THE FIRST MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	2013	2012
		Rupees '000	Rupees '000
ASSETS			Restated
Cash and balances with SBP and NBP	6	**504,071**	375,434
Balances with other banks/NBFIs/MFBs	7	**1,019,600**	945,582
Lending to financial institutions		**-**	-
Investments - net of provisions	8	**4,050,851**	3,538,252
Advances - net of provisions	9	**3,450,418**	2,971,730
Operating fixed assets	10	**141,607**	130,120
Other assets	11	**310,577**	302,481
Deferred tax asset	12	**36,918**	-
Total assets		**9,514,042**	8,263,599
LIABILITIES			
Deposits and other accounts	13	**7,814,981**	6,570,628
Borrowings	14	**296,042**	383,404
Subordinated debt		**-**	-
Other liabilities	15	**294,387**	322,757
Deferred tax liabilities		**-**	-
Total liabilities		**8,405,410**	7,276,789
NET ASSETS		**1,108,632**	986,810
REPRESENTED BY:			
Share capital	16	**1,351,501**	1,351,501
Statutory and general reserves		**42,092**	13,472
Depositors' protection fund		**12,955**	5,368
Accumulated loss		**(304,486)**	(409,969)
		1,102,062	960,372
Surplus on revaluation of assets	17	**1,121**	20,332
Deferred grants	18	**5,449**	6,106
Total Capital		**1,108,632**	986,810

MEMORANDUM / OFF-BALANCE SHEET ITEMS **19**

The annexed notes from 1 to 38 form an integral part of these financial statements.

THE FIRST MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees '000	Rupees '000
Markup/return/interest earned	20	1,430,006	1,255,914
Markup/return/interest expensed	21	(518,283)	(530,035)
Net markup/interest income		911,723	725,879
Provision against non-performing loans and advances	9.3	(124,759)	(136,722)
Recovery against written off advances		65,482	26,909
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		(59,277)	(109,813)
Net markup/interest income after provisions		852,446	616,066
Non mark-up/non interest income			
Fee, commission and brokerage income	22	91,670	87,041
Dividend income		-	-
Amortization of deferred grant	23	5,177	1,676
Other income		1,642	16,202
Total non-markup/non interest income		98,489	104,919
		950,935	720,985
Non mark-up/non interest expenses			
Administrative expenses	24	(837,967)	(773,011)
Depreciation - grant related assets		(1,191)	(1,676)
Reversals/other provisions/write offs		-	-
Other charges		-	-
Total non-markup/non interest expenses		(839,158)	(774,687)
		111,777	(53,702)
Extra ordinary/unusual items		-	-
Profit/(Loss) before taxation		111,777	(53,702)
Taxation -Current		(15,300)	(9,704)
-Prior years		9,704	-
-Deferred		36,918	-
	25	31,322	(9,704)
Profit/(Loss) after taxation		143,099	(63,406)
Accumulated loss brought forward		(411,760)	(347,930)
Loss before appropriations		(268,661)	(411,336)
Appropriations - Transfers to:			
Statutory reserve		(28,620)	-
Capital reserve		-	-
Contribution to depositors' protection fund:			
5% of Profit after tax		(7,155)	-
Interest on Investment		(432)	(424)
Revenue reserve		-	-
Dividend		-	-
		(36,207)	(424)
Accumulated loss carried forward		(304,868)	(411,760)
Earning/(Loss) per share (Rupee)	31	1.06	(0.50)

The annexed notes from 1 to 38 form an integral part of these financial statements.

THE FIRST MICROFINANCE BANK LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees '000	Rupees '000 Restated
Profit / (Loss) after taxation		**143,099**	(63,406)
Actuarial loss on defined benefit obligations	**26.4**	**(1,409)**	(2,057)
Comprehensive income transferred to equity		**141,690**	(65,463)
Components of comprehensive income not reflected in equity			
(Deficit) /Surplus on revaluation of investments	**8.6**	**(19,211)**	15,299
		122,479	(50,164)

The annexed notes from 1 to 38 form an integral part of these financial statements.

THE FIRST MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	SHARE CAPITAL	STATUTORY RESERVE	DEPOSITORS' PROTECTION FUND	ACCUMULATED LOSS	TOTAL
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Balance at 01 January 2012 - as previously reported	**1,111,501**	**13,472**	**4,944**	**(347,930)**	**781,987**
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains	-	-	-	3,848	3,848
Balance as at January 1, 2012 - restated	1,111,501	13,472	4,944	(344,082)	785,835
Issue of share capital	240,000	-	-	-	240,000
Total Comprehensive Income					
Loss for the year	-	-	-	(63,406)	(63,406)
Other comprehensive income	-	-	-	(2,057)	(2,057)
	-	-	-	(65,463)	(65,463)
Interest earned on investment of fund	-	-	424	(424)	-
Balance at 31 December 2012 - restated	**1,351,501**	**13,472**	**5,368**	**(409,969)**	**960,372**
Balance at 01 January 2013 - as previously reported	**1,351,501**	**13,472**	**5,368**	**(411,760)**	**958,581**
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains	-	-	-	1,791	1,791
Balance at 01 January 2013 - restated	1,351,501	13,472	5,368	(409,969)	960,372
Total Comprehensive Income					
Profit for the year	-	-	-	143,099	143,099
Other comprehensive income	-	-	-	(1,409)	(1,409)
	-	-	-	141,690	141,690
Interest earned on investment of fund	-	-	432	(432)	-
Contribution for the year	-	28,620	7,155	(35,775)	-
Balance at 31 December 2013	**1,351,501**	**42,092**	**12,955**	**(304,486)**	**1,102,062**

The annexed notes from 1 to 38 form an integral part of these financial statements.

