



First Dawood Investment Bank Limited

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First Dawood Investment Bank Limited

CORPORATE INFORMATION

Board of Directors	Mr. Rafique Dawood Mr. Abdus Samad Khan Mr. Rasheed Y. Chinoy Mr. Ayaz Dawood Mr. Abdul Hamid Dagia Mr. Ansar Hussain Mr. AVM (R) Syed Javed Raza	Chairman Chief Executive Officer Director Director Director Director (Nominee of SLIC) Director (Nominee of DCM)
Audit Committee	Mr. Rasheed Y. Chinoy Mr. Abdul Hamid Dagia Mr. Ansar Hussain	Chairman Member Member
Chief Financial Officer	Mr. Abbas Qurban	
Company Secretary	Mr. Muhammad Shafqat Nadeem	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Advisors	Mohsin Tayebaly & Co.	
Bankers	Bank AL Habib Dawood Islamic Bank Faysal Bank Habib Bank KASB Bank Habib Metropolitan Bank United Bank Bank Al-Falah	
Registered Office Head Office	1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi-74000 UAN 111-DAWOOD (111-329663) PABX +92 (21) 3227-1874-96 Fax +92 (21) 3227-1913 Email fdib@firstdawood.com URL www.firstdawood.com	
Branch Offices	Islamabad Branch Office No 20 & 21, Beverly Centre, 1st Floor, 56-G-7, Jinnah Avenue, Islamabad-7400. Tel +92 (051) 227-6367 & 227-4194-5 Fax +92 (051) 227-1280 Email brrim@isb.paknet.com.pk	
	Lahore Branch Suite No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg III, Lahore Tel +92 (42) 578 1888 Fax +92 (42) 578 1890 Email fdibl@yahoo.com	
Share Registrar	F. D. Registrar Services (SMC-Pvt) Ltd. 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi-74000. UAN 111-DAWOOD (111-329663) PABX +92 (21) 3227 1874-96 Fax +92 (21) 3227 1913 Email fdregistrar@hotmail.com, fdregistrar@yahoo.com	



First Dawood Investment Bank Limited

VISION AND MISSION STATEMENT/CORPORATE STRATEGY

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 endeavour 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 increase its contribution to the Industrial development of the country.
- * To ensure that human resources is ready to take on new challenges.
- * To reward employees according to the their achievements.

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.



First Dawood Investment Bank Limited

FINANCIAL HIGHLIGHTS

PROFIT & LOSS	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupee	Rupees	Rupees	Rupees
Lease Income & Return on deposit & Investment	683,246,034	1,034,311,018	908,430,197	611,789,881	463,342,333	386,031,778	357,046,369	270,416,368	258,725,541	201,245,355	162,515,366
Financial Charges	1,108,269,321	980,004,506	840,609,805	562,596,085	315,706,127	208,384,863	208,377,249	200,060,396	175,320,927	132,925,298	99,883,895
Fee, commission, brokerage & others	2,555,994	93,994,151	64,024,883	30,737,223	20,444,982	8,481,604	2,440,838	1,044,366	2,580,379	724,970	277,688
Dividend & capital gain/(loss)	(504,935,460)	343,164,156	272,187,653	133,142,166	83,246,194	(37,564,440)	38,730,630	7,771,706	11,386,951	12,444,953	414,138
Total Income	180,866,568	1,471,469,325	1,244,642,733	775,669,270	567,033,509	356,948,942	398,217,837	279,232,440	272,692,871	214,415,278	163,207,192
Provisions / (Surplus) / Deficit	773,852,970	357,975,763	149,610,232	11,990,078	146,445,129	49,085,450	(141,122,093)	20,924,216	23,192,433	13,246,119	4,466,666
Operating expenses	94,049,058	97,377,189	62,107,534	60,659,608	41,137,407	37,499,605	26,464,943	25,426,207	26,863,283	26,585,556	23,565,327
Operating profit / (loss) before tax and provision	(1,021,451,811)	394,087,630	341,925,394	152,413,577	210,189,975	111,064,474	163,375,645	53,745,837	70,508,661	54,904,424	39,757,970
Profit / (loss) after taxation	(1,784,152,012)	113,655,423	188,514,986	125,129,337	53,563,395	46,787,789	280,857,037	22,102,921	31,511,749	31,103,850	19,938,333
Profit / (loss) before taxation	(1,795,304,781)	36,111,867	192,315,162	140,423,499	63,744,846	61,979,024	304,497,738	32,821,621	47,316,228	41,658,305	35,291,304
Dividends	-	-	-	-	-	14,017,294	12,500,000	-	25,000,000	25,000,000	25,000,000
Bonus shares	-	56,953,900	74,287,700	64,598,000	29,436,320	14,017,294	13,125,000	12,500,000	-	-	-

BALANCE SHEET

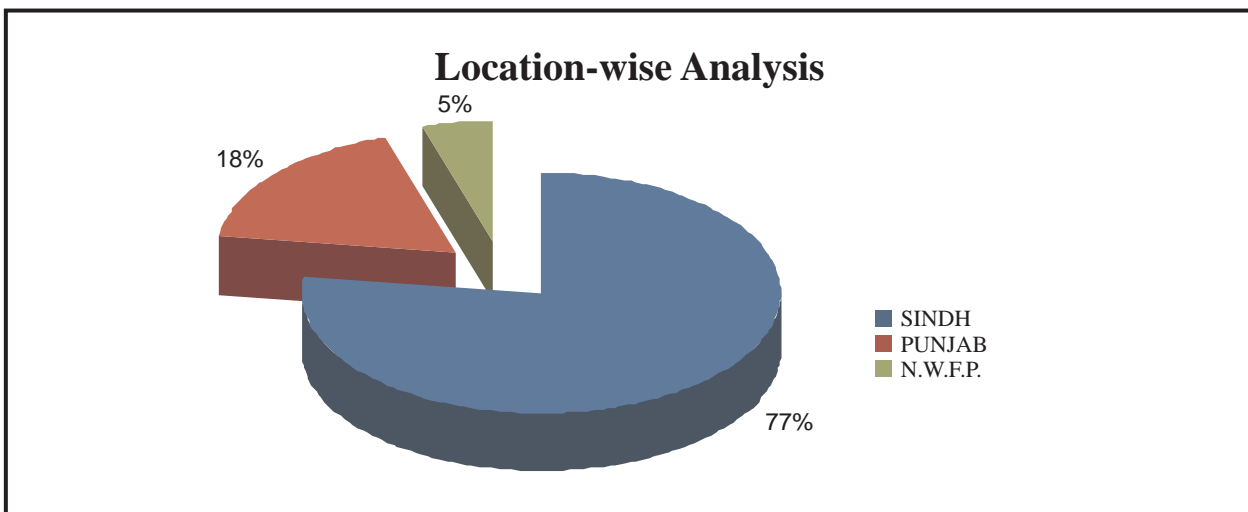
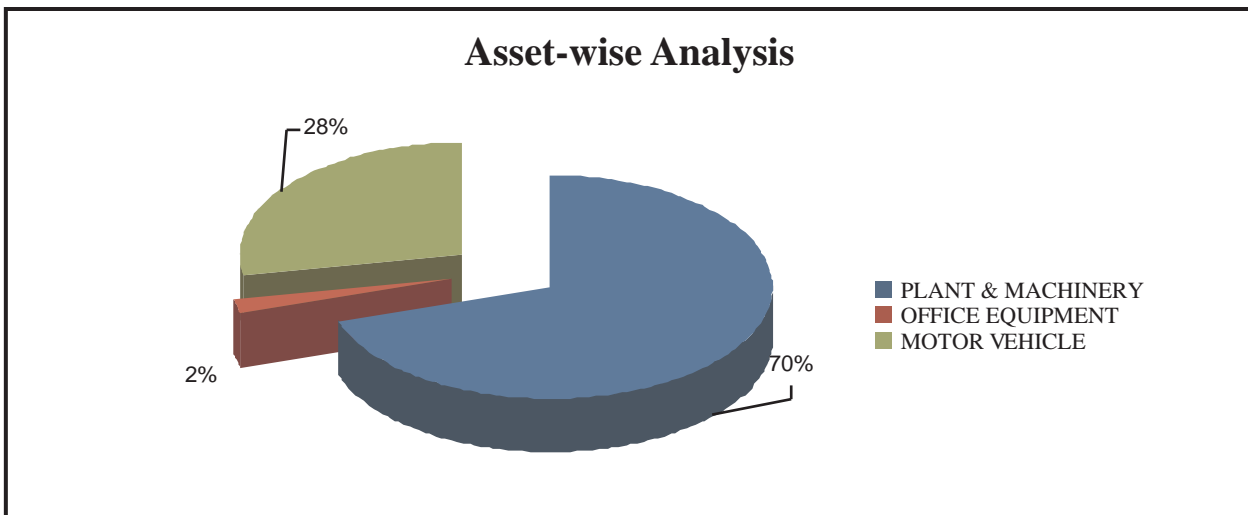
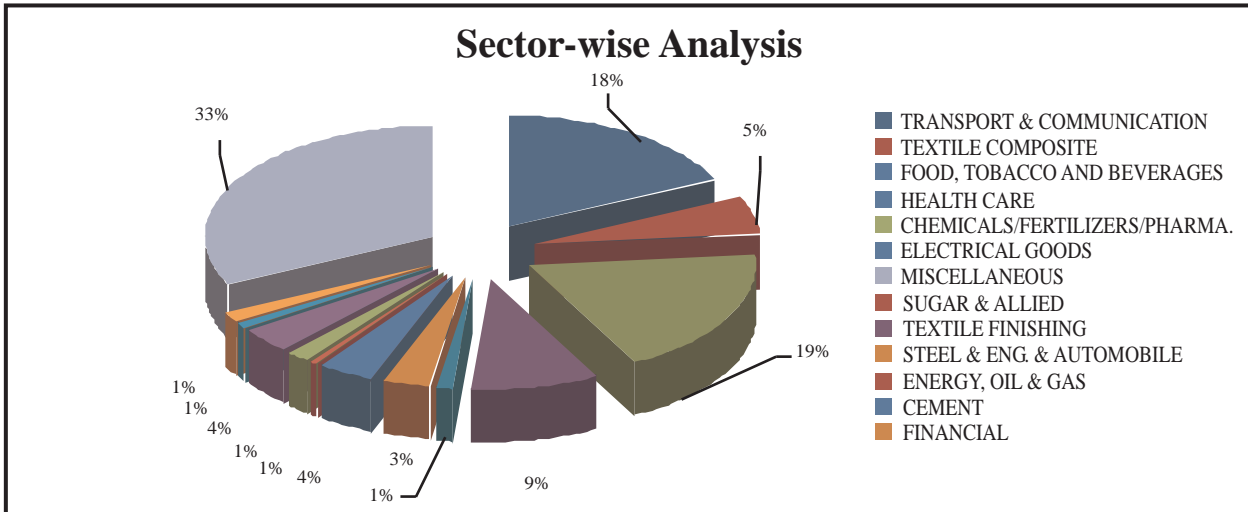
Highlights	(511,420,977)	1,778,996,406	1,685,492,234	1,062,270,817	772,433,762	759,811,152	617,782,237	336,366,896	313,240,379	306,728,630	300,624,780
Revaluation Reserves	(115,444,739)	390,820,631	410,971,882	221,425,098	74,058,584	100,982,075	13,058,304	-	-	-	-
Certificate of Investment / Deposits	1,335,535,175	3,469,081,168	4,353,534,149	3,230,387,416	1,992,583,537	1,139,874,587	834,551,564	558,762,143	255,800,000	102,100,000	61,900,000
Borrowings from financial institutions	3,547,552,301	5,021,946,037	5,274,333,488	2,951,406,148	2,268,656,378	2,778,310,464	1,918,254,819	1,028,835,165	1,082,318,988	871,369,533	937,906,783
Net Investment In Lease Finances	1,236,964,229	2,125,405,950	2,836,595,098	3,153,431,196	2,641,230,515	2,349,075,874	1,869,410,398	1,684,311,868	1,434,078,999	1,142,592,052	1,046,079,882
Financing - net of Provision	1,889,128,414	4,379,990,281	4,824,224,870	2,393,862,440	793,061,492	771,668,064	607,045,488	214,494,254	8,608,604	7,000,000	103,051,816
Investment - net of provision	951,915,585	3,558,838,529	3,918,546,732	2,020,292,946	1,823,297,960	2,175,281,455	1,381,334,698	422,952,110	580,102,649	349,296,410	235,593,030
Total Assets	5,148,686,321	11,064,195,261	12,362,558,621	8,092,540,359	5,657,550,214	5,383,473,618	3,977,730,083	2,345,408,793	2,057,669,906	1,529,658,346	1,520,991,489

