



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NRSP Microfinance Bank Limited (the Bank) as at December 31, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (xviii of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Islamabad: February 27, 2012

Name of the audit engagement partner: Kalimuddin Ghauri

NRSP MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2011


	Note	2011 Rupees	2010 Rupees
ASSETS			
Cash and Balances with SBP	6	61,626,119	-
Balances with other Banks	7	1,615,869,221	1,011,678
Investment	8	61,455,668	-
Advances - net of provision	9	2,068,083,405	-
Operating fixed assets	10	214,302,363	57,437,213
Other assets	11	72,477,106	2,714,330
Deferred tax asset - net	12	5,478,532	-
Total Assets		4,099,292,414	61,163,221
LIABILITIES			
Deposits	13	632,545,008	-
Borrowings	14	2,446,687,365	-
Other liabilities	15	119,542,708	64,831,121
Total Liabilities		3,198,775,081	64,831,121
Net Assets		900,517,333	(3,667,900)
REPRESENTED BY:			
Share capital	16	840,000,000	1,006,000
Statutory reserve	5.8	7,108,556	-
Accumulated loss		(12,165,429)	(38,822,513)
		834,943,127	(37,816,513)
Deficit on revaluation of assets	17	(13,656)	-
Deferred grants	18	65,587,862	34,148,613
Total capital		900,517,333	(3,667,900)
MEMORANDUM / OFF-BALANCE SHEET ITEMS			
	19		

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

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 PRESIDENT



 CHAIRMAN



 DIRECTOR



 DIRECTOR

NRSP MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 Rupees	2010 Rupees
Mark-up / return / interest earned	20	478,692,406	4,678
Mark-up / return / interest expensed	21	(261,360,172)	-
Net mark-up / interest income		217,332,234	4,678
Provision against non-performing loans and advances	9	(20,867,715)	-
Bad debt written off directly	9.3	(666,500)	-
		(21,534,215)	
Net mark-up / interest income after provision		195,798,019	4,678
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	22	183,818,725	-
Other income	23	10,861,228	19,589,164
Total non-markup / non interest income		194,679,953	19,589,164
		390,477,972	19,593,842
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	24	(337,548,614)	(42,854,670)
Loan processing fee paid to NRSP		(16,240,000)	-
Total non-markup / non interest expense		(353,788,614)	(42,854,670)
		36,689,358	(23,260,828)
PROFIT/ (LOSS) BEFORE TAXATION		36,689,358	(23,260,828)
Taxation - Current	25	(6,625,111)	-
- Deferred	25.2	5,478,532	-
		(1,146,579)	-
PROFIT/ (LOSS) AFTER TAXATION		35,542,779	(23,260,828)
Accumulated (loss) brought forward		(38,822,513)	(15,561,685)
Accumulated (loss)		(3,279,734)	(38,822,513)
APPROPRIATIONS:			
Transfer to:			
Statutory reserve	5.8	7,108,556	-
Depositors' Protection Fund	5.9	1,777,139	-
		8,885,695	-
ACCUMULATED (LOSS) CARRIED FORWARD		(12,165,429)	(38,822,513)
Earnings/ (loss) per share	26	0.54	(2,722)

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

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PRESIDENT

Signature

CHAIRMAN

Signature

DIRECTOR

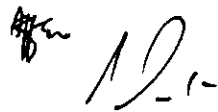
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DIRECTOR


NRSP MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 Rupees	2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		36,689,358	(23,260,828)
Adjustments for non-cash charges			
Depreciation		13,599,120	6,489
Amortization		2,005,040	274,533
Provision against non-performing advances		20,867,715	-
Amortization of deferred grant		(9,560,187)	(19,589,164)
Loss on sale of property and equipment		655,594	-
Bad debts written off		666,500	-
Revaluation of investments		(13,656)	-
		28,220,126	(19,308,142)
(Increase)/decrease in operating assets			
Advances		(2,089,617,620)	-
Other assets		(69,762,776)	28,631,495
		(2,159,380,396)	28,631,495
Increase in operating liabilities			
Deposits		632,545,008	-
Other liabilities (excluding current taxation)		46,309,337	49,261,614
		678,854,345	49,261,614
Net cash flow from operating activities		(1,415,616,567)	35,324,139
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in operating fixed assets		(174,271,458)	(57,706,964)
Interest income		1,429,887	1,893,503
Sale proceeds of property and equipment disposed-off		1,146,554	-
Net cash flow from investing activities		(171,695,017)	(55,813,461)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		838,994,000	1,001,000
Grants received		39,569,549	20,500,000
Borrowings		2,446,687,365	-
Net cash flow from financing activities		3,325,250,914	21,501,000
Net increase in cash and cash equivalents		1,737,939,330	1,011,678
Cash and cash equivalents at beginning of the year		1,011,678	-
Cash and cash equivalents at end of the year	27	1,738,951,008	1,011,678

