

Condensed interim financial information and independent auditors' review report to the members

Sindh Microfinance Bank Limited

For the period from March 27, 2015 to June 30, 2015



Grant Thornton Anjum Rahman
Chartered Accountants





INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS ON INTERIM FINANCIAL INFORMATION

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Introduction

We have reviewed the accompanying condensed interim balance sheet of **Sindh Microfinance Bank Limited** (the Bank) as at June 30, 2015 and the related condensed interim profit and loss account, condensed statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and relevant notes for the period from March 27, 2015 to June 30, 2015 (herein after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consist 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 condensed interim financial information as of and for the period from March 27, 2015 to June 30, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi

Dated: August 28, 2015


Grant Thornton Anjum Rahman
Chartered Accountants

Muhammad Shaukat Naseeb
Engagement Partner

SINDH MICROFINANCE BANK LIMITED
 CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
 AS AT JUNE 30, 2015

	Note	June 30, 2015 Rupees
ASSETS		
Cash and balances with SBP and NBP	7	3,396
Balances with other banks	8	748,430,139
Lending to financial institutions		-
Investment - net of provisions		-
Advances - net of provisions		-
Operating fixed assets	9	2,375,584
Other assets		2,618,244
Deferred tax assets		-
Total assets		753,427,363
LIABILITIES		
Deposits and other accounts		-
Borrowings		-
Subordinated debt		-
Other liabilities		71,791
Deferred tax liabilities		-
Total liabilities		71,791
NET ASSETS		753,355,572
REPRESENTED BY:		
Share capital	10	750,000,000
Statutory reserves		-
Unappropriated profit		3,355,572
		753,355,572
Surplus/(deficit) on revaluation of assets		-
Depositors' protection fund		-
Deferred grants		-
Total capital		753,355,572
MEMORANDUM/OFF BALANCE SHEET ITEMS	11	

The annexed notes from 1 to 19 form an integral part of this financial information.


 President/Chief Executive


 Chairman


 Director


 Director

SINDH MICROFINANCE BANK LIMITED
 CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE PERIOD ENDED JUNE 30, 2015
 From March 27, 2015 to June 30, 2015

	Note	June 30, 2015 Rupees
Mark-up/return/interest earned	12	12,098,788
Mark-up/return/interest expensed		-
Net mark-up/interest income		12,098,788
Provision against non-performing loans and advances		-
Provision for diminution in the value of investments		-
Bad debts written off directly		-
Net mark-up/interest income after provisions		12,098,788
Non mark-up/non interest income		
Fee, commission and brokerage income		-
Dividend income		-
Other income		-
Total non mark-up/non interest income		-
		12,098,788
Non mark-up/non interest expenses		
Administrative expenses	13	(7,090,752)
Other provisions/write offs		-
Other charges		-
Total non mark-up/non interest expenses		(7,090,752)
Profit before taxation		5,008,036
Taxation		
- current	14	(1,652,464)
- prior		-
- deferred		-
		(1,652,464)
Profit after taxation		3,355,572
Unappropriated profit - brought forward		-
Appropriations:		
Transfer to		
- statutory reserve		-
- capital reserve		-
- depositors' protection fund		-
- revenue reserve		-
Unappropriated profit - carried forward		3,355,572
Earnings per share - basic and diluted		0.04

The annexed notes from 1 to 19 form an integral part of this financial information.


 President/Chief Executive


 Chairman


 Director


 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2015
From March 27, 2015 to June 30, 2015

	<u>June 30, 2015</u>
	<u>Rupees</u>
Profit after taxation for the period	3,355,572
Other comprehensive income:	
- Items that may be reclassified to profit and loss account	-
- Items that will not be reclassified to profit and loss account subsequently	-
Comprehensive income for the period transferred to equity	<u>3,355,572</u>
Components of comprehensive income not reflected in equity:	
- Surplus/ (deficit) on revaluation of assets	-
- Deferred grants	-
Total comprehensive income for the period	<u><u>3,355,572</u></u>

The annexed notes from 1 to 19 form an integral part of this financial information.



President/Chief Executive



Chairman



Director



Director

SINDH MICROFINANCE BANK LIMITED
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE PERIOD ENDED JUNE 30, 2015
 From March 27, 2015 to June 30, 2015

	Reserve			Total capital
	Share capital	Capital	Revenue	
		Statutory reserve	Unappropriated profit	
Rupees				
Transaction with owner:				
Issue of share capital	750,000,000	-	-	750,000,000
Other transactions:				
Total comprehensive income				
- Profit after taxation	-	-	3,355,572	3,355,572
- Other comprehensive income	-	-	-	-
	-	-	3,355,572	3,355,572
Balance as at June 30, 2015	750,000,000	-	3,355,572	753,355,572

The annexed notes from 1 to 19 form an integral part of this financial information.