FINANCIAL RATIOS

Gross spread ratio (%)	-62.21%	5.25%	7.47%	8.04%	31.86%	46.02%	41.64%	26.02%	32.24%	33.95%	38.54%
Income / expense ratio (Times)	0.15	1.37	1.38	1.24	1.59	1.45	1.70	1.24	1.35	1.34	1.32
Return on Average Equity (ROE) (%)	-281.51%	6.56%	13.72%	13.64%	6.99%	6.79%	58.87%	6.81%	10.17%	10.24%	6.58%
Return on Average Assets (ROA) (%)	-22.01%	0.97%	1.84%	1.82%	0.97%	1.00%	8.88%	1.00%	1.76%	2.04%	1.64%
Profit before tax ratio (9.93)	0.02	0.15	0.18	0.11	0.17	0.17	0.76	0.12	0.17	0.19	0.22
Financing / Deposit Ratio (Average) (%)	130.48%	117.66%	95.18%	61.02%	49.95%	69.83%	58.96%	27.39%	4.36%	67.10%	64.25%
Total assets turnover ratio / Fixed assets turnover ratio (Times)	60.09	178.37	1,032.41	470.63	458.88	289.79	154.05	77.74	81.33	57.94	63.91
Price Earning ratio	(0.11)	34.98	7.60	6.77	9.94	11.19	1.12	5.26	4.13	3.54	8.78
Market Value per share	3.07	69.95	28.95	21.80	16.40	17.80	11.95	4.65	5.20	4.40	7.00
Earning per share (Rs.)	(28.00)	2.00	3.81	3.22	1.65	1.59	10.70	0.88	1.26	1.24	0.80
Book value per share (Rs.)	(6.32)	24.37	23.84	25.97	23.72	23.50	23.53	13.45	12.53	12.27	12.02
Book value per share - including surplus / (deficit) on revaluation	(8.16)	31.24	34.03	32.81	26.24	27.10	24.03	13.45	12.53	12.27	12.02
Employees as remuneration (Rs. In Million)	47.54	46.58	22.80	23.96	15.82	14.47	9.77	9.40	10.62	9.11	8.70
Government as tax (Rs. In Million)	7.88	13.01	8.24	7.81	15.18	27.86	11.73	4.98	1.86	2.43	1.26
Number of employees	35	52	45	43	28	28	22	22	22	22	22



Sector-Wise Analysis As at June 30, 2009

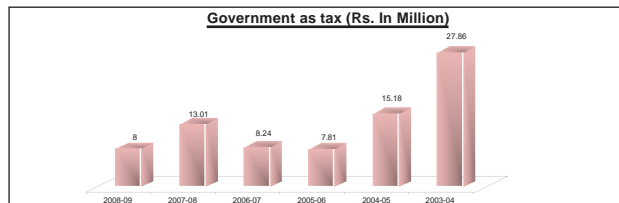
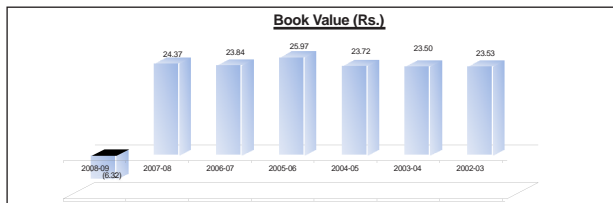
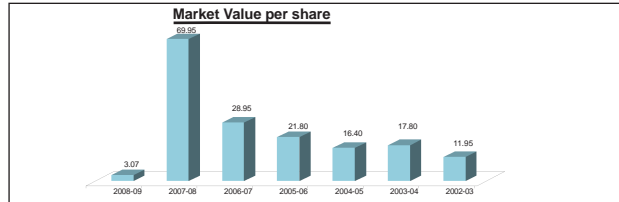
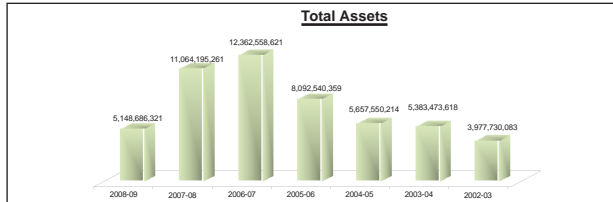
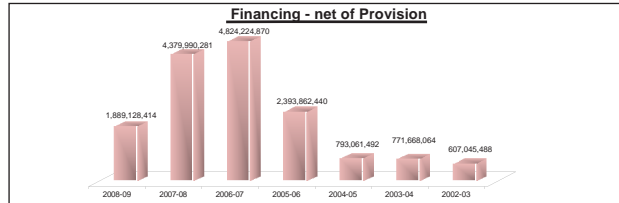
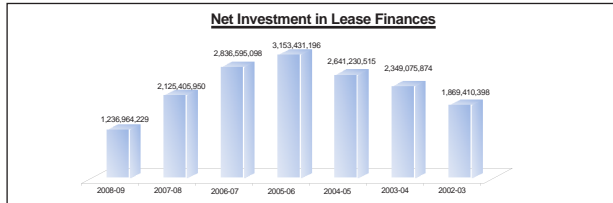
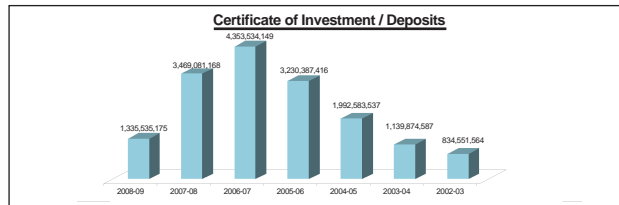
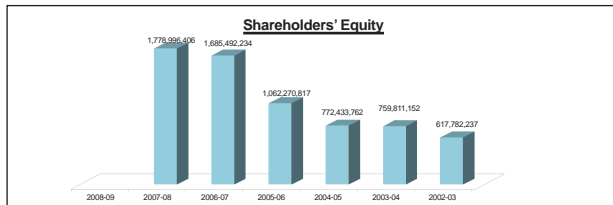
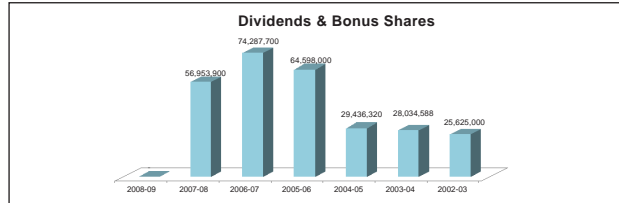
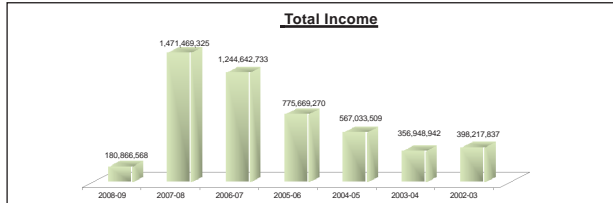
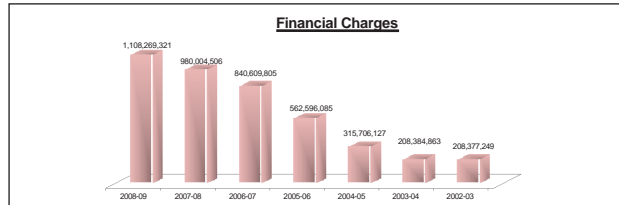
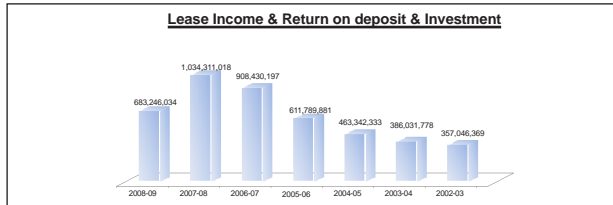




First Dawood Investment Bank Limited

Graph Range

	2008-09 Rupees	2007-08 Rupees	2006-07 Rupees	2005-06 Rupees	2004-05 Rupees	2003-04 Rupees	2002-03 Rupees
1 Lease Income & Return on deposit & Investment	683,246,034	1,034,311,018	908,430,197	611,789,881	463,342,333	386,031,778	357,046,369
2 Financial Charges	1,108,269,321	980,004,506	840,609,805	562,596,085	315,706,127	208,384,863	208,377,249
3 Total Income	180,866,568	1,471,469,325	1,244,642,733	775,669,270	567,033,509	356,948,942	398,217,837
4 Dividend & Bonus	-	56,953,900	74,287,700	64,598,000	29,436,320	28,034,588	25,625,000
5 Shareholders' equity		1,778,996,406	1,685,492,234	1,062,270,817	772,433,762	759,811,152	617,782,237
6 Certificate of Investment / Deposits	1,335,535,175	3,469,081,168	4,353,534,149	3,230,387,416	1,992,583,537	1,139,874,587	834,551,564
7 Net Investment In Lease Finances	1,236,964,229	2,125,405,950	2,836,595,098	3,153,431,196	2,641,230,515	2,349,075,874	1,869,410,398
8 Financing - net of Provision	1,889,128,414	4,379,990,281	4,824,224,870	2,393,862,440	793,061,492	771,668,064	607,045,488
9 Total Assets	5,148,686,321	11,064,195,261	12,362,558,621	8,092,540,359	5,657,550,214	5,383,473,618	3,977,730,083
10 Market Value per share	3.07	69.95	28.95	21.80	16.40	17.80	11.95
11 Book value per share (Rs.)	(6.32)	24.37	23.84	25.97	23.72	23.50	23.53
12 Government as tax (Rs. In Million)	8	13.01	8.24	7.81	15.18	27.86	





First Dawood Investment Bank Limited

NOTICE OF ANNUAL GENERAL MEETING (AGM XV)

Notice is hereby given that the AGM XV of First Dawood Investment Bank Limited will be held at its Registered Office, 1500-A, Saima Trade Towers, I. I.Chundrigar Road, Karachi on Thursday, November 26, 2009 at 07:00 p.m. to transact the following business:

Ordinary Businesses:

1. To confirm the minutes of XIV Annual General Meeting.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2009 together with Directors' and Auditors' Reports thereon.
3. To consider the appointment of Auditors for the year 2010 and to fix their remuneration.

