35316194  
E-mail: [info@rozgarbank.com](mailto:info@rozgarbank.com)  
URL: [www.rozgarbank.com](http://www.rozgarbank.com)

### Auditors

M/s. Avais Hyder Liaquat Nauman  
Chartered Accountants

### Bankers

MyBank Ltd  
NIB Bank Ltd  
Summit Bank Ltd.

### Legal Advisor

M/s. Ahmed & Qazi Associates  
Advocates & Consultants

## Branch & Service Centre Network (Current)

### BRANCHES

#### MAIN BRANCH

64-C, 7<sup>th</sup> Commercial Street,  
Khaybane Jami, Phase-7, DHA  
Karachi.





# Rozgar MicroFinance Bank Limited

روزگار میکروفنانس بینک لمیٹڈ

## NOTICE OF 7<sup>th</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 7<sup>th</sup> Annual General Meeting of Rozgar Micro Finance Bank Limited will be held on Monday April 25, 2011 at 5:45 p.m. at the Bank's head office situated at 64-C, 7<sup>th</sup> Commercial Street, Phase-VII, DHA, Karachi, to transact the following business:

### Ordinary Business :

1. To confirm the minutes of last Annual General Meeting of the Company held on April 30, 2010.
2. To receive, consider and adopt the Audited Annual Accounts of the Company for the year ended December 31, 2010 together with the Directors' and Auditors' Report thereon. (The same will be sent after the approval of audit committee.)
3. To appoint Auditors of the Company for the year ended December 31, 2011 and fix their remuneration. The present Auditors M/s. Avas Hyder Liaquat Nauman & Co., Chartered Accountants have offered themselves for re-appointment as auditors of the Company.
4. To elect 9 directors as fixed by the Board under section 178(1) of the Companies Ordinance, 1984 in accordance with the provision of the said Ordinance for a period of three years commencing from 30th April 2011. The following Directors retire and have offered themselves for re-election.
  - a. Mr. Hanif Janoo
  - b. Mr. Mohammad Afzal Munif
  - c. Mr. Rafiq Rangoonwala
  - d. Mr. Badr-ud-Din Khan
  - e. Mr. Azmat Khan
  - f. Mr. Manzoor Ahmed
  - g. Mr. Mohammad Amin Bhoori
  - h. Mr. Ahsan Mehanti

### Special Business :

5. To consider, propose and if thought fit, pass with or without modification, the Special Resolution to amend the existing Articles of Association of the Company in order to bring it in alliance with the amendments in the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and Microfinance Institution Ordinance, 2001 and any other relevant laws applicable, as updated.

**"RESOLVED** that the existing Articles of Association of the Company be and is hereby amended completely to bring it in alliance with the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and Microfinance Institution Ordinance, 2001 and any other relevant laws applicable, as updated."

*[Handwritten signature]*

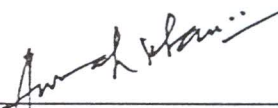


**"FURTHER RESOLVED** that the Chief Executive / Company Secretary of the Company be and is hereby authorised to do all acts necessary to effect the Special Resolutions and appoint Consultant(s) for the purpose of the addition / alteration to be made in the Memorandum and Articles of Association of the Company and authorise them to comply with all the necessary requirements of the law in this connection."

6. To transact any other business with the permission of the Chair.

A Statement u/s160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Resolution is being sent to the shareholders with this notice.

By Order of the Board



Company Secretary

Karachi:  
March 30, 2011

**NOTES :**

1. The Share Transfer Books of the Company will remain closed from April 19 2011 to April 25, 2011 (both days inclusive).
2. A member entitled to attend, and vote at the Annual General Meeting is entitled to appoint another member of the Company as a Proxy to attend and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Company or otherwise. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. Any person who seeks to contest the election to the Office of Directors shall file at the Registered Office of the Company, not later than 14 days before the day of meeting, but not in any case after April 19, 2011, a notice of his/her intention to offer himself/herself for election as Director in terms of Section 178(3) of the Companies Ordinance, 1984.
4. Shareholders are requested to notify changes in their addresses, if any, at the Registered Office of the Company.

**STATEMENT UNDER SECTION 160(1) (B) OF THE COMPANIES ORIDNANCE, 1984.**

**Agenda No.7**

It was decided by the Board of Directors of the Company in their meeting that the amendments are required to be made in order to bring the Articles of Association of the company in alliance with the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and Microfinance Institution Ordinance, 2001 and any other relevant laws applicable, as updated.

The Directors of the Company have no interest in the Special Resolutions except to the extent of their shareholdings and remuneration in the Company. The said alteration will not affect anyone's interest unfavorably in the Company.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ROZGAR MICROFINANCE BANK LIMITED** (the 'Bank') as at December 31, 2010 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, (here-in-after referred to as the "Financial Statement") for the year ended December 31, 2010 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, the Microfinance Institution Ordinance, 2001, and the directives issued by 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 financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial 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 and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, the Microfinance Institution Ordinance 2001 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in



equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give information required by the Companies Ordinance, 1984, the Microfinance Institution Ordinance, 2001, and the directives issued by State Bank of Pakistan, in the manner so required;

- (d) in our opinion 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 presents fairly the state of the Bank's affairs as at December 31, 2010 and of the loss, its cash flows and changes in equity for the year then ended; and
- (e) 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.

  
Chartered Accountants  
Karachi.

