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## CORPORATE INFORMATION

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<b>Board of Directors</b>	Mr. Rafique Dawood Mr. Rasheed Y. Chinoy Mr. Ayaz Dawood Mr. Abdus Samad Khan Mr. Ansar Hussain Mr. Abdul Latif Uqaili Mr. Safdar Rashid	Chairman & Chief Executive   (Nominee of NIT) (Nominee of SLIC) (Nominee of ICP) (Nominee of BRRI)
<b>Audit Committee</b>	Mr. Rasheed Y. Chinoy Mr. Safdar Rashid Mr. Ayaz Dawood	Chairman Member Member
<b>Group Finance Director</b>	Mr. Muhammad Shoaib	
<b>Chief Financial Officer</b>	Mr. Abbas Qurban	
<b>Company Secretary</b>	Mr. Tauseef Ahmed	
<b>Auditors</b>	Taseer Hadi Khalid & Co.	
<b>Legal Advisors</b>	Mohsin Tayebaly & Co.	
<b>Bankers</b>	Bank AL Habib Citibank Faysal Bank First Women Bank Habib Bank Habib Bank AG Zurich KASB Bank Metropolitan Bank Muslim Commercial Bank Oman International Bank S.A.O.G. Standard Chartered Bank Union Bank United Bank Ltd.	
<b>Website</b>	www.firstdawood.com	
<b>Registered Office, Head Office and Share Registrar</b>	1500-A Saima Trade Towers, I. I. Chundrigar Road, Karachi-74000 UAN : 111-DAWOOD (111-329663) Fax : 92-21-227-1913 E-mail : dlc@cyber.net.pk : fdib@firstdawood.com	
<b>Branch Offices</b>	Office No. 20 & 21, Beverly Centre, 1st Floor, 56-G, Jinnah Avenue, Islamabad-74400 Tel. : (051) 227-6367 & 227-4194/5 Fax : (051) 227-1280  72 Main Boulevard, Siddique Trade Centre, Suite 210. 2nd Floor, Lahore. Tel : (042) 578-1891 Fax : (042) 578-1890 E-mail : dlc@brain.net.pk	



## **VISION AND MISSION STATEMENT/CORPORATE STRATEGY**

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### **VISION STATEMENT**

Your Company's vision is to become the leading progressive and profitable organization in the financial sector through innovative, proactive and responsible management that provides the highest level of quality service to clientele. We will further develop strengths by introducing new products and services.

### **MISSION STATEMENT**

- To offer value in terms of dividend yield and capital gains to shareholders.
- To effectively fulfill the needs of clients to their satisfaction.
- To endeavor to achieve a lasting relationship with clients and associates on the principles of mutualism.
- To fulfill all social responsibilities and be a good corporate citizen.
- To enhance contribution to the industrial development of the country.
- To ensure that the human resource is geared to take up new challenges.
- To reward employees according to the ability to perform as a responsible employer.

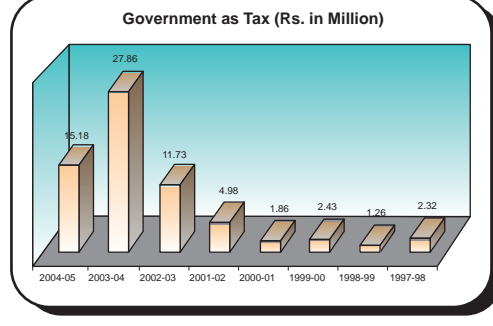
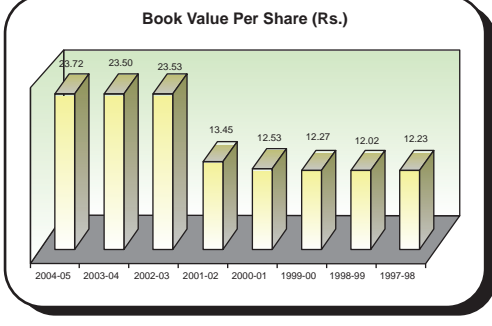
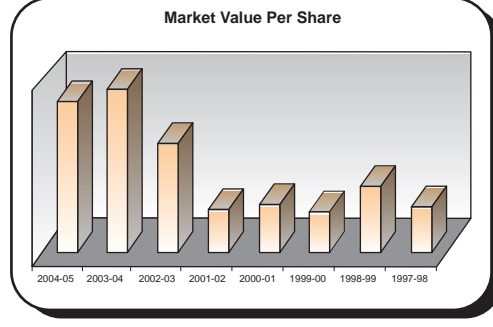
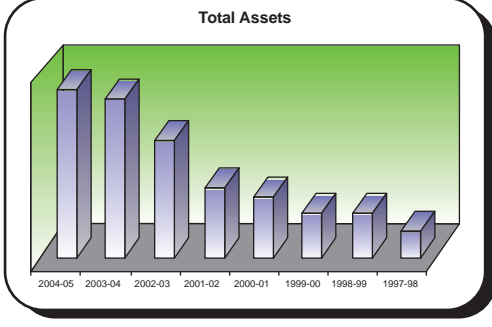
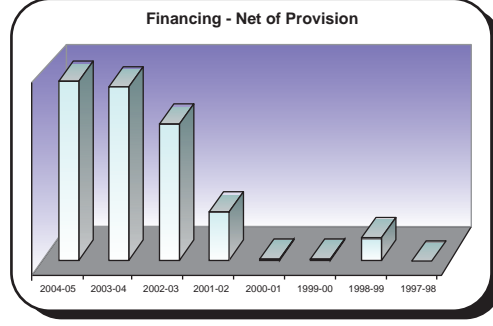
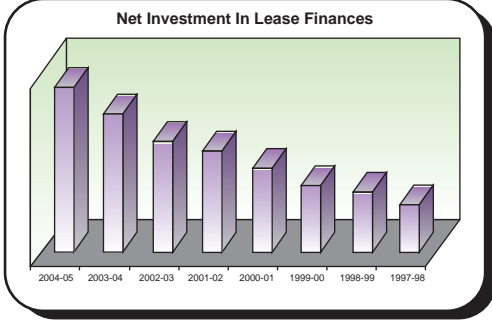
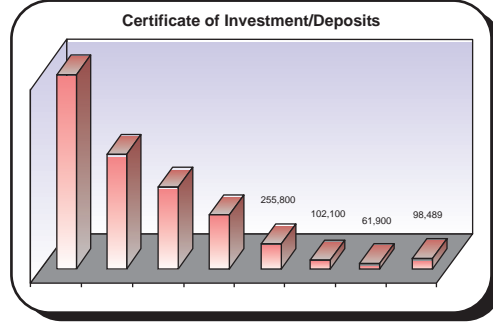
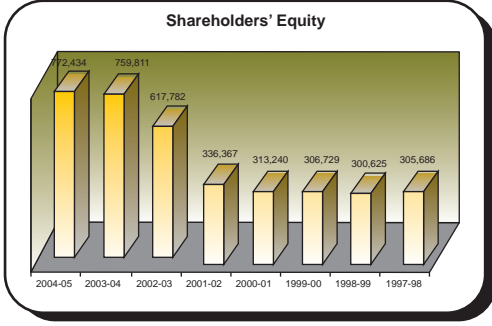
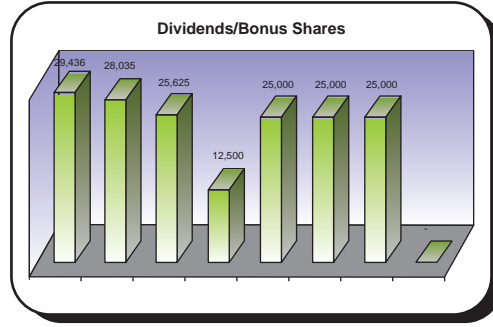
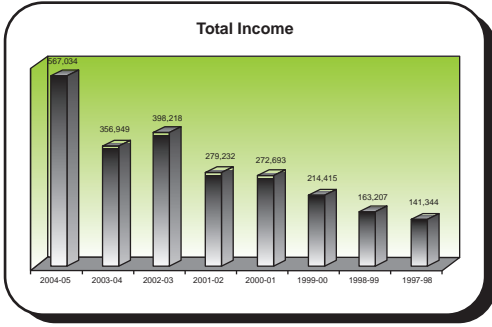
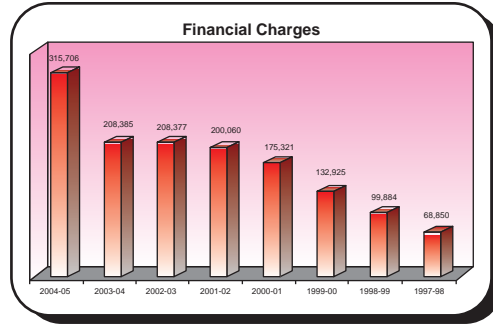
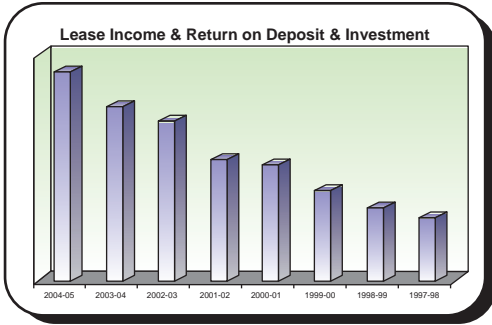
### **CORPORATE STRATEGY**

- Ensuring shareholders' security and a high rate of return on investments.
- Striking the right balance between risks and rewards.
- Offering the optimal mix of products and services to customers.
- Maintaining highest standards of integrity, honesty and ethics.
- Building a long lasting relationship with customers.
- Providing growth & development opportunities to the management and staff of the company.
- Maintaining financial discipline and adhering to professional and moral codes.



## FINANCIAL HIGHLIGHTS

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
	Rupees (‘000’)	Rupees (‘000’)	Rupees (‘000’)	Rupees (‘000’)	Rupees (‘000’)	Rupees (‘000’)	Rupees (‘000’)	Rupees (‘000’)
<b>PROFIT &amp; LOSS</b>								
Lease Income & Return on Deposit & Investment	463,342	386,032	357,046	270,416	258,726	201,245	162,515	140,758
Financial Charges	315,706	208,385	208,377	200,060	175,321	132,925	99,884	68,850
Fee, Commission, Brokerage & Others	20,445	8,482	2,441	1,044	2,580	725	278	49
Dividend & Capital Gains	83,246	(37,564)	38,731	7,772	11,387	12,445	414	537
Total Income	567,034	356,949	398,218	279,232	272,693	214,415	163,207	141,344
Provisions/(Surplus)/Deficit	146,445	49,085	(141,122)	20,924	23,192	13,246	4,467	22,072
Operating Expenses	41,137	37,500	26,465	25,426	26,863	26,586	23,565	22,364
Operating Profit Before Tax and Provision	210,190	111,064	163,376	53,746	70,509	54,904	39,758	50,130
Profit Before Taxation	63,745	61,979	304,498	32,822	47,316	41,658	35,291	28,059
Profit After Taxation	53,563	46,788	280,857	22,103	31,512	31,104	19,938	10,169
Dividends	-	14,017	12,500	-	25,000	25,000	25,000	-
Bonus Shares	29,436	14,017	13,125	12,500	-	-	-	-
Total Dividend/Bonus Shares	29,436	28,035	25,625	12,500	25,000	25,000	25,000	-
<b>BALANCE SHEET</b>								
Shareholders' Equity	772,434	759,811	617,782	336,367	313,240	306,729	300,625	305,686
Revaluation Reserves	74,059	100,982	13,058	-	-	-	-	-
Certificate of Investment/Deposits	1,992,584	1,139,875	834,552	558,762	255,800	102,100	61,900	98,489
Borrowings From Financial Institutions	2,268,656	2,778,310	1,918,255	1,028,835	1,082,319	871,370	937,907	359,184
Net Investment in Lease Finances	2,776,220	2,349,076	1,869,410	1,684,312	1,434,079	1,142,592	1,046,080	827,951
Financing - Net of Provision	793,061	771,668	607,045	214,494	8,609	7,000	103,052	-
Investment - Net of Provision	1,823,298	2,175,281	1,381,335	422,952	580,103	349,296	235,593	75,511
Total Assets	5,657,550	5,383,474	3,977,730	2,345,409	2,057,670	1,529,658	1,520,991	926,578
<b>FINANCIAL RATIOS</b>								
Gross Spread Ratio (%)	31.86	46.02	41.64	26.02	32.24	33.95	38.54	51.09
Income/Expense Ratio (Times)	1.59	1.45	1.70	1.24	1.35	1.34	1.32	1.55
Return on Average Assets (%)	0.97	1.00	8.88	1.00	1.76	2.04	1.64	1.27
Profit Before Tax Ratio	0.11	0.17	0.76	0.12	0.17	0.19	0.22	0.20
Financing/Deposit Ratio (Average) (%)	49.95	69.83	58.96	27.39	4.36	67.10	64.25	0.00
Total Assets Turnover Ratio / Fixed Assets Turnover Ratio (Times)	458.88	289.79	154.05	77.74	81.33	57.94	63.91	52.53
Price Earning Ratio	9.01	11.19	1.12	5.26	4.13	3.54	8.78	12.29
Market Value per Share	16.40	17.80	11.95	4.65	5.20	4.40	7.00	5.00
Earning per Share (Rs.)	1.82	1.59	10.70	0.88	1.26	1.24	0.80	0.41
Book Value per Share (Rs.)	23.72	23.50	23.53	13.45	12.53	12.27	12.02	12.23
Book Value per Share - Including Surplus/ (Deficit) on Revaluation	26.24	27.10	24.03	13.45	12.53	12.27	12.02	12.23
Employees as Remuneration (Rs. in Million)	15.82	14.47	9.77	9.40	10.62	9.11	8.70	9.20
Government as Tax (Rs. in Million)	15.18	27.86	11.73	4.98	1.86	2.43	1.26	2.32
Number of Employees	28	28	22	22	22	22	22	19





## **NOTICE OF ANNUAL GENERAL MEETING (AGM XI)**

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Notice is hereby given that the AGM XI of First Dawood Investment Bank Limited will be held at the Registered Office, 1500-A, Saima Trade Towers, I.I.Chundrigar Road, Karachi on Wednesday, October 26, 2005 at 1100 Hours to transact the following business:

### **Ordinary Businesses**

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2005 together with Directors' and Auditors' Reports thereon.
2. To appoint Auditors and to fix their remuneration.
3. Any other Business with the permission of the Chair.

### **Special Business:**

1. **To consider and approve the bonus issue @ 10% as recommended by the Board of Directors and pass the following resolution as special resolution:**

"RESOLVED that a sum of Rs.29,436,320 out of unappropriated profit be capitalized and distributed by issuing 2,943,632 fully paid ordinary shares of Rs.10 each as bonus shares in the proportion of one share for every ten shares held, and the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the company.

**FURTHER RESOLVED** that the bonus shares so distributed shall rank pari passu in all respects with the existing shares of the company.

**FURTHER RESOLVED** that the Chief Executive or Company Secretary be and are hereby authorized to consolidate all fractions of bonus shares and sell in the stock market and pay the proceeds to charity.

**FURTHER RESOLVED** that the Chief Executive or Company Secretary be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares."

2. **To consider and if thought fit pass with or without modifications various amendments in Memorandum and Articles of Association.**

"**Resolved that** the existing clause 6 of clause III (Object clause) be amended by replacing the words "local interbank" for "Call" and inserting following words after the words "Money Market" and before full stop:

"and local interbank foreign exchange market."

The following sub-clause 20 shall be inserted after sub-clause 19 and consequently all the subsequent sub-clauses from 20 to 56 shall be renumbered as sub-clauses 21 to 57 accordingly.

"20. To provide long-term and/or short-term finance for business purpose."

The following para would be inserted as sub-clause 58 at the end of the existing Clause III (Object clause) after sub-clause 56 renumbered as sub-clause 57:

"58. Any reference to the superceded/rescinded statues or regulatory authorities shall be construed to be reference to the modified/substitute statutes and regulatory authorities in place for the time being."

And the existing clause V (Capital Clause) be amended by including the following words after the word "several" by replacing the words "classes constituting ordinary shares":

"kinds, including ordinary and preference shares, and several classes in each kind of share capital and attach thereto such rights, privileges and conditions as may be provided in the Articles of Association of the Company."



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And the words "the provisions of" in last sentence after the words "accordance with" be deleted."

the existing article 2 be amended by inserting the following new paragraph at its end:

"Any reference to the superceded/rescinded statues or regulatory authorities shall be construed to be reference to the modified/substitute statutes and regulatory authorities in place for the time being."

the existing article 5 (Shares Capital) be amended to read as follows:

"5. Shares Capital

The share capital of the company shall comprise ordinary shares, preference shares, or other kinds of shares in accordance with the provisions of the laws applicable for the time being. The company may issue shares of a single class or of different classes. Where ordinary shares of more than one class are issued, the rights as between various classes of such ordinary shares shall be strictly proportionate to the paid-up value of the ordinary shares as regards voting, dividends and other benefits.

The Preference Shares shall be entitled for a preferred dividend on their par value and shall be issued and regulated in accordance with the 'Term Sheet' of their issue duly approved by Board of Directors, which would be provided to the concerns on each issue. Subject to the approval of the Securities & Exchange Commission of Pakistan the Preference Shares are proposed to be issued without issuance of right shares.

**Resolved further that**

The Chief Executive or Company Secretary be and are hereby authorized to all the acts, deeds and things necessary and to revise the above amendments in the Memorandum and Articles of Association, with or without modification, up to the satisfaction of the Securities & Exchange Commission of Pakistan."

**3. To consider and if thought fit pass with or without modifications following resolutions as Special Resolutions under section 208 of the Companies Ordinance, 1984:**

**"Resolved that**, the Chief Executive Officer of the Company be and is hereby authorized for the purpose of Section 208 of the Companies Ordinance, 1984, to make equity investments in Win Power (Pvt.) Limited up to the limit of Rs. 70 million, to make equity investment in First Dawood Takaful Malaysia Limited (Proposed) to the tune of Rs. 70 Million, to make equity investment in Dawood Money Market Fund to the tune of Rs. 100 Million, to make investment in the form of advances in Providence Modaraba Limited and Guardian Modaraba to the tune of Rs. 25 Million and Rs. 100 Million respectively, to make investments in the form of advances in B.R.R. International Modaraba to the limit of Rs. 100 Million, to make investments in B.R.R. Investments (Pvt.) Limited in the form of advances to the limit of Rs. 25 Million, to make investment in Dawood Capital Management Limited in the form of advances to the tune of Rs. 50 Million and to make investment in Guardian Modaraba Management (Pvt.) Limited in the form of advances to the limit of Rs. 25 Million, subject to the compliance of rules and regulations as applicable and approvals, if any, of the relevant authority(ies);

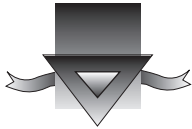
**"Resolved further that** this authority shall remain in force until revoked by the shareholders in the duly convened general meeting and the outstanding amount of investments and advances at any time should not exceed the approved limits and earlier authority given be and is hereby revoked; and

**Resolved further that** the Board of Directors be and is hereby authorized to do all the acts, deeds and things necessary to implement this Resolution and also empowered to make amendments/modifications to the Resolution as may be required and such amendments/modifications shall also be deemed as having been approved by the shareholders."

**By Order of the Board**

September 9, 2005  
Karachi

**Tauseef Ahmed**  
Company Secretary



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**Notes:**

1. The share transfer books of the Company shall remain closed from October 19, 2005 to October 26, 2005 (both days inclusive). Shareholders are requested to notify the Company of any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. No person other than a member shall act as proxy. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub-account holders are requested to bring with them their Computerized National ID Cards (CNIC) along with Participant(s) ID number and their account numbers at the time of attending this meeting in order to facilitate identification of the respective shareholder(s). In respect of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.

**Statement under Section 160 of the Companies Ordinance, 1984 pertaining to Special business # 1**

The Board of Directors in their meeting held on September 9, 2005 has proposed a bonus issue @ 10% (i.e. one share for every ten shares held). The shareholders approval is requested in this regard.

**Statement Under Section 160 Of The Companies Ordinance, 1984 Relating To Special Business # 2**

There is need to amend the capital and object clauses of the Memorandum of Association of the Company to make provisions for having power to do foreign exchange interbank business, to provide short and long term finance and for having various kinds of share capital (such as, Preference Share capital) and classes therein with different rights, privileges and conditions attached thereto, and to make alterations in the Articles of Association of the Company in accordance with section 90 of the Companies Ordinance, 1984 and the Companies Share Capital (Variation of Right and Privileges) Rules 2000. The rights of the existing shareholder would be effected as per terms specified in term sheet for each issue. The passing of the proposed special resolutions by the existing shareholders to amend the capital and object clauses and the Articles of Association of the Company would accord their approval to the arrangement."

**Statement Of Material Facts Under Section 160 Of The Companies Ordinance, 1984 Relating To Special Business # 3**

1. Win Power (Pvt.) Limited was incorporated with a Share Capital of Rs. 5 Million, which would be enhanced up to Rs. 840 Million and its core business activity is the power generation using wind energy and its transmission. It is practically and economically feasible and beneficial to the Company to have equity investment in Win Power (Pvt.) Limited upto the limit of Rs. 70 Million. The investment shall be subject to the applicable laws and regulations.
2. First Dawood Takaful Malaysia Limited (FDTM) is proposed to be launched by First Dawood Group. It is practically and economically feasible and beneficial to the Company to have equity investment in FDTM upto the limit of Rs. 70 Million. The investment shall be subject to the applicable laws and regulations. The proposed company will be procuring the expertise of Takaful Malaysia.
3. Dawood Money Market Fund (DMMF) is an open ended mutual fund floated by the Dawood Capital Management Limited (DCM). It has a Net Assets Value of Rs. 109.7115 as on June 30, 2005. It is practically and economically feasible and beneficial for the Company to make investments in the units of DMMF to the limit of Rs. 100 Million. The investment shall be subject to the applicable laws and regulations.
4. Providence Modaraba Limited (PML) is a Management Company of Guardian Modaraba. FDIB holds 99% of PML. It is practically and economically feasible and beneficial for the Company to make investments in Providence Modaraba Limited and Guardian Modaraba in the form of advances to the limit of Rs. 25 Million and Rs. 100 Million respectively. The investment shall be subject to the applicable laws and regulations.
5. B.R.R. International Modaraba is a multipurpose perpetual Modaraba managed by B.R.R Investments (Pvt.) Ltd. B.R.R. has a paid up Modaraba capital of Rs. 481 Million and a balance sheet size of Rs. 2,030,357,304 Billion.





It is practically and economically feasible and beneficial for the Company to make investments in the forms of advances to the limit of Rs. 100 Million in B.R.R. International Modaraba and Rs. 25 Millions in B.R.R. Investments (Pvt.) Limited. The investment shall be subject to the applicable laws and regulations.

6. Dawood Capital Management Limited (DCM) holds the license of asset management and investment advisory services. It manages Dawood Money Market Fund and First Dawood Mutual Fund. It is practically and economically feasible and beneficial for the Company to make investments in the form of advances to the limit of Rs. 50 Million. The investment shall be subject to the applicable laws and regulations.
7. Guardian Modaraba Management (Pvt.) Ltd. is a Modaraba Management Company. FDIB holds 99.8% stake in it. It is practically and economically feasible and beneficial for the Company to make investments in Guardian Modaraba Management (Pvt.) Limited in the form of advances to the limit of Rs. 25 Million. The investment shall be subject to the applicable laws and regulations.

The terms and conditions for advances in subsidiaries and associates are as follows:

1. Name of the Investee Company	Providence Modaraba Limited	Guardian Modaraba	Dawood Capital Management Ltd.	Guardian Modaraba Management (Pvt.) Ltd.	B.R.R. Int'l Modaraba	B.R.R. Investments (Pvt) Ltd.
2. Nature, amount and extent of the investment	Advances upto Rs. 25 Million	Advances upto Rs. 100 Million	Advances upto Rs. 50 Million	Advances upto Rs. 25 Million	Advances upto Rs. 100 Million	Advances upto Rs. 25 Million
3. Source of funds	Out of surplus funds available	Out of surplus funds available	Out of surplus funds available	Out of surplus funds available	Out of surplus funds available	Out of surplus funds available
4. Purpose of investment	1. to earn a good return. 2. the surplus funds will not remain idle.	1. to earn a good return. 2. the surplus funds will not remain idle.	1. to earn a good return. 2. the surplus funds will not remain idle.	1. to earn a good return. 2. the surplus funds will not remain idle.	1. to earn a good return. 2. the surplus funds will not remain idle.	1. to earn a good return. 2. the surplus funds will not remain idle.

The terms and conditions for equity investments in subsidiaries and associates are as follows:

1. Name of the Investee Company	Win Power (Pvt.) Ltd.	First Dawood Takaful Malaysia Limited	Dawood Money Market Fund
2. Nature, amount and extent of the investment	Equity investment upto Rs. 70 Million	Equity investment upto Rs. 70 Million	Equity investment upto Rs. 100 Million
3. Average Market price/Net Asset Value . (NAV) of the shares/certificates/ units intended to be purchased during preceding six months	Not applicable	Not Applicable	Rs. 109.7115
4. Break-up value of shares/certificates/ units intended to be purchased on the basis of last published financial statements	Not applicable	Not applicable	Rs. 109.7115
5. Price at which shares/certificates / units will be purchased	Pre-IPO investment	Pre-IPO investment	Prevailing market price/NAV
6. Source of funds	Out of surplus funds available	Out of surplus funds available	Out of surplus funds available



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7. Basic Earning per share/ certificate/unit of the investee company in last three years	Not Applicable	Not Applicable	2005 Rs. 10.24 2004 Rs. 7.62 2003 Rs. 1.28
8. Period for which investment will be made	Not applicable being equity investment	Not applicable being equity investment	Not applicable being equity investment
9. Purpose of investment	1. Strategic investment 2. to earn a good return	1. Strategic investment 2. to earn a good return.	1. Strategic investment 2. to earn a good return.
10. Benefits likely to accrue to the company and its shareholders from the proposed investment or advances.	1. FDIB and its shareholders will be benefited because their investment will fetch a good return in the form of dividend. 2. The surplus funds will not remain idle and sill be invested in the most efficient manner.	1. FDIB and its shareholders will be benefited because their investment will fetch a good return in the form of dividend. 2. The surplus funds will not remain idle and sill be invested in the most efficient manner.	1. FDIB and its shareholders will be benefited because their investment will fetch a good return in the form of dividend. 2. The surplus funds will not remain idle and sill be invested in the most efficient manner.
11. Interest of directors and their relatives in the investee company.	None of the directors or their relatives has any interest in this special business in their personal capacities other than to the extent of his interest in the company.	None of the directors or their relatives has any interest in this special business in their personal capacities other than to the extent of his interest in the company	None of the directors or their relatives has any interest in this special business in their personal capacities other than to the extent of his interest in the company.



## DIRECTORS' REPORT

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IN THE NAME OF ALLAH, THE MOST COMPASSIONATE, THE MOST MERCIFUL

Dear Shareholders,

On behalf of the Board of Directors of First Dawood Investment Bank Limited ("FDIB" or the "Company"), it gives me immense pleasure to present to you the Annual Report and Audited Financial Statements along with consolidated financial statements of the Group for the financial year ended June 30, 2005.

The Company continues to show steady growth in all areas of operation, However, for comparison purposes some key numbers are elaborated below;

	June 30, 2005 (PKR in Million)	June 30, 2004 (PKR in Million)	Variance
<b>Total Group Assets</b>	5,735	5,440	5%
Certificate of Investment/Deposit	1,993	1,140	75%
Net Investment in Lease Finance	2,641	2,266	17%
Gross Income	567	357	59%
Profit After Taxation	54	47	15%
Earning Per Share	1.82	1.59	14%

### Operations and Performance

As always, we continue to manage your Company for the benefit of its shareholders, depositors, lenders, and employees. The following is an overview of our operations and performance for 2005.

FDIB continues to provide an excellent return on investment for its shareholders. Over the last seven years, total shareholder returns to Rs. 170.60 Million in the shape of cash and stock dividend without considering appreciation in share price.

Despite facing uphill tasks in the financial sector, with the blessings of ALLAH, your Company has been able to maintain a sustainable growth in the core leasing business. However, to counter the perils of uncertain market condition and by taking the advantage of becoming an investment bank, your Company was able to diversify its activities, thus ensuring growth in net profits.

