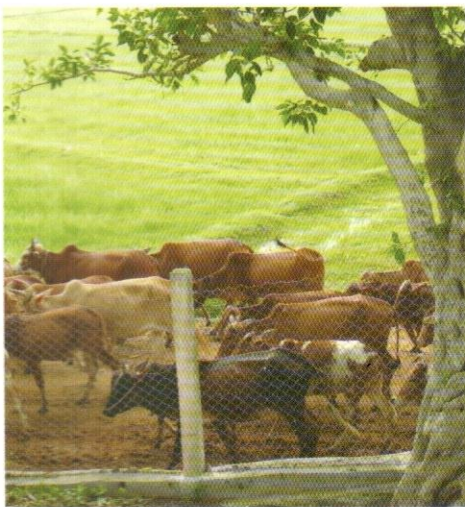


Annual Report 2013

Apna Maal



Apna Ghar



Apna Gold Loan



Delivering Upstream Performance

www.apnabank.com.pk



On the Cover:

The apna bank provides a wide range of products and services to or individual, SME and Agro micro entrepreneur through dynamic personnel.

Why go online?

www.apnabank.com.pk/annual-reports

Many shareholders are now benefiting from more accessible information and helping the environment too. If you haven't already tried it, visit our online Annual Report or just scan the QR code opposite with your smart phone and go direct. You may need to download a QR code reader for your phone.

Welcome to apna bank



What CSR-Based Management Means at apnabank



apnabank constantly monitors its Banking activities from a CSR perspective



The Five Fields of CSR-Based Management



What's Inside...

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Overview

Our chairman introduces the 2013 annual report and we explain who we are. You will also find a table of the headline figures for 2013 that summarises our performance during the year.

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- 05 About AMBL
- 06 How We Performed

Business review

Our chief executive outlines how we performed as per our strategy to deliver value. We introduce our board and the operating and financial reviews outline of our performance in 2013. We also give an overview of the markets in which we operate and of the risks facing the business and what we are doing to mitigate them.

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CHAIRMAN'S MESSAGE

Jazzak Allah,

The bank strengthened its position in 2013 and has become a financially stronger bank with a bright future. It has been a year marked by major changes in challenging times.



Apna Microfinance Bank since acquisition in Jan, 2012 by the present Management is now one of the fast growing microfinance providers currently operating at district level in Karachi, playing its due role in the Poverty Reduction Strategy of the Government of Pakistan.

The Bank with a team of professionals and dedicated employees is now poised to extend its operations and outreach to provincial level in near future of course with the express approval of regulators.

I sincerely extend my thanks and gratitude to all our clients for the confidence reposed by them in Apna Microfinance Bank as well as my appreciation and indebtedness to the Directors, Management and the staff for their relentless efforts in the development of the Bank creating strong presence in the comity of Microfinance Banks.

I am also deeply thankful to the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and Karachi Stock Exchange for their continued support and guidance.



Mian M. A. Shahid
Chairman

About AMBL



Apna Microfinance Bank is managed by group of highly experienced bankers. We are committed providing specialized financial services to the less privileged and marginally poor. We Support economic empowerment of WOMEN & micro-entrepreneurs in the Agri and Micro enterprises in rural areas of Pakistan. It is presently licensed by the State Bank of Pakistan under the Microfinance Ordinance 2001 to operate its operation in Karachi District; however the Bank intends to expand its operation nation-wide after completing the necessary regulatory requirements.

Our main focus is to provide personalized services to the poor segment of the society through our dedicated products aimed at changing their life-style by entering them in

micro-entrepreneurship at a lowest mark-up rate in the market.

We aim to arrange capacity building of under served masses by improving attitudes, skill, knowledge and ability to initiate and manage economically viable projects.

We aim to provide finances, advances and other credit facilities for the development of agriculture and rural market sector including production, marketing and house finance facilities.

To mobilize savings by accepting deposits in savings and other specialized deposit products.

We aim to combine the knowledge base with the modern management

methodology, latest technology, sophisticated financial instruments, universal micro-banking concepts and current corporate sciences.

We aim to create and perpetuate a culture of balanced approach for the development of market related competitive and innovative financial services. Introducing a culture of innovation and excellence with a view to find acceptable solutions to real and conceived impediments for promoting a true microfinancial regime.

VISION

'SELF RELIANCE THROUGH SELF GENERATION'

To strive and play our role in eradicating poverty by providing them with opportunities to make their lives better on sustainable long term basis, through vision, prioritization, inculcating a sense of participation, and justified use of available resources; and providing required & justified financial assistance.

MISSION

Alleviating the poverty by providing financial services and professional advice, which has a lasting positive impact on our customers' standard of living, their financial sustainability and growth in their income generation.

CORE VALUES

apna Bank is aimed to inculcate a nurturing and invigorating corporate culture based on providing a safe and healthy professional environment, where the employees are valued, respected, and are able to deliver their full potential.

The Bank expects its staff to be honest, truthful, straightforward, committed, and dedicated to their work and discharge their duties in a highly professional manner.

The following will be the core values of the Bank, which it will endeavor to, pursue in the achievement of its short and long term goals/objectives.

Service

We care for our valued customer

Creativity

We are Creative, Innovative, and Quality conscious

Honesty

We are Honest, Integrated, and Trustworthy

Growth

We provide equal opportunity and growth

Transparency

We are responsible and law abiding in all that we do

Reciprocity

We believe in building a top notch professional team



BANKS' PHILOSOPHY

"It is far better to help a poor person by teaching him how to catch a fish instead of buying him a fish."

"ALLAH HELPS THOSE WHO HELP THEMSELVE"

Microfinance will not only pose a significant impact on the overall poverty scenario but it will certainly change the life of the Micro Entrepreneurs.

BOARD OF DIRECTORS



Mian M. A. Shahid

Chairman



Mohammad Azam Cheema

Director



Qamar-uz-Zaman

Director



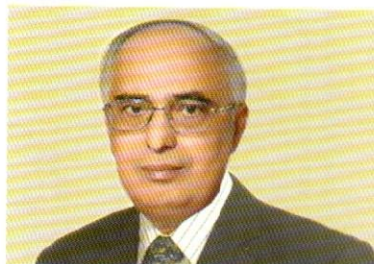
Shahida Bilquis

Director



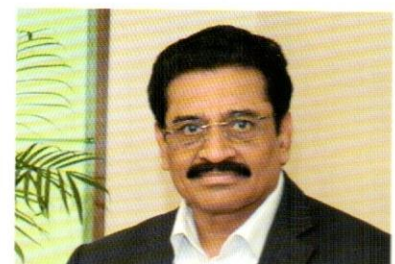
Imad Mohammad Tahir

Director



Muhammad Saleem Shaikh

President / Chief Executive Officer



Muhammad Farooq Abid Tung

Director

PRESIDENT/ CEO'S MESSAGE



Dear Shareholders,

The year 2013 has been eventful for the Bank. The bank in pursuit of its mission continued to play an effective role in Poverty Alleviation by extending banking facilities to the under privileged and low income group of the society.

The Bank under the able guidance and meaningful support of the Board of Directors was able to build a strong deposit base and at the same time register sizeable growth in the quantum of Loan disbursed indicating dominance in the outreach.

The bank is now striving to extend its presence in the whole of Sindh Province for which it has already complied with the equity requirement and is hopeful to receive the requisite approval from the regulators.

In order to provide customized Banking services at the door step of our micro customers, a good number of our staff members have been trained in "Microfinance Grass Root Level Training Program" through NIBAF operating under umbrella of State Bank of Pakistan.

The Bank has upgraded its IT infrastructure with the prime objective to meet the Micro Business targets of the Bank in quality, speed of execution and scalability. It has developed an experienced IT force capable of meeting all challenges of the Bank.

I am deeply thankful to my team and entire staff for their untiring efforts in the achievement of milestone and goals set forth, transforming Apna Microfinance into a fast growing bank among its peers. My sincere gratitude goes to State Bank of Pakistan, Security & Exchange Commission of Pakistan and Karachi Stock Exchange for their continued support and guidance.

Muhammad Saleem Shaikh
President / CEO

THE MANAGEMENT



Left to Right:

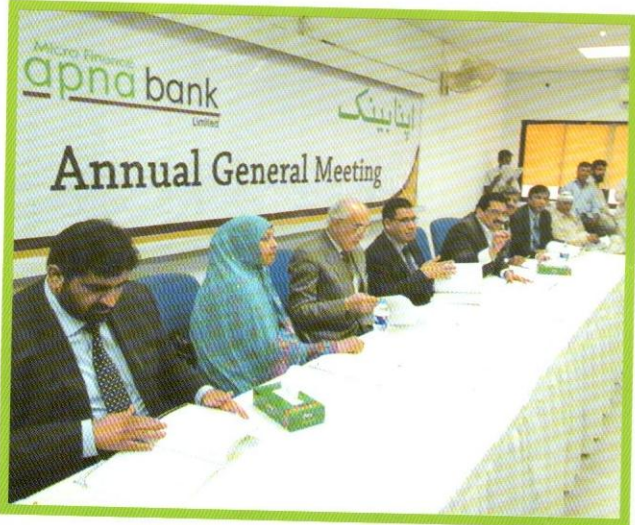
Front:

Mr. Muhammad Farooq Abid Tung, Mr. Muhammad Saleem Shaikh, Mr. Tahir Saeed Effendi

Back:

Mr. Sharique Umer Farooqi, Mr. Rafat Abbas, Mr. Imtiaz Hussain Mughal, Mr. Syed Hamid Rizvi, Mr. Abdul Rasheed Khan
Mr. Ikhtlaq Ahmed Khan, Mr. Saleem Memon

Meetings



CORPORATE INFORMATION

Board of Directors

Chairman
Directors

Mian M. A. Shahid
Mr. Mohammad Azam Cheema
Ms. Shahida Bilquis
Mr. Qamar-uz-Zaman
Mr. Muhammad Farooq Abid Tung
Mr. Muhammad Saleem Shaikh
Mr. Imad Mohammad Tahir

President / Chief Executive Officer

Mr. Muhammad Saleem Shaikh

Company Secretary

Mr. Rafat Abbas

Chief Financial Officer

Mr. Tahir Saeed Effendi

Audit Committee of the Board

Chairman
Members

Mr. Qamar-uz-Zaman
Mr. Muhammad Azam Cheema
Ms. Shahida Bilquis
Internal Auditor

Secretary

Executive Committee of the Board

Chairman
Members

Mian M. A. Shahid
Mr. Muhammad Azam Cheema
Mr. Qamar-uz-Zaman
Mr. Muhammad Saleem Shaikh
Mr. Muhammad Farooq Abid Tung
Company Secretary

Member/ Secretary

Risk Management Committee of the Board

Chairman
Members

Mr. Muhammad Azam Cheema
Mr. Muhammad Farooq Abid Tung
Ms. Shahida Bilquis
Mr. Muhammad Saleem Shaikh
Mr. Imad Mohammad Tahir
Head Risk Management

Member/ Secretary

CORPORATE INFORMATION

Continued

Human Resource & Remuneration Committee of the Board

Chairman
Members

Mr. Muhammad Farooq Abid Tung
Mr. M. A. Shahid
Ms. Shahida Bilquis
Mr. Muhammad Azam Cheema
Mr. Qamar uz Zaman
Mr. Muhammad Saleem Shaikh
Head HR

Member/ Secretary

Auditors

Riaz Ahmed & Co.
Chartered Accountant

Tax/ Legal Advisor

Ernst & Young Ford Rhodes Sidat Hyder
Agha Law Associates

Bankers

KASB Bank Ltd
Tameer Microfinance Bank Ltd
Summit Bank Ltd

Registered & Head Office

K-4/3 & 4/4 Ch. Khaliq-uz- Zaman Road, Gizri Karachi.
PABX Tel: +92 21 35865352-55
Fax: +92 21 35865017
Website: www.apnabank.com.pk

Share Registrar

Technology Trade (Pvt.) Ltd.
Dagia House,
241-C, Block-2, P.E.C.H.S.
Off. Shahrah-e-Quaideen, Karachi.
Phone: 021-34391316 -17
Fax: 021-34391318

BRANCHES INFORMATION

Model Branch Gizri

K-4/3 & 4/4,
Ch. Khaliq-uz- Zaman Road,
Gizri Karachi.
Tel: 021-35865021-24

Shahrah-e-Faisal, Branch

2, Arika 80's 25-B,
S.M.C.H.S., Shahrah-e-Faisal,
Karachi
Tel: 021-34324656-59

I.I Chundrigar Branch

1. Ground Floor,
Sheet RY-9, Servey No. 11/9/A Railway,
Quarter I.I Chundrigar Road, Karachi.
Tel: 021-32623667-68-69-70

Bhens Colony Branch

42/B Commercial Area,
Road No. 8 Bhens Colony,
Karachi.
Tel: 021-35081281-82-85.

