

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **ADVANS PAKISTAN MICROFINANCE BANK LIMITED** ("the Bank") as at June 30, 2023 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes of the condensed interim financial statements for the six-month period then ended (here-in-after referred as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim financial statements Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at and for the six months' period ended June 30, 2023 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to the following:

- i. Note 1.2 of the condensed interim financial statements which indicates that the Bank incurred a loss before tax amounting to Rs. 119.184 million during six months whereas, accumulated losses have reached Rs. 1,211.767 million which resulted in the breach of its Capital Adequacy Ratio (CAR) of the Bank as at reporting date. These conditions, along with other matters set forth in note 1.2, indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.
- ii. Note 11.2 read with note 1.2 of the condensed interim financial statements which indicates that the Bank has provided loans to micro enterprise amounting to Rs. 1,378 million after the breach of its CAR.
- iii. Note 11.3 read with note 1.2 of the condensed interim financial statements which state that the Bank had obtained approval from State Bank of Pakistan for pilot phase of Micro Enterprise Loan up to Rs. 1 million which was subject to maintenance of its CAR. However, the Bank had sanctioned loans amounting to Rs. 50.879 million to 55 customers exceeding the limit of Rs. 0.5 million per customer after the breach of its CAR.



- iv. Note 14.1 of the condensed interim financial statements which states that the Bank has recognized deferred tax asset on the basis of financial projections for the future years. The preparation of financial projection involves management assumptions regarding future business and economic conditions and significant change in assumptions may have impact on recoverability of deferred tax assets.

Our conclusion is not modified in respect of these matters.

The engagement partner on the review resulting in this independent auditor's review report is Zulfikar Ali Causer.

KARACHI

DATED: August 30, 2023

UDIN: AR202310067XBjKT5Fnu



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2023

		Un-audited	Audited
		June 30,	December 31,
		2023	2022
	Note	-----Rupees-----	
ASSETS			
Cash and balances with State Bank of Pakistan	8	357,725,551	327,210,799
Balances with other banks and microfinance banks	9	126,464,674	22,819,934
Investments	10	292,489,831	146,494,991
Advances - net of provisions	11	3,478,947,250	3,332,993,835
Operating fixed assets	12	397,470,530	411,248,606
Other assets	13	137,528,717	156,715,596
Deferred tax asset - net	14	88,507,767	79,061,485
TOTAL ASSETS		4,879,134,320	4,476,545,246
LIABILITIES			
Deposits and other accounts	15	3,658,613,335	3,206,860,162
Borrowings	16	359,614,445	310,232,046
Other liabilities	17	328,069,155	304,997,245
TOTAL LIABILITIES		4,346,296,935	3,822,089,453
NET ASSETS		532,837,385	654,455,793
REPRESENTED BY			
Share capital	18	1,725,163,100	1,725,163,100
Statutory reserves		13,766,170	13,766,170
Depositors' protection fund		4,960,772	4,022,814
Accumulated losses		(1,211,767,326)	(1,089,210,960)
		532,122,716	653,741,124
Deferred grant	19	714,669	714,669
		532,837,385	654,455,793
MEMORANDUM / OFF BALANCE SHEET ITEMS 20			

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Note	Half year ended June 30	
		2023	2022
-----Rupees-----			
Mark-up / return / interest earned	21	825,053,900	622,770,613
Mark-up / return / interest expensed	22	(367,236,635)	(166,168,462)
Net mark-up / interest income		457,817,265	456,602,151
Provision against non-performing loans and advances - net	11.6	136,437,639	79,527,955
Bad debts written off directly		240,347	2,581,049
		136,677,986	82,109,004
Net mark-up / return / interest income after provisions		321,139,279	374,493,147
Non mark-up / non interest income			
Fee, commission and brokerage income	23	107,228,476	73,615,092
Other income	24	18,183,660	13,068,898
Total non-mark-up / non-interest income		125,412,136	86,683,990
		446,551,415	461,177,137
Non mark-up / non interest expenses			
Administrative expenses	25	565,280,601	426,970,652
Other operating expenses / other charges	26	454,679	-
Total non mark-up / non interest expenses		565,735,280	426,970,652
(Loss) / profit before taxation		(119,183,865)	34,206,485
Taxation - current		11,880,826	8,868,036
Taxation - deferred		(9,446,283)	(5,596,516)
		2,434,543	3,271,520
(Loss) / profit after taxation		(121,618,408)	30,934,965
Accumulated loss brought forward		(1,089,210,960)	(985,760,739)
		(1,210,829,368)	(954,825,774)
Appropriations			
Transfer to:			
Statutory reserve		-	-
Capital reserve		-	-
Depositors' protection fund		(937,958)	-
Revenue reserve		-	-
Proposed cash dividend		-	(30,000,000)
Accumulated loss carried forward		(1,211,767,326)	(984,825,774)
(Loss) / earnings per share - basic and diluted (Rupee)		(0.705)	0.179

