

Khushhali Bank
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A body corporate established under the Khushhali Bank Ordinance, 2000

annual report and accounts: 2005

فوشحالی بینک  khushhalibank

prosperity, on all accounts



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President's Report 2005

It is indeed my privilege to present an overview of the microfinance sector and review the bank's performance for the year 2005.

Around the Globe and particularly in South Asia Microfinance Institutions are revolutionizing access to financial services to some of the poor and excluded segments of the market and establishing a niche within the financial services industry. Not only are these institutions reaching out to the majority of the population specially in our part of the world but their performance in terms of efficiency, productivity and portfolio quality continues to amaze all financial pundits as they emerge as the new & dominant players in the financial services industry. The environment & financial infrastructure around these institutions continues to evolve rapidly in terms of reporting standards, performance monitoring, customized ratings, audits, regulation and supervision.

Pakistan continues to be at the forefront of these developments and the Microfinance Sector Development Program (MSDP) of the Government of Pakistan initiated some five years ago has had a profound impact on the Microfinance (MF) sector in Pakistan through the establishment of a pro-poor market-based, formal financial sector oriented system. MSDP facilitated the enactment of the Microfinance Policy and Khushhalibank Ordinance 2000 and a Microfinance Institutions (MFI) Ordinance 2001. These Ordinances led to improved transparency and institutional diversity of the MF sector by introducing the concept of banking operations into MF and facilitating banking services to the poor which focuses on autonomy to develop, market, and service products on a sustainable basis with good governance. MSDP has also contributed to the development of State Bank of Pakistan's regulatory and supervisory capacity for MF. The new regulatory framework has facilitated the emergence of six licensed Microfinance Institutions at district and national levels. With the support and guidance provided through MSDP, SBP has established a separate policy unit for MF and is proactively promoting a sound environment for sustainable MF operations within the country.

Within the overall MSDP framework Khushhalibank is the lead microfinance institution in Pakistan and has since its establishment in August 2000 rapidly expanding its micro credit outreach and has well established its position as the largest MF bank in the country in terms of its clients and portfolio. The Bank now serves nearly 230,000 clients, with cumulative disbursements of over Rs. 6.0 billion through its branch network in 74 districts with high poverty incidence. The majority of KB clients are in rural areas (60%) and includes the very poor and roughly one-third of the beneficiaries being women.

Performance analysis of microfinance institutions reveals a multi faceted balancing act with increasing client outreach which requires leveraging a large sales force to deliver services cost effectively in order to scale outreach while ensuring positive returns. Our efforts over the year to achieve more sustainable level of operations were successful as evidenced by improving financial performance while maintaining growth in terms of clients and network. However, the scale & span of operations achieved over the years needs to be consolidated by a strengthening internal control environment and requisition of an integrated banking application is now an utmost priority.

On the bilateral and multilateral front increasing level of support is envisaged in terms of further expansion of the USAID program for developing non-bankable territories beyond Sind and Balochistan as well as successful completion ahead of schedule of the Microfinance Sector Development Program with the Asian Development Bank augers well for the sector.

The high point of the year was the release of a rigorous Impact study conducted by Asian Development Bank Research Institute, Tokyo on KB's microfinance program:

The study states that "Khushhali Bank has shown that it can scale up outreach while remaining focused on the core goals of operational and financial sustainability. The study reports that khushhali bank borrower's:

- (i) Enjoyed increased assets, inputs and sales from their income generating activities;
- (ii) Spent more money for education and health especially for children; and
- (iii) Increased their decision making ability as they became more proactive in terms of participation in community and financial matters especially in the context of empowerment of women.

The study concludes by stating that "These findings hold promise for the millions of poor households in Pakistan and demonstrate that given a supportive regulatory environment, it is possible for commercial microfinance banks to meet a "double bottom line" of simultaneously pursuing profits and a humanitarian social mission. Perhaps other countries can follow the path of Pakistan in promoting the development of a sustainable microfinance sector that improves the welfare of the poor."

However, despite these successes, the MF sector in Pakistan is still at an early stage of development and the current outreach of MF services in the country is relatively low given the fact that nearly 26% of the country's population is living below the national poverty line; estimated six million Pakistani households are in

potential need of MF services. MFIs in Pakistan serve approximately 700,000 households and hold \$100 million in loans outstanding, these figures indicate MFIs in Pakistan covers less than 12% of the potential market in terms of outreach. Women are still disadvantaged in terms of access to MF services representing only 45% of the total MF borrowers.

Accordingly, the Government of Pakistan envisages the launch of the second phase of the Microfinance Sector Development Program MSDP II in 2006 with the objective of facilitating further growth of a sustainable MF system to provide permanent and diversified MF services for rural economic growth and poverty alleviation. Khushhalibank will continue to play a lead role.

I wish to record my appreciation to all stakeholders for supporting us in our endeavors to establish a vibrant and dynamic microfinance sector in Pakistan.

M. Ghalib Nishtar
President

March 30, 2006

AUDIT COMMITTEE REPORT 2005

The year 2005 was a challenging year for the Internal Audit department in terms of changes at the helm of affairs and staff limitations both in terms of numbers and skills.

The Chairperson of Audit Committee relinquished charge with the resignation from the Board of Directors and Head of Internal Audit resigned in March 2005. The Board of Directors appointed a new Chairperson of Audit Committee and charge of Internal Audit was delegated to the Manager audit since he was suitably qualified for the assignment. The audit committee of the Board of Directors met twice during the period under review i.e. March and December 2005 respectively.

The management decision to provide a permanent pool of skilled resource to the audit department temporarily aggravated the situation in terms of staffing as staff seconded from Operations was transferred back during 1st quarter of 2005 and one Senior Auditor resigned during June 2005 limiting the strength of Internal Audit department to three persons. However the situation was addressed by the management with the induction of a senior auditor and one auditor during July and August 2005. The audit committee took a serious view of resource constraints of Internal Audit function in its meeting in December 2005 and directed the management to undertake immediate measures for its rectification. Subsequently, three more auditors have been selected through internal advertisement who are likely to join the department during March 2006.

The audit committee reviewed the performance of Internal audit department during the year and discussed in detail the progress reports presented by Internal Audit department and provided guidance to facilitate the better functioning of the department. The Committee deliberated with the senior members of the management issues relating to their respective areas of responsibility and sought progress / clarification in terms of SBP compliance. The Committee emphasized upon the management the need to strengthening the Internal control environment and ensure strict compliance to policies with the intention of improving audit risk ratings of branches and various units of corporate office. Audit committee also reviewed the maiden version of the draft audit manual besides giving its input / suggestion / recommendation prior to giving its consent for placing it before the Board of Directors.

Audit committee expressed its satisfaction on the progress of Internal Audit initiatives undertaken during the year like implementation of planned audit activities and drafting the audit manual (policy and procedures document), adopting audit methodology with changing business scenario, reviewing and upgrading audit test

programs, devising and implementing follow up process, strengthening reporting mechanism despite staff constraints. However, the Committee emphasized the need to further strengthening of the risk assessment process.

During the year under review the Internal Audit Department completed 40 Full Scope Audits and 64 surprise audits as planned. Five (5) corporate office departments i.e. Risk management, Human development institute, Information Technology, Alliance operations (SSDU) and President Secretariat were planned for 2005. However, Internal Audit completed/executed 10 Corporate Office audits during 2005 including two audits (Finance & Accounts and Procurement) already started during 2004. Human Resource audit was started during 2004 and was suspended due to staff changes at HR end and again re-started during December 2005 and is presently in process. Information Technology audit could not be undertaken due to lack of skilled resource within Internal Audit function and is now planned for 1st quarter 2006. Internal Audit also undertook the policy review functions and five (5) manual / policy reviews were completed other than adhoc assignments / inquiries during the year 2005.

The audit committee in its last meeting held in December 2005 approved the audit plan 2006, this envisages coverage of 65 branches for full scope audit, 81 branches for surprise audit and 11 corporate office departments besides five system reviews in 2006.

The audit committee emphasized the need of quality assurance of audit function as part of audit plan 2006.

Kalim Ur Rehman
Chairperson Audit Committee

March 22, 2006

NON-SHAREHOLDING - INDEPENDENT DIRECTOR'S REPORT 2005

The UN declared year 2005 was celebrated globally through conducting seminar's, conferences and competitions amongst clients & businesses in order to raise awareness for Microfinance services which was highlighted as an important tool for achieving Millennium Development Goals (MDG) of halving extreme poverty by 2015.

Khushhali bank (KB) participated actively at these local & international forums & number of Khushhali clients were awarded prizes in International competitions. The bank continues to direct its efforts towards enhancing access to poor to financial and social services while striving to achieve operational and financial self sufficiency with the ultimate objective of reducing poverty. It makes a great difference when poor, especially women, have access to a broad range of financial services, whereby they can invest in income-generating activities and meet their vital needs in terms of health, education and nutrition.