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



 PRESIDENT



 CHAIRMAN



 DIRECTOR



 DIRECTOR

NRSP MICROFINANCE BANK LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2011

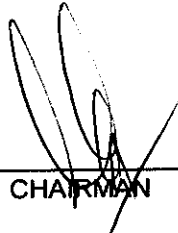
	Share capital	Statutory reserve	Accumulated loss	Total
-----Rupees-----				
Balance as at January 01, 2010	5,000	-	(15,561,685)	(15,556,685)
Loss for the year	-	-	(23,260,828)	(23,260,828)
Issue of Share Capital	1,001,000	-	-	1,001,000
Balance as at December 31, 2010	1,006,000		(38,822,513)	(37,816,513)
Profit for the year	-	-	35,542,779	35,542,779
Issue of Share Capital	838,994,000	-	-	838,994,000
Transfer to:	-	-	-	-
Statutory Reserve	-	7,108,556	(7,108,556)	-
Depositors' Protection Fund	-	-	(1,777,139)	(1,777,139)
Balance as at December 31, 2011	840,000,000	7,108,556	(12,165,429)	834,943,127

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

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 PRESIDENT



 CHAIRMAN



 DIRECTOR



 DIRECTOR

**NRSP MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. STATUS AND NATURE OF BUSINESS

NRSP Microfinance Bank Limited (the Bank) was incorporated as a public limited company incorporated in Pakistan on October 22, 2008 under the Companies Ordinance 1984. The Bank received a license by the State Bank of Pakistan (SBP) to operate as a microfinance bank on February 18, 2009, and received certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on February 8, 2011. Further SBP conditionally approved the application of the Bank for commencement of business on March 2, 2011.

The Bank was established to mobilize funds for providing microfinance services to economically challenged people for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

The Bank's registered office is situated at 46, Aga Khan Road, F/6-4, Islamabad and principal place of business is situated at Chak No 10 B/C University road, Bahawalpur. There are 19 branches of the Bank as at December 31, 2011.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

SBP has clarified that International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property" are not applicable to the Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, SECP has deferred the applicability of IFRS 7 - 'Financial instruments - disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of the said standards have not been considered in the preparation of these financial statements unless otherwise disclosed.

3.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2011 that would be expected to have a material impact on the Bank.



(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011 and not early adopted

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Bank will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in profit and loss as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/ (asset). The Bank is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. However, the Bank is exempt from the adoption of IAS 39 and consequently IFRS 9 as well.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Bank is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Bank is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2012.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The area involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.19.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand, balances held with treasury banks and balances held with other banks in current and deposit accounts including investments with original maturities of three months or less.

5.2 Investments

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

Investments are classified as follows:

Held for trading investments

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account.

Available for sale investments

Investments which may be sold in response to need for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale investments are initially recognized at cost and subsequently measured at fair value.

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

On reclassification of an investment from the available for sale category, the investment is reclassified at its fair value on the date of reclassification. This fair value becomes its new cost or amortised cost, as applicable. For investments with fixed maturity, any gain or loss previously recognised in "Surplus/ (deficit) on revaluation of assets" is amortized to profit or loss over the remaining life of the investment using the effective interest method and if the investment does not have a fixed maturity, the gain or loss previously recognized in "Surplus / (deficit) on revaluation of assets" is recognized in profit and loss when the investment is sold or disposed of.

Held to maturity investments

Investments with fixed maturity, where management has both the intent and the ability till hold to maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and revalued as at balance sheet date as per local prudential regulations based on the value of comparable instruments being traded if an active market exists. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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

5.3 Advances

Advances are stated net of provisions for non-performing advances. Advances that are overdue for 30 days or more are classified as non-performing and divided into categories as prescribed in Prudential Regulation for Microfinance Banks issued by the State Bank of Pakistan.

The Bank maintains specific provision for potential losses for all non-performing advances on the basis of Prudential Regulations for Microfinance Banks and other directives issued by the State Bank of Pakistan. General and specific provisions are charged to the profit and loss account.

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

5.4 Operating fixed assets

Capital work-in-progress

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

Property and equipment

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

Depreciation is charged on the straight line at rates specified in note 10.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Depreciation is charged on additions and deletions based on number of months the assets are available for use. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of deletion.

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

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

Intangible assets

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

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 10.3.1 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

5.5 Impairment

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.



An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

5.6 Taxation

Current

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

Deferred

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

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

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

5.7 Employee benefits

Defined benefit plan

Liability for staff severance is estimated by an independent actuary. Estimate is made on the basis of expected period of service of employees, expected increase in salary, discount rate and other demographic assumptions. Six or more months of service are counted as one full year. The vesting period of the plan is two years.

Compensated absences

Accumulated compensated absences of the Bank's employees are encashed in accordance with respective entitlement for a maximum of 60 days leave. The expected liability and related expense for the year has been determined on the basis leaves entitled to the employees.