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Half year ended June 30	
	2023	2022
	-----Rupees-----	
(Loss) / profit for the period after taxation	(121,618,408)	30,934,965
Other comprehensive income	-	-
Total comprehensive (loss) / income for the period	<u>(121,618,408)</u>	<u>30,934,965</u>

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



CHIEF EXECUTIVE OFFICER

CHAIRMAN

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ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Share capital	Statutory reserve	Depositors' protection fund	Accumulated losses	Total
	----- Rupees -----				
Balance as at December 31, 2021 - (Audited)	1,725,163,100	13,766,170	3,441,542	(985,760,739)	756,610,073
Comprehensive income for the period					
Profit for the period	-	-	-	30,934,965	30,934,965
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	30,934,965	30,934,965
Dividend				(30,000,000)	(30,000,000)
Balance as at June 30, 2022 - (Un-audited)	1,725,163,100	13,766,170	3,441,542	(984,825,774)	757,545,038
Comprehensive income for the year					
Loss for the period	-	-	-	(103,803,914)	(103,803,914)
Transferred to statutory reserves*		-		-	-
Transferred to depositors' protection fund**			581,272	(581,272)	-
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	581,272	(104,385,186)	(103,803,914)
Balance as at December 31, 2022 - (Audited)	<u>1,725,163,100</u>	<u>13,766,170</u>	<u>4,022,814</u>	<u>(1,089,210,960)</u>	<u>653,741,124</u>
Comprehensive income for the year					
Loss for the period	-	-	-	(121,618,408)	(121,618,408)
Transferred to depositors' protection fund			937,958	(937,958)	-
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	937,958	(122,556,366)	(121,618,408)
Balance as at June 30, 2023 - (Un-audited)	<u>1,725,163,100</u>	<u>13,766,170</u>	<u>4,960,772</u>	<u>(1,211,767,326)</u>	<u>532,122,716</u>

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

* As per the Regulation 4 of Prudential Regulations for Microfinance Banks, the Bank is required to transfer 20% of its annual profits after taxes till such time the reserve fund equals the paid-up capital of the Bank.

** As per Microfinance Institutions Ordinance 2001, the Bank is required to transfer 5% of its annual profits after taxes and profits earned on the investments of the Fund to Depositors' Protection Fund.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

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DIRECTOR

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Half year ended June 30	
	2023	2022
Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(119,183,865)	34,206,485
Adjustments for non-cash charges and other items		
Depreciation	25 29,042,486	20,688,053
Depreciation on right-of-use asset	25 24,694,432	21,341,205
Amortisation of intangible assets	25 836,542	678,493
Provision against non-performing advances - net	11.6 136,437,639	79,527,955
Gain on disposal of operating fixed assets	-	594,567
Financial charges on lease liability against right-of-use asset	15,318,333	10,509,354
	<u>206,329,432</u>	<u>133,339,627</u>
	87,145,567	167,546,112
Increase in operating assets		
Advances	(282,391,054)	(765,435,465)
Other assets	19,254,179	(35,055,453)
	(263,136,875)	(800,490,918)
Increase in operating liabilities		
Deposits and other accounts	451,753,173	514,094,788
Borrowings	49,382,399	212,516,312
Other liabilities (excluding current taxation)	28,824,019	23,828,891
	<u>529,959,591</u>	<u>750,439,991</u>
	353,968,283	117,495,185
Income tax paid	(11,948,126)	(8,586,278)
Net cash flows generated from operating activities	<u>342,020,157</u>	<u>108,908,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in operating fixed assets	(22,283,825)	(111,753,454)
Net cash used in investing activities	<u>(22,283,825)</u>	<u>(111,753,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use asset	(39,582,000)	(35,153,755)
Dividend paid	-	(3,000,000)
Net cash used in financing activities	<u>(39,582,000)</u>	<u>(38,153,755)</u>
Net increase / (decrease) in cash and cash equivalents during the period	280,154,332	(40,998,302)
Cash and cash equivalents at the beginning of the period	496,525,724	527,690,933
Cash and cash equivalents at the end of the period	28 <u><u>776,680,056</u></u>	<u><u>486,692,631</u></u>

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

1 STATUS AND NATURE OF BUSINESS

1.1 Advans Pakistan Microfinance Bank Limited (the Bank) was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on April 17, 2012 and was granted license by the State Bank of Pakistan on June 28, 2012 to operate as a microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan and the State Bank of Pakistan granted permissions to the Bank for the commencement of business with effect from November 21, 2012 and January 04, 2013 respectively. The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001.