The year under review was marked by several positive developments at KB. Despite the slow pace of engagement of new Service Providers for social Intermediation services in general and community infrastructure projects in particular, we succeeded in increasing the outreach pace by expanding horizontally as well as vertically with existing partners. We also undertook measures to strengthen our business planning processes and enhance quality of portfolio with reference to engagement of contracted services through NGO's.

Social Sector Committee (SSC) of the Board of Directors (BOD) revisited its role of streamlining social sector services of the Bank and during the year 2005, met twice to review the operations and examine policies and practices, including service provider's selection and monitoring criteria, as well as pricing of services.

Review 2005:

Strategic Framework:

The SSC's work remained closely aligned with the Bank's strategic framework of achieving fast pace outreach and empowerment of the poor. The continued relevance of these priorities evidenced by release of public advertisements to invite proposals from NGOs/Specialized Agencies for provision of social intermediation and Community Infrastructure services. Directors stressed the need for the Bank to intensify its efforts in implementing the MSDP framework and effectively meeting the challenges set in the long term strategic plan of the bank. Directors reviewed progress of ongoing

efforts and stressed upon harmonizing operational policies, procedures, and practices of double delivery modes amongst KB and NGO/SA Service Providers (SP); including focus on small scale NGOs meeting eligibility criteria and strengthening partnerships with middle-level NGOs.

Meeting the Double Bottom Line: Impact of KB Program in Pakistan:

Impact assessment of KB program on the lives of poor was conducted by ADB-Institute, Tokyo. It is encouraging to note the results of the assessment which revealed that KB program has positive impacts on both monetary and social indicators of welfare, as well as on employment and income generating activities. Among social indicators, strong impacts were found on empowerment of women-the degree to which women's decision are taken into account in areas such as child-rearing, participation in community or political activities, and financial matters.

Baseline Survey in 20 Districts of Balochistan and Sindh:

Baseline study in 20 districts of Balochistan and Sindh funded by USAID was carried out to assess awareness of financial services in the area. The draft report is being circulated to Directors and subsequently an Impact study will be undertaken at the end of the project to measure the effectiveness of the program.

KB-NGO/SP Alliances:

Building on the MSDP framework, strategies and tools for monitoring of KB-SP Alliance Operations and capacity building of partners for the services to fill the operational and performance gaps, remained the essential elements of the KB's partnerships with NGOs-SPs. These strategies are the cornerstone of KB-SP alliance work for social intermediation at the country level. During this fiscal year SSC continued to recommend that planning, monitoring and reviews include more detailed frameworks for measuring results, including intermediate indicators to measure and monitor progress toward medium-term outcomes agreed on by the SP and the Bank. Directors emphasized the need for KB to be more focused and selective and to build on partnerships.

Following are some specific highlights of the year:

Social Mobilization:

- In light of SSC's strategic direction to strengthen Alliance Operations with NGO SPs for improved outcomes, two major workshops for refresher training on policies and procedures were organized for the field staff of alliance partners.

- 423,095 members were organized into 50,034 CO/groups with gender ratio 25:75, out of which 58,032 members were organized in 6,886 Community Organizations by NGO-SPs with a gender ratio of 34:66. (F:M).
- Cumulative active clients were 253, 785 as on Dec 31, 2005.
- 5 prospective SPs/NGOs were appraised and two were approved for engagement while remaining three will be engaged in 2006.
- Total 7 NGOs are engaged in 25 districts where KB is serving the poor.

Small Infrastructure Projects (SIPs):

SSC continuously reviewed progress of SIP implementation and advised strategies to improve the delivery mechanisms as well as equitable distribution of benefits to the poor, especially women.

Increased awareness of KB's SIP services raised huge demand by the client groups during the year with record implementation of around 1000 Small Infrastructure projects benefiting more than 45,000 households with Community Infrastructure fund contribution of around Rs. 95.86 million only.

Earthquake Livelihood Restoration Program (ELRP):

New challenges for KB emerged with the changing environmental, social and livelihood situations after October 8th earthquake- world's worst disaster, which hit AJK and parts of NWFP, destroying shelter and livelihoods of millions, leaving aside the death toll.

To respond to the aftermath of the earthquake, KB formulated an Earthquake Livelihood Restoration Program. Proposals from NGOs/Agencies were invited to identify trades and markets and mobilize communities for microfinance services of KB. The NGO SPs for ELRP would provide KB the ground to deliver services to the affectees, in an effective and efficient manner.

Rehana Khilji
Chairperson Social Sector Committee

March 28, 2006

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Khushhali Bank (the Bank) as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with approved accounting standards, the Khushhali Bank Ordinance, 2000 and the Prudential Regulations for Microfinance Banks/Institutions. Our responsibility is to express an opinion on these statements based on our audit.

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

- in our opinion, proper books of account have been kept by the Bank as required by the Khushhali Bank Ordinance, 2000 and the Companies Ordinance, 1984;
- in our opinion:
 - the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Khushhali Bank Ordinance, 2000 and the Prudential Regulations for Microfinance Banks/Institutions, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - the expenditure incurred during the year was for the purpose of the Bank's business; and
 - the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Khushhali Bank Ordinance, 2000 and the Prudential Regulations for Microfinance Banks/Institutions, in the manner so required and respectively give a true and fair view of the state of Bank's affairs as at December 31, 2005, and of the profit, its cash flows and changes in equity for the year then ended;

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants

30 March 2006

BALANCE SHEET
AS AT 31 DECEMBER 2005

	NOTES	2005 (Rupees)	2004 (Rupees)
ASSETS			
Cash and balances with SBP and NBP	6	487,180,429	673,401,454
Balances with other banks	7	821,929,844	699,623,312
Lending to Financial Institutions	8	840,000,000	-
Investments - net of provision	9	1,373,236,435	1,132,553,999
Advances - net of provisions	10	1,847,625,559	1,329,420,635
Operating fixed assets	11	219,293,083	180,980,812
Other assets	12	536,705,827	466,261,699
Deferred tax asset	13	37,549,895	25,976,579
Total Assets		6,163,521,072	4,508,218,490
LIABILITIES			
Borrowings	14	(4,221,128,654)	(2,600,538,174)
Other liabilities	15	(61,914,804)	(38,401,488)
Total Liabilities		(4,283,043,458)	(2,638,939,662)
NET ASSETS		1,880,477,614	1,869,278,828
REPRESENTED BY			
Share capital	16	1,705,000,000	1,705,000,000
Statutory reserve	5.10	17,497,664	15,023,392
Reserve for contingencies	5.3	26,609,739	17,809,739
Un-appropriated profit		101,930	1,479,114
		1,749,209,333	1,739,312,245
(Deficit) / Surplus on revaluation of securities	17	(10,834,093)	3,202,072
Deferred grants	18	142,102,374	126,764,511
		131,268,281	129,966,583
TOTAL CAPITAL		1,880,477,614	1,869,278,828
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The annexed notes 1 to 35 form an integral part of these financial statements.

M. Ghalib Nishtar
President/Chief Executive

S. Ali Raza
Chairman

Aftab Manzoor
Director

Samina Rizwan
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED
31 DECEMBER 2005

	NOTES	2005 (Rupees)	2004 (Rupees)
Mark-up / return / interest earned	20	476,609,825	217,712,337
Mark-up / return / interest expensed	21	(76,109,043)	(22,843,483)
Net mark-up/interest income		400,500,782	194,868,854
Provision against non-performing loans and advances	10.2	(90,379,379)	(62,113,362)
Bad debts written off directly		-	-
		(90,379,379)	(62,113,362)
Net mark-up/interest income after provisions		310,121,403	132,755,492
NON- MARK-UP / NON INTEREST INCOME			
Other income	22	222,387,153	155,079,955
		532,508,556	287,835,447
NON- MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	23	(506,202,417)	(327,037,924)
Other charges	24	(20,000)	-
		(506,222,417)	(327,037,924)
PROFIT / (LOSS) BEFORE TAXATION		26,286,139	(39,202,477)
Taxation - Current	25	(17,607,125)	(2,648,439)
- Prior years'		-	-
- Deferred	25	3,692,346	11,561,050
		(13,914,779)	8,912,611
PROFIT / (LOSS) AFTER TAXATION		12,371,360	(30,289,866)
Un-appropriated profit brought forward		1,479,114	45,188,466
Profit available for appropriation		13,850,474	14,898,600
APPROPRIATIONS:			
Transfer to:			
Statutory Reserve	5.10	(2,474,272)	-
Microfinance Social Development Fund	5.10	(1,237,136)	-
Risk Mitigation Fund	5.10	(618,568)	-
Depositors' Protection Fund	5.10	(618,568)	-
Reserve for contingencies	5.3	(8,800,000)	(13,419,486)
		(13,748,544)	(13,419,486)
Un-appropriated profit carried forward		101,930	1,479,114
Earnings / (loss) per share	29	7,256	(17,765)

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

M. Ghalib Nishtar
President/Chief Executive

S. Ali Raza
Chairman

Aftab Manzoor
Director

Samina Rizwan
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED
31 DECEMBER 2005