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5.8 Statutory reserve

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

5.9 Depositors' Protection Fund

The Bank has a policy to maintain a Depositors' Protection Fund or scheme for the purpose of mitigating risk of its depositors, to which the Bank is required to credit not less than 5% of its annual profit after taxes.

5.10 Grants

Grants that compensate the Bank for expenses incurred are recognised in the profit and loss account as other operating income on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it.

5.11 Revenue recognition

Mark-up/return (service charge) on advances is recognized on accrual/ time proportion basis, except for income, if any, which warrants suspension in compliance with the Regulations. Mark-up recoverable on non-performing advances is recognised on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

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

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

Gains and losses on sale of operating fixed assets are recognised in the profit and loss account.

5.12 Borrowing costs

Mark up, interest and other charges on borrowings are charged to income in the year in which they are incurred.

5.13 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

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5.14 Financial instruments

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

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

Financial assets

Financial assets are other receivables. Other receivables are stated at their fair value as reduced by appropriate provisions against doubtful receivables.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

5.15 Impairment – Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

5.16 Off-setting

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

5.17 Foreign currencies

Transactions in foreign currencies are recorded at the approximate rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to profit and loss account.

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5.18 Provisions

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

5.19 Use of Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

- 1) Useful life of operating fixed assets;
- 2) Income taxes; and
- 3) Staff retirement benefits.



	2011 Rupees	2010 Rupees
6. CASH AND BALANCES WITH SBP		
Cash in hand	11,566,369	-
Balances with State Bank of Pakistan (SBP) in:		
Local currency current accounts - note 6.1	50,059,750	-
	61,626,119	-

- 6.1 This represents balance maintained with SBP to meet the requirement of maintaining cash reserve equivalent to not less than 5% (2010: 5%) of the Bank's deposits, including demand deposits and time deposits with tenor of less than one year, in accordance with regulation 6A of the Prudential Regulations.

	2011 Rupees	2010 Rupees
7. BALANCES WITH OTHER BANKS		
In Pakistan		
Local currency current accounts	852,136	1,000
Local currency deposit accounts - note 7.1	1,615,017,085	1,010,678
	1,615,869,221	1,011,678

- 7.1 This represents deposits with commercial banks payable on demand carrying mark-up at 10.25% to 12.00% (2010: 6.5%) per annum. This also includes Term Deposit Receipts amounting to Rs. 300 million, Rs. 150 million each, (2010: nil) with local commercial banks carrying interest rate of 12% and 12.25% (2010: nil) per annum up to three months (2010: nil).

This also includes undelivered cheques amounting to Rs. 43.9 million (2010: nil) which relate to disbursement of advances.

	2011 Rupees	2010 Rupees
8. INVESTMENT		
Federal Government securities		
Market Treasury Bills (T-Bills) - note 8.1	61,469,324	-
less: (deficit) on revaluation of available for sale securities	(13,656)	-
	61,455,668	-
	61,455,668	-

- 8.1 This represents Market Treasury Bill with less than three month maturity as at December 31, 2011 and have a yield of 11.7% (2010: nil) per annum.

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9. ADVANCES - NET OF PROVISION

Loan type	2011		2010	
	No. of loan outstanding	Amount outstanding Rupees	No. of loan outstanding	Amount outstanding Rupees
Micro Credit	101,767	2,086,771,550	-	-
Others - note 9.1	103	2,179,570	-	-
Less: Provision held:				
Specific	-	-	-	-
General - note 9.2	101,767	(20,867,715)	-	-
		(20,867,715)		-
Advances - net of provision		<u>2,068,083,405</u>		<u>-</u>

9.1 This represents interest bearing loans made to employees of the Bank carrying interest rate of 10% (2010: nil) per annum as per Human Resource policy. This also includes Rs 320,197 advanced to Key Management Personnel.

9.2 General provision is maintained at the rate of 1% of micro credit advances net of specific provision in accordance with Prudential Regulations.

	2011 Rupees	2010 Rupees
9.3 Particulars of Write Offs		
Against provision	-	-
Directly charged to profit & loss account	666,500	-
	<u>666,500</u>	<u>-</u>

10. OPERATING FIXED ASSETS

Capital work-in-progress - note 10.1	128,957,932	56,598,644
Property and equipment - note 10.2	81,553,534	28,782
Intangible assets - note 10.3	3,790,897	809,787
	<u>214,302,363</u>	<u>57,437,213</u>

10.1 Capital work-in-progress

Civil works	11,655,965	7,729,351
Software under implementation		
Software	71,248,360	48,869,293
Hardware	46,053,607	-
	<u>128,957,932</u>	<u>56,598,644</u>