Net investment in **lease finance** as on June 30, 2005 is at Rs. 2.64 billion as compared to the previous year at Rs 2.26 billion, which reflects an increase of 16.58%. The lease portfolio continues to remain well diversified and covers investments in all major sectors including communication, sugar & allied textile, food, tobacco, automobile, steel, transport, engineering, health care, energy, oil gas, chemicals, fertilizers, pharmaceuticals, cement, electrical goods etc. The diversification ensures lowering of risks, further as a prudent approach we continue to build reserves against future non-performing assets. Provision of Rs.28.41 million was made during the year, thus accumulated provision has augmented to Rs.139.55 million

The total income of the Company has increased to Rs. 567 million from Rs.357 million showing growth by 58.36%. An analysis of the results shows that major portion of revenue is being generated from the core business of leases i.e. 48.36% of the total income.

FDIB has successfully obtained a **money market brokerage license** from the Financial Markets Association of Pakistan. Earlier, FDIB also launched its **housing finance services**, which it expects to expand as a percentage of its business over the time. FDIB also executes its services as **banker to the issue**, with the major IPOs to date including United Bank Limited, Askari Bank-TFC, Soneri Bank-TFC, Al-Zamin Leasing Modaraba-TFC, AMZ Ventures, Kot Addu Power Company and Dewan Farooque Spinning. In addition, your Bank has been appointed **Trustee** for the TFCs of Soneri Bank, Askari Commercial Bank, Jahangir Siddiqui & Co, Azgard Nine, Development Securitization Trust, Hira Textile Mills, Naimat Basal Oil & Gas Securitisation Company and appointed as **Custodian** for the share portfolio of Shaheen Insurance Company.

Your Company has been the Trustee of choice and a market leader in less than one year.

Administrative expenses have increased to Rs. 41.13 million as compared to Rs. 37.50 million during the previous year. This increase has been maintained at the pre-tax profitability level in spite of very adverse conditions.



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The increase in financial charges by Rs. 107.32 million is due to expansion of FDIB's business activities and also in view of overall increase in interest rates in the country.

#### **Investments**

Investments were made in Term Finance Certificates (TFCs) worth Rs. 207.58 million.

#### **Deposits**

Your Company is regarded as a safe, secure and reliable entity providing reasonable profits of the investor's deposits (COIs & CDs) under very efficient and personalized services. The deposit portfolio is Rs. 1.99 billion as of June 30, 2005 against Rs 1.14 billion as of June 30, 2004.

The balance sheet footing as at June 30, 2005 was Rs. 5.66 billion, as compared to Rs. 5.38 billion as at June 30, 2004.

#### **Capital Market**

The stock market remained volatile in the second quarter of the calendar year and it received a heavy battering after touching its peak (i.e. 10,303) on March 16, 2005 and since then it has moved down drastically losing more than 3300 points. The factors contributing to the futures contracts, margin rules, phasing out of the badla system and increasing interest rate scenario. However, due to the downward trend of the markets, shares of all companies lost value resulting in the portfolio facing diminution which we consider to be temporary phase.

#### **Dividend**

The Board of Directors takes pride in FDIB having an unbroken record of dividend payment. Your Company's management is pleased to recommend a bonus dividend of 1 share for every 10 shares held for the year ended June 30, 2005, subject to the approval of the shareholders at the Annual General Meeting.

#### **Economy**

The economy is exhibiting a mixed picture. The improving economic indicators, the continued foreign investors' interest and a consistent increase in the business volumes creates a healthy atmosphere. However, on the other side, the increasing interest rates and the rise in international oil prices vis-à-vis the inflationary pressures, suggest that this is the time to consolidate.

The fiscal year 2005 witnessed strong economic growth with the GDP growth of 8.4%. A higher than targeted GDP growth rate and a sharp acceleration in manufacturing growth of 12.5% reflects the stability. This was underscored by a record growth of 15.4% in large scale manufacturing.

Good governance, diligent fiscal management and steps to boost investor confidence contributed largely to this record performance. Further, credit to the private sector went up to Rs. 370 Billion and tax collection of Rs. 581 billion was achieved which exceeded the target.

#### **Future Outlook and Prospects**

FDIB is fully equipped with a highly motivated professional staff backed by high ethical and social standards and inspired by the common goal to excel. A strengthened capital base has enabled it to expand in new areas while core products are suitably established to continue making significant contributions to profitability.

We are continuing to invest in new business activities. The benefits from cost efficiencies across the enlarged business portfolio have just started to accrue. The share of fee-based income in total revenue is also steadily increasing.

Our long-term vision and Company's focus on fundamental core strengths including: customer satisfaction, risk management, cost control, diversification of our product and superior execution in each of our core businesses is expected to assist us to grow further in the forthcoming future.

By remaining focused on the following three key strategies: customer relationships; optimizing the use of shareholder funded return thereon and development of human capital. We can maintain a position of strength that will sustain us through the inevitable challenges ahead.



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### Human Resource Capital

Human resource is the heart of a service sector enterprise. FDIB strongly believes that its employees are its most valuable assets and that its success derives from the commitment and efforts of their employees. The Company has a highly qualified management team and they regularly participate in seminars, workshops and training sessions organized by various professional bodies.

### Technology and Processes

A cutting-edge computerized environment and efficient utilization of information technology has been the hallmark of FDIB's policy.

During the year, the IT Function gained much importance as an independent activity. It was allocated additional hardware and software to effectively support the expanding needs of the organization.

The focus of the IT investments is primarily directed towards the alignment of business needs through the development of the core business applications risk management, office automation systems and alternate delivery channels, in order to further improve customer service and productivity.

The positive impact of this facility is already being felt in quick decision-making and the timely provision of information to customers.

In addition, the Company continues to implement initiatives to reduce the usage of paper through the utilization of information technology as part of the Company's long tenure objective to strive towards a paperless environment.

### Statement of Compliance

This statement is being presented to comply with the "Code of Corporate Governance" (the "Code") contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of the Code. The Directors hereby confirm the following as required by clause (xix) of the Code:

- The financial statements prepared by management present fairly the Company's state of affairs, the result of operations, cash flows and changes in equity.
- Your Company has maintained a proper books of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements except as disclosed in Note to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, and directives of the Securities and Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts over the ability to continue as an going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding.
- There has been no departure from the best practices of transfer pricing.

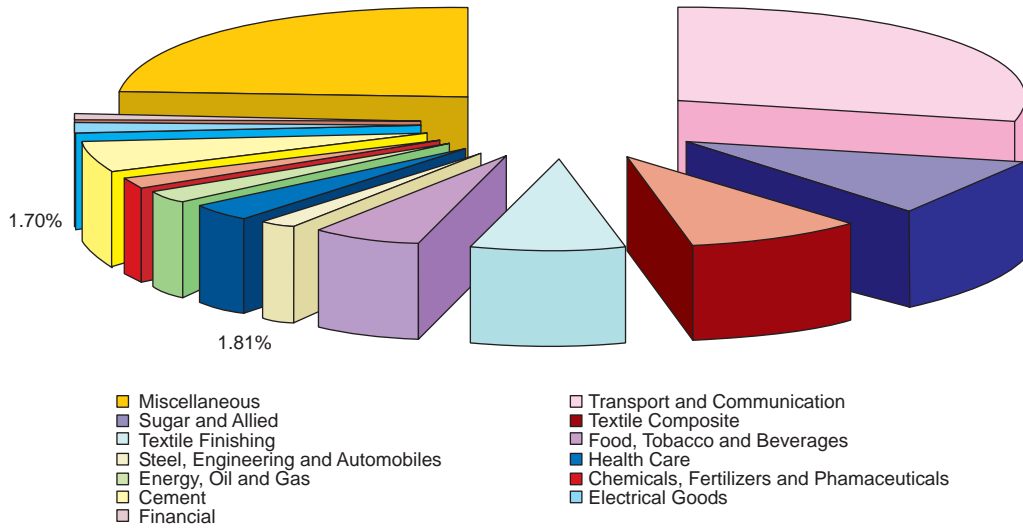
### Trading/Dealing in Shares of the Company

During the year, no trade in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary, and their spouses or minor children except as stated hereunder.

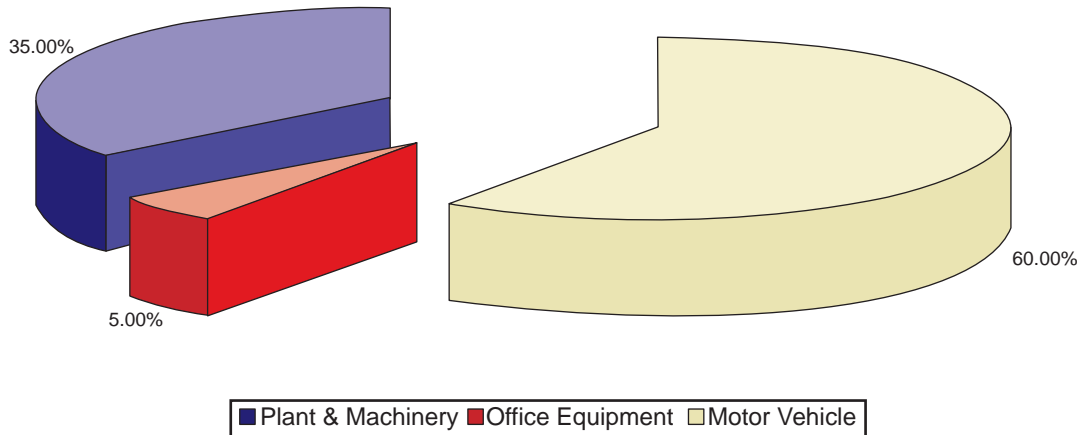
Director/Minor	Purchases	Bonus	Sales
Rafique Dawood	-	180,459	-
Hamida Dawood	-	10,977	-
Ayaz Dawood	124,240	16,796	-
Shumaila Matri Dawood	150,000	-	-
Raseed Y. Chinoy	-	5,540	-



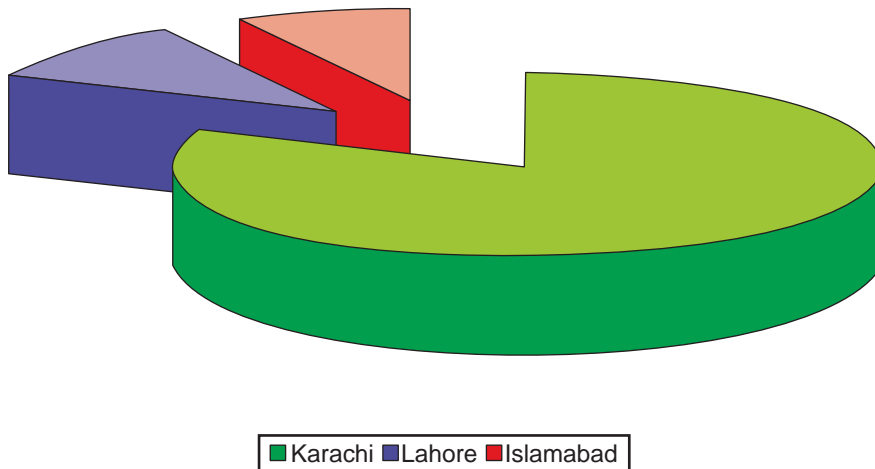
### Sector-Wise Analysis



### Asset-Wise Analysis



### Location-Wise Analysis





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### **Statement of Ethics and Business Practices**

The Board of Directors of FDIB has adopted a Statement of Ethics and Business Practices. All employees are informed of this statement and are requested to observe these rules of conduct in relation to business and regulations.

### **Staff Retirement Benefit**

First Dawood Group operates a provident fund scheme for all permanent employees. The value of investment to date is Rs.10.5 million in the provident fund scheme.

### **Events After the Balance Sheet Date**

Your Company is in the process of launching the First Dawood Islamic Bank Limited as one of its sponsors. The Islamic Bank has obtained an "in Principle Approval" NOC from the State Bank of Pakistan on August 12, 2005 and certificate of incorporation from the Securities & Exchange Commission of Pakistan on August 29, 2005. Inshallah this will broaden and strengthen the base of the Group by allowing us to provide enhanced products and services to our customers.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material on unusual nature likely to substantially affect the results of the operations of the Company for the current financial year in which this report is made.

### **Transactions with Connected Persons/Related Parties**

All transactions between the company and connected persons/related parties are carried out on an arm's length basis and the relevant terms of the transactions are determined in accordance with the "comparable uncontrolled price method"(CUP).

FDIB has fully complied with the best practices on transfer pricing as contained in the listing regulation No 38 of the Karachi Stock Exchange.

### **Auditor**

The present auditors Taseer Hadi Khalid & Co., Chartered Accountant, retire and being eligible offers themselves for re-appointment. As required under the code of corporate governance the Audit Committee has recommended the appointment of Taseer Hadi Khalid & Co., Chartered Accountants, as auditors for the year ending June 30, 2006.

### **Committees**

The Board has delegated certain functions to several committees which operated within the guidelines approved by the Board. These Committees are:

#### **1. Audit Committee**

The Board in compliance with the Code of Corporate Governance has constituted an Audit Committee with specific terms of reference comprising the following three members including the Chairman who is an independent non-executive director.

Mr. Rasheed Y. Chinoy	Chairman
Mr. Safdar Rashid	Member
Mr. Ayaz Dawood	Member

The Audit Committee reviewed the quarterly, half-yearly and annual financial statements before submission to the Board. The Audit Committee had detailed discussions with the external auditors. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditor as required under the Code of Corporate Governance.

#### **2. Credit Committee**

The Credit Committee members are as under:

Mr. Rafique Dawood	Chairman
Mr. Ayaz Dawood	Director
Miss Tara Uzra Dawood	Ex-Officio Member
Mr. Mohammad Shoaib	Group Finance Director
Mr. Asad Ali Sheikh	Head of Marketing



This Committee monitors the Company's performance for achievement of objectives and goals and takes steps to minimize adverse effects on business. The Company initiates strategic actions and is responsible for taking decisions involving the formulation of short-term, medium-term and long-term strategic plans.

### 3. System & Technical Committee

The System & Technical Committee consists of:

Mr. Ayaz Dawood	Director
Mr. Mohammad Shoaib	Group Finance Director
Mr. Naveed Naqvi	Head of I.T.

This Committee continuously assesses further business needs and initiates actions to bring in innovative technologies and new systems for overall improvement.

### 4. Investment Committee

The Investment Committee members are as under:

Mr. Ayaz Dawood	Director
Mr. Muhammad Shoaib	Group Finance Director
Mr. Rahat Saeed Khan	Head of Treasury
Mr. Yousuf Turk	AVP - Capital Market

It provides necessary guidelines and approval for commitment and de-commitment of investments in equities, fixed income securities, government bonds and securities and underwriting of new issues.

## Key Financial Highlights

Key financial highlights are summarized and annexed to these financial statements.

## Risk Management

A growing portfolio of products and services by nature is exposed to varying degrees of risk including credit risk, market risk, liquidity risk, interest rate risk and foreign exchange risk. This reinforces the need for a proactive and effective risk management operation. Your Company follows the Prudential Regulations for NBFCs, issued by the Securities & Exchange Commission of Pakistan. FDIB believes in maintaining a balance between profitability and portfolio riskness.

Your Company manages interest rate risk by balancing assets and liabilities and manages its foreign exchange exposure by matching foreign exchange assets and liabilities.

FDIB also manages liquidity risk by matching the availability of liquid funds before committing to liabilities and also on a timely basis conducts an analysis of liquid funds with maturities of liabilities.

## Board Meeting

During 2004-05, five (5) meetings of the Board of Directors were held. The requisite details are as under:

S. No	Name	Designation	Entitlement to Attend Meeting	Meeting Attend	Leave of Absences
1.	Mr. Rafique Dawood	Chairman & CEO	5	5	-
2.	Mr. Rasheed Y. Chinoy	Director	5	4	1
3.	Mr. Ayaz Dawood	Director	5	5	-
4.	Mr. Abdul Latif Uqaili	Director	5	3	2
5.	Mr. Ansar Hussain	Director	5	5	-
6.	Mr. Safdar Rashid	Director	5	1	4
7.	Mr. Abdus Samad Khan	Director	5	4	1





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### **Credit Rating**

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at "A+" (single A plus) and the short term rating at "A1" (single A one). These ratings are applicable to senior unsecured creditors and denote a low expectation of credit risk emanating from a strong capacity for the timely payment of financial commitments.

The rating of the two tranches of the secured TFC are "AA-" (Double A minus). This rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payments of financial commitments.

### **Consolidated Financial Statements**

Consolidated Financial Statements of the Company is annexed. These financial statements are prepared in accordance with generally accepted accounting principles. Other financial data included in the Annual Report is consistent with the data in the financial statements.

### **Pattern of Shareholding**

The pattern of shareholding as on June 30, 2005 along with disclosure as required under the Code of Corporate Governance is annexed.

### **Appreciation**

I would like to take the opportunity to extend my sincere appreciation to the Board of Directors for their support, cooperation and invaluable contributions.

On their behalf I would like to express the deepest gratitude to our customers, bankers, the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan for their continuing guidance, support and encouragement and our stakeholders for their confidence in our management.

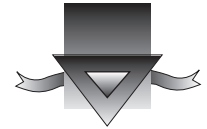
Our achievements are a result of the concerted and continued support and contribution of the Board, the management team and the staff. I am grateful for the tireless commitment and contributions of our employees who have made FDIB what it is today.

In closing, we reaffirm our commitment to our shareholders to further enhance the value of their investment in the Company.

On Behalf of the Board of Directors  
**First Dawood Investment Bank Limited**

Dated: September 09, 2005  
Karachi.

**Rafique Dawood**  
**Chairman & CEO**



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE & BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2005

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## A. Statement of Compliance with the Code of Governance (As Required by the Listing Regulations).

This Statement is being presented to comply with the Code of Corporate Governance ( the "Code") contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange (Guaranteed) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes five (5) independent non-executive directors. This mean 71.43% of the directors of the Board are independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more then ten listed companies, including this Company.
3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, and none of them is a member of any stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices" , which has been signed by all the directors and employees of the Company.
6. The Board of Directors has adopted a vision/mission statement and all the overall corporate strategy of the Company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer has been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, NBFCs Rules, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of Memorandum and Article of Associations and of their duties and responsibilities. Most of the Directors have also attended talks, workshops, and seminars on the subject of Corporate Governance. Further, the directors of the Company at the time of filling their consent to act as such, have given a declaration of their consent that they are aware of their duties and powers under the Companies Ordinance, 1984 and the listing regulations of the Stock Exchange.
10. The Board of Directors of the Company has approved the appointment of the Chief Financial Officer, Company Secretary and internal auditor including their remuneration and terms and conditions of employment as determined by the Chief Executive Officer.
11. The Directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. Financial Statements for the half year ended December 31, 2004 quarter ended September 30, 2004, March 31, 2005 and full year ended June 30, 2005 presented to the Board for consideration and approval, were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer.



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13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
  14. The Company has complied with all the corporate and financial reporting requirements of the Code.
  15. The Board has formed an Audit Committee. It comprises 3 members, of whom 2 are non-Executive Directors including the Chairman of the Committee.
  16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the company and as required by the code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
  17. The Board has appointed a firm of Chartered Accountants, as Internal Auditors of the Company and has also approved their terms and conditions. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
  18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
  19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  20. We confirm that all other material principles contained in the Code have been complied.

**B. Statement of Compliance with the Best Practices on Transfer Pricing  
(As Required by the Listing Regulations)**

The Company has fully complied with the Best Practices on Transfer Pricing as contained in the Listing Regulation of the Karachi Stock Exchange.

September 09, 2005

On Behalf of the Board of Directors  
**First Dawood Investment Bank Limited**

**Rafique Dawood**  
**Chairman & CEO**

# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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**Taseer Hadi Khalid & Co.**  
Chartered Accountants  
First Floor  
Sheikh Sultan Trust Building No. 2,  
Beaumont Road,  
Karachi 75530 Pakistan

Telephone + 92 (21) 568 5847  
Fax + 92 (21) 568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **FIRST DAWOOD INVESTMENT BANK LIMITED** (the Company) to comply with the Listing Regulation No.37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2005.

Date: September 09, 2005  
Karachi

**Taseer Hadi Khalid & Co.**  
**Chartered Accountants**

## AUDITORS' REPORT TO THE MEMBERS

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**Taseer Hadi Khalid & Co.**  
Chartered Accountants  
First Floor  
Sheikh Sultan Trust Building No. 2,  
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Karachi 75530 Pakistan

Telephone + 92 (21) 568 5847  
Fax + 92 (21) 568 5095  
Internet www.kpmg.com.pk

We have audited the annexed balance sheet of **First Dawood Investment Bank Limited** as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change specified in note 4 with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The comparative figures of balance sheet and of the profit and loss account, cash flow statement and statement of changes in equity were audited by another firm of auditors who vide their report dated 17 September 2004 issued unqualified opinion thereon.

Date: September 09, 2005  
Karachi

**Taseer Hadi Khalid & Co.**  
Chartered Accountants



## BALANCE SHEET AS AT JUNE 30, 2005

	Note	2005	2004 (Restrated)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Tangible Fixed Assets	6	12,329,048	18,576,861
Investment Property	7	13,502,144	9,610,586
Net Investment in Lease Finance	8	1,550,959,940	1,321,439,120
Investments	9	504,497,193	467,454,692
Long-Term Finances	10	128,395,185	-
Mortgage Finance	11	32,453,517	451,402
Long-Term Loans	12	5,465,136	6,152,342
Long-Term Deposits and Deferred Cost	13	2,173,807	3,200,691
		2,249,775,970	1,826,885,694
<b>CURRENT ASSETS</b>			
Current Portion of Non-Current Assets	14	1,018,178,845	875,539,878
Investments	15	1,277,325,238	1,666,716,452
Placement and Finances	16	606,938,085	771,131,479
Advance Against Lease Commitments	17	130,011,900	76,508,157
Advances and Prepayments	18	39,546,962	33,249,502
Other Receivables	19	241,314,099	88,355,467
Cash and Bank Balances	20	94,459,115	45,086,989
		3,407,774,244	3,556,587,924
	Rupees	5,657,550,214	5,383,473,618
<b>EQUITY AND LIABILITIES</b>			
Share Capital and Reserves			
Authorised Capital			
75,000,000 Ordinary Shares of Rs. 10 each		750,000,000	750,000,000
Issued, Subscribed and Paid-Up Capital			
Reserves and Unappropriated Profit	21	294,363,160	280,345,870
	22	478,070,602	479,465,282
		772,433,762	759,811,152
<b>NON CURRENT LIABILITIES</b>			
Redeemable Capital	23	598,050,000	598,050,000
Long-Term Loans	24	560,951,272	542,505,938
Liabilities Against Assets Subject to Finance Lease	25	1,531,756	1,968,978
Certificates of Investment/Deposit	26	110,647,025	125,542,008
Deferred Liabilities	27	60,025,349	68,193,032
Deposits	28	370,227,644	464,627,868
		1,701,433,046	1,800,887,824
<b>CURRENT LIABILITIES</b>			
Current Portion of Long Term Liabilities	29	146,035,298	149,877,457
Short-Term Borrowings	30	1,003,807,516	1,529,671,573
Certificates of Investment/Deposit	26	1,881,936,512	1,014,332,576
Accrued and Other Liabilities	31	144,640,425	122,307,946
Taxation		7,263,655	6,585,090
		3,183,683,406	2,822,774,642
<b>Contingencies and Commitments</b>	32	-	-
	Rupees	5,657,550,214	5,383,473,618

The annexed notes from 1 to 49 form an integral part of these financial statements.

Chairman & Chief Executive

Director



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
<b>Income</b>			
Lease Income		274,234,480	196,329,127
Mortgage Finance		1,560,658	-
Return on Deposits and Investments - Net	33	231,896,477	209,478,639
Gain on Sale of Securities		73,244,188	37,707,774
Loss on Sale of Government Securities		(36,369,275)	(95,531,193)
Loss on Sale of Subsidiary		-	(4,217,444)
Negative Goodwill on Acquisition		-	2,727,059
Exchange Gain		2,021,999	482,991
Other Income	34	20,444,982	9,971,989
		567,033,509	356,948,942
<b>Provisions/Changes in Fair Value</b>			
Provision For Lease Losses and Doubtful Recoveries		(13,841,157)	(46,883,549)
Deficit in Fair Valuation of Interest Rate SWAP		(21,941,536)	-
Loss on Revaluation of Securities		(110,662,436)	(2,201,901)
		(146,445,129)	(49,085,450)
		420,588,380	307,863,492
<b>Expenditure</b>			
Administration and Operating Expenses	35	41,137,407	37,499,605
Financial Charges	36	315,706,127	208,384,863
		(356,843,534)	(245,884,468)
<b>Profit Before Taxation</b>		63,744,846	61,979,024
<b>Provision For Taxation</b>			
Current	37	7,263,652	6,000,000
Prior Year's		(93,992)	5,591,235
Deferred		3,011,791	3,600,000
		(10,181,451)	(15,191,235)
<b>Profit After Taxation</b>	Rupees	53,563,395	46,787,789
Earnings Per Share	38 Rupees	1.82	1.59

The annexed notes from 1 to 49 form an integral part of these financial statements.