THE FIRST MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Rupees '000	2012 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**111,777**	(53,702)
Adjustments for non-cash charges			
Depreciation of property and equipment		**41,173**	43,858
Amortization of intangible assets		**3,322**	2,369
Gain on disposal of operating fixed assets		**(3,356)**	(2,766)
Loss on write off/disposal of property and equipment		**1,060**	2,859
Amortization of deferred grant		**(5,177)**	(1,676)
Income on investment in Government securities		**(154,676)**	(258,238)
Loss on sale of investment		**1,114**	216
Revaluation loss / (income) on investment - HFT		**4,528**	(9,557)
Net amortization of premium on investments		**1,015**	1,121
Net amortization of discount on investments		**(6,085)**	(9,915)
Mark up on reverse repo transactions		**(2,426)**	(10,677)
Provision against non performing loans and advances		**124,759**	136,722
Grant write off		**-**	146
Provision for gratuity		**8,883**	11,680
		14,134	(93,858)
		125,911	(147,560)
(Increase)/decrease in operating assets			
Lending to financial institutions		**-**	245,942
Advances		**(603,447)**	(939,418)
Other assets (excluding advance taxation)		**20,929**	4,720
		(582,518)	(688,756)
Increase in operating liabilities			
Deposits and other accounts		**1,244,353**	650,910
Borrowings		**(87,846)**	383,404
Other liabilities		**(10,859)**	44,054
		1,145,648	1,078,368
Cash inflows from operations		**689,041**	242,052
Gratuity paid		**(23,400)**	(3,000)
Income tax paid		**(39,344)**	(3,801)
Net cash inflow from operating activities		**626,297**	235,251
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in held to maturity securities		**(250,000)**	-
Investment in available for sale securities		**(4,976,501)**	(4,880,404)
Investment in held for trading securities		**(709,574)**	(2,423,110)
Investment in lending to financial institutions		**(2,267,927)**	(9,785,962)
Refund of principal on available for sale securities		**22,886**	39,114
Proceeds from sale/redemption of available for sale securities		**6,025,000**	6,063,700
Proceeds from sale of held for trading securities		**1,332,248**	1,799,502
Proceeds from lending to financial institutions		**2,270,353**	9,796,639
Investments in operating fixed assets		**(58,335)**	(52,026)
Sale proceeds of property and equipment disposed off		**4,649**	3,020
Net cash inflow from investing activities		**1,392,799**	560,473
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds received against rights issue		**-**	240,000
Grants received		**4,520**	5,829
Net cash inflow from financing activities		**4,520**	245,829
Net increase in cash and cash equivalents		**2,023,616**	1,041,553
Cash and cash equivalents at the beginning of the year		**2,126,221**	1,084,668
Cash and cash equivalents at the end of the year	**33**	**4,149,837**	2,126,221

The annexed notes from 1 to 38 form an integral part of these financial statements.

THE FIRST MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1 STATUS AND NATURE OF BUSINESS

The First Microfinance Bank 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 137 business locations comprising of 87 branches/point of links, 50 Pakistan Post Office (PPO)-sub office (2012: 132 business locations comprising of 84 branches/point of links and 44 PPO - sub offices and 4 HBL - sub office) in operation with registered office at 16-17 Floor Habib Bank Tower, Blue Area, 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 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).

SBP vide BSD Circular Letter 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 and microfinance banks 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 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 Disclosure", which is applicable for annual periods beginning on or after 01 July 2009, till further orders.

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 and held for trading are measured at fair value.

4.1 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 off to the nearest thousand PKR, unless otherwise stated.

5 SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

5.1 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, 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 judgments 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:

5.1.1 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 SBP.

5.1.2 Advances-Provision

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 requirement, the Regulations of SBP are taken into consideration.

5.1.3 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.

5.1.4 Employee benefits

Defined benefit plan is provided for eligible 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, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used may vary as they are determined by independent actuary. Calculations are sensitive to changes in the underlying adjustments.

5.1.5 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.

5.2 Significant accounting policies

5.2.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks and balances with other banks and investments having maturity of three months or less from the date of acquisition.

5.2.2 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 income over the period of transaction.

5.2.3 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 to 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.

(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. Profit on available-for-sale investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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.

5.2.4 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.

In accordance with the requirements of the Regulations, 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% (2012: 1%) of the net outstanding balance (advances net of specific provisions and secured loan products).

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.

5.2.5 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 10.2 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.

(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 10.3 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.

5.2.6 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 deposit period.

5.2.7 Taxation

Income tax expense/income comprises of 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/ other comprehensive income., in which case it is recognized in equity or below equity/ other comprehensive income.

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.

(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 previous years.

(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.

5.2.8 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.

Change in accounting policy - staff retirement benefits

Defined benefit plans

IAS 19 (as revised in June 2011) Employees Benefits became effective during the period. The amendments to IAS 19 change accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The FMFB has applied IAS 19 (as revised in June 2011) retrospectively in accordance with the requirements of IAS 8. Accordingly, opening balance sheet of the earliest comparative period presented (January 01, 2012) has been restated.

	Cumulative effect upto December 31, 2012	Effect for the year ended December 31, 2012	Cumulative effect upto January 01, 2012
	Rupees '000'		
Increase / (decrease) in accumulated profit			
- Actuarial gain / (loss) on retirement benefit plans	1,791	(2,057)	3,848
(Decrease) / increase in other liabilities			
- Payable to defined benefit gratuity fund	(1,791)	2,057	(3,848)
Actuarial losses recognized in other comprehensive income		(2,057)	

As the effect of this restatement on opening balance of earliest period presented is not significant, third balance sheet has not been presented.

(b) Defined contribution plan

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

5.2.9 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

5.2.10 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.

5.2.11 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. Other grants are recognized as income in the year of receipt.

5.2.12 Foreign currency transactions

The financial statements are presented in Pakistan Rupees, which is the FMFB's functional currency. Transactions in foreign currencies are translated into Pakistan Rupees at exchange rate on the date of transaction.

5.2.13 Operating leases

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

5.2.14 Revenue recognition

(a) Markup/income on advances

Markup/Income/Return/Service Charge on advances is recognized on accrual/time proportion basis using effective / flat 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 income recognition 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

(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.

5.2.15 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.

5.2.16 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.

(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.

5.2.17 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.

5.2.18 Borrowing costs

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

5.2.19 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.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning after January 01, 2014:

– IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by Governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.

– Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

– Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

– Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

5.3 Forthcoming changes in approved accounting standards which are not yet effective (continued)

a) IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

b) IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

c) IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

d) Amendments to IAS 16’Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

e) IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

		Note	2013 Rupees '000	2012 Rupees '000
6	**CASH AND BALANCES WITH SBP AND NBP**			
	Cash in hand		**112,341**	94,793
	Balance with State Bank of Pakistan ("SBP")	**6.1**	**234,197**	166,462
	Balance with National Bank of Pakistan ("NBP")			
	Current account		**-**	-
	Deposit accounts	**6.2**	**157,533**	114,179
			504,071	375,434

6.1 This represents balance maintained in current account with SBP to meet the requirement of maintaining Cash Reserve Requirement ("CRR").