Dated: 28 MAR 2011

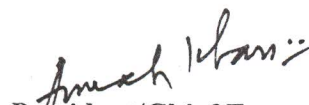
Engagement Partner: Adnan Zaman

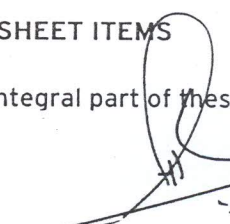


**ROZGAR MICRO FINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2010**


	Note	2010 Rupees	2009 Rupees
<b>Asset</b>			
Cash and balances with State Bank of Pakistan	6	6,259,512	6,267,529
Balances with other banks	7	50,340,768	49,756,542
Lending to financial institution		-	-
Investments - net of provisions	8	53,957,780	4,489,235
Advances - net	9	351,883	491,039
Operating fixed assets	10	767,538	5,403,996
Other assets	11	7,637,353	4,422,957
Deferred tax asset	12	-	-
Assets held for sale	13	778,000	-
		<u>120,092,834</u>	<u>70,831,298</u>
<b>Liabilities</b>			
Deposits and other accounts	14	23,999,556	30,838,444
Borrowing		-	-
Subordinated debt		-	-
Other liabilities	15	3,133,443	3,014,753
Deferred tax liabilities		-	-
		<u>27,132,999</u>	<u>33,853,197</u>
<b>Net assets</b>		<u><u>92,959,835</u></u>	<u><u>36,978,101</u></u>
<b>Represented by:</b>			
Share capital	16	185,714,290	100,000,000
Statutory and general reserves		-	-
Discount on issue of right shares		(25,714,290)	-
Accumulated losses		<u>(67,040,165)</u>	<u>(63,344,602)</u>
		92,959,835	36,655,398
Surplus on revaluation of fixed assets		-	-
Deferred grant	17	-	322,703
		<u><u>92,959,835</u></u>	<u><u>36,978,101</u></u>
<b>MEMORANDUM/OFF BALANCE SHEET ITEMS</b>	18	-	-

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

  
President/Chief Executive

  
Chairman

  
Director

  
Director

**ROZGAR MICRO FINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 Rupees	2009 Rupees
Mark-up earned	19	7,064,498	7,044,257
Mark-up / return expensed	20	(918,819)	(1,013,329)
Net mark-up / interest income		6,145,678	6,030,928
Provisions against non-performing loans and advances	9.2.1	(126,933)	(9,807,497)
Net mark-up / interest income after provisions		6,018,745	(3,776,569)
Non markup / non interest income			
Fee, commission and brokerage income	21	288,578	329,796
Other income	22	3,290,217	3,679,561
		3,578,795	4,009,357
		9,597,540	232,788
Non markup / non interest expenses			
Administrative expenses	23	(10,721,941)	(13,412,350)
Other charges	24	-	-
Loss on disposal of operating fixed assets		(10,427)	(9,812)
Impairment loss on assets held for sale	13	(2,454,871)	-
		(13,187,239)	(13,422,162)
Loss for the year before taxation		(3,589,699)	(13,189,374)
Taxation - current	11.1	(70,644)	-
- prior		(35,221)	-
		(105,865)	-
Loss after taxation		(3,695,564)	(13,189,374)
Balance brought forward		(63,344,602)	(50,155,228)
Loss before appropriation		(67,040,166)	(63,344,602)
Appropriation			
Transfer to		-	-
- Statutory reserve		-	-
- Capital reserve		-	-
- Contribution to depositors' protection fund		-	-
- Revenue reserve		-	-
- Dividend		-	-
		-	-
Balance carried forward		(67,040,166)	(63,344,602)
Loss per share - basic and diluted (Rupees)	25	(0.20)	(1.32)

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

  
President / Chief Executive

  
Chairman

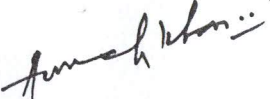
  
Director

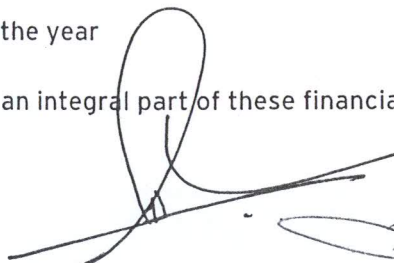
  
Director

**ROZGAR MICRO FINANCE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**


	2010 Rupees	2009 Rupees
Other comprehensive income		
Loss after taxation	(3,695,565)	(13,189,374)
Other comprehensive income for the year (net of tax)	-	-
Total comprehensive loss for the year	<u>(3,695,565)</u>	<u>(13,189,374)</u>

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

  
President/Chief Executive

  
Chairman

  
Director

  
Director


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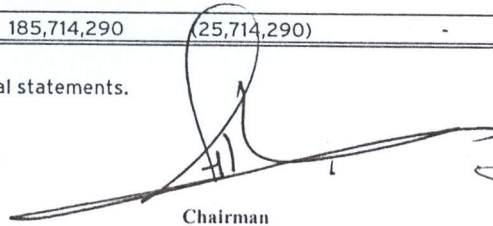


ROZGAR MICROFINANCE BANK LIMITED,  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Share Capital	Discount on issue of shares	Capital Reserve	Statutory Reserve	Revenue Reserve	Accumulated loss	Total
	Rupees						
Balance as at December 31, 2008	100,000,000	-	-	-	-	(50,155,228)	49,844,772
Loss for the year	-	-	-	-	-	(13,189,374)	(13,189,374)
Balance as at December 31, 2009	100,000,000	-	-	-	-	(63,344,602)	36,655,398
Right shares issued during the year	85,714,290	-	-	-	-	-	85,714,290
Discount on issue of right shares	-	(25,714,290)	-	-	-	-	(25,714,290)
Loss for the year	-	-	-	-	-	(3,695,565)	(3,695,565)
Balance as at December 31, 2010	185,714,290	(25,714,290)	-	-	-	(67,040,166)	92,959,834