Special Business:

4. To consider and approve the enhancement of authorized capital of the FDIBL up to Rs. 1.5 billion u/s. 21 and 160 (1) (b) of the Companies Ordinance, 1984 and pass the following special resolution, with or without modification.
5. To consider, approve and make investment/disinvestment in associated companies in lieu of settlement against loans/receivables u/s. 208 and 160 (1) (b) of the Companies Ordinance, 1984 and pass the following special resolution, with or without modification.
6. Any other Business with the permission of the Chair.

By Order of the Board

November 05, 2009
Karachi

Muhammad Shafqat Nadeem
Company Secretary



First Dawood Investment Bank Limited

Credit Rating

The short-term and long-term credit rating of the company was downgraded from A1 Single (A One) and A+ (Single A Plus) to B and BB respectively on May 22, 2009 due to negative equity. This credit rating is below of minimum investment grade rating prescribed in sub-regulation 4(a) of NBFC Regulation 14 and consequently company has been restricted to raise funds by issuing Certificate of Deposits to individuals.

The rating of secured TFC of PKR 345 million has also been downgraded to BB (double B), despite the fact that these have been serviced regularly.

Upon full settlement / restructuring / debt equity swap of outstanding liabilities and after compliance of 'Minimum Capital Requirement' as stated above, it is expected that the credit rating agency would upgrade Company's rating. However the company is voluntarily not raising the funds through certificate of deposits from individuals until it is equity compliant and credit rating is restored to minimum investment grade.

Future Strategy

FDIB wants to meet all its debt obligations through settlement (against its assets), debt equity swap and restructuring of remaining balances over time. The Management is fully committed to make the company equity compliant through capital injection from existing shareholders, creditors & foreign investors. We will continue to place emphasis on top quality service with a focus on selected clientele. Our target will continue to be on profitable growth in the current lines of business with the aim of creation of value for shareholders. Our emphasis will continue to follow our core values of integrity, innovation and fairness, which have always been a trademark of FDIB. We are committed to be an A rating financial institution in the shortest possible time.

It is anticipated that FDIB in a matter of 4-8 months would be fully operational and plans to open / reactivate at least 3-4 upcountry branches, which will become base of resource mobilization, as under the new business plan, low concentrations has been given to interbank borrowings. The management is committed and fully geared to turn around the bank much ahead of time frame as anticipated.

Dividend

The current financial crisis and losses does not allow the Board to recommend any payout.

Key Financial Highlight

A summary of the key operating and financial data for the last seven year appears at the beginning of this annual report.

Statement of Compliance

Your Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2009. The external auditors review report on the statement of compliance with the Code of Corporate Governance is annexed with this report.

As per directives of SECP/Karachi Stock Exchange, the Directors hereby confirm the following code of good governance and ethical business practices as required by clause (xix) of the code:

1. The financial statements prepared by management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.



First Dawood Investment Bank Limited

Notes:

1. The share transfer books of the Company shall remain closed from November 20, 2009 to November 26, 2009 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1700-A, Saima Trade Towers, I.I.Chundrigar Road, Karachi, if 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 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on November 26, 2009.

Agenda item No.4

Approval of Shareholders will be sought for enhancement of authorized capital of the Company:

The Directors are of the view that due to the liquidity crises the Company has suffered heavy losses which resulted in negative equity. In order to make the Company equity compliant the Company has entered into debt equity swap transactions with various creditors amounting to Rs.500 million. Besides this the Company is also in process of issuing right shares, keeping in view the above said facts the Company is required to increase its authorized capital:

Proposed Special Resolution

RESOLVED THAT the authorized capital of the company be and is hereby increased from Rs. 750,000,000/- (Rupees seven hundred and fifty million) divided into 75,000,000 Ordinary shares of Rs. 10/-each to Rs. 1,500,000,000/- (Rupees fifteen hundred million) divided into 150,000,000 Ordinary/Preference shares of Rs. 10/- each and clause V of Memorandum of Association and Article 5 of Article of Association of the Company be and hereby amended and substituted to be read as under:

CLAUSE V OF THE MEMORANDUM OF ASSOCIATION

- V. The authorized capital of the company is Rs. 1,500,000,000 (Rupees fifteen hundred million) divided into 150,000,000 (one hundred fifty million) shares of Rs. 10/- each. The Company shall have powers to increase, reduce or recognize the capital of the Company and divide shares in the capital for the time being into several classes constituting ordinary/Preference shares in accordance with the provisions of the Companies Ordinance, 1984.

ARTICLE 5 OF THE ARTICLES OF ASSOCIATION

5. The capital of the company is Rs. 1,500,000,000 (Rupees fifteen hundred million) divided into 150,000,000 (one hundred fifty million) ordinary/Preference shares of Rs. 10/- (ten) each with power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes provided however, that rights as between various classes of ordinary/Preference shares (if any) as to profits, votes and other benefits shall be strictly proportionate to the paid-up Value of shares.

Agenda item No.5

Approval of the shareholders will be sought for investment/disinvestment in the associated companies of the Company.

Proposed Special Resolution

"RESOLVED THAT the Company be and is hereby authorized, for the purpose of section 208 and 160 (1) (b) of the Companies Ordinance 1984 to make investment equity up to Rs.100 Million, 100 Million, 300 Million and 50 Million in Dawood Equities Limited, Dawood Family Takaful Limited, Dawood Islamic Bank Limited and BRR Guardian Modarba respectively, subject to compliance of rules and regulations of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and Companies Ordinance,1984 as applicable and approvals, if any, of the relevant authority(ies)"



First Dawood Investment Bank Limited

"FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby authorized severally 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."

1.	Name of the Investee Company	Dawood Equities Limited	Dawood Family Takaful Limited	Dawood Islamic Bank Limited	BRR Guardian Modarba
2.	Nature, amount and extent of the investment	Equity investment upto Rs. 100 million	Equity investment upto Rs. 100 million	Equity investment upto Rs. 300 million	Equity investment upto Rs. 50 million
3.	Closing Average Market price/Net Asset Value (NAV) of the shares/certificates/ units intended to be purchased.	Rs.3.87 share (30-06-2009)	Not applicable	Not applicable	Rs.2.66 share (30-06-2009)
4.	Break-up value of shares/certificates/units intended to be purchased on the basis of last published financial statements	Rs.12.29 share (31-03-2009)	Rs.9.92 share (31-03-2009)	Rs.10.27 share (31-12-2008)	Rs.14.63 Certificate (31-03-2009)
5.	Price at which shares will be purchased	Rs.10/- face value	Rs.10/- face value	Rs.10.27 share	Rs.10/- face value
6.	Source of funds	The shares will be purchased in settlement of outstanding loan/receivable	The shares will be purchased in settlement of outstanding loan/receivable	The shares will be purchased in settlement of outstanding loan/receivable	The shares will be purchased in settlement of outstanding loan/receivable
7.	Basic Earning/(Loss) per share/ certificate/unit of the investee company in last year.	Rs. (5.06)	Rs. 0.08	Rs. (0.137)	Rs. (6.44)
8.	Period for which investment will be made	Not applicable being equity investment	Not applicable being equity investment	Not applicable being equity investment	Not applicable being equity investment
9.	Purpose of investment	To receive the outstanding loan/receivable	To receive the outstanding loan/receivable	To receive the outstanding loan/receivable	To receive the outstanding loan/receivable
10.	Benefits likely to accrue to the company and its shareholders from the proposed investment or advances.	1. FDIBL and its shareholders will be benefitted because their investment will fetch a good return in the form of dividend 2. FDIB and its shareholders will be benefitted because their loan/receivable upon which they are not earning any interest shall be invested in equity.	1. FDIBL and its shareholders will be benefitted because their investment will fetch a good return in the form of dividend 2. FDIB and its shareholders will be benefitted because their loan/receivable upon which they are not earning any interest shall be invested in equity.	1. FDIBL and its shareholders will be benefitted because their investment will fetch a good return in the form of dividend 2. FDIB and its shareholders will be benefitted because their loan/receivable upon which they are not earning any interest shall be invested in equity.	1. FDIBL and its shareholders will be benefitted because their investment will fetch a good return in the form of dividend 2. FDIB and its shareholders will be benefitted because their loan/receivable upon which they are not earning any interest shall be invested in equity.
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.	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.



First Dawood Investment Bank Limited

DIRECTORS' REPORT

IN THE NAME ALLAH THE MOST COMPASSIONATE, THE MOST MERCIFUL

Dear Shareholders,

The Board of Directors of First Dawood Investment Bank Limited ("FDIB" or the "Company") is pleased to present the Annual Report and Audited Accounts for the financial year ended June 30, 2009.

General Overview

Pakistan's economy faced an unprecedented set of challenges during 2008-09. The outgoing fiscal year witnessed the culmination of four separate, and severe, shocks that Pakistan has had to endure over the course of the past year. The first negative shock emanated from a severe macroeconomic crisis that resulted from policy induced imbalance of the past several years. This was reinforced by a second shock involving a large deterioration in Pakistan's net external terms of trade. In addition to the foregoing, a third shock Pakistan has had to grapple with emanated from the adverse effects of the turmoil in global financial markets. Finally, 2008-09 witnessed the intensification of an unprecedented domestic security challenge which has exacted an extremely high cost on the economy.

The situation in Pakistan severely affected the financial sector; even some medium to small sized commercial banks were unable to timely meet their commitments. The NBFC sector, which is dependent on secured & money market lines from commercial banks found them in a bigger crisis i.e. when majority of the lenders (including banks, DFIs, Mutual Funds etc) demanded full repayment at maturity.

Company's Overview

FDIB at the time of beginning of crisis was availing unsecured money market lines to the tune of over Rs.5.0bn (against approved allocation of around Rs.8bn) and within 1-3 months all the lenders suspended all money market lines and demanded repayment. You will appreciate that even AAA rating institutions cannot meet its obligations in a rundown situation that too in an economic crunch scenario.

Being an investment bank FDIB's assets had become extremely illiquid in view of; (i) closure of stock market for over 100 days, thus we were unable to sell our shares promptly (ii) introduction of Mufap pricing, which effected the demand of TFCs / PPTFCs (iii) further, the rentals of lease portfolio are only collected over time (iv) lastly, the economic meltdown effected the NBFCs more, as they cater to lower 2nd and the upper 3rd tier market.

