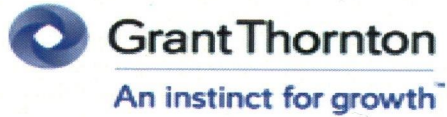


# Sindh Microfinance Bank Limited

*For the six months period ended June 30, 2019*



**Grant Thornton Anjum Rahman**  
Chartered Accountants



**Sindh Microfinance Bank Limited**  
*Condensed interim financial information*  
*For the six months period ended June 30, 2019*

**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

		June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	Note	-----Rupees-----	
<b>ASSETS</b>			
Cash and balances with SBP and NBP		5,785,331	13,416,112
Balances with other banks		765,747,517	255,910,462
Lending to financial institutions		-	-
Investment - net of provisions		163,550,000	100,000,000
Advances - net of provisions	7	726,913,598	583,101,762
Operating fixed assets	8	53,931,154	14,345,797
Other assets	9	27,635,492	36,679,795
Deferred tax asset-net		-	-
<b>Total assets</b>		<b>1,743,563,092</b>	<b>1,003,453,928</b>
<b>LIABILITIES</b>			
Deposits and other accounts	10	69,221,915	77,769,113
Borrowings	11	750,000,000	76,522,815
Subordinated debt		-	-
Other liabilities	12	62,164,335	11,175,708
Deferred tax liabilities-net	13	364,172	503,589
<b>Total liabilities</b>		<b>881,750,422</b>	<b>165,971,225</b>
<b>NET ASSETS</b>		<b>861,812,670</b>	<b>837,482,703</b>
<b>REPRESENTED BY:</b>			
Share capital	14	750,000,000	750,000,000
Statutory and general reserves	15	22,362,532	17,496,539
Depositors' protection fund	16	5,590,633	4,374,135
Unappropriated profit		83,859,505	65,612,029
		<b>861,812,670</b>	<b>837,482,703</b>
Surplus/(deficit) on revaluation of assets		-	-
Deferred grants		-	-
<b>TOTAL EQUITY</b>		<b>861,812,670</b>	<b>837,482,703</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>	17		

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information. *RSM*

\_\_\_\_\_  
President/Chief Executive

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30,2019**

	Note	Half year ended		Quarter ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		-----Rupees-----			
Mark-up / return / interest earned	18	143,173,615	95,717,097	78,384,165	50,586,759
Mark-up / return / interest expensed		(20,101,734)	(1,573,160)	(14,007,707)	(1,358,084)
<b>Net mark-up / interest income</b>		<b>123,071,881</b>	<b>94,143,937</b>	<b>64,376,458</b>	<b>49,228,675</b>
Provision against non-performing loans and advances	7	(2,379,580)	(1,535,683)	(1,638,381)	(632,701)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(1,142,434)	(594,138)	(562,719)	(373,399)
		(3,522,014)	(2,129,821)	(2,201,100)	(1,006,100)
<b>Net mark-up / interest income after provisions</b>		<b>119,549,867</b>	<b>92,014,116</b>	<b>62,175,358</b>	<b>48,222,575</b>
<b>NON MARK-UP/ NON INTEREST INCOME</b>					
Fee, commission and brokerage income		-	-	-	-
Dividend income		-	-	-	-
Other income		-	-	-	-
		-	-	-	-
<b>Total non mark-up / non interest income</b>		<b>119,549,867</b>	<b>92,014,116</b>	<b>62,175,358</b>	<b>48,222,575</b>
<b>NON MARKUP/ NON INTEREST EXPENSE</b>					
Administrative expenses		(85,282,308)	(69,322,907)	(44,114,443)	(36,647,963)
Other provisions/write offs		-	-	-	-
Other charges		-	(796,500)	-	(796,500)
<b>Total non mark-up / non interest expenses</b>		<b>(85,282,308)</b>	<b>(70,119,407)</b>	<b>(44,114,443)</b>	<b>(37,444,463)</b>
Extra ordinary / unusual items		-	-	-	-
<b>Profit before taxation</b>		<b>34,267,559</b>	<b>21,894,709</b>	<b>18,060,915</b>	<b>10,778,112</b>
Taxation					
- current		(10,077,029)	(6,410,560)	(5,617,176)	(3,075,581)
- prior		-	-	-	-
- deferred		139,437	(226,437)	139,437	(287,270)
		(9,937,592)	(6,636,997)	(5,477,739)	(3,362,851)
<b>Profit after taxation</b>		<b>24,329,967</b>	<b>15,257,712</b>	<b>12,583,176</b>	<b>7,415,261</b>
Unappropriated profit - brought forward		65,612,029	37,049,013	74,422,122	34,698,930
<b>Profit available for appropriation</b>		<b>89,941,996</b>	<b>52,306,725</b>	<b>87,005,298</b>	<b>42,114,191</b>
Transfer to					
- statutory reserve		4,865,993	3,051,542	2,516,635	1,483,052
- capital reserve		-	-	-	-
- contribution to depositors' protection fund		1,216,498	762,886	629,159	370,763
- revenue reserve		-	-	-	-
- proposed dividend		-	-	-	-
<b>Unappropriated profit - carried forward</b>		<b>83,859,505</b>	<b>48,492,297</b>	<b>83,859,504</b>	<b>40,260,376</b>
<b>EARNINGS PER SHARE</b>		<b>0.32</b>	<b>0.20</b>	<b>0.17</b>	<b>0.10</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information. *Sim*