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10.2 Property and equipment

	Motor Vehicles	Furniture & Fixture	Office Equipment	Computer Equipment	Total
Cost					
Balance as at January 1, 2010	-	-	24,000	12,296	24,000
Additions during the period	-	-	24,000	12,296	36,296
Balance as at December 31, 2010	-	-	24,000	12,296	36,296
Balance as at January 1, 2011	-	-	24,000	12,296	36,296
Additions during the period	40,187,054	23,308,516	22,903,414	10,527,036	96,926,020
Disposal during the period	(841,709)	(276,706)	(286,603)	(430,191)	(1,835,209)
Balance as at December 31, 2011	39,345,345	23,031,810	22,640,811	10,109,141	95,127,107
Depreciation					
Balance as at January 1, 2010	-	-	-	1,025	1,025
Charge for the year	-	-	2,800	3,689	6,489
Balance as at December 31, 2010	-	-	2,800	4,714	7,514
Balance as at January 1, 2011	-	-	2,800	4,714	7,514
Charge for the year	6,485,287	1,832,175	3,348,105	1,933,553	13,599,120
Depreciation of disposal	(14,029)	(2,306)	(4,777)	(11,949)	(33,061)
Balance as at December 31, 2011	6,471,258	1,829,869	3,346,128	1,926,318	13,573,573
Carrying value					
December 31, 2010	32,874,087	21,201,941	19,294,683	8,182,823	81,553,534
December 31, 2011	26,393,089	20,172,072	16,348,555	8,182,823	71,096,539
Rate of depreciation per annum	20%	10%	20%	33.33%	

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10.3	Intangible Assets	2011 Rupees	2010 Rupees
	Computer Softwares		
	Opening balance	1,084,320	-
	Additions for the year	4,986,150	1,084,320
	Closing balance	<u>6,070,470</u>	<u>1,084,320</u>
	Amortization		
	Opening balance	(274,533)	-
	Charge for the year - note 10.3.1	(2,005,040)	(274,533)
	Closing balance	<u>(2,279,573)</u>	<u>(274,533)</u>
	Carrying value	<u>3,790,897</u>	<u>809,787</u>
10.3.1	Amortization is charged on straight line basis @ 33.33% per annum, starting from the month the asset is available for use.		

11.	OTHER ASSETS	2011 Rupees	2010 Rupees
	Mark-up accrued on advances	48,455,584	-
	Mark-up accrued on bank deposits	9,181,812	-
	Receivable from National Rural Support Programme (NRSP) - note 11.1	1,411,173	208,130
	Advances to employees		
	Personal	826,709	-
	Operational	912,945	-
	Prepayments	10,090,831	2,506,200
	Advance tax on utilities	750,734	-
	Other receivables	847,318	-
		<u>72,477,106</u>	<u>2,714,330</u>

11.1 This represents the grant funds placed in a bank account under the title of NRSP on behalf of the Bank as mentioned in note 18.1.

12.	DEFERRED TAX ASSET - NET	2011 Rupees	2010 Rupees
	Deferred debits arising in respect of		
	Amortization allowance	150,492	-
	Provision against advances	7,303,700	-
		7,454,192	-
	Deferred credits arising in respect of		
	Accelerated depreciation allowance	1,975,660	-
		<u>5,478,532</u>	<u>-</u>

13.	DEPOSITS	2011		2010	
		No. of accounts	Amount Rupees	No. of accounts	Amount Rupees
	Saving Deposits - note 13.1	<u>14,683</u>	<u>632,545,008</u>	-	-

13.1 This represents savings accounts carrying interest rates ranging from 5% to 8% per annum (2010: Nil).

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13.2 Particulars of Deposits by Ownership

	2011		2010	
	No. of	Amount	No. of	Amount
Individual Depositors	14,683	632,545,008	-	-

14. BORROWINGS

Unsecured

Borrowing from Pakistan Poverty Alleviation Fund - note 14.1
 Borrowing from NRSP - note 14.2

	2011 Rupees	2010 Rupees
	350,000,000	-
	2,096,687,365	-
	<u>2,446,687,365</u>	<u>-</u>

14.1 This represents borrowing made from PPAF (2010:nil) having interest rate of 14.25% (2010:nil) per annum (one year KIBOR rate as on June, 11 2011). Funds will be received in two equal installments of Rs 350 million each making the total amount of loan equal to Rs. 700 million. The loan will be repaid in two equal installments of Rs 350 million each to be made at quarters ending on June 30, 2012 and September 30, 2012 respectively.

14.2 This represents the amount collected from customers on behalf of NRSP. The amount collected is subsequently used to finance operations of the Bank by providing advances to the Bank's customers. This carries mark-up rate of KIBOR plus 2% payable to NRSP. The principal is repayable after two years and the markup is repayable on quarterly basis. NRSP also has the option of recalling a certain amount of loan after January 1, 2012 not exceeding Rs 1.6 billion, in two equal half yearly installments subject to the conditions mentioned in the Loan Agreement with the Bank.