Despite the above limitations FDIB remained committed and initially, i.e. during the last quarter continued to roll-over the money market lines at mark-up rates ranging between 20% - 35%, but in view of eroding liquidity, it decided to set-off / settle its liabilities against its assets. We are pleased to inform you that out of a total liability of around Rs.10bn, FDIB has been able to settle more than 60% (primarily against its assets) . A major portion of the remaining liabilities (around 30%) is in the process of settlement/restructuring.

Some of the institutions who had opted for legal recourse, are pursued actively and out of court settlements have been initiated. One such case has been settled and two more are in the pipeline to be settled soon. It is pertinent to mention that the offshore facility and our term finance certificate valuing Rs. 345 million continues to remain current on its periodical repayments.

The Securities and Exchange Commission of Pakistan (SECP) has undertaken inspection of the books and affairs of company and issued inspection report on May 21, 2009 identifying various non-compliances in the affairs of the company. The company has submitted its detailed reply to their observations on July 25, 2009.



First Dawood Investment Bank Limited

The management of FDIB is proud of its achievement, especially considering that the feat was attained without much support of either the lenders or the regulators. However, in the process i.e. to sincerely & honestly meet its commitments / liabilities and reducing the size of its balance sheet by more than 50%, FDIB has significantly eroded its equity. Therefore, FDIB is also seriously working on the options of fresh equity injection through rights issue and provision of write backs.

Operations and Performance

The ongoing financial and liquidity crisis severely erode gross revenue of the company, which reduced to Rs.235.22 million as at June 30, 2009 as compared to Rs.1,468.88 million as at June 30, 2008. The main reason for this decline was loss of Rs.539.27 million against equity & debt securities. In addition to that fee based income was also declined to Rs. 37.82 million as against Rs. 83.62 million in the last financial year due to prevalent market situation. The other factor which contributed in erosion of revenue was suspension of income on classified loan, leases and advances.

Financial expenses for the period amounted to Rs.1,108.27 million as against Rs.980.00 million previous years. The high financial cost was mainly attributed to forced high interest rates charged by lenders, despite of the fact that total borrowings were reduced to Rs. 4,883.09 million as at June 30, 2009 as against Rs.8,491.02 million as at June 30,2008.

The Management was able to successfully restricted administration & operation expenses up to previous year's level which decreased from Rs.97.38 million in 2008 to Rs.94.05 million in 2009, despite inflationary pressure.

The External Auditor has given an unqualified opinion and raise their observation on the matters that the company had suffered substantial losses during the year as a result its equity and working capital turned negative and the company was unable to timely honor its obligations. Its license for leasing business is not renewed. These conditions, along with other matters in the said note are indicative of uncertainties.

The company has given undertaking to the SECP that due to its negative equity the company will not write new leases until such time it is equity compliant.

The company has unfunded exposure in respect of performance guarantees of Rs. 3,869 million issued on behalf of its customers. Out of these, guarantees amounting to Rs. 897 million have been called by June 30, 2009 and guarantees amounting to Rs. 332 million have been called subsequent to year end. No provision is required against these called guarantees due to the reason mentioned in note 31.1.1 to the Financial Statements, the management does not foresee any cash outflow against any claim.

The prime challenge for the management is to make the company equity compliant. In order to achieve this target, sponsors have shown their willingness to arrange for fresh equity up to the extent of 50%. Besides, negotiations are under way with creditors for debt equity swap. The management is confident to raise Rs.500-600 million through this avenue. The settlement / restructuring and other efforts being made by the management has been fully explained in note 1.3 to the Financial Statements. Moreover the management is confident to write back provision of Rs. 200 million by June 2010. The Board has also approved 5 years Business Plan and hope to achieve targets set therein.

The increasing trend of loan impairment losses on leases & loans portfolio can be attributed to rising cost of doing business and high interest rates, leading to the consistent erosion in the repayment capacity of individual as well as corporate borrowers. However, the Company is making all out efforts for recovering of non-performing loans and aggressive targets have been assigned to the recovery staff.



First Dawood Investment Bank Limited

2. Your Company has maintained proper book of accounts.
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Accounting Standards / International Financial Reporting 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.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. Keeping in view the circumstances mentioned in Note 1.3 to the Financial Statements, there are no significant doubts over the ability of the company to continue as going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

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, and Company Secretary and their spouses of minor children except as stated here under:

Directors /Minors	Purchased/Rights/Gift	Bonus	Sale
Rafique Dawood	-	806,142	-
Hamida Dawood	-	44,781	-
Ayaz Dawood	-	235,070	-
Shimaila Matri Dawood	-	29,022	-
Rasheed Y. Chinoy	-	13,225	-
Mohammad Ali s/o Ayaz Dawood	-	22,509	-
Abdul Hamid Dagia	-	575	-

Statement of Ethics and Business Practices

The Board of Directors of FDIB has adopted the required Statement of Ethics and Business Practices. All employees are aware this statement and are advised to observe the rules of conduct of business and regulations.

Staff Retirement Benefits

First Dawood Group operates a provident scheme for all permanent employees. The value of investments to date is Rs.70 million in the provident scheme as on June 30, 2009.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date, which require adjustment to disclosure in the Financial Statements.



First Dawood Investment Bank Limited

Auditors

The retiring auditors M.Yousuf Adil Saleem & Co., Chartered Accountant, have expressed their willingness to continue in office for the year ending June 30, 2010, a resolution relating to their re-appointment and the Board of Directors authorize the CEO to fix the remuneration of auditor and will be proposed at the forthcoming Annual General Meeting.

Board Meetings

During the year under review, the Board met 9 times. The attendance of each Director at the Board Meetings is as follows:

S. No.	Name	Designation	Entitlement to Attend Meeting	Meeting Attend	Leave of Absences
1	Mr. Rafique Dawood	Chairman & CEO	9	9	-
2	Mr. Rasheed Y. Chinoy	Director	9	9	-
3	Mr. Ayaz Dawood	Director	9	8	1
4	Mr. Ansar Hussain	Director	9	9	-
5	Mr. Shamshad Ahmed	Director	2	1	1
6	Mr. Abdul Hamid Dagia	Director	9	9	-
7	Mr. AVM (R) Syed Raza	Director	9	6	3
8	Mr. Abdus Samad Khan	Director	7	6	1

Pattern of Shareholding

The pattern of shareholding as on June 30, 2009 along with disclosure as required under the Code of Corporate is annexed.

Acknowledgement

The Board of Directors acknowledges and deeply appreciates all employees for their commitment and continuous efforts during financial crisis. We also take this opportunity to express our gratitude to our valued customer, business partners, stake holders, bankers and shareholders for their continued trust and patronage. Last, but not the least, we humbly pay our gratitude to our regulator SECP, who have rendered their immense support during these tough conditions to assist FDIBL to face the unprecedented challenges.

November 03, 2009
Karachi.

On Behalf of the Board of Directors
First Dawood Investment Bank Ltd

Rafique Dawood
Chairman



First Dawood Investment Bank Limited

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE OR THE YEAR ENDED JUNE 30, 2009**

Statement of Compliance with the Code of Corporate 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.35 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 during the year.
5. The Company has prepared & circulated a "Statement of Ethics and Business Practices", which is approved by the Board and 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 Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were preside over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with 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, NBFC Rules and Regulations, 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 attended talks, workshops and seminar 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 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 during the year including their remuneration and terms and conditions of employment as determined by the Chief Executive Officer.



First Dawood Investment Bank Limited

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 quarter ended September 30, 2008, half year ended December 31, 2008, March 31, 2009 and full year ended June 30, 2009 presented to the Board for consideration and approval, were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer.
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, where all the members 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 Company has its internal audit department during the first two quarters of the year. However, in the third quarter, the Board has outsourced its Internal Audit function to M/s. Anjum Asim Shahid Rehman & Company, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a full time basis.
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 of 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. The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for terms and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
21. We confirm that all other material principles contained in the Code have been complied.

November 03, 2009

On Behalf of the Board of Directors

FIRST DAWOOD INVESTMENT BANK LIMITED

Abdus Samad Khan
Chief Executive Officer



First Dawood Investment Bank Limited

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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Web : www.deloitte.com

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

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 Regulations of the Karachi Stock Exchange, 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's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems 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.

The Code of Corporate Governance requires board of directors to approve related party transactions bifurcating between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price. In this connection we are only required and have ensured compliance of requirement to the extent of Board of Directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

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 or the year ended June 30, 2009.

Chartered Accountants

Karachi

Dated : November 03, 2009

Member of
Deloitte Touche Tohmatsu



First Dawood Investment Bank Limited

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First Dawood Investment Bank Limited** (the Company) as at June 30, 2009 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:

- 1) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- 2) 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;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- 3) 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 confirm with approved accounting standards as applicable in Pakistan and give 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 June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- 4) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

Without qualifying our opinion, we draw attention to following matters:



First Dawood Investment Bank Limited

- (i) As mentioned in note 1.3 to the financial statements, the company suffered substantial losses during the year and as a result its equity and working capital turned negative and the company was unable to honour its obligations. Its license for leasing business is not renewed and permission to issue fresh certificates of deposit has been withdrawn. These conditions, along with other matters in the said note are indicative of multiple uncertainties which may cast doubt about the ability of the company to continue as a going concern.

As fully explained in the said note, the company is in negotiation for debt-equity swap of Rs. 500 million, restructuring and settlement of its long term & short term liabilities of Rs. 2,657 million. Offer and acceptance of Rs. 675 million with three major commercial banks have been concluded subsequent to the year end. Also, one of a major bank has approved restructuring of Rs. 688 million for which formal letter is awaited. Negotiations are under way with seven other banks and financial institutions amounting to Rs. 627 million. Out of seven cases filed against the company by the creditors, one is settled and in respect of five cases negotiations for out of court settlement are in process. These events reflect financial support from the creditors of the company.

As stated in the note, the Board is considering a 50% right issue of shares and the main sponsors have pledged to inject/participate in the fresh equity indicating the commitment of the main sponsor of the Company

The business plan for five years which has been approved by the Board projects profitable operations and positive equity by June 2010. The management expects that after the restructuring, the requirement for minimum capital shall be met and the leasing licence and permission to issue certificates of deposit will be renewed.

In view of above mitigating factors, the financial statements have been prepared on a going concern basis.

- (ii) As mentioned in note 31.1 to the financial statements, the company has unfunded exposures in respect of performance guarantees of Rs. 3,870 million issued on behalf of its customers. As stated in the said note, the company has not booked in any liability their against as it does not foresee any cash outflows.

The financial statements of the company for the year ended June 30, 2008 were audited by another firm of Chartered Accountants whose report dated September 30, 2008 expressed an unqualified opinion thereon.