\_\_\_\_\_  
**President/Chief Executive**

\_\_\_\_\_  
**Chairman**


\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**



**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	Half year ended		Quarter ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	-----Rupees-----			
<b>Profit after taxation for the period</b>	<b>24,329,967</b>	<b>15,257,712</b>	<b>12,583,176</b>	<b>7,415,261</b>
<b>Other comprehensive income:</b>				
- <i>Items that will not to be reclassified to profit and loss account in subsequent periods</i>	-	-	-	-
- <i>Items that will be subsequently reclassified to profit and loss</i>	-	-	-	-
<b>Total Comprehensive income for the period transferred to equity</b>	<b>24,329,967</b>	<b>15,257,712</b>	<b>12,583,176</b>	<b>7,415,261</b>
<b>Components of comprehensive income not reflected in equity</b>				
- <i>Surplus/ (deficit) on revaluation of assets</i>	-	-	-	-
- <i>Deferred grants</i>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>24,329,967</b>	<b>15,257,712</b>	<b>12,583,176</b>	<b>7,415,261</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information. 

\_\_\_\_\_  
**President/Chief Executive**

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

SINDH MICROFINANCE BANK LIMITED  
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
 FOR THE HALF YEAR ENDED JUNE 30, 2019

	Reserve			Total	
	Capital		Revenue		
	Statutory and General reserve	Depositors' protection Fund	Unappropriated profit/(loss)		
Share capital					
-----Rupees-----					
<b>Balance as at January 1, 2018</b>	750,000,000	9,879,735	2,469,934	37,049,013	799,398,682
<b>Total comprehensive income for the period</b>					
Profit after tax for the period	-	-	-	38,084,021	38,084,021
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	38,084,021	38,084,021
Transfer to statutory reserve	-	7,616,804	-	(7,616,804)	-
Contribution to depositors' protection fund	-	-	1,904,201	(1,904,201)	-
<b>Balance as at December 31, 2018 (audited)</b>	750,000,000	17,496,539	4,374,135	65,612,029	837,482,703
<b>Total comprehensive income for the period</b>					
Profit after taxation for the period	-	-	-	24,329,967	24,329,967
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	24,329,967	24,329,967
Transfer to statutory reserve	-	4,865,993	-	(4,865,993)	-
Contribution to depositors' protection fund	-	-	1,216,498	(1,216,498)	-
<b>Balance as at June 30, 2019 (Un-audited)</b>	<b>750,000,000</b>	<b>22,362,532</b>	<b>5,590,633</b>	<b>83,859,505</b>	<b>861,812,670</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information. *CTM*