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

  
President / Chief Executive

  
Chairman

  
Director

  
Director

**ROZGAR MICRO FINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>Cash flow from operating activities</b>		
Loss before taxation	(3,589,700)	(13,189,374)
Adjustments for non-cash charges		
Depreciation	758,435	1,198,150
Amortization - intangible assets	19,701	78,805
Amortization - deferred costs	59,081	236,322
Amortization - deferred grant	(322,703)	(254,529)
Provision for gratuity	70,167	(72,566)
Provisions against non-performing loans and advances	126,933	9,807,497
Gain on sale of fixed assets	(524,377)	(760,369)
Impairment loss on assets classified as 'Held For Sale'	2,454,871	-
Loss on sale of fixed assets	10,427	9,812
	<u>2,652,535</u>	<u>10,243,122</u>
	(937,164)	(2,946,252)
(Increase) / decrease in operating assets		
Advances	12,222	8,221,102
Other assets	(2,684,157)	3,107,504
	(2,671,935)	11,328,606
Increase / (decrease) in operating liabilities		
Deposits	(6,838,889)	6,658,477
Other liabilities	48,523	(1,720,531)
	(6,790,366)	4,937,946
	(10,399,465)	13,320,300
Taxes paid	(695,182)	(670,467)
Net cash (used in) / generated from operating activities	(11,094,647)	12,649,833
<b>Cash flow from investing activities</b>		
Additions in operating fixed assets	-	(10,700)
Additions in intangible assets	-	-
Proceeds from sale of fixed assets	1,139,400	2,163,498
Investments - net of provisions	(49,468,545)	137,500
Net cash (used in) / generated from investing activities	(48,329,145)	2,290,298
<b>Cash flow from financing activities</b>		
Issue of right shares	60,000,000	-
Net cash used in financing activities	60,000,000	-
Net increase in cash and cash equivalents	576,208	14,940,131
Cash and cash equivalent at beginning of the year	56,024,071	41,083,940
Cash and cash equivalent at end of the year	<u>56,600,280</u>	<u>56,024,071</u>
Cash and cash equivalents comprise of:		
Cash and balances with State Bank of Pakistan	6,259,512	6,267,529
Balances with other banks	50,340,768	49,756,542
	<u>56,600,280</u>	<u>56,024,071</u>

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

  
President / Chief Executive

  
Chairman

  
Director

  
Director

**ROZGAR MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**1 Nature of business**

Rozgar 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 the creation of income generating opportunities for the small entrepreneur under the Microfinance Institutions Ordinance, 2001. The Bank has been granted license No.MFI-004 for commencement of business from the State Bank of Pakistan (SBP) vide SBP letter dated September 14, 2004. The Bank commenced its commercial operations with effect from April 08, 2005. The Bank's head office and principal place of business is located at 64-C Jami Commercial, Street 7, D.H.A, Karachi-75500, Pakistan. The Bank is eligible to carry on its business activities within districts of Karachi.

**2 Basis of presentation of financial statements**

2.1 These financial statements have been presented in accordance with BSD circular No. 11 dated December 30, 2003 issue by the State Bank of Pakistan (SBP).

2.2 The State Bank of Pakistan's BSD circular No: 7 dated March 20th 2008 requires that, Microfinance Banks (MFBs) licensed to operate in a specified district shall maintain a minimum paid up capital free of losses of rupees one hundred million at the latest by December 31, 2008. For compliance with the said requirement, the Bank has issued 8,571,429 Right Shares of Rs. 10/- par value, at a discounted rate of Rs. 7.00 per share to all existing share holders in proportion to their shareholding. However, some of the shareholders declined their right, due to which bank issued these shares to other investors after SBPs approval.

Furthermore, during the year the bank has incurred further losses of Rs. 3.6 million thereby raising its accumulated losses to Rs. 67 million and equity of the bank stands at Rs 92.9 million which is below the requirement of SBP. The management is of the view that the bank will meet the short fall in equity from profits of the subsequent year.


**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 Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standards Interpretation Committee of IASB as adopted in Pakistan except where provision of directives issued by SBP, the Microfinance Institutions Ordinance, 2001, the directives issued by State Bank of Pakistan and the Companies Ordinance, 1984 differ with the requirements of these standards, such provisions take precedence.

SBP vide BSD Circular no. 10, dated 26 August 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 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 Standards (IFRS) 7 'Financial Instruments' which is applicable for annual periods beginning on or after 01 July 2008 till further orders.

**4 Basis of measurement**

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values 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 on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is 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.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 31.

## 5 Summary of significant accounting policies

### 5.1 Cash and cash

Cash and cash equivalents comprise of cash in hand, balances with State Bank of Pakistan and balances held with other banks.

### 5.2 Investments

Investments of the Bank are classified as 'Held to maturity'. 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 any provision for impairment, if any.

### 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 three categories:

- a Substandard: These are advances in arrears (payments/ installments overdue) for 30 days or more (but less than 90 days).
- b Doubtful: These are advances in arrears (payments/ installments overdue) for 90 days or more (but less than 180 days).
- c Loss: These are advances in arrears (payments/ installments overdue) for 180 days or more. The Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

Substandard	25% of the outstanding principal net of cash collaterals
Doubtful	50% of the outstanding principal net of cash collaterals
Loss	100% of the outstanding principal net of cash collaterals

In addition, a general provision is maintained equivalent to 1.5% of the net outstanding balance (advances net of specific provisions) for potential loan losses.

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

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged over estimated useful lives of the related assets at varying rates on reducing balance method. For assets added during the year, depreciation is charged from the month when respective assets were put to use and for assets disposed off depreciation is charged up to the month of disposal. Normal repairs and maintenance is charged to revenue as and when incurred, whereas major renewals and replacements are capitalized. Profit and loss on disposal of fixed assets is taken to income currently.

MHSW

## 5.5 Impairment

The carrying values of the Bank's assets are 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 values 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.