Chairman & Chief Executive

Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	2005	2004
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation	63,744,846	61,979,024
Adjustments:		
- Depreciation	7,390,185	6,829,496
- Gain on Sale of Investments	(73,244,188)	(37,707,774)
- Loss on Sale of Government Securities	36,369,275	95,531,193
- Financial Charges	315,706,127	208,384,863
- Gain on Sale of Assets	(2,936,567)	(51,039)
- Provision for Gratuity	1,994,000	712,096
- Provision For Lease Losses and Doubtful Recoveries	13,841,157	46,883,549
- Loss on Revaluation of Securities	110,662,436	2,201,901
- Negative Goodwill on Acquisition	-	(2,727,059)
- Loss on Sale of Subsidiary	-	4,217,444
- Loss on Fair Valuation of Interest Rate SWAP	21,941,536	-
- Exchange Gain	(2,021,999)	(482,991)
- Amortisation of Investment Held to Maturity	(560,477)	(129,458)
	429,141,485	323,662,221
Operating Cash Flow Before Movements in Working Capital	492,886,331	385,641,245
<b>Changes in Operating Assets and Liabilities</b>		
<i>(Increase)/Decrease in Operating Assets</i>		
Net Investment in Lease Finance	(375,566,228)	(447,993,133)
Mortgage Finance	(38,012,225)	(536,585)
Long-Term Finances	(147,574,597)	-
Long-Term Loans	1,242,752	(4,930,948)
Placements and Finances	147,883,865	(164,085,991)
Advances and Prepayments	2,392,361	(9,648,464)
Advance Against Lease Commitments	(53,503,743)	(55,243,913)
Other Receivables	(152,958,632)	(17,825,088)
	(616,096,447)	(700,264,122)
	(123,210,116)	(314,622,877)
<i>Increase/(Decrease) in Operating Liabilities</i>		
Deposits	(96,444,241)	112,921,358
Accrued and Other Liabilities	(18,188,997)	14,194,416
	(237,843,354)	(187,507,103)
Financial Charges Paid	(300,736,102)	(214,450,628)
Gratuity Paid	(1,292,000)	(107,958)
Tax Paid	(15,180,916)	(27,863,824)
<b>Net Cash Used in Operating Activities</b>	(555,052,372)	(429,929,513)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Tangible Fixed Assets	(14,985,763)	(2,538,230)
Proceeds from Sale of Tangible Fixed Assets	12,888,400	595,559
Proceeds from Sale of Subsidiary	-	1,520,056
Investments - Subsidiaries/Associates	25,346,765	(700,000)
Investments	252,849,205	(562,365,457)
Long-Term Deposits	(175,000)	213,446
<b>Net Cash from/(Used in) Investing Activities</b>	275,923,607	(563,274,626)
Rupees		





	Note	2005	2004
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redemption of Redeemable Capital		-	(24,079,229)
Long-Term Loans Obtained		178,160,000	365,100,000
Repayment of Long Term Loans		(162,680,885)	(56,975,003)
Lease Liability		194,174	(2,308,716)
Certificate of Investment - Net		852,708,953	305,323,020
Short-Term Borrowings - Net		(525,864,057)	425,181,669
Dividend Paid		(14,017,294)	(1,228,208)
<b>Net Cash From Financing Activities</b>		<u>328,500,891</u>	<u>1,011,013,533</u>
<b>Net Increase in Cash and Cash Equivalents</b>		49,372,126	17,809,394
Cash and Cash Equivalents at the Beginning of the Year		45,086,989	27,277,595
Cash and Cash Equivalents at the End of the Year	20 Rupees	<u>94,459,115</u>	<u>45,086,989</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	Paid-up Capital	Statutory Reserve *	Reserve for Issue of Bonus Shares	Capital Reserve on Acquisition	Surplus on Revaluation of Investment	General Reserve	Unappropriated Profit (Restated)	Total
	----- Capital Reserves -----			-----	----- Revenue Reserves -----	-----		
Balance at June 30, 2003	262,500,000	100,740,068	13,125,000	-	13,058,304	225,000,000	3,358,866	617,782,238
Profit for the Year	-	-	-	-	-	-	46,787,789	46,787,789
Transfer to Statutory Reserve	-	9,357,558	-	-	-	-	(9,357,558)	-
Transfer to General Reserve	-	-	-	-	-	10,000,000	(10,000,000)	-
Bonus Shares @ 5%	-	-	14,017,294	-	-	-	(14,017,294)	-
Bonus Shares Issued	13,125,000	-	(13,125,000)	-	-	-	-	-
Shares Issued to Certificate Holders of FGLM & ICM	4,720,870	-	-	-	-	-	-	4,720,870
Surplus on Revaluation of Investment	-	-	-	-	87,923,771	-	-	87,923,771
Cash Dividend	-	-	-	-	-	-	(14,017,294)	(14,017,294)
Effect of Fair Value Measurement of Capital on Acquisition	-	-	-	2,596,484	-	-	-	2,596,484
Balance at June 30, 2004 as Previously Reported	280,345,870	110,097,626	14,017,294	2,596,484	100,982,075	235,000,000	2,754,509	745,793,858
Effect of Change in Accounting Policy with Respect to Dividend Declare after the Balance Sheet Date	-	-	-	-	-	-	14,017,294	14,017,294
Balance at June 30, 2004 as restated	280,345,870	110,097,626	14,017,294	2,596,484	100,982,075	235,000,000	16,771,803	759,811,152
Final Dividend Paid for 2004 @ Re. 0.50 per Share	-	-	-	-	-	-	(14,017,294)	(14,017,294)
Profit for the Year	-	-	-	-	-	-	53,563,395	53,563,395
Transfer to Statutory Reserve	-	10,712,679	-	-	-	-	(10,712,679)	-
Transfer to General Reserve	-	-	-	-	-	15,000,000	(15,000,000)	-
Bonus Shares Issued	14,017,290	-	(14,017,290)	-	-	-	-	-
Realisation of Surplus on Revaluation of Investment	-	-	-	-	(61,329,917)	-	-	(61,329,917)
Surplus on Revaluation of Investment	-	-	-	-	34,406,426	-	-	34,406,426
Bonus Shares @ 10%	-	-	29,436,316	-	-	-	(29,436,316)	-
Balance at 30 June 2005 Rupees	294,363,160	120,810,305	29,436,320	2,596,484	74,058,584	250,000,000	1,168,909	772,433,762

\* The statutory reserve is created by transferring not less than 20% after tax profit for the year which is required under Prudential Regulations issued by Securities and Exchange Commission of Pakistan under circular No.21 dated August 25, 2003 for Non-Banking Finance Companies (NBFC's)

The annexed notes from 1 to 49 form an integral part of these financial statements.

**Chairman & Chief Executive**

**Director**



## **NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2005**

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### **1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated on June 22, 1994 as a public limited Company under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The Company has obtained the license of leasing business, Investment Finance Services and Housing Finance Services, under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The name of the Company was changed from Dawood Leasing Company Limited to First Dawood Investment Bank Limited (the Company) on February 23, 2004 with the approval of SECP.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and the directives issued by Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Rules or Directives differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, the Rules or the requirements of the said directives take precedence.

### **3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for the measurement of certain financial instruments at fair value.

### **4. CHANGE IN ACCOUNTING POLICY**

During the current year the Company has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. The change has been made consequent to the amendment made by the Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date). As per the new policy dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are recognised as liability in the accounting period in which these are declared. Previously such dividend declarations were being treated as adjusting events in the financial statements of the Company and were recorded as liability. The change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in the accounting policy, the unappropriated profit would have been lower and other liabilities would have been higher for the year ended 30 June 2004 by Rs. 14.017 million.

### **5. SIGNIFICANT ACCOUNTING POLICIES**

#### **5.1 Tangible Fixed Assets**

Tangible fixed assets include assets acquired under finance lease. Owned fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income, applying the straight line method in accordance with the rates given in note 6. Full year's depreciation is charged on all assets acquired during the year, while no depreciation is charged on assets disposed off during the year.

Assets subject to finance lease are initially recognised at lower of present value of minimum lease payments under the lease agreement and the fair value of the assets and are stated net of accumulated depreciation and impairment loss, if any. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation on leased assets is charged on similar basis as owned fixed assets.

Normal repairs and maintenance are charged to income, as and when incurred, major renewals and improvements are capitalized and the asset so replaced, if any, are retired. Gains and losses on disposal, if any, are taken to profit and loss account.



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## 5.2 Investment Property

The Company uses "Cost Model" for measurement of its investment property. Under the cost method, the investment property is measured at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on straight line basis over the estimated useful lives of the assets at rates given in note 7. Full year's depreciation is charged on investment property acquired during the year, while no depreciation is charged on assets disposed of during the year. Minor maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain or loss on disposal of investment property are taken to profit and loss account.

## 5.3 Net Investment in Lease Finance

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of the asset to the lessees are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, if any. The Company maintains provision for doubtful debts at a level that can be reasonably anticipated, keeping in view the nature of its overall business activities and regulatory requirements.

## 5.4 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

## 5.5 Investments

The investments of the Company, other than subsidiaries/associates, are classified under securities held for trading, held to maturity and available for sale categories.

Investments in securities are recognized on a trade-date basis and are initially measured at cost.

### Subsequent Measurement

#### *Held to Maturity*

These are securities with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold upto maturity and are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

#### *Held for Trading*

These are securities which are either acquired for generating a profit from short-term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exist.

Held for trading investments are measured at subsequent reporting dates at fair value. Unrealized gains and losses are included in the net profit and loss for the year.

#### *Available for Sale*

These are investments that do not fall under held for trading or held to maturity categories.

Available for sale investments are measured at subsequent reporting dates at fair value. Gain/loss arising from re-measurement are taken to equity. Such gain/loss is taken to profit and loss account to the extent which relates to the securities sold/disposed of during the respective period.



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### *Investment in Subsidiaries and Associates*

Investments in subsidiaries and associates are valued at cost. Permanent diminution in value, if any, is provided for.

Unquoted securities are valued at cost less provision for impairment, if any.

Fair value of quoted shares is determined by reference to the stock exchange rates ruling at the balance sheet date. Term Finance Certificates are valued using average rates offered by stock exchange brokers.

Gain or loss on disposal during the year are taken to profit and loss account.

### **5.6 Sale and Repurchase Agreements**

The Company enters into purchase/sale of investment under agreements to resale/repurchase investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resale them at the future dates are not recognized. The amounts paid are recognized in lendings to financial institutions.

The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings from financial institutions.

The difference between the purchase/sale and resale/repurchase consideration is recognised on a time proportion basis over the period of the transaction.

### **5.7 Derivatives**

Derivative instruments held by the Company comprise of interest rate swap (IRS). Derivatives are stated at fair value at the balance sheet date, if any. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet.

The fair value of unquoted derivatives is determined by discounted cash flows, using appropriate interest rates applicable to the underlying asset.

### **5.8 Staff Retirement Benefits**

The Company operates the following staff retirement benefit schemes for its employees:

- a) an unfunded gratuity scheme (defined benefit plan) covering all permanent employees of the company who attained the minimum qualifying period. Provisions are made annually to cover the obligation on the basis of actuarial valuation and charged to income currently.
- b) contributory provident fund, in which equal monthly contribution at the rate of 10% of basic salary is made by the Company and employees.

### **5.9 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration tax credits available, if any, or one half of one percent of turnover, whichever is higher.



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## **Deferred**

Deferred tax is provided using the balance sheet liability method on all taxable temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### **5.10 Impairment**

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

### **5.11 Revenue Recognition**

The Company follows the finance method in recognizing income on lease contracts. Under this method, the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the term of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the leases. Revenue on finance lease is not accrued when rent is past due by one hundred eighty days or more in which case it is recognised on receipts basis. Front end fee, documentation charges, commitment fee and other commissions, if any, are taken to income when realized.

Profit on Morabaha finance and other financing are accrued on time proportion basis.

Return on securities is recognized on accrual basis.

Dividend income from investments is recognized when the right to receive is established.

Income from capital gain is recognised on trade date. Brokerage and underwriting commission is recognised as and when earned.

Rental income on investment property is recognised on an accrual basis.

Guarantee income is recognised on time proportion basis.

### **5.12 Transfer Pricing**

Transactions between the Company and its related parties are carried out on an arm's length basis.



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The relevant rates are determined in accordance with the following methods:

<b>Nature of Transaction</b>	<b>Method</b>
Borrowing/Lending/Placements	Comparable Uncontrolled Price Method
Lease Finance Facilities/Obligations	Comparable Uncontrolled Price Method
Investment in Securities	Comparable Uncontrolled Price Method
Sharing of Common Expenses	Actual

### **5.13 Foreign Currencies**

Transaction in foreign currencies are accounted for in Rupees at the exchange rate on the date of transaction. Assets and liabilities in foreign currencies are converted into Rupees at the rate of exchange on the balance sheet date. In cases, where exchange risk cover has been obtained from the State Bank of Pakistan, the foreign currency amounts are translated into rupees at the contracted rates.

Exchange risk fee and differences arising due to hedging mechanism are accounted for as deferred revenue or costs, as the case may be, and are credited to income or amortized respectively over the term of the transaction.

### **5.14 Financial Instruments**

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished i.e, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly.

### **5.15 Financial Assets**

Financial assets comprise of cash and bank balances, investments, placements and finance, advances, deposits and other receivables, net investment in lease finance, mortgage finance, long term finances and long term loans. Investments are stated at fair value. Net investment in leases and installment loans are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount, while other financial assets are stated at cost.

### **5.16 Financial Liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are accrued and other liabilities, certificates of investment/deposit, borrowings from banks and financial institutions, redeemable capital and liability against assets subject to finance lease.

### **5.17 Offsetting**

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off-set.



## 6. TANGIBLE FIXED ASSETS

Particulars	Cost at 01 July 2004	Additions/ (Deletion)	Transfer 6.1	Cost at 30 June 2005	Accumulated Depreciation at 01 July 2004	Transfer 6.1	Depreciation/ (Adjustment) for the year	Accumulated Depreciation at 30 June 2005	Book value at 30 June 2005	Rate %
<b>Owned</b>										
Office Premises	7,539,707	6,877,000 (6,877,000)	(7,539,707)	-	4,038,800	(4,038,800)	- -	-	-	10
Lease Hold Improvements	9,889,938	-	(9,889,938)	-	6,203,447	(6,203,447)	-	-	-	10
Furniture and Fixture	9,301,584	- (5,333,434)	-	3,968,150	6,184,324	-	588,025 (5,031,263)	1,741,086	2,227,064	10
Equipment and Appliances	6,059,124	1,334,090 (4,515,207)	-	2,878,007	5,183,165	-	687,955 (4,515,207)	1,355,913	1,522,094	20
Vehicles	7,663,533	687,673 (4,673,832)	-	3,677,374	5,170,359	-	712,675 (3,406,370)	2,476,664	1,200,710	20
	40,453,886	8,898,763 (21,399,473)	(17,429,645)	10,523,531	26,780,095	(10,242,247)	1,988,655 (12,952,840)	5,573,663	4,949,868	
<b>Leased Assets</b>										
Vehicles	6,560,450	6,087,000 (2,119,000)	-	10,528,450	1,657,380	-	2,105,690 (613,800)	3,149,270	7,379,180	20
<b>2005</b>	<i>Rupees</i>	<b>47,014,336</b>	<b>14,985,763</b> <b>(23,518,473)</b>	<b>(17,429,645)</b>	<b>21,051,981</b>	<b>28,437,475</b>	<b>(10,242,247)</b>	<b>4,094,345</b> <b>(13,566,640)</b>	<b>8,722,933</b>	<b>12,329,048</b>
<b>2004</b>	<i>Rupees</i>	<b>37,155,782</b>	<b>7,372,230</b> <b>(3,063,425)</b>	<b>5,549,749</b>	<b>47,014,336</b>	<b>22,243,187</b>	<b>3,020,290</b>	<b>5,692,903</b> <b>(2,518,905)</b>	<b>28,437,475</b>	<b>18,576,861</b>

6.1 Represents assets and corresponding accumulated depreciation transferred to investment property.





## 6.2 DISPOSAL OF TANGIBLE FIXED ASSETS

Particulars	Cost	Accumulated depreciation	Book Value	Sale Proceed	Name & Address	Mode of Disposal
Vehicle	950,000	380,000	570,000	570,000	Guardian Modaraba (Associated Co.) 1500-A, Saima Trade Tower, I.I. Chundrigar Road, Karachi	By Negotiation
Vehicle	1,169,000	233,800	935,200	935,200	Guardian Modaraba (Associated Co.) 1500-A, Saima Trade Tower, I.I. Chundrigar Road, Karachi	By Negotiation
Vehicle	1,096,200	1,096,200	-	-	Mr. Ayaz Dawood (Director) F-12, Dawood Colony, Stadium Road, Karachi NIC# 42201-0438110-3	Company Policy
Vehicle	1,149,000	1,149,000	-	-	Mr. Rafique Dawood (CEO) F-12, Dawood Colony, Stadium Road, Karachi NIC# 42201-0438107-3	Company Policy
Vehicle	318,500	191,100	127,400	127,400	Syed Muhammad Tausif (Employee) House No. R-206, Mohala Kaliana Town, North Karachi, Sector 10, Karachi. NIC# 42101-1417577-7	Company Policy
Vehicle	368,250	220,950	147,300	147,300	Mr. Abbas Qurban (Employee) Burhani Arcade, 4th floor, near City Court, M.A. Jinnah Road, Karachi. NIC# 42301-7509411-1	Company Policy
Vehicle	849,000	169,800	679,200	715,000	Mr. Shah Faisal (Ex-Employee) D-7, Irum Villas, Block-14, Gulshan-e-Iqbal, Karachi. NIC# 42201-7052657-5	By Negotiation
Vehicle	57,000	57,000	-	6,000	Mr. Anwar Ahmed (Employee) House No. A-13/3, Block 5-D, Paposh Nagar, Nazimabad. NIC# 42101-1946571-3	By Negotiation
Vehicle	62,500	37,500	25,000	12,500	Mr. Muhammad Abbas (Employee) E-32, Yousuf Plaza, Federal B Area, Block # 16, Karachi. NIC# 42101-5890489-5	By Negotiation
Vehicle	42,682	-	42,682	25,000	Mr. Altaf Ahmed 2nd Floor, Flat No.4 Kamal Manzil, opp KMC Karachi	By Negotiation
Vehicle	58,000	58,000	-	10,000	Amjad Hussain (Employee) House No. 1725/3211, Madina Colony, Baldia Town, Karachi NIC# 42401-6609586-5	By Negotiation
Vehicle	58,000	58,000	-	-	Syed Ahmed Tauseef (Employee) 86-B/II, Punjab Government Employees, Government Housing Society, Lahore.	Company Policy
Vehicle	614,700	368,820	245,880	295,000	Guardian Modaraba (Associated Co.) 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi.	By Negotiation
Furniture & Fixtures	781,770	479,599	302,171	45,000	Ahmed Furniture Mart Shop No. 12, Arambagh, Karachi.	By Negotiation
Furniture & Fixtures	4,551,664	4,551,664	-	-		Write-off
Equipment	4,515,207	4,515,207	-	-		Write-off
Property	6,877,000	-	6,877,000	10,000,000	B.R.R. International Modaraba (Associated Co.) 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi.	By Negotiation
<b>2005 Rupees</b>	<b>23,518,473</b>	<b>13,566,640</b>	<b>9,951,833</b>	<b>12,888,400</b>		
2004 Rupees	3,063,425	2,518,905	544,520	595,559		



## 7. INVESTMENT PROPERTY

Particulars	Cost at 01 July 2004	Transfer 7.1	Cost at 30 June 2005	Accumulated Depreciation at 01 July 2004	Transfer 7.1	Depreciation/ for the Year	Accumulated Depreciation at 30 June 2005	Book Value at 30 June 2005	Rate %
<b>Owned</b>									
Office premises	20,742,507	17,429,645	38,172,152	11,131,921	10,242,247	3,295,840	24,670,008	13,502,144	10
<b>2005</b>	<b>Rupees</b>	<b>20,742,507</b>	<b>17,429,645</b>	<b>38,172,152</b>	<b>11,131,921</b>	<b>10,242,247</b>	<b>3,295,840</b>	<b>24,670,008</b>	<b>13,502,144</b>
2004	Rupees	19,018,592	1,723,915	20,742,507	8,109,515	948,155	2,074,251	11,131,921	9,610,586

7.1 Represents assets and corresponding accumulated depreciation transferred from Tangible Fixed Assets.

7.2 The fair value of investment property as at June 30, 2005 as per valuation by an independent valuer is Rs. 79.02 million (June 30, 2004 : Rs. 28.99 million)

## 8. NET INVESTMENT IN LEASE FINANCE

	Note	2005	2004
Minimum Lease Payments Receivables	8.1	2,765,166,014	2,212,294,958
Residual Value of Leased Assets		429,910,683	523,896,363
		<u>3,195,076,697</u>	<u>2,736,191,321</u>
Unearned Finance Income		(553,846,182)	(470,527,034)
Net Investment in Lease Finance		<u>2,641,230,515</u>	<u>2,265,664,287</u>
Provision for Lease Losses		(139,547,716)	(111,142,080)
Net Investment in Lease Finance	8.2	<u>2,501,682,799</u>	<u>2,154,522,207</u>
Current Portion of Net Investment in Lease Finance	Rupees	<u>(950,722,859)</u>	<u>(833,083,087)</u>
		<u>1,550,959,940</u>	<u>1,321,439,120</u>

### 8.1 Minimum Lease Payments Receivables

Less than One Year		929,642,965	1,024,076,723
More than One Year and less than Five Years		1,835,523,049	1,188,218,235
	Rupees	<u>2,765,166,014</u>	<u>2,212,294,958</u>

### 8.2 Net Investment in Lease Finance

Less than One Year		950,722,859	833,083,087
More than One Year and less than Five Years		1,550,959,940	1,321,439,120
	Rupees	<u>2,501,682,799</u>	<u>2,154,522,207</u>

8.3 There are no rentals receivable over five years. The mark-up rate on leases ranges between 9 percent to 14 percent (2004: 7% to 20%) per annum.

8.4 The company has provided facilities amounting to Rs. 178.67 million to Pioneer Cement Limited, which is in excess of 20% of its equity



	Note	2005	2004
<b>9. LONG TERM INVESTMENT</b>			
Subsidiaries/Associates	9.1	53,710,182	79,056,947
Held to Maturity	9.2	450,787,011	388,397,745
	Rupees	<u>504,497,193</u>	<u>467,454,692</u>
<b>9.1 Investment in Subsidiaries/Associates</b>			
<b>Subsidiaries</b>			
Guardian Modaraba Management (Private) Limited			
Percentage of holding 99.80%			
2,495,000 Ordinary shares of Rs.10 each			
Net assets value at 30 June 2005 : Rs. 26.04 million			
(2004: Rs. 23.99 million)			
		15,793,350	15,793,350
Providence Modaraba Limited			
Percentage of holding 99%			
990,000 Ordinary shares of Rs.10 each			
Net assets value as at 30 June 2005 : Rs. 6.65 million			
(2004: Rs. 6.32 million)			
		7,563,597	7,563,597
<b>Associates</b>			
Dawood Capital Management Limited			
(Formerly Pakistan Venture Capital Limited)			
Percentage of holding 30%			
3,000,000 Ordinary shares of Rs.10 each			
Net assets value as at 30 June 2005 : Rs. 47.34 million			
(2004: Rs. 42.72 million)			
Market value Rs.19.50 million (2004: Rs.29.25 million)			
		30,000,000	30,000,000
Dawood Money Market Fund			
Percentage of holding 0.02% (2004 : Rs. 2.26%)			
3,817,2923 units (2004: 277,772 units) of Rs.100 each			
Net assets value as at 30 June 2005 : Rs. 0.42 million			
(2004: Rs. 25.44 million)			
Market value Rs. 0.41 million (2004 Rs. 30.53 million)			
		353,235	25,700,000
	Rupees	<u>53,710,182</u>	<u>79,056,947</u>
<b>9.2 Investment - Held to maturity</b>			
Term Finance Certificates	9.2.1	17,942,105	27,355,596
US Dollar Bonds	9.2.2	134,010,730	130,582,382
Pakistan Euro Bonds	9.2.3	12,340,547	22,944,371
Pakistan Bonds	9.2.4	11,937,000	11,631,620
Bank Markazi Iran Bonds	9.2.5	21,588,660	21,207,360
HBOS Capital Funding Perpetual Bonds	9.2.6	4,476,375	4,361,857
Target Redemption Bonds	9.2.7	5,968,500	5,815,810
WAPDA Bonds	9.2.8	100,000,000	150,000,000
Asset Backed Certificates - SPV	9.2.9		
- Transport Securitisation Trust		10,784,980	22,319,439
- Securities SPV Limited		12,012,322	31,362,403
- Development Securitisation Trust		7,777,800	-
- First Securitisation Trust		-	881,098
Debt Instruments - Preference Shares	9.2.10	144,566,988	-
Pakistan Investment Bonds/Treasury Bills	9.2.11	8,856,533	1,046,119
		492,262,540	429,508,055
Current portion		(41,475,529)	(41,110,310)
	Rupees	<u>450,787,011</u>	<u>388,397,745</u>



	Note	2005	2004
<b>9.2.1 Term Finance Certificates (TFCs)</b>			
<b>Unlisted</b>	9.2.1.1		
Pakland Cement Ltd			
Series A		100,705,509	110,119,000
Series B		2,089,846	2,089,846
		102,795,355	112,208,846
Profit Capitalized on TFC's of Series A		39,682,243	39,682,243
Less: Suspended		(39,682,243)	(39,682,243)
		-	-
Less : Provision			
- Opening Balance		84,853,250	84,853,250
- During the Year		-	-
		(84,853,250)	(84,853,250)
	Rupees	17,942,105	27,355,596

9.2.1.1 This represent overdue term finance certificates of Pakland Cement Limited (PCL) issued in lieu of outstanding lease liabilities. In June 2004, the ownership of the issuer changed hands and the new owners (Dewan Mushtaq Group) have offered restructuring plan to the creditors as follows:

TFC Series 'A' will be repaid in seven years and repayment commenced from July 2004 carrying interest at KIBOR+2.5 percent.

TFC Series 'B' will be repaid to the extent of 30 percent over a period of two years commencing from the date of last installment of the Series 'A'. The revised TFC Series 'B' will not earn any profit/return.

No provisions are required to be made as allowed by SECP vide letter reference SEC/NBFC(1)-JD/735/203 dated 11 September 2003. However, on prudent ground, a provision of Rs. 84.85 million has been made to date by the company the level of which is in line with the industry.

9.2.2 These represent 7 year bonds of US \$ 59,000 and \$ 2,186,300 (2004: US \$ 59,000 and \$ 2,186,300) having a maturity date of 15 December 2005 and 15 December 2010. Interest rates are 2 percent and 4 percent over LIBOR respectively received on a semi-annual basis. The bonds have been placed as collateral against borrowings.

9.2.3 These represent 5 year bonds of US \$ 211,500 (2004: US \$ 423,000) having a maturity from 12 December 2005 to 12 December 2010. Interest rate is 10 percent per annum received on a semi-annual basis.

9.2.4 These represent 5 year bonds of US \$ 200,000 (2004: US\$ 200,000) having a maturity date of 19 February 2009. Interest rate is 6.75 percent per annum received on a semi-annual basis.

9.2.5 These represent 5 year bonds of Euro 200,000 and Euro 100,000 (2004: Euro 200,000 and Euro 100,000) having a maturity date of 21 April 2008 and 23 July 2007 respectively. Interest rates are 7.75 percent and 8.75 percent respectively received on a semi annual basis.

9.2.6 These represent 46 year bonds of US \$ 75,000 (2004: US\$ 75,000) having a maturity date of 23 July 2049. Interest rate is 6.85 percent per annum received on a quarterly basis.

9.2.7 These represent 10 year bonds of US \$ 100,000 (2004: US\$ 100,000) having a maturity date of 26 April 2014. Interest rate is 8.20 percent per annum received on a semi-annual basis.

9.2.8 These represent 5 year bonds having a maturity date of 29 April 2008. Interest rate is 7.25 percent received on a semi annual basis. Bonds of Rs. 100 million have been placed as collateral against borrowing.

9.2.9 The investee is duly registered with the SECP as a Special Purpose Vehicles (SPV) and the bonds have a maturity period of 2 to 3 years. Interest rate ranges from 7.5 percent to 14.5 percent redeemable monthly or quarterly. Out of the total investment Rs. 12.01 million have been placed as collateral against borrowing.



## 9.2.10 Debt Instruments - Preference Shares

	(No. of shares)		2005	2004
	2005	2004		
D.G Khan Cement	63,656	-	677,938	-
Azgard Nine Limited	3,984,770	-	39,847,700	-
Jamshoro Joint Venture Limited	5,000,000	-	50,000,000	-
Chenab Limited	1,820,000	-	18,200,000	-
Shakarganj Mills Limited	3,584,135	-	35,841,350	-
		Rupees	<u>144,566,988</u>	<u>-</u>

These represent cumulative redeemable convertible preference shares carrying dividend from 8.5 percent to 15 percent per annum.

9.2.11 The investment has been financed through borrowings which is secured against pledge of the said investment. The legal right of set off is available to the Company and it also intends to realize the assets and settle the liability simultaneously. The interest rate on investment ranges from 8.20 percent to 10 percent received on semi-annual basis. The borrowing from commercial banks is subject to mark-up rates ranging from Re. 0.2411 to Re. 0.2452 per Rs. 1,000 per day.

Pakistan Investment Bonds/Treasury Bills	979,551,543	56,027,369
Borrowing Under Repurchase Agreements	(970,695,010)	(54,981,250)
Rupees	<u>8,856,533</u>	<u>1,046,119</u>

## 10. LONG-TERM FINANCE

Term Finance Facility	147,574,597	-
Less : Current Portion	(19,179,412)	-
Rupees	<u>128,395,185</u>	<u>-</u>

10.1 These are secured against mortgage of immovable properties. The mark-up/profit rates ranges from 8 percent to 14 percent per annum subject to change in SBP discount rate, receivable on monthly/quarterly basis. The principal is receivable in installment upto March 2012.

## 11. MORTGAGE FINANCE

Housing Finance Against Mortgage	38,548,810	536,585
Less : Current Portion	(6,095,293)	(85,183)
Rupees	<u>32,453,517</u>	<u>451,402</u>

11.1 These are subject to interest rates from 9 percent to 14 percent per annum, subject to change in SBP discount rate and KIBOR, receivable on monthly/quarterly basis, with maturities upto November 2024.

## 12. LONG TERM LOANS - STAFF

*Considered good*

Chief Executive	1,414,516	1,659,598
Director	2,263,823	2,480,203
Other Staff	2,492,549	3,273,839
	<u>6,170,888</u>	<u>7,413,640</u>
Less : Current portion	(705,752)	(1,261,298)
Rupees	<u>5,465,136</u>	<u>6,152,342</u>
Outstanding for Period:		
- Within Three Years	2,082,172	3,949,338
- Exceeding Three Years	4,088,716	3,464,302
Rupees	<u>6,170,888</u>	<u>7,413,640</u>



The loans have been provided to Chief Executive and Director of the company to facilitate purchase of house, which are repayable over a period of 10 years with service charge @ 10 percent and 5 percent per annum, respectively.

The loans provided to other staff are at 5 percent service charge per annum, which are repayable over a period of 3 to 20 years.

Maximum aggregate amount outstanding during the year in respect of Chief Executive and Director was Rs. 4,139,801 (2004: Rs. 4,239,598).