6.2 These carry mark up at the rate of 6% (2012: 6%) per annum.

		Note	2013 Rupees '000	2012 Rupees '000
7	**BALANCES WITH OTHER BANKS/NBFIs/MFBs**			
	In Pakistan			
	- on current accounts		**40,452**	38,453
	- on deposit accounts	**7.1**	**979,148**	907,129
			1,019,600	945,582

7.1 All deposit accounts carry markup ranging between 7.35% and 9.3% (2012: 7.2% and 9.5%) per annum.

		Note	2013	2012
8	**INVESTMENTS-net of provisions**			
	Held-to-maturity			
	Federal Government securities			
	Pakistan Investment Bonds	**8.1**	**2,914**	2,881
	Market Treasury Bills	**-**	**-**	977
			2,914	3,858
	Term Deposit Receipts (TDRs)	**8.2**	**2,876,166**	805,205
			2,879,080	809,063
	Available for sale			
	Federal Government securities			
	Pakistan Investment Bonds	**8.3**	**434,872**	616,316
	Market Treasury Bills	**8.4**	**592,864**	1,322,521
			1,027,736	1,938,837
	Term Finance Certificates - listed	**8.5**	**62,424**	86,322
			1,090,160	2,025,159
	Held for trading			
	Federal Government securities			
	Pakistan Investment Bonds	**8.3**	**80,490**	386,803
	Market Treasury Bills	**8.4**	**-**	296,896
			80,490	683,699
	Surplus on revaluation of available for sale investments	**8.6**	**1,121**	20,331
			4,050,851	3,538,252

8.1 This represents a ten year bond held for the purposes of the Depositors' Protection Fund carrying markup at the rate of 9.6% (2012: 9.6%) per annum, payable on semi-annual basis, maturing in 2017.

8.2 These represent TDR with original maturity of 1 month to 1 year carrying markup rate ranging between 9.55% and 10.2% (2012: 9.8% and 9.9%) per annum, payable on maturity.

8.3 These represent two to three years bonds carrying markup at the rate of 11.25%-11.5% (2012: 11.25%) per annum, payable on semi-annual basis.

8.4 These securities have original maturity period of 3 months to 1 year with yield ranging between 9.54% and 9.73% (2012: 9.18% and 11.89%) per annum. This includes Rs 300 million (2012: Rs 400 million) under repurchase arrangement against short term borrowings from Habib Bank

8.5 Term Finance Certificates-listed

		No. of units		Market Value		Amortised Cost	
	Credit Rating	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
				Rupees '000	**Rupees '000**	**Rupees '000**	**Rupees '000**
Bank Al-Habib Limited - II	AA	**9,000**	9,000	**45,111**	46,286	**45,425**	45,939
Soneri Bank Limited	A+	**-**	5,000	-	6,207	-	6,235
United Bank Limited - III	AA	**10,000**	10,000	**16,631**	33,828	**16,999**	34,148
				61,742	86,321	**62,424**	86,322

8.5.1 All Term Finance Certificates are quoted and carry rate of return ranging between 10.72% and 11.04% (2012: 10.95% and 13.65%) per annum and have maturity period upto 1 year (2012: 2 years).

8.6 Particulars of surplus on revaluation of available for sale investments:	**Note**	**2013** **Rupees '000**	**2012** **Rupees '000**
Opening balance		**20,332**	5,033
(Loss)/ gain transferred to revaluation of assets account below equity		**(19,211)**	15,299
Closing balance	**17**	**1,121**	20,332

	Note	2013	2013	2012	2012
		Number	Rupees '000	Number	Rupees '000
9 ADVANCES - net of provisions					
Considered good	9.1	**128,759**	**3,467,955**	120,470	3,011,265
Considered doubtful	9.2	**1,638**	**31,362**	2,769	45,397
		130,397	**3,499,317**	123,239	3,056,662
Specific provision	9.3		**7,921**		14,510
General provision					
- Mandatory provision at the rate of 1%			**34,448**		30,422
- Provision for flood affected clients	9.4		**6,530**		40,000
General provision	9.3		**40,978**		70,422
	9.3		**48,899**		84,932
			3,450,418		2,971,730

9.1 This includes fully secured advances amounting to Rs. 46,590 thousand (2012: Rs. 19,343 thousand) whereas the remaining advances are secured by personal guarantees except staff loan.

Advances includes 410 (2012: 383) number of staff loans, aggregating to Rs. 33,653 thousand (2012: Rs. 29,319 thousand), carrying flat markup rate ranging between 3% and 5% per annum (2012: 3% and 5% per annum).

9.2 Particulars of non performing advances

Following is the detail of advances which have been placed under non performing status in accordance with note 5.2.4.

Classification	Amount outstanding	Required provision percentage	Provision required	Provision held
	Rupees '000		Rupees '000	Rupees '000
Other Assets Especially Mentioned	**14,485**	**0**	**-**	**-**
Sub-standard	**6,161**	**25**	**1,504**	**1,504**
Doubtful	**8,597**	**50**	**4,298**	**4,298**
Loss	**2,119**	**100**	**2,119**	**2,119**
Total	**31,362**		**7,921**	**7,921**

9.3 Particulars of provision against non performing advances

	Note	Specific 2013	General 2013	Total 2013	Specific 2012	General 2012	Total 2012
		Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Opening balance		**14,510**	**70,422**	**84,932**	14,180	223,930	238,110
Charge/(Reversal) for the year		**154,203**	**(29,444)**	**124,759**	290,230	(153,508)	136,722
Less: Amounts written off	9.5	**160,792**	**-**	**160,792**	289,900	-	289,900
		(6,589)	**(29,444)**	**(36,033)**	330	(153,508)	(153,178)
Closing balance		**7,921**	**40,978**	**48,899**	14,510	70,422	84,932

9.4 Following prudent risk management against the rescheduled advances of rain/ flood affected portfolio for the year ended 31 December 2011 and 31 December 2012, an amount of Rs. 6.5 million has been maintained in addition to 1% general provision required under the Prudential Regulations.

	Note	2013	2012
		Rupees '000	Rupees '000
9.5 Particulars of write offs			
Directly charged to profit and loss account		**-**	-
Against provisions	9.6.1	**160,792**	289,900
		160,792	289,900

9.6.1 These represent non performing advances overdue for 210 days or more, written off in accordance with FMFB policy as explained in note 5.2.4.

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

9.7 Portfolio quality report

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. FMFB does not charge late payment surcharge/penalty on overdue advances into principal.

	2013	2013	2012	2012
Loans	**Amount Rupees '000**	**Portfolio at Risk %**	**Amount Rupees '000**	**Portfolio at Risk %**
Current and less than 30 days late	**3,467,955**		3,011,265	-
30-59 days late	**14,485**	**0.41%**	18,066	0.59%
60-89 days late	**6,161**	**0.18%**	7,073	0.23%
90-179 days late	**8,597**	**0.25%**	15,033	0.49%
180 days or more late	**2,119**	**0.06%**	5,225	0.17%
	3,499,317	**0.90%**	3,056,662	1.49%

During the year advances amounting to Rs. Nil (2012: Rs 12,328) were rescheduled.