The registered office of the Bank is situated at Plot No.ST 2/A 3rd Floor Building No.3, Islamic Chamber of Commerce near Ocean Mall, Block 9 KDA Scheme 5, Clifton Karachi, Pakistan. The Bank operates through branches and service centres spread within the province of Sindh.

The Bank is a subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which holds 99.99% (December 31, 2022: 99.99%) share capital of the Bank.

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "BBB" and short term rating at "A-3" on April 28, 2023.

The Bank's capital (free of losses) amounted to Rs 532.123 million as at June 30, 2023 (December 31, 2022: Rs 653.741 million) which is above the minimum capital requirements as at June 30, 2023.

1.2 Going Concern Assumption

During the current period, the Bank incurred loss before tax amounting to Rs. 119.184 million resulting in accumulated losses of Rs. 1,212 million (December 31, 2022: Rs. 1,089 million) due to adverse effects of floods and rains which have significantly affected the Bank's obligors' ability to repay the advances and overall economic condition has cummulatively played negative impact on key financial ratios of the bank including the breach of Bank's Capital Adequacy Ratio (CAR) as at the period end which was required to be maintained at minimum of 15% of risk weightage assets under the Prudential Regulations for Microfinance Banks / Institutions. The Bank via letter dated March 29, 2023 requested the State Bank of Pakistan (SBP) to condone the breach of CAR and provide specific waiver on this non-compliance which was not acceded to.

These matters cast significant doubt about ability of the Bank to continue as a going concern. However, these FS are being prepared on a going concern basis based on financial support of its parent entity via equity injections, the first tranche of which was received on August 15, 2023 amounting to Rs. 188.5 million and, the Bank is engaged with the parent entity for the second tranche. In addition, the Bank is actively striving to improve its operational efficiency to keep Bank's ability to continue as going concern.

The Bank believes that the above measures will assist the Bank in achieving its long-term growth plans therefore, the Bank has prepared these condensed interim financial statements on going concern basis.

2 BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in compliance with the format as prescribed under the Banking Surveillance Department (BSD) Circular No.11 dated December 30, 2003 issued by the State Bank of Pakistan.

3 STATEMENT OF COMPLIANCE

3.1 These condensed interim financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act,
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP differ with the requirements of IFRS, the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP shall prevail.

3.2 These condensed interim financial information do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2022.

3.3 The SBP vide BSD Circular letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. Additionally, SBP vide BPRD Circular letter No. 03 of 2022, dated July 05, 2022, has extended the date of implementation of IFRS 9 - "Financial Instruments" till January 01, 2024. Accordingly, the requirements of this standard have not been considered in the preparation of these condensed interim financial statements.

3.4 Standards, interpretations and amendments to accounting and reporting standards that are effective in the current period.

There are certain other new standards, amendments and interpretations that are mandatory for the Bank's accounting periods beginning on January 01, 2023 but are considered not to be relevant or do not have any material impact on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

3.5 Standards, interpretations of and amendments to the accounting and reporting standards that are not yet effective

The SBP vide BPRD Circular letter No. 03 of 2022, dated July 05, 2022, extended the date of implementation of IFRS 9 - "Financial Instruments" till January 01, 2024. Accordingly, the requirements of this standard have not been considered in the preparation of these condensed interim financial statements. However, during the transition period, the Company is required to carry out the parallel run reporting for submission of IFRS 9 pro-forma on quarterly and half yearly financial statements for the current period.

There are certain other new amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2023, but are considered not to be relevant or will not have any material effect on the Bank's operations and are, therefore, not detailed in these condensed interim financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

These condensed interim financial statements have been presented in Pakistani Rupees (Rs.), which is the Bank's functional and presentation currency.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim financial statements are same as those applied in the preparation of financial statements of the Bank for the year ended December 31, 2022.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and methods used for critical accounting estimates and judgements adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Bank for the year ended December 31, 2022.

7 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed into the annual financial statements for the year ended December 31, 2022.

		Un-audited June 30, 2023	Audited December 31, 2022
	Note	-----Rupees-----	
8 CASH AND BALANCES WITH SBP			
Cash in hand		78,145,036	63,482,350
Balances with State Bank of Pakistan (SBP)	8.1	<u>279,580,515</u>	<u>263,728,449</u>
		<u>357,725,551</u>	<u>327,210,799</u>

- 8.1 This represents current account maintained with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with the Prudential Regulations for Microfinance Banks.