## 5.6 Deferred cost

Deferred cost represents preliminary expenses. These are being amortized over a period of sixty months on straight-line basis starting from the month of commencement of commercial operations.

## 5.7 Grant

The grant related to an asset is recognised 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 recognised as revenue in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

## 5.8 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-half of one percent of turnover, whichever is higher. The income of the Bank is exempt from tax for a period of five years starting from July 01, 2007 under Clause 56 (XVIII) of Part 1 of second schedule of the Income Tax Ordinance, 2001, subject to the condition that the Bank shall not distribute its profit to its shareholders and that profits are utilized for microfinance services.

### 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.


## 5.9 Revenue recognition

Mark-up / return on investment is recognized on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining period on maturity.

Mark-up / return on advances are recognised on a time proportion basis using effective interest method.

Income from interbank deposits in saving accounts are recognised in the profit and loss account as it accrues using the effective 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 recognised when earned.

Interest on mark-up recoverable on non-performing advances is recognised on a receipt basis in accordance with the requirements of the Prudential Regulations.

#### 5.10 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.

#### 5.11 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.

#### 5.12 Transactions with related parties


The Bank enters into transactions with related parties on an arm's length basis.

#### 5.13 Staff retirement benefits

Provision for gratuity has been made on the basis of a computation for gratuity accrued. In the opinion of the management the provision as per actuarial computation is not likely to be materially different from the amount recognized in these financial statements.

#### 5.14 Deposits

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





	Note	2010 Rupees	2009 Rupees
<b>6 Cash and balances with State Bank of Pakistan</b>			
Cash in hand		1,614,205	1,616,647
Stamps in hand		162,602	163,952
Balance with State Bank of Pakistan	6.1	<u>4,482,705</u>	<u>4,486,930</u>
		<u>6,259,512</u>	<u>6,267,529</u>

- 6.1 These balances are maintained with State Bank of Pakistan (SBP) to meet the requirement of maintaining minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with Regulation No. 6(a) of the Prudential Regulations.

**7 Balance with other banks**

In Pakistan			
On current accounts		423,231	991,089
On saving accounts	7.1	14,917,537	15,381,503
On deposit account	7.2	<u>35,000,000</u>	<u>33,383,949</u>
		<u>50,340,768</u>	<u>49,756,542</u>

- 7.1 The rate of return on these accounts range from 5.00% to 10.00% per annum (December 31, 2009: 3.50% to 8.50% per annum).

- 7.2 These accounts represent term deposit receipts and carry markup at rates ranging from 10% to 11.5% per annum (December 31, 2009: 10% to 16.5% per annum).

**8 Investments - net of provisions**

Held to maturity			
Treasury bills	8.1	<u>53,957,780</u>	<u>4,489,235</u>

- 8.1 These investments are held in treasury bills. These are due on January 27, 2011 and March 25, 2011 with a stated yield of 12.20% and 12.75% respectively (2009: 11.06%).

**9 Advances**

Loan type	2010		2009	
	Number of loans Outstanding	Amount outstanding	Number of loans Outstanding	Amount outstanding
Micro credit	6	367,393	41	492,584
Micro lease	1	16,040	11	390,986
	7	383,433	52	883,570
Less: Provisions held				
Specific	2	26,191	48	385,053
General	5	5,359	4	7,478
Sub-Total	7	31,550	52	392,531
Advances (net of provision)	7	351,883	52	491,039

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### 9.1 Particulars of non-performing loans

Advances include Rs. 383,433/- ( 2009: Rs 524,243/- ) which, as detailed below, have been placed under non-performing status.

Category of Classification	2010			2009		
	Amount Outstanding	Provisions Required	Provisions Held	Amount Outstanding	Provisions Required	Provisions Held
Regular	236,434	-	-	-	-	-
Other Assets Especially Mentioned (OAEM)	90,355	-	-	45,730	-	-
Sub-standard	40,604	10,151	10,151	39,455	9,864	9,864
Doubtful	-	-	-	219,198	109,599	109,599
Loss	16,040	16,040	16,040	265,590	265,590	265,590
	<u>383,433</u>	<u>26,191</u>	<u>26,191</u>	<u>569,973</u>	<u>385,053</u>	<u>385,053</u>

### 9.2 Particulars of provision against non-performing loans

	2010			2009		
	Specific	General	Total	Specific	General	Total
Opening balance	385,054	7,478	392,532	9,433,671	282,025	9,715,696
Charge for the year	129,052	-	129,052	10,082,044	2,528	10,084,572
Amount written off	(487,915)	-	(487,915)	(19,130,661)	-	(19,130,661)
Reversal		(2,119)	(2,119)		(277,075)	(277,075)
Closing balance	<u>26,191</u>	<u>5,359</u>	<u>31,550</u>	<u>385,054</u>	<u>7,478</u>	<u>392,532</u>

#### 9.2.1 Provision against non-performing loans

Note

	2010 Rupees	2009 Rupees
Charge for the year	129,052	10,084,572
Reversal	(2,119)	(277,075)
	<u>126,933</u>	<u>9,807,497</u>

### 9.3 Particulars of write offs

Against provision	(487,915)	(19,130,661)
Directly charged to profit and loss account		-
	<u>(487,915)</u>	<u>(19,130,661)</u>

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10 Operating fixed assets

Property and equipment  
Intangible assets

Notes	2010 Rupees	2009 Rupees
10.1	767,538	5,384,295
10.2	-	19,701
	<u>767,538</u>	<u>5,403,996</u>