15. OTHER LIABILITIES

	2011 Rupees	2010 Rupees
Payable to NRSP	270,681	62,951,081
Mark-up payable on:		
Borrowing from NRSP - note 15.1	68,872,781	-
Mark-up payable on borrowing PPAF	11,614,726	-
Payable to defined benefit plan - gratuity		
Staff gratuity - note 15.2	7,434,265	-
Accumulated compensated absences - note 15.3	2,993,357	-
Taxes payable	20,239,486	-
Accrued expenses	5,171,510	-
Zakat payable	1,735	-
Contribution payable to Depositors' Protection Fund	1,777,139	-
Others	1,167,028	1,880,040
	<u>119,542,708</u>	<u>64,831,121</u>

15.1 This represents markup payable to NRSP on borrowings.

13.2 Particulars of Deposits by Ownership

	2011		2010	
	No. of	Amount	No. of	Amount
Individual Depositors	14,683	632,545,008	-	-

14. BORROWINGS

Unsecured

Borrowing from Pakistan Poverty Alleviation Fund - note 14.1
 Borrowing from NRSP - note 14.2

	2011 Rupees	2010 Rupees
	350,000,000	-
	2,096,687,365	-
	<u>2,446,687,365</u>	<u>-</u>

14.1 This represents borrowing made from PPAF (2010:nil) having interest rate of 14.25% (2010:nil) per annum (one year KIBOR rate as on June, 11 2011). Funds will be received in two equal installments of Rs 350 million each making the total amount of loan equal to Rs. 700 million. The loan will be repaid in two equal installments of Rs 350 million each to be made at quarters ending on June 30, 2012 and September 30, 2012 respectively.

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15. OTHER LIABILITIES

	2011 Rupees	2010 Rupees
Payable to NRSP	270,681	62,951,081
Mark-up payable on:		
Borrowing from NRSP - note 15.1	68,872,781	-
Mark-up payable on borrowing PPAF	11,614,726	-
Payable to defined benefit plan - gratuity		
Staff gratuity - note 15.2	7,434,265	-
Accumulated compensated absences - note 15.3	2,993,357	-
Taxes payable	20,239,486	-
Accrued expenses	5,171,510	-
Zakat payable	1,735	-
Contribution payable to Depositors' Protection Fund	1,777,139	-
Others	1,167,028	1,880,040
	<u>119,542,708</u>	<u>64,831,121</u>

15.1 This represents markup payable to NRSP on borrowings.

	2011 Rupees	2010 Rupees
15.2 Staff gratuity		
i) Amounts recognized in the balance sheet		
Present value of defined benefit obligations	<u>7,434,265</u>	<u>-</u>
ii) Amounts recognized in the profit and loss account		
Current service cost	<u>(7,434,265)</u>	<u>-</u>
iii) Changes in present value of defined benefit obligation		
Opening defined benefit obligation	-	-
Expense for the year	(7,434,265)	-
Closing defined benefit obligation	<u>(7,434,265)</u>	<u>-</u>

iv) Changes in fair value of plan assets

There are no assets held by the Bank for the payment of defined benefit obligation, consequently the fair value of plan assets is zero.

	2011 Rupees	2010 Rupees
v) Significant actuarial assumptions were as follows:		
Discount rate - per annum	12.50%	-
Expected rate of increase in salaries - per annum	11.50%	-
Mortality rate	EFU 1961-66	-
Average expected remaining working life of employees	11 years	-
vi) Amounts for the current and previous year		
Present value of defined benefit obligation	(7,434,265)	-
Fair value of plan assets	-	-
Deficit	(7,434,265)	-

vii) Expected contribution of the Bank to the defined benefit gratuity fund for the year ending December 31, 2012 is Rs 11,630,252.



	2011 Rupees	2010 Rupees
15.3 Accumulated compensated absences		
i) Amounts recognized in the balance sheet		
Present value of accumulated compensated absences	<u>2,993,357</u>	<u>-</u>
ii) Amounts recognized in the profit and loss account		
Current service cost	<u>2,993,357</u>	<u>-</u>
iii) Changes in present value of defined benefit obligation		
Opening defined benefit obligation	-	-
Expense for the year	<u>2,993,357</u>	<u>-</u>
Closing defined benefit obligation	<u>2,993,357</u>	<u>-</u>
iv) Significant actuarial assumptions were as follows:		
Discount rate - per annum	12.50%	-
Expected rate of increase in salaries - per annum	11.50%	-
Mortality rate	EFU 1961-66	-
Average expected remaining working life of employees	11 years	-
Average number of leaves accumulated - per annum	11 days	-
v) Amounts for the current and previous year	Rupees	Rupees
Present value of defined benefit obligation	2,993,357	-
Fair value of plan assets	-	-
Deficit	2,993,357	-

16. SHARE CAPITAL

16.1 Authorized Capital

2011 (Number of shares)	2010 (Number of shares)		2011 (Rupees)	2010 (Rupees)
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>

16.2 Issued, subscribed and paid-up capital

2011 (Number of shares)	2010 (Number of shares)		2011 (Rupees)	2010 (Rupees)
<u>84,000,000</u>	<u>100,600</u>	Ordinary shares of Rs. 10 each	<u>840,000,000</u>	<u>1,006,000</u>