		Un-audited June 30, 2023	Audited December 31, 2022
	Note	-----Rupees-----	
9	BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS		
	In Pakistan:		
	Current accounts	24,584,533	5,683,409
	PLS deposit accounts	101,880,141	17,136,525
		<u>126,464,674</u>	<u>22,819,934</u>

9.1 These include deposits with commercial banks carrying mark-up rates ranging from 14.5% to 19.5% (December 31, 2022: 8.25% to 14.5%) per annum.

10 INVESTMENTS

Held-to-maturity securities

Federal Government Securities

Market Treasury Bills	10.1	<u>292,489,831</u>	<u>146,494,991</u>
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10.1 Market Treasury Bills having face value of Rs. 300 million at the reporting date, were purchased in auction from primary dealer Pak Oman Investment Company Limited, at a cost of Rs. 285.724 million. These are carried at amortized cost and are due to mature in July August and September 2023. These T-bills carry mark-up at the rate of 21.90% to 21.98% (2022: 10.06% to 16.65%) per annum.

11 ADVANCES - NET OF PROVISIONS

	Note	June 30, 2023 (un-audited)		December 31, 2022 (audited)	
		loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
			Rupees		Rupees
Micro credit	11.1, 11.2 & 11.3	18,672	3,587,976,217	19,302	3,479,012,781
Less: Provision held					
- Specific	11.1, 11.4, 11.5 & 11.6	1,374	75,232,003	1,280	114,955,980
- General	11.6	-	33,796,964	-	31,062,966
			<u>(109,028,967)</u>		<u>(146,018,946)</u>
			<u>3,478,947,250</u>		<u>3,332,993,835</u>

- 11.1 All advances are secured by personal guarantees except for certain advances which are secured against gold provided by the borrowers.
- 11.2 This includes lendings amounting to Rs. 1,334 million provided to micro enterprise after breach of CAR as disclosed in note 1.2 of these condensed interim financial statements. The total loan amount was Rs. 1,378 million.
- 11.3 On February 04, 2022, SBP granted approval to the Bank for pilot phase related to Micro Enterprise Lending (MEL) up to Rs. 1 million till December 2022 which was further extended till December 31, 2024 subject to conditions including maintenance of CAR at 15%. This includes sanctioned loans amounting to Rs. 50.987 million to 55 customers exceeding the limit of Rs. 0.5 million per customer after breach of CAR as disclosed in note 1.2 to these condensed interim financial statements.

11.4 Particulars of non-performing advances

Advances include Rs. 173.780 million (December 31, 2022: Rs. 187.273 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30,2023 (un-audited)			December 31, 2022 (audited)		
	Amount outstanding	Provision required	Provision held (Note 11.5)	Amount outstanding	Provision required	Provision held (Note 11.5)
	----- Rupees -----			----- Rupees -----		
Other assets especially mentioned	38,378,610	-	-	19,382,002	-	-
Substandard	30,474,854	7,618,713	7,618,713	27,978,498	6,994,623	6,994,623
Doubtful	75,939,681	37,969,840	37,969,840	101,855,540	50,927,771	50,927,771
Loss	28,987,312	28,987,313	29,643,450	38,057,523	38,057,523	57,033,586
	<u>173,780,457</u>	<u>74,575,866</u>	<u>75,232,003</u>	<u>187,273,563</u>	<u>95,979,917</u>	<u>114,955,980</u>

- 11.5 The State Bank of Pakistan (SBP), in exercise of its powers granted under section 21 of The Microfinance Institutions Ordinance 2001, carried out on-site inspection of the Bank for the period from January 01, 2020 to June 30, 2022. In its On-site Assessment Report dated January 10, 2023, SBP directed the Bank to provide for an additional amount of Rs. 117.245 million on advances, related to 448 clients and reverse the income recognized amounting to Rs. 2.885 million in this regard. The Bank duly complied with the directions and upon modifying the classification of non-performing loans as required under Regulation R-8 of the Prudential Regulations for Microfinance Banks (the Regulations), recognized the suggested provision under the category "Loss". At the reporting date, the provision and the income reversal stands at Rs. 0.656 million and Rs. 0.064 million respectively, after taking into account the reversals allowed under Regulation R-9 of the Regulations.