Napier Road Branch

NPR 8/1 Napier Road,
Juna Market, Karachi.
Tel: 021-32527041-44

Korangi Industrial Area Branch

D/6 Future Colony,
Korangi Industrial Area, Karachi.
Tel: 021-35013400-02

Liaquat Market, Malir Branch

106-108,
Liaquat Market Malir Colony Karachi.
Tel: 021-34113781-83

Mehmoodabad Branch

169 Sheet No.,
M.A.C Mehmoodabad No. 2,
Jamshed Town, Karachi.
Tel: 021-35319240-41-42

Shah Faisal Colony Branch

H-26/4, Shah Faisal Colony No. 4,
Karachi.
Tel: 021-34601749-50

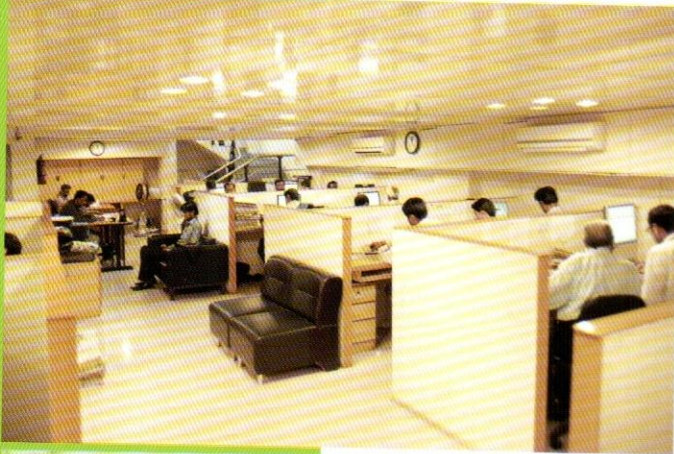
North Karachi Branch

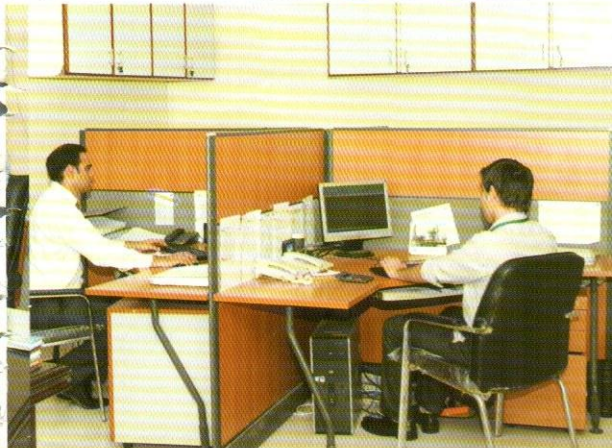
LS-8, Street 11-K,
North Karachi, Karachi.
Tel: 021-36961067-68-71

Orangi Town Branch

LS-5 Sector 1/A, Street No. 9,
Qazfi Chowk, Orangi Town Karachi.
Tel: 021-36652095-103

HOW WE PERFORMED





PRODUCTS

EXISTING PRODUCTS

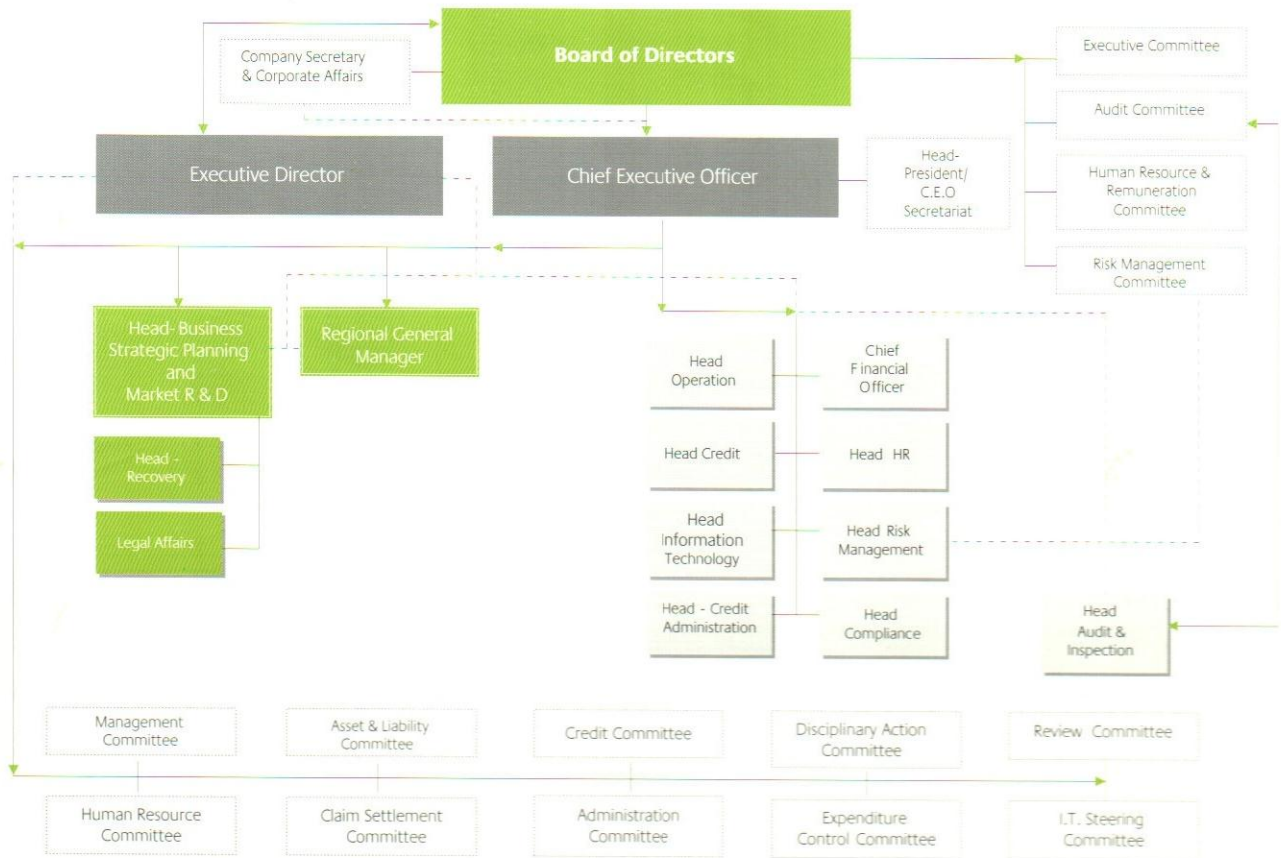
Presently, below mentioned product are available, to our customers. Response of the general public towards our products is excellent. Up till now around 11,700 clients availed financing facilities from our bank amounting to Rs. 615 million. The current portfolio of our Bank is 382 million with 9,500 clients.

PRODUCTS

<p>Apna Hunner Apna Sawari Apna Maal Apna Karobar Apna Ghar Apna Group Apna Tube-Well Apna Bijli Ghar Apna Tractor Apna Gold Apna Farm Apna Beej Apni Khaad Apna Pani Apna Mustaqbil Apna Paisa Apnay Pass Apna Karobar (Enterprise) Apna Farm (Enterprise)</p>	<p>Composite Insurance Apna Microfinance Bank will be distinguished among other banks through providing composite Insurance to all its borrowers and depositors with another distinction to insure their loans in addition to their livestock.</p> <p>Main Features of the Loans: Loan Amount Rs. 10,000 to 500,000 Repayment Period 1 Month to 3 Years Repayment Monthly or as agreed with the customer Markup payable at Minimum Markup Rate</p> <p>Loan Sanctioning Requirements: CNIC copy with 2 Photos Copies of latest utility Bills Two Personal guarantee from reputed account holders</p> <p>Facilities: ATM Card (optional) Full range of Banking Services Imbedded Life & Assets Insurance Cover Minimum loan processing time</p>
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Organogram



KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

	2013 Rupees	(Re-stated) 2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees
Financial Data						
Total Assets	1,313,382,730	814,817,866	219,406,764	251,858,520	351,410,595	193,118,316
Advances and Micro leases- net of Provisions	319,016,883	121,788,004	2,916,117	49,400,681	87,892,252	62,891,194
Borrowings	-	-	-	-	-	-
Deposits	762,025,569	468,024,864	11,428,169	29,026,551	110,905,847	101,255,112
Share Capital	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	150,000,000
Share Deposit money	403,300,000	153,000,000	-	-	-	-
Accumulated Loss	(196,880,895)	(143,559,503)	(92,244,880)	(79,926,144)	(61,462,696)	(61,650,237)

Operating Data						
Mark-up / return / interest earned	139,325,686	50,188,635	33,342,367	48,870,597	49,855,431	29,822,541
Mark-up / return / interest expensed	52,354,812	16,771,663	967,339	3,563,414	4,409,739	4,483,783
Pre-Operating and preliminary expenses	-	-	-	-	-	-
Administrative expenses	124,559,804	84,753,436	38,699,931	50,496,759	45,137,615	38,289,291
Profit / (Loss) before taxation	(52,120,573)	(48,812,737)	(13,985,312)	(17,968,250)	510,218	(15,970,648)
Profit / (Loss) after taxation	(53,321,392)	(49,314,623)	(14,318,736)	(18,463,448)	250,055	(15,934,443)
EPS	(1.78)	(1.64)	(0.48)	(0.62)	0.01	(1.06)

Total Assets



DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the audited Financial Statements of the Bank for the year ended December 31, 2013.

Operational and Financial Review

It is pleasing to inform that the bank has shown all round growth in all areas of operations. The assets have crossed the one billion mark with increase of 64% rising from PKR 815 million in 2012 to PKR 1,313 million as on December 31, 2013. There is a growth of 162% in Advances, 63% in Deposits and 44% increase in Liquid Assets in comparison to last year's figures.

The after tax Profit & Loss account of the bank has also shown improvement, inspite of increase in administrative costs from PKR 84.75 million last year to PKR 124.56 million in current year showing a rise of PKR 43 million i.e. 51% over last year due to increase in number of branches from 6 to 11 and number of employees from 150 to 209, the loss after tax has increased by PKR 4 million only over the last year.

The Bank posted a loss before taxes of PKR 52.12 million during the year ended 2013 as compared to a loss of PKR 48.81 million in the corresponding period last year. The increase in losses during the period was mainly due to increase in provisions for bad & doubtful loans by PKR 31 million, since the new management has undertaken restructuring of the Bank in order to gear up the Bank for national level operations and make the Bank a viable institution, the overall Human Resource Cost of the Bank has increased by PKR 43.37 million.

Furthermore, the loss per share for the year ended December 31, 2013 is PKR1.78 as compared to PKR 1.64 in 2012.