\_\_\_\_\_  
 President / Chief Executive

\_\_\_\_\_  
 Chairman

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

		June 30, 2019	June 30, 2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	Note	-----Rupees-----	
Profit before taxation		34,267,559	21,894,709
<b>Adjustments:</b>			
Depreciation and amortization		9,927,413	1,327,376
Gratuity		3,600,000	-
Bad debts written off directly	7.4.1	1,142,434	-
Provision against non-performing advances	7	2,379,580	1,535,683
<b>Operating cash flows before changes in working capital</b>		<b>51,316,986</b>	<b>24,757,768</b>
<b>(Increase) /decrease in operating assets</b>			
Lending to financial institutions		-	-
Advances		(147,333,850)	(149,955,867)
Other assets (excluding advance taxation)		(43,678,220)	(11,828,201)
		<b>(191,012,070)</b>	<b>(161,784,068)</b>
<b>(Decrease)/increase in operating liabilities</b>			
Deposits and other accounts		(8,547,198)	(909,883)
Other liabilities (excluding current taxation)		46,622,923	(116,517)
		<b>38,075,725</b>	<b>(1,026,400)</b>
<b>(Used in)/cash generated from operations</b>		<b>(101,619,359)</b>	<b>(138,052,700)</b>
Income tax paid		(5,082,185)	(1,831,463)
<b>Net cash flow from operating activities</b>		<b>(106,701,544)</b>	<b>(139,884,163)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of T-Bills		(110,000,000)	-
Acquisition of operating fixed assets	8.1	(1,019,367)	(4,471,637)
Acquisition of TDR		(53,550,000)	-
Matured TDR		100,000,000	-
<b>Net cash used in investing activities</b>		<b>(64,569,367)</b>	<b>(4,471,637)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowing from SBP	11	750,000,000	-
Borrowing from SBL		-	76,687,815
Payment of Running finance facility		(76,522,815)	-
<b>Net cash flow from financing activities</b>		<b>673,477,185</b>	<b>76,687,815</b>
<b>Net increase in cash and cash equivalents</b>		<b>502,206,274</b>	<b>(67,667,985)</b>
Cash and cash equivalents at the beginning of the period		269,326,574	424,926,610
<b>Cash and cash equivalents at the end of the period</b>	20	<b>771,532,848</b>	<b>357,258,625</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.

*C.M*

\_\_\_\_\_  
President/Chief Executive

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

---

**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 repealed Companies Ordinance, 1984 (repealed by Companies Act 2017). The Bank obtained Microfinance banking license from State Bank of Pakistan on October 16, 2015, to operate in Sindh Province. Subsequently, the Bank has received the certificate of commencement of business from Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015. The Bank's registered office is situated at 39/F, 2nd Floor, Muhammad Ali Cooperative Housing Society, Karachi. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged in the Microfinance Institutions Ordinance, 2001.

The Bank is the wholly owned subsidiary of Sindh Bank Limited (the Holding bank). The Bank operates through branches and service centers spread within the province of Sindh, the network of branches and service centers comprises of 13 (2018: 13) branches and 47 (2018: 47) service centers.

**2 BASIS OF PRESENTATION**

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

**3 STATEMENT OF COMPLIANCE**

This condensed interim financial statements have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, the Prudential Regulation for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Act, 2017, the Microfinance Institution Ordinance, 2001, the Prudential Regulation for Microfinance Banks and the said directives have been followed.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property'. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments : Disclosures' through its notification S.R.O. No. 411(I)/2008 dated April 28, 2008. Accordingly the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP BSD through various circulars / regulations.

**4 BASIS OF MEASUREMENT**

**4.1 Accounting Convention**

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

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



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

**4.2 Critical accounting estimates and judgments**

The preparation of these condensed interim financial information in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and assumptions are viewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Accounting policies in respect of judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the Company's condensed interim financial information, estimates and assumptions with significant risk of material adjustments in the future period are included in the following notes:

	<b>Note</b>
a) Depreciation method, rates and useful life of operating fixed assets	8
b) Amortization method, rates and useful life of intangible assets	8
c) Provision for taxation	12
d) Provision for gratuity	12
e) Provision against non-performing loans and advances	7
f) Lease liability	5.1 & 12

**4.3 Functional and presentation currency**

These unconsolidated financial statements have been prepared & presented in Pakistani Rupee, which is the Company's functional and presentation currency.

