

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

Sindh Microfinance Bank Limited

For the period June 30, 2016



Grant Thornton Anjum Rahman
Chartered Accountants



Directors Review

The Board of Directors is pleased to present a review of the business and operations of Sindh Microfinance Bank Limited for the Half Year Ended June 30, 2016.

Overview

The Bank is fully committed to providing financial access to the un-banked and under-banked active poor – very small businesses, petty traders, artisans and individuals, to meet their day to day business needs, create wealth and employment especially for women.

	Half Year ended June 30, 2016	Half Year ended June 30, 2015
	Rs.'000'	Rs.'000'
Profit Before Provisions and Taxations	10,008	5,008
Provision against loans and advances	46	Nil
Profits Before Taxation	9,962	5,008
Taxation	(4,675)	(1,652)
Profits After Taxation	5,287	3,356

SMFB was issued the Commencement of Operation letter by SBP on April 15, 2016 and has started its operations from May 3, 2016 by opening two (2) Branches one each at Karachi and Sujawal and six (6) Financial Centres (for microcredit) at Orangi town, Shah Latif town, Mohammad Ali Society, Sujawal, Thatta and Gharo.

The operating results of the Bank for Half Year Ended June 30, 2016 are encouraging with pre-tax profit of PKR 9.9 million and accumulated profit & reserves of PKR 20.5 million. With strength of eleven (11) people at Head office and twenty four (24) at Branches and Service Centres, the loan portfolio has steadily increased to PKR 4.5 million disbursed to 223 borrowers in a short span of time at the close of this period.

Moreover, the surplus funds were invested as Rs.200M on letter of placement, Rs.100M in certificate of deposits, Rs.300M in Term Deposit Receipts and Rs.150M in daily

product account.

The Bank has developed enhanced risk management procedures for loans and strengthened the control function. It is in compliance to all regulatory requirements and is exercising best market practices and a cautious customer selection approach to avoid future recovery issues. Although, Non-Performing Advances of the Bank are nil, a general provisioning of PKR 45,869/- has been made to satisfy regulatory requirements of SBP.

Future Strategy

The market for microfinance is huge and we aspire to selectively increase our risk assets, strengthen risk review process and grow our customer base by opening new branches and financial centres.

The Bank has plans to expand its customer base and increase its market share by improved service delivery and opening of two (2) more branches and ten (10) new financial centres catering to loan requirements of approximately 4,000 new women borrowers in the coming six months.

The Board would like to thank State Bank of Pakistan, Securities and Exchange Commission Pakistan and Sindh Bank Limited for continuous guidance and support and would like to place on record its appreciation for the hard work, dedication, professionalism and sincere efforts of the senior management, officer, and staff of the Bank.

On behalf of the Board.

Shoab Arif
President & CEO

Karachi: 04 August, 2016



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

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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, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and notes to the accounts for the half year period then ended (herein after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and presentation of this 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.

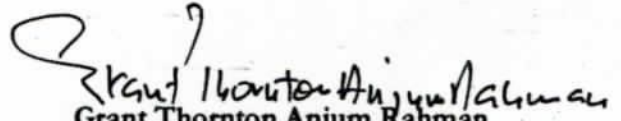
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures of the condensed interim profit and loss account and condensed statement of comprehensive income for the quarter ended June 30, 2016 and 2015 have not been reviewed, as we are required to review only cumulative figures for the half year period then ended June 30, 2016.