10.1 Operating fixed assets

Particulars	Cost				Depreciation				Written down value 31 Dec, 2010	Rate %
	As at 1st January 2010	Addition	Deletion	As at December 31, 2010	Accumulated Depreciation at 1st Jan, 2010	Charge for the year	Adjustment	Accumulated Depreciation at 31 Dec, 2010		
Office improvement	2,993,747	-	(2,993,747) *	-	1,038,085	186,847	(1,224,932)	-	-	10%
Computers	3,657,394	-	(72,000) (1,547,849) *	2,037,545	2,642,916	288,461	(59,573) (1,185,651)	1,686,154	351,391	33%
Electrical equipments	974,912	-	(44,744) (895,568) *	34,600	525,467	78,914	(19,915) (565,815)	18,650	15,950	20%
Furniture & fixture	1,557,827	-	- (1,291,874) *	265,953	532,465	97,965	- (519,769)	110,661	155,292	10%
Vehicles	2,310,825	-	(1,481,725)	829,100	1,371,477	106,248	(893,530)	584,195	244,905	20%
Total 2010	11,494,705	-	(8,327,507)	3,167,198	6,110,410	758,435	(4,469,185)	2,399,660	767,538	

\* Transferred to assets held for sale (refer note 13)

Particulars	Cost				Depreciation				Written down value 31 Dec, 2009	Rate %
	As at 1st January 2009	Addition	Deletion	As at December 31, 2009	Accumulated Depreciation at 1st Jan, 2009	Charge for the year	Adjustment	Accumulated Depreciation at 31 Dec, 2009		
Office improvement	2,993,747	-	-	2,993,747	831,500	206,585	-	1,038,085	1,955,662	10%
Computers	3,657,394	-	-	3,657,394	2,234,930	407,986	-	2,642,916	1,014,478	33%
Electrical equipments	964,212	10,700	-	974,912	426,572	98,895	-	525,467	449,445	20%
Furniture & fixture	1,557,827	-	-	1,557,827	424,152	108,313	-	532,465	1,025,362	10%
Vehicles	5,070,815	-	(2,759,990)	2,310,825	2,342,153	376,371	(1,347,047)	1,371,477	939,348	20%
Total 2009	14,243,995	10,700	(2,759,990)	11,494,705	6,259,307	1,198,150	(1,347,047)	6,110,410	5,384,295	

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10.1.1 The details of disposal of assets:

Particulars	Cost	Book Value	Sale proceed	Mode of disposal	Particulars of buyer
Suzuki Bolan CNG	461,000	173,918	370,000	Public Auction	Motor Work
Double Cabin Changan	360,000	129,136	150,000	Public Auction	Motor Work
Suzuki Cultus VXR CNG	660,725	285,140	585,000	Public Auction	Sultan Hasan Khan
IBM G-40 Laptop	72,000	12,427	2,000	Negotiation	Mr. Badr-ud-Din Khan
Air Conditioner	21,244	11,997	16,200	Public Auction	Al Makkah Power Generator & cool Cer
Air Conditioner	23,500	12,832	16,200	Public Auction	Al Makkah Power Generator & cool Cer
	1,598,469	625,451	1,139,400		

10.2 Intangible assets:

Particulars	Cost				Ammotization				Written down value 31 Dec 2010	Rate %
	As at 1st January 2010	Addition	Deletion	As at December 31 2010	Accumulated ammortization at 1st Jan 2010	Charge for the year	Adjustment	Accumulated ammortization at 31 Dec 2010		
Softwares	157,610	-	-	157,610	137,909	19,701	-	157,610	-	50%
Total 2010	157,610	-	-	157,610	137,909	19,701	-	157,610	-	

Particulars	Cost				Ammotization				Written down value 31 Dec 2009	Rate %
	As at 1st January 2009	Addition	Deletion	As at December 31 2009	Accumulated ammortization at 1st Jan 2009	Charge for the year	Adjustment	Accumulated ammortization at 31 Dec 2009		
Softwares	157,610	-	-	157,610	59,104	78,805	-	137,909	19,701	50%
Total 2009	157,610	-	-	157,610	59,104	78,805	-	137,909	19,701	

Ans.

	Note	2010 Rupees	2009 Rupees
<b>11 Other assets</b>			
Advances	11.1	1,903,037	31,376
Deposits		161,800	218,600
Prepayments		37,147	115,568
Staff loan		-	13,241
Mark-up receivable		1,497,245	582,664
Taxation-net	11.2	1,023,714	1,095,242
Income tax refundable		2,671,285	2,010,437
Sundry debtors		61,445	5,038
Deferred cost	11.3	-	59,081
Stock of stationary		281,680	291,710
		<u>7,637,353</u>	<u>4,422,957</u>

11.1 Including advance for purchase a car of Rs. 1,853,550 (2009: Nil)

#### 11.2 Taxation-net

Advance income tax		1,129,579	1,095,242
Less: Provision for taxation - current	11.2.1	(70,644)	
- prior		(35,221)	-
		(105,865)	-
		<u>1,023,714</u>	<u>1,095,242</u>

11.2.1 The income of the Bank is exempt from tax for a period of five years starting from July 01, 2007 under Clause 56 (XVIII) of Part 1 of second schedule of the Income Tax Ordinance, 2001, subject to the condition that the Bank shall not distribute its profit to its shareholders and that profits are utilized for microfinance services.

The amount represents minimum tax under section 113 of Income Tax Ordinance.