**4.4 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year**

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

<b>Standard or Interpretation</b>	<b>IASB effective date (Annual periods beginning on or after)</b>
IFRS 15 'Revenue from Contracts with Customers'	July 1, 2018
IFRS 16 'Leases'	January 1, 2019

'IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied. The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the year ended June 30, 2019.

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

---

**4.5 Standards, amendments to published standards and interpretations that are effective but not relevant**

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

**4.6 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company**

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

<b>Standard or Interpretation</b>	<b>IASB effective date (Annual periods beginning on or after)</b>
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 1, 2019
IAS 28 'Long-term Interests in Associates and Joint Ventures' (Amendments to IAS 28)	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IAS 19 'Plan Amendment, Curtail or Settlement' (Amendments to IAS 19)	January 1, 2019
IFRS 9 'Financial Instruments'	July 1, 2019
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020
IFRS 9 - Financial Instruments (2014) and consequent amendments to IFRS 4 Insurance Contracts	January 1, 2018
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 1 First-time Adoption of International Financial Reporting Standards	July 1, 2009



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

---

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of financial statements of the Bank for the year ended December 31, 2018.

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed with the annual audited financial statements for the year ended December 31, 2018, except for the effects of applying IFRS-16.

**5.1 NEW STANDARD ADOPTED AS AT JANUARY 1, 2019**

During the period, IFRS 16 - Leases became applicable to the Banks. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate of 13.11% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	June 30, 2019	January 1, 2019
	-----Rupees-----	
Total lease liability recognised	<u>36,912,308</u>	<u>48,493,402</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the condensed interim statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets relate to the following type of asset:

	June 30, 2019	January 1, 2019
	-----Rupees-----	
Branches and Service centers	<u>40,411,168</u>	<u>48,493,402</u>

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

The effect of this change in accounting policy is as follows:

		June 30, 2019	January 1, 2019
	Note	-----Rupees-----	
<b>Impact on Statement of Financial Position</b>			
Increase in fixed assets - right-of-use assets	8	40,411,168	48,493,402
Decrease in other assets - advances, deposits, advance rent and other prepayments	9	(5,521,096)	-
Increase in total assets		<u>34,890,072</u>	48,493,402
Increase in other liabilities - lease liability against right-of-use assets	12	(36,912,308)	(48,493,402)
Decrease in net assets		<u>(2,022,236)</u>	-

**Impact on Profit and Loss account**

	For the six months ended June 30, 2019
	----Rupees---
Increase in mark-up expense - lease liability against right-of-use assets	(2,684,667)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(8,082,234)
- Rent expense	8,744,665
Decrease in profit before tax	<u>(2,022,236)</u>
Decrease in tax	586,448
Decrease in profit after tax	<u>(1,435,788)</u>

Earnings per share for the six months ended June 30, 2019 are Rs 0.3 per share lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

**5.2 Significant assumptions used**

***Discount rate***

These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate of 13.11% per annum.

***Lease term***

Bank has implemented IFRS-16 and classified all its operating lease to finance lease on substance over form basis and use estimates and assumptions in calculating the lease term upto three years.

***Rental Agreements***

Lease liability is calculated on Bank's operating 13 branches and 47 service centers.



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

---

### **5.3 Leases**

As described in Note 5.1, the Bank has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

#### **Accounting policy applicable from January 1, 2019**

##### ***- Identifying a lease***

For any new contracts entered into on or after 1 January 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

##### ***- Measurement and recognition of leases as a lessee***

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

---

**Accounting Policy applicable before January 1, 2019**

**Finance leases**

When preparing the Interim Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

**Operating leases**

All other leases are treated as operating leases. Where the Bank is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

**6 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS**

- 6.1 During the period the Bank has adopted IFRS 16 on 13 branches and 47 service centers with effect from January 1, 2019.
- 6.2 During the period the Bank has obtained loan under Line of Credit Fund from State Bank of Pakistan amounting to Rs. 750 million, carrying markup 6M Kibor+1 and 6M Kibor-1.