Karachi
Date: 12 August 2016


Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner


Sindh Microfinance Bank Limited
Condensed interim financial information and auditors' review report
For the period ended June 30, 2016

Condensed interim financial information
For the period ended June 30, 2016

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT JUNE 30, 2016

		June 30, 2016	December 31, 2015
	Note	(Un-audited)	(Audited)
-----Rupees-----			
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan		83,308	10,022
Balances with other banks/ NBFIs/MFBs		250,790,303	155,843,727
Lending / placements to financial institutions		500,000,000	600,000,000
Investment - Net of Provisions		-	-
Advances - Net of Provisions	6	4,541,038	-
Operating fixed assets	7	4,227,449	2,524,053
Other assets	8	12,409,398	8,182,149
Deferred tax assets - net		1,021,339	1,082,485
Total assets		773,072,835	767,642,436
LIABILITIES			
Deposits and other accounts		2,231	-
Borrowings		-	-
Subordinated Debt		-	-
Other liabilities	9	1,338,124	2,429,615
Deferred tax Liabilities		-	-
Total liabilities		1,340,355	2,429,615
NET ASSETS		771,732,480	765,212,821
REPRESENTED BY:			
Share capital	10	750,000,000	750,000,000
Statutory and general reserves	11	4,346,494	3,042,562
Depositors' protection fund	12	1,086,624	760,641
Unappropriated profit		16,299,362	11,409,618
		771,732,480	765,212,821
Surplus/(deficit) on revaluation of assets		-	-
Deferred grants		-	-
Total capital		771,732,480	765,212,821
MEMORANDUM/OFF-BALANCE SHEET ITEMS	13		


The annexed notes from 1 to 18 form an integral part of these condensed interim financial information. *STW*



 President/Chief Executive



 Chairman



 Director




 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Half year ended		Quarter ended		
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	
Note	-----Rupees-----				
Mark-up/return/interest earned	14	26,734,838	12,098,788	13,501,459	12,098,788
Mark-up/return/interest expensed		-	-	-	-
Net mark-up/interest income		26,734,838	12,098,788	13,501,459	12,098,788
Provision against non-performing loans and advances	6	(45,869)	-	(45,869)	-
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		(45,869)	-	(45,869)	-
Net mark-up/interest income after provisions		26,688,969	12,098,788	13,455,590	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		-	-	-	-
		26,688,969	12,098,788	13,455,590	12,098,788
Non mark-up/non interest expenses					
Administrative expenses		(16,727,482)	(7,090,752)	(9,316,957)	(7,090,752)
Other provisions/write offs		-	-	-	-
Other charges		-	-	-	-
Total non mark-up/non interest expenses		(16,727,482)	(7,090,752)	(9,316,957)	(7,090,752)
Extra ordinary/ unusual items		-	-	-	-
Profit before taxation		9,961,487	5,008,036	4,138,633	5,008,036
Taxation					
- current		(3,380,682)	(1,652,464)	(1,342,683)	(1,652,464)
- prior		-	-	-	-
- deferred		(61,146)	-	(61,146)	-
		(3,441,828)	(1,652,464)	(1,403,829)	(1,652,464)
Profit after taxation		6,519,659	3,355,572	2,734,804	3,355,572
Unappropriated profit - brought forward		11,409,618	-	14,248,259	-
Appropriations:					
Transfer to					
- statutory reserve		1,303,932	-	546,961	-
- capital reserve		-	-	-	-
- depositors' protection fund		325,983	-	136,740	-
Unappropriated profit - carried forward		16,299,362	3,355,572	16,299,362	3,355,572
Earnings per share - basic and diluted		0.09	0.04	0.04	0.04

The annexed notes from 1 to 18 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, 2016

	Half year ended		Quarter ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	-----Rupees-----			
Profit after taxation for the period	6,519,659	3,355,572	2,734,804	3,355,572
Other comprehensive income:				
- Items that will not be reclassified to profit and loss account in subsequent periods	-	-	-	-
- Items that will be subsequently reclassified to profit and loss	-	-	-	-
Total Comprehensive income for the period transferred to equity	6,519,659	3,355,572	2,734,804	3,355,572
Components of comprehensive income not reflected in equity				
- Surplus/ (deficit) on revaluation of assets	-	-	-	-
- Deferred grants	-	-	-	-
Total comprehensive income for the period *	6,519,659	3,355,572	2,734,804	3,355,572

* Surplus/ (deficit) on revaluation of available for sale of investments is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular no. 11 dated December 30, 2013 issued by State bank of Pakistan.