	Note	2005	2004
<b>13. LONG TERM DEPOSITS AND DEFERRED COST</b>			
Long Term Deposits		441,199	266,199
Deferred Cost	13.1	1,732,608	2,934,492
	Rupees	<u>2,173,807</u>	<u>3,200,691</u>
<b>13.1 Deferred Cost</b>			
Brokerage, Advisory Fee, and Commission Expenses Incurred on Issue of TFCs			
Opening Balance		7,219,492	7,219,492
Incurred During the Year		-	-
		7,219,492	7,219,492
Amortisation			
Opening Balance		4,285,000	2,851,533
Amortized During the Year		1,201,884	1,433,467
		(5,486,884)	(4,285,000)
	Rupees	<u>1,732,608</u>	<u>2,934,492</u>
<b>14. CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Net investment in Lease Finance	8	950,722,859	833,083,087
Investments-Held to Maturity	9.2	41,475,529	41,110,310
Long-Term Finances	10	19,179,412	-
Mortgage Finance	11	6,095,293	85,183
Long-Term Loans	12	705,752	1,261,298
	Rupees	<u>1,018,178,845</u>	<u>875,539,878</u>
<b>15. SHORT TERM INVESTMENTS</b>			
Available for Sale	15.1	821,507,751	1,051,403,517
Held for Trading	15.2	455,817,487	615,312,935
	Rupees	<u>1,277,325,238</u>	<u>1,666,716,452</u>
<b>15.1 Investments - Available for Sale</b>			
Term Finance Certificates	15.1.1	676,950,211	803,090,854
Pakistan Income Fund		-	96,665,816
Meezan Islamic Fund	15.1.2	2,079,948	12,379,900
National Investment Trust	15.1.3	62,312	48,303
Pakistan Investment Bonds		-	5,894,790
Quoted Securities	15.1.4	142,415,280	133,323,854
	Rupees	<u>821,507,751</u>	<u>1,051,403,517</u>



15.1.1 Term Finance Certificates (TFCs) Listed (15.1.1.1)	No. of Certificates		2005	2004
	2005	2004	(Rupees)	
Al-Abbas Sugar	1,000	1,000	3,352,631	4,473,684
Al-Noor Sugar	3,000	3,000	12,243,672	5,975,474
Al-Zamin Leasing Modaraba (Managed by Al-Zamin Modaraba Management)	5,000	5,000	24,000,000	25,000,000
Atlas Lease	2,000	2,000	1,280,225	4,067,743
Bank Alfalah	-	11,588	-	62,543,445
Bank Al-Habib	4,350	-	19,139,999	-
Chaudhry Sugar	5,000	5,000	19,764,646	24,999,975
Crescent Leasing - II	1,000	1,000	5,000,000	5,520,500
Dewan Salman Fibres - II	3,300	3,300	2,057,700	8,735,182
Engro Chemicals	-	1,660	-	8,585,286
Fidelity Bank	11,000	11,000	43,632,540	54,989,000
First Oil & Gas Securitization Trust	15,000	15,000	44,119,610	65,918,982
Grays Leasing	1,000	1,000	3,750,000	5,000,000
Hira Textile	4,900	-	24,750,000	-
Ittehad Chemicals	4,000	4,000	20,183,840	20,791,680
KASB Leasing	-	818	-	4,105,944
Maple Leaf Cement	259	259	881,047	1,165,034
MCB Bank	1,000	1,000	5,144,850	5,551,667
NIB Bank	-	2,000	-	5,216,208
Naimat Basal Oil & Gas Securitization	9,826	-	46,206,765	-
Network Leasing - I	2,000	2,000	2,684,971	8,216,404
Nishat Mills	4,105	4,105	6,986,488	16,328,931
Orient Petroleum	2,000	2,000	5,000,001	8,333,333
Orix Leasing Pakistan - I	-	1,000	-	4,338,966
Orix Leasing Pakistan - II	1,400	1,400	7,000,000	7,557,200
Pacific Leasing	2,000	2,000	8,330,000	10,090,981
Pakistan International Airline	33,000	33,000	147,893,268	168,296,634
Pakistan Mobile Communications	2,000	2,000	10,000,000	10,000,000
Pakistan PTA	-	2,000	-	8,245,373
Pakistan Services	6,000	6,000	30,581,640	29,994,000
Paramount Leasing - II	-	4,874	-	24,448,000
Quetta Textile	-	1,770	-	9,117,215
Shahmurad Sugar Mills	2,271	2,271	3,783,486	7,818,952
Sui Southern Gas	5,000	5,000	16,819,833	26,891,356
Trust Investment Bank	-	3,000	-	2,592,635
Union Bank - I	3,256	12,000	16,446,537	65,342,771
Union Bank - II	4,000	4,000	17,301,739	16,640,523
United Bank - I	10,000	10,000	42,991,744	50,000,000
United Bank - II	15,928	-	74,861,600	-
Worldcall Communication	3,000	3,000	10,761,379	16,197,776
			<u>676,950,211</u>	<u>803,090,854</u>

**15.1.1.1** The listed TFCs are redeemed semi-annually and earn expected profit ranging from Re. 0.1575 to Re. 0.4520 per Rs.1,000 per day. The TFCs of Rs. 385.34 million have been placed as collateral against borrowings. All listed TFCs have the face value of Rs. 5,000 each.

**15.1.2** This represents investment in 27,468 (2004: 200,160) units having face value of Rs. 50 each.

**15.1.3** This represent investment in 1,531 (2004: 1,531) units having a face value of Rs.10 each.



#### 15.1.4 Quoted securities

Shares of listed companies-Fully paid ordinary shares/certificates/units of Rs. 10 each unless stated otherwise,

Shares/Certificates/Units	No. of shares/certificates		2005	2004
	2005	2004	(Rupees)	
Adamjee Insurance	8,765	8,765	585,064	589,014
Arif Habib Securities	88,800	15,000	32,500,800	10,920,000
Bank Alfalah	3,875	-	157,906	-
Bank Al-Habib	42,684	23,667	1,846,083	999,931
Bank of Punjab	480	119,050	40,200	6,214,410
Central Insurance	2,000	2,000	269,000	218,500
Cherat Cement	14,400	11,000	885,600	789,250
Crescent Commercial Bank	15,187	15,187	157,185	217,174
D.G. Khan Cement	12,738	90,626	710,144	5,210,995
Dawood Lawrencepur	1,840	1,840	130,640	161,920
Fauji Fertilizer Company	15,491	200	1,879,833	23,770
Faysal Bank	103,025	120,750	5,542,745	4,316,813
First Equity Modaraba (Managed by Premier Financial Services)	593,300	-	8,039,215	-
GlaxoSmithKline Pakistan	30,782	20,360	5,416,093	4,234,880
International Industries	6,037	2,300	633,885	379,500
Kohinoor Textile Mills	10,806	-	410,628	-
Maple Leaf Cement	173,703	50,000	3,786,725	1,900,000
Metropolitan Bank	22,620	17,400	1,357,200	739,500
MCB Bank	31,898	62,828	2,529,511	3,179,097
Muslim Insurance	10,650	3,375	462,210	101,250
National Bank of Pakistan	38,510	38,510	4,157,155	2,558,989
National Refinery	300	4,500	94,890	831,825
New Jubilee Insurance	9,000	9,000	191,250	234,000
Nishat Chunian	18,904	-	1,797,770	-
NIB Bank	97,626	97,626	2,245,398	1,952,520
Pakistan Re-Insurance	82,400	82,400	4,247,720	5,380,720
Pakistan Oil Fields	45,940	125,440	12,927,516	26,154,240
Pakistan State Oil	10,000	50,000	3,860,000	12,837,500
Pakistan Strategic Allocation Fund	1,500,000	-	14,475,000	-
Pakistan Telecommunication	105,000	250,000	6,924,750	10,537,500
Pakistan Industrial Credit & Investment	211,914	296,113	14,833,980	21,334,942
Packages Limited	3,089	-	432,460	-
PICIC Commercial Bank	86,912	153,550	2,889,824	5,182,312
Pioneer Cement	151,500	-	3,181,500	-
Premier Insurance	47,825	47,825	1,111,931	1,037,802
Prime Commercial Bank	7,591	-	144,229	-
Reckit Benckiser	-	34,300	-	3,258,500
Sapphire Textile Mills	6,750	6,750	627,750	445,500
TRG Pakistan	10,000	10,000	101,000	172,500
Wyeth Pakistan	930	930	830,490	1,209,000
			<u>142,415,280</u>	<u>133,323,854</u>





## 15.2 Investments - Held for Trading

Fully paid ordinary shares of Rs. 10 each unless stated otherwise,,

Shares/Certificates/Units	No. of shares / certificates		2005	2004
	2005	2004		
Quoted				
ABAMCO Composite Fund	1,852,930	1,852,930	12,785,217	17,417,542
Adamjee Insurance	3,767	65,915	251,447	4,429,488
AMZ Venture	703,000	-	7,733,000	-
Al-Ghazi Tractors	46,750	32,500	6,874,588	5,687,500
Al-Meezan Mutual Fund	12,650	10,000	135,355	154,500
Arif Habib Securities	1,900	34,200	695,400	24,897,600
Asset Investment Bank	7,700	83,700	28,490	602,640
Askari Commercial Bank	2,826	14,155	220,428	904,504
Atlas Investment Bank	703,000	5,000	151,800	139,250
Attock Refinery	5,640	73,100	899,862	6,688,650
Attock Cement	32,500	32,500	2,210,000	1,690,000
Artistic Denim Mills	-	5,000	-	397,750
Avenits Pharmaceutical	300	300	55,500	85,500
Azgard Nine	1,500	-	48,002	-
Balochistan Wheels	125	125	4,413	4,250
Balochistan Glass	61,000	56,000	521,550	730,800
BSJS Balance Fund	11,000	20,000	90,750	259,000
Bank Alfalah	34,075	-	1,388,556	-
Bank Al-Habib	30,670	50,670	1,326,477	2,140,807
Bank of Punjab	-	19,000	-	991,800
Bosicor Pakistan	99,000	187,500	1,282,050	4,303,125
Business & Industrial Insurance	500	500	2,375	2,000
Callmate Telips Telecom	37,000	12,500	1,443,000	190,625
Caravan East Fabrics	907,000	1,337,000	2,312,850	-
Century Paper & Board	2,000	2,000	165,900	188,000
Chakwal Cement	143,500	163,500	1,069,075	1,258,950
Cherat Cement	3,475	5,000	213,713	358,750
Cherat Paper Sack	3,096	2,580	217,494	227,040
D.G. Khan Cement - Preference	-	63,656	-	677,936
Crescent Leasing	9,821	30,500	146,333	518,500
D.G. Khan Cement	10,500	16,000	585,375	920,000
Dawood Capital Management	-	1,000	-	9,750
Dawood Hercules Chemicals	6,840	6,840	1,135,440	1,235,988
Dewan Cement	860,066	1,012,066	16,341,254	31,829,476
Dewan Farooque Motors	33,825	61,500	649,440	1,525,200
Dewan Farooque Spinning	2,946,774	-	29,467,240	-
Dewan Hattar Cement	135,000	150,000	1,248,750	2,482,500
Dewan Salman Fibres	140,298	114,000	2,364,021	2,582,100
Ecopak	648,000	-	32,140,800	-
Engro Chemicals	42,672	137,472	4,917,948	13,403,520
Escort Investment Bank	152,500	218,500	1,616,500	3,255,650
Fauji Cement	90,000	113,500	1,152,000	1,850,050
Fauji Fertilizer	36,244	51,300	4,398,209	6,097,005
Faysal Bank	2,000	66,000	107,601	2,359,500
Fauji Fertilizer Bin Qasim	74,212	354,212	1,996,303	6,694,607
First Dawood Mutual Fund	1,000,000	-	10,000,000	-
First Equity Modaraba	627,300	583,300	8,499,915	16,624,050
(Managed by Premier Financial Services)				
First Habib Bank Modaraba	40,040	40,040	500,500	624,624
(Managed by Habib Bank Financial Services)				
First Imrooz Modaraba	500	500	30,575	21,375
(Managed by A.R. Management Services)				
First International Investment Bank	9,111	7,923	100,221	117,657
First National Bank Modaraba	773,500	773,500	5,221,125	7,502,950
(Managed by National Bank of Pakistan)				
Balance carried forward			164,746,842	174,082,509





Shares	No. of shares/certificates		2005	2004
	2005	2004	(Rupees)	
	Balance brought forward		328,310,777	404,324,250
Packages	24,872	24,872	3,482,080	4,924,656
Pak Suzuki Motor Co.	4,390	165,900	439,000	19,227,810
Pakistan Capital Market Fund	899,000	1,827,500	10,743,050	18,731,875
Pakistan International Airlines	255,500	251,500	2,184,525	4,501,850
Pakistan Oil Fields	1,900	29,200	534,660	6,088,200
Pakistan Premier Fund	78,624	67,500	1,167,566	1,296,000
Pakistan PTA	336,825	94,825	2,694,600	1,645,214
Pakistan Petroleum	3,000	-	645,300	-
Pakistan International Container Terminal	89,649	37,000	2,303,979	851,000
Pakistan State Oil	554	100,554	213,844	25,817,239
Pakistan Telecommunication	12,500	505,000	824,375	21,285,750
Pakistan Tobacco	10,000	30,000	640,000	1,320,000
Pakistan Refinery	6,400	11,200	1,330,560	1,680,000
Pak Electron	173,693	67,375	6,930,351	4,918,375
PICIC Growth Fund	41,955	185,750	218,129	8,776,687
Pakistan Industrial Credit & Investment	240,799	222,425	16,855,930	16,025,722
PICIC Commercial Bank	3,400	243,900	113,050	8,231,625
PICIC Investment Fund	41,955	21,955	629,325	395,190
Pioneer Cement	983,740	220,500	20,658,540	4,432,050
Premier Insurance	63,565	123,000	1,477,886	2,669,100
Prime Commercial Bank	46,774	43,700	888,706	775,675
First Prudential Modaraba (Managed by Prudential Modaraba Management)	2,057	2,057	4,217	8,639
Reliance Weaving	6,000	5,000	162,300	135,000
Schon Modaraba	850	850	340	1,487
Security Leasing	264	200	4,620	3,050
Service Fabrics	190,500	100,000	219,075	375,000
Shell Pakistan	-	14,400	-	5,027,760
Singer Pakistan	5,000	-	113,750	-
Sitara Energy	24,000	17,000	396,000	595,000
Soneri Bank	10,400	-	332,800	-
Standard Chartered Modaraba (Managed by Standard Chartered Services)	1,080	1,080	25,920	37,152
Southern Electric Power Company	211,248	217,499	1,468,174	3,327,735
Sui Northern Gas Pipelines	5,125	152,125	314,163	9,842,488
Sui Southern Gas	243,829	276,829	5,644,641	9,080,011
Suraj Cotton Mills	5,000	5,000	250,000	230,000
Telecard	305,500	45,500	3,711,825	1,119,300
TRG Pakistan	904,500	444,500	9,135,450	7,667,625
TRG Pakistan (Right)	-	1,159,000	-	7,359,650
Trust Investment Bank	-	169,861	-	1,919,429
Tripack Films	18,000	18,000	900,000	1,493,100
Umer Fabrics	-	5,000	-	172,500
Unicap Modaraba (Managed by Al-Zamin Modaraba Management)	40	40	28	116
Union Bank	20,958	-	827,841	-
Unilever Pakistan	2,140	1,940	3,017,400	3,007,000
World Bridge Connect	2,396,881	-	23,968,810	-
World Call Broadband	6,000	6,000	59,400	72,300
World Call Payphone	89,250	66,250	892,500	940,750
Zahoor Cotton	20,000	128,500	32,000	366,225
Zeal Pak Cement	175,000	20,000	1,050,000	248,000
			455,817,487	610,947,585
<b>Pakistan Investment Bonds (PIBs)</b>			-	4,365,350
			455,817,487	615,312,935



	Note	2005	2004
<b>16. PLACEMENTS AND FINANCES</b>			
Placements			
Secured	16.1	192,047,221	26,960,000
Unsecured	16.2	150,200,030	534,768,978
		342,247,251	561,728,978
Short Term Finance-Secured	16.3	165,180,084	32,449,380
Provision for Doubtful Finances		(2,446,750)	(2,449,380)
		162,733,334	30,000,000
Certificates of Deposit		9,217,000	9,217,000
Provision for Doubtful Finances		(9,217,000)	(9,217,000)
		-	-
Morabaha/Musharika Finances	16.4	120,341,834	117,755,413
Provision for Doubtful Finances		(18,384,334)	(34,691,233)
		101,957,500	83,064,180
Financing Under Resale Arrangement - Equity Securities		-	96,338,321
	Rupees	<u>606,938,085</u>	<u>771,131,479</u>
<b>16.1</b> These are secured against marketable securities. Short-term placement and deposits of fund to financial institutions are made in the normal course of business at profit rates range from Re. 0.2055 to Re. 0.6849 per Rs.1,000 per day. Profit is receivable on maturity.			
<b>16.2</b> The unsecured placement includes Rs. 26.70 million (2004: Rs. 51.50 million) due from an associated undertaking. Maximum aggregate balance at the end of any month during the year was Rs. 63.70 million (2004 : Rs.80 million). Profit rates range from Re. 0.0616 to Re. 0.4931 per Rs.1,000 per day. Profit is receivable on maturity.			
<b>16.3</b> These include facility of Rs.10 million which is secured by first ranking charge over hypothecation of stock. The markup/profit rates range from Re. 0.1712 to Re. 0.6575 per Rs.1,000 per day. Profit is receivable on maturity/monthly and quarterly.			
<b>16.4</b> These are secured by hypothecation of all present and future stocks, receivables, demand promissory note and personal guarantee of directors. The markup/profit rate ranges from Re. 0.2329 to Re. 0.6849 per Rs. 1,000 per day.			
<b>17. ADVANCE AGAINST LEASE COMMITMENTS</b>			
Advance Against Lease Commitments	17.1	150,011,900	96,508,157
Less : Provision for Doubtful Receivables		(20,000,000)	(20,000,000)
	Rupees	<u>130,011,900</u>	<u>76,508,157</u>
<b>17.1</b> Advance against lease commitments are subject to mark-up rate ranging from 9 percent to 12.65 percent per annum.			
<b>18. ADVANCES AND PREPAYMENTS</b>			
<b>Considered good</b>			
Advance Against Purchase of Shares		10,000,000	20,000,000
Advance Income Tax		15,180,909	9,639,115
Income Tax Refunds		3,148,027	-
Prepayments		11,073,026	3,388,573
Other		145,000	221,814
	Rupees	<u>39,546,962</u>	<u>33,249,502</u>



	Note	2005	2004
<b>19. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Receivable from Brokers Against Sale of Securities		170,313,521	23,759,777
Accrued Profit/Return		44,188,244	40,494,728
Decretal Amount Receivable	19.1	37,302,430	39,228,430
Receivable Against Lease Termination		18,781,657	8,913,033
Receivable Against Stock on Acquisition		-	14,249,248
Other	19.2	<u>7,457,790</u>	<u>5,018,800</u>
		278,043,642	131,664,016
Less : Provision for Doubtful Receivables		<u>(36,729,543)</u>	<u>(43,308,549)</u>
	Rupees	<u>241,314,099</u>	<u>88,355,467</u>

**19.1** This represent decree of recovery for Rs. 64.41 million which was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance), Act of 1997. The Company has the possession of leased out assets, the forced sale value of that is fairly higher than the carrying value. Further, the Company also holds additional security by way of equitable mortgage on factory land and building, the possession of which is now in the Company's hand. However, the Company has made provision on the basis of prudence.

**19.2** This includes Rs. 1.692 million (2004: 1 million) receivable from an associated undertaking. Maximum aggregate outstanding balance during the year was Rs. 1.692 million (2004: 1 million).

## 20. CASH AND BANK BALANCES

In Hand		116,444	344,158
With Banks			
- In Deposit Accounts		82,675,741	2,698,796
- In Current Accounts		11,666,930	42,044,035
		<u>94,342,671</u>	<u>44,742,831</u>
	Rupees	<u>94,459,115</u>	<u>45,086,989</u>

## 21. ISSUED, SUBSCRIBED & PAID UP CAPITAL

Fully paid ordinary shares of Rs. 10 each.

(No. of shares)				
2005	2004			
25,000,000	25,000,000	Issued for Fully Paid in Cash	250,000,000	250,000,000
3,964,229	2,562,500	Issued as Fully Paid Bonus	39,642,290	25,625,000
<u>472,087</u>	<u>472,087</u>	Shares Issued on Acquisition	<u>4,720,870</u>	<u>4,720,870</u>
<u>29,436,316</u>	<u>28,034,587</u>		<u>294,363,160</u>	<u>280,345,870</u>
			Rupees	

Associated undertakings of the Company, namely Dawood Capital Management Limited hold 579,239 (2004: 524,728), Guardian Modaraba hold 902,793 (2004: 860,316) and Providence Modaraba hold 82,392 (2004: Nil) shares of Rs.10 each of the Company at 30 June 2005.



## 22. RESERVES AND UNAPPROPRIATED PROFIT

		2005	2004 (Restated)
Capital Reserves			
Statutory Reserve		120,810,305	110,097,626
Reserve for Issue of Bonus Shares		29,436,320	14,017,294
Capital Reserve on Acquisition		2,596,484	2,596,484
Revenue Reserves			
Surplus on Revaluation of Investments	22.1	74,058,584	100,982,075
General Reserve		250,000,000	235,000,000
Unappropriated Profit		1,168,909	16,771,803
	Rupees	<u>478,070,602</u>	<u>479,465,282</u>

### 22.1 Surplus on Revaluation of Investments-Net of Deferred Tax

Fully Paid up Ordinary Shares and Units		85,603,683	90,457,843
Term Finance Certificates		(17,761,691)	21,565,826
Pakistan Investment Bonds		-	(5,374,700)
		<u>67,841,992</u>	<u>106,648,969</u>
Related Deferred Tax Assets/Liability		6,216,592	(5,666,894)
	Rupees	<u>74,058,584</u>	<u>100,982,075</u>

## 23. REDEEMABLE CAPITAL - Secured - Non-Participatory

		2005	2004
Term Finance Certificates - Listed			
First Tranche	23.1	253,050,000	253,050,000
Second Tranche	23.2	345,000,000	345,000,000
	Rupees	<u>598,050,000</u>	<u>598,050,000</u>

**23.1** This represent listed Term Finance Certificates (TFCs) issued as fully paid scrip of Rs. 5,000 or Rs. 25,000 and Rs. 50,000 each. The TFCs have a call and put option at the end of every five years. Profit is payable semi-annually at the SBP discount rate + 1.75 percent with a floor of 13.50 percent and ceiling of 17.50 percent per annum. The first redemption of principal is due on 12 September 2006. The TFCs are secured by way of a charge on leased assets and associated rentals receivable ranking pari passu with long term-loans (Refer Note 24.1 and 24.2) and short term borrowings (Refer Note 30.1).

**23.2** This represents perpetual listed Term Finance Certificates (TFCs) issued as fully paid scrip of Rs. 5,000, Rs. 25,000 and Rs. 50,000 each. The TFCs have a call and put option at the end of every five years. Profit is payable semi-annually at the SBP discount rate + 1.75 percent with a floor of 12.25 percent and ceiling of 16.25 percent. The first redemption of principal is due on July 26, 2007. The TFCs are secured by way of a charge on leased assets and associated rentals receivable ranking pari passu with long term-loans (Refer Note 24.1 and 24.2) and short term borrowings (Refer Note 30.1).

## 24. LONG TERM LOANS

### *Secured*

Foreign Currency			
Asian Development Bank	24.1	156,856,895	165,163,150
Local Currency			
Commercial Banks	24.2	475,416,664	439,589,999

### *Unsecured*

Modaraba	24.3	<u>31,188,303</u>	<u>42,692,916</u>
		663,461,862	647,446,065

Payable within one year shown under current liabilities		<u>(102,510,590)</u>	<u>(104,940,127)</u>
	Rupees	<u>560,951,272</u>	<u>542,505,938</u>



**24.1** This represents a 15 year term loan facility, with a grace period of three years, obtained in tranches under Financial Sector Intermediation Loan # 1371-PAK. The loan is subject to interest @ 0.25 percent over variable Ordinary Capital Resource (OCR) rate of Asian Development Bank. The repayments are semi-annual and secured by guarantee of a development financial institution. The guarantee is secured against hypothecation of assets including book debts of the company ranking pari passu with charges created to secure redeemable capital (Refer Note 23.1 and 23.2) and short term borrowings (Refer Note 30.1).

**24.2** These are secured against hypothecation of assets including book debts of the company ranking pari passu, with the charge created in favour of other lenders to secure redeemable capital (Refer Note 23.1 and 23.2) and short term borrowings (Refer Note 30.1). These include Rs.108.750 million which is secured by pledge of term finance certificates. The facility is obtained on rollover basis. These are subject to mark-up rate ranging from Re. 0.1907 to Re. 0.2961 per Rs.1,000 per day payable on quarterly/half yearly basis.

**24.3** The facility is obtained on Musharika basis which is subject to markup rate of 16.94 percent per annum. The facility will be repayable in equal monthly installments of Rs. 1.49 million till 7 August 2007.

## 25. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2005			2004		
	Minimum Lease Payments	Future Period Financial Charges	Principal Outstanding	Minimum Lease Payments	Future Period Financial Charges	Principal Outstanding
Not later than one year	2,077,284	272,040	1,805,244	1,432,660	258,812	1,173,848
Later than one year and not Later than five years	1,642,540	110,784	1,531,756	2,125,430	156,452	1,968,978
Rupees	<u>3,719,824</u>	<u>382,824</u>	<u>3,337,000</u>	<u>3,558,090</u>	<u>415,264</u>	<u>3,142,826</u>

**25.1** The Company has entered into lease agreements with leasing modaraba for financing to acquire motor vehicles. The lease term is 3 years. The average effective Internal Rate of Return (IRR) is 10 percent to 14 percent. Leases are on a fixed repayment basis and no arrangement have been entered into for contingent rental payments.

The fair value of the Company's lease liabilities approximates their carrying amount.

Liabilities under finance lease are secured by the lessor's charge over the leased assets.

Purchase option is available to the Company on payment of all instalments and on surrender of deposit paid under the agreements.

The cost of operating and maintaining the leased assets are borne by the Company.

## 26. CERTIFICATES OF INVESTMENT/DEPOSIT

These represent the mobilization of funds under the scheme of certificates of investment and deposits issued with the permission of Securities and Exchange Commission of Pakistan. The scheme is based on profit and loss sharing basis. The certificates are for the terms ranging from three months to five years. The expected rate of profit ranges from 2 percent to 16.5 percent per annum.

27. DEFERRED LIABILITIES	Note	2005	2004
Taxation	27.1	55,597,211	64,466,894
Staff Gratuity	27.2	4,428,138	3,726,138
Rupees		<u>60,025,349</u>	<u>68,193,032</u>



	2005	2004
<b>27.1 As at 30 June 2005 deferred tax liabilities and assets related to the following:</b>		
<i>Deferred Tax Liabilities</i>		
Deferred Cost	606,413	1,027,072
Difference in Accounting and Tax Base of Net Investment in Lease Finance (Deficit)/Surplus on Revaluation of Investments	164,146,456 (6,216,592) 158,536,277	163,174,396 5,666,894 169,868,362
<i>Deferred Tax Assets</i>		
Difference in Accounting and Tax Base of Own Fixed Assets Retirement Benefits Provision for Lease & Other Doubtful Receivables Carry Forward Assessed Losses	(1,667,150) (1,549,800) (99,722,116) - (102,939,066)	(6,176,827) (1,304,148) (86,912,116) (11,008,377) (105,401,468)
Net Deferred Tax Liability	Rupees <u>55,597,211</u>	<u>64,466,894</u>
<b>27.2 Staff Gratuity</b>		
Current Service Cost Interest Cost Transitional Obligation During the Year	1,070,000 720,000 204,000 Rupees <u>1,994,000</u>	512,096 200,000 - <u>712,096</u>
Movement in the net liability recognised in the balance sheet are as follows:		
Opening Balance Charge for the Year Contribution/Payment Made During the Year Closing Balance	3,726,138 1,994,000 (1,292,000) Rupees <u>4,428,138</u>	3,122,000 712,096 (107,958) <u>3,726,138</u>
The amount recognised in the balance sheet are as follows:		
Present Value of Defined Benefit Obligation Actuarial Loss to be Recognised in Later Periods	7,052,138 (2,624,000) Rupees <u>4,428,138</u>	3,726,138 - <u>3,726,138</u>
Actuarial valuation was carried out as at 30 June 2005 using the projected unit credit method assuming a discount rate of 9 percent per annum and expected rate of increase in salaries at 9 percent per annum.		
<b>28. DEPOSITS</b>		
Lease Deposit Others Current portion of lease deposits	28.1 411,621,678 325,430 411,947,108 (41,719,464) Rupees <u>370,227,644</u>	507,978,003 413,347 508,391,350 (43,763,482) <u>464,627,868</u>

**28.1** This represent interest free security deposits received against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.