#### 11.3 Deferred cost

Preliminary expenses		1,181,611	1,181,611
Less: Amortization			
Balance at beginning of the year		1,122,530	886,208
For the year		59,081	236,322
		<u>1,181,611</u>	<u>1,122,530</u>
		<u>-</u>	<u>59,081</u>

#### 12 Deferred Tax asset

The Bank's income is exempt from income tax upto 30 June 2012 as mentioned in note to these financial statements therefore, the bank has not recognized deferred tax asset on estimated unused tax losses amounting to Rs. 22.58 million (2009: 23.85 million)

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13 Assets held for sale

Particulars	Cost	Depreciation	Carrying Value as at December 31, 2010	Fair Value	Estimated Cost to sales	Fair Value Less cost to sales	Impairment
Amount in Rupees							
Office Improvement	2,993,747	1,224,932	1,768,815	-	-	-	1,768,815
Furniture	1,291,874	519,769	772,105	286,000	10,667	275,333	496,772
Computer	1547849	1185651	362,198	186,000	10,667	175,333	186,865
Equipment	895,568	565,815	329,753	338,000	10,667	327,333	2,420
	6,729,038	3,496,167	3,232,871	810,000	32,000	778,000	2,454,871

- 13.1 The above relates to those asset which were sold subsequent to the year end due to closure of branches. The fair value of above is the highest offer received through the open tender.

14 Deposits

	2010		2009	
	Number of accounts	Amount	Number of accounts	Amount
Fixed accounts	1	1,000,000	1	1,000,000
Daily product	46	6,186,243	42	10,496,720
Saving accounts	4,974	8,883,388	4,809	7,443,143
Current accounts	356	7,920,824	326	11,888,781
Other		9,100		9,800
	5,377	23,999,556	5,178	30,838,444

14.1 Particulars of deposits by

	2010		2009	
	Number of accounts	Amount	Number of accounts	Amount
1) Individual depositors	5,310	18,038,715	5,150	27,667,075
2) Institutional depositors				
- Corporation/firm/etc.	67	5,960,841	28	3,171,369
	5,377	23,999,556	5,178	30,838,444



	Note	2010 Rupees	2009 Rupees
15 Other liabilities			
Accrued expenses		1,645,484	1,135,491
Provision for gratuity	15.1	405,167	335,000
Accrued markup on saving deposits		120,456	142,886
Bills payable		962,336	1,401,376
		<u>3,133,443</u>	<u>3,014,753</u>

15.1 Provision for gratuity

Opening balance as on Jan 1, 2010		335,000	407,567
Charge to profit and loss account	15.2	70,167	(72,567)
Closing balance		<u>405,167</u>	<u>335,000</u>

15.2 Gratuity expenses consists of

Current service cost		101,833	120,500
Expense reversed		(31,666)	(193,067)
Current service cost		<u>70,167</u>	<u>(72,567)</u>

16 Share capital

Authorized share capital

2010	2009		2010	2009
<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs.10/- each	<u>250,000,000</u>	<u>250,000,000</u>

Issued subscribed and paid-up

2010	2009		2010	2009
10,000,000	10,000,000	Ordinary shares of Rs.10/- fully paid in cash	100,000,000	100,000,000
8,571,429	-	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7/- each	85,714,290	-
<u>18,571,429</u>	<u>10,000,000</u>		<u>185,714,290</u>	<u>100,000,000</u>

16.1 This includes shares owned by the Sponsors amounting to Rs. 51.690 million deposited with the State Bank of Pakistan as required under Clause 7 of the SBP License No. MFI-004 dated September 14, 2004.

16.2 The State Bank of Pakistan's BSD circular No. 7 dated March 20th 2008 requires that, Microfinance Banks (MFBs) licensed to operate in a specified district shall maintain a minimum paid up capital free of losses of rupees one hundred million at the latest by December 31, 2008. In order to comply with the SBP requirement, the Board of Directors of the Bank in their meeting held on October 24, 2009 and the shareholders of the Bank in the extraordinary general meeting held on February 16, 2010 have approved issuance of 85.7% right shares at a price of Rs. 7 per share (discount of Rs. 3 per share) i.e. Rs. 60,000,000 (8,571,429 shares) out of which 3,257,143 shares subscribed by existing shareholders and remaining 5,314,286 shares subscribed by Summit Bank Ltd.

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	Note	2010 Rupees	2009 Rupees
<b>17 Deferred grant</b>			
Grant received from State Bank of Pakistan	17.1	2,405,951	2,405,951
Less: Grant recognized as other income			
Balance at beginning of the year		2,083,248	1,828,719
For the year	22	322,703	254,529
		<u>2,405,951</u>	<u>2,083,248</u>
		<u>-</u>	<u>322,703</u>
<p>17.1 This represents amounts received from State Bank of Pakistan with reference to Institutional Strengthening Component. The grant is to be used for capital expenditure in accordance with "capital expenditure plans" which have been submitted by the Bank. The above grant relates to those assets which were sold subsequent to the year end and classified as held for sale in these financial statements, Therefore, all the balance of deferred grant is being charged to the profit and loss account.</p>			
<b>18 Memorandum/ off balance sheet items</b>			
<b>18.1 Contingencies</b>			
There were no contingent liabilities as at the balance sheet date.			
<b>18.2 Commitment</b>			
There were no commitment as at the balance sheet date.			
<b>19 Mark-up earned</b>			
Mark-up on advances		240,572	2,129,221
Mark-up on deposits accounts		6,214,439	4,451,348
Profit on government securities		609,485	463,688
		<u>7,064,497</u>	<u>7,044,257</u>
<b>20 Mark-up/ Interest expensed</b>			
Deposit		<u>918,819</u>	<u>1,013,329</u>
<b>21 Fee, commission and brokerage income</b>			
Income from issuance of cheque book		76,021	89,434
Service charges		3,000	600
Commission on remittance		209,557	210,100
Late payment penalty		-	29,662
		<u>288,578</u>	<u>329,796</u>
<b>22 Other income</b>			
Amortization of grant	17	322,703	254,529
Gain on sale of fixed assets		524,377	760,369
Miscellaneous income		44,002	-
Recovery against write off cases		2,399,135	2,664,663
		<u>3,290,217</u>	<u>3,679,561</u>