16.2.1 This represents ordinary shares allotted to shareholders of the Bank.

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16.2.2 The shareholders of the Bank are as follows:

2011 (Number of shares)	2010		2011 -----Rupees-----	2010
51,999,800	100,000	NRSP	519,998,000	1,000,000
16,000,000	-	KFW Germany	160,000,000	-
16,000,000	-	Acumen Fund USA	160,000,000	-
100	100	Mr. Shoaib Sultan	1,000	1,000
100	100	Mr. Fazalullah Qureshi	1,000	1,000
-	100	Mr. Tariq Masud	-	1,000
-	100	Ms. Kishwar Naheed	-	1,000
-	100	Mr. Mohammad Nazar Memon	-	1,000
-		Mr. Ali Noor Mahomed		
-	100	Rattansey	-	1,000
<u>84,000,000</u>	<u>100,600</u>		<u>840,000,000</u>	<u>1,006,000</u>

16.2.3 Acumen Fund, KFW Germany, and Potential Investor, International Finance Corporation (IFC), have entered into separate put option agreements under which aforementioned parties can sell the shares held by them to NRSP according to terms and the option exercise period agreed between the parties through respective agreements.

16.2.4 In terms of letter no. BPRD (LD-06)/602-NRSP/2011 dated March 2, 2011 issued by State Bank of Pakistan (SBP), the Bank was required to increase its paid up capital (free of losses) to Rs 1 billion by December 31, 2011 which has now been extended up to March 31, 2012. IFC is expected to contribute Rs 160 million to the equity of the Bank till March 31, 2012.

17. DEFICIT ON REVALUATION OF ASSETS

Deficit on revaluation of available for sale securities	13,656	-
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18. DEFERRED GRANTS

	2011 Rupees	2010 Rupees
Opening balance	34,148,613	31,344,274
Grant received from:		
State Bank of Pakistan - note 18.1	28,700,000	20,500,000
ShoreBank International Limited - note 18.2	10,869,549	-
Interest income	1,429,887	1,893,503
Amortization of grant during the year	(9,560,187)	(19,589,164)
	<u>65,587,862</u>	<u>34,148,613</u>

18.1 This represents grant received from the State Bank of Pakistan (SBP) under the Institutional Strengthening Fund (ISF) of the Financial Inclusion Program (FIP). A Memorandum of Understanding (MoU) was signed between SBP and National Rural Support Programme (NRSP) on July 14, 2009. NRSP applied for a grant under FIP on behalf of NRSP Microfinance Bank Limited (the Bank) and was granted Rs. 82 million for the following activities through the Project Document (the Document), which is an annexure to the MoU.

- i. Develop a Management Information System and supporting platforms for the Bank to track portfolio quality and conduct risk and financial management;

- ii. Develop corporate governance mechanisms for the Bank;
- iii. Develop capacity of staff of the Bank; and
- iv. Develop manuals for the Bank to ensure standardization of policies and the related implementation.

18.2 This represents grant received from ShoreBank International Limited (SBI). SBI has entered into a Grant Agreement with The Bill & Melinda Gates Foundation, having a charitable purpose to improve the capacity of the Bank for delivering saving products more effectively and profitably, and at a larger scale. For implementation of the project, SBI would provide financial assistance in the form of sub-grant to the Bank in order to implement a Core Banking Application i.e. OFSS FLEXCUBE (Universal Banking System) by the partner of Oracle Corporation, USA, Techlogix Pakistan Pvt. Limited, who is authorized to implement and support OFF FLEXCUBE UBS.

Total amount of the grant is US Dollars 262,000 spanning over one year from the date of execution i.e April 04, 2011.

19. MEMORANDUM / OFF BALANCE SHEET ITEMS

- 19.1 There are no known contingent liabilities at year end (2010:nil) except as already disclosed in note 14.2.
- 19.2 Commitments for capital expenditure amounting to approximately Rs 12.46 million (2010:nil) exist as at December 31, 2011.

20. MARK-UP / RETURN / INTEREST EARNED	2011 Rupees	2010 Rupees
Mark-up / interest income on advances	357,861,296	-
Mark-up / interest income on bank deposits	119,331,718	4,678
Mark-up / interest income on investment in Government securities	1,499,392	-
	<u>478,692,406</u>	<u>4,678</u>

21. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	19,894,457	-
Interest on borrowings from:		
NRSP	229,850,989	-
PPAF	11,614,726	-
	<u>261,360,172</u>	<u>-</u>

22. FEE, COMMISSION AND BROKERAGE INCOME

Loan Processing Fee	97,054,940	-
Collection Service income	86,763,785	-
	<u>183,818,725</u>	<u>-</u>