11.6 Particulars of provision against non-performing advances

The movement of provision against non-performing advances is as follows:

	June 30, 2023 (un-audited)			December 31, 2022 (audited)		
	Specific	General	Total	Specific	General	Total
	11.6.1			11.6.1		
	----- Rupees -----			----- Rupees -----		
Opening balance	114,955,980	31,062,966	146,018,946	31,273,053	32,588,134	63,861,187
Charge for the year						
- On non-performing advances	152,023,266	19,881,121	171,904,387	254,837,891	27,805,344	282,643,235
Reversals	(18,319,625)	(17,147,123)	(35,466,748)	(776,726)	(29,330,512)	(30,107,238)
	133,703,641	2,733,998	136,437,639	254,061,165	(1,525,168)	252,535,997
Amount written off	(173,427,618)	-	(173,427,618)	(170,378,238)	-	(170,378,238)
Closing balance	<u>75,232,003</u>	<u>33,796,964</u>	<u>109,028,967</u>	<u>114,955,980</u>	<u>31,062,966</u>	<u>146,018,946</u>

- 11.6.1 This represents general provision equivalent to 1% of the outstanding advances (other than gold loans) - net of specific provisions held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

	Un-audited June 30, 2023	Audited December 31, 2022
Note	-----Rupees-----	

11.7 Particulars of write offs:

Against provisions	173,427,618	170,378,238
Directly charged to profit and loss account	240,347	4,275,499
	<u>173,667,965</u>	<u>174,653,737</u>

12 OPERATING FIXED ASSETS

Property and equipment	12.1	394,214,222	407,353,506
Intangible assets	12.2	3,256,308	3,895,100
		<u>397,470,530</u>	<u>411,248,606</u>

12.1 Property and equipment

	2023							
	COST			DEPRECIATION			Net book value at June 30, 2023	Annual rate of depreciation
	At January 01, 2023	Additions / (disposal)	At June 30, 2023	At January 01, 2023	Charge for the period / disposal	At June 30, 2023		
----- (Rupees) -----								%
Owned Assets								
Leasehold improvements	134,741,026	9,349,965	144,090,991	30,691,927	6,593,387	37,285,314	106,805,677	10
Furniture and fixtures	36,715,987	88,092	36,804,079	20,157,396	2,621,280	22,778,676	14,025,403	20
Office and other equipment	107,283,752	5,434,398	112,718,150	60,010,224	8,385,375	68,395,599	44,322,551	20
Computer equipment	116,023,323	7,213,620	123,236,943	79,177,341	10,191,682	89,369,023	33,867,920	33
Vehicles	31,401,414	-	31,401,414	10,223,595	1,250,762	11,474,357	19,927,057	20
Leased Assets								
Right-of-use asset	291,765,364	18,511,559	310,276,923	110,316,877	24,694,432	135,011,309	175,265,614	13 - 100
	<u>717,930,866</u>	<u>40,597,634</u>	<u>758,528,500</u>	<u>310,577,360</u>	<u>53,736,918</u>	<u>364,314,278</u>	<u>394,214,222</u>	

	2022							
	COST			DEPRECIATION			Net book value at December 31, 2022	Annual rate of depreciation
	At January 01, 2022	Additions / (disposal)	At December 31, 2022	At January 01, 2022	Charge for the year / disposal	At December 31, 2022		
----- (Rupees) -----								%
Owned Assets								
Leasehold improvements	60,755,532	79,651,357	134,741,026	24,999,570	10,288,361	30,691,927	104,049,099	10
		(5,665,863)			(4,596,004)		-	20
Furniture and fixtures	23,689,654	13,026,333	36,715,987	15,490,790	4,666,606	20,157,396	16,558,591	20
Office and other equipment	71,702,575	35,581,177	107,283,752	45,759,017	14,251,207	60,010,224	47,273,528	33
Computer equipment	86,408,229	29,615,094	116,023,323	62,478,026	16,699,315	79,177,341	36,845,982	20
Vehicles	13,954,414	17,447,000	31,401,414	8,407,993	1,815,602	10,223,595	21,177,819	
Leased Assets								
Right-of-use asset	181,515,948	110,249,416	291,765,364	64,733,249	45,583,628	110,316,877	181,448,487	13 - 100
	<u>438,026,352</u>	<u>285,570,377</u>	<u>717,930,866</u>	<u>221,868,645</u>	<u>93,304,719</u>	<u>310,577,360</u>	<u>407,353,506</u>	
		<u>(5,665,863)</u>			<u>(4,596,004)</u>			

12.2 Intangible assets

	2023							
	COST			AMORTISATION			Net book value at June 30, 2023	Annual rate of amortisation
	At January 01, 2023	Additions	At June 30, 2023	At January 01, 2023	Charge for the period	At June 30, 2023		
----- (Rupees) -----								%
Core banking application and other licenses	56,704,385	197,750	56,902,135	54,960,819	233,235	55,194,054	1,708,081	25
Computer software	12,266,963	-	12,266,963	10,115,429	603,307	10,718,736	1,548,227	25
	<u>68,971,348</u>	<u>197,750</u>	<u>69,169,098</u>	<u>65,076,248</u>	<u>836,542</u>	<u>65,912,790</u>	<u>3,256,308</u>	