SINDH MICROFINANCE BANK LIMITED  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
 FOR THE HALF YEAR ENDED JUNE 30, 2019

7 ADVANCES - NET OF PROVISIONS	Note	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
		Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
Loan Type			---Rupees---		---Rupees---
Micro Credit					
Unsecured		43,575	734,920,695	37,243	589,666,316
Secured		-	-	-	-
		43,575	734,920,695	37,243	589,666,316
Less: Provision held					
-Specific provision		-	(671,505)	-	(688,415)
-General provision	7.1	-	(7,335,592)	-	(5,876,139)
			(8,007,097)		(6,564,554)
		43,575	726,913,598	37,243	583,101,762

7.1 This represent general provision equivalent to 1% of outstanding unsecured advances held in accordance with the requirements of prudential regulations for microfinance bank.

7.2 Particulars of provision against non performance advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
Opening balance	688,415	5,876,139	6,564,554	-	3,418,171	3,418,171
Charge for the year	920,127	1,459,453	2,379,580	856,265	2,457,968	3,314,233
Reversals	(937,037)		(937,037)	(167,850)	-	(167,850)
Closing balance	671,505	7,335,592	8,007,097	688,415	5,876,139	6,564,554

7.3

	2019			2018		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
OAEM	523,965	-	-	352,656	-	-
Substandard	281,188	70,297	70,297	1,433,258	358,315	358,315
Doubtful	958,149	479,075	479,075	578,005	289,003	289,003
Loss	122,133	122,133	122,133	41,097	41,097	41,097
Total	1,885,435	671,505	671,505	2,405,016	688,415	688,415

7.4 Particulars written off

	2019		2018	
	Number of Customer	Amount	Number of Customer	Amount
Directly charged to profit & loss account	7.4.1 63	1,142,434	98	1,283,038

7.4.1 This represent written off against unsecured micro credit advances which were not recovered due to death of loan holders.

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
-----Rupees-----		
<b>8 OPERATING FIXED ASSETS</b>		
Fixed assets - Net book value	11,244,470	11,810,365
Intangible asset - Net book value	2,275,516	2,535,432
Right of use asset - Net book value	40,411,168	-
	<u>53,931,154</u>	<u>14,345,797</u>
<b>8.1 Additions during the period - at cost</b>		
Office equipments	717,417	2,480,822
Office improvements	-	96,000
Furniture and fixtures	188,950	96,000
Intangibles	113,000	1,798,815
	<u>1,019,367</u>	<u>4,471,637</u>
<b>9 OTHER ASSETS</b>		
Security deposit, prepayments and others	11,001,948	16,222,988
Interest receivable on advances	14,902,602	12,239,334
Interest receivable on placement	1,730,942	3,988,352
Advance tax- net of provision	-	4,229,121
	<u>27,635,492</u>	<u>36,679,795</u>

June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
Number of accounts	Amount outstanding ---Rupees---	Number of accounts	Amount outstanding ---Rupees---

<b>10 DEPOSITS</b>				
Current	10	1,005,534	10	13,422,267
Saving	1	233,142	-	-
Institution	1	52,625,438	1	50,000,000
Micro saving & individual account	59,091	15,357,801	46,953	14,346,846
	<u>59,103</u>	<u>69,221,915</u>	<u>46,964</u>	<u>77,769,113</u>

**10.1** The deposits pertains to individual & corporate loan holders carrying interest rate of 4% - 12.15% per annum (2018: 4% - 12.15%).

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
<b>11 BORROWINGS</b>			
Sindh Bank Limited (Running finance)		-	76,522,815
State Bank Of Pakistan	11.1	<u>750,000,000</u>	-

**11.1** During the period the Bank has obtained loan under Line of Credit Fund from State Bank of Pakistan amounting to Rs. 750 million, carrying markup 6M Kibor+1 and 6M Kibor-1.