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Dated : November 03, 2009



First Dawood Investment Bank Limited

BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009	2008
		Rupees	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	85,681,310	62,027,770
Investment properties	6	97,437,708	863,624,534
Net investment in lease finance	7	549,291,789	876,365,483
Long term investments	8	410,189,882	489,430,136
Long-term finance	9	544,915,310	912,641,623
Long-term loans	10	853,902	2,654,915
Long-term deposits		3,637,500	3,637,500
		1,692,007,401	3,210,381,961
CURRENT ASSETS			
Current portion of non-current assets	11	1,130,423,940	1,831,584,606
Short Term investments	12	921,261,227	3,069,408,393
Placements and finances	13	894,171,072	2,602,235,627
Advance against lease commitments	14	7,664,259	66,611,106
Advances and prepayments	15	27,184,134	52,564,215
Mark-up accrued	16	113,753,429	168,721,583
Other receivables	17	155,611,086	28,931,995
Cash and bank balances	18	194,339,884	33,755,775
		3,444,409,031	7,853,813,300
		5,136,416,432	11,064,195,261
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital	19	626,492,900	569,539,000
Reserves		258,209,545	633,209,545
(Accumulated loss) / unappropriated profit		(1,287,948,573)	185,427,230
		(403,246,128)	1,388,175,775
(Deficit) / surplus on revaluation of investments	20	(115,444,741)	390,820,631
		(518,690,869)	1,778,996,406
NON CURRENT LIABILITIES			
Redeemable capital	21	345,000,000	345,000,000
Long-term loans	22	771,206,384	1,050,375,581
Certificates of investment / deposit	23	9,374,497	367,034,709
Long term deposits	24	177,077,334	403,948,853
Deferred liabilities	25	12,870,928	16,136,703
		1,315,529,143	2,182,495,846
CURRENT LIABILITIES			
Current portion of long-term liabilities	26	993,218,753	913,026,085
Mark-up accrued	27	347,320,545	185,620,882
Short-term borrowings	28	1,637,288,009	2,965,613,111
Certificates of investment	29	1,317,818,653	2,947,845,014
Accrued and other liabilities	30	37,648,723	59,341,932
Taxation		6,283,475	31,255,985
		4,339,578,158	7,102,703,009
Contingencies and commitments	31		
		5,136,416,432	11,064,195,261

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



First Dawood Investment Bank Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		Rupees	
INCOME			
Lease income		57,402,247	169,303,513
Return on placements, finances, deposits and investments	32	473,486,486	746,585,264
(Loss) / gain on sale of securities - net		(407,291,282)	318,450,659
Gain on disposal of investment in associate		-	545,736
Loss on sale of government / debt securities		(131,983,597)	(30,306,499)
Income from long term finances		193,931,732	172,326,362
Brokerage income		6,912,137	10,064,015
Exchange gain / (loss) - net		47,120,438	(2,017,854)
Other (loss) / income	33	(4,356,143)	83,930,136
		235,222,018	1,468,881,332
PROVISIONS / CHANGES IN FAIR VALUE			
Provision for lease losses and doubtful recoveries	34	(573,989,670)	(192,867,336)
(Deficit) / Surplus on revaluation of investment property		(8,439,153)	83,561,934
Surplus in fair valuation of interest rate swap		1,459,167	5,869,066
Provision for impairment	35	(186,963,520)	(34,104,833)
Deficit on revaluation of held for trading securities		(18,189,684)	(220,434,594)
		(786,122,860)	(357,975,763)
		(550,900,842)	1,110,905,569
EXPENDITURE			
Administrative expenses	36	94,049,058	97,377,189
Finance cost	37	1,108,269,321	980,004,506
		(1,202,318,379)	(1,077,381,695)
		(1,753,219,221)	33,523,874
Share of (loss) / profit of associate	38	(54,355,451)	2,587,993
(LOSS) / PROFIT BEFORE TAXATION		(1,807,574,672)	36,111,867
TAXATION			
Current	39	-	10,945,539
Deferred		16,152,769	(88,489,095)
		16,152,769	(77,543,556)
(LOSS) / PROFIT AFTER TAXATION		(1,791,421,903)	113,655,423
(Loss) / Earnings per share - basic - Rupees	40	(28.59)	1.81
(Loss) / Earnings per share - diluted - Rupees	40	(28.59)	1.81

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



First Dawood Investment Bank Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		(1,807,574,672)	36,111,867
Adjustments:			
- Depreciation		4,890,601	5,516,375
- Loss / (gain) on sale of investments		407,436,080	(318,450,659)
- Gain on disposal of investment in associate		-	(545,736)
- Share of profit of equity accounted investees		54,355,451	(2,587,993)
- Loss / (gain) on sale of Government securities		131,983,597	30,306,499
- Finance cost		1,108,269,321	980,004,506
- Gain on sale of property and equipment		(690,674)	(17,750)
- (Loss) / gain on sale of investment property		43,037,950	(57,100)
- Provision for gratuity		4,229,000	3,208,000
- Provision for lease losses and doubtful recoveries		573,989,670	192,867,336
- Provision for impairment in the value of available for sale investments		186,963,520	34,104,833
- Deficit / (surplus) on revaluation of securities at fair value through profit or loss		18,189,684	220,434,594
- Surplus on revaluation of investment property		8,439,153	(83,561,934)
- Surplus in fair valuation of interest rate SWAP		-	(5,869,066)
- Exchange loss / (gain)		(47,120,438)	2,017,854
- Amortisation of discount income		-	(13,205,122)
- Amortisation of investment held to maturity		(118,409)	(91,036)
- Other income		(739,675)	-
		<u>2,493,114,831</u>	<u>1,044,073,601</u>
		685,540,159	1,080,185,468
Changes in operating assets and liabilities <i>(Increase) / decrease in operating assets</i>			
Net investment in lease finance		365,794,616	711,189,148
Long-term finances		469,253,357	(78,684,142)
Long-term loans		2,540,938	2,434,614
Placements and finances		779,116,930	200,925,054
Advances and prepayments		8,000,232	56,643,586
Advance against lease commitments		12,190,102	29,661,243
Interest accrued		12,827,885	27,136,527
Other receivables		(160,809,071)	298,455,907
		<u>1,488,914,989</u>	<u>1,247,761,937</u>
		2,174,455,148	2,327,947,405
<i>Increase / (decrease) in operating liabilities</i>			
Certificates of investment / deposits		(724,312,718)	(884,452,981)
Deposits		(133,919,993)	(45,083,428)
Short-term borrowings		(70,130,519)	(570,226,500)
Accrued and other liabilities		(19,253,730)	(119,068,889)
		<u>(1,367,099,226)</u>	<u>709,115,607</u>
Finance cost paid		(872,252,709)	(982,410,338)
Gratuity paid		(1,901,869)	(559,358)
Tax paid		(7,592,661)	(13,014,358)
Net cash used in from operating activities		<u>(485,351,987)</u>	<u>(286,868,447)</u>



First Dawood Investment Bank Limited

BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009	2008
		Rupees	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	85,681,310	62,027,770
Investment properties	6	97,437,708	863,624,534
Net investment in lease finance	7	549,291,789	876,365,483
Long term investments	8	410,189,882	489,430,136
Long-term finance	9	544,915,310	912,641,623
Long-term loans	10	853,902	2,654,915
Long-term deposits		3,637,500	3,637,500
		1,692,007,401	3,210,381,961
CURRENT ASSETS			
Current portion of non-current assets	11	1,130,423,940	1,831,584,606
Short Term investments	12	921,261,227	3,069,408,393
Placements and finances	13	894,171,072	2,602,235,627
Advance against lease commitments	14	7,664,259	66,611,106
Advances and prepayments	15	27,184,134	52,564,215
Mark-up accrued	16	113,753,429	168,721,583
Other receivables	17	155,611,086	28,931,995
Cash and bank balances	18	194,339,884	33,755,775
		3,444,409,031	7,853,813,300
		5,136,416,432	11,064,195,261
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital	19	626,492,900	569,539,000
Reserves		258,209,545	633,209,545
(Accumulated loss) / unappropriated profit		(1,287,948,573)	185,427,230
		(403,246,128)	1,388,175,775
(Deficit) / surplus on revaluation of investments	20	(115,444,741)	390,820,631
		(518,690,869)	1,778,996,406
NON CURRENT LIABILITIES			
Redeemable capital	21	345,000,000	345,000,000
Long-term loans	22	771,206,384	1,050,375,581
Certificates of investment / deposit	23	9,374,497	367,034,709
Long term deposits	24	177,077,334	403,948,853
Deferred liabilities	25	12,870,928	16,136,703
		1,315,529,143	2,182,495,846
CURRENT LIABILITIES			
Current portion of long-term liabilities	26	993,218,753	913,026,085
Mark-up accrued	27	347,320,545	185,620,882
Short-term borrowings	28	1,637,288,009	2,965,613,111
Certificates of investment	29	1,317,818,653	2,947,845,014
Accrued and other liabilities	30	37,648,723	59,341,932
Taxation		6,283,475	31,255,985
		4,339,578,158	7,102,703,009
Contingencies and commitments	31		
		5,136,416,432	11,064,195,261

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



First Dawood Investment Bank Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		(1,807,574,672)	36,111,867
Adjustments:			
- Depreciation		4,890,601	5,516,375
- Loss / (gain) on sale of investments		407,436,080	(318,450,659)
- Gain on disposal of investment in associate		-	(545,736)
- Share of profit of equity accounted investees		54,355,451	(2,587,993)
- Loss / (gain) on sale of Government securities		131,983,597	30,306,499
- Finance cost		1,108,269,321	980,004,506
- Gain on sale of property and equipment		(690,674)	(17,750)
- (Loss) / gain on sale of investment property		43,037,950	(57,100)
- Provision for gratuity		4,229,000	3,208,000
- Provision for lease losses and doubtful recoveries		573,989,670	192,867,336
- Provision for impairment in the value of available for sale investments		186,963,520	34,104,833
- Deficit / (surplus) on revaluation of securities at fair value through profit or loss		18,189,684	220,434,594
- Surplus on revaluation of investment property		8,439,153	(83,561,934)
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- Exchange loss / (gain)		(47,120,438)	2,017,854
- Amortisation of discount income		-	(13,205,122)
- Amortisation of investment held to maturity		(118,409)	(91,036)
- Other income		(739,675)	-
		<u>2,493,114,831</u>	<u>1,044,073,601</u>
		685,540,159	1,080,185,468
Changes in operating assets and liabilities			
<i>(Increase) / decrease in operating assets</i>			
Net investment in lease finance		365,794,616	711,189,148
Long-term finances		469,253,357	(78,684,142)
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Advances and prepayments		8,000,232	56,643,586
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		2,174,455,148	2,327,947,405
<i>Increase / (decrease) in operating liabilities</i>			
Certificates of investment / deposits		(724,312,718)	(884,452,981)
Deposits		(133,919,993)	(45,083,428)
Short-term borrowings		(70,130,519)	(570,226,500)
Accrued and other liabilities		(19,253,730)	(119,068,889)
		<u>(1,367,099,226)</u>	<u>709,115,607</u>
Finance cost paid		(872,252,709)	(982,410,338)
Gratuity paid		(1,901,869)	(559,358)
Tax paid		(7,592,661)	(13,014,358)
Net cash used in from operating activities		<u>(485,351,987)</u>	<u>(286,868,447)</u>