	2022							
	COST			AMORTISATION			Net book value at December 31, 2022	Annual rate of amortisation
	At January 01, 2022	Additions	At December 31, 2022	At January 01, 2022	Charge for the year	At December 31, 2022		
----- (Rupees) -----								%
Core banking application and other licenses	56,704,385	-	56,704,385	54,870,542	90,277	54,960,819	1,743,566	25
Computer software	10,044,497	2,222,466	12,266,963	8,724,913	1,390,516	10,115,429	2,151,534	25
	<u>66,748,882</u>	<u>2,222,466</u>	<u>68,971,348</u>	<u>63,595,455</u>	<u>1,480,793</u>	<u>65,076,248</u>	<u>3,895,100</u>	

		Un-audited June 30, 2023	Audited December 31, 2022
	Note	-----Rupees-----	
13 OTHER ASSETS			
Mark-up / return / interest accrued		106,050,492	113,683,630
Prepayments for			
rent		4,256,551	9,777,162
insurance		4,621,284	2,527,698
others		6,394,250	14,372,380
Receivable from a related party	13.1	-	421,020
Advances to staff		5,200,964	6,953,685
Security deposits		6,929,580	6,929,580
Advance taxation (payments less provisions)		186,143	118,843
Accrued income on PLS savings account		1,225,987	192,100
Others		2,663,466	1,739,498
		<u>137,528,717</u>	<u>156,715,596</u>

13.1 This represents amount receivable from parent company for reimbursement of expenses.

14 DEFERRED TAX ASSET - NET

Deferred tax comprises of deductible and taxable timing differences in respect of the following:

Deductible temporary differences arising in respect of

Unabsorbed tax depreciation and amortisation	86,639,021	76,294,178
Property and equipment	2,124,193	3,896,886
	88,763,214	80,191,064

Taxable temporary differences arising due to

Intangible assets	(255,447)	(1,129,579)
	(255,447)	(1,129,579)
	<u>88,507,767</u>	<u>79,061,485</u>

14.1 The Bank has unabsorbed tax loss of Rs. 880.571 million (including unabsorbed tax depreciation and amortisation amounting to Rs. 292.730 million) as at June 30, 2023. The management has recognised deferred tax asset of Rs. 86.639 million (December 31, 2022: Rs 76.294 million) on unabsorbed tax depreciation and amortisation. The deferred tax asset has been recorded based on the premise that sufficient profits shall be available in future for settlement of deferred tax arising out of depreciation and amortisation. The financial projections prepared by the management are based on assumptions which are linked to various variable factors such as growth in enterprise loans, financial support of parent entity, expansion in gold-backed loans, microloans, productivity, growth in loan size, effective interest rate etc. expected to be achieved during the next three years.

15 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2023 (Un-audited)		December 31, 2022 (audited)	
	Number of accounts	Rupees	Number of accounts	Rupees
Fixed deposits	784	2,555,520,377	666	2,689,157,600
Saving deposits	1,371	1,018,165,946	1,345	410,330,081
Current deposits	44,816	84,927,012	41,529	107,372,481
	<u>46,971</u>	<u>3,658,613,335</u>	<u>43,540</u>	<u>3,206,860,162</u>

15.1 Particulars of deposits by ownership

Individual depositors	46,820	2,820,197,807	43,399	2,426,962,485
Institutional depositors				
Corporation / firms etc.	151	838,415,528	141	779,897,677
	<u>46,971</u>	<u>3,658,613,335</u>	<u>43,540</u>	<u>3,206,860,162</u>

	Note	Un-audited June 30, 2023	Audited December 31, 2022
16 BORROWINGS		-----Rupees-----	
Borrowings from Banks / Financial Institutions in Pakistan	16.1	<u>359,614,445</u>	<u>310,232,046</u>

16.1 Details of borrowings from financial institutions

Secured borrowings from:

Pakistan Microfinance Investment Company (PMIC)	16.2	235,000,000	300,000,000
Habib Metropolitan Bank Limited	16.3	116,666,665	-
United Bank Limited	16.4	7,947,780	10,232,046
		<u>359,614,445</u>	<u>310,232,046</u>

16.2 During the year 2021, the Bank entered into an agreement with Pakistan Microfinance Investment Company (PMIC) for a term finance facility of upto Rs. 300 million. The facility carries mark-up at the rate of average six months KIBOR plus 4 percent (to be set at the start of each quarter). The facility is secured by way of hypothecation of fixed assets of the Bank and demand promissory notes and is repayable by September 30, 2024 in 8 quarterly tranches of unequal amounts.