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
-----Rupees-----		
<b>12 OTHER LIABILITIES</b>		
Accrued expenses	3,405,788	3,176,300
Audit fee payable	275,000	478,000
Interest payable on borrowing & depositors	11,194,795	1,646,730
EOBI payable	135,719	115,439
Gratuity	8,846,750	5,246,750
Employee provident fund payable	628,272	512,490
Tax payable	765,703	-
Lease liability	36,912,308	-
	<b>62,164,335</b>	<b>11,175,709</b>

**13 DEFERRED TAX LIABILITIES**

Opening balance	503,609	403,553
Change during the year	(139,437)	100,056
Closing balance	<b>364,172</b>	<b>503,609</b>

**14 SHARE CAPITAL**

**Authorized Capital**

June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)		June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
-----Number of shares-----				
<b>100,000,000</b>	100,000,000	Ordinary shares of Rs. 10/- each.	<b>1,000,000,000</b>	1,000,000,000

**14.1 Issued, subscribed and paid-up share capital**

June 30, 2018	December 31, 2018	Ordinary shares of Rs. 10/- each fully paid in cash.	June 30, 2019	December 31, 2018
-----Number of shares-----				
<b>75,000,000</b>	75,000,000		<b>750,000,000</b>	750,000,000

**15 STATUTORY AND GENERAL RESERVES**

In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by SBP (Prudential regulations), the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve.

**16 DEPOSITORS PROTECTION FUND**

In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations, the Bank has transferred an amount equivalent to 5% of profit after tax to the depositor's protection fund.

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

**17 MEMORANDUM/OFF BALANCE SHEET ITEMS**

There are no memorandum/off balance sheet items as at the end of June 30, 2019 (December 31, 2018: Nil).

**18 MARK-UP/RETURN/ INTEREST EARNED**

	Half year ended		Quarter ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Un-audited)		(Un-audited)	
	-----Rupees-----			
On deposits accounts and placements	24,462,279	15,511,905	14,947,485	6,883,481
On loans and advances	118,711,336	80,205,192	63,436,680	43,703,279
	<u>143,173,615</u>	<u>95,717,097</u>	<u>78,384,165</u>	<u>50,586,760</u>

**19 TRANSACTIONS WITH RELATED PARTIES**

Related parties of the Bank comprises of Holding company, associates (including entities having directors in common with the Bank), major shareholders, directors and key management personnel and their close family members.

Balances with related parties have been disclosed in respective notes. Transactions with related parties, other than those disclosed elsewhere in the condensed interim financial information, are summarized as follows:

	June 30, 2019	December 31, 2018
	(Un-audited)	(Audited)
	-----Rupees-----	
<b><u>Balances with the Related Parties</u></b>		
<b><u>Sindh Bank Limited (Holding Company)</u></b>		
Balances in deposit accounts	<u>39,300,511</u>	<u>31,744,411</u>
Interest Payable on Borrowing	<u>2,094,711</u>	<u>1,564,984</u>
Borrowings with Sindh Bank Limited	<u>-</u>	<u>76,522,815</u>
<b><u>Sindh Insurance Limited</u></b>		
Prepaid insurance expense	<u>3,473,227</u>	<u>-</u>
<b><u>Transactions with the Related Parties</u></b>		
<b><u>Sindh Bank Limited (Holding Company)</u></b>		
Mark-up/return/interest expense	<u>4,806,634</u>	<u>1,573,160</u>
Mark-up/return/interest earned	<u>1,725,049</u>	<u>357,335</u>
<b><u>Directors</u></b>		
Directors' fee	<u>189,000</u>	<u>138,000</u>
<b><u>Sindh Insurance Limited</u></b>		
Insurance expense	<u>1,056,961</u>	<u>1,343,599</u>

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	June 30 2019	December 31 2018
	(Un-audited)	(Audited)
	-----Rupees-----	
<b>20 CASH AND CASH EQUIVALENTS</b>		
Cash and balances with SBP and NBP	5,785,331	13,416,112
Balances with other banks	765,747,517	255,910,462
Investment - net of provisions	-	100,000,000
	<u>771,532,848</u>	<u>369,326,574</u>

**21 GENERAL**

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

**22 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial information were approved and authorized for issue by the Board of Directors on \_\_\_\_\_ *CSM*

\_\_\_\_\_  
 President/Chief Executive

\_\_\_\_\_  
 Chairman

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director