	NOTE	2005 (Rupees)	2004 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		26,286,139	(39,202,477)
Adjustments for non-cash charges:			
Depreciation		72,247,280	54,263,793
Amortization of deferred grant		(53,158,231)	(41,553,378)
Provision against non-performing advances		90,379,379	62,113,362
Gain on sale of fixed assets		(1,052,321)	(46,282)
Interest on investments and bank accounts		(176,595,662)	(34,945,380)
Grant income		(68,133,213)	(34,009,223)
Financial charges		79,352,778	24,423,333
Provision for gratuity		12,337,262	8,579,546
Provision for compensated absences		1,515,000	700,000
		(43,107,728)	39,525,771
		(16,821,589)	323,294
(Increase) in operating assets			
Lending to financial institutions		(840,000,000)	-
Advances		(608,584,303)	(719,668,221)
Other assets (excluding advance taxation)		(97,644,719)	(168,654,051)
		(1,546,229,022)	(888,322,272)
Increase in operating liabilities			
Other liabilities		7,381,614	2,118,964
		(1,538,847,408)	(886,203,308)
Cash outflow from operations		(1,555,668,997)	(885,880,014)
Interest received		161,901,879	35,915,565
Income taxes paid		(21,869,563)	(6,810,205)
Financial charges paid		(68,230,264)	(23,073,151)
Gratuity paid		(22,189,933)	(933,267)
Net cash outflow from operating activities		(1,506,056,878)	(880,781,072)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(85,004,699)	(127,304,700)
Net investments in held to maturity securities		(177,594,872)	-
Investments in operating fixed assets		(114,126,507)	(133,429,693)
Sale proceeds against fixed assets		3,551,699	-
Net cash outflow from investing activities		(373,174,379)	(260,734,393)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from Government of Pakistan (ADB Loan)		1,438,590,480	1,222,982,728
Borrowings from financial institutions		200,000,000	-
Repayment of Government of Pakistan Loan		(18,000,000)	-
Grant from Government of Pakistan (ADB Grant)		83,947,802	27,062,258
Grant from USAID Pakistan		110,778,482	66,215,947
Net cash inflow from financing activities		1,815,316,764	1,316,260,933
Net (decrease) / increase in cash and cash equivalents		(63,914,493)	174,745,468
Cash and cash equivalents at beginning of the year		1,373,024,766	1,198,279,298
Cash and cash equivalents at end of the year	26	1,309,110,273	1,373,024,766

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

M. Ghalib Nishtar
President/Chief Executive

S. Ali Raza
Chairman

Aftab Manzoor
Director

Samina Rizwan
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
31 DECEMBER 2005

	Share Capital	Statutory Reserve	Reserve for Contingencies	Un-appropriated Profit	Total
	Rupees				
Balances as on 31 December 2003	1,705,000,000	15,023,392	4,390,253	45,188,466	1,769,602,111
Loss for the year after taxation	-	-	-	(30,289,866)	(30,289,866)
Transfer to:					
Reserve for contingencies	-	-	13,419,486	(13,419,486)	-
Balances as on 31 December 2004	1,705,000,000	15,023,392	17,809,739	1,479,114	1,739,312,245
Profit for the year after taxation	-	-	-	12,371,360	12,371,360
Transfer to:					
Microfinance Social Development Fund	-	-	-	(1,237,136)	(1,237,136)
Risk Mitigation Fund	-	-	-	(618,568)	(618,568)
Depositors' Protection Fund	-	-	-	(618,568)	(618,568)
Statutory Reserve	-	2,474,272	-	(2,474,272)	-
Reserve for contingencies	-	-	8,800,000	(8,800,000)	-
Balances as on 31 December 2005	1,705,000,000	17,497,664	26,609,739	101,930	1,749,209,333

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

M. Ghalib Nishtar
President/Chief Executive

S. Ali Raza
Chairman

Aftab Manzoor
Director

Samina Rizwan
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2005

1. STATUS AND NATURE OF BUSINESS

Khushhali Bank ("the Bank") came into existence with the promulgation of the Khushhali Bank Ordinance 2000 as a corporate body with limited liability on 4 August 2000. It commenced business with the issuance of license to operate nationwide by the State Bank of Pakistan (SBP) on 11 August 2000. The Bank's registered office and principal place of business is in Islamabad.

The Bank is established to mobilize funds for providing micro-finance services to poor persons, particularly poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

The Bank had sixty three (2004: fifty two) branches in operation as at 31 December 2005.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These financial statements have been presented in accordance with the SBP Banking Supervision Department (BSD) circular number 11 dated 30 December 2003 and Prudential Regulations for Microfinance Institutions/Banks (the Regulations) issued by SBP vide BSD circular number 18 dated 14 October 2002.

3. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan and the directives issued by SBP, requirements of the Companies Ordinance, 1984 and the Khushhali Bank Ordinance, 2000. Approved accounting standards comprise of such international accounting standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Khushhali Bank Ordinance, 2000 or directives issued by SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Khushhali Bank Ordinance, 2000 or the requirements of the said directives take precedence.

SBP has clarified that International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Properties" are not applicable to the Bank. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been stated in accordance with the requirements of the format prescribed by SBP's BSD circular number 11 dated 30 December 2003.

4. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention as modified for the revaluation of available for sale investments to fair value in conformity with the requirements of the SBP BSD circular number 18 dated 14 October 2002.

The preparation of financial statements is in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments / estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying value of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the revisions have been made.

Significant areas requiring the management to use estimates in these financial statements relates to provision against advances, provision for income taxes, staff retirement benefits and determination of useful life of depreciable assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with SBP, National Bank of Pakistan (NBP) and other banks which are stated in the balance sheet at cost.

5.2 REVENUE RECOGNITION

Mark-up / return (service charge) on advances, deposit accounts and investments is recognized on accrual / time proportion basis, except for income, if any, which warrants suspension in compliance with the Regulations.

5.3 RESERVE FOR CONTINGENCIES

Reserve for contingencies is created for risk assets comprising advances. The reserve is created, as a matter of prudence, to comply with the additional requirements of Asian Development Bank (ADB) and to provide sufficient cushion for any future losses in the Bank's risk asset portfolio. Also refer note 5.5.

In view of the shortfall in profit available for appropriation, transfer to reserve for contingency has been restricted to Rs. 8.8 million as against the actual amount of Rs. 10.57 million. However, in order to comply with the conditions of ADB loan framework the balance of Rs. 1.77 million will be transferred to the reserve for contingencies in the next accounting period.

5.4 INVESTMENTS

5.4.1 Available for sale securities

Investments which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale investments are initially recognized at cost and subsequently measured at fair value. In accordance with the SBP BSD circular No. 18, dated 14 October 2002, investments in securities are marked to market and the difference between the carrying value and the revalued amount is recognized in the surplus / (deficit) on revaluation account, shown below the shareholder's equity in the balance sheet.

5.4.2 Held to maturity securities

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity instrument is recognized on a time proportion basis taking into account the effective yield on the investments.

All regular way' purchase and sale of financial assets are accounted for at settlement date.

5.5 ADVANCES (MICRO-CREDIT LOAN PORTFOLIO), LOAN LOSS PROVISION AND WRITE-OFFS

Advances are stated net of provisions for non-performing advances.

Specific provision for non-performing advances is determined in accordance with the requirements of the Regulations. In addition, 4% general provision required under the Regulations and ADB loan framework is calculated on outstanding advances net of specific provisions out of which 2% general provision required under the Regulations is charged to the profit and loss account and the remaining 2% required under ADB loan framework is transferred to reserve for contingencies in the balance sheet. Also refer note 5.3.

General and specific provisions are charged to the profit and loss account in the period in which they occur. Non-performing advances are written-off after one year from the date of default in performance as per the requirements of the Regulations.