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information. 45m



 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, 2016

	Share capital	Statutory and General reserve	Depositors' protection Fund	Accumulated profits	Total
	-----Rupees-----				
Balance as at March 27, 2015 (Un-audited)	750,000,000	-	-	-	750,000,000
Total comprehensive income for the period					
Profit after tax for the period	-	-	-	3,355,572	3,355,572
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	3,355,572	3,355,572
Balance as at June 30, 2015 (Un-audited)	750,000,000	-	-	3,355,572	753,355,572
Total comprehensive income for the period					
Profit after tax for the period	-	-	-	11,857,249	11,857,249
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,857,249	11,857,249
Transfer to statutory reserve (note 11)	-	3,042,562	-	(3,042,562)	-
Contribution to depositors' protection fund (note 12)	-	-	760,641	(760,641)	-
Balance as at December 31, 2015 (Audited)	750,000,000	3,042,562	760,641	11,409,618	765,212,821
Total comprehensive income for the period					
Profit after taxation for the period	-	-	-	6,519,659	6,519,659
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	6,519,659	6,519,659
Transfer to statutory reserve (note 11)	-	1,303,932	-	(1,303,932)	-
Contribution to depositors' protection fund (note 12)	-	-	325,983	(325,983)	-
Balance as at June 30, 2016 (Un-audited)	750,000,000	4,346,494	1,086,624	16,299,362	771,732,480

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information. *SM*



 President/Chief Executive



 Chairman



 Director



 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Note	June 30, 2016 (Un-audited)	June 30, 2015 (Un-audited)
-----Rupees-----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		9,961,487	5,008,036
Adjustments:			
Depreciation and amortisation		368,790	81,916
Provision against non-performing advances - general		45,869	-
Operating cash flows before changes in working capital		10,376,146	5,089,952
(Increase) / decrease in operating assets			
Lending to financial institutions		100,000,000	-
Advances		(4,586,907)	-
Other assets (excluding advance taxation)		(3,768,516)	(2,618,244)
		91,644,577	(2,618,244)
Increase in operating liabilities			
Deposits and other accounts		2,231	-
Other liabilities (excluding current taxation)		643,361	71,791
		645,592	71,791
Cash generated from operations		102,666,314	2,543,499
Income tax paid		(5,574,266)	(1,652,464)
Net cash flow from operating activities		97,092,048	891,035
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of operating fixed assets	7.1	(2,072,186)	(2,457,500)
Net cash used in investing activities		(2,072,186)	(2,457,500)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	750,000,000
Net cash inflow from financing activities		-	750,000,000
Net increase in cash and cash equivalents		95,019,862	748,433,535
Cash and cash equivalents at the beginning of the period		155,853,749	-
Cash and cash equivalents at the end of the period	16	250,873,611	748,433,535

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information. *Sim*




 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, 2016

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 Bank has obtained Microfinance banking license from SBP on October 16, 2015, to operate in the province of Sindh. Subsequently the Bank has received the certificate of commencement of business from Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015, and received Letter for Commencement of Microfinance Banking Business on April 15, 2016 from SBP. The Bank's registered office is situated at 39/F 2nd Floor, Muhammad Ali Cooperative Housing Society, Karachi.

The Banks' principal business is to provide microfinance services to the poor and underserved segment of the society with a view to alleviate poverty under the Microfinance Institution Ordinance 2001. The Bank operates 2 branches and 6 service centers (December 31, 2015: Nil) in the Sindh Province.

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

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 Ordinance, 1984, 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 Ordinance, 1984, 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.

3.1 Standards, Amendments and Interpretations to Approved Accounting Standards

3.1.1 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 June 01, 2015 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.

3.1.2 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.