During the year 2013, different committees were reconstituted, TORs and Bank policies revised to meet the bank requirements and to comply with the SBP Regulations. Furthermore, professional people were hired to bring efficiency in the Internal Control over system & procedures.

As per Bank's plan to increase lending in the year 2013 and as expected, the advances portfolio has shown a healthy growth and has increased to PKR 316.83 million in comparison to December 31, 2012 figure of PKR 121.79 million registering a rise of 162%. The bank's liquidity profile remains strong at PKR 858.67 million in liquid assets which is approximately 65.3% of our Total Assets.

Future Outlook

The Bank plans to enhance its capital to PKR1 billion and acquire a National Level License from the State Bank of Pakistan, which would enable the Bank to expand its operations to National Level, and build the Bank's image as a commercially viable Microfinance Bank. As a first step to acquiring the National License from the State Bank of Pakistan, on February 6th, 2014 the Bank held its Extra Ordinary General Meeting wherein Issue of Right Shares in ratio of 8:3 @ discount of 50% of Par value was approved. During the year request to SBP has been made to open four more branches in Karachi and 12 branches in interior Sindh. We are expecting that license for provincial level bank will be obtained after the successful issue of right shares thereby increasing the Equity to over PKR 500 million, meeting the SBP requirement for provincial level Bank license. Furthermore, the bank has renovated and relocated its existing branches to more appropriate locations to enhance the business and serve people at their door step. The increase in branches has resulted in awareness about Apna Microfinance Bank and now the Bank is well known in the community and sector.

During the period under review, the Bank received PKR 9.020 million from SBP against the grant approved for PKR 36.081 million under Institutional Strengthening Fund (ISF) for advancement of Banking Software & Human Resource Development.

Credit Rating

The Pakistan Credit Rating Agency (Pvt) Ltd. has maintained the long term and short term ratings for the Bank to "BBB" (Triple B) and "A3" (A Three) respectively, with a "Positive future Outlook ". The ratings denote an adequate capacity for timely payment of financial commitments.

Corporate Governance

As required under the Code of Corporate Governance, the Board of Directors states that:

- The Financial Statement has been prepared by the management of the Bank and presents fairly the state of affairs of the bank, the results of its operations, cash flow statement and statements of changes in equity.
- Proper books of accounts of the bank have been maintained.
- Accounting policies as stated in the notes to the accounts have been consistently applied Preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

DIRECTORS' REPORT

Continued

- International Accounting Standards, as applied in Pakistan have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the ability of the Bank to continue as a going concern.
- No payment has remained outstanding on account of any taxes, duties, levies and charges.

Employees Benefit Scheme

The bank operates a funded provident fund scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2013 is PKR 6.948 million (2012: PKR 6.112 million).

Transfer Pricing

All transactions with related parties undertaken during the financial year were at arms length price using comparable controlled price method, as admissible in the best interest of the Bank.

Audit Observations

The external auditors have modified their report with the following audit qualifications / matter of emphasis;

Qualifications

- a. the Bank provided one hundred sixty two (162) rickshaw advances under Apni Sawari portfolio to various customers aggregating to outstanding principal amount of Rupees 18.524 million (net of provision as per Prudential Regulations) included in total advances (Note 10) as at 31 December 2013. This forms a part of total four hundred and thirty (430) rickshaw advances in this portfolio. Owing to certain irregularities involved in the purchase process, the Bank could not get these 162 rickshaws registered in its name as collateral which raises significant doubts on the utilization and recoverability of such advances. The Bank also filed complaint with the police against the responsible persons regarding this matter. However, the management of the Bank has not carried out any assessment of loss arising out of this matter and has not determined and accounted for the resultant provision against the aforesaid principal amount. Further, communication of these irregularities with the State Bank of Pakistan as required under Circular BPD 17 dated 11 June 2003 was not made available to us.
- b. the Bank incurred fixed capital expenditure of Rupees 16.631 million (Note 11.1) during the current and previous years on renovation of office at Lahore, obtained on rent in view of its planned expansion to national level operations. However, the Bank could not obtain license of national level operations so far. Further, no rent has been paid in respect of aforesaid office since July 2013. Despite these indicators, the management of the Bank has not determined and accounted for impairment loss on such fixed capital expenditure.
- c. the inter-branch current account balance (Note 12) includes an unidentified amount of Rupees 3.528 million as at 31 December 2013. The management of the Bank has not reconciled and adjusted the aforesaid amount in the enclosed financial statements.

Matter of emphasis

We draw attention to Note 1.2 of the financial statement which states that, as at the reporting date, the Bank does not comply with the minimum capital requirement of Rupees 300 million set by Prudential Regulations for Microfinance Banks issued by State Bank of Pakistan. However, due to receipt of share deposit money of Rupees 403.300 million, that will be converted to paid-up capital through proposed right issue, and other plans mentioned in the aforesaid note, the management is confident to meet the minimum capital requirement for its planned level of operations in the foreseeable future.

Auditors

Our auditors M/s. Riaz Ahmad & Company Chartered Accountants being eligible to carryout audit of the Bank have provided their consent for re-appointment as Auditors of the Bank. The Board recommended their appointment for the year ending December 31, 2014.

Pattern of Shareholding

The pattern of shareholding is annexed to the annual report.

DIRECTORS' REPORT

Continued

Acknowledgement

We would like to take this opportunity to thank our valued clients, shareholders and other stakeholders for their patronage and confidence and our management and employees for their dedication and hard work.

We would also like to express our gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Karachi Stock Exchange for their continued guidance and support.

Karachi: March 1st, 2014

On behalf of the Board



Muhammad Saleem Shaikh

President and CEO



ETHICS AND BUSINESS PRACTICES

All employees of Apna Microfinance Bank Limited, hereafter called AML, are required to follow a Code of Ethics and Business Practices in all areas of professional conduct. They must abide by the following:

Laws and Rules

- All the employees are required to comply with all the laws, rules and regulations governing AML, including the Bank's policies, procedures and standards, the State Bank of Pakistan and the Security and Exchange Commission of Pakistan's regulations applicable to the Bank.
- All employees must function with integrity within the scope of their authorities and follow directives given by the person(s) under whose jurisdiction they are deputed with complete honesty.
- Core value of 'Integrity' must be promoted by upholding fairness, equality and respect for all team members. Discrimination, harassment of all types, intimidation and other negative practices are strictly prohibited.
- Harassment includes any unwanted, immoral act or attitude, including abuse of authority, creating a hostile environment and retaliation to non compliance with unethical demands, which is demeaning or detrimental to work performance or the career of any employee in any capacity.
- Adherence to designated time schedules is imperative. The Bank is entitled to take disciplinary action in case of unauthorised absences.
- No employee shall indulge in any political activity, including forming or joining a political, ethnic or linguistic association; get elected to a legislative body, in Pakistan or elsewhere, or indulge in any activity detrimental to the ideology of Pakistan.
- All full-time employees must devote their entire business day to their work; avoid any outside activity that interferes with their judgment in the best interest of the Bank and its clients. The Human Resource & Recruitment Department must be informed in case an employee:
 - Holds an outside directorship; carries on business activity outside; holds majority shares/interest in a public or private business; takes direct advantage of securities of a public listed company, or serves as a client's personal representative.
 - No employee shall bring political or other outside pressure/ influence to bear on the authorities/superior officers or use the media with intent to induce them to act in a manner inconsistent with rules in any matter relating to the Bank.
 - Employees are prohibited from any engagement outside the Bank without prior approval from the Human Resource & Recruitment Department. Employees with financial or other interest in any family business must declare in advance by writing and seek no objection.
 - Employees shall not borrow from or lend personal funds or property to any Client or Vendor who has a relationship with the Bank except on market terms and conditions from financial institutions. Borrowing or lending in personal capacity within the Bank is prohibited.
 - Employees shall be alert and vigilant with respect to frauds, thefts or significant illegal activity committed within the office, reporting them immediately in writing to higher authority for appropriate action to be taken. Employment or Internship Certificates can only be issued by the Human Resource & Recruitment Department. Receipts of funds can only be issued on prescribed forms.
 - Disciplinary action may be taken in case of misconduct or unsatisfactory performance including breach of above mentioned rules; willful insubordination; breach of confidential material; use of drugs or alcohol; falsification of documents; violation of safety/health rules; insider trading; parallel banking; money laundering and any act detrimental to the Bank's business.

Workplace Environment

- The Bank is committed to creating and maintaining a working, learning and customer care environment, which is free from violence and has zero tolerance for violence against any employee or its property.
- Employees are not allowed to play practical jokes or pranks on each other, indulge in horseplay, or share immoral jokes with other employees or the outside world, through Apna bank email server, computer or cell phones.
- Employees are prohibited to use, exchange, or sell intoxicants or drugs in the work place or come to work under their influence.
- Employees are required to maintain proper dress code, appear well groomed and presentable at all the time. Livery staff should be in their proper uniform. High standards of behavior and tidy work areas are to be maintained at all times.

ETHICS AND BUSINESS PRACTICES

Continued

Responsibilities towards Employer (AMBL)

- Employees must raise concerns and suspicions, in confidence, about any actual or potential illegal activity or misconduct according to the process in Whistle Blowing Policy and the Anti Harassment Policy. Failure to do so will result in employee being deemed a party to the irregularity.
- Guidance must be sought from the relevant department in case any employee receives any demand or request for information from outside party including law enforcement agencies.
- Every employee must protect the Bank's assets, physical and intellectual, and adhere to its Email and Internet Usage Policy and Acceptable Use Policy.
- Employees must maintain all records accurately and are prohibited from making any false or misleading entries, forging or tampering with signatures to compromise the integrity of the Bank's record.
- Employees are required to identify all conflicts of interest and declare them immediately, including all matters expected to interfere with their duty to the Bank or ability to make unbiased and objective recommendations.

Information Management

- All employees shall regard as strictly confidential any information concerning the business of the Bank which is not intended to be made public unless required to do so under the law, consulting the Human Resource & Recruitment Department in case of ambiguity about a required disclosure. Confidential information must only be shared with employees on a need to know basis consistent with their job assignment as set out in Information Security and Governance Policies.
- All customers' related information should be kept secret, used for intended purpose only and any further use should be allowed only after prior consent of the concerned customer.
- Employees should protect the privacy and confidentiality of personnel records, not sharing them inside or outside the Bank except after approval by Human Resource & Recruitment Department.
- Employees should not use Bank's facilities to access, download or distribute personal or social information, including any material that may pose reputational risk to the Bank. Secrecy of passwords must be maintained to prevent unauthorized access to Bank's systems. Personal use of internet and email is deemed inappropriate in the workplace. Private telephone conversations must be kept to a minimum during office hours.
- Only officially designated spokesperson, as provided under the Bank's Media Policy, may provide comments about the Bank to the media.

Relationship with and Responsibilities to Customers, Prospects and other External Constituencies

- Employees must always act fairly, equitably and objectively with all customers, prospects, suppliers and other external constituencies. Highest degree of integrity, honesty and loyalty towards the interest of the Bank, its customers and regulators is a must.
- Employees are not authorized to accept or agree to accept any gifts or conveyance of anything of value from any current or prospective Apna bank customer or vendor or any person who has a business relationship with the Bank with exception of the following
- Gifts that relate to commonly recognized events or occasions such as a promotion, new job, wedding, retirement etc. provided those gifts are of reasonable value.
- Gifts from a person who has a business relationship with the Bank, provided the acceptance is based on relationship existing independent of the business of the Bank and reported to the Human Resource & Recruitment Department.
- Benefits available to the general public e.g. advertising or promotional materials, and discount or rebates on merchandise or services
- Civic, charitable, educational or religious organizational awards for recognition of service or accomplishment.