5.6 OPERATING FIXED ASSETS

5.6.1 Property and equipment

Fixed assets are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged on the straight line method at rate specified in note 11.1 so as to write-off the cost of assets over their estimated useful life. Depreciation is charged on additions

	and deletions based on number of months the assets are available for use. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are accounted for in the profit and loss account.	carrying and the unrecognized amount of deferred tax assets.
5.6.2	Intangible assets	5.9 STAFF RETIREMENT BENEFITS
	Intangible assets comprise of computer software and applications. Intangible assets are amortized over their estimated useful lives.	5.9.1 Defined benefit plan
5.7	GRANTS	
	Grants for fixed assets are recorded as deferred revenue in the balance sheet and recognized as non-operating income on a systematic basis over the useful lives of the assets acquired from the grant proceeds.	The Bank operates an approved gratuity scheme for all eligible employees completing the minimum qualifying period of service as specified by the employee rules. Provision is made annually to cover obligations under the scheme in accordance with the actuarial recommendations. Relevant details are given in note 15.1.4.
	Revenue grants are recognized as income on a systematic basis to match them with the related costs which they are intended to compensate.	Actuarial gain and losses in excess of ten percent (10%) of the present value of the defined benefit obligation are recognized over the expected average future working lives of the employees participating in the scheme. Past service cost is recognized immediately.
	Under the subsidiary Loan and Grant Agreement (Micro Finance Sector Development Project- ADB loan No. 1806), the Bank is eligible to utilize capacity building grant through reimbursement of allowable expenditure for institutional development. Such grant amounts are accounted for on accrual basis and recognized in the financial statements on occurrence of the eligible spending.	The amount recognized in the balance sheet date represents the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses.
5.8	TAXATION	5.9.2 Compensated absences
5.8.1	Current	
	Provision for current tax is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax losses, if any.	Provisions are made annually to cover the obligation for compensated absences and charge to profit and loss account.
5.8.2	Deferred	5.10 CONTRIBUTIONS AND STATUTORY RESERVE
	Deferred tax is accounted for on all major taxable temporary differences between the carrying amounts of assets for financial reporting purposes and their taxation base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the Bank re-assesses the	In compliance with the Regulations, the Bank contributes 10% of its annual profit after tax to the Microfinance Social Development Fund and 5% each to Depositor's Protection Fund and Risk Mitigation Fund maintained by the SBP.
		The Bank is also required to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 5% of the annual profit after tax.
		5.11 FINANCIAL INSTRUMENTS
		5.11.1 Financial assets
		Financial assets are cash and balances with SBP and NBP, balances with other banks,

investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as available for sale are valued at year end prices and investments classified as held to maturity are stated at amortized cost.

5.11.2 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowing from Government of Pakistan and ADB and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

5.12 MARK-UP BEARING BORROWINGS

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

5.13 BORROWING COSTS

Borrowing costs are included in the profit and loss account when incurred.

5.14 OFF-SETTING

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

5.15 PROVISIONS

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

5.16 IMPAIRMENT

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

6.	CASH AND BALANCES WITH SBP AND NBP	NOTES	2005 (Rupees)	2004 (Rupees)
	Cash in hand		8,890,050	5,704,018
	Balances with State Bank of Pakistan in			
	Local currency current accounts	6.1	224,214,619	151,074,860
	Balances with National Bank of Pakistan in			
	Local currency current accounts		33,365,266	14,834,119
	Local currency deposit accounts	6.2	220,710,494	501,788,457
			254,075,760	516,622,576
			<u>487,180,429</u>	<u>673,401,454</u>
6.1	A minimum balance equivalent to 5% of the Bank's time and demand liabilities is required to be maintained in current accounts with SBP, in accordance with section 27 of the Khushhali Bank Ordinance, 2000 and rule 6 of the Regulations.			
6.2	This represents balances held across the network for the purpose of lending to borrowers and recoveries from customers which carry interest rates yielding approximately 0.20% to 1.20% per annum.			

7. BALANCES WITH OTHER BANKS	NOTES	2005 (Rupees)	2004 (Rupees)
In Pakistan-Local currency			
Current accounts		102,264,009	53,143,831
Deposit accounts	7.1	714,310,902	644,777,861
In Pakistan-Foreign currency			
Current accounts		5,354,933	1,701,620
		<u>821,929,844</u>	<u>699,623,312</u>

7.1 This includes short term placement of Rs. 200m with Mybank Limited for 3 months and Rs. 200m with Pakistan Industrial Credit & Investment Corporation Limited for 1 month (2004: Rs. 100 million) yielding interest at the rate of 12.60% and 11.75% respectively. The balance amount represents amounts held across the network for the purpose of lending to borrowers and recoveries from customers which carry interest rates yielding approximately 0.10% to 1.20% (2004: 0.10% to 1.50%) per annum.

8. LENDING TO FINANCIAL INSTITUTIONS - UNSECURED	NOTES	2005 (Rupees)	2004 (Rupees)
Call money lending	8.1	<u>840,000,000</u>	-

8.1 Call placements have been made in the interbank market with other banks at the rates ranging from 6.25% to 14.00% per annum with maturity from 7 to 90 days.

9. INVESTMENTS - NET OF PROVISION	NOTES	2005 (Rupees)	2004 (Rupees)
Federal Government Securities:			
Available for sale securities			
Market Treasury Bills	9.1	969,545,700	700,000,000
Pakistan Investment Bonds	9.2	242,763,699	427,304,700
		<u>1,212,309,399</u>	<u>1,127,304,700</u>
Held to maturity securities			
Pakistan Investment Bonds	9.2	177,594,872	-
(Deficit) / surplus on revaluation of securities	9.3	(16,667,836)	5,249,299
		<u>1,373,236,435</u>	<u>1,132,553,999</u>

9.1 This represents Market Treasury Bills purchased for the period ranging 84 to 182 days respectively and yielding interest at the rate of 7.92% to 8.29% per annum (2004: 3.1889% per annum).

9.2 This represents purchase of 10 years PIBs with the maturity in 2011 and yielding interest rate ranging from 12% to 13% per annum receivable on semi-annual basis. Market value of PIBs held to maturity at the year end was Rs. 170 million.

PIBs amounting to Rs. 200 million are given as collateral against borrowings (refer note 14.2 for details).

9.3 In compliance with the requirements of the SBP BSD circular No 18 dated 14 October 2002, available for sale investments have been valued at market value and the resulting surplus/deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet.

10. ADVANCES - NET OF PROVISIONS

Loan type	2005		2004	
	No. of loans outstanding	Amount outstanding (Rupees)	No. of loans outstanding	Amount outstanding (Rupees)
Micro credit	227,172	1,923,245,376	168,105	1,397,934,180
Less: Provisions held				
Specific	19,942	(28,203,491)	17,845	(31,672,833)
General	227,172	(47,416,326)	168,105	(36,840,712)
		(75,619,817)		(68,513,545)
Advances (net of provisions)		<u>1,847,625,559</u>		<u>1,329,420,635</u>

10.1 Particulars of Non-performing Loans

Advances include Rs. 92.902 million which, as detailed below, have been placed under non-performing status:

Category of Classification	2005		
	Amount outstanding (Rupees)	Provisions required (Rupees)	Provisions held (Rupees)
OAEM	25,992,340	-	-
Sub-Standard	17,504,225	3,500,845	3,500,845
Doubtful	49,405,292	24,702,646	24,702,646
Loss	-	-	-
Total	<u>92,901,857</u>	<u>28,203,491</u>	<u>28,203,491</u>

10.2 Particulars of Provisions Against Non-performing Advances

	2005			2004		
	Specific (Rupees)	General (Rupees)	Total (Rupees)	Specific (Rupees)	General (Rupees)	Total (Rupees)
Opening balance	31,672,833	36,840,712	68,513,545	12,182,676	23,421,226	35,603,902
Charge for the year	79,803,765	10,575,614	90,379,379	48,693,876	13,419,486	62,113,362
Amounts written off	(83,273,107)	-	(83,273,107)	(29,203,719)	-	(29,203,719)
Closing balance	<u>28,203,491</u>	<u>47,416,326</u>	<u>75,619,817</u>	<u>31,672,833</u>	<u>36,840,712</u>	<u>68,513,545</u>

10.3 Particulars of Write Offs	NOTES	2005 (Rupees)	2004 (Rupees)
Against provisions		83,273,107	29,203,719
Directly charged to profit and loss account		-	-
		<u>83,273,107</u>	<u>29,203,719</u>

11. OPERATING FIXED ASSETS

		2005	2004
Property and equipment	11.1	217,611,466	178,223,432
Intangible assets	11.2	1,681,617	2,757,380
		<u>219,293,083</u>	<u>180,980,812</u>

11.1 Property and Equipment

	COST			DEPRECIATION			Net book value as at 31 December 2005	Rate of Depreciation %
	As at 01 January 2005	Of additions/ (deletions) 31 December 2005	As at 31 December 2005	As at 01 January 2005	Charge/ (deletion) for the year 2005	As at 31 December 2005		
Furniture and fixtures	30,750,227	16,033,092 (9,600)	46,773,719	4,910,864	3,697,263 (3,256)	8,604,871	38,168,848	10
Electrical and office equipment	34,323,168	13,726,674	48,049,842	12,322,390	8,448,827	20,771,217	27,278,625	20
Computer equipment	39,339,256	12,310,149	51,649,405	20,458,412	9,826,052	30,284,464	21,364,941	33
Vehicles	202,782,186	72,056,592 (12,466,280)	262,372,498	91,279,739	49,199,375 (8,905,668)	131,573,446	130,799,052	25
31 December 2005	307,194,837	114,126,507 (12,475,880)	408,845,464	128,971,405	71,171,517 (8,908,924)	191,233,998	217,611,466	
31 December 2004	176,627,463	130,935,044 (367,670)	307,194,837	75,767,762	53,349,062 (145,419)	128,971,405	178,223,432	

11.1.1 Depreciation for the year includes Rs. 53.16 million (2004 : Rs. 41.55 million) being the depreciation charged on assets acquired as grant, as explained in detail in note 18.1 to the accounts.