	Note	2005	2004
<b>29. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Long-Term Loans	24	102,510,590	104,940,127
Liabilities Against Assets Subject to Finance Lease	25	1,805,244	1,173,848
Deposits	28	41,719,464	43,763,482
	Rupees	<u>146,035,298</u>	<u>149,877,457</u>
<b>30. SHORT TERM BORROWINGS</b>			
Secured-Under Mark-up Arrangements from Commercial Banks Repurchase Agreement Borrowings	30.1	337,586,454	654,229,000
Running Finance		64,953,062	2,674,660
Morabaha Finance		31,500,000	31,500,000
From Non-Banking Finance Companies - Repurchase Agreement Borrowings		30,000,000	102,446,558
Unsecured			
From Commercial Banks - Call Borrowings	30.2	349,000,000	622,328,431
Non-Banking Finance Companies - Call Borrowings	30.2	190,000,000	100,000,000
Musharika	30.3	768,000	16,492,924
	Rupees	<u>1,003,807,516</u>	<u>1,529,671,573</u>

**30.1** These facilities aggregating to Rs. 669.086 million are secured against hypothecation of assets including book debts of the Company ranking pari passu with the charge created to secure redeemable capital (Refer Note 23.1 and 23.2) and long term-loans (Refer Note 24.1 and 24.2) and against Term Finance Certificates and WAPDA Bonds.

The sanctioned running finance facilities from commercial banks are renewable yearly.

The rate of mark-up ranges from Re. 0.2192 to Re. 0.3288 per Rs. 1,000 per day.

**30.2** These facilities are subject to mark-up rate ranging from Re. 0.2534 to Re. 0.3151 per Rs. 1,000 per day.

**30.3** These facilities have been obtained from individuals and are subject to mark-up rate ranging from 14.5 percent to 15 percent per annum.



		2005	2004
<b>31. ACCRUED AND OTHER LIABILITIES</b>			
Mark-up on Secured:			
- Redeemable Capital		28,327,484	28,327,483
- Long-Term Loans		14,389,288	9,255,065
- Short-Term Borrowings		5,868,462	7,108,825
Mark-up on Unsecured:			
- Short Term Borrowings		7,266,596	4,602,380
- Certificates of Investment/Deposit		20,508,496	12,048,173
Advance Against Letters of Comfort		376,065	31,380,607
Advance Against Leases/Early Termination		-	13,663,680
Accrued Expenses		2,131,316	2,186,839
Guarantee Commission		740,792	789,165
Payable to Brokers Against Purchase of Listed Securities		-	4,900,022
Unrealised Loss on Revaluation Interest Rate SWAP		21,941,536	-
Subscription Account - Banker's to the Issue		31,830,000	-
Unclaimed Dividend		2,418,369	2,493,461
Others		8,842,021	5,552,246
	Rupees	<u>144,640,425</u>	<u>122,307,946</u>
<b>32. CONTINGENCIES AND COMMITMENTS</b>			
<b>32.1 Contingent Liability</b>			
Letters of Credit	Rupees	<u>176,011,846</u>	<u>-</u>
Letters of Comfort/Guarantee	Rupees	<u>262,600,000</u>	<u>411,869,489</u>
<b>32.2 Commitments</b>			
Commitment to Provide Lease Financing	Rupees	<u>208,227,154</u>	<u>167,126,158</u>
Underwriting Commitment of TFCs/Shares	Rupees	<u>385,000,000</u>	<u>433,000,000</u>
Acceptances of TFCs/Shares	Rupees	<u>255,000,000</u>	<u>-</u>
Interest Rate SWAP-IRS	32.2.1 Rupees	<u>253,000,000</u>	<u>253,000,000</u>
<b>32.2.1</b>	The Company has executed the transaction for a notional amount of Rs. 253 million.		
	Company will receive fixed rate of 3.85 percent per annum against this transaction and it will have to pay simple average of the last 3 cut-off yields of six-month PKR T-Bill auction before the commencements of the relevant calculation period.		
	The underlying objective of entering into the swap is to create an asset against fixed rate liability.		
	These liabilities are in the form of term finance certificates issued by the Company. The IRS will create a fixed rate asset against this liability, synthetically converting the TFC's fixed rate exposure to a floating rate exposure.		
<b>33. RETURN ON DEPOSITS AND INVESTMENTS - Net</b>			
Return on Investments/Deposits/Placements and Finances		169,280,919	176,532,175
Interest Earned/Paid on Reverse Repo Transactions	33.1	15,984,788	12,572,507
Profit on Bank Account/Bank Deposit		259,489	114,978
Dividend		46,371,281	20,258,979
	Rupees	<u>231,896,477</u>	<u>209,478,639</u>



	Note	2005	2004
<b>33.1 Interest earned/paid on reverse repo transactions</b>			
Dividend Income on Repo/Reverse Repo Transaction		-	6,330,500
Gain on Repo/Reverse Repo Transaction Dividend Badla		15,984,788	6,242,007
	Rupees	<u>15,984,788</u>	<u>12,572,507</u>
<b>34. OTHER INCOME</b>			
Fee and Commission	34.1	14,453,205	6,740,114
Discount/Premium on Securities		2,475,029	1,007,893
Service Charges on Staff Loan		358,790	356,036
Gain on Disposal of Fixed Assets		2,936,567	51,039
Miscellaneous Fees and Charges		221,391	1,816,907
	Rupees	<u>20,444,982</u>	<u>9,971,989</u>
<b>34.1</b> It includes underwriting commission of Rs. 7,587,236 (2004: Rs. 2,359,335).			
<b>35. ADMINISTRATION AND OPERATING EXPENSES</b>			
Salaries and Benefits	35.1	15,817,308	14,476,513
Directors' Meeting fees		45,000	25,500
Rent, Rates and Taxes		936,778	1,166,607
Insurance		747,681	542,851
Legal, Professional and Consultancy		2,575,179	2,423,543
Travelling and Conveyance		2,532,510	758,453
Postage and Telephone		1,052,325	787,811
Utilities		1,214,781	694,536
Printing and Stationery		996,502	885,523
Vehicles Running and Maintenance		2,700,074	2,376,525
Entertainment		545,862	1,640,995
Advertisement		347,885	549,613
Repairs and Maintenance		841,309	453,310
Auditors Remuneration	35.2	265,000	463,500
Credit Rating		995,000	995,000
Depreciation	35.3	7,390,185	6,829,496
Fees and Subscription		906,358	967,409
Donation	35.4	25,786	28,953
Amortization of Deferred Cost on Issuance of TFCs		1,201,884	1,433,467
	Rupees	<u>41,137,407</u>	<u>37,499,605</u>
<b>35.1</b> Salaries and benefits include Rs. 2,845,911 (2004: Rs. 1,478,881) in respect of retirement benefits.			
<b>35.2 Auditors Remuneration</b>			
Statutory Audit		175,000	175,000
Half Year Review		65,000	65,000
Tax Services		-	75,000
Other Certification		-	131,000
Out of Pocket		25,000	17,500
	Rupees	<u>265,000</u>	<u>463,500</u>
<b>35.3</b> Net off Rs. 44,712 (2004: Rs. 937,659) recovered from group companies using the assets.			
<b>35.4</b> None of the directors or their spouse had any interest in the donees fund.			



### 36. FINANCIAL CHARGES

Mark-up/Return on Redeemable Capital	76,424,251	78,306,442
Long-Term Loans	48,111,022	26,158,632
Lease Liabilities	342,654	157,279
Long-Term Certificates of Investment/Deposits	15,236,176	16,821,501
Short-Term Borrowings	63,802,871	41,274,969
Short-Term Certificates of Investment/Deposits	108,710,143	41,374,268
Documentation, Project Examination, Guarantee Commission, Trusteeship Fee and Bank Charges	3,079,010	4,291,772
Rupees	<u>315,706,127</u>	<u>208,384,863</u>

### 37. RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

Accounting Profit	Rupees	<u>63,744,846</u>	<u>61,979,024</u>
Losses from Leasing Operation to be Carried Forward	Rupees	<u>(535,823,121)</u>	<u>(268,167,294)</u>
Taxable Income on Other Activities	Rupees	<u>6,016,164</u>	<u>(6,888,371)</u>
Dividend Income	Rupees	<u>46,371,281</u>	<u>26,589,749</u>
Tax @ 35%		-	-
Turnover Tax @ 0.5%		4,945,088	4,670,513
Tax on Dividend Income @ 5%		2,318,564	1,329,487
Provision for Taxation	Rupees	<u>7,263,652</u>	<u>6,000,000</u>

### 38. EARNINGS PER SHARE

There is no effect of dilution on the earnings per share of the Company which is calculated as under :

Profit After Taxation	Rupees	<u>53,563,395</u>	<u>46,787,789</u>
Weighted Average Number of Ordinary Shares	Rupees	<u>29,436,316</u>	<u>29,436,316</u>
Earnings Per Share - Post Tax	Rupees	<u>1.82</u>	<u>1.59</u>

### 39. REMUNERATION TO DIRECTORS AND EXECUTIVES

	2005			2004		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	1,757,424	1,378,068	2,003,880	1,596,780	1,248,384	5,285,309
Housing and Utilities	966,576	757,932	1,102,120	878,220	686,616	2,903,853
Bonus	227,000	178,000	261,333	371,250	290,250	1,274,962
Gratuity	1,153,170	874,925	195,990	368,555	279,035	928,167
Provident Fund	175,740	137,808	138,451	159,672	124,836	484,011
Rupees	<u>4,279,910</u>	<u>3,326,733</u>	<u>3,701,774</u>	<u>3,374,477</u>	<u>2,629,121</u>	<u>10,876,302</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>24</u>

39.1 The Chief Executive, Directors and Executives are also provided with free use of company cars, medical insurance cover and travelling allowance. The monetary value of these are Rs. 1,375,465 (2004: Rs. 2,131,370) approximately.



Executive means an employee other than director and chief executive, whose basic salary exceeds Rs. 500,000 (2004: 100,000) in a financial year.

#### 40. TRANSACTION WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations/terms of the contribution plan. Remuneration to the whole time working directors and executives are determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them excluding those entered into with directors/executives as per their terms of employment as at the year-end were as follows:

	<b>2005</b> <b>Rupees</b>	<b>2004</b> <b>Rupees</b>
Loans Provided	535,900,000	328,700,000
Loans Repaid	559,200,000	302,200,000
Profit Earned on Loans	4,836,311	4,398,326
Lease Facility Obtained	6,087,000	4,294,000
Lease Rentals Paid	1,794,597	2,465,995
Share of Common Expenses	5,689,534	4,976,148
Placement of Funds	413,000,000	-
Repayment of Funds	413,000,000	-
Proceeds from Sale of Vehicles	1,800,200	-
Proceeds from Sale of Property	10,000,000	-

Maximum aggregate balance of placements at the end of any month during the year was Rs. 63.70 million (2004: Rs. 80 million).

#### 41. CREDIT RISK AND CONCENTRATIONS OF SIGNIFICANT CREDIT RISK

Credit risk is the risk faced when one party to a financial instrument fail to discharge its obligation and cause the other party to incur a financial loss.

The Company follows an operating policy and the Prudential Regulations for NBFC issued by the Securities & Exchange Commission of Pakistan. The operating policy defines the extent of exposure with reference to a particular sector or group of leases. The leases are classified on the basis of Prudential Regulations guidelines.

The Company believes in maintaining a balance between profitability and portfolio friskiness. Diversification of lease portfolio is the focal point of Company's exposure policy. Extra care is taken to ensure that per party and per sector exposures remain within limits prescribed by the operating policy and Prudential Regulations.

Maximum amount exposed to credit risk is Rs. 5.63 billion (2004: Rs. 5.36 billion) at the year end.

Details of the industry/sector analysis of lease portfolio is given below:



Segment by class of business	(Rupees)	Percentage
Transport and communication	725,002,378	28.98
Sugar and allied	249,525,210	9.97
Textile composite	200,021,878	8.00
Textile finishing	177,164,335	7.08
Food, tobacco and beverages	126,968,065	5.08
Steel, engineering and automobile	45,304,638	1.81
Health care	71,388,634	2.85
Energy, oil and gas	64,602,833	2.58
Chemicals, fertilizers and pharmaceuticals	41,415,600	1.66
Cement	135,748,423	5.43
Electrical goods	42,600,395	1.70
Financial	22,923,642	0.92
Miscellaneous	599,016,768	23.94
	<u>2,501,682,799</u>	<u>100.00</u>

#### 42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial instruments reflected in the financial statements approximates to their fair values. Investments carried at cost and amortised cost have a fair value of Rs. 501.389 million.

#### 43. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company matches availability of liquid funds before committing for liabilities and also on a timely basis an analysis of liquid funds with maturities of liabilities due is performed.

#### 44. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. Payable exposed to foreign currency risk is covered through matching investments in foreign currency assets. There were no forward cover contracts outstanding at year end. The company is exposed to fluctuations in US Dollar and Euro only.

#### 45. INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from the possibility when changes in interest rate affect the value of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liability that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

FINANCIAL ASSETS	One month to one year	Over one year	Not exposed to interest rate risk	Total
Net Investment in Lease Finance	950,722,859	1,550,959,940	-	2,501,682,799
Long-Term Investments	41,475,529	448,697,165	55,800,028	545,972,722
Mortgage Finance	6,095,293	32,453,517	-	38,548,810
Long-Term Finances	19,179,412	128,395,185	-	147,574,597
Long-Term Loans	705,752	5,465,136	-	6,170,888
Short-Term Investments	676,950,211	-	600,375,027	1,277,325,238
Placements and Finances	606,938,085	-	-	606,938,085
Advance Against Lease Commitments	130,011,900	-	-	130,011,900
Advances	-	-	10,000,000	10,000,000
Other Receivables	-	-	241,314,099	241,314,099
Cash and Bank Balances	-	-	94,459,115	94,459,115
Rupees	<u>2,432,079,041</u>	<u>2,165,970,943</u>	<u>1,001,948,269</u>	<u>5,599,998,253</u>



## FINANCIAL LIABILITIES

Redeemable Capital	-	598,050,000	-	598,050,000
Long Term Loans	102,510,590	560,951,272	-	663,461,862
Liability Against Assets				
Subject to Finance Lease	1,805,244	1,531,756	-	3,337,000
Deposits	-	-	411,947,108	411,947,108
Short Term Borrowings	1,003,807,516	-	-	1,003,807,516
Certificates of Investment/Deposits	1,881,936,512	110,647,025	-	1,992,583,537
Accrued and Other Liabilities	-	-	144,640,425	144,640,425
Rupees	2,990,059,862	1,271,180,053	556,587,533	4,817,827,448
On Balance Sheet Gap				
Rupees	(557,980,821)	894,790,890	445,360,736	782,170,805

The effective average interest rate/mark-up for each of the financial instruments is as follows:

<i>Assets</i>	<b>2005</b>
	<b>Effective Interest Rate/Mark-up %</b>
Net Investment in Lease Finance	16.25%
Investments	7.86%
Long-Term Finance	9.35%
Mortgage Finance	12.45%
Long Term Loans and Advances	5.00%
Placement and Finance	9.70%
Cash & Bank Balances	2.00%
<i>Liabilities</i>	
Redeemable Capital	12.98%
Long Term Loans	5.89%
Liability Against Assets Subject to Finance Lease	11.00%
Certificates of Investment/Deposits	7.50%
Short Term Borrowings	7.13%

## 46. NUMBER OF EMPLOYEES

Total number of permanent employees as at year end are 28 (2004: 28).

## 47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 09, 2005 by the Board of Directors of the Company.

## 48. GENERAL

Figures have been rounded off to the nearest Rupee.

## 49. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant reclassifications are as follows:

- Office premises has been reclassified from tangible fixed assets to investment property.
- Commission & brokerage has been reclassified and disclosed under financial charges.
- Amortization of deferred cost on issuance of TFCs has been reclassified and disclosed under administration and operating expenses.

**Chairman & Chief Executive**

**Director**



**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2005**

Number of Shareholders	Shareholding			Total Shares Held
	From		To	
797	1	-	100	26,427
251	101	-	500	65,811
965	501	-	1,000	580,894
271	1,001	-	5,000	539,218
60	5,001	-	10,000	405,599
35	10,001	-	15,000	416,813
8	15,001	-	20,000	148,148
6	20,001	-	25,000	134,286
10	25,001	-	30,000	280,993
7	30,001	-	35,000	228,247
1	35,001	-	40,000	36,750
2	40,001	-	45,000	85,446
3	45,001	-	50,000	148,480
1	50,001	-	55,000	50,911
3	55,001	-	60,000	171,762
1	60,001	-	65,000	63,945
3	65,001	-	70,000	205,183
1	75,001	-	80,000	75,449
1	80,001	-	85,000	82,392
1	85,001	-	90,000	85,333
1	95,001	-	100,000	100,000
3	100,001	-	105,000	313,372
1	105,001	-	110,000	110,000
7	110,001	-	115,000	788,240
7	115,001	-	120,000	813,868
1	125,001	-	130,000	127,685
1	135,001	-	140,000	139,475
1	140,001	-	145,000	144,702
1	145,001	-	150,000	150,000
1	255,001	-	260,000	255,011
1	265,001	-	270,000	265,650
1	310,001	-	315,000	312,541
1	315,001	-	320,000	315,900
1	330,001	-	335,000	330,687
3	345,001	-	350,000	1,049,086
1	350,001	-	355,000	354,568
1	385,001	-	390,000	385,708
1	450,001	-	455,000	454,598
1	455,001	-	460,000	457,261
1	550,001	-	555,000	551,250
1	600,001	-	605,000	601,650
1	655,001	-	660,000	658,995
1	1,015,001	-	1,020,000	1,017,000
1	1,085,001	-	1,090,000	1,089,375
1	1,350,001	-	1,355,000	1,353,255
1	1,555,001	-	1,560,000	1,555,668
1	1,570,001	-	1,575,000	1,575,000
1	2,605,001	-	2,610,000	2,609,189
1	2,845,001	-	2,850,000	2,848,000
1	4,875,001	-	4,880,000	4,876,495
<b>2,473</b>	<b>TOTAL</b>			<b>29,436,316</b>





S.No.	Categories Shareholders	No. of Shareholders	Shares Held	Percentage %
1	Individual	2,403	11,391,504	38.70
2	Insurance Companies	4	4,878,255	16.57
3	Joint-Stock Companies	40	1,804,147	6.13
4	Financial Institutions	13	7,230,548	24.56
5	Modaraba/Management Companies	8	1,158,614	3.94
6	Foreign Investors	1	601,650	2.03
7	Investment Companies	2	1,343	0.01
9	Others	2	2,370,255	8.05
		<b>2,473</b>	<b>29,436,316</b>	<b>100.00</b>

S. No.	Categories of Shareholders	Number of Shares Held	Number of Shareholders	Category Wise Share Held	%
1.	<b>Associated Companies, Undertakings and Related Parties</b>		3	1,564,424	5.31%
	GUARDIAN MODARABA	902,793			
	DAWOOD CAPITAL MANAGEMEMENT	579,239			
	PROVIDENCE MODARABA	82,392			
2.	<b>NIT &amp; ICP</b>		2	2,703,132	9.18%
	INVESTMENT CORPORATION OF PAKISTAN	75,635			
	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	2,627,497			
3.	<b>Directors, CEO and their spouse and Minor Children</b>		5	4,746,673	16.13%
	RAFIQUE DAWOOD	3,789,663			
	HAMIDA DAWOOD	230,543			
	AYAZ DAWOOD	460,127			
	SHIMAILA MATRI DAWOOD	150,000			
	RASHEED Y. CHINOY	116,340			
4.	<b>Executives</b>	-	-	-	-
5.	<b>Public Sector Companies and Corporation</b>	7,579,627	3	7,579,627	25.75%
6.	<b>Banks, DFIs, NBFIs, Insurance Companies Modarabas and Mutual Funds</b>	17,917,555	13	17,917,555	60.87%
7.	<b>Shareholders Holding 10% or More Voting Interest</b>		2	8,666,158	29.44%
	STATE LIFE INSURANCE CORP. OF PAKISTAN	4,876,495			
	RAFIQUE DAWOOD	3,789,663			
8.	<b>Others</b>	5,003,752	46	5,003,752	17.00%



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**CONSOLIDATED FINANCIAL STATEMENTS OF  
FIRST DAWOOD INVESTMENT BANK LIMITED  
AND  
ITS SUBSIDIARY COMPANIES**

## AUDITORS' REPORT TO THE MEMBERS

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**Taseer Hadi Khalid & Co.**  
Chartered Accountants  
First Floor  
Sheikh Sultan Trust Building No. 2,  
Beaumont Road,  
Karachi 75530 Pakistan

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We have audited the annexed consolidated financial statements comprising consolidated balance sheet of First Dawood Investment Bank Limited and its subsidiary companies as at 30 June 2005 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, (herein-after referred to as the 'financial statement') for the year then ended. We have also expressed separate opinion on the financial statements of First Dawood Investment Bank Limited. The financial statements of Guardian Modaraba Management (Private) Limited and Providence Madaraba Limited have been audited by other firms of chartered accountants and our opinion in so far as it relates to the amounts included for the said companies, is based solely on the reports of such auditors.

It is the responsibility of the Holding Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express our opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements examined by us present fairly the financial position of First Dawood Investment Bank Limited as at 30 June 2005 and the result of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The financial statements of the Group for the year ended 30 June 2004 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated 17 September 2004.

Date: September 09, 2005  
Karachi

**Taseer Hadi Khalid & Co.**  
**Chartered Accountants**

Taseer Hadi Khalid & Co., a partnership firm registered in Pakistan, is the Pakistan member firm of KPMG International, a Swiss Cooperative



## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2005

	Note	2005	2004 (Restrated)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Tangible Fixed Assets	6	12,329,048	18,576,861
Investment Property	7	30,011,744	28,183,886
Net Investment in Lease Finance	8	1,550,959,940	1,321,439,120
Investments	9	552,237,154	493,479,128
Long-Term Finances	10	128,395,185	-
Mortgage Finance	11	32,453,517	451,402
Long-Term Loans	12	5,465,136	6,152,342
Long-Term Deposits and Deferred Cost	13	2,173,807	3,200,691
		2,314,025,531	1,871,483,430
<b>CURRENT ASSETS</b>			
Current Portion of Non-Current Assets	14	1,018,178,845	875,539,878
Investments	15	1,280,666,123	1,669,913,772
Placement and Finances	16	606,938,085	771,131,479
Advance Against Lease Commitments	17	130,011,900	76,508,157
Advances and Prepayments	18	49,418,745	33,455,514
Other Receivables	19	241,025,946	96,361,200
Cash and Bank Balances	20	94,542,681	45,210,116
		3,420,782,325	3,568,120,116
	Rupees	5,734,807,856	5,439,603,546
<b>EQUITY AND LIABILITIES</b>			
Share Capital and Reserves			
Authorised Capital			
75,000,000 Ordinary Shares of Rs. 10 each		750,000,000	750,000,000
Issued, Subscribed and Paid-Up Capital	21	294,363,160	280,345,870
Reserves and Unappropriated Profit	22	530,248,022	510,722,897
		824,611,182	791,068,767
Minority Interest		170,956	157,309
<b>NON CURRENT LIABILITIES</b>			
Redeemable Capital	23	597,687,000	597,687,000
Long-Term Loans	24	560,951,272	542,505,938
Liabilities Against Assets Subject to Finance Lease	25	1,531,756	1,968,978
Certificates of Investment/Deposit	26	110,647,025	125,542,008
Deferred Liabilities	27	60,025,349	68,193,032
Deposits	28	370,696,364	465,096,588
		1,701,538,766	1,800,993,544
<b>CURRENT LIABILITIES</b>			
Current Portion of Long Term Liabilities	29	146,035,298	149,877,457
Short-Term Borrowings	30	1,022,007,516	1,544,671,573
Certificates of Investment/Deposit	26	1,881,936,512	1,014,332,576
Accrued and Other Liabilities	31	150,413,871	131,318,563
Taxation		8,093,755	7,183,757
		3,208,486,952	2,847,383,926
<b>Contingencies and Commitments</b>	32	-	-
	Rupees	5,734,807,856	5,439,603,546

The annexed notes from 1 to 49 form an integral part of these financial statements.

Chairman & Chief Executive

Director



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
<b>Income</b>			
Lease Income		274,234,480	196,329,127
Mortgage Finance		1,560,658	-
Return on Deposits and Investments - Net	33	232,295,154	210,019,981
Rent		2,365,200	195,300
Management Fee		4,885,992	4,214,316
Gain on Sale of Securities		70,717,804	38,539,332
Loss on Sale of Government Securities		(36,369,275)	(95,531,193)
Loss on Sale of Subsidiary		-	1,499,851
Negative Goodwill on Acquisition		-	2,727,059
Exchange Gain		2,021,999	482,991
Other Income	34	20,444,982	9,971,989
		572,156,994	368,448,753
<b>Provisions/Changes in Fair Value</b>			
Provision For Lease Losses and Doubtful Recoveries		(13,841,157)	(46,883,549)
Amortisation of Goodwill on Acquisition		-	(596,803)
Deficit in Fair Valuation of Interest Rate SWAP		(21,941,536)	-
Loss on Revaluation of Securities		(110,724,873)	(1,457,120)
		(146,507,566)	(48,937,472)
		425,649,428	319,511,281
<b>Expenditure</b>			
Administration and Operating Expenses	35	47,756,482	41,423,923
Financial Charges	36	317,272,275	209,029,473
		(365,028,757)	(250,453,396)
<b>Profit Before Taxation</b>		60,620,671	69,057,885
Share of Profit from Associated Companies		9,583,650	9,407,440
		70,204,321	78,465,325
<b>Provision For Taxation</b>			
Current	37	8,887,078	6,536,926
Prior Year's		(305,496)	6,487,333
Deferred		3,011,791	3,600,000
		(11,593,373)	(16,624,259)
Profit After Taxation	Rupees	58,610,948	61,841,066
Profit Attributable to Minority Interest		(13,646)	(350,861)
Profit Attributable to Equity Holders of the Holding Company		58,597,302	61,490,205
Earnings Per Share	38 Rupees	1.99	2.10

The annexed notes from 1 to 49 form an integral part of these financial statements.