ETHICS AND BUSINESS PRACTICES

Continued

Other Key Legal/Compliance Rules and Issues

- Employees are strictly prohibited to engage in insider trading, buying or selling Bank's common stocks or otherwise benefitting from sharing inside information, whether obtained through workplace or outside sources.
- AMBL fully supports the intended drive against serious crime and is committed to assisting the authorities to identify money laundering transactions and where appropriate to confiscate the proceeds of crime. Employees must follow the Anti Money Laundering Policy and Procedures.
- Violation of any of the clauses of this 'Code of Ethics' by any employee, may lead to disciplinary proceedings culminating in punishment as per merits of the case.



Chairman

Date: March 1, 2014

Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2013

Name of company: **Apna Microfinance Bank Limited.**

Year ending: **December 31, 2013.**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation no. 35 of the listing Regulations of the Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Names	Category
Mian M. A. Shahid	Chairman/ Non- executive director
Mr. Mohammad Azam Cheema	Non- executive director
Mr. Qamar- uz- Zaman	Non- executive director
Mr. Imad Mohammad Tahir	Non- executive director (Independent)
Mr. Muhammad Farooq Abid Tung	Executive director
Ms. Shahida Bilquis	Non- executive director (Independent)
Mr. Muhammad Saleem Shaikh	President & CEO/ Executive director

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank. (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancies occurred in the Board during the current year were duly filled on the recommendation of the Board and clearance of the State Bank of Pakistan was obtained before attending the Board meeting.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors have been taken by the Board/Shareholders. The CEO is working on contract basis.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are well conversant with the listing regulations, legal requirement and operational imperatives of the Bank, and as such are fully aware of their duties and responsibilities. The Board arranged training programs for its directors during the year; Mian M. A. Shahid and Mr. Qamar uz Zaman attended the training programs.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2013

10. The board has approved appointment of Chief Financial Officer and Head of Internal Audit, including their remuneration and terms and conditions of employments.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed Human Resource and Remuneration Committee comprising of non-executive directors and the duties have been assigned as per Code.
16. The Board has formed an audit committee. It comprises of three members, who are non-executive directors including the chairman of the committee. The Chairman of the Committee is not an independent director and will be changed on next election to bring the composition of Audit Committee in line with the requirements of the Code.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set up an effective internal audit function with suitably qualified and experienced professionals well conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Karachi Stock Exchange Limited.
22. Material/ price sensitive information has been disseminated among all market participants at once through Karachi Stock Exchange Ltd.
23. We confirm that all other material principles enshrined in the CCG have been complied.

For Apna Microfinance Bank Ltd.



Chairman

Date: March 1, 2014

Karachi

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of APNA MICROFINANCE BANK LIMITED ("the Bank") for the year ended 31 December 2013 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange Limited where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendations of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

The Head of Internal Audit of the Bank does not meet the qualification criteria prescribed by clause xiv of the Code.

Based on our review, except for the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2013.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of the engagement partner:
Muhammad Kamran Nasir

Date: March 1, 2014

Karachi

PATTERN OF SHAREHOLDING

As at 31 December 2013

1. Incorporation Number 0045352
2. Name of the Company APNA MICRO FINANCE BANK LTD.
3. Pattern of holding of the shares held by the shareholders as at 31-DEC-13

No. of Share Holders	Shareholdings		Total Shares Held
181	Shareholding From 1	To 100	1,614
78	Shareholding From 101	To 500	31,550
35	Shareholding From 501	To 1000	32,975
41	Shareholding From 1001	To 5000	119,899
7	Shareholding From 5001	To 10000	53,401
8	Shareholding From 10001	To 100000	232,616
3	Shareholding From 100001	To 1000000	1,040,621
2	Shareholding From 1000001	To 2000000	2,241,242
2	Shareholding From 2000001	To 3000000	5,016,538
1	Shareholding From 3000001	To 4000000	3,276,255
3	Shareholding From 5000001	To 6000000	17,953,289
361			30,000,000

CATEGORIES OF SHAREHOLDERS

As at 31 December 2013

Categories of Shareholders	Shares Held	Percentage %
Insurance Companies		
The United Insurance Company Of Pakistan	2,902,765	
The United Insurance Company Of Pak.ltd.	1,185,200	
Sub-Totals:	4,087,965	13.63%
Directors, Chief Executive Officer And Their Spouse and Minor Children		
Mian M. A. Shahid	5,998,445	
Muhammad Azam Cheema	5,977,422	
Jamshed Iqbal	5,977,422	
Qamar Uz Zaman	3,276,255	
Shoaib Ahmad Butt	1,056,042	
Shahida Bilquis	2,113,773	
Sub-Totals:	24,399,359	81.33%
associated companies, undertaking and related parties		
Sub-Totals:	0	0.00%
Others		
Ace Securities (Pvt.) Limited	5,900	
Karachi Stock Exchange Limited	59	
Fair Edge Securities (Private) Limited	1,000	
Darson Securities (Pvt) Limited	5,000	
First National Equities Limited	1	
Zhv Securities (Pvt) Limited	402	
A.i. Securities (Private) Limited	4,002	
Black Stone Equities (Private) Limited	40,000	
Time Securities (Pvt.) Ltd.	114	
Sub-Totals:	56,478	0.19%
Individual		
Local - Individuals	1,456,198	
Sub-Totals:	1,456,198	4.85%
G-Totals:	30,000,000	100.00%

LIST OF CDC BENEFICIAL OWNERS HOLDING SHARES 5.00% AND ABOVE

For the year ended 31 December 2013

Serial Number	CDC Folio Number	Name, Father/Husband Name & Address of Share Holder(s)	Namer of Shares
1	CDC-05264-036702C	Mian M. A. Shahid S/O CHAUDHRY MUHAMMAD RASHID 70-E, MODEL TOWN, LAHORE 352001-435460-5	5,998,445
2	CDC-03525-079255IIA	MUHAMMAD AZAM CHEEMA S/O MUHAMMAD KHAN AURIGA GROUP, 33 KM MULTAN ROAD LAHORE 35202-5821322-5	5,977,422
3	CDC-0325-0792556IIA	JAMSHED IQBAL CHEEMA S/O MUHAMMAD HAJI 33 KM, MULTAN ROAD, AURIGA GROUP LAHORE 35202-8012845-3	5,977,422
4	CDC-03525-079285IIA	QAMAR UZ MAMAN S/O MAHR MUHAMMAD ASHRAF 484-Z, PAHSE III DHA LAHORE. 33100-1006566-9	3,276,255
5	CDC-03277-057265CIA	THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED SUIT NO. 204, 2ND FLOOR, MADINA CITY MALL ABDULLAH HAROON ROAD KARACHI.	4,087,965
6	CDC-03525-079254IIA	SHAHIDA BILQUIS D/O MUHAMMAD SAEED AKHTAR 128-E-II, MODEL TOWN LAHORE 35202-3026464-8	2,113,773
7	CDC-03525-079249IIA	SHOAIB AHMMAD BUTT S/O MUHAMMAD HASSAN BUTT 51 E II, JOHAR TOWN LAHORE	1,056,042
Total Shares			28,487,324

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FINANCIAL STATEMENTS

For the year ended December 31, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **APNA MICROFINANCE BANK LIMITED ("the Bank")** as at 31 December 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 Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) the Bank provided one hundred sixty two (162) rickshaw advances under Apni Sawari portfolio to various customers aggregating to outstanding principal amount of Rupees 18.524 million (net of provision as per Prudential Regulations) included in total advances (Note 10) as at 31 December 2013. This forms part of total four hundred thirty (430) rickshaw advances in this portfolio. Owing to certain irregularities involved in the purchase process, the Bank could not get these 162 rickshaws registered in its name as collateral which raises significant doubts on the utilization and recoverability of such advances. The Bank also filed complaint with police against the responsible persons regarding this matter. However, the management of the Bank has not carried out any assessment of loss arising out of this matter and has not determined and accounted for the resultant provision against the aforesaid principal amount. Further, communication of these irregularities with the State Bank of Pakistan as required under Circular BPD 17 dated 11 June 2003 was not made available to us.
- (b) the Bank incurred fixed capital expenditure of Rupees 16.631 million (Note 11.1) during the current and previous years on renovation of office at Lahore, obtained on rent in view of its planned expansion to national level operations. However, the Bank could not obtain license of national level operations so far. Further, no rent has been paid in respect of aforesaid office since July 2013. Despite these indicators, the management of the Bank has not determined and accounted for impairment loss on such fixed capital expenditure.
- (c) the inter-branch current account balance (Note 12) includes an unidentified amount of Rupees 3.528 million as at 31 December 2013. The management of the Bank has not reconciled and adjusted the aforesaid amount in the enclosed financial statements.

Except for the effects of adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves in respect of the matters stated in the preceding paragraphs (a), (b) and (c) we report that:

- (d) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001;
- (e) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001 and are in agreement with the books of account and are further in accordance with the 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;

AUDITORS' REPORT TO THE MEMBERS

Continued

- (f) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and Microfinance Institutions Ordinance, 2001, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2013, and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (g) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980).

We draw attention to Note 1.2 to the financial statements which states that, as at the reporting date, the Bank does not comply with the minimum capital requirement of Rupees 300 million set by Prudential Regulations for Microfinance Banks issued by State Bank of Pakistan. However, due to receipt of share deposit money of Rupees 403.300 million, that will be converted to paid-up capital through proposed right issue, and other plans mentioned in the aforesaid note, the management is confident to meet the minimum capital requirement for its planned level of operations in the foreseeable future.

Our opinion is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of the engagement partner:

Muhammad Kamran Nasir

Date: March 1, 2014


Karachi

BALANCE SHEET

As at 31 December 2013

	Note	2013 Rupees	2012 Rupees Restated
ASSETS			
Cash and balances with SBP	7	62,801,414	46,166,761
Balances with other banks/MFBs	8	504,774,790	395,535,805
Lending to financial institutions		-	-
Investments	9	291,102,058	154,951,281
Advances-net of provisions	10	319,016,883	121,788,004
Operating fixed assets (2012: restated)	11	81,355,350	71,192,805
Other assets	12	54,332,235	25,183,210
Deferred tax asset		-	-
Total assets		1,313,382,730	814,817,866
LIABILITIES			
Deposits and other accounts	13	762,025,569	468,024,864
Borrowings		-	-
Subordinated debt		-	-
Other liabilities (2012: restated)	14	34,315,812	37,353,370
Deferred tax liabilities		-	-
Total liabilities		796,341,381	505,378,234
NET ASSETS		517,041,349	309,439,632
REPRESENTED BY:			
Share capital	15	300,000,000	300,000,000
Statutory and general reserves		50,011	50,011
Accumulated loss		(196,880,895)	(143,559,503)
		103,169,116	156,490,508
Deficit on revaluation of assets		(1,448,030)	(50,876)
Deferred grants	16	12,020,263	-
Share deposit money		403,300,000	153,000,000
		517,041,349	309,439,632
MEMORANDUM/OFF BALANCE SHEET ITEMS	17		