11.2 Intangible Assets

	COST			AMORTIZATION			Net book value as at 31 December 2005	Rate of amortization %
	As at 01 January 2005	Of additions 31 December 2005	As at 31 December 2005	As at 01 January 2005	Amortization for the year 2005	As at 31 December 2005		
Computer software and applications	4,316,174	-	4,316,174	1,558,794	1,075,763	2,634,557	1,681,617	33
31 December 2005	4,316,174	-	4,316,174	1,558,794	1,075,763	2,634,557	1,681,617	
31 December 2004	1,821,525	2,494,649	4,316,174	644,063	914,731	1,558,794	2,757,380	

11.3 Disposal of Fixed Assets

The following fixed assets having book values above Rs. 250,000, were disposed off to the following persons during the year:

Particulars	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of the Purchaser
(Rupees)					
Vehicle	862,490	431,398	435,380	Bank policy	Mansoor Sultan - Ex-employee
Vehicle	595,850	260,704	261,195	Bank policy	Aamer Mushtaq Khan - Employee
Vehicle	595,850	260,898	261,195	Bank policy	Asim Malik - Employee
Vehicle	595,850	260,704	261,195	Bank policy	Jawad Bin Shabbir - Ex-employee
Vehicle	870,090	580,214	589,397	Bank policy	Arshad Amin Rao - Ex-employee
Vehicle	804,725	704,135	705,512	Bank policy	Khawar Ansari - Employee
Vehicle	590,850	517,121	528,103	Bank policy	Farzana Nuzhat - Employee
Vehicle	745,835	372,918	372,923	Bank policy	Osman Kazi - Employee

12. OTHER ASSETS	NOTES	2005 (Rupees)	2004 (Rupees)
Mark-up accrued		106,132,207	90,335,463
Less: Suspended markup on non-performing advances		(12,119,465)	(15,940,734)
		94,012,742	74,394,729
Interest receivable on investments and bank accounts		22,732,658	8,038,875
Advances, deposits and prepayments			
Advances:			
Employees		21,575,044	1,686,953
Expenses/suppliers		10,809,418	28,277,038
		32,384,462	29,963,991
Deposits		1,909,196	558,491
Prepayments		18,274,509	13,251,686
		52,568,167	43,774,168
Advance taxation - net of provision		34,741,676	30,479,238
Grants receivable for:			
Fixed assets		36,416,848	80,789,671
Training/traveling		5,181,563	5,211,303
		41,598,411	86,000,974
Receivable from Microfinance Social Development Fund	22.3	199,078,445	194,072,899
Receivable from Community Investment Fund		89,918,024	26,009,285
Receivable from USAID	22.2	-	2,821,825
Insurance receivable		1,331,779	534,022
Other receivables		723,925	135,684
		536,705,827	466,261,699

13. DEFERRED TAX ASSET

Deferred tax debits arising on account of:			
Difference in tax and accounting written down value of fixed assets		5,249,216	-
Provisions for bad/doubtful debts offered for tax		26,466,936	26,720,283
Provision for staff benefits offered for tax		-	5,564,347
Deficit on revaluation of securities		5,833,743	-
		37,549,895	32,284,630
Deferred tax credits arising on account of:			
Surplus on revaluation of securities		-	(2,047,227)
Difference in tax and accounting written down value of fixed assets		-	(4,260,824)
		37,549,895	25,976,579
Less: Valuation allowance		-	-
Net deferred tax asset taken to balance sheet	13.1	37,549,895	25,976,579

13.1 In view of management's assessment of availability of sufficient profits in the foreseeable future, deferred tax asset is considered fully recoverable and hence, valuation allowance has not been provided for.

14. BORROWINGS	NOTES	2005 (Rupees)	2004 (Rupees)
Unsecured:			
Borrowings from Government of Pakistan	14.1	-	18,000,000
Asian Development Bank	14.2	4,021,128,654	2,582,538,174
Secured:			
Borrowings from Financial Institutions	14.3	200,000,000	-
		<u>4,221,128,654</u>	<u>2,600,538,174</u>
14.1 This represents long-term interest bearing loan from the Ministry of Finance, Government of Pakistan. The loan is repayable in ten years after the expiry of the grace period of three years, commencing from 19 January 2004 on a bi-annual basis i.e. on 19 January and 19 July each year. Interest is payable from the draw down period on bi-annual basis which is charged on the basis of six monthly market treasury bills rate. The interest rates used for payments ranging from 4.1584% to 8.1388% (2004: 1.6429% to 2.0757% per annum). The Bank has settled this loan liability during the year.			
14.2 This represents receipts/reimbursements upto eighty percent (80%) of outreach loan disbursements against credit facility under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between Asian Development Bank (ADB) and Islamic Republic of Pakistan. By September 2005, the Bank has utilized entire credit line amounting to SDR 52.568 million under the aforesaid loan agreement.			
The principal is repayable in twenty years, including a grace period of eight years, commencing from 1 May 2009 on bi-annual basis, i.e., on 1 May and 1 November each year. Interest is being paid on bi-annual basis charged at the rate equal to average weighted cost of deposits during the preceding six months in the banking industry as calculated by SBP. The interest rates used for the two bi-annual payments during the year were determined to be 1.32% and 1.89% (2004: 1.55% and 1.28%).			
14.3 This represents interbank money market borrowing carrying interest rate of 8.45% (2004: NIL) per annum and are repayable by March 2006. This is secured against PIBs of Rs. 200 million.			
15. OTHER LIABILITIES		2005 (Rupees)	2004 (Rupees)
Interest payable on borrowings		16,328,093	5,205,579
Accruals and other payables		25,877,517	18,495,905
Provision for compensated absences		3,715,009	2,200,009
Payable to defined benefit plan - Gratuity	15.1	2,647,324	12,499,995
Grant received in advance from USAID		10,872,589	-
Contribution payable to Microfinance Social Development Fund		1,237,136	-
Contribution payable to Risk Mitigation Fund		618,568	-
Contribution payable to Depositors' Protection Fund		618,568	-
		<u>61,914,804</u>	<u>38,401,488</u>
15.1 Payable to defined benefit plan - Gratuity			
15.1.1 The amounts recognized in the balance sheet are determined as follows:			
Present value of unfunded obligation		26,221,844	14,080,029
Unrecognized actuarial losses		(5,152,103)	(1,580,034)
Payment made to gratuity fund		(18,896,423)	-
Benefits payable; payments due but not settled		474,006	-
		<u>2,647,324</u>	<u>12,499,995</u>

	2005 (Rupees)	2004 (Rupees)			
15.1.2 The amounts charged in the profit and loss accounts are determined as follows:					
Current service cost	11,195,221	8,087,413			
Interest cost	1,126,402	461,446			
Actuarial losses	15,639	30,687			
	<u>12,337,262</u>	<u>8,579,546</u>			
15.1.3 Movement in the liability recognized in the balance sheet:					
At the beginning of the year	12,499,995	4,853,716			
Amounts charged during the year	12,337,262	8,579,546			
Benefit payments to employees	(3,293,510)	(933,267)			
Payment made to gratuity fund	(18,896,423)	-			
	<u>2,647,324</u>	<u>12,499,995</u>			
15.1.4 The latest actuarial valuation of the scheme was carried out as at 31 December 2005. The Projected Unit Credit Method using the following principal actuarial assumptions was used for valuation of the scheme:					
Discount rate	9%				
Expected rate of increase in salary	15%				
Mortality rate	EFU 1961-66 Mortality table				
Average expected remaining working life of employees	11 Years				
16. SHARE CAPITAL					
16.1 Authorized Capital					
	2005	2004	2005 (Rupees)	2004 (Rupees)	
	<u>5,000</u>	<u>5,000</u>	Ordinary shares of Rs. 1,000,000 each	<u>5,000,000,000</u>	<u>5,000,000,000</u>
16.2 Issued, Subscribed and Paid-up					
	<u>1,705</u>	<u>1,705</u>	Ordinary shares fully paid in cash	<u>1,705,000,000</u>	<u>1,705,000,000</u>
The shareholders comprise the following:					
National Bank of Pakistan	400,000,000	400,000,000			
Habib Bank Limited	300,000,000	300,000,000			
MCB Bank Limited	300,000,000	300,000,000			
United Bank Limited	200,000,000	200,000,000			
Allied Bank Limited	200,000,000	200,000,000			
Askari Commercial Bank Limited	50,000,000	50,000,000			
Standard Chartered Bank	50,000,000	50,000,000			
Citibank N.A	50,000,000	50,000,000			
Bank Al Habib Limited	30,000,000	30,000,000			
Union Bank Limited	30,000,000	30,000,000			
Soneri Bank Limited	25,000,000	25,000,000			
Metropolitan Bank Limited	25,000,000	25,000,000			
Prime Commercial Bank Limited	15,000,000	15,000,000			
KASB Bank Limited	10,000,000	10,000,000			
Saudi Pak Commercial Bank Limited	10,000,000	10,000,000			
Mybank Limited	10,000,000	10,000,000			
	<u>1,705,000,000</u>	<u>1,705,000,000</u>			

16.3 The shares of the Bank cannot be sold or transferred by a member before a period of five years from the date of subscription. Thereafter such sale/transfer shall be subject to prior approval of SBP, pursuant to section 10 of the Khushhali Bank Ordinance, 2000. The profits of the Bank are not distributable and are applied towards the promotion of the objectives of the Bank.

17. (DEFICIT) / SURPLUS ON REVALUATION OF SECURITIES	NOTES	2005 (Rupees)	2004 (Rupees)
(Deficit) / surplus on revaluation of securities available for sale	9.2	(16,667,836)	5,249,299
Deferred tax asset / (liability) thereon		5,833,743	(2,047,227)
		<u>(10,834,093)</u>	<u>3,202,072</u>
18. DEFERRED GRANTS			
Grant from Government of Pakistan	18.1	218,313,141	183,253,128
Less: Grant amortized			
Upto the year 2001		(1,851,730)	(1,851,730)
Upto the year 2002		(19,071,324)	(19,071,324)
Upto the year 2003		(27,451,858)	(27,451,858)
Upto the year 2004		(39,858,529)	(39,858,529)
For the current year		(43,330,939)	-
		<u>(131,564,380)</u>	<u>(88,233,441)</u>
		86,748,761	95,019,687
Grant from USAID		66,875,754	33,439,673
Less: Grant amortized			
Upto the year 2004		(1,694,849)	(1,694,849)
For the current year		(9,827,292)	-
		<u>55,353,613</u>	<u>31,744,824</u>
		<u>142,102,374</u>	<u>126,764,511</u>

18.1 This represents grant from Government of Pakistan for capacity building against fixed assets acquired under the Subsidiary Loan and Grant Agreement entered with Government of Pakistan in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan. This includes reimbursement claims aggregating Rs. 36.417 million which were pending for submission with SBP as of 31 December 2005.

19. MEMORANDUM/OFF-BALANCE SHEET ITEMS

Commitments for capital expenditure amounting to Rs. 20.156 million (2004: Rs. 7.185 million) are outstanding as at 31 December 2005.

20. MARK-UP/RETURN/INTEREST EARNED	NOTES	2005 (Rupees)	2004 (Rupees)
Mark-up on advances	20.1	296,192,894	192,028,173
Add / (less) : Suspended mark-up on non-performing advances		3,821,269	(9,261,216)
		<u>300,014,163</u>	<u>182,766,957</u>
Interest on investment in Government Securities		92,318,914	28,022,242
Interest on deposit accounts/placements with other banks/financial institutions		84,276,748	6,923,138
		<u>476,609,825</u>	<u>217,712,337</u>

20.1 This represents mark-up earned on micro-credit loans to customers at annual rate of 20% (2004: 20%)

21. MARK-UP/RETURN/INTEREST EXPENSED	NOTES	2005 (Rupees)	2004 (Rupees)
Interest on borrowings from:			
Government of Pakistan		1,033,078	556,742
Asian Development Bank		59,499,557	21,899,730
Other financial institutions		15,576,408	387,011
		<u>76,109,043</u>	<u>22,843,483</u>
22. OTHER INCOME			
Amortization of deferred grant	11.1.1 & 18	53,158,231	41,553,378
Grant for training / traveling	22.1	4,485,226	3,007,671
Cost share of USAID project	22.2	63,647,987	31,001,552
Re-imbursment from MSDF	22.3	95,130,000	78,956,250
Others	22.4	5,965,709	561,104
		<u>222,387,153</u>	<u>155,079,955</u>
22.1 This represents grant from Government of Pakistan for capacity building acquired under the Subsidiary Loan and Grant Agreement entered with Government of Pakistan in pursuance of the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan. This includes reimbursement claims aggregating Rs. 5.182 million which were pending for submission with SBP.			
22.2 The Bank entered into an agreement with USAID on 30 September 2003 for developing non-bankable territories of Pakistan in Sindh and Baluchistan for financial services. Subsequently in September 2005, the scope of the grant was expanded to include seven FATA territories, where by USAID will contribute an aggregate of US\$ 11.052 million of the total project cost of US\$ 14.142 million until five year life of the project i.e. September 2010. The amount represents cost share of USAID under the agreement which is reimbursable on quarterly basis.			
22.3 This represents claims lodged by the Bank with Microfinance Social Development Fund (MSDF) for reimbursement of client acquisition cost incurred by the Bank from the signing of the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan.			
22.4 It includes an amount of Rs. 5 million received during the year against previously recognized bad debts.			
23. ADMINISTRATIVE EXPENSES	NOTES	2005 (Rupees)	2004 (Rupees)
Salaries, wages and benefits	23.1	188,241,493	110,634,121
Charge for defined benefit plan	15.1.2	12,337,262	8,579,546
Contract / seconded staff expenses		42,126,748	31,099,514
Consultancies		2,419,166	1,440,120
Recruitment and development		1,886,351	5,615,329
Training		9,367,100	8,114,358
Rent and rates		31,313,260	19,163,336
Insurance		5,367,772	3,324,712
Utilities		9,714,677	6,860,031
Legal and professional charges		154,181	37,620
Communication		21,274,695	8,501,497
Repairs and maintenance		8,770,961	5,160,971
Printing, stationery and office supplies		20,484,383	13,962,417
Advertisement		8,318,915	7,987,486
Auditors' remuneration	23.2	1,098,500	485,000
Depreciation	11.1	71,171,517	53,349,062
Amortization	11.2	1,075,763	914,731
Vehicles' up keep		44,836,405	24,628,863
Traveling and conveyance		12,260,745	10,570,997
Entertainment		3,218,922	2,085,411
Inauguration expenses		-	425,030
Security and hygiene		292,150	232,409
Bank charges		3,243,735	1,579,850
Newspapers and subscriptions		596,694	699,851
Grant receivable written off		-	1,128,482
Education support - USAID		6,059,936	-
Miscellaneous		571,086	457,180
		<u>506,202,417</u>	<u>327,037,924</u>

23.1 This includes charge of Rs. 1.5 million (2004: Rs. 0.7 million) for staff compensated absences.

23.2 Auditors' Remuneration	NOTES	2005 (Rupees)	2004 (Rupees)
Audit fee		423,500	385,000
Special certifications		550,000	-
Out-of-pocket expenses		125,000	100,000
		<u>1,098,500</u>	<u>485,000</u>

23.3 The Bank has not made any donations during the year.

24 OTHER CHARGES

Penalties imposed by SBP	24.1	<u>20,000</u>	<u>-</u>
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24.1 Represents penalty imposed by the SBP on account of non-compliance with instructions regarding shifting of branch premises.

25 TAXATION

This made up as under:			
Current	25.1	17,607,125	2,648,439
Prior years'	25.2	-	-
Deferred		(3,692,346)	(11,561,050)
		<u>13,914,779</u>	<u>(8,912,611)</u>

25.1 Although by omission of section 29 of the Khushhali Bank Ordinance, 2000 through the Finance Ordinance, 2001, the specific tax exemption available to the bank has been withdrawn, however, the bank claims exemption from income tax (including minimum tax) for the following reasons:

The Bank is established by the Government of Pakistan to mobilize the funds and to provide sustainable microfinance services to poor persons, particularly poor women, in order to mitigate poverty and promote social welfare and economic justice through community building and social mobilization.

Section 39 of the Khushhali Bank Ordinance, 2000 very specifically provides that the profits, if any, and other income of the bank shall not be utilized to pay any dividends to the members and shall be utilized to promote the objectives of the Bank.

Considering the foregoing, the management is of the view that the income of the Bank is exempt from tax under clause 93 and 94 of Part I of Second Schedule to the repealed Income Tax Ordinance, 1979 and clauses 59 and 60 of Part 1 of Second Schedule to the Income Tax Ordinance, 2001. The management is pursuing the matter further and intends to write to the concerned authorities for obtaining a specific exemption.

In view of the above, the management is of the opinion that no provision is required for tax. However, provision for tax is being made for prudence purposes only as, in case the bank's claim of exemption is rejected, the bank will be liable to pay tax on taxable profits at the applicable tax rates.

25.2 Relationship Between Tax Expense and Accounting Profit	NOTES	2005 (Rupees)	2004 (Rupees)
Accounting profit		<u>26,286,139</u>	<u>(39,202,477)</u>
Tax @ 37% (2004: 39%)		9,725,871	(15,288,966)
Tax effect of timing differences		<u>5,480,254</u>	<u>17,093,161</u>
Tax effect of penalties imposed by SBP		7,400	-
Tax effect of excess perquisites paid to employees		2,393,600	-
Tax effect of rate difference		-	844,244
		<u>7,881,254</u>	<u>17,937,405</u>
Current tax expense		17,607,125	2,648,439
Prior years'		-	-
Deferred tax		(3,692,346)	(11,561,050)
		<u>13,914,779</u>	<u>(8,912,611)</u>
26. CASH AND CASH EQUIVALENTS			
Cash and balances with SBP and NBP	6	487,180,429	673,401,454
Balances with other banks	7	821,929,844	699,623,312
Cash and cash equivalents at the end of the year		<u>1,309,110,273</u>	<u>1,373,024,766</u>
27. NUMBER OF EMPLOYEES - AT THE YEAR END		2005	2004
Credit sales staff			
Permanent		691	558
Banking / support staff			
Permanent		195	74
Contractual		690	539
		<u>885</u>	<u>613</u>
Total number of employees		<u>1,576</u>	<u>1,171</u>
28. NUMBER OF BRANCHES			
Branches at the beginning of the year		52	36
Add: Branches opened during the year		11	16
Total branches at the end of the year		<u>63</u>	<u>52</u>
29. EARNINGS / (LOSS) PER SHARE			
Profit / (loss) for the year -after tax	Rupees	<u>12,371,360</u>	<u>(30,289,866)</u>
Number of shares outstanding	Numbers	<u>1,705</u>	<u>1,705</u>
Earnings / (loss) per share	Rupees	<u>7,256</u>	<u>(17,765)</u>

There is no dilutive effect on the basic earnings per share of the Bank.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	Rupees		Rupees		Rupees	
Managerial remuneration	1,842,576	1,842,576	-	-	17,568,778	12,515,348
Charge for defined benefit plan	950,169	712,169	-	-	6,314,407	3,066,451
Rent and house maintenance	829,164	829,164	-	-	6,759,857	5,427,488
Utilities	184,260	184,260	-	-	2,501,371	1,194,209
Medical	19,307	87,600	-	-	1,635,303	1,239,575
Conveyance	199,035	101,500	-	-	5,087,939	1,292,260
Bonus	-	-	-	-	-	1,751,583
Others	-	-	-	-	214,634	51,183
	<u>4,024,511</u>	<u>3,757,269</u>	<u>-</u>	<u>-</u>	<u>40,082,289</u>	<u>26,538,097</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>22</u>	<u>15</u>

30.1 The President is provided with the Bank maintained car.

30.2 Executives mean employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year.

30.3 Pursuant to the Bank policy, vehicles have been transferred to concerned executives at book value.

31. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	TOTAL	UPTO 1 MONTH	OVER 1 MONTH UPTO 6 MONTHS	OVER 6 MONTHS UPTO 1 YEAR	OVER 1 YEAR
	Rupees				
<u>Market Rate Assets</u>					
Advances	1,847,625,559	118,262,996	763,265,579	966,096,984	-
Investments	1,373,236,435	1,195,641,563	-	-	177,594,872
Balances with SBP and NBP - Deposit accounts	220,710,494	220,710,494	-	-	-
Balances with other banks - Deposit accounts	714,310,902	714,310,902	-	-	-
Lending to financial institutions	840,000,000	640,000,000	200,000,000	-	-
Total market rate assets	<u>4,995,883,390</u>	<u>2,888,925,955</u>	<u>963,265,579</u>	<u>966,096,984</u>	<u>177,594,872</u>
<u>Other non-earning assets</u>					
Cash in hand	8,890,050	8,890,050	-	-	-
Balances with SBP and NBP - Current accounts	257,579,885	257,579,885	-	-	-
Balances with other banks - Current accounts	107,618,942	107,618,942	-	-	-
Other assets	536,705,827	40,066,108	367,932,189	83,096,298	45,611,232
Deferred tax asset	37,549,895	-	-	-	37,549,895
Operating fixed assets	219,293,083	5,708,789	26,284,993	32,988,790	154,310,511
Total non-earning assets	<u>1,167,637,682</u>	<u>419,863,774</u>	<u>394,217,182</u>	<u>116,085,088</u>	<u>237,471,638</u>
Total Assets	<u>6,163,521,072</u>	<u>3,308,789,729</u>	<u>1,357,482,761</u>	<u>1,082,182,072</u>	<u>415,066,510</u>
<u>Market Rate Liabilities</u>					
Borrowings from Government of Pakistan	4,021,128,654	-	-	-	4,021,128,654
Borrowings from Financial Institutions	200,000,000	-	200,000,000	-	-
Total market rate liabilities	<u>4,221,128,654</u>	<u>-</u>	<u>200,000,000</u>	<u>-</u>	<u>4,021,128,654</u>
<u>Other non-cost bearing liabilities</u>					
Other liabilities	61,914,804	22,407,014	32,125,479	3,581,856	3,800,455
Total non-cost bearing liabilities	<u>61,914,804</u>	<u>22,407,014</u>	<u>32,125,479</u>	<u>3,581,856</u>	<u>3,800,455</u>
Total Liabilities	<u>4,283,043,458</u>	<u>22,407,014</u>	<u>232,125,479</u>	<u>3,581,856</u>	<u>4,024,929,109</u>
Net Assets	<u>1,880,477,614</u>	<u>3,286,382,715</u>	<u>1,125,357,282</u>	<u>1,078,600,216</u>	<u>(3,609,862,599)</u>
Represented by:					
Share capital	1,705,000,000				
Statutory reserve	17,497,664				
Un-appropriated profit	101,930				
Reserve for contingencies	26,609,739				
Surplus/(deficit) on revaluation of securities	(10,834,093)				
Deferred Grant	142,102,374				
Net Equity	<u>1,880,477,614</u>				

32. FINANCIAL INSTRUMENTS

32.1 Interest Rate Risk

The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 31 December 2005 are summarized as follows:

Description	INTEREST/MARK-UP BEARING						NON INTEREST BEARING	2005	2004	Interest Rate
	Maturity Upto one year	Maturity after one year & upto two years	Maturity after two year & upto three years	Maturity after three year & upto four years	Maturity after five years	Sub total	Total	Total		
	Rupees						Rupees	Rupees	Rupees	
Financial assets:										
Cash and balances in current and other accounts	-	-	-	-	-	-	374,088,877	374,088,877	226,458,448	-
Balance in deposits accounts	935,021,396	-	-	-	-	935,021,396	-	935,021,396	1,146,566,318	0.1 % to 12.6 %
Lending to financial institutions	840,000,000	-	-	-	-	840,000,000	-	840,000,000	-	6.3 % to 14.0 %
Investments	1,195,641,563	-	-	-	177,594,872	1,373,236,435	-	1,373,236,435	1,132,553,999	7.9 % to 13.0 %
Advances	1,847,625,559	-	-	-	-	1,847,625,559	-	1,847,625,559	1,329,420,635	20 %
Other assets	-	-	-	-	-	-	472,880,224	472,880,224	392,566,784	-
	4,818,288,518	-	-	-	177,594,872	4,995,883,390	846,969,101	5,842,852,491	4,227,566,184	
Financial liabilities:										
Borrowings	200,000,000	-	-	415,273,243	3,605,855,411	4,221,128,654	-	4,221,128,654	2,600,538,174	1.3 % to 8.5 %
Other liabilities	-	-	-	-	-	-	61,326,378	61,326,378	38,373,825	-
	200,000,000	-	-	415,273,243	3,605,855,411	4,221,128,654	61,326,378	4,282,455,032	2,638,911,999	

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

32.2 Market Risk

The Bank's interest rates exposure comprises those originating from investing and lending activities. The Assets and Liability Management Committee of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effect on the profitability of the Bank.

32.3 Concentration of Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank is exposed to credit-related losses in the event of non-performance by counter parties.

The Bank seeks to manage the credit risk by attempting to diversify the lending activities to avoid undue concentration of risks with customers in specific locations or activities. The Bank controls this risk through credit appraisals, assessing the credit-worthiness of customers, requiring compulsory savings from borrowers. Furthermore, COs are structured in a way to exert social pressure on the borrowers to perform their obligations.

32.4 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its net funding requirements. The bank attempts to manage this risk by having adequate credit lines in place and maintaining sufficient liquidity at branch level to meet anticipated funding requirements.

32.5 Fair Value of Financial Instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

33. RELATED PARTY TRANSACTIONS

The Bank's related parties comprise of directors, key management personnel, shareholders and entities over which the directors are able to exercise significant influence. The detail of Bank's shareholders is given in note 16.2. Remuneration to chief executive and executives under their normal terms of employment is given in Note 30. Detail of transactions with the Bank's shareholders during the year under normal commercial banking terms using "Comparable Uncontrolled Price Method" are as follows:

	2005 (Rupees)	2004 (Rupees)
Transactions with shareholder banks during the year:		
Profit earned on deposit accounts	59,327,678	6,923,138
Bank charges	2,761,692	1,505,513
Lending to shareholder banks	5,252,000,000	-
Repayment of lending from shareholder banks	5,012,000,000	-
Interest income	6,671,739	-
Lending from shareholder banks	1,513,187,330	-
Repayment of lending to shareholder banks	1,513,187,330	-
Interest expense	9,880,511	-
Contributions to gratuity fund	18,896,423	-
Balances outstanding at the year end		
Bank balances with shareholder banks	1,209,285,051	1,216,245,889
Advances receivable from executives	13,161,914	-
Balance payable to gratuity fund	2,647,324	-

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 March, 2006 by the Board of Directors of the Bank.