**Chairman & Chief Executive**

**Director**



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit Before Taxation		70,204,321	78,465,326
Adjustments:			
- Depreciation		9,453,885	10,956,896
- Gain on Sale of Investments		(70,717,804)	57,740,389
- Amortisation of Goodwill on Acquisition		-	596,803
- Financial Charges		317,272,275	209,029,473
- Gain on Sale of Assets		(2,936,567)	(51,039)
- Provision for Gratuity		1,994,000	712,096
- Provision For Lease Losses and Doubtful Recoveries		13,841,157	46,883,549
- Loss on Revaluation of Securities		110,724,873	1,457,120
- Negative Goodwill on Acquisition		-	(2,727,059)
- Gain on Sale of Subsidiary		-	(1,499,851)
- Loss on Fair Valuation of Interest Rate SWAP		21,941,536	-
- Exchange Gain		(2,021,999)	(482,991)
- Share of Profit from Associated Undertakings		(9,583,650)	(8,961,348)
- Amortisation of Premium on Investments Held to Maturity		(560,477)	(129,457)
		389,407,229	313,524,581
Operating Cash Flow Before Movements in Working Capital		459,611,550	391,989,906
<b>Changes in Operating Assets and Liabilities</b>			
<i>(Increase)/Decrease in Operating Assets</i>			
Net Investment in Lease Finance		(375,566,228)	(447,993,133)
Mortgage Finance		(38,012,225)	(536,585)
Long-Term Finances		(147,574,597)	-
Long-Term Loans		1,242,752	(4,930,948)
Placements and Finances		147,883,865	(164,085,991)
Advances and Prepayments		(6,773,546)	(13,709,018)
Advance Against Lease Commitments		(53,503,743)	(55,243,913)
Other Receivables		(144,664,746)	(17,825,088)
		(616,968,468)	(704,324,676)
		(157,356,918)	(312,334,770)
<i>Increase/(Decrease) in Operating Liabilities</i>			
Deposits		(96,444,241)	112,921,358
Accrued and Other Liabilities		(21,063,045)	20,182,502
		(274,864,204)	(179,230,910)
Financial Charges Paid		(302,665,370)	(214,731,151)
Gratuity Paid		(1,292,000)	(107,958)
Tax Paid		(15,505,924)	(29,598,434)
<b>Net Cash Used in Operating Activities</b>		(594,327,498)	(423,668,453)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Tangible Fixed Assets		(14,985,763)	(2,538,230)
Proceeds From Sale of Tangible Fixed Assets		12,888,400	595,559
Purchase of Investment Property		-	(20,637,000)
Proceeds From Sale of Subsidiary		-	1,520,056
Investments - Associated Companies		19,439,022	(700,000)
Investments		294,792,512	(563,444,776)
Long-Term Deposits		(175,000)	682,166
<b>Net Cash from/(Used in) Investing Activities</b>	Rupees	311,959,171	(584,522,225)



	Note	2005	2004
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redemption of Redeemable Capital		-	(24,079,229)
Long-Term Loans Obtained		178,160,000	365,100,000
Repayment of Long Term Loans		(162,680,884)	(56,975,003)
Lease Liability		194,174	(2,308,716)
Certificate of Investment - Net		852,708,953	305,323,020
Short-Term Borrowings - Net		(522,664,057)	440,181,669
Dividend Paid		(14,017,294)	(1,228,208)
<b>Net Cash From Financing Activities</b>		<u>331,700,892</u>	<u>1,026,013,533</u>
<b>Net Increase in Cash and Cash Equivalents</b>		49,332,565	17,822,855
Cash and Cash Equivalents at the Beginning of the Year		45,210,116	27,387,261
Cash and Cash Equivalents at the End of the Year	20 Rupees	<u>94,542,681</u>	<u>45,210,116</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	Paid-up capital	Statutory reserve *	Reserve for issue of bonus shares	Capital reserve on acquisition	Surplus on revaluation of investment	General reserve	Unappropriated Profit (Restated)	Total
	----- Capital Reserves -----			----- Revenue Reserves -----				
Balance at June 30, 2003	262,500,000	100,740,068	13,125,000	-	13,078,564	225,000,000	19,893,805	634,337,437
Profit for the Year	-	-	-	-	-	-	61,490,205	61,490,205
Transfer to Statutory Reserve	-	9,357,558	-	-	-	-	(9,357,558)	-
Transfer to General Reserve	-	-	-	-	-	10,000,000	(10,000,000)	-
Bonus Shares @ 5%	-	-	14,017,294	-	-	-	(14,017,294)	-
Bonus Shares Issued	13,125,000	-	(13,125,000)	-	-	-	-	-
Shares Issued to Certificate Holders of FGLM & ICM	4,720,870	-	-	-	-	-	-	4,720,870
Surplus on Revaluation of Investment	-	-	-	-	87,923,771	-	-	87,923,771
Cash Dividend	-	-	-	-	-	-	(14,017,294)	(14,017,294)
Effect of Fair Value Measurement of Capital on Acquisition	-	-	-	2,596,484	-	-	-	2,596,484
Balance at June 30, 2004 as Previously Reported	280,345,870	110,097,626	14,017,294	2,596,484	101,002,335	235,000,000	33,991,864	777,051,473
Effect of Change in Accounting Policy with Respect to Dividend Declare After the Balance Sheet Date	-	-	-	-	-	-	14,017,294	14,017,294
Balance at June 30, 2004 as restated	280,345,870	110,097,626	14,017,294	2,596,484	101,002,335	235,000,000	48,009,158	791,068,767
Final Dividend Paid for 2004 @ Re. 0.50 per share	-	-	-	-	-	-	(14,017,294)	(14,017,294)
Profit for the Year	-	-	-	-	-	-	58,597,302	58,597,302
Transfer to Statutory Reserve	-	10,712,679	-	-	-	-	(10,712,679)	-
Transfer to General Reserve	-	-	-	-	-	15,000,000	(15,000,000)	-
Bonus Shares Issued	14,017,290	-	(14,017,290)	-	-	-	-	-
Realisation of Surplus on Revaluation of Investment	-	-	-	-	(61,329,917)	-	-	(61,329,917)
Surplus on Revaluation of Investment	-	-	-	-	34,471,601	-	-	34,471,601
Share of Surplus on Revaluation of Investment	-	-	-	-	15,820,723	-	-	15,820,723
Bonus Shares @ 10%	-	-	29,436,316	-	-	-	(29,436,316)	-
Balance at 30 June 2005	Rupees 294,363,160	120,810,305	29,436,320	2,596,484	89,964,742	250,000,000	37,440,171	824,611,182

\* The statutory reserve is created by transferring not less than 20% after tax profit for the year which is required under Prudential Regulations issued by Securities and Exchange Commission of Pakistan under circular No.21 dated August 25, 2003 for Non-Banking Finance Companies (NBFC's)

The annexed notes from 1 to 49 form an integral part of these financial statements.

**Chairman & Chief Executive**

**Director**





## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2005**

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### **1. STATUS AND NATURE OF BUSINESS**

First Dawood Investment Bank Limited (holding company and the Company) was incorporated on June 22, 1994 as a public limited company under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The Company has obtained the license of leasing business, Investment Finance Services and Housing Finance Services, under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 from the Securities and Exchange Commission of Pakistan (SECP) with the registered office at Karachi, Pakistan. The name of the Company was changed from Dawood Leasing Company Limited to First Dawood Investment Bank Limited (the Company) on February 23, 2004 with the approval of SECP.

The Company owns 99.80 (2004: 99.80) percent shares of Guardian Modaraba Management (Private) Limited. The principal activity of the subsidiary is to promote, float and manage modarabas. Currently the Company is not managing any modarabas.

The Company also owns 99 (2004: 99) percent shares of Providence Modaraba Limited engaged in the business of sponsoring, floating and managing Modarabas and Modaraba funds and making investments in and managing industrial and commercial concerns for promoting business in accordance with the injunction of Islam.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and the directives issued by Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Rules or Directives differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, the Rules or the requirements of the said directives shall take precedence.

### **3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for the measurement of certain financial instruments at fair value.

### **4. CHANGE IN ACCOUNTING POLICY**

During the current year the Group has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. The change has been made consequent to the amendment made by the Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date). As per the new policy dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are recognised as liability in the accounting period in which these are declared. Previously such dividend declarations were being treated as adjusting events in the financial statements of the Company and were recorded as liability. The change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in the accounting policy, the unappropriated profit would have been lower and other liabilities would have been higher for the year ended 30 June 2004 by Rs. 14.017 million.

### **5. SIGNIFICANT ACCOUNTING POLICIES**

#### **5.1 Basis of Consolidation**

Subsidiaries are those companies in which the Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has the power to elect and appoint more than 50 percent of its directors.



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The Company has following subsidiaries:

	<b>Percentage of shareholding</b>
Guardian Modaraba Management (Private) Limited	99.80 Percent
Providence Modaraba Limited	99.00 Percent

Associates are those companies in which the Company directly or indirectly, beneficially owns or holds more than 20 percent of the voting securities.

The Company has following Associates:

	<b>Percentage of shareholding</b>
Dawood Capital Management Limited	30 Percent
Dawood Money Market Fund	0.0228 Percent

The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date that control ceases. In preparing consolidated financial statements, the financial statements of the Company and its subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, equity, income and expenses. Significant inter company transactions and balances are eliminated.

Investments in associates are accounted for under equity method of accounting.

## **5.2 Tangible Fixed Assets**

Tangible fixed assets include assets acquired under finance lease. Owned fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income, applying the straight line method in accordance with the rates given in note 6. Full year's depreciation is charged on all assets acquired during the year, while no depreciation is charged on assets disposed of during the year.

Assets subject to finance lease are initially recognised at lower of present value of minimum lease payments under the lease agreement and the fair value of the assets and are stated net of accumulated depreciation and impairment loss, if any. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation on leased assets is charged on similar basis as owned fixed assets.

Normal repairs and maintenance are charged to income, as and when incurred, major renewals and improvements are capitalized and the asset so replaced, if any, are retired. Gains and losses on disposal, if any, are taken to profit and loss account.

## **5.3 Investment Property**

The Group uses "Cost Model" for measurement of its investment property. Under the cost method, the investment property is measured at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on straight line basis over the estimated useful lives of the assets at rates given in note 7. Full year's depreciation is charged on investment property acquired during the year, while no depreciation is charged on assets disposed of during the year. Minor maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain or loss on disposal of investment property are taken to profit and loss account.



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#### 5.4 Net Investment in Lease Finance

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of the asset to the lessees are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, if any. The Company maintains provision for doubtful debts at a level that can be reasonably anticipated, keeping in view the nature of its overall business activities and regulatory requirements.

#### 5.5 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### 5.6 Investments

Investments except for investments in associates are classified under securities held for trading, held to maturity and available for sale categories.

Investments in securities are recognized on a trade-date basis and are initially measured at cost.

##### *Subsequent Measurement*

##### *Held to Maturity*

These are securities with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold upto maturity and are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

##### *Held for Trading*

These are securities which are either acquired for generating a profit from short-term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exist.

Held for trading investments are measured at subsequent reporting dates at fair value. Unrealized gains and losses are included in the net profit and loss for the year.

##### *Available for Sale*

These are investments that do not fall under held for trading or held to maturity categories.

Available for sale investments are measured at subsequent reporting dates at fair value. Gain/loss arising from re-measurement are taken to equity. Such gain/loss is taken to profit and loss account to the extent which relates to the securities sold/disposed of during the respective period.

Investments in associates are accounted for under equity method of accounting.

Unquoted securities are valued at cost less provision for impairment, if any.

Fair value of quoted shares is determined by reference to the stock exchange rates ruling at the balance sheet date. Term Finance Certificates are valued using average rates offered by stock exchange brokers.

Gain or loss on disposal during the year are taken to profit and loss account.



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## 5.7 Sale and Repurchase Agreements

The Group enters into purchase/sale of investment under agreements to resale/repurchase investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resale them at the future dates are not recognized. The amounts paid are recognized in lendings to financial institutions.

The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings from financial institutions.

The difference between the purchase/sale and resale/repurchase consideration is recognised on a time proportion basis over the period of the transaction.

## 5.8 Derivatives

Derivative instruments held by the Holding Company comprise of interest rate swap (IRS). Derivatives are stated at fair value at the balance sheet date, if any. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet.

The fair value of unquoted derivatives is determined by discounted cash flows, using appropriate interest rates applicable to the underlying asset.

## 5.9 Staff Retirement Benefits

The Holding Company operates the following staff retirement benefit schemes for its employees:

- a) an unfunded gratuity scheme (defined benefit plan) covering all permanent employees of the Company who attained the minimum qualifying period. Provisions are made annually to cover the obligation on the basis of actuarial valuation and charged to income currently.
- b) contributory provident fund, in which equal monthly contribution at the rate of 10% of basic salary is made by the Company and employees.

## 5.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration tax credits available, if any, or one half of one percent of turnover, whichever is higher.

### Deferred

Deferred tax is provided using the balance sheet liability method on all taxable temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



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## 5.11 Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

## 5.12 Revenue Recognition

The Company follows the finance method in recognizing income on lease contracts. Under this method, the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the term of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the leases. Revenue on finance lease is not accrued when rent is past due by one hundred eighty days or more in which case it is recognised on receipts basis. Front end fee, documentation charges, commitment fee and other commissions, if any, are taken to income when realized.

Profit on Morabaha finance and other financing are accrued on time proportion basis.

Return on securities is recognized on accrual basis.

Dividend income from investments is recognized when the right to receive is established.

Income from capital gain is recognised on trade date. Brokerage and underwriting commission is recognised as and when earned.

Rental income on investment property is recognised on an accrual basis.

Guarantee income is recognised on time proportion basis.

## 5.13 Transfer Pricing

Transactions between the Group and its related parties are carried out on an arm's length basis. The relevant rates are determined in accordance with the following methods:

<b>Nature of Transaction</b>	<b>Method</b>
Borrowing/Lending/Placements	Comparable Uncontrolled Price Method
Lease Finance Facilities/Obligations	Comparable Uncontrolled Price Method
Investment in Securities	Comparable Uncontrolled Price Method
Sharing of Common Expenses	Actual



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#### **5.14 Foreign Currencies**

Transaction in foreign currencies are accounted for in Rupees at the exchange rate on the date of transaction. Assets and liabilities in foreign currencies are converted into Rupees at the rate of exchange on the balance sheet date. Exchange gains or losses are recognised in income currently.

Exchange risk fee and differences arising due to hedging mechanism are accounted for as deferred revenue or costs, as the case may be, and are credited to income or amortized respectively over the term of the transaction.

#### **5.15 Financial Instruments**

All financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished i.e, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly.

#### **5.16 Financial Assets**

Financial assets comprise of cash and bank balances, investments, placements and finance, advances, deposits and other receivables, net investment in lease finance, mortgage finance, long term finances and long term loans. Investments classified under 'held for trading' and 'available for sale' categories are stated at fair value. Net investment in leases and installment loans are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount, while other financial assets are stated at cost.

#### **5.17 Financial Liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are accrued and other liabilities, certificates of investment/deposit, borrowings from banks and financial institutions, redeemable capital and liability against assets subject to finance lease.

#### **5.18 Offsetting**

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off-set.



## 6. TANGIBLE FIXED ASSETS

Particulars	Cost at 01 July 2004	Additions/ (Deletion)	Transfer 6.1	Cost at 30 June 2005	Accumulated Depreciation at 01 July 2004	Transfer 6.1	Depreciation/ (Adjustment) for the year	Accumulated Depreciation at 30 June 2005	Book Value at 30 June 2005	Rate %
<b>Owned</b>										
Office Premises	7,539,707	6,877,000 (6,877,000)	(7,539,707)	-	4,038,800	(4,038,800)	-	-	-	10
Lease Hold Improvements	9,889,938	-	(9,889,938)	-	6,203,447	(6,203,447)	-	-	-	10
Furniture and Fixture	9,301,584	- (5,333,434)	-	3,968,150	6,184,324	-	588,025 (5,031,263)	1,741,086	2,227,064	10
Equipment and Appliances	6,059,124	1,334,090 (4,515,207)	-	2,878,007	5,183,165	-	687,955 (4,515,207)	1,355,913	1,522,094	20
Vehicles	7,663,533	687,673 (4,673,832)	-	3,677,374	5,170,359	-	712,675 (3,406,370)	2,476,664	1,200,710	20
	40,453,886	8,898,763 (21,399,473)	(17,429,645)	10,523,531	26,780,095	(10,242,247)	1,988,655 (12,952,840)	5,573,663	4,949,868	
<b>Leased Assets</b>										
Vehicles	6,560,450	6,087,000 (2,119,000)	-	10,528,450	1,657,380	-	2,105,690 (613,800)	3,149,270	7,379,180	20
<b>2005</b>	<i>Rupees</i>	<b>47,014,336</b>	<b>14,985,763</b> <b>(23,518,473)</b>	<b>(17,429,645)</b>	<b>21,051,981</b>	<b>28,437,475</b>	<b>(10,242,247)</b>	<b>4,094,345</b> <b>(13,566,640)</b>	<b>8,722,933</b>	<b>12,329,048</b>
<b>2004</b>	<i>Rupees</i>	<b>37,155,782</b>	<b>7,372,230</b> <b>(3,063,425)</b>	<b>5,549,749</b>	<b>47,014,336</b>	<b>22,243,187</b>	<b>3,020,290</b>	<b>5,692,903</b> <b>(2,518,905)</b>	<b>28,437,475</b>	<b>18,576,861</b>

6.1 Represents assets and corresponding accumulated depreciation transferred to investment property.



## 6.2 DISPOSAL OF TANGIBLE FIXED ASSETS

Particulars	Cost	Accumulated depreciation	Book Value	Sale Proceed	Name & Address	Mode of disposal
Vehicle	950,000	380,000	570,000	570,000	Guardian Modaraba (Associated Co.) 1500-A, Saima Trade Tower, I.I. Chundrigar Road, Karachi	By Negotiation
Vehicle	1,169,000	233,800	935,200	935,200	Guardian Modaraba (Associated Co.) 1500-A, Saima Trade Tower, I.I. Chundrigar Road, Karachi	By Negotiation
Vehicle	1,096,200	1,096,200	-	-	Mr. Ayaz Dawood (Director) F-12, Dawood Colony, Stadium Road, Karachi NIC# 42201-0438110-3	Company Policy
Vehicle	1,149,000	1,149,000	-	-	Mr. Rafique Dawood (CEO) F-12, Dawood Colony, Stadium Road, Karachi NIC# 42201-0438107-3	Company Policy
Vehicle	318,500	191,100	127,400	127,400	Syed Muhammad Tausif (Employee) House No. R-206, Mohala Kaliana Town, North Karachi, Sector 10, Karachi. NIC# 42101-1417577-7	Company Policy
Vehicle	368,250	220,950	147,300	147,300	Mr. Abbas Qurban (Employee) Burhani Arcade, 4th floor, near City Court, M.A. Jinnah Road, Karachi. NIC# 42301-7509411-1	Company Policy
Vehicle	849,000	169,800	679,200	715,000	Mr. Shah Faisal (Ex-Employee) D-7, Irum Villas, Block-14, Gulshan-e-Iqbal, Karachi. NIC# 42201-7052657-5	By Negotiation
Vehicle	57,000	57,000	-	6,000	Mr. Anwar Ahmed (Employee) House No. A-13/3, Block 5-D, Paposh Nagar, Nazimabad. NIC# 42101-1946571-3	By Negotiation
Vehicle	62,500	37,500	25,000	12,500	Mr. Muhammad Abbas (Employee) E-32, Yousuf Plaza, Federal B Area, Block # 16, Karachi. NIC# 42101-5890489-5	By Negotiation
Vehicle	42,682	-	42,682	25,000	Mr. Altaf Ahmed 2nd Floor, Flat No.4 Kamal Manzil, opp KMC Karachi	By Negotiation
Vehicle	58,000	58,000	-	10,000	Amjad Hussain (Employee) House No. 1725/3211, Madina Colony, Baldia Town, Karachi NIC# 42401-6609586-5	By Negotiation
Vehicle	58,000	58,000	-	-	Syed Ahmed Tauseef (Employee) 86-B/II, Punjab Government Employees, Government Housing Society, Lahore.	Company Policy
Vehicle	614,700	368,820	245,880	295,000	Guardian Modaraba (Associated Co.) 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi.	By Negotiation
Furniture & Fixtures	781,770	479,599	302,171	45,000	Ahmed Furniture Mart Shop No. 12, Arambagh, Karachi.	By Negotiation
Furniture & Fixtures	4,551,664	4,551,664	-	-		Write-off
Equipment	4,515,207	4,515,207	-	-		Write-off
Property	6,877,000	-	6,877,000	10,000,000	B.R.R. International Modaraba (Associated Co.) 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi.	By Negotiation
<b>2005 Rupees</b>	<b>23,518,473</b>	<b>13,566,640</b>	<b>9,951,833</b>	<b>12,888,400</b>		
2004 Rupees	3,063,425	2,518,905	544,520	595,559		





## 7. INVESTMENT PROPERTY

Particulars	Cost at 01 July 2004	Addition	Transfer 7.1	Cost at 30 June 2005	Accumulated Depreciation at 01 July 2004	Transfer 7.1	Depreciation/ for the Year	Accumulated Depreciation at 30 June 2005	Book value at 30 June 2005	Rate %
<b>Owed</b>										
Office premises	41,379,507	-	17,429,645	58,809,152	13,195,621	10,242,247	5,359,540	28,797,408	30,011,744	10
<b>2005 Rupees</b>	<b>41,379,507</b>	<b>-</b>	<b>17,429,645</b>	<b>58,809,152</b>	<b>13,195,621</b>	<b>10,242,247</b>	<b>5,359,540</b>	<b>28,797,408</b>	<b>30,011,744</b>	
2004 Rupees	19,018,592	20,637,000	1,723,915	41,379,507	8,109,515	948,155	4,137,951	13,195,621	28,183,886	

7.1 Represents assets and corresponding accumulated depreciation transferred from Tangible Fixed Assets.

7.2 The fair value of investment property as at June 30, 2005 as per valuation by an independent valuer is Rs. 79.02 million (June 30, 2004 : Rs. 28.99 million)

## 8. NET INVESTMENT IN LEASE FINANCE

	Note	2005	2004
Minimum Lease Payments Receivables	8.1	2,765,166,014	2,212,294,958
Residual Value of Leased Assets		429,910,683	523,896,363
		<u>3,195,076,697</u>	<u>2,736,191,321</u>
Unearned Finance Income		(553,846,182)	(470,527,034)
Net Investment in Lease Finance		<u>2,641,230,515</u>	<u>2,265,664,287</u>
Provision for Lease Losses		(139,547,716)	(111,142,080)
Net Investment in Lease Finance	8.2	<u>2,501,682,799</u>	<u>2,154,522,207</u>
Current Portion of Net Investment in Lease Finance		(950,722,859)	(833,083,087)
	Rupees	<u>1,550,959,940</u>	<u>1,321,439,120</u>

### 8.1 Minimum Lease Payments Receivables

Less than One Year		929,642,965	1,024,076,723
More than One Year and less than Five Years		1,835,523,049	1,188,218,235
	Rupees	<u>2,765,166,014</u>	<u>2,212,294,958</u>

### 8.2 Net Investment in Lease Finance

Less than One Year		950,722,859	833,083,087
More than One Year and less than Five Years		1,550,959,940	1,321,439,120
	Rupees	<u>2,501,682,799</u>	<u>2,154,522,207</u>

8.3 There are no rentals receivable over five years. The mark-up rate on leases ranges between 9 percent to 14 percent (2004: 7% to 20%) per annum.

8.4 The company has provided facilities amounting to Rs. 178.67 million to Pioneer Cement Limited, which is in excess of 20% of its equity

## 9. LONG TERM INVESTMENT

Associated Companies	9.1	101,437,642	105,052,216
Held to Maturity	9.2	450,799,512	388,426,912
	Rupees	<u>552,237,154</u>	<u>493,479,128</u>



	Note	2005	2004
<b>9.1 Investment in Associated Companies</b>			
Dawood Capital Management Limited (Formerly Pakistan Venture Capital Limited) Percentage of holding 30% 3,000,000 Ordinary shares of Rs.10 each Net assets value as at 30 June 2005 : Rs. 47.34 million (2004: Rs. 42.72 million) Market value Rs.19.50 million (2004: Rs.29.25 million)			
	9.1.1	47,341,204	42,245,816
Dawood Money Market Fund Percentage of holding 0.02% (2004 : Rs. 2.26%) 3,817,2923 units (2004: 277,772 units) of Rs.100 each Net assets value as at 30 June 2005 : Rs. 0.42 million (2004: Rs. 25.44 million) Market value Rs. 0.41 million (2004 Rs. 30.53 million)			
	9.1.2	418,801	28,252,875
Guardian Modaraba Percentage of holding 12.04% (2004 : Rs. 16.13%) 2,946,950 (2004: 2,631,300) Modaraba Certificates of Rs. 10 each. Net assets value as at 30 June 2005 : Rs. 17.24 million (2004: Rs. 11.26 million) Market value Rs. 26.52 million (2004 Rs. 27.89 million)			
	9.1.3	53,677,637	34,553,525
	Rupees	<u>101,437,642</u>	<u>105,052,216</u>
<b>9.1.1 Dawood Capital Management Limited</b>			
Opening Balance		42,245,816	40,775,197
Share of Profit for the Year-Net of Tax		4,977,491	1,470,619
Share of Surplus on Revaluation of Investment		117,897	-
		<u>47,341,204</u>	<u>42,245,816</u>
<b>9.1.2 Dawood Money Market Fund</b>			
Opening Balance		28,252,875	26,702,048
Share of Profit for the Year-Net of Tax		39,075	1,550,827
Effect of Disposal of Shares		(27,869,424)	-
Share of Surplus on Revaluation of Investment		(3,725)	-
		418,801	28,252,875
<b>9.1.3 Guardian Modaraba</b>			
Opening Balance		34,553,525	31,041,926
Share of Profit for the Year-Net of Tax		5,295,938	5,827,143
Dividend Received During the Year		(2,946,950)	(2,315,544)
Share of Surplus on Revaluation of Investment		15,706,551	-
Investment During the Year		3,156,500	-
Effect of Reduction in Percentage Holding		(2,087,927)	-
		53,677,637	34,553,525
	Rupees	<u>101,437,642</u>	<u>105,052,216</u>



	Note	2005	2004
<b>9.2 Investment - Held to maturity</b>			
Term Finance Certificates	9.2.1	17,942,105	27,355,596
US Dollar Bonds	9.2.2	134,010,730	130,582,382
Pakistan Euro Bonds	9.2.3	12,340,547	22,944,371
Pakistan Bonds	9.2.4	11,937,000	11,631,620
Bank Markazi Iran Bonds	9.2.5	21,588,660	21,207,360
HBOS Capital Funding Perpetual Bonds	9.2.6	4,476,375	4,361,857
Target Redemption Bonds	9.2.7	5,968,500	5,815,810
WAPDA Bonds	9.2.8	100,000,000	150,000,000
Asset Backed Certificates-SPV	9.2.9		
- Transport Securitisation Trust		10,784,980	22,319,439
- Securities SPV Limited		12,024,823	31,391,571
- Development Securitisation Trust		7,777,800	-
- First Securitisation Trust		-	881,097
Debt Instruments - Preference Shares	9.2.10	144,566,988	-
Pakistan Investment Bonds/Treasury Bills	9.2.11	8,856,533	1,046,119
		<u>492,275,041</u>	<u>429,537,222</u>
Current Portion		<u>(41,475,529)</u>	<u>(41,110,310)</u>
	Rupees	<u>450,799,512</u>	<u>388,426,912</u>

### 9.2.1 Term Finance Certificates (TFCs)

#### Unlisted

9.2.1.1

Pakland Cement Ltd  
Series A  
Series B

100,705,509	110,119,000
2,089,846	2,089,846
<u>102,795,355</u>	<u>112,208,846</u>

Profit Capitalized on TFC's of Series A  
Less: Suspended

39,682,243	39,682,243
(39,682,243)	(39,682,243)
-	-

Less : Provision  
- Opening Balance  
- During the Year

84,853,250	84,853,250
-	-
<u>(84,853,250)</u>	<u>(84,853,250)</u>

Rupees 17,942,105 27,355,596

9.2.1.1 This represent overdue term finance certificates of Pakland Cement Limited (PCL) issued in lieu of outstanding lease liabilities. In June 2004, the ownership of the issuer changed hands and the new owners (Dewan Mushtaq Group) have offered restructuring plan to the creditors as follows:

TFC Series 'A' will be repaid in seven years and repayment commenced from July 2004 carrying interest at KIBOR+2.5 percent.

TFC Series 'B' will be repaid to the extent of 30 percent over a period of two years commencing from the date of last installment of the Series 'A'. The revised TFC Series 'B' will not earn any profit/return.

No provisions are required to be made as allowed by SECP vide letter reference SEC/NBFC(1)-JD/735/203 dated 11 September 2003. However, on prudent ground, a provision of Rs. 84.85 million has been made to date by the company the level of which is in line with the industry.