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


President & Chief Executive Officer


Chairman


Director


Director

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2013

	Note	2013 Rupees	2012 Rupees Restated
Mark-up/return/interest earned	18	139,325,686	50,188,635
Mark-up/return/interest expensed		(52,354,812)	(16,771,663)
Net mark-up/interest income		86,970,874	33,416,972
Provision against non-performing loans and advances	10.2	(30,606,859)	(4,005,726)
Provision for dimutation in the value of investments		-	-
Recovery against bad debts written off		1,062,032	3,753,488
Bad debts written off directly		-	-
Net mark-up/interest income after provisions		(29,544,827)	(252,238)
		57,426,047	33,164,734
Non mark-up/non interest income			
Fee, commission and brokerage income		5,228,727	1,801,801
Dividend income		-	-
Other income	19	9,784,457	974,164
Total non mark-up/non interest income		15,013,184	2,775,965
		72,439,231	35,940,699
Non mark-up/non interest expenses			
Administrative expenses (2012: restated)	20	(124,559,804)	(84,753,436)
Other provisions/write offs		-	-
Other charges		-	-
Total non mark-up/non interest expenses		(124,559,804)	(84,753,436)
Extra ordinary/unusual items		(52,120,573)	(48,812,737)
Loss before taxation		(52,120,571)	(48,812,737)
Taxation - Current	21	(1,439,198)	(501,886)
Prior year		238,379	-
Deferred		-	-
		(1,200,819)	(501,886)
Loss after taxation		(53,321,392)	(49,314,623)
Accumulated loss brought forward		(143,559,503)	(94,244,880)
		(196,880,895)	(143,559,503)
Appropriations			
Transfer to			
Statutory reserve		-	-
Capital reserve		-	-
Contribution to MSDF/ DPF/ RMF		-	-
Revenue reserve		-	-
Proposed cash dividend Rupee Nil per share (2012: Rupee Nil per share)		-	-
Others		-	-
		-	-
Accumulated loss carried forward		(196,880,895)	(143,559,503)
Loss per share - basic and diluted	23	(1.78)	(1.64)

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



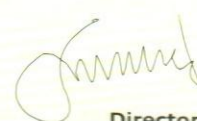
President & Chief Executive Officer



Chairman



Director



Director


STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 Rupees	2012 Rupees Restated
Loss after taxation	(53,321,392)	(49,314,623)
Other comprehensive income		
Items that will not be reclassified to profit and loss account	-	-
Items that may subsequently be reclassified to profit and loss account	-	-
	-	-
Comprehensive loss transferred to equity	(53,321,392)	(49,314,623)
Components of comprehensive income not reflected in equity		
Net change in fair value of available-for-sale investments	(1,397,154)	(50,876)
Total comprehensive loss for the year	(54,718,546)	(49,365,499)


Surplus / (deficit) on revaluation of available for sale investments is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated 30 December 2003 issued by the State Bank of Pakistan.

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


President & Chief Executive Officer


Chairman


Director



Director

CASH FLOW STATEMENT

For the year ended 31 December 2013

	Note	2013 Rupees	2012 Rupees Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation (2012: restated)		(52,120,573)	(45,250,237)
Adjustments for non-cash items			
Depreciation		6,049,950	2,656,958
Amortization of intangibles		7,428,186	4,349,249
Amortization of deferred grants		(6,000,000)	-
Amortization of discount on PIBs		(1,696,690)	-
Provision against non-performing advances		30,606,859	4,005,726
Fair value adjustment on held for trading investment		(1,217,064)	-
Gain on sale of fixed assets		(669,853)	(263,225)
		34,501,388	10,748,708
		(17,619,185)	(34,501,529)
Decrease in operating assets			
Advances		(227,835,738)	(122,877,613)
Other assets		(20,962,031)	(23,459,919)
		(248,797,769)	(146,337,532)
Increase / (decrease) in operating liabilities			
Deposits		294,000,705	456,596,695
Other liabilities (2012: restated)		(3,058,676)	35,179,906
		290,942,029	491,776,601
Income tax paid		24,525,075	310,937,540
		(366,695)	(487,166)
Net cash inflow from operating activities		24,158,380	310,450,374
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(139,400,114)	(71,361,220)
Net investments in held for trading securities		(375,000)	(78,500,000)
Net investments in held to maturity securities		-	48,836,296
Investments in operating fixed assets		(17,749,144)	(43,296,234)
Investments in intangible assets (2012: restated)		(7,758,934)	(26,994,999)
Sale proceeds of operating fixed assets disposed of		2,537,250	272,000
Net cash used in investing activities		(162,745,942)	(171,044,157)
CASH FLOW FROM FINANCING ACTIVITIES			
Share deposit money received		250,300,000	153,000,000
Grant received from SBP		9,020,263	-
Net cash flow from financing activities		259,320,263	153,000,000
Increase in cash and cash equivalents for the year		120,732,701	288,843,717
Cash and cash equivalents at the beginning of the year		446,843,503	157,999,786
Cash and cash equivalents at the end of the year	24	567,576,204	446,843,503

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



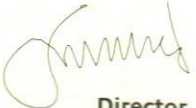
President & Chief Executive Officer



Chairman



Director




Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share Capital Rupees	Statutory Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at 31 December 2011	300,000,000	50,011	(94,244,880)	205,805,131
Comprehensive loss for the year				
Loss after taxation	-	-	(49,314,623)	(49,314,623)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(49,314,623)	(49,314,623)
Balance as at 31 December 2012 - restated	300,000,000	50,011	(143,559,503)	156,490,508
Comprehensive loss for the year				
Loss after taxation	-	-	(53,321,392)	(53,321,392)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(53,321,392)	(53,321,392)
Balance as at 31 December 2013	300,000,000	50,011	(196,880,895)	103,169,116

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


President & Chief Executive Officer


Chairman


Director


Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. STATUS AND NATURE OF BUSINESS

- 1.1** Apna Microfinance Bank Limited (“the Bank”) was incorporated on 08 May 2003 as a public limited company under the Companies Ordinance, 1984. The Bank was granted a certificate of commencement of business on 28 December 2004 and its operations started from 01 January 2005. Its shares are listed on Karachi Stock Exchange Limited. The Bank’s principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Bank operates 11 branches as at 31 December 2013 (2012: 11 branches) and its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi.
- 1.2** Prudential Regulations for Microfinance Banks (MFBs) prescribe the Minimum Capital Requirements. The Regulation 4 inter alia requires that all MFBs which are licensed to operate in a specified district have to maintain minimum paid up capital of at least Rupees 300 million free of losses. Where MFBs do not meet the aforesaid minimum paid up capital requirement, they were advised to enhance their Capital during three years from the year ended 31 December 2011 to the year ended 31 December 2013. As at 31 December 2013, minimum capital requirement for the Bank was Rupees 300 million. However, the Bank’s capital (free of losses) stood at Rupees 103.169 million as at 31 December 2013.

In view of the plans to enhance the paid-up capital of the Bank and to extend its operations to nation level, the management applied to State Bank of Pakistan (SBP) for grant of approval to enhance its status as a national level microfinance bank in a phased manner. SBP granted the approval vide letter No. BPRD(R&P-01)/2013-17198 dated 21 November 2013. In first phase, the Bank was required to meet minimum capital requirement of Rupees 500 million (free of losses) to obtain license of provincial level operations by 31 December 2013. In second phase, the Bank has to meet minimum capital requirement of Rupees 1,000 million (free of losses) to obtain license for national level operations by the end of December 2014.

In pursuit to complete the first phase, sponsor directors of the Bank have deposited Share Deposit Money of Rupees 403.300 million with the Bank and the management has obtained approval from SBP vide letter No. BPRD/BA&CPD/668/102/2014 dated 02 January 2014 for issuance of 80 million ordinary shares as Right Issue at 50% discount against the par value of Rupees 10 each. The management of the Bank is now following up the approval from Securities and Exchange Commission of Pakistan for the aforesaid right issue at 50% discount. The share deposit money received from sponsor directors will be converted into paid-up share capital upon issuance of right shares, thereby meeting the prescribed minimum capital requirement. The management of the Bank believes that the amount of Rupees 403.300 million deposited by the sponsor directors will be considered as equity of the Bank till the date of issuance of right shares.

The management is also proactively negotiating with certain other potential investors for further equity injection. The management, directors and sponsor shareholders of the Bank are confident that the shortfall against minimum capital requirement is temporary in view of upcoming right issue, and that, the Bank will be in compliance with the minimum capital requirement and earning profits in the foreseeable future.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP).

NOTES TO THE FINANCIAL STATEMENTS

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Wherever the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions or the directives issued by the SECP and SBP differ with the requirements of the IFRSs, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions or the requirements of the said directives shall prevail.

3.1 SBP has deferred the applicability of International Accounting Standards (IAS) 39 'Financial Instruments Recognition and Measurement' and International Accounting Standards (IAS) 40 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Further, the Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" through its notification S.R.O 411(1) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

3.2 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

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

IAS 1 'Financial statements presentation' has been amended effective 01 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently reclassification adjustments). The specified changes have been made in the statements of other comprehensive income for the year.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 01 January 2013 but are considered not relevant or do not have a significant effect on the Bank's operations and therefore are not detailed in the financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2014.

	Effective date (accounting' periods beginning on or after)
- IAS 32 - Financial Instruments: Presentation (Amendment)	01 January 2014
- IFRS 10 ' Consolidated Financial statements	01 January 2014
- IFRS 12 'Disclosure of interest in other entities'	01 January 2014
- IFAS 3 - Profit and Loss Sharing on Deposits	01 January 2014

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments which are measured as per accounting policy disclosed in Note 6.2.

Accrual basis has been used in preparation of these financial statements except for the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

Continued

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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 revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

- Classification and valuation of investments (Note 6.2)
- Provision against non-performing advances (Note 6.3)
- Residual values and useful lives of assets and methods of depreciation (Note 6.4)
- Recognition of current and deferred taxation (Note 6.5)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted and applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

6.1 Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand, balances with State Bank of Pakistan (SBP), National Bank of Pakistan and balances held with other banks in current and investment in treasury bills having maturity of less than three months.

6.2 Investments

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity or available-for-sale, as appropriate.

Investments (other than held-for-trading) are initially measured at fair value plus transaction costs associated with investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

Purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date, which is the date the Bank commits to purchase or sell the investments.

Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to profit and loss account.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities in respect of which the Bank has the positive intent and ability to hold to maturity. After initial measurement, such investments are carried at amortized cost less impairment, if any.

NOTES TO THE FINANCIAL STATEMENTS

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Available-for-sale

These represent securities, which do not fall under the held-for-trading or held-to-maturity categories. After initial measurement, such investments are measured at fair value. The surplus/ (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realized upon disposal.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortized using effective interest method and taken to the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations.

6.3 Advances including net investment in micro lease

Advances are stated net of specific and general provisions which are determined on the basis of Prudential Regulations. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery.

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as micro lease. A receivable is recognized at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

6.4 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged against income applying the straight line method using the rates stated in note 11.2 to the financial statements. Depreciation on additions is charged from the month in which the asset is acquired and on disposals till the month in which assets are sold.

Maintenance and repairs are charged against income as and when incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Bank.

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are determined by comparing the sale proceeds with the carrying amount of asset and are included in income currently.

The carrying values of tangible fixed assets are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount and an impairment loss is recognized in the profit and loss account. The recoverable amount of property, plant and equipment is greater of fair value less selling costs and value in use.

NOTES TO THE FINANCIAL STATEMENTS

Continued

Intangible assets

These are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the useful life of the asset on a systematic basis to income applying the straight line method at the rate specified in note 11.3 to the financial statements.

Amortization on additions is charged from the month in which the assets are put to use while no amortization is charged in the month in which the assets are deleted.

Software and other development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Bank.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use. These are carried at cost less impairment loss, if any.

6.5 Taxation

Current

Provision for current taxation is based on the taxable income at current rates of taxation after taking into consideration available tax credits and rebates, if any, in accordance with provision of Income Tax Ordinance, 2001. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be realized. Unrecognized deferred tax asset are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

6.6 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS

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6.7 Employee benefits

Defined Contribution plan

The Bank operates approved funded contributory provident fund for all its permanent employees to whom equal monthly contributions are made both by the bank and the employees at the rate of 10% per annum of basic salary. The contributions made by the Bank are recognized as employee benefit expense when they are due.

6.8 Revenue recognition

Mark-up / return / interest on regular advances is recognized on accrual basis using effective interest rate method. Profit on classified advances is recognized on receipt basis.