- 16.3 During the reporting period, the Bank has obtained financing facility of Rs. 200 million from Habib Metropolitan Bank Limited at a rate of 3 Month KIBOR + 2.00% (to be set one day before start of each month) per annum. The tenor of the facility is one year and the principal is to be repaid in 12 equal monthly installments. The facility is secured by way of lien on Market Treasury Bills and hypothecation of current assets of the Bank to be registered with SECP in favor of Habib Metropolitan Bank Limited.
- 16.4 The Bank has obtained financing facility of Rs. 16 million from United Bank Limited for purchase of new locally manufactured / assembled vehicles to be used by management at a rate of 1 Month KIBOR + 2.00% per annum. The tenor of the facility is 3 years from the date of each drawdown and repayment of principal in 36 equal monthly installments. This loan has been secured against custody of original excise file along with copy of registered book / card and spare key with United Bank Limited along with 1st exclusive charge against the vehicles to be registered with SECP in favor of United Bank Limited.

	Note	Un-audited June 30, 2023	Audited December 31, 2022
-----Rupees-----			
17	OTHER LIABILITIES		
		62,228,596	45,687,752
		62,468,374	55,012,036
	17.1	2,796,208	2,796,208
		13,545,103	9,205,361
		2,140,454	1,743,027
		146,842	57,175
		184,743,578	190,495,686
		<u>328,069,155</u>	<u>304,997,245</u>

- 17.1 This represents amounts of Rs. 2,789,881 (December 31, 2022: Rs. 2,789,881) and Rs. 6,327 (December 31, 2022: Rs. 6,327) payable to Advans S.A. Sicar - Holding Company and FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands respectively.

18 SHARE CAPITAL

18.1 Authorised capital

Un-audited June 30, 2023	Audited December 31, 2022		Un-audited June 30, 2023	Audited December 31, 2022
Number of shares			-----Rupees-----	
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs 10 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>

18.2 Issued, subscribed and paid-up share capital

Un-audited June 30, 2023	Audited December 31, 2022		Un-audited June 30, 2023	Audited December 31, 2022
Number of shares			-----Rupees-----	
<u>172,516,310</u>	<u>172,516,310</u>	Ordinary shares of Rs 10 each fully paid in cash	<u>1,725,163,100</u>	<u>1,725,163,100</u>

18.2.1 Share capital has been subscribed by the following:

Advans S.A. Sicar - Luxembourg	18.3	172,516,308	172,516,308
Steven Duchatelle - Director Advans Pakistan Microfinance Bank Limited		1	1
Claude Falgon - Chairman Advans Pakistan Microfinance Bank Limited		1	1
		<u>172,516,310</u>	<u>172,516,310</u>

18.2.2 Movement in issued, subscribed and paid-up share capital

	June 30, 2023 (un-audited)			December 31, 2022 (audited)			June 30, 2023 (un-audited)	December 31, 2022 (audited)
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	----- Number of shares -----						----- Rupees -----	
Opening	172,516,310	-	172,516,310	172,516,310	-	172,516,310	1,725,163,100	1,725,163,100
Shares issued during the year	-	-	-	-	-	-	-	-
	<u>172,516,310</u>	<u>-</u>	<u>172,516,310</u>	<u>172,516,310</u>	<u>-</u>	<u>172,516,310</u>	<u>1,725,163,100</u>	<u>1,725,163,100</u>

18.3 This represent shares owned by the holding company and have been deposited in blocked account with the Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MFI-012 dated June 28, 2012.

	Un-audited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
19 DEFERRED GRANT		
Opening balance	714,669	714,669
Grant received during the period from:		
State Bank of Pakistan	-	-
Grant income recognised during the period	-	-
	<u>714,669</u>	<u>714,669</u>
	<u>714,669</u>	<u>714,669</u>

This represents grant received from the State Bank of Pakistan (SBP) vide circular letter no. 4 of 2017 in respect of financial assistance. Under the circular, the grant's utilization is subject to conducting research to develop a financing product for serving the identified sectors, developing marketing and promotion material for identified sectors and, conducting awareness sessions. The Bank was entitled to receive Rs. 1.2 million out of which equal tranches of Rs. 0.6 million were received during the year ended December 31, 2018 and December 31, 2019. The Bank performed the specified activities in the year 2018 and accordingly, recognized Rs. 0.485 million as income during the year ended December 31, 2018. Thereafter, the Bank has not undertaken the specified activities as of the reporting date.