First Dawood Investment Bank Limited

	Note	2009	2008
		Rupees	
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(31,054,550)	(7,640,297)
Purchase of investment property		(65,378,441)	(562,960,500)
Proceeds from sale of property and equipment		3,201,383	1,444,375
Proceeds from sale of investment property		-	75,000
Investments in associate		42,498,875	(20,600,000)
Short term investments		(214,999,917)	599,274,447
Long-term deposits		-	(3,500,000)
Net cash flow from investing activities		(265,732,650)	6,093,025
C. CASH FLOW FROM FINANCING ACTIVITIES			
Long-term loans obtained		542,500,000	450,000,000
Repayment of long-term loans		(571,156,874)	(429,963,728)
Lease liability paid		-	(675,457)
Dividend paid		-	(26,957)
Net cash flow (used in) / from financing activities		(28,656,874)	19,333,858
Net decrease in cash and cash equivalents		(190,962,463)	(261,441,564)
Cash and cash equivalents at beginning of the year		(585,357,336)	(323,915,772)
Cash and cash equivalents at end of the year		(394,394,873)	(585,357,336)

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



First Dawood Investment Bank Limited

	Note	2009	2008
		Rupees	
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(31,054,550)	(7,640,297)
Purchase of investment property		(65,378,441)	(562,960,500)
Proceeds from sale of property and equipment		3,201,383	1,444,375
Proceeds from sale of investment property		-	75,000
Investments in associate		42,498,875	(20,600,000)
Short term investments		(214,999,917)	599,274,447
Long-term deposits		-	(3,500,000)
Net cash flow from investing activities		(265,732,650)	6,093,025
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Cash and cash equivalents at end of the year		(394,394,873)	(585,357,336)

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



First Dawood Investment Bank Limited

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009**

	Capital Reserves					Revenue Reserves		Total	
	Share Capital	Statutory Reserve	Reserve Issue of Bonus Shares	Premium on Right Shares	Capital Reserve on Acquisition	(Deficit)/ Surplus on Revaluation of Investments	General Reserve		Accumulated Loss/ Unappropriated Profit
	Rupees								
Balance at June 30, 2007 - Restated	495,251,300	179,455,066	-	53,426,910	2,596,484	410,971,882	250,000,000	293,790,592	1,685,492,234
Profit for the year	-	-	-	-	-	-	-	113,655,423	113,655,423
Realisation of surplus on revaluation of investments	-	-	-	-	-	(143,739,399)	-	-	(143,739,399)
Surplus on revaluation of investments	-	-	-	-	-	123,588,148	-	-	123,588,148
Total recognised income and expenses for the year	-	-	-	-	-	(20,151,251)	-	113,655,423	93,504,172
Transfer to statutory reserve	-	22,731,085	-	-	-	-	-	(22,731,085)	-
Transfer to general reserve	-	-	-	-	-	-	125,000,000	(125,000,000)	-
Transfer to reserve for issue of bonus shares @ 15% for the year ended June 30, 2007	-	-	74,287,700	-	-	-	-	(74,287,700)	-
Bonus shares issued	74,287,700	-	(74,287,700)	-	-	-	-	-	-
Balance at June 30 2008	569,539,000	202,186,151	-	53,426,910	2,596,484	390,820,631	375,000,000	185,427,230	1,778,996,406
Loss for the year	-	-	-	-	-	-	-	(1,791,421,903)	(1,791,421,903)
Realisation of surplus on revaluation of investments	-	-	-	-	-	379,866,784	-	-	379,866,784
Surplus on revaluation of investments	-	-	-	-	-	(886,132,156)	-	-	(886,132,156)
Total recognised income and expenses for the year	-	-	-	-	-	(506,265,372)	-	(1,791,421,903)	(2,297,687,275)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Transfer to reserve for issue of bonus shares @ 15% for the year ended June 30 2008	-	-	56,953,900	-	-	-	-	(56,953,900)	-
Bonus shares issued	56,953,900	-	(56,953,900)	-	-	-	-	-	-
Transfer from general reserves	-	-	-	-	-	-	(375,000,000)	375,000,000	-
Balance at June 30 2009	626,492,900	202,186,151	-	53,426,910	2,596,484	(115,444,741)	-	(1,287,948,573)	(518,690,869)

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



First Dawood Investment Bank Limited

NOTES OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

1. STATUS AND NATURE OF BUSINESS

- 1.1 First Dawood Investment Bank Limited ("the Company") was incorporated on June 22, 1994 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The registered office of the Company is situated in Karachi, Pakistan. The Company has obtained the licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the Rules") and Non Banking Finance Companies and Notified Entities Regulation, 2008 ("the Regulation") from the Securities and Exchange Commission of Pakistan (SECP).
- 1.2 The Company is also acting as Trustees to Term Finance Certificates / Sukuk issued by Naimat Basal Oil & Gas Securitization Limited, Askari Commercial Bank Limited (2nd Issue), Soneri Bank Limited, Standard Chartered Bank (Pakistan) Limited (3rd Issue), Jahangir Siddiqui Investment Bank Limited, First International Investment Bank Limited, Faysal Bank Limited, Allied Bank of Pakistan Limited, Worldcall Communication Limited, Zaver Petroleum Corporation Limited, Azgard Nine Limited, Escorts Investment Bank Limited, Associated Builders (Private) Limited, Engro Chemicals Pakistan Limited, Sitara Energy Limited, KASB Securities Limited, Orix Leasing Pakistan Limited, Grays Leasing Limited, Saudi Pak Leasing Company, New Allied Electronics (Private) Limited., Security Leasing Corporation Limited (sukuk), Trakkers (Pvt) Limited, Dewan Cement Limited, Sitara Chemical Industries Limited, Al-Zamin Leasing Corporation Limited, House Building Finance Company Limited (sukuk) and mutual fund certificates issued by Namco Balanced Fund and Namco Income Fund. The value of such assets as at June 30, 2009 amounted to Rs.34.74 billion (2008: 36.68 billion).

1.3 Challenges & Mitigation Plan

The unwarranted liquidity crunch during the second quarter of 2008-09 in the financial sector resulted in withdrawal of money market lines for NBFC sector. The clean money market lines of the Company of over Rs 5 billion from the banking sector were abruptly withdrawn and hence company was unable to repay its commitment promptly due to liquidity crunch. This triggered an uncalled for run on the business of company. Due to above reasons, during the year ended June 30, 2009 the company incurred a net loss of Rs. 1,791 million, its accumulated loss is Rs. 1,288 million, its equity is negative to the tune of Rs. 519 million and its current liabilities exceeds its current assets by Rs. 895 million as of that date. Company could not pay its short term and long term obligations of about Rs. 2.4 billion. Certain banks and financial institution filed cases and / or served legal notices against the company. These resulted in down grading of credit rating, non compliance of requirement of NBFC Regulations regarding minimum capital and suspension of leasing license and permission to issue certificate of investments of deposits. These cast doubt about the going concern ability of the company.

Company under the guidelines of creditors formed a steering committee, which recommended the process of Settlement of its borrowings against its assets and so far has settled major portion of its liabilities. It is pertinent to mention that Company continues to remain current on its long term liabilities by either settling or restructuring. Besides, the company managed to repay in cash to individuals, provident funds and other corporate entities dues amounting to Rs. 644 million. The remaining deposit is being serviced regularly and would be repaid on maturity.

Debt Equity swap and settlement with financial institutions

The Company has entered in negotiations and settlements with their key lenders which includes National Bank of Pakistan, Allied Bank Limited and The Bank of Khyber for the conversion of debt into equity / long term debts etc. The Company has already entered into a memorandum of understanding with Bank of Khyber to restructure its total debt of Rs. 542 million which include a debt equity swap of Rs. 140.92 million and restructuring the balance into long term liability at a very low markup rates. The Company has agreed with Allied Bank Limited for restructuring of its total debt of Rs. 133 million which include a debt equity swap of Rs. 34.58 million and restructuring the balance into long term liability at a very low markup rates. National Bank of Pakistan has consented to settled/convert its debt of Rs. 688 million which include debt equity of Rs.225 million.

Negotiations are under way with seven other banks and financial institutions having a total debt of Rs. 627 million. The management is hopeful that it will strike a favorable deal converting a portion of debt into equity and restructuring the balance into long term liability at a low markup rates.



First Dawood Investment Bank Limited

Creditor under litigation

Creditors who are under litigation amounts to Rs. 797 million, which represent a group of lenders, who pressed only for cash settlements and did not agree to settle against assets. One such lender has already made an out-of-court settlement, whereas two have commenced negotiations on similar lines. Another group of lenders worth Rs. 238 million are insisting on cash repayments; however efforts are underway to settle the same also amicably. Out of total liabilities of Rs. 4.8 billion are only Rs.1.3 billion is under process of restructuring.

Bank Guarantees

The company has unfunded exposures in respect of performance guarantees of Rs. 3,869 million issued on behalf of its customers (refer Note 31). Out of these, guarantees amounting to Rs. 897 million have been called by June 30, 2009 and guarantees amounting to Rs. 332 million have been called subsequent to year end. No provision is required against these called guarantees due to reasons explained in note 31.

Minimum Capital Requirement (MCR)

Upon settlement / restructuring / debt equity swap as stated above, induction of equity through right shares and profitable operation in 2009-10 and mainly due to write back of provisions and substantial reduction in finance cost due to restructuring at very low interest rates, it is anticipated that by June 30, 2010 the company will have a positive equity.

The Board is considering 50% right issue of shares and Dawood Group has committed to the injection/participation in fresh equity to comply with the NBFC requirement of 'Minimum Capital'. The Board is also working to induct a new partner or issue preference shares.

Credit Rating

The short-term and long-term Credit Rating of the Company was downgraded from A1 (Single A One) and A+ (Single A Plus) to B and BB respectively on May 22, 2009 due to negative equity. This credit rating is below the minimum investment grade rating prescribed in sub-regulation 4(a) of NBFC Regulation 14 and consequently company's permission to raise funds by issuing Certificates of Deposit stand cancelled.

Upon full settlement / restructuring / debt equity swap of outstanding liabilities and after compliance of 'Minimum Capital Requirement' as stated above, it is expected that the credit rating agency would upgrade Company's rating. However the Company is voluntarily not raising funds through certificate of deposits until it is equity compliant and credit rating is restored to minimum investment grade.

SECP Report

The Securities and Exchange Commission of Pakistan (SECP) has undertaken inspection of the books and affairs of company and issued Inspection Report on May 21, 2009 identifying various non-compliances and irregularities in the affairs of the company. The company has submitted its detailed reply to their observations on July 25, 2009 to which no response has been received.

Subsequent to year end, SECP at the request of the company dated September 12, 2009 for reduction of inter-group exposure by way of swapping loans with shares of group companies, accorded its no objection vide letter no. SC/NBFC-1/FDIBL/2009/516 dated October 07, 2009.