Return on investment is recognized on accrual basis using effective interest rate method.

Income on net investment in micro lease is recognized over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified micro lease is recognized on receipt basis in compliance with the Prudential Regulations issued by SBP.

Fee, commission and brokerage income is recognized when earned.

Dividend income from investments is recognized when Bank's right to receive the dividend is established.

Gain and loss on sale of securities is accounted for in the period in which the sale / settlement occurs. All exchange differences are recognized in income.

Income on balances with other banks is recognized in profit and loss account as it is earned.

6.9 Financial instruments

Financial instruments carried on the statement of financial position include cash and balances with State Bank of Pakistan and other banks, investments, advances and other assets, bills payable, deposits and other liabilities. Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instruments. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and rewards of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharge, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit or loss account of the current period.

6.10 Offsetting of financial assets and financial liabilities

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

6.11 Related party transactions

Prices for transactions with related parties are determined using the comparable uncontrolled price method except for those transactions which in exceptional circumstances are specifically approved by the Board.

6.12 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Continued

6.13 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities.

6.14 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Forward foreign exchange promise / options are valued at forward rates applicable to their respective maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

6.15 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

6.15.1 Business segments

Investments in Government Securities	- Includes investment in market treasury bills and Pakistan Investment Bonds
Retail Banking	- It includes retail deposits and banking services
Micro Finance Banking	- Micro finance banking comprises advances provided to customers on Micro Credit and Micro Lease basis.

6.15.2 Geographical segment

The Bank has 11 branches as at 31 December 2013 (2012: 11 branches) and operates only in the district Karachi, Pakistan.

6.16 Deferred Grants

Grants are initially recognized at fair value in the balance sheet when there is reasonable assurance that the grants will be received and the Bank will comply with all the attached conditions. Grants that compensate the Bank for expenses incurred are recognized as other income in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other income on a systematic basis over the useful life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

Continued

	Note	2013 Rupees	2012 Rupees
7. CASH AND BALANCE WITH SBP			
Cash in hand – local currency		19,022,451	13,844,703
Balance with State Bank of Pakistan	7.1	43,778,963	32,322,058
		62,801,414	46,166,761
7.1	Represents balance maintained in current account with the State Bank of Pakistan to meet the requirements of maintaining a minimum balance equivalent not less than 5% of the Bank's time and demand liabilities in accordance with Regulation 6 of the Prudential Regulations.		
8. BALANCES WITH OTHER BANKS/MFBs			
In Pakistan			
- on current account		4,484	4,484
- on deposit account	8.1	354,770,306	95,831,321
- certificates of deposits	8.2	150,000,000	299,700,000
		504,774,790	395,535,805
8.1	These carry mark-up rates ranging from 7.5 to 9.5 percent (2012: 8 to 10 percent) per annum.		
8.2	These represents placements with Burj Bank Limited carrying mark-up ranging from 9.5 to 10.5 percent (2012: 11.5 percent). Their maturity ranges from one month to three months from the date of placement.		
9. INVESTMENTS			
Held-for-trading			
Term Finance Certificate	9.1	58,875,000	78,500,000
Fair value adjustment		1,217,064	-
		60,092,064	78,500,000
NAMCO Income Fund - Mutual Fund	9.2	20,000,000	-
Held-to-maturity			
Federal Government Securities			
Market Treasury Bill		-	5,140,937
Available-for-sale			
Federal Government Securities			
Pakistan Investment Bond (PIB)	9.3	212,458,024	71,361,220
Fair value adjustment		(1,448,030)	(50,876)
		211,009,994	71,310,344
		291,102,058	154,951,281

NOTES TO THE FINANCIAL STATEMENTS

Continued

- 9.1** These represent Term Finance Certificates of Jahangir Siddiqui Company Limited. These carry mark-up at the rate of 6 Months KIBOR + 2.4% per annum.
- 9.2** These represent 195,164.0304 units valuing Rupees 102.4779 each of NAMCO Income Fund - an open end Mutual Fund managed by National Asset Management Company Limited.
- 9.3** This represents PIBs issued for a period of three years having maturity on 19 July 2015 and 22 July 2015. These carries interest at the rate of 11.25% and 11.50% per annum.

10. ADVANCES - NET OF PROVISIONS

	Note	2013		2012	
		No. of loans outstanding	Rupees	No. of loans outstanding	Rupees
Micro credits		8,606	341,837,539	3,064	125,858,687
Provision held:					
- Specific			19,768,105		2,914,337
- General			3,052,551		1,156,346
	10.2		22,820,656		4,070,683
Advance-net of provision		8,606	319,016,883	3,064	121,788,004

10.1 Particulars of non-performing advances

Advances include Rupees 91,782,592 (31 December 2012: Rupees 15,554,983) which have been placed under non performing status as detailed below.

Category of classification	Amount outstanding	2013		2012		
		Provision required	Provision held	Amount outstanding	Provision required	Provision held
		----- Rupees -----				
OAEM	45,262,426	-	-	7,856,113	-	-
Sub-standard	20,462,761	5,115,690	5,115,690	4,236,005	1,059,001	1,059,001
Doubtful	22,809,985	11,404,993	11,404,993	3,215,059	1,607,530	1,607,530
Loss	3,247,422	3,247,422	3,247,422	247,806	247,806	247,806
	91,782,594	19,768,105	19,768,105	15,554,983	2,914,337	2,914,337

NOTES TO THE FINANCIAL STATEMENTS

Continued

10.2 Particulars of provision against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
----- Rupees -----						
Opening balance	2,914,337	1,156,346	4,070,683	2,021,701	29,456	2,051,157
Charge for the year	28,710,654	1,896,205	30,606,859	2,878,836	1,126,890	4,005,726
Amount written off	(11,856,886)	-	(11,856,886)	(1,986,200)	-	(1,986,200)
Closing balance	19,768,105	3,052,551	22,820,656	2,914,337	1,156,346	4,070,683

10.3 Particulars of write offs:

	2013 Rupees	2012 Rupees
Against provision	11,856,886	1,986,200

11. OPERATING FIXED ASSETS

Capital work in progress	11.1	16,631,322	28,712,865
Property and equipment	11.2	41,747,530	19,834,190
Intangible assets	11.3	22,976,498	22,645,750
		81,355,350	71,192,805

11.1 Capital work in progress

Renovation of office building		16,631,322	28,712,865
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NOTES TO THE FINANCIAL STATEMENTS

Continued

11.2 Property and equipment

PARTICULARS	COST			Rate %	DEPRECIATION			Written down value as at 31 December 2013
	As at 01 January 2013	Additions/ (Deletions)	As at 31 December 2013		As at 01 January 2013	Charge for the year	As at 31 December 2013	
	(In Rupees)	(In Rupees)	(In Rupees)		(In Rupees)	(In Rupees)	(In Rupees)	
2013								
Leasehold improvements	6,311,994	11,457,972	17,769,966	5	1,058,366	646,603	1,704,969	16,064,997
Furniture and fixtures	5,468,309	5,654,167	11,122,476	10	2,013,113	946,881	2,959,994	8,162,482
Electricity and office equipment	6,666,475	3,181,607	9,758,082	20	2,708,621	1,223,667	3,842,288	5,915,794
		(90,000)				(90,000)		
Computer hardware & peripheral	6,615,657	7,776,816	14,392,473	30	3,965,720	2,313,420	6,279,140	8,113,333
Motor Vehicles	13,549,654	1,760,125	11,718,266	20	9,032,079	919,379	8,227,342	3,490,924
		(3,591,513)				(1,724,116)		
Total	38,612,089	29,830,687	64,761,263		18,777,899	6,049,950	23,013,733	41,747,530
		(3,681,513)				(1,814,116)		
2012								
PARTICULARS	As at 01 January 2012	Additions/(Dele- tions)	As at 31 December 2012	Rate %	As at 01 January 2012	Charge for the year	As at 31 December 2012	Written down value as at 31 December 2012
Leasehold improvements	3,958,051	2,353,943	6,311,994	5	810,704	247,662	1,058,366	5,253,628
Furniture and fixtures	3,480,267	1,988,042	5,468,309	10	1,547,918	465,195	2,013,113	3,455,196
Electricity and office equipment	2,860,694	3,846,281	6,666,475	20	2,344,031	396,315	2,708,621	3,957,854
		(40,500)				(31,725)		
Computer hardware & peripheral	3,731,954	2,883,703	6,615,657	30	3,562,585	403,135	3,965,720	2,649,937
Motor Vehicles	10,409,117	3,511,400	13,549,654	20	8,258,291	1,144,651	9,032,079	4,517,575
		(370,863)				(370,863)		
Total	24,440,083	14,583,369	38,612,089		16,523,529	2,656,958	18,777,899	19,834,190
		(411,363)				(402,588)		

11.2.1 Property and equipments include assets costing Rupees 11,791,813 (2012: Rupees 10,140,782) which are fully depreciated and still in use.

NOTES TO THE FINANCIAL STATEMENTS

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11.2.2 Property and equipment disposed of during the year

2013	Cost	Accumulated depreciation	Written down value	Sales proceed	Mode of disposal	Particulars of buyers
Motor vehicles						
Suzuki Cultus ACX-753	663,605	(663,605)	-	364,000	Negotiation	Syed Asghar Ali Rizvi
FAW-Roma Van	547,987	(410,990)	136,997	335,000	Negotiation	Syed Asghar Ali Rizvi
Mercedes Benz AWD-201	2,163,000	(432,600)	1,730,400	1,766,450	Negotiation	Ejaz Ahmed Khan
Yamaha Motorcycle KBF9588	42,251	(42,251)	-	6,000	Negotiation	Muhammad Zulfiqar
Sohrab Motorcycle KBE-6824	35,250	(35,250)	-	5,500	Negotiation	Muhammad Zulfiqar
Sohrab Motorcycle KBE-6821	28,250	(28,250)	-	5,500	Negotiation	Muhammad Zulfiqar
Star Motorcycle KBF-1946	31,875	(31,875)	-	16,300	Negotiation	Abdul Majeed Ahmed Khan
Suzuki Motorcycle KBD-6892	40,295	(40,295)	-	6,000	Negotiation	Zeeshan Rafi
Honda Motorcycle KDA-2613	39,000	(39,000)	-	16,500	Negotiation	Mahir Ahmed Raza Khan
Office equipment						
Generator	90,000	(90,000)	-	16,000	Negotiation	Saad Hamid
2012	3,681,513	(1,814,116)	1,867,397	2,537,250		
	411,363	(402,588)	8,775	272,000		

11.3 Intangible assets

PARTICULARS	COST		AMORTISATION		Written down value as at 31 December
	As at 01 January	Additions/ (Deletions)	As at 31 December	Charge for the year	
	Rate %	As at 31 December	As at 01 January	As at 31 December	
Computer software					
2013	32,162,024	7,758,934	39,920,958	25	16,944,460
2012 - restated	5,167,025	26,994,999	32,162,024	25	9,516,274
					7,428,186
					4,349,249
					22,645,750

11.3.1 Intangibles include computer software costing Rupees 24,000,000 having book value of Rupees 14,000,000 against which bank has been provided grant of Rupees 18,000,000 million by the State Bank of Pakistan from the SBP. (note 16.1)

11.3.2 Intangibles include assets costing Rupees 5,167,025 (2012: Rupees 5,167,025) which are fully amortised and still in use.

NOTES TO THE FINANCIAL STATEMENTS

Continued

11.3.3 During the preceding year, intangible asset acquired was erroneously remained unrecorded due to unavailability of supporting documents/invoices from the vendor. However, the asset became operational during the last year. During the year, this prior period error has been corrected and the respective balances of intangible assets and payable against capital expenditure have been adjusted retrospectively as required by International Accounting Standard (IAS)-8 "Accounting Policies, changes in Accounting Estimates and Errors".