 President/Chief Executive



 Chairman



 Director



 Director

SINDH MICROFINANCE BANK LIMITED
 CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
 FOR THE PERIOD ENDED JUNE 30, 2015
 From March 27, 2015 to June 30, 2015

	Note	June 30, 2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation		5,008,036
Adjustments:		
Depreciation	13	81,916
Operating cash flows before changes in working capital		5,089,952
Increase in other assets		(2,618,244)
Increase in other liabilities		71,791
Cash generated from operations		2,543,499
Income tax paid		(1,652,464)
Net cash flow from operating activities		891,035
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	9	(2,457,500)
Net cash used in investing activities		(2,457,500)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipt from issue of share capital		750,000,000
Net cash flow from financing activities		750,000,000
Net increase in cash and cash equivalents		748,433,535
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		748,433,535

The annexed notes from 1 to 19 form an integral part of this financial information.



 President/Chief Executive



 Chairman



 Director



 Director

1 STATUS AND NATURE OF BUSINESS

- 1.1 Sindh Microfinance Bank Limited ('the Bank') was incorporated on March 27, 2015 as a public Company limited by shares under the Companies Ordinance, 1984. The Banks' principal business will be to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. Initially the Bank has applied license for operations on provincial level, in Sindh province. The registered office of the Bank is situated at 3rd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is the wholly owned subsidiary of Sindh Bank Limited.

- 1.2 The Bank has applied to the State Bank of Pakistan for the granting of license to operate as a micro finance bank based in the province of Sindh.

2 BASIS OF PRESENTATION

This condensed interim financial information has been presented in accordance with BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

3 STATEMENT OF COMPLIANCE

This financial information has been prepared in accordance with the directives issued by SBP, the requirements of the Microfinance Institutions Ordinance, 2001 (the MFI Ordinance), the Companies Ordinance, 1984 (the Companies Ordinance) and the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standards Interpretation Committee of IASB as adopted in Pakistan. In case where provisions of directives issued by the SBP, the MFI Ordinance and the Companies Ordinance differ with the requirements of these standards, such provisions of SBP directive, the MFI Ordinance and the Companies Ordinance shall prevail.

SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' and International Accounting Standard 40 'Investment Property', till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of the financial information. Further, the SECP vide S.R.O. No. 411(I)/2008 dated April 28, 2008 has deferred the applicability of International Financial Reporting Standards (IFRS) 7 'Financial Instruments', till further instructions. However, investments have been measured in accordance with the requirements of SBP's BSD Circular No. 11 dated December 30, 2003 and Prudential Regulations for Microfinance Banks (the Regulations).

4 BASIS OF MEASUREMENT

4.1 Accounting convention

This condensed interim financial information has been prepared under the historical cost convention.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

4.2 Functional and presentation currency

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

SINDH MICROFINANCE BANK LIMITED
 NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE PERIOD ENDED JUNE 30, 2015
 From March 27, 2015 to June 30, 2015

5 Standards, amendments and interpretations to approved accounting standards

5.1 Standards, amendments and interpretations to the published standards that are relevant and adopted by the Bank

The Bank has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

<u>Standards, amendments and interpretations</u>	<u>Effective Date</u>
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014
IAS 36 'Recoverable amount Disclosures for non - financial assets (Amendments to IAS 36)'	January 1, 2014
IFRS 10, 12 and IAS 27 'Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)'	January 1, 2014
IAS 32 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)'	January 1, 2014

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2015.

5.2 Standards, amendments to published standards and interpretations that are effective but not relevant to the Bank

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2014 are considered not to be relevant or to have any significant effect on the Bank's financial reporting and operations and are therefore not presented here.

5.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Bank

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

<u>Standards, amendments and interpretations</u>	<u>Effective Date</u>
IAS 1 'Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)'	January 1, 2016
IFRS 10, IFRS 12 and IAS 28 'Investment Entities : Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)'	January 1, 2016
Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'	January 1, 2016
Annual Improvements to IFRS 2012 - 2014 Cycle	January 1, 2016
IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)'	January 1, 2016

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2015
From March 27, 2015 to June 30, 2015

IFRS 12 'Disclosure of Interests in other Entities' January 1, 2015

IFRS 13 'Fair Value Measurement' January 1, 2015

The Bank is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial information of the Bank.

5.4 Standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP) for adoption in Pakistan

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB effective date (annual periods beginning on or after)
IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018
IFRS 09 'Financial Instruments (revised 2014)'	January 1, 2018

5.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are described below.

5.6 General

Figures have been rounded-off to nearest rupees, unless stated otherwise.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Cash and cash equivalents

Cash and balances are stated at cost. For the purpose of cash flow statement, cash and cash equivalents comprises of cash in hand, balances with State Bank of Pakistan (SBP), National Bank of Pakistan (NBP) and balances held with other banks in current and deposit accounts.

6.2 Operating fixed assets

(a) Tangible assets - owned

These are stated at cost less accumulated depreciation and any identified impairment losses (if any). Cost of operating fixed assets consists of purchase price which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset plus directly attributable costs in bringing the asset to their working conditions.

Depreciation is charged on additions from the month in which asset is available for use, using the straight line method, and on disposal upto the month of disposal using straight line method.