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	Note	2010 Rupees	2009 Rupees
<b>23 Administration and other expenses</b>			
Salary, wages and other benefits		3,248,851	4,869,209
Gratuity (reversal)/expense	15.2	70,167	(72,567)
Repair and maintenance		1,053,964	1,470,798
Fees and subscription		40,000	42,000
Legal and professional charges		1,331,633	446,000
Insurance		189,360	348,885
Advertisement		600	30,932
Stationary and printing		250,174	308,214
Communication expenses		111,387	120,461
Power and fuel		855,932	1,244,272
Books and periodicals		7,260	7,666
Rent, rates and taxes		1,918,411	2,040,150
Entertainment		159,068	190,440
Miscellaneous expenses		120,221	63,239
Traveling and conveyance		131,556	133,072
Security charges		234,939	499,455
Amortization of preliminary expenses	11.3	59,081	236,328
Business promotional expenses		-	-
Financial charges		-	2,740
Auditors remuneration	23.1	161,200	154,100
Depreciation	10.1	758,435	1,198,150
Amortization of intangible assets	10.2	19,701	78,805
		<u>10,721,941</u>	<u>13,412,349</u>

**23.1 Auditors' remuneration**

Statutory audit	125,000	125,000
Special year audit	-	-
Out of pocket expenses	36,200	29,100
	<u>161,200</u>	<u>154,100</u>

**24 Other charges**

Loss due to misappropriation	-	-
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**25 Loss per share - Basic and diluted**

Loss after taxation	<u>(3,695,565)</u>	<u>(13,189,374)</u>
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( Number of shares )

Weighted average number of ordinary shares	<u>18,571,429</u>	<u>10,000,000</u>
Loss per share (Rupees)	<u>(0.20)</u>	<u>(1.32)</u>

**26 Number of branches / Service units**

	Nos.	Nos.
At beginning of the year	9	14
Add: Opened during the year	-	-
Less: Closed during the year	1	5
At the end of the year	<u>8</u>	<u>9</u>

26.1 Bank has closed its four branches subsequent to the year ended on December 31, 2010.

**27 Number of employees**

	Credit/ Sales	Banking/ Support	2010 Total
Permanent	12	5	17
Temporary / on contractual basis	2	3	5
	<u>14</u>	<u>8</u>	<u>22</u>

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## **28 Reconciliation between tax expense and accounting profit**

The income of the Bank is exempt from tax for a period of five years starting from July 01, 2007 under Clause 56 (XVIII) of Part 1 of second schedule of the Income Tax Ordinance, 2001, subject to the condition that the Bank shall not distribute its profit to its shareholders and that profits are utilized for microfinance services.

The Bank is exempt from tax, hence no reconciliation has been provided in the current financial statements.

## **29 Financial instruments and related disclosures**

### **29.1 Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank believes that it is not exposed to any significant level of liquidity risk.

N/A

## 29.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the interest rates. The Bank manages this risk through risk management strategies. The Bank is exposed to yield/mark-up rate risk in respect of the following:

2010							
Interest bearing			Non-interest bearing			Total	
Upto one year	One to five years	Over five years	Upto one year	One to five years	Over five years		
Rupees							
<b>Financial Assets</b>							
Cash and balances with State Bank of Pakistan	-	-	-	6,259,512	-	-	6,259,512
Balances with other banks	49,917,537	-	-	423,231	-	-	50,340,768
Investments	53,957,780	-	-	-	-	-	53,957,780
Advances-net of provision	-	351,883	-	-	-	-	351,883
Other assets	-	-	-	3,623,527	-	-	3,623,527
	103,875,317	351,883	-	10,306,269	-	-	114,533,469
<b>Financial Liabilities</b>							
Deposits	16,069,631	-	-	7,929,924	-	-	23,999,556
Other liabilities	-	-	-	2,728,276	-	-	2,728,276
	16,069,631	-	-	10,658,200	-	-	26,727,831

Effective interest rates are mentioned in the respective notes to the financial statements.

2009							
Interest bearing			Non-interest bearing			Total	
Upto one year	One to five years	Over five years	Upto one year	One to five years	Over five years		
Rupees							
<b>Financial Assets</b>							
Cash and balances with State Bank of Pakistan	-	-	-	6,267,529	-	-	6,267,529
Balances with other banks	48,765,452	-	-	991,089	-	-	49,756,542
Investments	4,489,235	-	-	-	-	-	4,489,235
Advances-net of provision	-	491,039	-	-	-	-	491,039
Other assets	-	-	-	582,664	-	-	582,664
	53,254,687	491,039	-	7,841,282	-	-	61,587,009
<b>Financial Liabilities</b>							
Deposits	18,949,663	-	-	11,888,781	-	-	30,838,444
Other liabilities	-	-	-	3,014,753	-	-	3,014,753
	18,949,663	-	-	14,903,534	-	-	33,853,197

Effective interest rates are mentioned in the respective notes to the financial statements.

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### 29.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. The Bank manages this risk through having exposures only to those parties, which are considered to be credit worthy, and obtaining security deposit wherever applicable. All financial assets except cash and bank balances are subject to credit risk.

### 29.4 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. In appropriate cases, the management takes out forward contracts to mitigate the risks.

### 29.5 Fair value of financial instruments

The carrying value of all the financial assets and financial liabilities are estimated to approximate their fair values.

## 30 Remuneration of directors and executives

	President/Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Remuneration	-	79,333	-	-	-	-
Rent and house maintenance	-	31,733	-	-	-	-
Utilities	-	7,933	-	-	-	-
Total	-	118,999	-	-	-	-
Number of persons	1	2	9	9	-	-

The salary in the year 2009 represents salary of president/CEO for the month of January 2009. Subsequently President/CEO appointed is not charging any remuneration

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31 Maturity distribution of assets and liabilities

		2010					
		Total 2010	Upto one month	Over one month upto six month	Over six month upto one year	Over one year upto five year	Over five year
		Rupees					
<b>Assets</b>		-					
<b>Interest bearing</b>							
Balance with other banks	49,917,537	-	49,917,537	-	-	-	-
Advances-net of provision	351,883	-	-	351,883	-	-	-
Investment in government securities	53,957,780	-	53,957,780	-	-	-	-
<b>Non - interest bearing</b>							
Cash and balances with SBP	6,259,512	6,259,512	-/-	-	-	-	-
Balance with other banks	423,231	423,231		-	-	-	-
Operating fixed assets	767,538	-	-	-	-	-	767,538
Assets held for sale	778,000		778,000				
Other assets	7,637,353	552,512	318,827	161,800	2,909,215	3,694,999	
	120,092,833	7,235,254	104,972,144	513,683	2,909,215	4,462,537	
<b>Liabilities</b>							
<b>Interest bearing</b>							
Deposits	16,069,631	6,186,243	8,883,388	1,000,000	-	-	
<b>Non - Interest Bearing</b>							
Deposits	7,929,924	7,929,924	-	-	-	-	
Other liabilities	3,133,443	962,336	120,456	1,645,484	-	405,167	
	27,132,998	15,078,503	9,003,844	2,645,484	-	405,167	
<b>Net Assets</b>	92,959,835	(7,843,249)	95,968,300	(2,131,801)	2,909,215	4,057,370	
<b>Represented by:</b>							
Share Capital	185,714,290						
Unappropriated loss	(67,040,165)						
Discount on issue of right shares	(25,714,290)						
Deferred grant	-						
	92,959,835						

11/11/11

Maturity distribution of assets and liabilities

	2009					
	Total 2009	Upto one month	Over one month upto six month	Over six month upto one year	Over one year upto five year	Over five year
	Rupees					
<b>Assets</b>	-					
<b>Interest Bearing</b>						
Balance with other banks	48,765,452	15,381,503	33,383,949	-	-	-
Advances-net of provision	491,039	-	-	491,039	-	-
Investment in government securities	4,489,235	-	4,489,235	-	-	-
<b>Non - Interest Bearing</b>						
Cash and balances with SBP	6,267,529	6,267,529	-	-	-	-
Balance with other banks	991,089	991,089	-	-	-	-
Operating fixed assets	5,384,295	-	-	-	-	5,384,295
Intangible assets	19,701	-	-	-	19,701	-
Other assets	4,422,957	2,351,802	582,664	115,568	1,372,923	-
	70,831,298	24,991,924	38,455,848	606,607	1,392,624	5,384,295
<b>Liabilities</b>						
<b>Interest Bearing</b>						
Deposits	18,949,663	17,949,663	1,000,000	-	-	-
<b>Non - Interest Bearing</b>						
Deposits	11,888,781	11,888,781	-	-	-	-
Other liabilities	3,014,753	142,886	1,135,491	1,401,376	-	335,000
	33,853,197	29,981,330	2,135,491	1,401,376	-	335,000
<b>Net Assets</b>	36,978,101	(4,989,407)	36,320,357	(794,769)	1,392,624	5,049,295
<b>Represented by:</b>						
Share Capital	100,000,000					
Unappropriated loss	(50,155,228)					
Deferred grant	577,232					
	50,422,004					

Attn

2010  
Rupees

2009  
Rupees

### 32 Related party transactions

The Bank in the normal course of business carries out transactions with various related parties. Significant balances and transactions with related parties are as follows:

Transaction with related party	Relationship	Amount
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#### Investment with related party

Investment with Summit Bank Limited	Shareholder	
Deposit account-TDR		35,000,000
Profit on deposit account		3,756,901
Treasury bills -for safe custody only		49,481,450
Profit on treasury bills -net of commission		421,928
		88,660,279

#### Deposits from related party

Summit Bank- Shares subscription account	Shareholder	11,513,009
Summit Bank- Daily product account	Shareholder	2,207,102
Total		13,720,111

#### Deposits by:

Mariam Afzal Munif	Shareholder	3,127,112
Mark up expense during the year		136,033
		3,263,145

Rana Afzal Munif	Director	921,778
Mark up expense during the year		33,977
		955,755

Sale of asset (laptop) to Mr. Badr ud-din	Director	
Cost of asset		72,000
Accumulated depreciation		(59,573)
Sale proceed		(2,000)
Loss on sale		10,427

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

### 33 Critical accounting estimates and judgements

The Bank makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. The critical estimate and judgement has been made with respect to:

#### Property and equipment

The Bank makes estimates with respect to the useful life and residual value of the property, plant and equipment so as to systematically allocate the depreciable amount over the useful life of the asset.

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### 34 Capital management

#### Objectives, policies and processes for managing capital

The objectives, policies and processes for managing capital of the Bank are as follows:

- i) To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- ii) Maintain strong rating and to protect the bank against unexpected events.
- iii) Availability of adequate capital at reasonable cost so as to enable the Bank to expand; and achieve low cost of capital with approximate mix of capital elements.

### 35 Date of authorization

These financial statements were authorized for issue on 28 MAR 2011 by the Board of Directors of the Bank.

### 36 General

- i). Figures have been rounded off to the nearest rupee
- ii). The board of directors in their meeting held on March 28, 2011 resolved the financial statements shall be signed by Mr. Azmat Khan (Acting CEO), due to the absence of permanent CEO.
- iii). Captions, as prescribed by BSD Circular No. 11 dated December 20, 2003 issued by the State Bank of Pakistan (in respect of forms of financial statements for Microfinance Banks/Institutions) where there are no amounts reported, have not been reproduced in these financial statements except for in the balance sheet and the profit and loss account.

President / Chief Executive

Chairman

Director

Director