Since the retrospective adjustments affected only the current and corresponding years and there was no effect on the information in the balance sheet at the beginning of the preceding year, therefore, the balance sheet as at the beginning of the preceding year has not being produced in these financial statements.

The retrospective effect of this restatement on profit and loss account and balance sheet of the preceding year is as follows:

	2012 Rupees
Profit and loss account:	
Increase in administrative expenses on account of amortization of intangibles	3,562,500
Increase in loss after tax	3,562,500
Balance sheet:	
Increase in operating fixed assets - intangible assets	14,437,500
Increase in payable against capital expenditure	18,000,000
Increase in accumulated loss	3,562,500

12. OTHER ASSETS

	2013 Rupees	2012 Rupees
Income/ mark-up accrued	30,538,487	11,953,486
Advances, deposits, advance rent and other prepayments	9,500,672	11,197,842
Tax deducted at source (net of provision)	-	813,006
Security deposits	907,702	1,218,876
Inter banks ATM settlement account	873,613	-
Inter branch current account	3,511,761	-
Institutional Strengthening Fund grant receivable	9,000,000	-
	54,332,235	25,183,210

13. DEPOSITS AND OTHER ACCOUNTS

	2013		2012	
	Number	Rupees	Number	Rupees
Fixed deposits	1,315	383,102,300	375	113,827,000
Saving deposits	3,614	201,874,993	2,993	194,160,659
Current deposits	26,883	177,048,276	18,631	160,037,205
	31,812	762,025,569	21,999	468,024,864

NOTES TO THE FINANCIAL STATEMENTS

Continued

13.1 Particulars of deposits by ownership

	2013		2012	
	Number	Rupees	Number	Rupees
Individual depositors	31,656	739,523,216	21,912	444,411,748
Institutional depositors				
- Corporation / firm	145	7,540,180	83	8,033,202
- Banks and financial institutions	11	14,962,173	4	15,579,915
	31,812	762,025,569	21,999	468,024,865

14. OTHER LIABILITIES

	Note	2013	2012
		Rupees	Rupees Restated
Mark-up/ return/ interest payable		4,897,157	3,165,460
Bills payable		11,110,797	2,186,295
Accrued expenses		1,660,941	1,314,820
Payable to depositors' protection fund	14.1	12,503	12,503
Salary payable		-	23,000
Provident fund payable		14,957	58,706
EOBI contribution		107,827	11,693
Provision for taxation (net of advance tax)		21,118	-
Inter branch current account		-	4,751,486
Payable against capital expenditure		14,830,474	18,000,000
Others		1,660,038	7,829,407
		34,315,812	37,353,370

14.1 As per Prudential Regulations for the Microfinance Banks, the bank is required to establish and maintain Depositors' Protection Fund for the purpose of mitigating risk of its depositors to which shall be credited not less than 5 percent of the annual profit after taxes.

	2013	2012	2013	2012
	No. of shares	No. of shares	Rupees	Rupees
15. SHARE CAPITAL				
15.1 Authorized capital				
Ordinary shares of Rupees 10 each	150,000,000	150,000,000	1,500,000,000	1,500,000,000
15.2 Issued, subscribed and paid-up capital				
Ordinary shares of Rupees 10 each fully paid in cash	30,000,000	30,000,000	300,000,000	300,000,000

NOTES TO THE FINANCIAL STATEMENTS

Continued

16. DEFERRED GRANTS

	Note	2013 Rupees	2012 Rupees
Grant recognized during the year		18,020,263	-
Less: Amortization of deferred grants		(6,000,000)	-
		12,020,263	-

- 16.1** During the year, the SBP approved a grant of Rupees 36,078,051 for meeting the project cost to be incurred by the Bank to support its institutional capacity building under the project "Strengthening the Institution via a Business Capacity Building, IT infrastructural Improvement and Human Capital Development". The Bank has recognized the grant amounting to Rupees 18,020,263 against software purchased in preceding year thereby meeting the conditions attached to the grant. Out of this Grant amounting to Rupees 9,020,263 was received during the year and Rupees 9,000,000 in subsequent period against purchase and installation of software. Amortization of the grant is being made on a systematic basis over the remaining useful life of related asset.

The remaining amount of the approved grant will be recognized upon actual receipt / when the Bank will have reasonable assurance to comply with all the attached conditions.

17. MEMORANDUM/OFF - BALANCE SHEET ITEMS

There were no contingent liabilities and commitments as at 31 December 2013 (2012: Nil).

18. MARK-UP/ RETURN/ INTEREST EARNED

Mark-up on loans and advances		84,764,871	11,534,802
Mark-up on investments in government securities		22,139,490	26,431,819
Mark-up on deposit accounts		32,421,325	12,222,014
		139,325,686	50,188,635
19. OTHER INCOME			
Gain on disposal of fixed assets		669,853	263,225
Fair value adjustment on investments classified as held-for-trading		1,217,064	-
Amortization of deferred grants	16	6,000,000	-
Others		1,897,540	710,939
		9,784,457	974,164

NOTES TO THE FINANCIAL STATEMENTS

Continued

	Note	2013 Rupees	2012 Rupees
20. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		64,469,812	43,261,888
Contribution to defined contribution plan		360,275	273,088
Rent, taxes, insurance, electricity, etc.		20,816,314	12,657,627
IT related expenses		2,073,123	1,288,000
Credit rating fees		275,000	275,000
Legal and professional charges		1,150,390	4,399,354
Security charges		2,686,987	1,883,876
Traveling		1,752,439	1,873,036
Fees and subscription		1,362,895	1,823,967
Communication		2,436,062	942,197
Fueling expense		1,063,305	610,236
Repair and maintenance		5,101,445	4,205,057
Stationery and printing		2,271,015	1,146,736
Advertisement and publicit		660,534	592,580
Auditors' remuneration	20.1	611,097	564,275
Depreciation	11.2	6,049,950	2,656,958
Amortization of intangibles	11.3	7,428,186	4,349,249
Entertainment		2,509,378	843,671
Credit verification expenses		518,532	154,935
Others		963,066	951,706
		124,559,804	84,753,436
20.1 Auditors' Remuneration			
Audit fee		300,000	300,000
Half yearly review and other certifications		110,000	110,000
Other certifications fee		50,000	50,000
Out-of-pocket expenses		151,097	104,275
		611,097	564,275

21. TAXATION

- 21.1** The Bank has incurred taxable loss during the year amounting to Rupees 62,908,391. However, under section 113 "minimum tax on income of certain persons" of the Income Tax Ordinance, 2001, the Bank is required to make a provision for minimum taxation. Therefore, provision for minimum taxation amounting to Rupees 1,439,198 has been made during the year ended 31 December 2013. (2012: Rupees 501,886)
- 21.2** As of 31 December 2013, the Bank has accumulated tax losses aggregating to Rupees 86,386,410 including unabsorbed depreciation and Amortization of Rupees 41,344,230. The unrecognised deferred tax on such losses amounts to Rupees 30,235,243.
- 21.3** Since the income of the Bank is subject to minimum tax under section 113 to the Income Tax Ordinance, 2001, therefore, the relationship of tax expense has not been produced.

NOTES TO THE FINANCIAL STATEMENTS

Continued

22. NUMBER OF EMPLOYEES

	2013			2012		
	Credit/sales staff	Banking / Support	Total	Credit/sales staff	Banking / Support	Total
	----- Numbers -----			----- Numbers -----		
Permanent	7	18	25	9	15	24
Contractual	80	104	184	53	73	126
Daily wages	-	-	-	-	-	-
	87	122	209	62	88	150

23. LOSS PER SHARE - BASIC AND DILUTED

		2013	2012
Loss after taxation for the year	(Rupees)	(53,321,392)	(49,314,623)
Weighted average number of ordinary shares outstanding during the year	Numbers	30,000,000	30,000,000
Basic and diluted loss per share	(Rupees)	(1.78)	(1.64)

23.1 There was no dilutive effect on the basic loss per share.

24. CASH AND CASH EQUIVALENTS

	2013 Rupees	2012 Rupees
Cash and balances with SBP	62,801,414	46,166,761
Balances with other banks/MFBs	504,774,790	395,535,805
Market Treasury Bills- having maturities less than 3 months	-	5,140,937
	567,576,204	446,843,503

25. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to President/ Chief Executive Officer of the Bank was as follows:

	President/ Chief Executive Officer		Executives	
	2013	2012	2013	2012
	----- (Rupees) -----		----- (Rupees) -----	
Managerial remuneration	3,400,000	6,933,563	17,755,186	10,000,000
Rent and house maintenance	-	-	463,110	-
Utilities	-	-	115,780	-
Medical	-	-	60,300	-
Contribution to provident fund	-	-	-	-
Bonus and other benefits	-	-	345,122	-
	3,400,000	6,933,563	18,739,498	10,000,000
Number of persons	2	2	37	6

NOTES TO THE FINANCIAL STATEMENTS

Continued

- 25.1** The President / Chief Executive Officer and Executives are entitled to use Bank maintained cars and perquisites in accordance with the terms of their employment.
- 25.2** During the year, no directors meeting fee has been paid.

26. MATURITIES OF ASSETS AND LIABILITIES

	Total	Upto one month	2013		
			Over one month upto 6 months	Over 6 months upto 1 year	Over one Year upto 5 years
----- (Rupees) -----					
Assets					
Cash and balances with SBP	62,801,414	-	62,801,414	-	-
Balances with other banks/MFBs	504,774,790	454,774,790	50,000,000	-	-
Investments	291,102,058	20,000,000	9,812,500	9,812,500	251,477,058
Advances	319,016,883	3,671,097	27,644,185	110,689,370	177,012,231
Operating fixed assets	81,355,350	-	-	-	81,355,350
Other assets	54,332,235	54,332,235	-	-	-
	1,313,382,730	532,778,122	150,258,099	120,501,870	509,844,639
Liabilities					
Deposits and other accounts	762,025,569	187,048,276	400,000	346,947,300	227,629,993
Other liabilities	34,315,812	34,315,812	-	-	-
	796,341,381	221,364,088	400,000	346,947,300	227,629,993
Net assets	517,041,349	311,414,034	149,858,099	(226,445,430)	282,214,646
Represented by:					
Share capital	300,000,000				
Statutory and general reserves	50,011				
Accumulated loss	(196,880,895)				
	103,169,116				
Deficit on revaluation of assets	(1,448,030)				
Deferred grants	12,020,263				
Share deposit money	403,300,000				
	517,041,349				

NOTES TO THE FINANCIAL STATEMENTS

Continued

	Total	Upto one month	2012 Over one month upto 6 months	Over 6 months upto 1 year	Over one Year upto 5 years
	(Rupees)				
Assets					
Cash and balances with SBP	46,166,761	46,166,761	-	-	-
Balances with other banks/MFBs	395,535,805	395,535,805	-	-	-
Investments	154,951,281	-	5,140,937	78,500,000	71,310,344
Advances	121,788,004	28,001	4,469,230	42,555,058	74,735,715
Operating fixed assets (2012: restated)	71,192,805	-	-	-	71,192,805
Other assets	25,183,210	25,183,210	-	-	-
	814,817,866	466,913,777	9,610,167	121,055,058	217,238,864
Liabilities					
Deposits and other accounts	468,024,864	394,884,864	59,790,000	5,100,000	8,250,000
Other liabilities (2012: restated)	37,353,370	25,353,370	6,000,000	6,000,000	-
	505,378,234	420,238,234	65,790,000	11,100,000	8,250,000
Net assets	309,439,632	46,675,543	(56,179,833)	109,955,058	208,988,864
Represented by:					
Share capital	300,000,000				
Statutory and general reserves	50,011				
Accumulated loss (2012: restated)	(143,559,503)				
	156,490,508				
Surplus/(deficit) on revaluation of assets	(50,876)				
Deferred grants	-				
Share deposit money	153,000,000				
	309,439,632				

27. FINANCIAL RISK MANAGEMENT

27.1 Interest/ mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

The Bank interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO.