- 9.2.2** These represent 7 year bonds of US \$ 59,000 and \$ 2,186,300 (2004: US \$ 59,000 and \$ 2,186,300) having a maturity date of 15 December 2005 and 15 December 2010. Interest rates are 2 percent and 4 percent over LIBOR respectively received on a semi-annual basis. The bonds have been placed as collateral against borrowings.
- 9.2.3** These represent 5 year bonds of US \$ 211,500 (2004: US \$ 423,000) having a maturity from 12 December 2005 to 12 December 2010. Interest rate is 10 percent per annum received on a semi-annual basis.
- 9.2.4** These represent 5 year bonds of US \$ 200,000 (2004: US\$ 200,000) having a maturity date of 19 February 2009. Interest rate is 6.75 percent per annum received on a semi-annual basis.
- 9.2.5** These represent 5 year bonds of Euro 200,000 and Euro 100,000 (2004: Euro 200,000 and Euro 100,000) having a maturity date of 21 April 2008 and 23 July 2007 respectively. Interest rates are 7.75 percent and 8.75 percent respectively received on a semi annual basis.
- 9.2.6** These represent 46 year bonds of US \$ 75,000 (2004: US\$ 75,000) having a maturity date of 23 July 2049. Interest rate is 6.85 percent per annum received on a quarterly basis.
- 9.2.7** These represent 10 year bonds of US \$ 100,000 (2004: US\$ 100,000) having a maturity date of 26 April 2014. Interest rate is 8.20 percent per annum received on a semi-annual basis.
- 9.2.8** These represent 5 year bonds having a maturity date of 29 April 2008. Interest rate is 7.25 percent received on a semi annual basis. Bonds of Rs. 100 million have been placed as collateral against borrowing.
- 9.2.9** The investee is duly registered with the SECP as a Special Purpose Vehicles (SPV) and the bonds have a maturity period of 2 to 3 years. Interest rate ranges from 7.5 percent to 14.5 percent redeemable monthly or quarterly. Out of the total investment Rs. 12.01 million have been placed as collateral against borrowing.

**9.2.10 Debt Instruments - Preference Shares**

	(No. of shares)			
	2005	2004	2005	2004
D.G Khan Cement	63,656	-	677,938	-
Azgard Nine Limited	3,984,770	-	39,847,700	-
Jamshoro Joint Venture Limited	5,000,000	-	50,000,000	-
Chenab Limited	1,820,000	-	18,200,000	-
Shakarganj Mills Limited	3,584,135	-	35,841,350	-
		Rupees	<u>144,566,988</u>	<u>-</u>

These represent cumulative redeemable convertible preference shares carrying dividend from 8.5 percent to 15 percent per annum.

- 9.2.11** The investment has been financed through borrowings which is secured against pledge of the said investment. The legal right of set off is available to the Company and it also intends to realize the assets and settle the liability simultaneously. The interest rate on investment ranges from 8.20 percent to 10 percent received on semi-annual basis. The borrowing from commercial banks is subject to mark-up rates ranging from Re. 0.2411 to Re. 0.2452 per Rs. 1,000 per day.

Pakistan Investment Bonds/Treasury Bills	979,551,543	56,027,369
Borrowing Under Repurchase Agreements	(970,695,010)	(54,981,250)
	Rupees <u>8,856,533</u>	<u>1,046,119</u>

**10. LONG-TERM FINANCE**

Term Finance Facility	147,574,597	-
Less : Current Portion	(19,179,412)	-
	Rupees <u>128,395,185</u>	<u>-</u>



**10.1** These are secured against mortgage of immovable properties. The mark-up/profit rates ranges from 8 percent to 14 percent per annum subject to change in SBP discount rate, receivable on monthly/quarterly basis. The principal is receivable in installment upto March 2012.

	Note	2005	2004
<b>11. MORTGAGE FINANCE</b>			
Housing Finance against Mortgage		38,548,810	536,585
Less : Current Portion		(6,095,293)	(85,183)
	Rupees	<u>32,453,517</u>	<u>451,402</u>

**11.1** These are subject to interest rates from 9 percent to 14 percent per annum, subject to change in SBP discount rate and KIBOR, receivable on monthly/quarterly basis, with maturities upto November 2024.

**12. LONG TERM LOANS-STAFF**  
*Considered good*

Chief Executive		1,414,516	1,659,598
Director		2,263,823	2,480,203
Other Staff		2,492,549	3,273,839
		<u>6,170,888</u>	<u>7,413,640</u>
Less : Current Portion		(705,752)	(1,261,298)
	Rupees	<u>5,465,136</u>	<u>6,152,342</u>
Outstanding for Period:			
- Within Three Years		2,082,172	3,949,338
- Exceeding Three Years		4,088,716	3,464,302
	Rupees	<u>6,170,888</u>	<u>7,413,640</u>

The loans have been provided to Chief Executive and Director of the company to facilitate purchase of house, which are repayable over a period of 10 years with service charge @ 10 percent and 5 percent per annum, respectively.

The loans provided to other staff are at 5 percent service charge per annum, which are repayable over a period of 3 to 20 years.

Maximum aggregate amount outstanding during the year in respect of Chief Executive and Director was Rs. 4,139,801 (2004: Rs. 4,239,598).

**13. LONG TERM DEPOSITS AND DEFERRED COST**

Long Term Deposits		441,199	266,199
Deferred Cost	13.1	1,732,608	2,934,492
	Rupees	<u>2,173,807</u>	<u>3,200,691</u>

**13.1 Deferred cost**

Brokerage, Advisory Fee,  
Commission Expenses Incurred on  
Issue of TFCs

Opening Balance	7,219,492	7,219,492
Incurred During the Year	-	-
	7,219,492	7,219,492
Amortisation		
Opening Balance	4,285,000	2,851,533
Amortized During the Year	1,201,884	1,433,467
	(5,486,884)	(4,285,000)
	Rupees	<u>1,732,608</u>



	Note	2005	2004
<b>14. CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Net investment in Lease Finance	8	950,722,859	833,083,087
Investments-Held to Maturity	9.2	41,475,529	41,110,310
Long-Term Finances	10	19,179,412	-
Mortgage Finance	11	6,095,293	85,183
Long-Term Loans	12	705,752	1,261,298
	Rupees	<u>1,018,178,845</u>	<u>875,539,878</u>
<b>15. SHORT TERM INVESTMENTS</b>			
Available for Sale	15.1	824,056,430	1,053,882,023
Held for Trading	15.2	456,609,693	616,031,749
	Rupees	<u>1,280,666,123</u>	<u>1,669,913,772</u>
<b>15.1 Investments-Available for sale</b>			
Term Finance Certificates	15.1.1	676,950,211	803,090,854
Pakistan Income Fund (PIF)		-	96,665,818
Meezan Islamic Fund (MIF)	15.1.2	2,079,948	12,379,900
National Investment Trust	15.1.3	62,312	48,303
Pakistan Investment Bonds (PIBs)		-	5,894,790
Quoted securities	15.1.4	144,963,959	135,802,358
	Rupees	<u>824,056,430</u>	<u>1,053,882,023</u>



	No. of Certificates		2005	2004
	2005	2004		
<b>15.1.1 Term Finance Certificates (TFCs) Listed (15.1.1.1)</b>				
Al-Abbas Sugar	1,000	1,000	3,352,631	4,473,684
Al-Noor Sugar	3,000	3,000	12,243,672	5,975,474
Al-Zamin Leasing Modaraba (Managed by Al-Zamin Modaraba Management)	5,000	5,000	24,000,000	25,000,000
Atlas Lease	2,000	2,000	1,280,225	4,067,743
Bank Alfalah	-	11,588	-	62,543,445
Bank Al-Habib	4,350	-	19,139,999	-
Chaudhry Sugar	5,000	5,000	19,764,646	24,999,975
Crescent Leasing - II	1,000	1,000	5,000,000	5,520,500
Dewan Salman Fibres II	3,300	3,300	2,057,700	8,735,182
Engro Chemicals	-	1,660	-	8,585,286
Fidelity Bank	11,000	11,000	43,632,540	54,989,000
First Oil & Gas Securitization Trust	15,000	15,000	44,119,610	65,918,982
Grays Leasing	1,000	1,000	3,750,000	5,000,000
Hira Textile	4,900	-	24,750,000	-
Ittehad Chemicals	4,000	4,000	20,183,840	20,791,680
KASB Leasing	-	818	-	4,105,944
Maple Leaf Cement	259	259	881,047	1,165,034
MCB Bank	1,000	1,000	5,144,850	5,551,667
NIB Bank	-	2,000	-	5,216,208
Naimat Basal Oil & Gas Securitization	9,826	-	46,206,765	-
Network Leasing - I	2,000	2,000	2,684,971	8,216,404
Nishat Mills	4,105	4,105	6,986,488	16,328,931
Orient Petroleum	2,000	2,000	5,000,001	8,333,333
Orix Leasing - I	-	1,000	-	4,338,966
Orix Leasing - II	1,400	1,400	7,000,000	7,557,200
Pacific Leasing	2,000	2,000	8,330,000	10,090,981
Pakistan International Airline	33,000	33,000	147,893,268	168,296,634
Pakistan Mobile Communications	2,000	2,000	10,000,000	10,000,000
Pakistan PTA	-	2,000	-	8,245,373
Pakistan Services	6,000	6,000	30,581,640	29,994,000
Paramount Leasing - II	-	4,874	-	24,448,000
Quetta Textile	-	1,770	-	9,117,215
Shahmurad Sugar	2,271	2,271	3,783,486	7,818,952
Sui Southern Gas	5,000	5,000	16,819,833	26,891,356
Trust Investment Bank	-	3,000	-	2,592,635
Union Bank - I	3,256	12,000	16,446,537	65,342,771
Union Bank - II	4,000	4,000	17,301,739	16,640,523
United Bank - I	10,000	10,000	42,991,744	50,000,000
United Bank -II	15,928	-	74,861,600	-
Worldcall Communication	3,000	3,000	10,761,379	16,197,776
			<u>676,950,211</u>	<u>803,090,854</u>

15.1.1.1 The listed TFCs are redeemed semi-annually and earn expected profit ranging from Re. 0.1575 to Re. 0.4520 per Rs.1,000 per day. The TFCs of Rs. 385.34 million have been placed as collateral against borrowings. All listed TFCs have the face value of Rs. 5,000 each.

15.1.2 This represents investment in 27,468 (2004: 200,160) units having face value of Rs. 50 each.

15.1.3 This represent investment in 1,531 (2004: 1,531) units having a face value of Rs.10 each.



#### 15.1.4 Quoted securities

Shares of listed companies-Fully paid ordinary shares/certificates/units of Rs. 10 each unless stated otherwise,

Shares/Certificates/Units	No. of Shares/Certificates		2005	2004	(Rupees)
	2005	2004			
Adamjee Insurance	8,765	8,765	585,064		589,014
Arif Habib Securities	88,800	15,000	32,500,800		10,920,000
Bank Alfalah	3,875	-	157,906		-
Bank Al-Habib	42,684	23,667	1,846,083		999,931
The Bank of Punjab	480	119,050	40,200		6,214,410
Central Insurance	2,000	2,000	269,000		218,500
Cherat Cement	14,400	11,000	885,600		789,250
Crescent Board	5,000	5,000	77,500		32,500
Crescent Commercial Bank	15,187	15,187	157,185		217,174
Crescent Standard Investment Bank	306	306	4,590		2,800
D.G. Khan Cement	12,738	90,626	710,144		5,210,995
Dawood Lawrencepur	1,840	1,840	130,640		161,920
Din Textile	100	100	3,850		4,890
Fauji Fertilizer	15,991	700	1,940,508		83,195
Faysal Bank	103,025	120,750	5,542,745		4,316,813
First Dawood Mutual Fund	500	-	5,000		-
First Equity Modaraba (Managed by Premier Financial Services)	593,300	-	8,039,215		-
First Habib Bank Modaraba	47	47	588		733
GlaxoSmithKline	30,782	20,360	5,416,093		4,234,880
Guardian Modaraba	282,809	282,809	1,998,846		2,009,246
International Industries	6,037	2,300	633,885		379,500
Kohinoor Textile	10,806	-	410,628		-
Maple Leaf Cement	173,703	50,000	3,786,725		1,900,000
Metropolitan Bank	22,620	17,400	1,357,200		739,500
MCB Bank	31,898	62,828	2,529,511		3,179,097
Muslim Insurance	10,650	3,375	462,210		101,250
National Bank of Pakistan	38,510	38,510	4,157,155		2,558,989
National Refinery	300	4,500	94,890		831,825
New Jubilee Insurance	9,000	9,000	191,250		234,000
Nishat Chunian	18,904	-	1,797,770		-
NIB Bank	97,626	97,626	2,245,398		1,952,520
Pakistan Re-Insurance	82,400	82,400	4,247,720		5,380,720
Pakistan Oil Fields Limited	45,940	125,440	12,927,516		26,154,240
Pakistan State Oil	10,000	50,000	3,860,000		12,837,500
Pakistan Strategic Allocation Fund	1,500,000	-	14,475,000		-
Pakistan Telecommunication	105,000	250,000	6,924,750		10,537,500
Pakistan Industrial Credit & Investment	211,914	296,113	14,833,980		21,334,942
Packages Limited	3,089	-	432,460		-
PICIC Commercial Bank	86,912	153,550	2,889,824		5,182,312
Pioneer Cement	151,500	-	3,181,500		-
Premier Insurance	47,825	47,825	1,111,931		1,037,802
Prime Commercial Bank	7,591	-	144,229		-
Reckit Benckiser	-	34,300	-		3,258,500
Salfi Textile Mills	4,200	4,200	119,280		109,620
Balance carried forward			143,126,369		133,716,068





Shares/Certificates/Units	No. of Shares/Certificates		2005	2004
	2005	2004	(Rupees)	
	Balance brought forward		143,126,369	133,716,068
Sapphire Textile	6,750	6,750	627,750	445,500
Sui Southern Gas	1,000	1,000	23,150	32,800
TRG Pakistan	10,000	10,000	101,000	172,500
Wah Nobel Chemicals	5,800	5,800	255,200	226,490
Wyeth Pakistan	930	930	830,490	1,209,000
			<u>144,963,959</u>	<u>135,802,358</u>

## 15.2 Investments - Held for Trading

Fully paid ordinary shares of Rs. 10 each unless stated otherwise,

Shares/Certificates/Units	No. of Shares/Certificates		2005	2004
	2005	2004	(Rupees)	
<b>Quoted</b>				
ABAMCO Composite Fund	1,852,930	1,852,930	12,785,217	17,417,542
Adamjee Insurance	3,767	65,915	251,447	4,429,488
AMZ Venture	703,000	-	7,733,000	-
Al-Ghazi Tractors	46,750	32,500	6,874,588	5,687,500
Al-Meezan Mutual Fund	12,650	10,000	135,355	154,500
Arif Habib Securities	1,900	34,200	695,400	24,897,600
Asset Investment Bank	7,700	83,700	28,490	602,640
Askari Commercial Bank	2,826	14,155	220,428	904,504
Atlas Investment Bank	703,000	5,000	151,800	139,250
Attock Refinery	5,640	73,100	899,862	6,688,650
Attock Cement	32,500	32,500	2,210,000	1,690,000
Artistic Denim	-	5,000	-	397,750
Avenits Pharmaceutical	300	300	55,500	85,500
Azgard Nine	1,500	-	48,002	-
Balochistan Wheels	125	125	4,413	4,250
Balochistan Glass	61,000	56,000	521,550	730,800
BSJS Balance Fund	11,000	20,000	90,750	259,000
Bank Alfalah	34,075	-	1,388,556	-
Bank Al-Habib	30,670	50,670	1,326,477	2,140,807
Bank of Punjab	-	19,000	-	991,800
Bosicor Pakistan	99,000	187,500	1,282,050	4,303,125
Business & Industrial Insurance	500	500	2,375	2,000
Callmate Telips Telecom	37,000	12,500	1,443,000	190,625
Carvan East Fabrics	907,000	1,337,000	2,312,850	-
Century Paper & Board	2,000	2,000	165,900	188,000
Chakwal Cement	143,500	163,500	1,069,075	1,258,950
Cherat Cement	3,475	5,000	213,713	358,750
Cherat Paper Sack	3,096	2,580	217,494	227,040
D.G. Khan Cement - Preference	-	63,656	-	677,936
Crescent Leasing	9,821	30,500	146,333	518,500
D.G. Khan Cement	10,500	16,000	585,375	920,000
Dawood Hercules Chemicals	6,840	6,840	1,135,440	1,235,988
Dawood Capital Management	-	1,000	-	9,750
Dewan Cement	860,066	1,012,066	16,341,254	31,829,476
Dewan Farooque Motors	33,825	61,500	649,440	1,525,200
			<u>60,985,134</u>	<u>110,466,921</u>



Shares/Certificates/Units	No. of Shares/Certificates		2005	2004
	2005	2004	(Rupees)	
	Balance brought forward		60,985,134	110,466,921
Dewan Farooque Spinning	2,946,774	-	29,467,240	-
Dewan Hattar Cemen	135,000	150,000	1,248,750	2,482,500
Dewan Salman Fibres	140,298	114,000	2,364,021	2,582,100
Ecopak	648,000	-	32,140,800	-
Engro Chemicals	42,672	137,472	4,917,948	13,403,520
Escort Investment Bank	152,500	218,500	1,616,500	3,255,650
Fauji Cement	90,000	113,500	1,152,000	1,850,050
Fauji Fertilizer	36,244	51,300	4,398,209	6,097,005
Faysal Bank	2,000	66,000	107,601	2,359,500
Fauji Fertilizer Bin Qasim	74,212	354,212	1,996,303	6,694,607
First Dawood Mutual Fund	1,000,500	-	10,005,000	-
First Equity Modaraba (Managed by Premier Financial Services)	627,300	583,300	8,499,915	16,624,050
First Habib Bank Modaraba (Managed by Habib Bank Financial Services)	40,040	40,040	500,500	624,624
First Imrooz Modaraba (Managed by A.R. Management Services)	500	500	30,575	21,375
First International Investment Bank	9,111	7,923	100,221	117,657
First National Bank Modaraba (Managed by National Bank of Pakistan)	773,500	773,500	5,221,125	7,502,950
First Punjab Modaraba (Managed by Punjab Modaraba Services)	385,556	385,556	3,547,115	5,494,173
First National Equities Crescent Standard Investment Bank	1,750,000	-	31,587,500	-
Gadoon Textile	16,500	28,000	247,500	256,200
Gharibwal Cement	1,750	5,250	143,588	362,250
General Tyres & Rubber		20,000		329,000
Gillete Pakistan	4,500	4,500	144,675	207,000
	3,200	-	192,320	-
GlaxoSmithKline	33,872	28,872	5,959,779	6,005,376
Guardian Modaraba	5,573,307	303,456	50,159,763	3,216,634
Guardian Modaraba (Right) (Managed by Providence Modaraba)	-	95,729	-	47,864
Gul Ahmed Textile	1,000	1,000	55,600	70,000
Honda Atlas Cars	13,600	75,500	775,200	5,285,000
Hub Power	30,500	1,064,000	805,200	34,367,200
Habib Modaraba (Managed by Habib Modaraba Management)	20,000	10,000	160,000	104,500
Ibrahim Fibres	236,624	364,124	9,346,648	15,111,146
ICI Pakistan	117,727	109,275	9,123,843	9,599,809
Indus Motor	13,300	69,500	1,197,000	6,338,400
International Housing Finance	395,000	-	3,555,000	-
Investec Securities	20,000	20,000	32,000	64,000
Investec Mutual Fund	5,500	5,500	4,400	15,400
Jamshoro Joint Venture	-	5,000,000	-	50,000,000
	Balance carried forward		281,788,973	310,956,461



Shares/Certificates/Units	No. of Shares/Certificates		2005	2004
	2005	2004	(Rupees)	
	Balance brought forward		281,788,973	310,956,461
Jahangir Siddiqui & Company	3,200	10,700	292,800	963,000
Jahangir Siddiqui Investment Bank	35,000	-	1,020,250	-
Javed Omar Vohra	10,000	38,800	2,671,000	24,133,600
JDW Sugar	7,700	2,000	485,100	102,000
Japan Power Company	-	8,000	-	42,800
Karach Electric Supply Corporation	25,900	105,900	141,155	783,660
Kashmir Edible Oils	5,000	5,000	40,000	81,000
Kohinoor Energy	10,000	-	260,000	-
Kohinoor Textile	108,874	90,168	4,137,212	4,828,497
Kot Addu Power	5,000	-	188,750	-
Lakson Tobacco	2,800	-	722,400	-
Legler Nafees Denim	-	34,500	-	776,250
Lucky Cement	27,749	135,500	1,262,580	5,298,050
MacPac Films	116,000	116,000	1,769,000	4,425,400
Mari Gas Company	1,250	13,750	243,313	1,140,562
Maple Leaf Cement Factory	234,407	184,907	5,110,073	7,026,466
Crescent Bank	205,289	252,000	2,124,741	3,603,600
Murree Brewery	4,387	3,510	359,734	249,210
Muslim Insurance	32,500	32,500	1,410,500	975,000
MCB Bank	8,916	57,575	707,039	2,913,295
National Asset Leasing Corporation	682,700	803,000	682,700	2,690,050
National Bank of Pakistan	34,900	4,670	3,767,455	297,122
National Refinery	700	15,400	221,410	2,846,690
Nestle Milk Pak Pakistan	12,000	12,000	6,360,000	5,748,000
Network Micro Finance	7,500	-	60,000	-
New Jubilee Life Insurance	27,500	-	584,375	-
New Jubilee Insurance	20,700	60,000	1,343,430	1,560,000
Nimir Industrial Chemicals	152,250	139,000	433,913	910,450
Nishat (Chunian)	37,510	38,000	3,567,201	2,242,000
Nishat Mills	62,772	140,282	4,770,672	7,406,890
Oil & Gas Development Corporation	3,800	153,368	400,140	9,892,236
Orix Leasing Pakistan	11,500	11,500	341,550	416,875
Pakistan Re-Insurance	23,100	32,000	1,190,805	2,089,600
Packages	24,872	24,872	3,482,080	4,924,656
Pak Suzuki Motor Co.	4,390	165,900	439,000	19,227,810
Pakistan Capital Market Fund	899,000	1,827,500	10,743,050	18,731,875
Pakistan International Airlines	255,500	251,500	2,184,525	4,501,850
Pakistan Oil Fields	1,900	29,200	534,660	6,088,200
Pakistan Premier Fund	78,624	67,500	1,167,566	1,296,000
Pakistan PTA	336,825	94,825	2,694,600	1,645,214
Pakistan Petroleum	3,000	-	645,300	-
Pakistan International Container Terminal	90,243	37,000	2,317,641	851,000
Pakistan State Oil	554	100,554	213,844	25,817,239
Pakistan Telecommunication	12,500	505,000	824,375	21,297,250
	Balance carried forward		353,704,912	508,779,858



Shares/Certificates/Units	No. of Shares/Certificates		2005	2004
	2005	2004	(Rupees)	
	Balance brought forward		353,704,912	508,779,858
Pakistan Tobacco	10,000	30,000	640,000	1,320,000
Pakistan Refinery	6,400	11,200	1,330,560	1,680,000
Pak Electron	173,693	67,375	6,930,351	4,918,375
PICIC Growth Fund	41,955	185,750	218,129	8,776,687
Pakistan Industrial Credit & Investment	240,799	222,425	16,855,930	16,025,722
PICIC Commercial Bank	3,400	243,900	113,050	8,231,625
PICIC Investment Fund	41,955	21,955	629,325	395,190
Pioneer Cement	983,740	220,500	20,658,540	4,432,050
Premier Insurance	63,565	123,000	1,477,886	2,669,100
Prime Commercial Bank	46,774	43,700	888,706	775,675
First Prudential Modaraba (Managed by Prudential Modaraba Management)	2,057	2,057	4,217	8,639
Reliance Weaving	6,000	5,000	162,300	135,000
Schon Modaraba	850	850	340	1,487
Security Leasing	264	200	4,620	3,050
Service Fabrics	190,500	100,000	219,075	375,000
Shell Pakistan	-	14,400	-	5,027,760
Singer Pakistan	5,000	-	113,750	-
Sitara Energy	24,000	17,000	396,000	595,000
Soneri Bank	10,400	-	332,800	-
Standard Chartered Modaraba (Managed by Standard Chartered Services)	1,080	1,080	25,920	37,152
Southern Electric Power	211,248	217,499	1,468,174	3,327,735
Sui Northern Gas	5,125	152,125	314,163	9,842,488
Sui Southern Gas	244,829	277,829	5,667,791	9,112,811
Suraj Cotton	5,000	5,000	250,000	230,000
Telecard	305,500	45,500	3,711,825	1,119,300
TRG Pakistan	904,500	444,500	9,135,450	7,667,625
TRG Pakistan (Right)	-	1,159,000	-	7,359,650
Trust Investment Bank	-	169,861	-	1,919,429
Tripack Films	18,000	18,000	900,000	1,493,100
Umer Fabrics	-	5,000	-	172,500
Unicap Modaraba (Managed by Al-Zamin Modaraba Management)	40	40	28	116
Union Bank	20,958	-	827,841	-
Unilever (Pakistan)	2,140	1,940	3,017,400	3,007,000
United Bank	200	-	7,900	-
World Bridge Connect	2,396,881	-	23,968,810	-
World Call Broadband	6,000	6,000	59,400	72,300
World Call Payphone	89,250	66,250	892,500	940,750
Zahoor Cotton	20,000	128,500	32,000	366,225
Zeal Pak Cement	175,000	20,000	1,050,000	248,000
			<u>456,009,693</u>	<u>611,066,399</u>
Unquoted Image Graphics Solution	60,000	60,000	600,000	600,000
<b>Pakistan Investment Bonds (PIBs)</b>			-	4,365,350
			<u>456,609,693</u>	<u>616,031,749</u>



	Note	2005	2004
<b>16. PLACEMENTS AND FINANCES</b>			
Placements			
Secured	16.1	192,047,221	26,960,000
Unsecured	16.2	150,200,030	534,768,978
		342,247,251	561,728,978
Short Term Finance-Secured	16.3	165,180,084	32,449,380
Provision for Doubtful Finances		(2,446,750)	(2,449,380)
		162,733,334	30,000,000
Certificates of Deposit		9,217,000	9,217,000
Provision for Doubtful Finances		(9,217,000)	(9,217,000)
		-	-
Morabaha/Musharika Finances	16.4	120,341,834	117,755,413
Provision for Doubtful Finances		(18,384,334)	(34,691,233)
		101,957,500	83,064,180
Financing Under Resale Arrangement - Equity Securities		-	96,338,321
	Rupees	<u>606,938,085</u>	<u>771,131,479</u>

**16.1** These are secured against marketable securities. Short-term placement and deposits of fund to financial institutions are made in the normal course of business at profit rates range from Re. 0.2055 to Re. 0.6849 per Rs.1,000 per day. Profit is receivable on maturity.

**16.2** The unsecured placement includes Rs. 26.70 million (2004: Rs. 51.50 million) due from an associated undertaking. Maximum aggregate balance at the end of any month during the year was Rs. 63.70 million (2004 : Rs.80 million). Profit rates range from Re. 0.0616 to Re. 0.4931 per Rs.1,000 per day. Profit is receivable on maturity.

**16.3** These include facility of Rs.10 million which is secured by first ranking charge over hypothecation of stock. The mark-up/profit rates range from Re. 0.1712 to Re. 0.6575 per Rs.1,000 per day. Profit is receivable on maturity/monthly and quarterly.

**16.4** These are secured by hypothecation of all present and future stocks, receivables, demand promissory note and personal guarantee of directors. The mark-up/profit rate ranges from Re. 0.2329 to Re. 0.6849 per Rs. 1,000 per day.

#### 17. ADVANCE AGAINST LEASE COMMITMENTS

Advance Against Lease Commitments	17.1	150,011,900	96,508,157
Less : Provision for Doubtful Receivables		(20,000,000)	(20,000,000)
	Rupees	<u>130,011,900</u>	<u>76,508,157</u>

**17.1** Advance against lease commitments are subject to mark-up rate ranging from 9 percent to 12.65 percent per annum.

#### 18. ADVANCES AND PREPAYMENTS Considered good

Advance Against Purchase of Shares		10,000,000	20,000,000
Advance Income Tax		15,617,232	9,845,127
Income Tax Refunds		3,417,580	-
Prepayments		11,073,026	3,388,573
Other		9,310,907	221,814
	Rupees	<u>49,418,745</u>	<u>33,455,514</u>



	Note	2005	2004
<b>19. OTHER RECEIVABLES</b>			
<b>    Considered good</b>			
Receivable from Brokers Against Sale of Securities		170,313,521	23,759,777
Accrued Profit/Return		44,188,244	40,494,728
Decretal Amount Receivable	19.1	37,302,430	39,228,430
Management Fee		4,899,985	4,013,993
Receivable Against Lease Termination		18,781,657	8,913,033
Receivable Against Stock on Acquisition		-	14,249,248
Other	19.2	2,269,652	9,010,540
		<u>277,755,489</u>	<u>139,669,749</u>
Less : Provision for Doubtful Receivables		(36,729,543)	(43,308,549)
	Rupees	<u>241,025,946</u>	<u>96,361,200</u>

**19.1** This represent decree of recovery for Rs. 64.41 million which was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance), Act of 1997. The Company has the possession of leased out assets, the forced sale value of that is fairly higher than the carrying value. Further, the Company also holds additional security by way of equitable mortgage on factory land and building, the possession of which is now in the Company's hand.