Future Prospect

Once Company is equity compliant, normal banking business will be initiated. A business model based on conservative approach for the next five years with emphasis on very reasonable liquidity ratio has already been chalked out and approved by the Board. Further, restructuring of obligations at low mark-up rates would result in reduction in finance cost and increase profitability.

During the time of extreme crisis, the company remained committed and honoured major portion of its liabilities to ensure that the company continues to remain a viable entity.



It is anticipated that Company in a matter of year's time would be fully operational and plans to open / reactivate at least 3-4 upcountry branches, which will become the base of resource mobilization. Under the new business plan, low concentration has been given to the inter-bank borrowings. The present management is committed and fully geared to turn around the Company much before the anticipated time frame.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the requirement of Companies Ordinance, 1984 (the Ordinance), the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulation), the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards (IFRS) as are notified under the provisions of the Ordinance. Whenever, the requirements of the Rules, the Regulations, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the Regulation, the Rules, the Ordinance and the said directive take precedence.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for NBFCs providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the applicability of International Financial Reporting Standard IFRS 7: Financial Instruments: Disclosure through Notification No. 411 dated April 28, 2008 to above mentioned NBFCs. Accordingly, the requirements of this standards have been considered to the extent of leasing operation of the Company and have resulted in the additional disclosures in these financial statements.

During the year the SECP has issued the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. Under the revised regulations the SECP has specified certain new guidelines for determining the classification requirement in respect of short medium and long term loan and advances. As per the revised regulations the category of Other Assets Especially Mentioned (OAEM) has been introduced while the categories of substandard, doubtful and loss have been retained. The revised regulations now require NBFCs to classify the outstanding amount of principal as OAEM and transfer the amount of mark-up to suspense account when principal or mark-up is overdue by 90 days. Previously, mark-up was required to be transferred to suspense account when principal or mark-up (both under short-term and long-term categories) was overdue by 180 days.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except that investment property and certain financial instruments are stated at fair value and staff retirement benefits are stated at present value.

2.3 Adoption of new International Financial Reporting Standards

In the current year, the company has adopted following new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the SECP that are relevant to its operations and effective for company's accounting period beginning on July 01, 2008. The adoption of these new Standards and Interpretations has resulted in additional disclosures and changes to the Company's accounting policies.

Standard or Interpretation		Effective from (accounting periods beginning on or after)
IAS - 29	Financial Reporting in Hyperinflationary Economies	July 01, 2008
IFRS - 7	Financial Instruments: Disclosures	July 01, 2008



IFRIC - 12	Services Concession Arrangements	January 01, 2008
IFRIC - 13	Customer Loyalty Programs	July 01, 2008
IFRIC - 14	The limit on Defined Benefit Assets, Minimum Funding Requirements and their interaction	January 01, 2008

2.4 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting period beginning on or after July 1, 2008 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosure in certain cases:

Standard or Interpretation		Effective from (accounting periods beginning on or after)
IAS - 10	(Revised) Presentation of Financial Statements *	January 01, 2009
IAS - 23	(Revised) Borrowing Costs	January 01, 2009
IAS - 27	(Amendment) Consolidated and separate financial statements	July 01, 2009
IAS - 28	(Amendment) Investment in associates	July 01, 2009
IAS - 31	(Amendment) Investment in Joint Ventures	July 01, 2009
IAS - 32	(Amendment) - Financial instruments	January 01, 2009
IFRS - 2	(Amendment) Share-based payments	January 01, 2009
IFRS - 3	(Revised) Business Combinations	July 01, 2009
IFRS - 8	Operating Segments	January 01, 2009
IFRIC - 15	Agreements for the Construction of Real Estate	January 01, 2009
IFRIC - 16	Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC - 17	Distribution of Non Cash Assets to Owners	July 01, 2009
IFRIC - 18	Transfer of Assets from Customers	July 01, 2009

* Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected once enforced by regulators.

2.5 New guideline by SECP that are not yet effective

During the year the Securities Exchange Commission of Pakistan (SECP) has revised the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. In accordance with Regulation 25 of the above regulations, the SECP has revised the basis of classification and provisioning requirement in respect of non-performing short-term and long-term financing facilities. Under the revised



guidelines the category of Other Assets Especially Mentioned (OAEM) has been dispensed with, while the categories of substandard, doubtful and loss have been retained. In addition, the basis of classification of loans and advances and net investment in finance leases under these three categories has been redefined whereby all finances overdue by 90, 180 and 365 days are now required to be classified as substandard, doubtful and loss respectively. As per the current requirements, short-term and long-term facilities are required to be separately assessed and are classified as OAEM, substandard, doubtful or loss based on prescribed ageing criteria.

The revised guidelines specify that provision should be made in the financial statements equal to 25 percent, 50 percent and 100 percent, in respect of overdue financing facilities classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets.

The aforementioned guidelines for determining the provisioning requirements are applicable with effect from July 01, 2010 . The management is in the process of assessing the impact the aforementioned guidelines on the provisioning requirements of the Company .

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Owned

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated on straight line basis over the estimated useful life of the assets at the rates given in note 5 to the financial statement. Depreciation is charged from the month when the asset is available for use and cease from the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. The residual values and useful lives of assets are reviewed and adjusted, if appropriate at each balance sheet date.

Gain and losses on disposal of assets, if any, are included in the profit and loss account.

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

Leased

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of relevant lease.

3.2 Investment property

Investment property is measured initially at its cost, including transaction costs. Subsequent to initial recognition, it is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year.

3.3 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, if any, and excluding unearned finance income, write-offs and provision for potential lease losses, if any.

3.4 Provision for bad and doubtful loans and advances / potential lease losses and write offs



The provision for bad and doubtful loans and advances / potential lease losses, if any, is made in accordance with the requirements of the Non-Banking Financial Companies and Notified Entities Regulations, 2008 issued by the SECP.

Loans and advances and outstanding balances in net investment in finance lease are written off when there is no realistic prospect of recovery.

3.5 Investments

Investment in associate

These investments are accounted for using equity method of accounting and initially are recognized at cost.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognised at cost inclusive of transaction cost and are subsequently carried at amortised cost using effective interest rate method, less any impairment losses. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount. Gains and losses are recognised in the income statement when the investments are de-recognised or impaired, as well as through the amortisation process.

Available for sale

These are non-derivative financial assets that are designated as available for sale and may be sold in response to needs for liquidity or changes in interest rates or equity prices or are not classified in any of the three preceding categories. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology.

Gains and losses arising from re-measurement at fair value, other than impairment losses, is recognised directly in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Investments -Held for trading and initially designated at fair value

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and either (a) the Company has transferred substantially all risks and rewards of ownership or (b) the Company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred the control of the asset.

3.6 Loans and advances

Loans and advances are stated net of provisions against non-performing advances. Provisions are made in accordance with the guidance in the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted-off against advances.

3.7 Sale and repurchase agreements



Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under continuous funding system are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (reverse-repos) are not recognised in the balance sheet. Amounts paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / continuous funding system and accrued over the life of the reverse repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

3.8 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.

3.9 Staff retirement benefits

Defined benefit plans

The company operates unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service. Contributions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at June 30, 2008 using the "Project unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's gratuity is amortised over the average expected remaining working lives of the employees. Details of the schemes are given in note 25 to these financial statements.

Defined contribution plans

The Company also operates contributory provident fund for all its employees. Equal monthly contributions are made both by the Company and the employees at the rate of 10% per annum of the basic salary in case of provident fund.

3.10 Long term loans and redeemable capital

Long term finances and loans are initially recognised at cost being the fair value of consideration received together with the associated transaction cost. Subsequently, these are carried at amortized cost using effective interest rate method. Transaction cost relating to the loan term finance are being amortized over the period of agreement using the effective interest rate method.

3.11 Borrowing costs

Borrowing costs are interest or other auxiliary costs incurred by the Company in connection with borrowing of funds and is treated as periodic cost and charged to profit and loss account.



3.12 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.

3.13 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any. For income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is recognised using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.14 Impairment

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit and loss account.

3.15 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. Front end fee, documentation charges, gain / losses on termination of lease contracts, commitment fee and other commissions, if any, are taken to income when earned.

Markup / interest on long term finances, mortgage finances, long term loans and Morabaha finances are accrued on time proportion basis on effective yield basis except markup / interest / returns on classified loans and investments are recognised on receipt basis.

Return on preference shares and term finance certificate is recognised under the effective interest rate method on a time proportion basis.

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



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

Unrealised capital gains / (losses) arising on the revaluation of securities classified as financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

Income on continuous funding system transactions, term finance certificates and bank deposits are recognised on accrual basis.

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

Guarantee income is recognised on time proportion basis.

Consultancy and Corporate Advisory Fees are recognised as and when services are provided.

Trusteeship and custodianship fees are recognized as and when services are provided

3.16 Foreign currency transactions

Transaction in foreign currencies are accounted for in Rupees at the exchange rate on the date of transaction. Monetary 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 differences are taken to the profit and loss account.

3.17 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 expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly.

3.18 Offsetting

A financial asset and financial liability is off-set 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 with each other.

3.19 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in these financial statements.

3.20 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of short term borrowings which are repayable on demand or in the short term and form an integral part of the Company's cash management.

3.21 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.



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3.22 Segment reporting

As segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The company's primary format for segment reporting is based on business segments.

3.23 Dividend distributions and appropriations

Dividend distributions and appropriations other than statutory appropriations are recorded in the period in which they are approved.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, as described in note 3, the management has made the following and estimates and judgments which are significant to financial statements: -

- (a) determining the residual values and useful lives of property and equipment (Note 3.1);
- (b) Provision for potential lease losses (Note 3.4);
- (c) classification of investments (Note 3.5);
- (d) valuation of interest rate swap (Note 3.9)
- (e) accounting for post employment benefits (Note 3.10);
- (f) recognition of taxation and deferred tax (Note 3.13);
- (g) provisions (Note 3.4); and



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	Note	2009 Rupees	2008 Rupees
5. PROPERTY AND EQUIPMENT			
Operating fixed assets	5.1	8,775,810	12,671,770
Capital work in progress - civil work	5.2	76,905,500	49,356,000
		<u>85,681,310</u>	<u>62,027,770</u>

5.1 Operating fixed assets

	COST			ACCUMULATED DEPRECIATION			Book value at June 30, 2009	Rate %
	As at July 01 2008	Additions/ (deletion) (5.1.2)	As at June 30, 2008	As at July 01 2008	For the year/ (on deletion)	As at June 30, 2009		
2009								
				Rupees				
Owned								
Furniture and fixtures	3,989,050	-	3,989,050	2,932,924	388,405	3,321,329	667,721	10
Equipment and appliances	8,806,373	177,050	8,983,423	6,077,097	1,311,319	7,388,416	1,595,007	20
Vehicles	16,230,543	3,328,000	11,781,140	7,344,175	3,190,877	5,268,058	6,513,082	20
		(7,777,403)			(5,266,994)			
	29,025,966	3,505,050	24,753,613	16,354,196	4,890,601	15,977,803	8,775,810	
		(7,777,403)			(5,266,994)			
2008								
				Rupees				
Owned								
Furniture and fixtures	3,968,150	20,900	3,989,050	2,534,716	398,208	2,932,924	1,056,126	10
Equipment and appliances	6,917,366	1,897,507	8,806,373	4,309,922	1,767,175	6,077,097	2,729,276	20
			(8,500)		-			
Vehicles	5,417,025	5,557,890	16,230,543	2,380,092	1,247,577	7,344,175	8,886,368	20
		7,324,578*			4,777,031*			
			(2,068,950)		(1,060,525)			
	16,302,541	7,476,297	29,025,966	9,224,730	3,412,960	16,354,196	12,671,770	
		(2,077,450)			(1,060,525)			
Leased Assets								
Vehicles	11,023,578	164,000	-	6,126,916	2,103,415	-	-	20
		(7,324,578)*			(4,777,031)*			
		(3,863,000)			(3,453,300)			
	27,326,119	7,640,297	29,025,966	15,351,646	5,516,375	16,354,196	12,671,770	
		(5,940,450)			(4,513,825)			

* These are lease assets transferred to owned assets



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5.1.1 Cost of fully depreciated assets still in use is Rs.6.821 million (2008: Rs.2.931 million).