NOTES TO THE FINANCIAL STATEMENTS

Continued

The advances and deposits of the Bank are on periodic basis based on interest rates scenario as detailed below:

2013						
Effective yield/ interest rate %	Total	Exposed to yield/ interest risk				
		Upto one month	One month to six months	Over six months to one year	Over one year to five years	
		Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Balances with other banks/MFBs	8-10	504,774,790	454,774,790	50,000,000	-	-
Investments	9.5-12	291,102,058	20,000,000	9,812,500	9,812,500	251,477,058
Advances	22-39	319,016,883	3,671,097	27,644,185	110,689,370	177,012,231
		1,114,893,731	478,445,887	87,456,685	120,501,870	428,489,289
Liabilities						
Deposits	7-13.5	762,025,569	187,048,276	400,000	346,947,300	227,629,993
		352,868,162	291,397,611	87,056,685	(226,445,430)	200,859,296

2012						
Effective yield/ interest rate %	Total	Exposed to yield/ interest risk				
		Upto one month	One month to six months	Over six months to one year	Over one year to five years	
		Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Balances with other banks/MFBs	8-11.5	395,535,805	395,535,805	-	-	-
Investments	10.40-12	154,951,281	-	5,140,937	78,500,000	71,310,344
Advances	39.95	121,788,004	28,001	4,469,230	42,555,058	74,735,715
		672,275,090	395,563,806	9,610,167	121,055,058	146,046,059
Liabilities						
Deposits	5.82	468,024,864	394,884,864	59,790,000	5,100,000	8,250,000
		204,250,226	678,942	(50,179,833)	115,955,058	137,796,059

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances, balances at banks and investments. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in the government security or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rupees 1,160.226 million (2012: 621.007 million).

27.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

27.4 Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

Continued

27.5 Capital management

The Prudential Regulations for Microfinance Banks prescribe the Minimum Capital Requirements for Microfinance Banks (MFBs) Regulation 4 of the said regulations, inter alia, require all MFBs which are licenced to operate in a specified district to maintain minimum paid up capital of atleast Rupees 300 million free of losses. Accordingly, as at 31 December 2013, minimum capital requirement for the Bank was Rupees 300 million. However, the Bank's capital (free of losses) stood at Rupees 103.169 million as at 31 December 2013. The management's plan to ensure compliance with the minimum capital requirement prescribed in the Prudential Regulation is disclosed in Note 1.2.

28. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Investment In Government Securities Rupees	Retail Banking Rupees	Micro Finance Banking Rupees	Total Rupees
Year ended 31 December 2013				
Total income	22,139,490	39,547,592	93,713,820	155,400,902
Total expenses	-	83,494,763	125,227,531	208,722,294
Net income/(loss)	22,139,490	(43,947,171)	(31,513,711)	(53,321,392)
Year ended 31 December 2013				
Segment assets (gross)	211,009,994	567,576,204	557,617,188	1,336,203,386
Segment non performing loans	-	-	91,782,594	91,782,594
Segment provision required	-	-	22,820,656	22,820,656
Segment liabilities	-	778,033,523	18,307,858	796,341,381
Year ended 31 December 2012				
Total income	26,473,528	12,180,306	18,064,254	56,718,088
Total expenses	-	38,551,396	63,416,929	101,968,325
Net income/(loss)	26,473,528	(26,371,090)	(45,352,675)	(45,250,237)
Year ended 31 December 2012				
Segment assets (gross)	154,951,281	441,702,566	207,797,202	804,451,049
Segment non - performing loans	-	-	15,554,983	15,554,983
Segment provision required	-	-	4,070,683	4,070,683
Segment liabilities	-	471,190,324	16,187,910	487,378,234

NOTES TO THE FINANCIAL STATEMENTS

Continued

29. TRANSACTION AND BALANCES WITH RELATED PARTIES

Related parties of the Bank comprise group companies, staff retirement benefits fund, key management personnel and major shareholders of the bank. The details of transactions and balances with related parties other than those disclosed elsewhere in these financial statements are as under:

	2013 Rupees	2012 Rupees
Balances at year end:		
Associated company:		
Deposits	3,944,951	452,285
Key management personnel:		
Deposits	447,347	20,680,665
From directors/ sponsors:		
Deposits	12,370,072	720,860
Share deposit money	403,300,000	153,000,000
Transactions during the year:		
Associated company:		
Insurance expense	311,111	210,514
Other related parties		
Contribution to Staff Provident Fund	360,275	435,200
Key management personnel:		
Deposits		
Deposits received	45,600,132	46,115,696
Withdrawals	53,722,738	45,970,241
Mark-up on deposit paid	2,652,030	1,384,477
From Directors/Sponsors:		
Deposits received	55,506,028	282,307,903
Withdrawals	46,234,633	281,587,043
	2013	2012

30. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial information of the provident fund for the years ended 31 December 2012 and 31 December 2013:

Size of the funds- Total assets	6,998,836	6,855,736
Cost of investments	6,947,579	6,112,079
Percentage of investments made	99.27%	89.15%
Fair value of investments	6,947,579	6,112,079

NOTES TO THE FINANCIAL STATEMENTS

Continued

30.1 The break-up cost of investments is as follows:

	2013 Percentage	2012 Percentage	2013 Rupees	2012 Rupees
Deposits	58.08%	52.36%	4,035,500	3,200,000
Listed securities	41.92%	47.64%	2,912,079	2,912,079
	100.00%	100.00%	6,947,579	6,112,079

The above investment / placement of funds has been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

31 DATE OF AUTHORIZATION FOR ISSUE


These financial statements were approved and authorized for issue on March 1, 2014 by the Board of Directors of the Bank.

32 GENERAL

32.1 Where there are no balances or amounts to be disclosed in the account captions as prescribed by BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan, format of financial statements for Microfinance Banks/ Institutions, these captions have not been reproduced in these financial statements except for in the balance sheet and profit and loss account.

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

32.3 Corresponding figures have been rearranged, wherever necessary for the purpose of comparison. However, no significant rearrangements have been made during the year.



President & Chief Executive Officer



Chairman



Director



Director

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh Annual General Meeting of Apna Microfinance Bank Limited is scheduled to be held on Friday, March 28, 2014 at 3:00 p.m Institute of Chartered Accountant of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

1. To read and confirm the minutes of the Extraordinary General Meeting held on February 6, 2014.
2. To receive, consider and adopt the Annual Audited Financial Statements for the year ended December 31, 2013 together with Directors' and Auditors' Reports thereon.
3. To appoint the auditors of the bank for the year ending December 31, 2014 and to fix their remuneration.
4. To transact any other business with the permission of the chair.

By Order of the Board

March 7, 2014
Karachi


Rafat Abbas
Company Secretary

NOTES:

1. A member of the Bank entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must receive by the Bank not less than 48 hours before the meeting.

Central Depository Company of Pakistan Limited (CDC) account holders will further have the following under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A) For Attending Meeting:

- i) In the case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- ii) In the case of Corporate Entity, the Board of Directors' Resolution/ Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B) For Appointing Proxies:

- i) In the case of individuals, the account holder or sub-account holder and /or the person whose securities are in-group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) Two persons whose names, addresses and CNIC numbers shall be mentioned on the form shall witness the proxy.
- iii) Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the Proxy Form.
- iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- v) In the case of Corporate Entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to the Bank.

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

Continued

2. Members are requested to immediately notify the change of their address, if any.
3. The Share Transfer Book of the company will remain closed from March 22, 2014 to March 28, 2014 (both days inclusive). The share transfer office is situated at Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi. (Phone No. 3439-1316 & 3439-1317). Transfer received at the registered office at the close of business on March 21, 2014 will be treated in time.

For Apna Microfinance Bank Ltd.



Rafat Abbas
Company Secretary

FORM OF PROXY

I/ We _____ of _____ a member/ members of the company/ merged companies, do hereby appoint Mr./ Ms. _____ of _____ a member of the company, or failing him/ her Mr./ Ms. _____ of _____ who is also a member of the company, as my/ our proxy to attend, speak and vote for me/ us and on my/ our behalf at the Annual General Meeting of the bank to be held on 28-03-2014 at 11:00 a.m. at Institute of Chartered Accountant of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2014.

Please affix
Revenue
Stamp

Witness: (1)

Signature _____
Name _____
Address _____
CNIC _____

Signature: _____
(The signature should agree with the Specimen
Registered with the Company)

Witness: (2)

Signature _____
Name _____
Address _____
CNIC _____

Folio No. _____
CDC A/c No. _____
No. of shares held _____
Distinctive Numbers _____

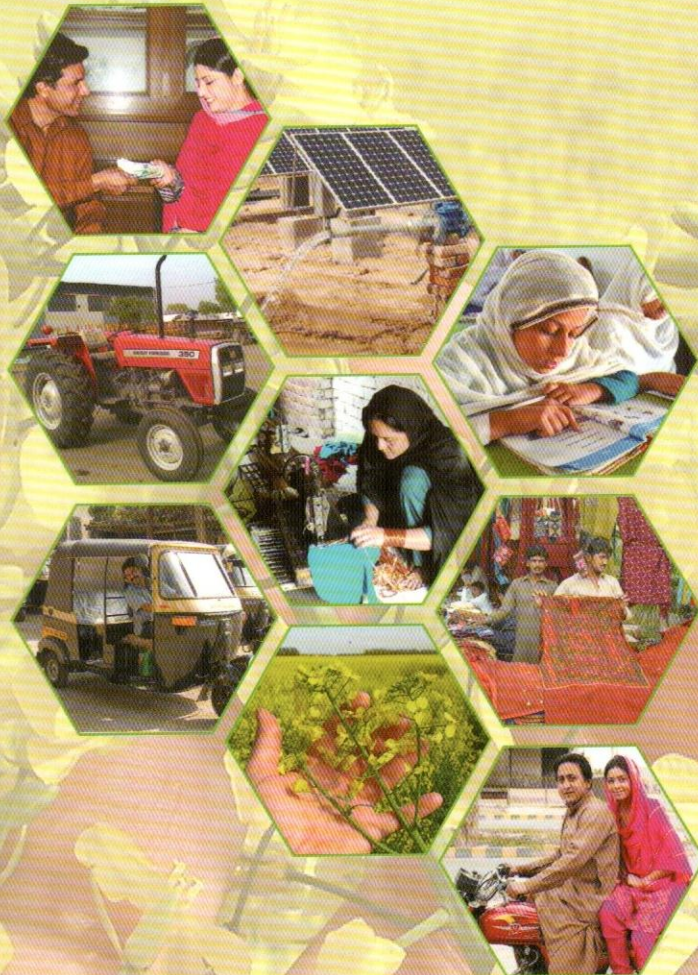
IMPORTANT:

1. The proxy Form must be deposited at the registrar office of the company, Technology Trade (Pvt.) Ltd, Dagia House, 241-C, Block-2, P.E.C.H.S. of. Shahrah-e-Quaideen, Karachi, as soon as possible but not later than 48 hours before the time of holding the meeting and default Proxy form will not be treated as valid.
2. No person shall act as proxy unless he/ she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.
3. The proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
4. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. The proxy shall produce his/ her original CNIC or original passport and bring Folio number at the time of the meeting.
6. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted along with proxy form to the Company (if not provided earlier).

STAMP

Company Secretary

K-4/3 & 4/4,
Ch. Khaliq-uz-Zaman Road,
Gizri, Karachi-Pakistan



Head Office:

K-4/3 & 4/4,
Ch. Khaliq-uz-Zaman Road,
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