In 2013, loans are disbursed in 9 loan products (2012: 9 loan products). Loans are disbursed relating to these 9 (2012: 9) loan products with tenures ranging from 3 months to 4 years (2012: 3 months to 4 years), in accordance with the needs of the borrowers. Loan repayments are scheduled on bullet / installment basis. Principal and service charges are recovered on monthly basis and on maturity as per repayment schedule. Management estimates that the average term of its outstanding loan portfolio is about 11.5 months (2012: 11.2 months) based on remaining weighted average tenure of loans outstanding as at balance sheet date.

Measures related to the classification of late payments are mentioned in note 5.2.4.

9.8 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 (including written off). Additional service charge is not included in the numerator or the denominator of the ratio. Loan delinquency is measured using the Non Performing Loans (NPL) ratio.

	Current recovery ratio in %	
Period	**2013**	**2012**
1st Quarter	**54.0**	54.5
2nd Quarter	**54.1**	54.0
3rd Quarter	**46.3**	39.7
4th Quarter	**70.6**	69.7
	56.3	54.5

Annual loss rate (loans written off during the year divided by average loan portfolio outstanding) for the year comes to 4.82% (2012: 7.89%).

	Note	2013	2012
9.9 Portfolio by segment		**Rupees '000**	**Rupees '000**
Loan type			
Agri input		**571,111**	692,497
Live stock		**1,125,015**	896,281
Micro-enterprise		**1,122,871**	736,258
Others	9.10	**680,320**	731,626
		3,499,317	3,056,662

9.10 Include loans provided for general purpose.

10 OPERATING FIXED ASSETS

Capital work-in-progress	10.1	**352**	3,832
Property and equipment	10.2	**130,485**	114,282
Intangible assets	10.3	**10,770**	12,006
		141,607	130,120

10.1 Capital work-in-progress

Civil works and furnishing	**352**	2,661
Advances for computer software	**-**	1,171
	352	3,832

10.2 Property and equipment

	Cost					Accumulated Depreciation				Net Book Value
	At 01 January	Additions	Disposals/ Write offs	At 31 December	Rate per annum	At 01 January	Charge for the year	On Disposals/ Write offs	At 31 December	At 31 December
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
2013										
Free hold land	**7,814**	**-**	**-**	**7,814**	**-**	**-**	**-**	**-**	**-**	**7,814**
Lease hold improvements	**128,274**	**16,065**	**(7,791)**	**136,548**	**14%**	**85,832**	**12,918**	**(6,622)**	**92,128**	**44,420**
Furniture and fixtures	**40,752**	**3,528**	**(419)**	**43,861**	**20%**	**35,313**	**2,637**	**(350)**	**37,600**	**6,261**
Office equipment	**63,058**	**9,767**	**(1,598)**	**71,227**	**25%**	**53,250**	**5,608**	**(883)**	**57,975**	**13,252**
Computer equipment	**103,501**	**11,201**	**(1,739)**	**112,963**	**33%**	**93,902**	**6,682**	**(1,405)**	**99,179**	**13,784**
Vehicles	**99,866**	**19,168**	**(4,119)**	**114,915**	**20%**	**60,686**	**13,328**	**(4,053)**	**69,961**	**44,954**
	443,265	**59,729**	**(15,666)**	**487,328**		**328,983**	**41,173**	**(13,313)**	**356,843**	**130,485**
2012										
Free hold land	7,814	-	-	7,814	-	-	-	-	-	7,814
Lease hold improvements	123,876	16,675	(12,277)	128,274	14%	83,068	12,198	(9,434)	85,832	42,442
Furniture and fixtures	38,418	2,439	(105)	40,752	20%	31,013	4,402	(102)	35,313	5,439
Office equipment	58,109	5,914	(965)	63,058	25%	47,828	6,331	(909)	53,250	9,808
Computer equipment	97,194	7,147	(840)	103,501	33%	88,459	6,255	(812)	93,902	9,599
Vehicles	82,335	21,145	(3,614)	99,866	20%	49,444	14,673	(3,431)	60,686	39,180
	407,746	53,320	(17,801)	443,265		299,812	43,859	(14,688)	328,983	114,282

10.2.1 Property and equipment include fully depreciated items, still in use, having cost of Rs'241,339 thousand (2012: Rs 213,030 thousand).

10.2.2 Detail of fixed asset deleted with the original cost or book value in excess of Rs. 1 million or Rs. 250 thousand respectively; whichever is less; is as under:

Particulars	Cost	Book value	Sale Proceeds	Mode of Disposal
	Rupees	Rupees	Rupees	
Audio & Video Teleconferencing Equipment	**1,046,400**	566,800	584,898	Insurance Claim

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

10.3 Intangible assets

	Cost					Accumulated Amortisation				Net Book Value
	At 01 January	Additions	Disposal	At 31 December	Rate	At 01 January	Charge for the year	Disposal	At 31 December	At 31 December
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
2013										
Computer software's	**18,804**	**2,086**	**-**	**20,890**	**20%**	**6,798**	**3,322**	**-**	**10,120**	**10,770**
2012										
Computer software's	9,930	8,874	-	18,804	20%	4,429	2,369	-	6,798	12,006

10.3.1 This includes Rs. 1,191 thousand (2012: Rs 1,676 thousand) related to grant related assets.

	Note	2013 Rupees '000	2012 Rupees '000
11 OTHER ASSETS			
Accrued mark-up on:			
- loans and advances		**313,827**	306,426
- non performing loans and advances transferred to suspense account		**(120,490)**	(104,340)
- investments and bank accounts		**33,765**	55,017
		227,102	257,103
Advances		**5,320**	13,246
Branch adjustment account		**5,732**	-
Deposits		**4,876**	2,678
Prepayments		**33,680**	26,554
Advance tax - net of provision		**29,345**	-
Insurance claim receivable		**2,786**	1,321
Stationery stock		**1,736**	1,579
		310,577	302,481

12 DEFERRED TAX ASSET

Deffered Tax Asset	**36,918**	-

FMFB has recognised deferred tax asset on unabsorbed tax depreciation amounting to Rs.106.17 million and unabsorbed tax amortization amounting to Rs. 2.41 million in view of availability and realisation of taxable profits in the future against which these can be absorbed.

	2013 Number	2013 Rupees '000	2012 Number	2012 Rupees '000
13 DEPOSITS AND OTHER ACCOUNTS				
Time liabilities				
Term deposits	**9,118**	**4,794,836**	9,385	4,120,302
Demand liabilities				
PLS deposits	**98,488**	**2,214,449**	93,746	1,734,890
Current deposits	**155,831**	**805,696**	147,081	715,436
	254,319	**3,020,145**	240,827	2,450,326
	263,437	**7,814,981**	250,212	6,570,628

13.1 All above deposits represent voluntary savings of depositors.

	2013 Number	2013 Rupees '000	2012 Number	2012 Rupees '000
13.2 Particulars of deposits by ownership				
Individual depositors	**251,217**	**5,695,613**	239,077	5,022,940
Institutional depositors				
Corporations/Firms	**12,151**	**1,759,278**	11,109	1,260,581
Banks and financial institutions	**69**	**360,090**	26	287,107
	263,437	**7,814,981**	250,212	6,570,628

		Note	2013	2012
			Rupees '000	Rupees '000
14	**BORROWINGS**			
	Borrowings under repurchase agreement from banks in Pakistan	**14.1**	**296,042**	383,404

14.1 These borrowings have been secured against Treasury Bills having face value of Rs. 300 million (2012: 400 million) and are taken from Habib Bank Limited carrying mark-up rate 9.95% (2012: 8.5% to 9.5%). These borrowings have remaining maturity of less than 1 month.

		Note	2013	2012
			Rupees '000	Rupees '000
15	**OTHER LIABILITIES**			Restated
	Payable to suppliers		**25,161**	15,044
	Accrued markup on deposits and borrowings		**199,478**	211,575
	Bills payable		**20,743**	22,805
	Accrued liabilities		**40,971**	42,802
	Withholding tax payable		**2,920**	1,541
	Provision for taxation - net of advance tax		**-**	4,403
	Retention money		**1,586**	1,540
	Payable to defined benefit gratuity fund	**26.4**	**3,350**	16,458
	Payable to defined contribution provident fund		**178**	532
	Branch adjustment account		**-**	6,057
			294,387	322,757

16 **SHARE CAPITAL**

16.1 **Authorized share capital**

2013	2012			2013	2012
Numbers	Numbers				
150,000	150,000	Ordinary shares of Rs. 10 each		**1,500,000**	1,500,000

16.2 **Issued, subscribed and paid-up capital**

2013	2012		Note	2013	2012
Numbers	Numbers				
135,150	**135,150**	Ordinary shares of Rs. 10 each fully paid in cash	**16.3**	**1,351,501**	1,351,501

16.3 **Share capital of FMFB is held as under:**

	2013	2012
Related parties:		
Aga Khan Agency for Micro finance ("AKAM")	**571,500**	571,500
Aga Khan Rural Support Programme ("AKRSP")	**300,000**	300,000
International Finance Cooperation ("IFC")	**240,000**	240,000
Japan International Corporation Agency ("JICA")	**240,000**	240,000
Others	**1**	1
	1,351,501	1,351,501

17 **SURPLUS ON REVALUATION OF ASSETS**

	Note	2013	2012
Available-for-sale investments:			
Government securities		**1,803**	20,333
Term Finance Certificates		**(682)**	(1)
	8.6	**1,121**	20,332

THE FIRST MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18 DEFERRED GRANTS

	Note	AKAM 2013	SDC 2013	SBP 2013	SBP 2013	CIDA 2013	Total 2013
		Rupees '000					
	Note	**18.1**		**18.2**		**18.3**	
Opening balance payable as at 01 January 2013		16	-	6,090	-	-	6,106
Opening balance receivable as at 01 January 2013		-	-		-	-	-
Net balance as at 01 January 2013		**16**	**-**	**6,090**	**-**	**-**	**6,106**
Grants received during the year		-	-	232	-	4,288	4,520
Expenses incurred during the year		-	-	-	-	3,986	3,986
Amortization during the year		9	-	1,182	-	-	1,191
Income transferred to profit and loss account	**23**	9	-	1,182	-	3,986	5,177
Grant written off during the year		-	-	-	-	-	-
Closing balance as at 31 December 2013		**7**	**-**	**5,140**	**-**	**302**	**5,449**
Cumulative grants received till 31 December 2013		**8,088**	**9,605**	**10,966**	**1,875**	**4,288**	

	Note	AKAM 2012	SDC 2012	SBP 2012	SBP 2012	CIDA 2012	Total 2012
		Rupees '000					
Opening balance payable as at 01 January 2012		264	8	3,556	-		3,828
Opening balance receivable as at 01 January 2012		-	-	-	(2,021)		(2,021)
Net balance payable / (receivable) as at 01 January 2012		**264**	**8**	**3,556**	**(2,021)**	**-**	**1,807**
Grants received during the year		-	-	3,954	1,875	-	5,829
Expenses incurred during the year		-	-	-	-	-	-
Amortization during the year		248	8	1,420	-	-	1,676
Income transferred to profit and loss account	**23**	248	8	1,420	-	-	1,676
Grant written off during the year		-	-	-	146	-	146
Closing balance as at 31 December 2012		**16**	**-**	**6,090**	**-**	**-**	**6,106**
Cumulative grants received till 31 December 2012		**8,088**	**9,605**	**10,734**	**1,875**	**-**	

18.1 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.

18.2 This represents grant under Financial Inclusion Program ("FIP") designed to develop capacity of the Microfinance Industry to enhance potential for growth and depth in outreach by improving human resource quality, improving quality of services and increasing the services available to potential client. This grant is approved for purchasing, installing and implementation of Oracle Financial and Human Resource Information System (HRIS).

18.3 This represents grant from the Canadian International Development Agency (CIDA) for Independent Evaluation of Alternate Microcredit Delivery Channel - Pakistan Post Office Operation. The grant can only be availed for program related expenditure and is recognized as income, on a systematic basis.

19 MEMORANDUM / OFF - BALANCE SHEET ITEMS

19.1 Contingencies related to taxation and Federal Excise Duty

The Deputy Commissioner Inland Revenue , Audit - I, Large Taxpayers Unit, Islamabad (DCIR) imposed federal excise demand amounting to Rs, 13,923 thousands in 2012. An appeal against the aforesaid order was filed before the Commissioner Inland Revenue - (Appeals - II), CIR(A) confirmed the action of DCIR. FMFB had filed appeal before the Appellate Tribunal Inland Revenue which is still pending for adjudication. The management is confident of a favorable outcome.

Assessment for the Tax year 2004 was amended by the Tax authorities by disallowing exemption claimed by FMFB on grant income of Rs. 2,381 thousands and reducing credit for tax payments by Rs. 1,184 thousands . These matters have been decided in favour of the FMFB upto the level of Appellate Tribunal Inland Revenue and reference application filed by the Tax department is now pending decision by the Federal High Court. The management is confident of a favorable outcome.

19.2 Commitments:	Note	2013	2012
		Rupees '000	Rupees '000
Commitments in respect of repo transactions		**300,000**	400,000

20 MARK-UP/RETURN/INTEREST EARNED

		2013	2012
Mark-up on advances		**1,029,672**	825,055
Income on investment in Government securities		**238,289**	341,102
Income from Term Finance Certificates - net of premium		**7,058**	13,050
Income from Term Deposit Receipts (TDRs)		**79,943**	5,205
Mark-up on reverse repo transactions		**2,426**	10,677
Mark-up on deposit accounts with treasury and other banks		**69,145**	60,825
Income on other placements		**3,473**	-
		1,430,006	1,255,914

21 MARK-UP/RETURN/INTEREST EXPENSED

	Note	2013	2012
Deposits and other accounts		**507,896**	523,382
Borrowings	**21.1**	**10,387**	6,653
		518,283	530,035

21.1 This represents markup expense on Repo transactions during the year.

22 FEE, COMMISSION AND BROKERAGE INCOME

	Note	2013 Rupees '000	2012 Rupees '000
Fee	**22.1**	**86,773**	80,904
Commission		**4,897**	6,137
		91,670	87,041

22.1 This represents loan application/processing fee and life insurance premium received from borrowers.

23 AMORTIZATION OF DEFERRED GRANT

	Note	2013 Rupees '000	2012 Rupees '000
Deferred grant income recognised in respect of :			
- Operational expenses	**24.1**	**3,986**	-
- Capital expenditure - Amortization	**10.3.1**	**1,191**	1,676
	18	**5,177**	1,676

23.1 There were no grants in kind received during the year.

	Note	2013 Rupees '000	2012 Rupees '000
24 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		**400,991**	347,973
Contribution to defined contribution provident fund		**20,026**	15,669
Charge for defined benefit gratuity fund	**26.7**	**8,883**	11,680
Depreciation	**10.2**	**41,173**	43,859
Travel and transportation		**76,593**	60,680
Rent, rates and taxes		**58,301**	54,349
Utilities		**47,485**	41,156
Printing, stationery and periodicals		**17,927**	14,454
Communications		**22,956**	21,843
Office security		**29,198**	24,622
Repair and maintenance		**22,842**	21,322
Office supplies		**14,370**	14,746
Training and capacity building		**7,017**	6,643
Advertisement and business promotions		**3,284**	1,640
Legal and professional	**24.1**	**14,297**	13,742
Pakistan Post operating expenses		**5,997**	6,199
Information technology supplies and software		**5,814**	4,866
Insurance		**24,825**	20,957
Loss on write off/disposal of property and equipment		**-**	2,859
Auditors' remuneration	**24.2**	**1,429**	1,200
Amortization of intangible assets	**10.3**	**3,322**	2,369
Advances documentation expenses		**-**	15,241
Verification charges		**6,563**	8,949
Bank charges		**2,668**	2,455
Other expenses		**3,197**	15,214
		839,158	774,687
Less: Depreciation - grant related assets	**23**	**(1,191)**	(1,676)
		837,967	773,011

24.1 This includes Rs. 3,986 thousand (2012: Nil) related to grant received for cost of evaluation of alternate microcredit channel conducted during the year.

		2013	2012
24.2	**Auditors' remuneration**		
	Audit fee	**908**	825
	Fee for half yearly review	**132**	120
	Other assignments	**-**	90
	Out of pocket expenses	**389**	165
		1,429	1,200

25 PROVISION FOR TAXATION

Numerical reconciliation between tax expense and accounting profit has not been presented as provision for current years income tax has been made under section 113 of the Income tax Ordinance, 2001 on markup income, fee, commission and brokerage income and other income due to assessed brought forward losses being more than taxable profit for the year.

26 DEFINED BENEFIT PLAN

26.1 General description

As mentioned in note 5.2.8 (a), FMFB operates an approved defined benefit gratuity plan for all permanent 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.

26.2 Principal actuarial assumptions

The latest actuarial valuation of FMFB's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out as at 31 December 2013. Actuarial Gains/Losses arising during the year are recognised in Other Comprehensive Income (OCI) in accordance with IAS-19 (revised 2011). Following are significant assumptions used in the valuation:

- Discount rate of 12.5% (2012: 11.5%) per annum
- Expected increase in salary levels of 11% (2012: 10.5%) per annum
- Expected return on plan assets of 12.5% (2012: 11.5%) per annum.

26.3 Fair value of scheme's assets and present value of obligation under the scheme at the balance sheet date were as follows:

	Note	2013	2012 Restated
		Rupees '000	Rupees '000
Present value of defined benefit obligation		**66,900**	52,860
Fair value of plan assets	**26.9**	**(63,550)**	(36,402)
	15	**3,350**	16,458

26.4 Movement in the liability recognized in the balance sheet:

	Note	2013	2012
Opening net liability		**16,458**	5,721
Expense for the year	**26.7**	**8,883**	11,680
Paid to Fund		**(23,400)**	(3,000)
Other Comprehensive income		**1,409**	2,057
Liability at end of the year		**3,350**	16,458

26.5 Movement in the present value of defined benefit obligation:

	2013	2012
Present value of defined benefit obligation at beginning of the year	**52,860**	44,152
Current service cost	**12,397**	11,373
Interest cost	**5,781**	5,026
Benefits paid	**(5,173)**	(7,892)
Curtailment gain	**(4,060)**	-
Actuarial loss	**5,095**	201
Present value of defined benefit obligation at end of the year	**66,900**	52,860

26.6 Movement in the fair value of plan assets:

	2013	2012
Fair value of plan assets at beginning of the year	**36,402**	38,431
Expected return on plan assets	**5,235**	4,719
Contributions	**23,400**	3,000
Benefits paid	**(5,173)**	(7,892)
Actuarial gain/(loss)	**3,686**	(1,856)
Fair value of plan assets at end of the year	**63,550**	36,402

	Note	2013 Rupees '000	2012 Rupees '000
26.7 Amount charged to defined benefit plan in the profit and loss account:			
Current service cost		**12,397**	11,373
Interest cost		**5,781**	5,026
Expected return on plan assets		**(5,235)**	(4,719)
Curtailment gain		**(4,060)**	-
	24	**8,883**	11,680

26.8 Actual return on plan assets

	2013	2012
The actual return earned on plan assets	**5,314**	4,523

26.9 Plan assets consists of the following assets:

	2013	2012
Bank balances	**7,661**	7,604
Investment in PIBs - T Bills	**923**	28,798
Term Deposits - TDRs	**54,966**	-
	63,550	36,402

26.10 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the various employee benefit scheme. The increase / (decrease) in the present value of defined benefit obligations (PBO) as a result of change in each assumption is summarized below :

Particulars	**PBO**	**Change in PBO**
Increase in Discount Rate by 1%	62,622	(4,278)
Decrease in Discount Rate by 1%	71,799	4,899
Increase in future increment in salary by 1%	71,823	4,923
Decrease in future increment in salary by 1%	62,531	(4,369)
Increase in Mortality Rate by 10%	66,918	18
Decrease in Mortality Rate by 10%	66,882	(18)
Increase in Withdrawal Rate by 10%	67,056	156
Decrease in Withdrawal Rate by 10%	66,702	(198)

26.11 Historical information and comparison for five years:

	2013 Rupees '000	2012 Rupees '000	2011 Rupees '000	2010 Rupees '000	2009 Rupees '000
Funded gratuity plan					
Present value of defined benefit obligation	**66,900**	52,860	44,152	38,205	23,228
Fair value of plan assets	**(63,550)**	(36,402)	(38,431)	(26,162)	(16,715)
Deficit	**3,350**	**16,458**	**5,721**	**12,043**	**6,513**
Expense for the year	**8,883**	**11,680**	**16,569**	**11,175**	**7,130**

27 NUMBER OF EMPLOYEES

	2013		
	Credit/sales	Banking/support	Total
Permanent	876	225	**1,101**
Contractual	10	11	**21**
Total	**886**	**236**	**1,122**

	2012		
	Credit/sales	Banking/support	Total
Permanent	837	215	1,052
Contractual	10	6	16
Total	847	221	1,068

		2013	2012
27.1	Average employees during the year (Number)	1,070	1,009

28 EMPLOYEES PROVIDENT FUND TRUST

	2013	2012
	Rupees '000	Rupees '000
Size of the Fund	180,094	149,400
Cost of investments made	150,000	110,500
Percentage of investments made	83%	74%
Fair value of investments	148,776	104,675

Breakup of Investmens is as follows:	2013		2012	
	Rs '000'	% of full	Rs '000'	% of full
Pakistan Investment Bonds	5,000	3%	6,000	5%
Market Treasury Bills	-		103,000	93%
Term Finance Certificates	-		1,500	1%
Mutual Funds	-		0.09	0%
TDRs	145,000	97%	-	-

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

29 NUMBER OF BRANCHES/POINT OF LINK UNITS

At beginning of the year	**84**	80
Opened during the year	**3**	5
Merged during the year	-	(1)
At end of the year	**87**	84

30 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President/Chief Executive		Executives	
	2013	2012	2013	2012
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Managerial remuneration	**10,250**	8,038	**67,071**	52,708
Contribution to provident fund	**1,025**	804	**6,260**	4,557
Rent and house maintenance	**4,100**	3,215	**26,829**	21,083
Utilities	**1,025**	804	**6,707**	5,271
Medical	**36**	29	**479**	358
Others	**1,250**	1,250	**388**	661
	17,686	14,140	**107,734**	84,638
Numbers	**1**	1	**65**	50

(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 (2012: Rs. 500,000) per year.

(c) The President/Chief Executive Officer and certain other executives are also provided with free use of FMFB owned and maintained cars in accordance with their entitlement as per rules of FMFB.

(d) No remuneration was paid to the directors of FMFB.

31 EARNING / (LOSS) PER SHARE (RUPEE)

	2013	2012
Profit/(Loss) after taxation - Rupees in '000'	**143,099**	(63,406)
Weighted average number of ordinary shares - Numbers in '000'	**135,150**	126,691
Earning/(Loss) per share - Rupee	**1.06**	(0.50)

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

32 RELATED PARTY TRANSACTIONS

AKAM and AKRSP, which are part of Aga Khan Development Network (AKDN), jointly hold 64.48% (2012: 64.48%) of the FMFB shares, therefore all subsidiaries and associated undertakings of AKAM, AKRSP and AKDN are the related parties of the FMFB. Other related parties comprise of IFC and JICA (other 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:

	2013 Rupees '000	2012 Rupees '000
Related party by virtue of significant influence over FMFB		
Mark-up expense on deposits received and borrowings	3,007	24,340
Administrative expenses on services	21,891	17,132
Profit received on deposits with related parties	17,439	21,495
Deposits and other accounts	152,545	101,801
Accrued mark-up on deposits received	557	14,348
Bank balances with related parties	367,555	410,600
Borrowings from related parties	296,042	383,404
Other liabilities	7,264	2,825
Other assets	10,806	10,811
Related parties by virtue of common directorship		
Mark-up expense on deposits received	11,987	22,278
Administrative expenses on services	24,825	20,957
Deposits and other accounts	225,897	261,419
Accrued mark-up on deposits received	1,952	17,950
Other assets	2,786	590
Other liabilities	2,850	-
Others		
Charge for defined contribution gratuity fund	9,852	11,680
Contribution to defined contribution provident fund	20,026	15,669
Remuneration of Key Management personnel	36,785	32,203
Loans outstanding of key management personnel	3,602	3,530
Other liabilities	3,528	18,781

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

33 CASH AND CASH EQUIVALENTS

	Note	2013 Rupees '000	2012 Rupees '000
Cash and balances with SBP and NBP	**6**	**504,071**	375,434
Balances with other banks/NBFIs/MFBs	**7**	**1,019,600**	945,582
Term deposit receipts		**2,626,166**	805,205
		4,149,837	2,126,221

34 FINANCIAL INSTRUMENTS (based on contractual obligation)

	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	2013
	%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
31 December 2013										
Financial assets										
Cash and balances with SBP and NBP	6.0	157,533	-	-	157,533	346,538	-	-	346,538	504,071
Balances with other banks/NBFIs/MFBs	7.35 - 9.30	979,148	-	-	979,148	40,452	-	-	40,452	1,019,600
Investments	9.18 - 13.65	3,852,171	198,680	-	4,050,851	-	-	-	-	4,050,851
Advances	5.6 - 41.7	2,990,011	460,407	-	3,450,418	-	-	-	-	3,450,418
Other assets		-	-	-	-	227,102	-	-	227,102	227,102
		7,978,863	659,087	-	8,637,950	614,092	-	-	614,092	9,252,042
Financial liabilities										
Deposits and other accounts	3 - 13	6,203,570	805,715	-	7,009,285	805,696	-	-	805,696	7,814,981
Borrowings	9.95	296,042	-	-	296,042	-	-	-	-	296,042
Other liabilities		-	-	-	-	96,542	102,936	-	199,478	199,478
		6,499,612	805,715	-	7,305,327	902,238	102,936	-	1,005,174	8,310,501
Off balance sheet financial instruments:										
Commitments in respect of repo transactions		300,000	-	-	300,000	-	-	-	-	300,000

34 FINANCIAL INSTRUMENTS (based on contractual obligation)

	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	2012
	%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
31 December 2012										
Financial assets										
Cash and balances with SBP and NBP	6.0	114,179	-	-	114,179	261,255	-	-	261,255	375,434
Balances with other banks/NBFIs/MFBs	7.2 - 9.5	907,129	-	-	907,129	38,453	-	-	38,453	945,582
Investments	9.18 - 13.65	2,889,700	648,552	-	3,538,252	-	-	-	-	3,538,252
Advances	5.6 - 38.4	2,546,520	425,211	-	2,971,731	-	-	-	-	2,971,731
Other assets						257,103		-	257,103	257,103
		6,457,528	1,073,763	-	7,531,291	556,811	-	-	556,811	8,088,102
Financial liabilities										
Deposits and other accounts	3 - 13	4,684,000	1,171,192	-	5,855,192	715,436	-	-	715,436	6,570,628
Borrowings	8.5 - 9.5	383,404	-	-	383,404	-	-	-	-	383,404
Other liabilities			-	-	-	11,341	235	-	11,576	11,576
		5,067,404	1,171,192	-	6,238,596	726,777	235	-	727,012	6,965,608
Off balance sheet financial instruments:										
Commitments in respect of repo transactions		400,000	-	-	400,000	-	-	-	-	400,000

34.1 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. FMFB's credit risk is primarily attributable to its advances, lending to financial institutions and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. 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 the Regulations. Maximum amount of financial assets which are subject to credit risk amount to Rs. 7,654,692 thousand (2012: Rs. 5,083,188 thousand).

34.2 Liquidity risk:

Liquidity risk is the risk that 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.

34.3 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. FMFB's interest rate exposure stems mainly from investing activities. This risk is managed by regular review of held-for-trading portfolio of government securities.

34.4 Fair value of financial instruments:

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

34.5 Capital management

Capital requirements applicable to FMFB are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. FMFB manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently, FMFB has a paid up capital of Rs. 1,351,501 thousand (2012: Rs. 1,351,501 thousand). The minimum paid up capital (free of losses) requirement applicable to the FMFB is Rs. 1,000,000 thousand (2012: Rs. 800,000 thousand) which is adequately complied. FMFB has also maintained capital adequacy ratio in accordance with regulation number 4 of the Regulations which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.

35 MATURITIES OF ASSETS AND LIABILITIES (based on contractual obligation)

31 December 2013	Total 2013	Upto one month	Over one month upto six months	Over six months upto one year	Over one year upto five years
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Assets					
Interest/Mark up earning					
Cash and balances with SBP and NBP	157,533	157,533	-	-	-
Balances with other banks/NBFIs/MFBs	979,148	979,148	-	-	-
Investments	4,050,851	2,624,949	843,548	383,674	198,680
Advances	3,450,418	222,916	1,163,928	1,603,167	460,407
Non-Interest/Mark up earning					
Cash and balances with SBP and NBP	346,538	346,538	-	-	-
Balances with other banks/NBFIs/MFBs	40,452	40,452	-	-	-
Other assets	310,577	225,145	51,214	31,703	2,515
Deferred Tax	36,918	-	-	-	36,918
Operating fixed assets	141,607	-	-	-	141,607
	9,514,042	4,596,681	2,058,690	2,018,544	840,127
Liabilities					
Interest/mark up bearing					
Deposits and other accounts	7,009,285	2,916,626	1,826,037	1,460,907	805,715
Borrowings	296,042	296,042			
Non-Interest/mark up bearing					
Deposits and other accounts	805,696	805,696			
Other liabilities	294,387	97,149	15,074	79,228	102,936
	8,405,410	4,115,513	1,841,111	1,540,135	908,651
Net assets	1,108,632	481,168	217,579	478,409	(68,524)
Represented by :					
Share capital	1,351,501				
Statutory and general reserves	42,092				
Depositors' protection fund	12,955				
Accumulated loss	(304,486)				
Deficit on revaluation of assets	1,121				
Deferred grant	5,449				
	1,108,632				

35 MATURITIES OF ASSETS AND LIABILITIES (based on contractual obligation)

31 December 2012	Total 2012 Rupees '000	Upto one month Rupees '000	Over one month upto six months Rupees '000	Over six months upto one year Rupees '000	Over one year upto five years Rupees '000
Assets					
Interest/Mark up earning					
Cash and balances with SBP and NBP	114,179	114,179	-	-	-
Balances with other banks/NBFIs/MFBs	907,129	907,129	-	-	-
Investments	3,538,250	543,454	1,178,044	1,168,200	648,552
Advances	2,971,731	207,329	1,098,323	1,240,868	425,211
Non-Interest/Mark up earning					
Cash balances with SBP and NBP	261,255	261,255	-	-	-
Balances with other banks/NBFIs/MFBs	38,453	38,453	-	-	-
Other assets	302,482	218,737	56,900	24,807	2,038
Operating fixed assets	130,120	-	-	-	130,120
	8,263,599	2,290,536	2,333,267	2,433,875	1,205,921
Liabilities					
Interest/mark up bearing					
Deposits and other accounts	5,855,192	2,207,859	1,390,235	1,085,906	1,171,192
Borrowings	383,404	383,404	-	-	-
Non-Interest/mark up bearing					
Deposits and other accounts	715,436	715,436	-	-	-
Other liabilities	322,757	112,372	12,209	197,941	235
	7,276,789	3,419,071	1,402,444	1,283,847	1,171,427
Net assets	986,810	(1,128,535)	930,823	1,150,028	34,494
Represented by :					
Share capital	1,351,501				
Statutory and general reserves	13,472				
Depositors' protection fund	5,368				
Accumulated loss	(409,969)				
Deficit on revaluation of assets	20,332				
Deferred grant	6,106				
	986,810				

	2013	2012
	Rupees '000	Rupees '000

36 OPERATIONAL/NON-OPERATIONAL PROFIT / (LOSS)

	2013 Rupees '000	2012 Rupees '000
Profit before taxation comprises of:		
Operational Profit / (loss)	**106,600**	(55,378)
Grant income	**5,177**	1,676
	111,777	(53,702)

37 GENERAL

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

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of FMFB in their meeting held on __March 28, 2014__
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