Gain or loss on disposal, if any, are recognised in the profit and loss account in the year in which they arise.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

(b) Capital work-in-progress

Capital work in progress is stated at cost less accumulated impairment losses, if any. All expenditures connected with specific assets incurred during installation and related advances there against, if any, are carried under this head. These are transferred to specific assets as and when assets become available for

(c) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

6.3 Impairment of non-financial assets

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.4 Taxation

6.4.1 Current

The charge of current tax is based on taxable income at the applicable rate of taxation after taking into account available tax credits and rebates. Income for the purpose of computing current taxation is determined under the provisions of tax laws.

6.4.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits 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.

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2015
From March 27, 2015 to June 30, 2015

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. The Bank takes into account the current income tax law and decisions taken by the taxation authorities.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.5 Revenue recognition

Income on balances with SBP, NBP and other banks is recognized in profit and loss account when it is earned.

6.6 Dividend distribution

Dividends and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

Dividend made subsequent to the date of balance sheet are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standards (IAS) 10, 'Events after the Balance Sheet Date' in the period in which they are approved/transfers are made.

6.7 Financial instruments

Financial assets and liabilities are recognized at the trade date, i.e. the date at which the Bank becomes party to a contractual provision of the instrument. Financial assets and liabilities are derecognized when they are distinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and liabilities are taken to income directly.

6.8 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

6.9 Provisions

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

SINDH MICROFINANCE BANK LIMITED
 NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE PERIOD ENDED JUNE 30, 2015
 From March 27, 2015 to June 30, 2015

		Note	<u>June 30, 2015</u> Rupees
7	CASH AND BALANCES WITH SBP AND NBP		
	Cash in hand – local currency		<u>3,396</u>
8	BALANCES WITH OTHER BANKS		
	In Pakistan		
	On deposit accounts - local currency	8.1	<u>748,430,139</u>
8.1	This includes an amount of Rs. 500 million invested in term deposit receipts (TDRs) placed with Sindh Bank Limited (the Holding Company), having maturity of 6 months from the date of investment. The TDRs currently carrying mark-up at a rate of 7.25% per annum.		
	The balance of Rs. 248 million represents the amount placed with the Holding Company in daily product saving account currently carrying mark-up at a rate of 6.90% per annum.		
9	OPERATING FIXED ASSETS		<u>June 30, 2015</u> Rupees
	<i>Vehicle</i>		
	Additions - at cost		2,457,500
	Less: accumulated depreciation		<u>(81,916)</u>
	<i>Vehicle - at net book value</i>		<u>2,375,584</u>
10	SHARE CAPITAL		
10.1	Authorised share capital		
	<u>(Un-audited)</u>		
	<u>June 30, 2015</u>		<u>June 30, 2015</u>
	Number of shares		Rupees
	<u>100,000,000</u> Ordinary shares of Rs. 10 each		<u>1,000,000,000</u>
10.2	Issued, subscribed and paid-up share capital		
	<u>75,000,000</u> Ordinary shares of Rs. 10 each fully paid in cash		<u>750,000,000</u>
11	MEMORANDUM/OFF BALANCE SHEET ITEMS		
	Contingencies and commitments		
	There were no material contingencies and commitments as at period end.		

SINDH MICROFINANCE BANK LIMITED
 NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE PERIOD ENDED JUNE 30, 2015
 From March 27, 2015 to June 30, 2015

	Note	<u>June 30, 2015</u> Rupees
12 MARK-UP/RETURN/INTEREST EARNED		
Mark-up on deposit accounts		<u>12,098,788</u>
13 ADMINISTRATIVE EXPENSES		
Salaries and allowances		2,665,336
Directors' fee		30,000
Rent, rates and taxes		66,050
Repair and maintenance		7,200
Advertisement		113,750
Professional fee		4,025,635
Depreciation		81,916
Insurance		4,095
Conveyance		46,060
Auditors' remuneration		25,000
Others		25,710
		<u>7,090,752</u>

	Note	<u>June 30, 2015</u> Rupees
14 TAXATION		
Current		<u>1,652,464</u>

15 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Sindh Government, Sindh Bank Limited, directors and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in this financial information are as follows:

	Note	<u>June 30, 2015</u> Rupees
Balances with Sindh Bank Limited		
Balances in deposit accounts	8	<u>748,430,139</u>
Mark-up receivable on deposit account		<u>2,085,616</u>
Transactions with Sindh Bank Limited		
Mark-up on deposits accounts	12	<u>12,098,788</u>
Directors' fee	13	<u>30,000</u>

16 REMUNERATION OF DIRECTORS AND EXECUTIVES

	<u>Number of persons</u>	<u>June 30, 2015 Rupees</u>
Chief Executive		
- Managerial remuneration	<u>1</u>	<u>2,182,258</u>
Directors		
- Fees	<u>2</u>	<u>30,000</u>

17 NUMBERS OF EMPLOYEES

Number of employees as at period end	<u>3</u>
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18 SUBSEQUENT EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and date of authorization.

19 DATE OF AUTHORIZATION

This condensed interim financial information were authorized for issue on _____ by the Board of Directors of the Bank.



 President/Chief Executive



 Chairman



 Director



 Director