20 MEMORANDUM / OFF BALANCE SHEET ITEMS

Bills for collection	-	-
Acceptances, Endorsements And Other Obligations Contingent Liabilities	-	-
Commitments for fixed capital expenditure	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

20.1 There were no contingencies as at June 30, 2023 (December 31, 2022: Nil)

	Un-audited June 30, 2023	Un-audited June 30, 2022
	-----Rupees-----	
21 MARK-UP / RETURN / INTEREST EARNED		
Interest / mark-up on:		
Advances	802,593,139	601,763,036
Government Securities - Market Treasury bills	15,608,216	11,031,778
Deposit accounts	6,852,545	9,975,799
	<u>825,053,900</u>	<u>622,770,613</u>
	<u>825,053,900</u>	<u>622,770,613</u>

	Un-audited June 30, 2023	Un-audited June 30, 2022
	-----Rupees-----	
22 MARK-UP / RETURN / INTEREST EXPENSED		
Interest / mark-up on deposits	322,612,788	157,756,930
Interest / mark-up on borrowing	44,623,847	8,411,532
	<u>367,236,635</u>	<u>166,168,462</u>
23 FEE AND COMMISSION INCOME		
Loan processing fee	106,215,382	70,273,182
Other fee and commission	1,013,094	3,341,910
	<u>107,228,476</u>	<u>73,615,092</u>
24 OTHER INCOME		
Recoveries against write-offs	15,687,227	12,366,362
Recoveries from Credit Guarantee Scheme	2,082,433	690,369
Others	414,000	12,167
	<u>18,183,660</u>	<u>13,068,898</u>
25 ADMINISTRATIVE EXPENSES		
Salaries and other allowances	271,047,367	199,440,127
Staff welfare	6,041,913	3,780,498
Non executive directors' fees, allowances and other expenses	799,998	400,002
Training and business development	1,059,801	737,505
Rent expenses	11,686,310	10,338,108
Legal and professional charges	5,424,833	2,750,003
Utilities	19,157,275	6,593,542
Communications	16,512,405	8,883,602
Repairs and maintenance - others	22,325,634	12,413,871
Repairs and maintenance - Vehicles	14,927,874	9,483,201
Financial charges on lease liability against right-of-use asset	15,318,333	10,509,354
Fuel for generator	20,834,143	8,334,432
Insurance	7,720,592	8,458,214
Travelling and conveyance	26,924,124	20,134,413
Printing and stationery	7,091,385	4,747,539
Fees and subscription	11,287,608	7,244,277
Technical assistance fee	-	34,970,495
Security charges	20,060,538	12,252,749

		Un-audited June 30, 2023	Un-audited June 30, 2022
	Note	-----Rupees-----	
Advertisement and publicity		8,464,080	4,441,837
Auditors' remuneration		2,000,484	1,969,920
Depreciation		29,042,486	20,688,053
Depreciation of Right-of-use-asset		24,694,432	21,341,205
Amortisation of intangible assets		836,542	678,493
Bank charges		11,042,384	1,558,873
Office supplies		182,750	53,916
Janitorial charges		6,100,152	5,240,643
Other expenses		4,697,158	9,525,780
		<u>565,280,601</u>	<u>426,970,652</u>

26 OTHER OPERATING EXPENSES

Loss on sale of investments		354,679	-
Penalties imposed by SBP	26.1	100,000	-
		<u>454,679</u>	<u>-</u>

26.1 This represents penalty imposed by the State Bank of Pakistan on account of issuance of unauthenticated and unprocessed banknotes to Public / Bank Branches.

27 RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the holding company, associates, group companies, directors, key management personnel and their close family members. Transactions with related parties are carried out as per agreed terms. Transactions with related parties are carried out as per agreed terms.

Transactions with related parties which have not been disclosed elsewhere in these condensed interim financial statements are disclosed below:

Remuneration of key management personnel (including directors)		<u>148,002,829</u>	<u>99,799,635</u>
Technical support services availed from Advans International		<u>-</u>	<u>34,970,495</u>
Contribution to provident fund		<u>5,880,446</u>	<u>3,814,355</u>

	Note	Un-audited	Audited
		June 30, 2023	December 31, 2022
		-----Rupees-----	
28	CASH AND CASH EQUIVALENTS		
	Cash and balances with SBP	357,725,551	327,210,799
	Balances with other banks and microfinance banks		
	in current and deposit accounts	126,464,674	22,819,934
	Market treasury bills	292,489,831	146,494,991
		<u>776,680,056</u>	<u>496,525,724</u>

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer / settle a liability in an orderly transaction between market participants at the measurement date.

Fair value estimation:

The Bank discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at period end, there are no financial instruments carried at fair value which require classification in the above mentioned levels. However, the carrying values of all financial assets and liabilities reflected in the condensed interim financial statements approximate their fair values as the items are short term in nature.

30 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. There have been no significant reclassification in these condensed interim financial statements.

31 GENERAL

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

32 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on August 30, 2023 by the Board of Directors of the Bank.



CHIEF EXECUTIVE OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR