

BALANCE SHEET
AS AT 31 DECEMBER 2009


	Note	2009	2008
		Rupees	Rupees
ASSETS			
Cash and balances with SBP and NBP	6	406,467,354	332,676,173
Balances with other banks/NBFIs/MFBs	7	507,726,727	777,283,849
Lending to financial institutions	8	244,402,250	-
Investments-net of provisions	9	1,775,331,171	549,214,503
Advances-net of provisions	10	2,725,562,041	2,067,750,648
Operating fixed assets	11	178,186,704	195,984,338
Other assets	12	230,330,530	171,343,259
Deferred tax asset	13	-	-
Total assets		6,068,006,777	4,094,252,770
LIABILITIES			
Deposits and other accounts	14	5,219,007,844	3,304,742,382
Borrowing	15	-	100,000,000
Subordinated debt		-	-
Other liabilities	16	255,789,263	120,631,812
Deferred tax liabilities		-	-
Total liabilities		5,474,797,107	3,525,374,194
NET ASSETS		593,209,670	568,878,576
REPRESENTED BY:			
Share capital	17	660,000,500	660,000,500
Statutory and general reserves		13,472,412	8,040,156
Depositors' protection fund		4,142,236	2,470,534
Accumulated loss		(84,174,132)	(104,231,456)
		593,441,016	566,279,734
Deficit on revaluation of assets	18	(9,259,818)	(8,759,343)
Deferred grants	19	9,028,472	11,358,185
		593,209,670	568,878,576
MEMORANDUM / OFF-BALANCE SHEET ITEMS	20		

The annexed notes from 1 to 40 form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT/ STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009	2008
		<u>Rupees</u>	<u>Rupees</u>
Markup/return/interest earned	21	969,040,782	526,110,641
Markup/return/interest expensed	22	<u>(407,753,170)</u>	<u>(165,468,186)</u>
Net markup/interest income		561,287,612	360,642,455
Provision against non-performing loans and advances	10.3	<u>(40,752,036)</u>	<u>(30,071,719)</u>
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		<u>(40,752,036)</u>	<u>(30,071,719)</u>
Net markup/interest income after provisions		520,535,576	330,570,736
Non mark-up/non interest income			
Fee, commission and brokerage income	23	<u>104,275,630</u>	62,648,207
Dividend income		-	-
Amortization of deferred capital grant	24	<u>3,799,677</u>	1,700,571
Gain on sale/redemption of securities		-	1,935,883
Other income		<u>5,023,529</u>	3,159,631
Total non-markup/non interest income		<u>113,098,836</u>	69,444,292
		633,634,412	400,015,028
Non mark-up/non interest expenses			
Administrative expenses	25	<u>(596,728,315)</u>	(503,915,724)
Depreciation - grant related assets	25	<u>(3,799,677)</u>	(1,700,571)
Other provisions/write offs		-	-
Other charges	26	<u>(553,438)</u>	-
Total non-markup/non interest expenses		<u>(601,081,430)</u>	(505,616,295)
		32,552,982	(105,601,267)
Extra ordinary/unusual items		-	-
Profit/ (loss) before taxation		32,552,982	(105,601,267)
Taxation -Current		<u>(5,391,700)</u>	-
-Prior years		-	(677,237)
-Deferred		-	-
	27	<u>(5,391,700)</u>	<u>(677,237)</u>
Profit/ (loss) after taxation		27,161,282	(106,278,504)
Unappropriated (loss) /profit brought forward		<u>(104,231,456)</u>	2,361,763
Loss before appropriations		<u>(77,070,174)</u>	(103,916,741)
Appropriations - Transfers to:			
Statutory reserve		<u>(5,432,256)</u>	-
Capital reserve		-	-
Contribution to depositors' protection fund		<u>(1,671,702)</u>	(314,715)
Revenue reserve		-	-
Dividend		-	-
		<u>(7,103,958)</u>	<u>(314,715)</u>
Accumulated loss carried forward		<u>(84,174,132)</u>	<u>(104,231,456)</u>
Profit /(loss) per share (Rupee)	32	<u>0.41</u>	<u>(1.62)</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

 **THE FIRST MICROFINANCEBANK LIMITED**
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before taxation		32,552,982	(105,601,267)
Adjustments for non-cash charges			
Depreciation of property and equipment	11.2	60,093,510	59,446,274
Amortization of intangible assets	11.3	832,808	821,974
(Gain) / loss on disposal of operating fixed assets		(95,933)	1,148,518
Write-offs of property and equipment		441,261	-
Amortization of deferred grant		(9,070,346)	(13,705,994)
Income on investment in Government securities		(77,712,721)	(10,459,753)
Net amortization of premium on investments		1,692,407	1,805,176
Mark up on reverse repo transactions		(19,100,434)	(5,469,804)
Provision against non performing loans and advances		40,752,036	30,071,719
Provision for gratuity		7,130,000	8,306,000
Gain on sale/redemption of securities		-	(1,935,744)
		4,962,588	70,028,366
		37,515,570	(35,572,901)
(Increase)/decrease in operating assets			
Lending to financial institutions		(244,402,250)	72,959,550
Advances		(698,563,429)	(904,213,093)
Other assets (excluding advance taxation)		(59,338,875)	(67,428,058)
		(1,002,304,554)	(898,681,601)
Increase in operating liabilities			
Deposits and other accounts		1,914,265,462	1,269,158,029
Other liabilities		136,333,451	21,356,887
		2,050,598,913	1,290,514,916
Cash inflows from operations		1,085,809,929	356,260,414
Gratuity paid		(8,306,000)	(2,969,000)
Income tax paid		(4,567,547)	(4,579,790)
Net cash inflow from operating activities		1,072,936,382	348,711,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in available for sale securities including reverse repo		(9,758,742,925)	(500,771,214)
Investment in held to maturity securities		-	(2,755,698)
Refund of principal on available for sale securities		10,029,920	9,000
Proceeds from sale/redemption of available for sale securities including reverse repo		8,617,216,610	343,000,000
Proceeds from sale/redemption of held to maturity securities		-	1,000,000
Proceeds from sale/redemption of held for trading securities		-	164,673,792
Investments in operating fixed assets		(45,144,315)	(88,908,803)
Sale proceeds of property and equipment disposed off		360,000	719,781
Net cash outflow from investing activities		(1,176,280,710)	(83,033,142)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received		7,578,387	18,444,223
Net (decrease)/ increase in cash and cash equivalents		(95,765,941)	284,122,705
Cash and cash equivalents at the beginning of the year		1,009,960,022	725,837,317
Cash and cash equivalents at the end of the year	34	914,194,081	1,009,960,022

The annexed notes from 1 to 40 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

	SHARE CAPITAL	STATUTORY RESERVE	DEPOSITORS' PROTECTION FUND	UNAPPROPRIATED PROFIT/ (ACCUMULATED LOSS)	TOTAL
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance at 01 January 2008	660,000,500	8,040,156	2,155,819	2,361,763	672,558,238
Contribution for the year	-	-	-	-	-
Interest earned on investment of fund	-	-	314,715	(314,715)	-
Total comprehensive income for the year ended 31 December 2008					
Loss for the year	-	-	-	(106,278,504)	(106,278,504)
Total comprehensive income/ (loss)	-	-	-	(106,278,504)	(106,278,504)
Balance at 31 December 2008	660,000,500	8,040,156	2,470,534	(104,231,456)	566,279,734
Balance at 01 January 2009	660,000,500	8,040,156	2,470,534	(104,231,456)	566,279,734
Contribution for the year	-	5,432,256	1,358,064	(6,790,320)	-
Interest earned on investment of fund	-	-	313,638	(313,638)	-
Total comprehensive income for the year ended 31 December 2009					
Profit for the year	-	-	-	27,161,282	27,161,282
Total comprehensive income	-	-	-	27,161,282	27,161,282
Balance at 31 December 2009	660,000,500	13,472,412	4,142,236	(84,174,132)	593,441,016

The annexed notes from 1 to 40 form an integral part of these financial statements.



THE FIRST MICROFINANCEBANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 STATUS AND NATURE OF BUSINESS

The First MicroFinanceBank Limited (the FMFB) was incorporated in The Islamic Republic of Pakistan on 5 November 2001 as a public limited company under the Companies Ordinance, 1984. The FMFB received the certificate of commencement of business on 14 February 2002. The FMFB's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The FMFB has 156 business locations comprising of 88 branches/point of links and 68 Pakistan Post Office (PPO) - sub offices (2008: 157 business locations comprising of 89 branches/point of links and 68 PPO - sub offices) in operation with registered office at Evacuee Trust Complex, Aga Khan Road, Plot No. 4, Sector F-5/1, Islamabad, Pakistan and is licensed to operate nationwide.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the Banking Supervision Department (BSD) circular number 11 dated 30 December 2003 issued by the State Bank of Pakistan (SBP).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Micro Finance Institutions Ordinance, 2001, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Wherever, the requirements of the Companies Ordinance, 1984, the Micro Finance Institutions Ordinance, 2001, or directives issued by the SECP and the SBP differ with the requirements of IFRSs the requirements of the Companies Ordinance, 1984, the Micro Finance Institutions Ordinance, 2001, or the requirements of the said directives shall prevail.

These financial statements also comply with the Disclosure Guidelines for financial reporting by Microfinance Institutions which guidelines are voluntary norms recommended by a consultative group of international donors including the Consultative Group to Assist the Poor (CGAP) and the members of the Small Enterprise Education and Promotion Network (SEEP).

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the Prudential Regulations ("the Regulations") of the SBP and presented in accordance with the requirements of SBP BSD circular number 11 dated 30 December 2003. Further, the SECP vide its S.R.O No. 411 (I)/ 2008 dated 28 April 2008 has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments" which is applicable for annual periods beginning on or after 01 July 2008 till further orders.

The FMFB has adopted revised IAS-1 "Presentation of Financial Statements" which became effective as of 01 January 2009. This change requires the FMFB to present in the statement of equity, all owner changes in equity whereas all non-owner related changes in equity are presented in Statement of Comprehensive income. The separate statement of comprehensive income has not been presented in these financial Statements as there were no items to report as of and for the year ended 31 December 2009 except for profit/ (loss) for the year. This presentation has been applied in these financial statements as of and for the year ended 31 December 2009. Comparative information has been represented so that it is also in conformity with the revised standard.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost basis except that obligations under employee retirement benefit plan are measured at present value and investments available for sale are measured at fair market value.



5 SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

5.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the FMFB's functional currency. All financial information presented in PKR has been rounded to the nearest of PKR, unless otherwise stated.

5.2 Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments/estimates and associated assumptions that affect 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 an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements relates to valuation and impairment of investments, advances, provision for income taxes, staff retirement benefits, determination of useful lives of depreciable assets and intangible assets and other provisions which are discussed in following paragraphs:

5.2.1 Impairment of investments

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Regulations issued by the State Bank of Pakistan.

5.2.2 Advances

The FMFB reviews its micro credit loan portfolio to assess amount of non-performing advances and provision required there against on regular basis. While assessing this requirements, the Regulations of SBP are taken into consideration.

5.2.3 Operating fixed assets/ intangible assets

Estimates of residual values and useful lives of operating fixed assets are reassessed annually and any change in estimate is taken into account in the determination of depreciation charge and impairment loss. Changes in estimates are accounted for over the estimated remaining economic life of the assets.

5.2.4 Employee benefits

Defined benefit plan is provided for employees of the FMFB. For defined benefit a deferred liability is recognized in the FMFB's financial statements. The calculation of defined benefit plan requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used vary as they are determined by independent actuary. Calculations are sensitive to changes in the underlying adjustments.

5.2.5 Other provisions

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.



5.3 Significant accounting policies

5.3.1 Change in accounting policy

As mentioned in note 3 above, the FMFB has adopted revised IAS-1 “Presentation of Financial Statements”, which became effective as of 01 January 2009. As a result, the FMFB presents in these financial statements all owner changes in equity whereas all non-owner related changes in equity are presented in Statement of Comprehensive income. This presentation has been applied in these financial statements as of and for the year ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the changes in accounting policy only impacts presentation aspects, there is no impact on earnings per share of the FMFB.

5.3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with SBP, balances with National Bank of Pakistan (NBP), balance with other banks and short-term deposits.

5.3.3 Lending to / borrowing from financial institutions

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investment securities. The counter party liability for consideration received is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up /return/interest expense over the period of transaction. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized as investments in the balance sheet. Amounts paid under these agreements are included in lending to financial institutions. The difference between purchase and resale price is treated as markup/ return/interest over the period of transaction.

5.3.4 Investment

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the FMFB. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the FMFB has transferred substantially all the risks and rewards of ownership.

Investments of the FMFB are classified into the following categories:

(a) Held for trading

These are investments acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin. These are marked to market based on quoted market prices and surplus/deficit arising from changes in the fair value of securities classified as held for trading is taken to profit and loss account. Unquoted securities are valued at cost less impairment, if any.

(b) Held for maturity

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 investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of held to maturity investments is amortized through profit and loss account over the remaining period till maturity.



5.3.4 Investment (continued)

(c) Available-for-sale

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.

The surplus/ (deficit) arising on revaluation of available for sale investments is kept in “Surplus/ (deficit) on revaluation of assets” and is shown in the balance sheet below equity. The surplus/ (deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal.

5.3.5 Advances

These are stated net of provision for non-performing advances, if any. The outstanding principal of the advances, payments against which are overdue for 30 days or more are classified as non-performing and divided into following four categories:

(a) Other Assets Especially Mentioned:

These are advances in arrears (payments/installments overdue) for 30 days or more but less than 60 days.

(b) Substandard:

These are advances in arrears (payments/installments overdue) for 60 days or more but less than 90 days.

(c) Doubtful:

These are advances in arrears (payments/installments overdue) for 90 days or more but less than 180 days.

(d) Loss:

These are advances in arrears (payments/installments overdue) for 180 days or more.

The FMFB maintains specific provision for potential loan losses for all non-performing advances as follows:

(i) Other Assets Especially Mentioned	Nil
(ii) Substandard	25% of outstanding principal net of cash collaterals
(iii) Doubtful	50% of outstanding principal net of cash collaterals
(iv) Loss	100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 1.5% of the net outstanding balance (advances net of specific provisions) in accordance with the requirement of the Regulations.

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 one month after the loan is classified as “Loss”. However, the FMFB continues its efforts for recovery of the written off balances.



5.3.6 Operating fixed assets

(a) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

(b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the site on which they are located, if any.

Depreciation is charged on the straight line method at rate specified in note 11.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of deletion.

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the FMFB and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income during the period.

Gain or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of fixed asset. Gains are recognized within "other income" while losses are recognised in administrative expenses in the profit and loss account.

During the year, the FMFB has reviewed the estimated useful life of leasehold improvement and accordingly has revised the estimate of its useful life from 4 years to 7 years. This change has been applied prospectively as required under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in the estimate, the profit for the year after taxation would have been lower by Rs. 12,224,068 with the corresponding decrease in the carrying amount of property and equipment.

(c) Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the FMFB and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 11.3 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

5.3.7 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits, if any is recognised separately as part of other liabilities, and is charged to the profit and loss account over the period.

5.3.8 Taxation

Income tax expense/income comprises current and deferred tax. Income tax expense/ income is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity.

The FMFB takes into account the current income tax law and decisions taken by appellate authorities. Instances where the FMFB's view differs from the view taken by the income tax department at the assessment stage and where the FMFB considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.



5.3.8 Taxation (continued)

(a) Current

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of

(b) Deferred

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 FMFB reassesses the carrying and the unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

5.3.9 Staff retirement benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the FMFB. The main features of the schemes operated by the FMFB for its employees are as follows:

(a) Defined benefit plan

The FMFB operates an approved non-contributory defined benefit gratuity fund for all employees with a qualifying service period of 5 years. Eligible employees are entitled to one month's basic salary for each completed year of service upon retirement. Annual provision has been made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

(b) Defined contribution plan

The FMFB operates a defined contribution provident fund scheme for its eligible employees. Contributions are made by the FMFB and the employees in accordance with rules of the fund.



5.3.10 Reserves

(a) Statutory reserve

The FMFB is required to maintain a statutory reserve to which an appropriation equivalent to 20% of its annual profit after tax is made till such time the reserve fund equals the paid-up capital of the FMFB and thereafter, an appropriation of a sum not less than 5% of its annual profit after taxes in accordance with statutory requirements under the Microfinance Institutions Ordinance, 2001.

(b) Depositors protection fund

The FMFB contributes 5% of its annual after tax profit along with related income on investment to the Depositors Protection Fund, as required under the Microfinance Institutions Ordinance, 2001

5.3.11 Provisions

A provision is recognized when, and only when, the FMFB has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.3.12 Grants

Income from grants is recognized according to the related terms and conditions. Income related to grants for the funding of projects and programs is recognized as the expenditure is incurred on projects and programs.

The grants which involve funding for fixed assets are deferred and amortised to the profit and loss account when the related fixed asset is depreciated.

Grants to be utilized for providing loans are shown as a liability. Other grants are recognized as income in the year of receipt.

5.3.13 Foreign currency transactions

The financial statements are presented in Pakistani Rupees, which is the FMFB's functional currency. Transactions in foreign currencies are translated into Rupees at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

5.3.14 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.



5.3.15 Revenue recognition

(a) Markup/income on advances

Markup/income/return/service charge on advances is recognized on accrual/ time proportion basis using effective interest rate method at the FMFB's prevailing interest rates for the loan products. Markup/income on advances is collected with loan installments. Due but unpaid service charges/income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and further accrual of unpaid service charges/income ceases. Further, accrued markup on non-performing advances are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations.

(b) Income from investments

Markup/ return on investments is recognized on accrual/ time proportion basis using the effective interest rate method. Where debt securities are purchased at premium or discount, those premiums/ discounts are amortized through profit and loss account over the remaining period of maturity.

(c) Dividend income

Dividend income is recognized when the FMFB's right to receive the dividend is established.

(d) Gain and loss on sale of investments

Gains and losses on sale of investments are included in income currently.

(e) Fee, commission and brokerage income

Fee, commission and brokerage income is recognized when the related services are rendered.

(f) Income from lending to financial institutions

The income on reverse repo transactions arising from the difference between the sale and repurchase price is recognized using the effective yield method.

(g) Income from inter bank deposits

Income from inter bank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method .

(h) Gain/ loss on sale of operating fixed assets investments

(i) Gain on sale of operating fixed assets are recognized under other income in the profit and loss account.

(ii) Loss on sale of operating fixed assets are recognized under administrative expenses in the profit and loss account.



5.3.16 Related party transactions

Transactions between the FMFB and its related parties are carried out on arm's length basis using the comparable uncontrolled price method.

5.3.17 Financial instruments

Financial assets and liabilities are recognised when the FMFB becomes a party to the contractual provisions of the instrument. These are derecognized when the FMFB ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or historical cost, as the case may be.

5.3.17 Financial instruments (continued)

(a) Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks/NBFIs/MFBs, lending to financial institutions, 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.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposit and other accounts, borrowings 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 derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

5.3.18 Off-setting

Financial assets and financial liabilities and tax assets and tax liabilities are only 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 FMFB 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.

5.3.19 Borrowing costs

Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

5.3.20 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.



5.4 Forthcoming changes in approved accounting standards which are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the FMFB's current operations or are not expected to have significant impact on the FMFB's financial statements other than certain additional disclosures:

- Revised IFRS 3 Business Combinations (effective 1 July 2009)
- Amended IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2009)
- Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (effective 1 July 2009)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedge (effective 1 July 2009)
- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- Amendments to IFRS 2 Share-based payments and IFRS 3 Business Combinations (effective 1 July 2009)
- Amendments to IAS 38 Intangible Assets (effective 1 July 2009)
- Amendments to IFRIC 9 Reassessment of Embedded Derivatives (effective 1 July 2009)
- Amendments to IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 July 2009)
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective 1 January 2010)
- Amendments to IFRS 8 Operating Segments (effective 1 January 2010)
- Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2010)
- Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2010)
- Amendments to IAS 17 Leases (effective 1 January 2010)
- Amendments to IAS 36 Impairment of Assets (effective 1 January 2010)
- Amendments to IAS 39 Financial Instruments (effective 1 January 2010)
- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Tran: (effective 1 January 2010)
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective 1 January 2010)
- Revised IAS 24 Related Party Disclosures (effective 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective 1 January 2011)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective 1 January 2010)

**THE FIRST MICROFINANCE BANK LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 Rupees	2008 Rupees
6 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand-local currency		68,728,583	71,155,060
Balance with State Bank of Pakistan (SBP) in local currency	6.1	284,443,273	182,107,888
Balance with National Bank of Pakistan (NBP) in local currency			
Current account		100,000	65,000
Deposit accounts	6.2	53,195,498	79,348,225
		<u>406,467,354</u>	<u>332,676,173</u>

6.1 This represents balance maintained in current account with SBP to meet the requirement of maintaining a minimum balance equivalent to not less than 5% of the FMFB's time and demand liabilities in accordance with Section number 6 (a) of the Regulations.

6.2 These carry mark up at the rate of 2.5% (2008: 2.5%) per annum.

	Note	2009 Rupees	2008 Rupees
7 BALANCES WITH OTHER BANKS/NBFIs/MFBs			
In Pakistan			
on current accounts		1,538,631	4,263,108
on deposit accounts	7.1	506,188,096	773,020,741
		<u>507,726,727</u>	<u>777,283,849</u>

7.1 These include short term deposit receipts with a bank, aggregating to Rs. Nil (2008: Rs. 100 million), carrying markup rate at the rate of Nil (2008: 15%) per annum. Other deposit accounts carry markup ranging between 5% and 10.5% (2008: 5% and 12%) per annum.

	Note	2009 Rupees	2008 Rupees
8 LENDING TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1	244,402,250	-
8.1 This represents Market Treasury Bills of Rs. 250,000,000 (2008: Nil) purchased under a resale agreement at the rate of 11.7% to 11.75% per annum (2008: Nil) and subsequently matures on 07 January 2010.			

	Note	2009 Rupees	2008 Rupees
9 INVESTMENTS-net of provision			
Held to maturity - Federal Government security			
Pakistan Investment Bonds	9.1	2,804,023	2,778,386
Available for sale			
Federal Government securities			
Market Treasury Bills	9.2	1,606,088,864	292,838,072
Pakistan Investment Bonds		-	74,881,073
		1,606,088,864	367,719,145
Term Finance Certificates-listed	9.3	175,698,102	187,476,315
		1,781,786,966	555,195,460
Less: Deficit on revaluation of available for sale investments	9.4	(9,259,818)	(8,759,343)
		<u>1,775,331,171</u>	<u>549,214,503</u>

**THE FIRST MICROFINANCEBANK LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

9.1 This represents a ten year bond held for the purposes of the depositors' protection fund carrying markup at the rate of 9.6% (2008: 9.6%) per annum, payable on semi-annual basis, maturing in 2017.

9.2 These securities have original maturity period of one year with yield ranging between 11% and 13.23% (2008:12.5% and 13.85%) per annum.

9.3 Term Finance Certificates-listed

	Credit Rating	No. of units		Market Value		Cost	
		2009	2008	2009	2008	2009	2008
				Rupees	Rupees	Rupees	Rupees
Bank Al-Habib Limited - II	AA	9,000	9,000	44,955,000	43,421,140	47,475,154	47,962,443
Orix Leasing Limited	AA+	12,000	12,000	50,166,814	60,858,000	50,679,311	60,958,652
Soneri Bank Limited	A+	5,000	5,000	24,065,055	25,117,390	25,135,563	25,592,727
United Bank Limited - III	AA	10,000	10,000	49,312,104	50,544,890	52,408,074	52,962,493
				168,498,973	179,941,420	175,698,102	187,476,315

9.3.1 All Term Finance Certificates are quoted and carry rate of return ranging between 14.05% and 14.26% (2008:15.4% and 17.17%) per annum and have maturity period upto 6 years (2008: 7 years).

9.4 Particulars of deficit on revaluation of available for sale investments:

	Note	2009	2008
		Rupees	Rupees
Opening balance		8,759,343	1,677,272
Transferred to deficit on revaluation of assets account below equity		500,475	7,082,071
Closing balance	18	9,259,818	8,759,343



	Note	2009	2009	2008	2008
		Number	Rupees	Number	Rupees
10 ADVANCES - net of provisions					
Considered good	10.1	195,779	2,740,360,926	165,457	2,084,387,459
Considered doubtful	10.2	4,013	37,991,249	2,734	27,015,345
		<u>199,792</u>	<u>2,778,352,175</u>	<u>168,191</u>	<u>2,111,402,804</u>
Less: Specific provision	10.3		<u>11,284,113</u>		<u>12,163,568</u>
General provision	10.3		<u>41,506,021</u>		<u>31,488,588</u>
			<u>52,790,134</u>		<u>43,652,156</u>
			<u>2,725,562,041</u>		<u>2,067,750,648</u>

10.1 All advances are secured by personal guarantees.

Advances includes 334 (2008: 276) number of staff loans, aggregating to Rs. 27,179,176 (2008: Rs. 29,774,221), carrying effective markup rate ranging between 3.8% and 4.8% per annum (2008: 3.8% and 4.8% per annum). Advances also include Rs. Nil (2008: Rs. 6,807,717) against Shubinak Project.

10.2 Particulars of non performing advances

Following is the detail of advances which have been placed under non performing status in accordance with note 5.3.5.

Classification	Amount outstanding	%	Provision required	Provision held
	Rupees		Rupees	Rupees
Other Assets Especially Mentioned	13,206,855	0	-	-
Sub-standard	10,620,912	25	2,655,228	2,655,228
Doubtful	11,069,194	50	5,534,597	5,534,597
Loss	3,094,288	100	3,094,288	3,094,288
Total	<u>37,991,249</u>		<u>11,284,113</u>	<u>11,284,113</u>

10.3 Particulars of provision against non performing advances

	Note	Specific	General	Total	Specific	General	Total
		2009	2009	2009	2008	2008	2008
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Opening balance		12,163,568	31,488,588	43,652,156	9,773,189	18,176,791	27,949,980
Charge for the year		30,734,603	10,017,433	40,752,036	16,759,922	13,311,797	30,071,719
Amounts written off	10.4	(31,614,058)	-	(31,614,058)	(14,369,543)	-	(14,369,543)
		(879,455)	10,017,433	9,137,978	2,390,379	13,311,797	15,702,176
Closing balance		<u>11,284,113</u>	<u>41,506,021</u>	<u>52,790,134</u>	<u>12,163,568</u>	<u>31,488,588</u>	<u>43,652,156</u>

10.4 Particulars of write offs

	Note	2009	2008
		Rupees	Rupees
Directly charged to profit and loss account		-	-
Against provisions	10.4.1	<u>31,614,058</u>	<u>14,369,543</u>
		<u>31,614,058</u>	<u>14,369,543</u>

10.4.1 These represent non performing advances overdue for 210 days or more, written off in accordance with the FMFB policy as explained in note 5.3.5. Write offs includes Rs. Nil (2008: Rs. 170,000) written off against staff loans.

10.5 There is no requirement for the borrowers to save and deposit any amount as a condition for the loan disbursement.

10.6 Portfolio quality report

The FMFB's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated into classes depending on the number of days they are over-due. For each of such class of loan, the aggregated outstanding principal balance of such loan is divided by the aggregated outstanding principal balance of the gross loan portfolio before deducting allowance for non performing advances. Loans are considered overdue if any payment has fallen due and remained unpaid for 30 days or more. Loan payments are applied first to any interest due and then to installment of principal that is due but unpaid. The number of days of delay is based on the due date of the earliest loan installment that has not been fully paid. The FMFB does not charge late payment surcharge/penalty on overdue advances into principal.

Loans	2009	2009	2008	2008
	Amount Rupees	Portfolio at Risk	Amount Rupees	Portfolio at Risk
Current and less than 30 days late	2,740,360,926	-	2,084,387,459	-
30-60 days late	13,206,855	0.48%	-	-
60-90 days late	10,620,912	0.38%	13,910,544	0.66%
90-179 days late	11,069,194	0.40%	8,837,739	0.42%
180 days or more late	3,094,288	0.11%	4,267,062	0.20%
	2,778,352,175	1.37%	2,111,402,804	1.28%

The FMFB does not allow rescheduling or restructuring of loans and during the year no loan was rescheduled or restructured.

In 2009, loans are disbursed in 6 loan products (2008: 5 loan products). Loans are disbursed relating to these 6 (2008: 5) loan products with tenures ranging from 3 months to 3 years, in accordance with the needs of the borrowers. Loan repayments are scheduled on bullet / installment basis and recovered either fortnightly or monthly for loans upto 1 year tenure. Loans for tenures in excess of one year are mostly repaid in monthly or quarterly installments based on the product's repayment terms. Management estimates that the average term of its outstanding loan portfolio is about 8 months (2008: 8 months) based on weighted average tenure of loans outstanding as at balance sheet date.

Measures related to the classification of late payments are mentioned in note 5.3.5.

10.7 Current recovery ratio

Current recovery ratios are calculated on a monthly basis for management reporting purposes. The numerator of this ratio is total cash payments of principal received during the reporting period. The denominator is the total loans falling due during the period along with the payments in arrears at the start of the period (net of amount written off). Penalty interest is not included in the numerator or the denominator of the ratio. Loan delinquency is measured using the Non Performing Loans (NPL) ratio.

Period	Current recovery ratio in %	
	2009	2008
1st Quarter	89.9	90.9
2nd Quarter	92.6	94.1
3rd Quarter	86.4	92.9
4th Quarter	94.6	97.2
	90.9	93.8

Annual loss rate (loans written off during the year divided by average loan portfolio outstanding) for the year comes to 1.15% (2008: 0.81%).

10.8 Portfolio by segment	Note	2009	2008
		Rupees	Rupees
Loan type			
Agri input		1,105,650,396	752,920,627
Live stock		469,699,085	252,508,305
Micro-enterprise		735,131,541	672,514,710
Others	10.8.1	467,871,153	433,459,162
		2,778,352,175	2,111,402,804

10.8.1 Include loans provided for construction, professional/technical services, warehouse etc.

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	1,679,803	2,808,383
Property and equipment	11.2	173,665,476	190,930,230
Intangible assets	11.3	2,841,425	2,245,725
		178,186,704	195,984,338

11.1 Capital work-in-progress

Civil works and furnishing	737,460	619,383
Advance for purchase of fixed assets	942,343	2,189,000
	1,679,803	2,808,383

11.2 Property and equipment

	Cost				Rate	Accumulated Depreciation				Net Book Value
	At 01 January	Additions	Disposals/ Write off	At 31 December		At 01 January	Charge for the year	On Disposals/ Write off	At 31 December	At 31 December
	Rupees	Rupees	Rupees	Rupees		%	Rupees	Rupees	Rupees	Rupees
2009										
Free hold land	7,814,030	-	-	7,814,030	-	-	-	-	-	7,814,030
Lease hold improvements	108,163,126	12,101,521	-	120,264,647	14%	49,985,653	11,040,530	-	61,026,183	59,238,464
Furniture and fixtures	32,633,598	6,486,500	-	39,120,098	20%	13,543,847	5,726,559	-	19,270,406	19,849,692
Office equipment	48,818,454	6,794,636	(793,117)	54,819,973	25%	22,482,875	10,503,768	(550,068)	32,436,575	22,383,398
Computer equipment	85,029,284	8,625,548	(486,500)	93,168,332	33%	44,650,197	20,696,567	(212,547)	65,134,217	28,034,115
Vehicles	55,795,650	10,637,970	(1,735,000)	64,698,620	20%	16,661,340	12,126,086	(434,583)	28,352,843	36,345,777
	338,254,142	44,646,175	(3,014,617)	379,885,700		147,323,912	60,093,510	(1,197,198)	206,220,224	173,665,476
2008										
Free hold land	1,814,030	6,000,000	-	7,814,030	-	-	-	-	-	7,814,030
Lease hold improvements	91,315,123	20,231,906	(3,383,903)	108,163,126	25%	32,930,266	18,937,737	(1,882,350)	49,985,653	58,177,473
Furniture and fixtures	27,700,664	4,932,934	-	32,633,598	20%	8,428,185	5,115,662	-	13,543,847	19,089,751
Office equipment	35,320,373	13,498,081	-	48,818,454	25%	13,796,415	8,686,460	-	22,482,875	26,335,579
Computer equipment	55,646,816	29,382,468	-	85,029,284	33%	26,979,973	17,670,224	-	44,650,197	40,379,087
Vehicles	30,003,272	26,710,983	(918,605)	55,795,650	20%	8,186,787	9,036,191	(561,638)	16,661,340	39,134,310
	241,800,278	100,756,372	(4,302,508)	338,254,142		90,321,626	59,446,274	(2,443,988)	147,323,912	190,930,230

11.2.1 Property and equipment include fully depreciated items, still in use, having cost of Rs. 65,715,826 (2008: Rs. 58,406,719).

11.2.2 Details of fixed assets deleted with the original cost or book value in excess of Rs. 1 million or Rs. 250,000 respectively; whichever is less; are as under:

Particulars	Cost	Book value	Sale Proceeds	Mode of	Particulars of purchaser/ insurer
	Rupees	Rupees	Rupees	Disposal	
Vehicles	1,735,000	1,300,417	1,396,350	Theft	New Jubilee Insurance Company
Computer Equipment	486,500	273,953	273,953	Damaged	New Jubilee Insurance Company

11.2.3 No fixed assets were sold to chief executive and directors of the FMFB.

	Cost				Rate	Accumulated Amortisation				Net Book Value
	At 01 January	Additions	Disposal	At 31 December		At 01 January	Charge for the year	Disposal	At 31 December	At 31 December
	Rupees	Rupees	Rupees	Rupees		%	Rupees	Rupees	Rupees	Rupees
11.3 Intangible assets										
2009										
Computer softwares	4,109,866	1,626,720	(371,646)	5,364,940	20%	1,864,141	832,808	(173,434)	2,523,515	2,841,425
2008										
Computer softwares	4,109,866	-	-	4,109,866	20%	1,042,167	821,974	-	1,864,141	2,245,725



	Note	2009 Rupees	2008 Rupees
12 OTHER ASSETS			
Accrued mark up on:			
-loans and advances		175,158,562	98,610,693
-non performing loans and advances transferred to suspense account		(5,125,554)	(3,374,725)
-investments and bank accounts		8,996,472	12,594,630
		179,029,480	107,830,598
Advances to suppliers		3,604,218	6,200,367
Branch adjustment account		11,329,363	19,923,053
Deposits		4,573,900	3,629,562
Prepayments		13,809,753	14,640,946
Advance tax - net of provision		13,117,111	13,941,264
Grant receivable	12.1	-	837,754
Insurance claim receivable		3,375,134	832,210
Stationery stock		1,491,571	3,507,505
		230,330,530	171,343,259

12.1 This represents amount receivable, against expenses incurred by the FMFB from its funds, from International Labour Organisation, aggregating to Rs. Nil (2008: Rs. 837,754) - Also refer note 19.

13 DEFERRED TAX ASSET

The FMFB's income is exempt from income tax upto 30 June 2012 as mentioned in note 27.1 to these financial statements therefore, the FMFB has not recognised deferred tax asset on estimated unused tax losses amounting to Rs. 47,929,046 (2008: Rs. 93,963,219).

	2009 Number	2009 Rupees	2008 Number	2008 Rupees
14 DEPOSITS AND OTHER ACCOUNTS				
Time liabilities				
Term deposits	13,587	3,595,331,533	9,711	1,712,711,226
Demand liabilities				
PLS deposits	74,746	1,088,709,082	58,204	1,034,068,892
Current deposits	101,545	534,967,229	76,983	557,962,264
	176,291	1,623,676,311	135,187	1,592,031,156
	189,878	5,219,007,844	144,898	3,304,742,382

14.1 All above deposits represent voluntary savings of depositors.

	2009 Number	2009 Rupees	2008 Number	2008 Rupees
14.2 Particulars of deposits by ownership				
Individual depositors	181,573	3,428,687,203	139,517	2,270,916,398
Institutional depositors				
Corporations/firms	8,299	1,783,372,144	5,377	1,029,034,700
Banks and financial institutions	6	6,948,497	4	4,791,284
	189,878	5,219,007,844	144,898	3,304,742,382

15 BORROWING

Rs. Nil (2008: Rs. 100,000,000) represents unsecured borrowing from a bank, for a period of three months, matured during the year on 29 January 2009, carrying mark up at the rate of Nil (2008: 14.25%) per annum.

	2009 Rupees	2008 Rupees
15.1 Quarterly average borrowings		
An analysis of monthly average borrowings for the four quarters is here under:		
1st Quarter	33,333,333	-
2nd Quarter	-	-
3rd Quarter	-	200,000,000
4th Quarter	-	166,666,667



	Note	2009 Rupees	2008 Rupees
16 OTHER LIABILITIES			
Payable to suppliers		20,784,801	10,568,464
Accrued markup on deposits and borrowings		156,850,683	45,468,655
Bills payable		46,825,613	27,594,901
Accrued liabilities		22,035,656	14,743,269
Revolving credit against Shubinak Project	16.1	-	9,895,836
Withholding tax payable		1,010,668	706,640
Retention money		924,470	3,348,047
Payable to defined benefit gratuity fund	28.3	7,130,000	8,306,000
Payable to defined contribution provident fund		227,372	-
		<u>255,789,263</u>	<u>120,631,812</u>

16.1 Revolving credit against Shubinak Project

Balance at beginning of the year	16.2	9,895,836	10,083,043
Return earned on bank balances		-	24,661
Loans written off		-	(211,868)
Amount repaid	16.3	(9,895,836)	-
Balance at end of the year		<u>-</u>	<u>9,895,836</u>

16.2 This represents principal amount received from Aga Khan Rural Support Programme (AKRSP) for extending micro credit to women entrepreneurs under "Jafakash Aurat: Patti Development Program" of Shubinak Project. This also includes the return on related funds placed with banks.

16.3 During the year, FMFB has paid shubinak revolving fund amount of Rs. 9,895,836 (2008: nil) on expiry of revolving fund agreement.

17 SHARE CAPITAL**17.1 Authorized share capital**

2009 Numbers	2008 Numbers		2009 Rupees	2008 Rupees
<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>

17.2 Issued, subscribed and paid-up capital

2009 Numbers	2008 Numbers	Note	2009 Rupees	2008 Rupees
<u>66,000,050</u>	<u>66,000,050</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>660,000,500</u>	<u>660,000,500</u>

17.3 Share capital of the FMFB is held as under:**Related parties:**

Aga Khan Rural Support Programme (AKRSP)	300,000,000	300,000,000
Aga Khan Agency for Micro finance (AKAM)	200,000,000	200,000,000
International Finance Corporation (IFC)	160,000,000	160,000,000
Others	500	500
	<u>660,000,500</u>	<u>660,000,500</u>

18 DEFICIT ON REVALUATION OF ASSETS**Available-for-sale investments:**

Government securities	(2,060,689)	(1,224,448)
Term Finance Certificates	(7,199,129)	(7,534,895)
	<u>(9,259,818)</u>	<u>(8,759,343)</u>

 **THE FIRST MICROFINANCEBANK LIMITED**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

19 DEFERRED GRANTS

	ADB	WACT	FSSP	ILO	AKAM	SDC	Total	
	2008	2008	2008	2008	2008	2008	2008	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Note	19.1	19.2	19.3	19.4	19.5	19.6		
Cummulative grants received till 31 December 2008	16,500,000	21,449,812	10,857,758	5,915,161	8,087,814	-		
Opening balance payable as at 01 January 2008	366,449	2,305,039	-	-	3,805,416	-	6,476,904	
Opening balance receivable as at 01 January 2008	-	-	(31,861)	(662,841)	-	-	(694,702)	
Net balance payable as at 01 January 2008	366,449	2,305,039	(31,861)	(662,841)	3,805,416	-	5,782,202	
Grants received during the year	-	-	10,889,619	3,866,970	3,569,271	-	18,325,860	
Other income recognised during the year	-	118,363	-	-	-	-	118,363	
Grant income recognised during the year in respect of the following:								
Expenses incurred during the year	24	-	2,109,130	2,986,600	3,919,835	2,989,858	-	12,005,423
Amortization during the year	24	334,668	173,022	216,150	122,048	854,683	-	1,700,571
Income transferred to profit and loss account	24	334,668	2,282,152	3,202,750	4,041,883	3,844,541	-	13,705,994
Closing payable balance as at 31 December 2008	31,781	141,250	7,655,008	-	3,530,146	-	11,358,185	
Closing receivable balance as at 31 December 2008	12.1	-	-	(837,754)	-	-	(837,754)	
	ADB	WACT	FSSP	ILO	AKAM	SDC	Total	
	2009	2009	2009	2009	2009	2009	2009	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Cummulative grants received till 31 December 2009	16,500,000	21,449,812	10,857,758	7,160,811	8,087,814	6,332,737		
Opening balance payable as at 01 January 2009	31,781	141,250	7,655,008	-	3,530,146	-	11,358,185	
Opening balance receivable as at 01 January 2009	-	-	-	(837,754)	-	-	(837,754)	
Net balance payable as at 01 January 2009	31,781	141,250	7,655,008	(837,754)	3,530,146	-	10,520,431	
Grants received during the year	-	-	-	1,245,650	-	6,313,701	7,559,351	
Other income recognised during the year	-	-	-	-	-	19,036	19,036	
Expenses incurred during the year	24	-	-	71,849	273,937	4,924,883	5,270,669	
Amortization during the year	24	31,781	141,250	2,593,800	152,831	859,340	3,799,677	
Income transferred to profit and loss account	24	31,781	141,250	2,593,800	224,680	1,133,277	4,945,558	
Closing payable balance as at 31 December 2009	-	-	5,061,208	183,216	2,396,869	1,387,179	9,028,472	



- 19.1** This represents grant for institutional support under the microfinance sector development program. The grant was availed for program related capital expenditure and was reimbursed by the SBP, on behalf of the Asian Development Bank (ADB), upon submission of statement of expenditure.
- 19.2** This represents grant from the UNDP against aggregate limit of USD 358,000 under the Women Access to Capital and Technology (WACT) Program and is recognized as income, on a systematic basis, with the incurrence of related expenditure.
- 19.3** This represents grant from the Financial Sector Strengthening Programme (FSSP) for following purposes:
- (a) Developing three social products namely Education, Housing and Health;
 - (b) iDirect connectivity solution for 50 locations; and
 - (c) Reengineering of the FMFB delivery mechanism to achieve the optimal productivity of its branch staff.
- 19.4** This represents grant from the International Labor Organization (ILO) for Business Development Services (BDS) and is recognized as income, on a systematic basis, with the incurrence of related expenditure.
- 19.5** This represents grant from the Aga Khan Agency for Microfinance-Micro insurance Initiative (AKAM MI) for developing a micro-insurance business in Pakistan against aggregate limit of USD 140,000. The grant can only be availed for program related expenditure and is recognized as income, on a systematic basis, with the incurrence of related expenditure.
- 19.6** This represents grant from Swiss Agency for Development and Cooperation (SDC) to assist FMFB under Social Performance Indices' project to devise a set of social indicators needed to assess the living standards of beneficiaries; and ultimately improve the poverty alleviation focus of the FMFB.

20 MEMORANDUM / OFF-BALANCE SHEET ITEMS

20.1 Contingencies related to taxation:

Return filed by the FMFB for tax year 2004 (financial year 2003) has been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance 2001. While finalizing assessment for the said tax year, the Taxation Officer has issued notice u/s 122(5A) of the Income Tax Ordinance 2001, intending to disallow exemption on grant income of Rs. 2,381,193 and income tax deduction at source of Rs. 1,183,671 thus reducing income tax refund for the said year by Rs. 2,159,960. The taxation officer applied tax rate of 41% applicable to the banking companies. Appeals filed by FMFB were accepted by the Income Tax Appellate Tribunal. The tax department has filed reference application to the High Court in relation to exemption on grant income which is pending decision.

20.2 Commitments:

	2009	2008
	Rupees	Rupees
Capital commitments	-	-
Commitments in respect of reverse repo transactions	250,000,000	-

21 MARKUP/RETURN/INTEREST EARNED

Mark up on advances	804,264,149	443,284,100
Income on investment in Government securities	79,867,544	23,406,523
Income from Term Finance Certificates	25,683,376	21,989,389
Mark up on reverse repo transactions	19,100,434	5,469,804
Markup on deposit accounts with treasury and other banks	40,125,279	31,960,825
	969,040,782	526,110,641

22 MARKUP/RETURN/INTEREST EXPENSED

Deposits and other accounts	406,654,676	152,171,919
Borrowings	1,098,494	13,296,267
	407,753,170	165,468,186



	Note	2009 Rupees	2008 Rupees
23 FEE, COMMISSION AND BROKERAGE INCOME			
Fee	23.1	98,603,530	58,580,669
Commission		5,672,100	4,067,538
		104,275,630	62,648,207
23.1	This represents loan application/processing fee and life insurance premium received from borrowers.		
24 AMORTIZATION OF DEFERRED CAPITAL GRANT	Note	2009 Rupees	2008 Rupees
Deferred grant income recognised in respect of :			
- Operational expenses	19	5,270,669	12,005,423
- Capital expenditure - Amortization	19	3,799,677	1,700,571
	19	9,070,346	13,705,994
Less: operational expenses incurred during the year:			
Women Access to Capital and Technology (WACT) Program	24.1	-	(2,109,130)
Financial Sector Strengthening Programme (FSSP)	24.2	-	(2,986,600)
International Labor Organization (ILO)	24.3	(71,849)	(3,919,835)
Aga Khan Agency for Microfinance-Micro insurance Initiative (AKAM MI)	24.4	(273,937)	(2,989,858)
Swiss Development Corporation (SDC)	24.5	(4,924,883)	-
	25	3,799,677	1,700,571
24.1 Women Access to Capital and Technology (WACT) Program			
Marketing and advocacy		-	2,109,130
24.2 Financial Sector Strengthening Programme (FSSP)			
Social Products		-	752,259
Re-Engineering		-	2,234,341
		-	2,986,600
24.3 International Labor Organization (ILO)			
Staff cost		71,849	2,153,817
Travel cost		-	606,722
Training of Trainers		-	409,821
Delivery of BDS		-	360,581
Marketing of BDS		-	242,501
Training Manuals		-	78,890
Project admin cost		-	49,700
Research and preparation cost		-	17,803
		71,849	3,919,835
24.4 Aga Khan Agency for Microfinance-Micro insurance Initiative (AKAM MI)			
Operational cost		273,937	2,870,213
Set up and training		-	68,950
Mobile vans		-	50,695
		273,937	2,989,858
24.5 Swiss Development Corporation (SDC)			
Staff cost		2,257,746	-
Training		1,304,596	-
Field Visits		1,301,156	-
Travelling		61,385	-
		4,924,883	-
24.6	There were no grants in kind received during the year.		



	Note	2009 Rupees	2008 Rupees
25 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		285,980,285	226,580,200
Contribution to defined contribution provident fund		15,075,331	10,009,105
Contribution to defined benefit gratuity fund	28.5	7,130,000	8,306,000
Depreciation	11.2	60,093,510	59,446,274
Travel and transportation		42,537,638	37,841,236
Rent, rates and taxes		43,125,533	37,685,640
Utilities		28,341,068	23,582,367
Printing, stationery and periodicals		14,877,568	17,099,303
Communications		21,394,855	15,763,329
Office security		21,305,446	12,652,006
Repair and maintenance		15,740,912	14,200,958
Office supplies		10,997,933	9,737,635
Training and capacity building		3,364,287	5,899,198
Advertisement and business promotions		1,326,207	5,373,968
Legal and professional		1,251,812	4,039,746
Pakistan Post operating expenses		9,602,569	3,968,604
Information Technology supplies and software		3,678,244	3,466,483
Insurance		4,125,137	2,946,773
Loss on disposal of property and equipment		-	1,148,518
Auditors' remuneration	25.1	997,500	962,700
Amortisation of intangible assets	11.3	832,808	821,974
NADRA verification and bank charges		3,693,191	1,969,631
Other expenses		5,056,158	2,114,647
		<u>600,527,992</u>	<u>505,616,295</u>
Less: Depreciation - grant related assets	24	(3,799,677)	(1,700,571)
		<u>596,728,315</u>	<u>503,915,724</u>
25.1 Auditors' remuneration			
Audit fee		682,500	682,500
Fee for half yearly review		100,000	100,000
Out of pocket expenses		215,000	180,200
		<u>997,500</u>	<u>962,700</u>
26 OTHER CHARGES			
Penalties imposed by SBP and other regulator		-	-
Other non administrative expenses		553,438	-
		<u>553,438</u>	-
27 PROVISION FOR TAXATION			
27.1	The income of the FMFB is exempt from tax for a period of five years starting from 01 July 2007 under clause 66 (XVIII) of Part 1 of second schedule of the Income Tax Ordinance, 2001, subject to the condition that the FMFB shall not distribute its profits to its shareholders and that profits are utilized for microfinance services. Provision for minimum tax at one half percent of the turnover has been provided in terms of Section 113 of the Income Tax Ordinance, 2001.		
27.2	No numeric tax rate reconciliation is given as the FMFB is exempt from tax.		

28 DEFINED BENEFIT PLAN

28.1 General description

As mentioned in note 5.3.9 (a), the FMFB operates approved defined benefit gratuity fund for all employees with a qualifying service period of 5 years. Eligible employees are entitled to one month's basic salary for each completed year of service upon retirement. Annual provision has been made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

28.2 Principal actuarial assumptions

The latest actuarial valuation of the FMFB's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out as at 31 December 2008. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. Following are significant assumptions used in the valuation:

- Discount rate of 15% (2008: 15%) per annum
- Expected increase in salary levels of 13% (2008: 13%) per annum
- Expected return on plan assets of 15% (2008: 15%) per annum.

28.3 The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	Note	2009 Rupees	2008 Rupees
Present value of defined benefit obligation		23,227,622	16,443,000
Fair value of plan assets	28.7	(16,714,622)	(8,754,000)
Actuarial gain not recognized		617,000	617,000
	16	<u>7,130,000</u>	<u>8,306,000</u>

28.4 Movement in the liability recognized in the balance sheet:

Opening net liability		8,306,000	2,969,000
Expense for the year		7,130,000	8,306,000
Paid to fund		(8,306,000)	(2,969,000)
Liability at end of the year	28.5	<u>7,130,000</u>	<u>8,306,000</u>

28.5 Amount charged to defined benefit plan in the profit and loss account:

Current service cost		5,976,650	8,025,000
Interest cost		2,466,450	1,076,000
Expected return on plan assets		(1,313,100)	(832,000)
Transitional liability to be recognized		-	37,000
	25	<u>7,130,000</u>	<u>8,306,000</u>

28.6 Actual return on plan assets

The actual return earned on plan assets		<u>1,905,937</u>	<u>1,113,053</u>
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**THE FIRST MICROFINANCEBANK LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 Rupees	2008 Rupees
28.7 Plan assets consists of the following assets:			
Bank balances		2,398,113	2,974,427
Term Deposit Receipts - TDRs		12,500,000	4,500,000
Pakistan Investment Bonds - PIBs		816,509	279,573
Term Finance Certificates - TFCs		1,000,000	1,000,000
		16,714,622	8,754,000

28.8 Historical information and comparison for five years:

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
Funded gratuity plan					
Present value of defined benefit obligation	23,227,622	16,443,000	10,761,000	8,326,000	5,079,000
Fair value of plan assets	(16,714,622)	(8,754,000)	(8,315,000)	(5,257,000)	(4,223,000)
Deficit	6,513,000	7,689,000	2,446,000	3,069,000	856,000
Expense for the year	7,130,000	8,306,000	2,969,000	2,464,000	1,764,449



29 NUMBER OF EMPLOYEES

		2009		
		Credit/sales	Banking/support	Total
Permanent		961	122	1,083
Contractual		44	404	448
	Total	1,005	526	1,531
		2008		
		Credit/sales	Banking/support	Total
Permanent		982	129	1,111
Contractual		74	390	464
	Total	1,056	519	1,575
		Note	2009	2008

30 NUMBER OF BRANCHES / POINT OF LINK UNITS

At beginning of the year		89	80
Opened during the year		-	9
Merged during the year		(1)	-
At close of the year	30.1	88	89

30.1 The FMFB has 84 branches, 4 point of link units and 68 PPO-sub offices as at 31 December 2009 (2008: 85 branches, 4 point of link units and 68 PPO-sub offices).

31 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Executives	
	2009	2008	2009	2008
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,000,008	1,000,008	26,110,211	17,364,556
Contribution to provident fund	99,996	99,996	2,485,627	1,534,495
Rent and house maintenance	300,000	300,000	10,389,482	6,643,561
Utilities	99,996	99,996	2,611,034	1,736,439
Medical	99,996	99,996	190,101	398,479
Others		-	4,015,936	1,582,630
	1,599,996	1,599,996	45,802,391	29,260,160
Numbers	1	1	34	19

- (a) Number of persons includes those who have worked partly or completely during the year.
- (b) Executive means any employee whose basic salary exceeds Rs. 500,000 (2008: Rs. 500,000) per year.
- (c) The President/Chief Executive Officer and certain other executives are also provided with free use of the FMFB owned and maintained cars in accordance with their entitlement as per rules of the FMFB.
- (d) No remuneration was paid to the directors of the FMFB.



	2009	2008
32 PROFIT /(LOSS) PER SHARE (RUPEE)		
Profit / (loss) after taxation - Rupees	27,161,282	(106,278,504)
Weighted average number of ordinary shares - Numbers	66,000,050	66,000,050
Profit/ (loss) per share - Rupee	0.41	(1.62)

32.1 There is no dilutive effect on the basic earnings/(loss) per share of the FMFB.

33 RELATED PARTY TRANSACTIONS

The FMFB's related parties comprise of major shareholders, directors and entities over which the directors are able to exercise significant influence, staff retirement funds and key management personnel. The details of transactions with related parties along with the balances are as follows:

	2009	2008
	Rupees	Rupees
Related party by virtue of significant influence over the FMFB		
Mark-up expense on deposits received	735,257	132,115
Deposits and other accounts	59,156,264	3,332,058
Accrued mark-up on deposits received	663,699	-
Other assets	415,609	-
Administrative expenses on services	1,830,000	1,830,000
Other liabilities	1,830,000	1,830,000
Related parties by virtue of common directorship		
Profit received on deposit	-	1,527,962
Mark-up expense on deposits received	21,616,701	14,796,818
Administrative expenses on services	10,879,116	-
Balances with other banks/NBFIs/MFBs	-	339,905,310
Other assets	3,375,134	339,369
Deposits and other accounts	344,278,966	141,089,351
Accrued mark-up on deposits received	7,929,644	3,636,573
Other liabilities	330,000	-
Others		
Mark-up expense on deposits received	5,529,997	1,434,966
Deposits and other accounts	60,000,000	28,000,000
Accrued mark-up on deposits received	4,453,818	1,062,329
Contribution to defined contribution provident fund	15,075,331	10,009,105
Contribution to defined contribution gratuity fund	7,130,000	8,306,000
Remuneration of Key Management personnel	23,475,262	23,614,715

The FMFB has not extended financing or other microfinance services to members of management, directors or parties related to them.

	Note	2009	2008
		Rupees	Rupees
34 CASH AND CASH EQUIVALENTS			
Cash and balances with SBP and NBP	6	406,467,354	332,676,173
Balances with other banks/NBFIs/MFBs	7	507,726,727	777,283,849
Borrowing	15	-	(100,000,000)
		914,194,081	1,009,960,022



THE FIRST MICROFINANCEBANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

35 FINANCIAL INSTRUMENTS

	Effective yield/ interest rate	Interest/mark up bearing				Non interest/mark up bearing				Total
		Upto one year	One to five years	Over five years	Sub total	Upto one year	One to five years	Over five years	Sub total	2009
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2009	%									
Financial assets										
Cash and balances with SBP and NBP	2.5	53,195,498	-	-	53,195,498	353,271,856	-	-	353,271,856	406,467,354
Balances with other banks/NBFIs/MFBs	5-10.5	506,188,096	-	-	506,188,096	1,538,631	-	-	1,538,631	507,726,727
Lending to financial institutions	11.7-11.75	244,402,250	-	-	244,402,250	-	-	-	-	244,402,250
Investments	9.6-14.26	1,604,038,591	-	171,292,580	1,775,331,171	-	-	-	-	1,775,331,171
Advances	3.8-38.4	2,610,280,030	115,282,011	-	2,725,562,041	-	-	-	-	2,725,562,041
Other assets		-	-	-	-	182,404,614	-	-	182,404,614	182,404,614
Rupees		5,018,104,465	115,282,011	171,292,580	5,304,679,056	537,215,101	-	-	537,215,101	5,841,894,157
Financial liabilities										
Deposits and other accounts	3-13.5	3,540,399,689	1,143,640,926	-	4,684,040,615	534,967,229	-	-	534,967,229	5,219,007,844
Other liabilities		-	-	-	-	103,659,588	151,119,007	-	254,778,595	254,778,595
Rupees		3,540,399,689	1,143,640,926	-	4,684,040,615	638,626,817	151,119,007	-	789,745,824	5,473,786,439
Off balance sheet financial instruments:										
Capital commitments		-	-	-	-	-	-	-	-	-
Commitments in respect of reverse repo transactions		250,000,000	-	-	250,000,000	-	-	-	-	250,000,000



35.1 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 FMFB's credit risk is primarily attributable to its advances and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The FMFB has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by Prudential Regulations. Maximum amount of financial assets which are subject to credit risk amount to Rs: 3,644,181,618 (2008: Rs. 3,185,663,530).

35.2 Liquidity risk:

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

35.3 Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The FMFB's interest rate exposure stems mainly from investing activity. This risk is managed by regular review of investment portfolio of government securities.

35.4 Fair value of financial instruments:

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

35.5 Capital management

Capital requirements applicable to the FMFB are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The FMFB manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently the FMFB has a paid up capital of Rs.660,000,500. The minimum paid up capital requirement applicable to the FMFB is Rs. 500,000,000. The FMFB has maintained capital adequacy ratio in accordance with Section number 4 of the Regulations which states that the Bank shall maintain capital equivalent to atleast 15% of its risk-weighted assets.



THE FIRST MICROFINANCEBANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

	Total 2008	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2008					
Assets					
Interest/mark up earning					
Cash and balances with SBP and NBP	79,348,225	79,348,225	-	-	-
Balances with other banks/NBFIs/MFBs	773,020,741	773,020,741	-	-	-
Investments	549,214,503	-	366,494,697	-	182,719,806
Advances	2,067,750,648	171,117,440	1,018,876,320	717,886,085	159,870,803
Non-Interest/mark up earning					
Cash balances with SBP and NBP	253,327,948	253,327,948	-	-	-
Balances with other banks/NBFIs/MFBs	4,263,108	4,263,108	-	-	-
Other assets	171,343,259	141,414,223	11,658,528	1,133,147	17,137,361
Operating fixed assets	195,984,338	-	-	-	195,984,338
	<u>4,094,252,770</u>	<u>1,422,491,685</u>	<u>1,397,029,545</u>	<u>719,019,232</u>	<u>555,712,308</u>
Liabilities					
Interest/mark up bearing					
Deposits and other accounts	2,746,780,118	1,295,626,544	580,477,995	470,696,097	399,979,482
Borrowings	100,000,000	100,000,000	-	-	-
Non-Interest/mark up bearing					
Deposits and other accounts	557,962,264	557,962,264	-	-	-
Other liabilities	120,631,812	76,708,926	20,209,453	7,008,716	16,704,717
	<u>3,525,374,194</u>	<u>2,030,297,734</u>	<u>600,687,448</u>	<u>477,704,813</u>	<u>416,684,199</u>
Net assets	<u>568,878,576</u>	<u>(607,806,049)</u>	<u>796,305,510</u>	<u>241,314,419</u>	<u>139,064,696</u>
Represented by :					
Share capital	660,000,500				
Statutory and general reserves	8,040,156				
Depositors' protection fund	2,470,534				
Accumulated loss	(104,231,456)				
Deficit on revaluation of assets	(8,759,343)				
Deferred grant	11,358,185				
	<u>568,878,576</u>				



36 MATURITIES OF ASSETS AND LIABILITIES

	Total 2009	Upto one month	Over one month upto six months	Over six months upto one year	Over one year upto five years
	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2009					
Assets					
Interest/mark up earning					
Cash and balances with SBP and NBP	53,195,498	53,195,498	-	-	-
Balances with other banks/NBFIs/MFBs	1,538,631	1,538,631	-	-	-
Lending to financial institution	244,402,250	244,402,250	-	-	-
Investments	1,775,331,171	497,474,150	605,495,350	501,058,675	171,302,996
Advances	2,725,562,041	219,507,248	1,379,913,142	1,010,859,640	115,282,011
Non-Interest/mark up earning					
Cash balances with SBP and NBP	353,271,856	353,271,856	-	-	-
Balances with other banks/NBFIs/MFBs	506,188,096	506,188,096	-	-	-
Other assets	230,330,530	205,695,681	6,251,196	2,036,387	16,347,266
Operating fixed assets	178,186,704	-	-	-	178,186,704
	6,068,006,777	2,081,273,410	1,991,659,688	1,513,954,702	481,118,977
Liabilities					
Interest/mark up bearing					
Deposits and other accounts	4,684,040,615	1,580,946,027	1,254,365,974	705,087,688	1,143,640,926
Non-Interest/mark up bearing					
Deposits and other accounts	534,967,229	534,967,229	-	-	-
Other liabilities	255,789,263	92,630,633	12,549,002	91,198,568	59,411,060
	5,474,797,107	2,208,543,889	1,266,914,976	796,286,256	1,203,051,986
Net assets	593,209,670	(127,270,479)	724,744,712	717,668,446	(721,933,009)
Represented by :					
Share capital	660,000,500	-	-	-	-
Statutory and general reserves	13,472,412	-	-	-	-
Depositors' protection fund	4,142,236	-	-	-	-
Unappropriated profit	(84,174,132)	-	-	-	-
Deficit on revaluation of assets	(9,259,818)	-	-	-	-
Deferred grant	9,028,472	-	-	-	-
	593,209,670				



	2009	2008
	Rupees	Rupees
37 OPERATIONAL/NON-OPERATIONAL INCOME/ (LOSS)		
Profit before taxation comprises of:		
Operational profit / (loss)	28,753,305	(107,301,838)
Grant income	3,799,677	1,700,571
	32,552,982	(105,601,267)

38 CORRESPONDING FIGURES

Following corresponding figure has been reclassified for the purposes of better presentation:

From	To	Rupees
Administrative expenses	Depreciation - grant related assets	1,700,571

39 GENERAL

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

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the FMFB on March 09, 2010.