35. GENERAL

Figures have been rounded off to the nearest rupee.

M. Ghalib Nishtar
President/Chief Executive

S. Ali Raza
Chairman

Aftab Manzoor
Director

Samina Rizwan
Director

Branch Network

Punjab

Lahore

11-B Shadman-I,
Shadman Chowk, Jail Road
Tel: 042-7534789
Fax: 042- 7534808

Gujranwala

2nd Floor, Centre Point upper MCB,
Ghalla Mandi Branch, Main GT Road
Tel: 055-9200842
Fax: 055-9200843

Kasur

Main Chowk District Courts,
Kachehri Road, Sultani Market
Tel: 049-2722818
Fax: 049-2722817

Jehlum

Flat # 03, 1st floor, Soldier Arcade, Civil Lines
Tel: 0544- 9270309
Fax: 0544-9270322

Sargodha

19, 1st Floor, Zahoor Plaza, Noori Gate
Tel: 0483- 9230557/ 0483-740861
Fax: 0483- 9230558

Multan

First Floor, NIPCO House 63-A, Abdali Road
Tel: 061-4782354-55/4783057
Fax: 061- 4782356

Dera Ghazi Khan

Near Pull DOT, Jampur Road
Tel: 064-9260535
Fax: 064-9260519

Rajanpur

Kamran Market, Opposite Jamia Sheikh Darkhasti,
Indus Highway
Tel: 0604-689513
Fax: 0604-690120

Sialkot

1st Floor, Ali Complex Railway Road
Tel: 052-9250527
Fax: 052-9250528

Faisalabad

B-472/2, Liaquat Road Near State Life Building
Tel: 041-9200780
Fax: 041- 9200779

Sahiwal

276/B-1, Jinnah Road (High Street) 1st Floor, Alfah Tower
Tel: 040-4223261
Fax: 040-4223262

Fatehjung (Attock)

Shop # 3, Ground Floor, Ittehad Plaza, Pindi Road
Tel: 057-2212132

Chakwal

Shop # B/1631, Near Gulsher Petrol Station, Talangang
Road, Chakwal.
Tel: 0543-540864
Fax: 0543-540864

Bahawalpur

2-Rehan Society, Noor Mahal Road
Tel: 0621-9255316
Fax: 0621- 9255410

Taunsa Sharif

Mangorha Road
Tel: 0642-601467
Fax: 0642-601395

Leyyah

Plot # 405/B, 2nd Chaubara Road, Near Muslim
Commercial Bank
Tel: 0606-414705-6
Fax: 0606-414506

Narowal

Usman Plaza, Circular Road, Moore Saddiq Pura
Tel: 054-2414267

Jhang

Siddiq Center, Park Street, Near DC house,
Civil Lines, Saddar
Tel: 0477-620986

Rawalpindi

1st Floor, 20-B North Star Plaza,
Rehmanabad Chowk, Murree Road
Tel: 051-4842548/ 9290930
Fax: 051-9290562

Mandibahauddin

Farooq Plaza, Link Kachehri Road
Tel: 0546- 5009800

Mianwali

PAF Road, Chah Gull Khanwala, Mianwali.
Tel: 04592-36619
Fax: 04592-36620

Rahim Yar Khan

29/30 Canal Bank Road, Opps. Jamiat ul Farooq
Tel: 068-5001899

Bahawalnagar

Khushhali Bank, Baldia Road
Tel: 063 - 9240115
Fax: 063-9240116

Vehari

1st Floor, Daha City Plaza,
F-63, College Road, Near Gool Chowk
Tel: 067-3360306
Fax: 067-3360307

NWFP

Peshawar

Ground Floor, Hurmaz Plaza, Tambwan,
University Road
Tel: 091-9218366/5840388
Fax: 091-5840377

Abbotabad

1st Floor, Silk Plaza, Supply bazar, Mansehra Road
Tel: 0992 343108
Fax: 0992 343109

Malakand

Shop # 1-5 & 29-34, Tahir Plaza, Main Bazar.
Tel: 0932-415039

Swabi

Rehman Market, Swabi Mardan Road

Mardan

House # 27 , The Mall
Tel: 0937-9230445
Fax: 0937-9230446

Hariapur

Pankad Area, Shahrah-e-Hazara
Tel: 0995-610181

Charsadda

Ajmal Market, Tangi Road
Tel: 091-6515724
Fax: 091-6515489

D.I.Khan

Al-Zaman Building, Near Siraj Medical Center,
West Circular Road
Tel: 0966-812029
Fax: 0966-711382

Kohat

Samad Plaza, Behzadi Chakarkot, Bannu Road
Tel: 0922-522875
Fax: 0922-522876

Swat (Mingora)

First Floor, Abasin Towers, New Maidan Road
Tel: 0946-729410
Fax: 0946-729411

Karak

Kakakhel Market, Main Sabirabad Road.
Tel: 0927-210001
Fax: 0927-210002

Sindh

Karachi

Ground Floor, Block-C, Finance & Trade Centre,
Sharah-e-Faisal
Tel: 021-9204123-7/9/30
Fax: 021- 9204131-2

Nawabshah

House # C-S 2146 - 138, Dour Buehery Road,
Kazi Ahmed More
Tel: 0244-370093
Fax: 0244-370094

Mithi

Shahi Bazar, Near Press Club
Tel: 02322-62304
Fax: 02322-62305

Mirpur Khas

Plot # 7, Survey # 862/7, Ward-A, MP Colony,
Main Umar Kot Road.
Tel: 0233-874170
Fax: 0233-874170

Khairpur

Katchary Road, Near National Saving Khairpur Mir's.
Tel: 0243 - 714064
Fax: 0243-714065

Shikarpur

Sattari Building, Plot # 23/34/5, Station Road
Tel: 0726-520072
Fax: 0726-521802

Hyderabad

Shop # 2-3, Defence Plaza, Thandi Sadak
Tel: 0222-786620
Fax: 0222-786621

Nowsherofroze

National Highway
Tel: 0242- 481275
Fax: 0242- 481274

Thatta
Survey # 2/2, Adjacent to Jahanzeb Hotel,
Main National Highway

Sukkur
Plot # 64, Sindhi Muslim Society,
Near Red Carpet Hotel, Military Road.
Tel: 071-9310527 /9310528
Fax: 071-9310530

Larkana
H #. 1588, Jan Mohd Jonejo Road,
Near Jarral Shah Bukhari
Tel: 0741-9410846
Fax: 0741-9410847

Sanghar
Choudhary Corner, Main Nawabshah Road
Tel: 0235- 800161
Fax: 0235-543439

Sehwan Sharif
Shop # 3, Jahaz chowk near new Bus Stand Station
Road
Tel: 0254-620700
Fax: 0254-620700

Badin
Survey # 33, Adjacent Abbasi Hospital,
Main DCO Chowk, Karachi Road
Tel: 029-7862330
Fax: 029-7810149

Jacobabad
Station Road, Near PIA Office Mahala Shaikh
Tel: 0722-652001
Fax: 0722-650302

Ghotki
Sada Bahar Shopping Center, Near Bilal Mosque,
Main GT Road
Tel: 0723-600239
Fax: 0723-600240

Baluchistan

Quetta
Shop # 4, Usman Complex, Hali Road Quetta
Tel: 081-9201537 - 64
Fax: 081-9201528

Sibbi
84-A, Block -4, Jinnah Road
Tel: 0831-9230059
Fax: 0831-412949

Sanjawi (Ziarat)
Shop # 08, Haji Faizullah Market, Main Bazar
Tel: 0824-665572
Fax: 0824-665572

Nasirabad
Labor Chowk, Quetta Road, Dera Murad Jamali
Tel: 0838- 711337
Fax: 0838- 711338

Pishin
Malik Plaza, By-Pass Road
Tel: 0826-421111
Fax: 0826-421123

Loralai
Shop No. 1060 near Masool chungi, Zhob Road
Tel: 0824-410845
Fax: 0824-410916

Gawadar
Shop no. 1-4 Super Gazarwan Market, Airport Road
Tel: 0864-211764

Barkhan (Rakhni)
Near National Bank of Pakistan, Rakhni branch, Rakhni
Tel: 0829-688368
Fax: 0829-688367

Mastung
Masjid Road, Near National Saving Center
Tel: 0843-897426
Fax: 0843-897428

Zhob
1st Floor House # C/196 Tehsil Road Babu Mohalla
Tel: 0822-413497
Fax: 0822-412099

Jafferabad
Main Quetta Road, Near Railway Station
Tel: 0838-510034
Fax: 0838-510034

AJK

Muzafarabad
House # D-51, Upper Chattar Housing Scheme,
Opposite SBP
Tel: 058810-34485/86
Fax: 058810-34487