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	2011 Rupees	2010 Rupees
23. OTHER INCOME		
Amortization of Deferred Grant - note 18	9,560,187	19,589,164
Other Misc Services Incomes	1,956,635	-
Loss on disposal of assets	(655,594)	-
	<u>10,861,228</u>	<u>19,589,164</u>
24. ADMINISTRATIVE EXPENSES		
Staff salaries and benefits	168,435,126	5,521,967
Non-executive directors expense	239,531	-
Training	11,660,251	25,316,332
Consultant charges	-	8,278,555
Legal and professional charges	11,186,675	-
Communication	11,284,836	44,970
Repair and maintenance	3,147,658	-
Stationary and printing	10,432,856	176,846
Advertisement and publicity	1,217,024	91,865
Depreciation - note 10.2	13,599,120	6,489
Amortization - note 10.3	2,005,040	274,533
Staff travel	11,965,042	2,717,958
POL expenses	28,780,571	-
Vehicle running and maintenance	7,938,479	225,000
Office supplies	2,162,536	51,584
Meetings and conferences	1,906,124	50,888
Utilities	8,414,194	-
Rent expenses	13,922,298	-
Miscellaneous expenses	6,522,477	-
Insurance expenses	12,615,093	-
Security and administration	7,650,526	-
Auditor's remuneration - note 24.1	2,463,157	80,400
Others	-	17,283
	<u>337,548,614</u>	<u>42,854,670</u>
24.1 Auditors' Remuneration		
Audit fee	450,000	70,000
Fee for review of financial statements	250,000	-
Fee for special certification and advisory services	1,325,000	-
Out-of-pocket expenses	438,157	10,400
	<u>2,463,157</u>	<u>80,400</u>
25. TAXATION		
25.1 With effect from July 1, 2007, pursuant to Clause (66- XVIII) of part I of Second Schedule to the Income Tax Ordinance, 2001, the Bank's income is exempt from tax for five years provided that no dividend is paid to the shareholders and profits are retained for the objectives of the Bank. Accordingly, the Bank has opted for the tax holiday pursuant to the provisions of the aforementioned clause.		

However, as required under the provisions of section 113 of the Income Tax Ordinance, 2001, minimum tax at the rate of 1% of the turnover i.e. mark-up/return/interest earned, and fee, commission and brokerage income, has been provided in the current year.

	2011 Rupees	2010 Rupees
25.2 For the year		
Current	6,625,111	-
Deferred	8,205,591	-
	14,830,702	-
For the prior year		
Current	-	-
Deferred	(13,684,123)	-
	(13,684,123)	-
	1,146,579	-

25.3 Relationship between tax expense and accounting profit

	2011 %age	2010 %age
Applicable tax rate	35	-
Tax effect of:		
Deferred tax relating to prior years	37.30	-
Tax exemption on account of tax holiday	(49.93)	-
Average effective tax rate	22.37	-

26. EARNINGS/ (LOSS) PER SHARE

	2011	2010
Profit / (loss) for the year (Rupees)	35,542,779	(23,260,828)
Weighted average ordinary shares (Numbers)	65,931,248	8,544
Basic and diluted earning / (loss) per share (Rupees)	0.54	(2,722)

27. CASH AND CASH EQUIVALENTS

	Rupees	Rupees
Cash and balances with SBP - note 6	61,626,119	-
Balances with other Banks - note 7	1,615,869,221	1,011,678
Investment - note 8	61,455,668	-
	1,738,951,008	1,011,678

28. NUMBER OF EMPLOYEES

For the year ended December 31, 2011

	Credit/ sales staff	Banking /support staff	Total
----- Numbers -----			
Permanent	403	334	737
Contractual	48	99	147
Total	451	433	884

For the year ended December 31, 2010

	Credit/ sales staff	Banking /support staff	Total
----- Numbers -----			
Permanent	-	6	6
Contractual	-	17	17
Total	-	23	23



	2011	2010
	-----Number-----	
29. NUMBER OF BRANCHES		
As at beginning of the year	-	-
Opened during the year	19	-
As at end of the year	<u>19</u>	<u>-</u>

	President	Directors	Executives
	-----Rupees-----		
30. REMUNERATION OF DIRECTORS AND EXECUTIVES			
For the year ended December 31, 2011			
Managerial remuneration	2,121,210	-	9,064,001
Other benefits - note 30.1	731,393	-	2,879,878
Provident fund contribution	212,124	-	584,298
Rent and house maintenance	954,542	-	4,078,793
Utilities	212,124	-	970,025
Conveyance	212,124	-	906,392
Bonus	-	-	-
	<u>4,443,517</u>	<u>-</u>	<u>18,483,387</u>
Number of persons	<u>1</u>	<u>-</u>	<u>14</u>

	President	Directors	Executives
	-----Rupees-----		
For the year ended December 31, 2010			
Managerial remuneration	-	-	2,445,454
Other benefits - note 30.1	-	-	820,020
Rent and house maintenance	-	-	1,100,454
Utilities	-	-	244,545
Conveyance	-	-	244,545
Bonus	-	-	100,000
	<u>-</u>	<u>-</u>	<u>4,955,018</u>
Number of persons	<u>1</u>	<u>7</u>	<u>6</u>

30.1 The President and certain executives are provided with use of Company maintained car. Other benefits for the President and Executives given above do not include the actuarial assumptions



31. RELATED PARTY TRANSACTIONS

The Bank's related parties comprise of directors, key management personnel, shareholders and entities over which the directors are able to exercise significant influence and employee gratuity fund. The detail of Bank's shareholders is given in note 16.2.2 while remuneration of key employee personnel is disclosed in note 30 to the financial statements. Transactions with the Bank's shareholders during the period were under normal commercial banking terms.

Settlement of the liabilities of the Bank were mainly made by NRSP during the year ended December 31, 2011.

	2011 Rupees	2010 Rupees
Transactions with shareholder during the year/ period		
Repayment of lending to shareholder	1,018,671,868	-
Loan processing fee paid	16,240,000	-
Interest expense	229,850,989	-
Assets acquired during the year	84,934,594	-
Payment of rent including advances	3,480,000	-
Contributions to provident fund	12,874,720	-
Balances outstanding at the period end		
Advances receivable from executives	320,197	-
Receivable from NRSP	1,411,173	208,130
Payable to NRSP	270,681	62,951,081
Markup payable on borrowing from NRSP	68,872,781	-
Borrowings outstanding to NRSP	2,096,687,365	-



SCHEDULE OF MATURITY OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees)					
Market rate assets					
Advances	2,068,083,405	14,764,229	24,592,923	2,028,726,253	-
Investment	61,455,668	61,455,668	-	-	-
Balances with other Banks - deposit accounts	1,615,017,085	1,615,017,085	-	-	-
Total market rate assets	3,744,556,158	1,691,236,982	24,592,923	2,028,726,253	-
Other non-earning assets					
Cash and balances with SBP	61,626,119	61,626,119	-	-	-
Balances with other Banks - current accounts	852,136	852,136	-	-	214,302,363
Operating fixed assets	214,302,363	-	-	750,734	-
Other assets	72,477,106	13,179,957	58,546,415	-	-
Deferred tax assets	5,478,532	5,478,532	-	-	-
Total non-earning assets	354,736,256	81,136,744	58,546,415	750,734	214,302,363
Total assets	4,099,292,414	1,772,373,726	83,139,338	2,029,476,987	214,302,363
Market rate liabilities					
Deposits	632,545,008	632,545,008	-	-	-
Borrowings	2,446,687,365	-	350,000,000	-	2,096,687,365
Total market rate liabilities	3,079,232,373	632,545,008	350,000,000	-	2,096,687,365
Other non-cost bearing liabilities					
Other liabilities	119,542,708	33,617,194	68,872,781	6,625,111	10,427,622
Total non-cost bearing liabilities	119,542,708	33,617,194	68,872,781	6,625,111	10,427,622
Total liabilities	3,198,775,081	666,162,202	418,872,781	6,625,111	2,107,114,987

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For the year ended December 31, 2010

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees)					
Market rate assets					
Advances	-	-	-	-	-
Investment	-	-	-	-	-
Balances with other Banks - deposit accounts	1,010,678	1,010,678	-	-	-
Total market rate assets	1,010,678	1,010,678	-	-	-
Other non-earning assets					
Cash and balances with SBP and NBP	-	-	-	-	-
Balances with other Banks - current accounts	1,000	1,000	-	-	-
Operating fixed assets	57,437,213	-	-	-	57,437,213
Other assets	2,714,330	2,714,330	-	-	-
Deferred tax assets	-	-	-	-	-
Total non-earning assets	60,152,543	2,715,330	-	-	57,437,213
Total assets	61,163,221	3,726,008	-	-	57,437,213
Market rate liabilities					
Deposits	-	-	-	-	-
Borrowings	-	-	-	-	-
Total market rate liabilities	-	-	-	-	-
Other non-cost bearing liabilities					
Other liabilities	64,831,121	64,831,121	-	-	-
Total non-cost bearing liabilities	64,831,121	64,831,121	-	-	-
Total liabilities	64,831,121	64,831,121	-	-	-

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33. CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

- a) To comply with the capital requirements set by the SBP;
- b) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- c) To maintain a strong capital base to support the development of its business.

Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently the Bank has paid up capital of Rs. 840 million. The minimum paid up capital requirement applicable to the Bank is Rs. 1 billion. The bank has maintained capital adequacy ratio in accordance with regulation No. 4 of the Regulations which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital in line with the business and capital needs.

34. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on February 27, 2012

35. GENERAL

Previous periods figures have been rearranged and reclassified wherever necessary for the purpose of comparison. Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 issued by the SBP in respect of which no amounts are outstanding have not been reproduced in these financial statements.

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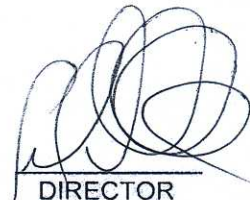
PRESIDENT



CHAIRMAN



DIRECTOR



DIRECTOR