However, the Company has made provision on the basis of prudence.

**19.2** This includes Rs. 1.692 million (2004: 1 million) receivable from an associated undertaking. Maximum aggregate outstanding balance during the year was Rs. 1.692 million (2004: 1 million).

## 20. CASH AND BANK BALANCES

In hand		134,021	390,818
With banks			
- In Deposit Accounts		82,675,741	2,698,796
- In Current Accounts		11,732,919	42,120,502
		<u>94,408,660</u>	<u>44,819,298</u>
	Rupees	<u>94,542,681</u>	<u>45,210,116</u>

## 21. ISSUED, SUBSCRIBED & PAID UP CAPITAL

Fully paid ordinary shares of Rs. 10 each.

(No. of shares)				
2005	2004			
25,000,000	25,000,000	Issued for Fully Paid in Cash	250,000,000	250,000,000
3,964,229	2,562,500	Issued as Fully Paid Bonus	39,642,290	25,625,000
472,087	472,087	Shares Issued on Acquisition	4,720,870	4,720,870
<u>29,436,316</u>	<u>28,034,587</u>		<u>294,363,160</u>	<u>280,345,870</u>
		Rupees		

Associated undertakings of the Company, namely Dawood Capital Management Limited hold 579,239 (2004: 524,728), Guardian Modaraba hold 902,793 (2004: 860,316) and Providence Modaraba hold 82,392 (2004: Nil) shares of Rs.10 each of the Company at 30 June 2005.



	Note	2005	2004 (Restated)
<b>22. RESERVES AND UNAPPROPRIATED PROFIT</b>			
Capital Reserves			
Statutory Reserve		120,810,305	110,097,626
Reserve for Issue of Bonus Shares		29,436,320	14,017,294
Capital Reserve on Acquisition		2,596,484	2,596,484
Revenue Reserves			
Surplus on Revaluation of Investments	22.1	89,964,742	101,002,335
General Reserve		250,000,000	235,000,000
Unappropriated Profit		37,440,171	48,009,158
	Rupees	<u>530,248,022</u>	<u>510,722,897</u>
<b>22.1 Surplus on Revaluation of Investments-Net of Deferred Tax</b>			
Fully Paid up Ordinary Shares and Units		101,509,841	90,539,813
Term Finance Certificates		(17,761,691)	21,504,116
Pakistan Investment Bonds		-	(5,374,700)
		<u>83,748,150</u>	<u>106,669,229</u>
Related Deferred Tax Assets/Liability		6,216,592	(5,666,894)
	Rupees	<u>89,964,742</u>	<u>101,002,335</u>
<b>23. REDEEMABLE CAPITAL-Secured-Non-Participatory</b>			
Term Finance Certificates-Listed			
First Tranche	23.1	253,050,000	253,050,000
Second Tranche	23.2	344,637,000	344,637,000
	Rupees	<u>597,687,000</u>	<u>597,687,000</u>
<b>23.1</b> This represent listed Term Finance Certificates (TFCs) issued as fully paid scrip of Rs. 5,000 or Rs. 25,000 and Rs. 50,000 each. The TFCs have a call and put option at the end of every five years. Profit is payable semi-annually at the SBP discount rate + 1.75 percent with a floor of 13.50 percent and ceiling of 17.50 percent per annum. The first redemption of principal is due on 12 September 2006. The TFCs are secured by way of a charge on leased assets and associated rentals receivable ranking pari passu with long term-loans (Refer Note 24.1 and 24.2) and short term borrowings (Refer Note 30.1).			
<b>23.2</b> This represents perpetual listed Term Finance Certificates (TFCs) issued as fully paid scrip of Rs. 5,000, Rs. 25,000 and Rs. 50,000 each. The TFCs have a call and put option at the end of every five years. Profit is payable semi-annually at the SBP discount rate + 1.75 percent with a floor of 12.25 percent and ceiling of 16.25 percent. The first redemption of principal is due on July 26, 2007. The TFCs are secured by way of a charge on leased assets and associated rentals receivable ranking pari passu with long term-loans (Refer Note 24.1 and 24.2) and short term borrowings (Refer Note 30.1).			
<b>24. LONG TERM LOANS</b>			
<i>Secured</i>			
Foreign Currency			
Asian Development Bank	24.1	156,856,895	165,163,150
Local Currency			
Commercial Banks	24.2	475,416,664	439,589,999
<i>Unsecured</i>			
Modaraba	24.3	31,188,303	42,692,916
		<u>663,461,862</u>	<u>647,446,065</u>
Payable within one year shown under current liabilities		(102,510,590)	(104,940,127)
	Rupees	<u>560,951,272</u>	<u>542,505,938</u>



**24.1** This represents a 15 year term loan facility, with a grace period of three years, obtained in tranches under Financial Sector Intermediation Loan # 1371-PAK. The loan is subject to interest @ 0.25 percent over variable Ordinary Capital Resource (OCR) rate of Asian Development Bank. The repayments are semi-annual and secured by guarantee of a development financial institution. The guarantee is secured against hypothecation of assets including book debts of the company ranking pari passu with charges created to secure redeemable capital (Refer Note 23.1 and 23.2) and short term borrowings (Refer Note 30.1).

**24.2** These are secured against hypothecation of assets including book debts of the company ranking pari passu, with the charge created in favour of other lenders to secure redeemable capital (Refer Note 23.1 and 23.2) and short term borrowings (Refer Note 30.1). These include Rs.108.750 million which is secured by pledge of term finance certificates. The facility is obtained on rollover basis. These are subject to mark-up rate ranging from Re. 0.1907 to Re. 0.2961 per Rs.1,000 per day payable on quarterly/half yearly basis.

**24.3** The facility is obtained on Musharika basis which is subject to markup rate of 16.94 percent per annum. The facility will be repayable in equal monthly installments of Rs. 1.49 million till 7 August 2007.

## **25. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	<b>2005</b>			<b>2004</b>		
	Minimum Lease Payments	Future Period Financial Charges	Principal Outstanding	Minimum Lease Payments	Future Period Financial Charges	Principal Outstanding
Not later than one year	2,077,284	272,040	1,805,244	1,432,660	258,812	1,173,848
Later than one year and not later than five years	1,642,540	110,784	1,531,756	2,125,430	156,452	1,968,978
Rupees	<u>3,719,824</u>	<u>382,824</u>	<u>3,337,000</u>	<u>3,558,090</u>	<u>415,264</u>	<u>3,142,826</u>

**25.1** The Company has entered into lease agreements with leasing modaraba for financing to acquire motor vehicles. The lease term is 3 years. The average effective Internal Rate of Return (IRR) is 10 percent to 14 percent. Leases are on a fixed repayment basis and no arrangement have been entered into for contingent rental payments.

The fair value of the Company's lease liabilities approximates their carrying amount.

Liabilities under finance lease are secured by the lessor's charge over the leased assets.

Purchase option is available to the Company on payment of all instalments and on surrender of deposit paid under the agreements.

The cost of operating and maintaining the leased assets are borne by the company.

## **26. CERTIFICATES OF INVESTMENT/DEPOSIT**

These represent the mobilization of funds under the scheme of certificates of investment and deposits issued with the permission of Securities and Exchange Commission of Pakistan. The scheme is based on profit and loss sharing basis. The certificates are for the terms ranging from three months to five years. The expected rate of profit ranges from 2 percent to 16.5 percent per annum.

## **27. DEFERRED LIABILITES**

		<b>2005</b>	<b>2004</b>
Taxation	27.1	55,597,211	64,466,894
Staff Gratuity	27.2	4,428,138	3,726,138
Rupees		<u>60,025,349</u>	<u>68,193,032</u>





	2005	2004
<b>27.1 As at 30 June 2005 deferred tax liabilities and assets related to the following:</b>		
<i>Deferred Tax Liabilities</i>		
Deferred Cost	606,413	1,027,072
Difference in Accounting and Tax Base of Net Investment in Lease Finance	164,146,456	163,174,396
(Deficit)/Surplus on Revaluation of Investments	(6,216,592)	5,666,894
	158,536,277	169,868,362
<i>Deferred Tax Assets</i>		
Difference in Accounting and Tax Base of Own Fixed Assets	(1,667,150)	(6,176,827)
Retirement Benefits	(1,549,800)	(1,304,148)
Provision for Lease & Other Doubtful Receivables	(99,722,116)	(86,912,116)
Carry Forward Assessed Losses	-	(11,008,377)
	(102,939,066)	(105,401,468)
Net Deferred Tax Liability	Rupees 55,597,211	64,466,894
<b>27.2 Staff Gratuity</b>		
Current Service Cost	1,070,000	512,096
Interest Cost	720,000	200,000
Transitional Obligation During the Year	204,000	-
	Rupees 1,994,000	712,096
Movement in the net liability recognised in the balance sheet are as follows:		
Opening Balance	3,726,138	3,122,000
Charge for the Year	1,994,000	712,096
Contribution/Payment Made During the Year	(1,292,000)	(107,958)
Closing Balance	Rupees 4,428,138	3,726,138
The amount recognised in the balance sheet are as follows:		
Present Value of Defined Benefit Obligation	7,052,138	3,726,138
Actuarial Loss to be Recognised in Later Periods	(2,624,000)	-
	Rupees 4,428,138	3,726,138
Actuarial valuation was carried out as at 30 June 2005 using the projected unit credit method assuming a discount rate of 9 percent per annum and expected rate of increase in salaries at 9 percent per annum.		
<b>28. DEPOSITS</b>		
Lease Deposit	28.1 411,621,678	507,978,003
Others	794,150	882,067
	412,415,828	508,860,070
Current Portion of Lease Deposits	(41,719,464)	(43,763,482)
	Rupees 370,696,364	465,096,588

**28.1** This represent interest free security deposits received against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.



	Note	2005	2004
<b>29. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Long-Term Loans		102,510,590	104,940,127
Liabilities Against Assets Subject to Finance Lease	25	1,805,244	1,173,848
Deposits		41,719,464	43,763,482
	Rupees	<u>146,035,298</u>	<u>149,877,457</u>
<b>30. SHORT TERM BORROWINGS</b>			
Secured-Under Mark-up Arrangements from Commercial Banks Repurchase Agreement Borrowings	30.1	337,586,454	654,229,000
Running Finance		64,953,062	2,674,660
Morabaha Finance		31,500,00	31,500,000
From Non-Banking Finance Companies - Repurchase Agreement Borrowings		30,000,000	102,446,558
Unsecured			
From Commercial Banks - Call Borrowings	30.2	349,000,000	622,328,431
Non-Banking Finance Companies - Call Borrowings	30.2	208,200,000	115,000,000
Musharika	30.3	768,000	16,492,924
	Rupees	<u>1,022,007,516</u>	<u>1,544,671,573</u>

**30.1** These facilities aggregating to Rs. 669.086 million are secured against hypothecation of assets including book debts of the Company ranking pari passu with the charge created to secure redeemable capital (Refer Note 23.1 and 23.2) and long term-loans (Refer Note 24.1 and 24.2) and against Term Finance Certificates and WAPDA Bonds.

The sanctioned running finance facilities from commercial banks are renewable yearly.

The rate of mark-up ranges from Re. 0.2192 to Re. 0.3288 per Rs. 1,000 per day.

**30.2** These facilities are subject to mark-up rate ranging from Re. 0.2534 to Re. 0.3151 per Rs. 1,000 per day.

**30.3** These facilities have been obtained from individuals and are subject to mark-up rate ranging from 14.5 percent to 15 percent per annum.



	Note	2005	2004
<b>31. ACCRUED AND OTHER LIABILITIES</b>			
Mark-up on Secured:			
- Redeemable Capital		28,327,484	28,327,483
- Long-Term Loans		14,389,288	9,255,065
- Short-Term Borrowings		5,868,462	7,108,825
Mark-up on Unsecured:			
- Short Term Borrowings		7,287,538	4,986,442
- Certificates of Investment/Deposit		20,508,496	12,048,173
Advance Against Letters of Comfort		376,065	31,380,607
Advance Against Leases/Early Termination		-	13,663,680
Accrued Expenses		2,255,316	2,342,589
Guarantee Commission		740,792	789,165
Payable to Brokers Against Purchase of Listed Securities		633,736	5,873,758
Unrealised loss on Revaluation Interest Rate SWAP		21,941,536	-
Subscription Account-Banker's to the Issue		31,830,000	-
Unclaimed Dividend		2,418,369	2,493,461
Others		13,836,789	13,049,315
	Rupees	<u>150,413,871</u>	<u>131,318,563</u>
<b>32. CONTINGENCIES AND COMMITMENTS</b>			
<b>32.1 Contingent Liability</b>			
Letters of Credit	Rupees	<u>176,011,846</u>	-
Letters of Comfort/Guarantee	Rupees	<u>262,600,000</u>	<u>411,869,489</u>
<b>32.2 Commitments</b>			
Commitment to Provide Lease Financing	Rupees	<u>208,227,154</u>	<u>167,126,158</u>
Underwriting Commitment of TFCs/Shares	Rupees	<u>385,000,000</u>	<u>433,000,000</u>
Acceptances of TFCs/Shares	Rupees	<u>255,000,000</u>	-
Interest Rate SWAP-IRS	32.2.1 Rupees	<u>253,000,000</u>	<u>253,000,000</u>

**32.2.1** The Company has executed the transaction for a notional amount of Rs. 253 million.

Company will receive fixed rate of 3.85 percent per annum against this transaction and it will have to pay simple average of the last 3 cut-off yields of six-month PKR T-Bill auction before the commencements of the relevant calculation period.

The underlying objective of entering into the swap is to create an asset against fixed rate liability. These liabilities are in the form of term finance certificates issued by the Company. The IRS will create a fixed rate asset against this liability, synthetically converting the TFC's fixed rate exposure to a floating rate exposure.

**32.2.2** Contingencies - Taxation of Guardian Modaraba Management (Private) Limited

*Assesment Year 1999-2000*

In finalising the subsidiary company's tax assesment for the assesment year 1999-2000, the Deputy Commissioner of Income Tax (DCIT) has made certain disallowances out of expenses and has also taxed the gain on sale of fixed assets. This resulted in an additional tax liability of Rs. 2,198,650 on the Company.

The provision for additional tax liabilities in respect of the above assesment years has not been made in these accounts as the company has filed an appeal against the above decisions and the management is confident that the decision in appeals will be in favour of the Company.



	Note	2005	2004
<b>33. RETURN ON DEPOSITS AND INVESTMENTS - Net</b>			
Return on Investments/Deposits/Placements and Finances		169,324,055	176,798,600
Interest Earned/Paid on Reverse Repo Transactions	33.1	15,984,788	12,572,507
Profit on Bank Account/Bank Deposit		259,489	114,978
Dividend		46,726,822	20,533,896
	Rupees	<u>232,295,154</u>	<u>210,019,981</u>
<b>33.1 Interest earned/paid on reverse repo transactions</b>			
Dividend Income on Repo/Reverse Repo Transaction		-	6,330,500
Gain on Repo/Reverse Repo Transaction		15,984,788	6,242,007
Dividend Badla		15,984,788	12,572,507
	Rupees	<u>15,984,788</u>	<u>12,572,507</u>
<b>34. OTHER INCOME</b>			
Fee and Commission	34.1	14,453,205	6,740,114
Discount/Premium on Securities		2,475,029	1,007,893
Service charges on Staff Loan		358,790	356,036
Gain on Disposal of Fixed Assets		2,936,567	51,039
Miscellaneous Fees and Charges		221,391	1,816,907
	Rupees	<u>20,444,982</u>	<u>9,971,989</u>
<b>34.1</b> It includes underwriting commission of Rs. 7,587,236 (2004: Rs. 2,359,335).			
<b>35. ADMINISTRATION AND OPERATING EXPENSES</b>			
Salaries and Benefits	35.1	19,755,850	15,444,013
Directors' Meeting fees		70,500	52,500
Rent, Rates and Taxes		1,135,343	1,550,144
Insurance		747,681	542,851
Legal, Professional and Consultancy		2,679,179	2,511,043
Travelling and Conveyance		2,532,510	758,453
Postage and Telephone		1,057,448	787,811
Utilities		1,245,355	740,056
Printing and Stationery		1,006,811	885,523
Vehicles Running and Maintenance		2,700,074	2,376,525
Entertainment		546,162	1,641,345
Advertisement		347,885	549,613
Repairs and Maintenance		1,030,969	533,630
Auditors Remuneration	35.2	265,000	504,500
Credit Rating		995,000	995,000
Depreciation	35.3	9,453,885	9,056,000
Fees and Subscription		957,258	1,018,143
Donation	35.4	27,358	31,311
Amortization of Deferred Cost on Issuance of TFCs		1,201,884	1,433,467
Other		330	11,993
	Rupees	<u>47,756,482</u>	<u>41,423,923</u>



	2005	2004
<b>35.1</b> Salaries and benefits include Rs. 2,845,911 (2004: Rs. 1,478,881) in respect of retirement benefits.		
<b>35.2 Auditors remuneration</b>		
Statutory Audit	175,000	216,000
Half Year Review	65,000	65,000
Tax services	-	75,000
Other Certification	-	123,500
Out of Pocket	25,000	25,000
Rupees	<u>265,000</u>	<u>504,500</u>
<b>35.3</b> Net off Rs. 44,712 (2004: Rs. 937,659) recovered from group companies using the assets.		
<b>35.4</b> None of the directors or their spouse had any interest in the donees fund.		
<b>36. FINANCIAL CHARGES</b>		
Mark-up/Return on Redeemable Capital	76,424,251	78,306,442
Long-Term Loans	48,111,022	26,158,632
Lease Liabilities	342,654	157,279
Long-Term Certificates of Investment/Deposits	15,236,176	16,821,501
Short-Term Borrowings	65,368,919	41,919,229
Short-Term Certificates of Investment/Deposits Documentation, Project Examination, Guarantee Commission, Trusteeship Fee and Bank Charges	108,710,143	41,374,268
Rupees	<u>3,079,110</u>	<u>4,292,122</u>
	<u>317,272,275</u>	<u>209,029,473</u>
<b>37. RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT</b>		
Accounting Profit	Rupees 70,204,320	<u>78,465,325</u>
Losses from Leasing Operation to be Carried Forward	Rupees (535,823,121)	<u>(268,167,294)</u>
Taxable Income on Other Activities	Rupees 6,963,818	<u>(6,627,223)</u>
Dividend Income	Rupees 49,632,558	<u>29,173,025</u>
Tax @ 35%	1,355,347	-
Turnover Tax @ 0.5%	4,887,039	4,949,109
Tax on Dividend Income @ 5%	2,318,564	1,329,487
Tax on Dividend Income @ 10%	326,128	258,330
Provision for Taxation	Rupees 8,887,078	<u>6,536,926</u>
<b>38. EARNINGS PER SHARE</b>		
There is no effect of dilution on the earnings per share of the Group which is calculated as under :		
Profit After Taxation	Rupees 58,610,948	<u>61,841,066</u>
Weighted Average Number of Ordinary Shares	Rupees 29,436,316	<u>29,436,316</u>
Earnings Per Share - Post Tax	Rupees 1.99	<u>2.10</u>



### 39. REMUNERATION TO DIRECTORS AND EXECUTIVES

	2005			2004		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	1,757,424	1,378,068	2,003,880	1,596,780	1,248,384	5,285,309
Housing and Utilities	966,576	757,932	1,102,120	878,220	686,616	2,903,853
Bonus	227,000	178,000	261,333	371,250	290,250	1,274,962
Gratuity	1,153,170	874,925	195,990	368,555	279,035	928,167
Provident Fund	175,740	137,808	138,451	159,672	124,836	484,011
Rupees	4,279,910	3,326,733	3,701,774	3,374,477	2,629,121	10,876,302
Number of Persons	1	1	3	1	1	24

**39.1** The Chief Executive, Directors and Executives are also provided with free use of company cars, medical insurance cover and travelling allowance. The monetary value of these are Rs. 1,375,465 (2004: Rs. 2,131,370) approximately.

Executive means an employee other than director and chief executive, whose basic salary exceeds Rs. 500,000 (2004: 100,000) in a financial year.

### 40. TRANSACTION WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations/terms of the contribution plan. Remuneration to the whole time working directors and executives are determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them excluding those entered into with directors/executives as per their terms of employment as at the year-end were as follows:

	2005 Rupees	2004 Rupees
Loans Provided	535,900,000	328,700,000
Loans Repaid	559,200,000	302,200,000
Profit Earned on Loans	4,836,311	4,398,326
Lease Facility Obtained	6,087,000	4,294,000
Lease Rentals Paid	1,794,597	2,465,995
Share of Common Expenses	5,689,534	4,976,148
Placement of Funds	413,000,000	-
Repayment of Funds	413,000,000	-
Proceeds from Sale of Vehicles	1,845,200	-
Proceeds from Sale of Property	10,000,000	-

Maximum aggregate balance of placements at the end of any month during the year was Rs. 63.70 million (2004: Rs. 80 million).



#### 41. CREDIT RISK AND CONCENTRATIONS OF SIGNIFICANT CREDIT RISK

Credit risk is the risk faced when one party to a financial instrument fail to discharge it obligation and cause the other party to incur a financial loss.

The Company follows an operating policy and the Prudential Regulations for NBFC issued by the Securities & Exchange Commission of Pakistan. The operating policy defines the extent of exposure with reference to a particular sector or group of leases. The leases are classified on the basis of Prudential Regulations guidelines.

The Company believes in maintaining a balance between profitability and portfolio friskiness. Diversification of lease portfolio is the focal point of Company's exposure policy. Extra care is taken to ensure that per party and per sector exposures remain within limits prescribed by the operating policy and Prudential Regulations.

Maximum amount exposed to credit risk is Rs. 5.64 billion (2004: Rs. 5.399 billion) at the year end.

Details of the industry/sector analysis of lease portfolio is given below:

Segment by Class of Business	(Rupees)	Percentage
Transport and Communication	725,002,378	28.98
Sugar and Allied	249,525,210	9.97
Textile Composite	200,021,878	8.00
Textile Finishing	177,164,335	7.08
Food, Tobacco and Beverages	126,968,065	5.08
Steel, Engineering and Automobile	45,304,638	1.81
Health Care	71,388,634	2.85
Energy, Oil and Gas	64,602,833	2.58
Chemicals, Fertilizers and Pharmaceuticals	41,415,600	1.66
Cement	135,748,423	5.43
Electrical Goods	42,600,395	1.70
Financial	22,923,642	0.92
Miscellaneous	599,016,768	23.94
	<u>2,501,682,799</u>	<u>100.00</u>

#### 42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial instruments reflected in the financial statements approximates to their fair values. Investments carried at cost and amortised cost have a fair value of Rs. 501.389 million.

#### 43. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company matches availability of liquid funds before committing for liabilities and also on a timely basis an analysis of liquid funds with maturities of liabilities due is performed.

#### 44. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. Payable exposed to foreign currency risk is covered through matching investments in foreign currency assets. There were no forward cover contracts outstanding at year end. The group is exposed to fluctuations in US Dollar and Euro only.

#### 45. INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from the possibility when changes in interest rate affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liability that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities.



The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

<b>FINANCIAL ASSETS</b>	<b>One month to one year</b>	<b>Over one year</b>	<b>Not exposed to interest rate risk</b>	<b>Total</b>
Net Investment in Lease Finance	950,722,859	1,550,959,940	-	2,501,682,799
Long-Term Investments	41,475,529	450,799,512	87,553,540	579,828,581
Mortgage Finance	6,095,293	32,453,517	-	38,548,810
Long-Term Finances	19,179,412	128,395,185	-	147,574,597
Long-Term Loans	705,752	5,465,136	-	6,170,888
Short-Term Investments	676,950,211	-	603,715,912	1,280,666,123
Placements and Finances	606,938,085	-	-	606,938,085
Advance Against Lease Commitments	130,011,900	-	-	130,011,900
Advances	-	-	19,310,907	19,310,907
Other Receivables	-	-	241,025,946	241,025,946
Cash and Bank Balances	-	-	94,542,681	94,542,681
	Rupees			
	<u>2,432,079,041</u>	<u>2,168,073,290</u>	<u>1,044,208,640</u>	<u>5,644,360,971</u>
<b>FINANCIAL LIABILITIES</b>				
Redeemable Capital	-	597,687,000	-	597,687,000
Long Term Loans	102,510,590	560,951,272	-	663,461,862
Liability Against Assets Subject to Finance Lease	1,805,244	1,531,756	-	3,337,000
Deposits	-	-	412,415,828	412,415,828
Short Term Borrowings	1,022,007,516	-	-	1,022,007,516
Certificates of Investment/Deposits	1,881,936,512	110,647,025	-	1,992,583,537
Accrued and Other Liabilities	-	-	150,413,874	150,413,874
	Rupees			
	<u>3,008,259,862</u>	<u>1,270,817,053</u>	<u>562,829,702</u>	<u>4,841,906,617</u>
On Balance Sheet Gap	Rupees			
	<u>(576,180,821)</u>	<u>897,256,237</u>	<u>481,378,938</u>	<u>802,454,354</u>

The effective average interest rate/mark-up for each of the financial instruments is as follows:

	<b>2005 Effective Interest Rate/Mark-up %</b>
<i>Assets</i>	
Net Investment in Lease Finance	16.25%
Investments	7.86%
Long-Term Finance	9.35%
Mortgage Finance	12.45%
Long Term Loans and Advances	5.00%
Placement and Finance	9.70%
Cash & Bank Balances	2.00%
<i>Liabilities</i>	
Redeemable Capital	12.98%
Long Term Loans	5.89%
Liability Against Assets Subject to Finance Lease	11.00%
Certificates of Investment/Deposits	7.50%
Short Term Borrowings	7.13%





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**46. NUMBER OF EMPLOYEES**

Total number of permanent employees as at year end are 28 (2004: 28).

**47. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 09, 2005 by the Board of Directors of the Company.

**48. GENERAL**

Figures have been rounded off to the nearest Rupee.

**49. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant reclassifications are as follows:

- Office premises has been reclassified from tangible fixed assets to investment property.
- Commission & brokerage has been reclassified and disclosed under financial charges.
- Amortization of deferred cost on issuance of TFCs has been reclassified and disclosed under administration and operating expenses.



## FORM OF PROXY (XI ANNUAL GENERAL MEETING)

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First Dawood Investment Bank Limited  
Karachi.

I/We \_\_\_\_\_ of \_\_\_\_\_ (full address)

being a member of **First Dawood Investment Bank Limited** Folio No./CDC A/c. No. \_\_\_\_\_ do hereby appoint Mr./Ms \_\_\_\_\_ Folio No./CDC A/c No. \_\_\_\_\_ of \_\_\_\_\_ (full address) (or failing him/her) Mr./Ms. \_\_\_\_\_ Folio No./CDC A/c No. \_\_\_\_\_ of \_\_\_\_\_ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the **XI Annual General Meeting** of the Company to be held on October 26, 2005 at 11:00 p.m. and to evert adjournment thereof.

And witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2005, signed by the said

\_\_\_\_\_  
Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ (full address)

REVENUE  
STAMP  
Rs. 5/-

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature(s) and or Seal

### Important Notes:

1. A member entitled to attend and vote at the General Meeting is entitled to appointed a proxy to attend and vote instead of him/her. No Person other than a member shall act as a proxy.
  2. Duty completed forms of Proxy must be deposited with the Company Secretary at the Registered Office of the Company no later than 48 hours before the time appointed for the meeting.
  3. This form should be signed by the Member of by his/her attorney duly authorized in writing. If the Member is a Corporation, its Common seal should be affixed to the instrument.
  4. If more than one Instrument of Proxy, appointing more than one person is deposited with the Company, all such instrument of proxy shall be rendered invalid.
  5. The signature on the Instrument of Proxy must conform to the Specimen Signature recorded with the Company,.
  6. Attested copy of NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  7. The proxy shall produce his/her original NIC or original passport at the time of meeting.
  8. Account holders and sub-account holders holding book entry securities of the Company in Central Depository System of Central Depository Company of Pakistan Limited who wish to attend the Annual General Meeting are requested to please bring original I.D. Card with copy thereof duly attested by their bankers for identification purpose.
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