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

Standard or Interpretation	Effective Date
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
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016
IAS 16 and IAS 41 - Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	January 1, 2016
IAS 27 - Equity method in Separate Financial Statements (Amendments to IAS 27)	January 1, 2016
IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	January 1, 2016
IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	January 1, 2016
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
IAS 12 - Recognition of Deferred Tax Assets for Unrealized (Amendments to IAS 12)	January 1, 2017

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

3.1.3 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP).

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.

Standard or Interpretation	IASB effective date (Annual periods beginning)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 9 - Financial Instruments (2014)	January 1, 2018

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

IFRS 16 - Leases

January 1, 2019

4 BASIS OF MEASUREMENT

- 4.1 These condensed interim financial statements have been prepared under the historical cost convention.
- 4.2 These condensed interim financial statements has been prepared following accrual basis of accounting except for cash flow information.
- 4.3 The preparation of these condensed interim financial statements is in conformity with approved accounting standards which 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.

The significant judgements made by management in applying its accounting policies were the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2015.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 5.1 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, 2015.
- 5.2 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, 2015.

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016


6 ADVANCES - NET OF PROVISIONS	June 30, 2016 (Un-audited)		December 31, 2015 (Audited)	
	-----Rupees-----			
Loan Type	No of Loans Outstanding	Amount Outstanding	No of Loans Outstanding	Amount Outstanding
Micro Credit	223	4,586,907	-	-
Micro Lease	-	-	-	-
Less Provisions held				
-Specific provision		-		-
-General provision		(45,869)		-
		(45,869)		-
Advances - net of provisions		<u>4,541,038</u>		<u>-</u>

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	-----Rupees-----	
7 OPERATING FIXED ASSETS		
Fixed assets - NBV	2,758,016	2,524,053
Intangible asset - NBV	1,469,433	-
	<u>4,227,449</u>	<u>2,524,053</u>
7.1 Additions during the period - at cost		
Office equipments	305,686	-
Office improvements	85,000	-
Furniture and fixtures	119,000	-
Vehicles	-	2,457,500
Intangibles	1,562,500	-
	<u>2,072,186</u>	<u>2,457,500</u>
8 OTHER ASSETS		
Security deposit, prepayments & others	6,140,792	7,215,575
Sales tax refundable	287,053	-
Income / mark-up accrued on placement	5,463,717	966,574
Income / mark-up accrued on advances	59,103	-
Income tax refundable	458,733	-
	<u>12,409,398</u>	<u>8,182,149</u>
9 OTHER LIABILITIES		
Provident fund payable	164,484	220,943
Accrued expenses	965,134	326,264
Withholding tax payable	208,506	147,556
Taxation - net	-	1,734,852
	<u>1,338,124</u>	<u>2,429,615</u>
10 SHARE CAPITAL		
10.1 Authorised Capital		
	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	----- Number of shares-----	
	<u>100,000,000</u>	<u>100,000,000</u>
	Ordinary shares of Rs. 10/- each	
		<u>1,000,000,000</u>
		<u>1,000,000,000</u>

SINDH MICROFINANCE BANK LIMITED
 NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE HALF YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
	(Un-audited)	(Un-audited)
	-----Rupees-----	
<u>Directors and key management personnel</u>		
Directors' fee	60,000	30,000
Managerial remuneration	3,630,000	2,182,258
<u>Other related party</u>		
Insurance expense	40,331	4,095
16 CASH AND CASH EQUIVALENTS		
Cash and balances with SBP and NBP	83,308	3,396
Balances with other banks	250,790,303	748,430,139
	<u>250,873,611</u>	<u>748,433,535</u>
17 GENERAL		
Figures have been rounded off to the nearest rupee unless otherwise stated.		
18 DATE OF AUTHORIZATION FOR ISSUE		
These condensed interim financial statements were approved and authorized for issue by the Board of Directors on _____.		


4/1/16



 President/Chief Executive



 Chairman



 Director



 Director