5.1.2 Disposal of property and equipment

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Name of purchaser	Mode of disposal
Vehicle	1,169,000	935,200	233,800	233,800	Rafique Dawood, Karachi	As per policy
Vehicle	350,800	46,773	304,027	335,000	New Jubilee Insurance Company Limited Karachi.	Insurance Claim
Vehicle	849,000	721,650	127,350	127,350	Muhammad Shoaib, Karachi	As per policy
Vehicle	590,000	137,667	452,333	500,000	Ibrahim Najmuddin, Karachi	- do -
Vehicle	58,500	39,000	19,500	22,750	Furrukh Mirza, Karachi	- do -
Vehicle	350,100	99,195	250,905	250,905	Furrukh Mirza, Karachi	- do -
Vehicle	62,000	44,500	17,500	17,500	Majid Raza, Karachi	- do -
Vehicle	59,425	43,578	15,847	15,847	Farhan Ahmed, Karachi	- do -
Vehicle	58,500	42,900	15,600	15,600	Raheel Shakeel, Karachi	- do -
Vehicle	499,000	83,167	415,833	550,000	Dawood Family Takaful Limited, Karachi	Negotiation
Vehicle	599,000	589,017	9,983	310,000	Mr. Zeeshan Moosa Karachi	- do -
Vehicle	58,500	46,800	11,700	11,700	F.D.Registrar Service (SMC-Private) Limited, Karachi	- do -
Vehicle	58,500	46,800	11,700	11,700	F.D.Registrar, Karachi Private) Limited, Karachi	- do -
Vehicle	325,000	325,000	-	174,600	F.D.Registrar, Karachi Private) Limited, Karachi	- do -
Vehicle	1,043,000	768,800	274,200	274,500	Shahid Iqbal, Karachi	As per policy
Vehicle	698,578	538,147	160,431	160,431	Shagufta Naz, Karachi	- do -
Vehicle	560,000	448,000	112,000	112,000	Wahid Dewani, Karachi	- do -
Vehicle	330,000	264,000	66,000	66,000	Zeeshan Ahmed, Karachi	- do -
Vehicle	58,500	46,800	11,700	11,700	Malik Muhammad Kaleem Karachi.	- do -
2009	7,777,403	5,266,994	2,510,409	3,201,383		
2008	5,940,450	4,513,825	1,426,625	1,444,375		



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	Note	2009 Rupees	2008 Rupees
5.2	The movement in Capital work in progress during the year is as follows;		
	Balance at beginning	49,356,000	-
	Addition during the year	-	49,356,000
	Acquired in settlement of assets	76,905,500	-
	Disposed off in settlement of liabilities	(49,356,000)	-
		<u>76,905,500</u>	<u>49,356,000</u>
6.	INVESTMENT PROPERTIES		
	Opening balance	863,624,534	217,120,000
	Addition during the year	3,091,742	562,960,500
	Disposed off in settlement of liabilities	(760,839,414)	-
	Deletion during the year	-	(17,900)
	Net (loss) / gain on fair value adjustment	(8,439,154)	83,561,934
		<u>97,437,708</u>	<u>863,624,534</u>
6.1	As at June 30, 2009, the investment properties are valued by J & M Associates, enlisted with Pakistan Banks Association (PBA) and Leasing Association of Pakistan (LAP). The main criteria of valuation for the assessment of investment properties include:		
	- property brokers, dealers and estate agents are contacted to ascertain the asking and selling prices for the properties of the same nature in the immediate neighbourhoods and adjoining areas.		
	- properties which are recently sold and their respective selling prices.		
	- properties which are up for sale and their asking price in prevailing market.		
	- nature of property.		
7.	NET INVESTMENT IN LEASE FINANCE		
	Net Investment in finance lease	7.1 1,600,977,948	2,125,405,950
	Provision for potential lease losses	7.2 (364,013,719)	(301,296,615)
	Current maturity	7.3 (687,672,440)	(947,743,852)
		<u>549,291,789</u>	<u>876,365,483</u>



7.1 Particular of net investment in finance lease

	Note	Less than one year	More than one year and less than five years	Total
-----Rupees-----				
2009				
Minimum lease payments receivables	7.1.1	1,125,064,924	468,404,241	1,593,469,165
Residual value of leased assets		<u>151,081,094</u>	<u>179,593,368</u>	<u>330,674,462</u>
		1,276,146,018	647,997,609	1,924,143,627
Unearned finance income		<u>(224,459,859)</u>	<u>(98,705,820)</u>	<u>(323,165,679)</u>
Net investment in lease finance		<u>1,051,686,159</u>	<u>549,291,789</u>	<u>1,600,977,948</u>
2008				
Minimum lease payments receivables	7.1.1	1,293,219,845	769,549,609	2,062,769,454
Residual value of leased assets		<u>103,187,302</u>	<u>336,496,058</u>	<u>439,683,360</u>
		1,396,407,147	1,106,045,667	2,502,452,814
Unearned finance income		<u>(147,366,680)</u>	<u>(229,680,184)</u>	<u>(377,046,864)</u>
Net investment in lease finance		<u>1,249,040,467</u>	<u>876,365,483</u>	<u>2,125,405,950</u>

7.1.1 As at June 30, 2009 the balance of non-performing lease portfolio as per time based criteria prescribed in NBFC Regulation 2008 amounting to Rs. 978.5 million (2008: Rs. 861.5 million). The forced sales value considered against these non-performing lease portfolio amounts to Rs. 487.4 million (2008: Rs. 437.4 million).

7.1.2 These lease finances carries mark-up ranging from 7.6% to 34.2% (2008: 9% to 30%) having maturity period of three to five years and are secured against the lease assets.

	Note	2009 Rupees	2008 Rupees
7.2 Provision for potential lease losses			
Opening balance		301,296,615	405,682,865
Charge / (reversal) during the year - net	34	62,717,104	(104,386,250)
Closing balance	7.2.1	<u>364,013,719</u>	<u>301,296,615</u>

7.2.1 Had the classification been determined in accordance with the previous requirements of NBFC Regulation 2007, the loss before taxation would have been lower and income from lease for the year ended June 30, 2009 would have been higher by Rs. 9.4 million and non performing net investment in finance lease would have been lower by Rs. 103.29 million.

7.3 Current portion of lease finance

Maturing within one year	7.1	1,051,686,159	1,249,040,467
Provision for potential lease losses	7.2	<u>(364,013,719)</u>	<u>(301,296,615)</u>
		<u>687,672,440</u>	<u>947,743,852</u>



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	Note	2009 Rupees	2008 Rupees
8. LONG TERM INVESTMENTS			
Investment in associates	8.1	391,805,414	297,550,896
Investments - Held to maturity	8.2	18,384,468	191,879,240
		<u>410,189,882</u>	<u>489,430,136</u>
8.1 Investment in associates			
Opening balance		297,550,896	233,085,060
Increase in interest of associates	8.1.1	203,739,187	20,600,000
Share of (loss)/profits	37	(54,355,451)	2,587,993
Share of (deficit)/surplus on revaluation of investments	8.1.2	(55,129,218)	41,277,843
		<u>391,805,414</u>	<u>297,550,896</u>
8.1.1 The increase in interest in associates represents following:			
Dawood Islamic Bank Limited			
- Purchase shares		-	20,600,000
- acquired by settlement		203,739,187	-
		<u>203,739,187</u>	<u>20,600,000</u>



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8.1.2 Summary of financial information as at 30 June 2009 for associates, not adjusted for the percentage ownership held by the Company.

	Holding %	Assets	Liabilities	Equity	Revenue	Profit / Loss
		----- Rupees -----				
2009						
Dawood Capital Management Limited 4,492,125 shares of Rs. 10 each Market value: Rs. 24.48 million Chief Executive: Tara Uzra Dawood	30	197,180,046	43,861,628	153,318,418	34,733,186	(102,529,852)
Dawood Islamic Bank Limited (8.1.2.1) 32,198,285 shares of Rs. 10 each Chief Executive: Syed Rashid Rahman	6.43	11,652,527,000	6,588,179,000	5,064,348,000	225,928,000	(64,033,000)
B.R.R. Investments (Private) Limited 4,762,100 shares of Rs. 10 each Chief Executive: Ayaz Dawood	41.63	161,846,277	112,910,284	48,935,993	4,982,563	(38,969,314)
		12,011,553,323	6,744,950,912	5,266,602,411	265,643,749	(205,532,166)
2008						
Dawood Capital Management Limited 4,083,750 shares of Rs. 10 each Market value: Rs. 113.936 million Chief Executive: Tara Uzra Dawood	30	506,927,314	116,814,611	390,112,703	84,185,332	17,749,498
Dawood Islamic Bank Limited (8.1.2.1) 12,360,000 shares of Rs. 10 each Chief Executive: Nicholas Rafiq Schwarz	3.089	8,490,856,000	4,383,441,000	4,107,415,000	219,326,000	70,255,000
B.R.R. Investments (Private) Limited 4,762,100 shares of Rs. 10 each Chief Executive: Ayaz Dawood	41.63	454,638,527	325,789,752	128,848,775	36,397,983	(11,787,092)
		9,452,421,841	4,826,045,363	4,626,376,478	339,909,315	76,217,406

8.1.2.1 The investment in this Company has been accounted for using equity method of accounting based on common directorship and the Company's ability to exercise significant influence on the economic decision making of the investee.

These include investment by the Company as sponsor shareholder which have restriction on transfer by SBP for the period of three year. Further, Honorable High Court has restricted the Company for sale / transfer of these shares till the settlement of case filed by a creditor.

8.2 Held to maturity investments

Preference shares	8.2.1 & 8.2.2	18,384,468	134,695,708
Pakistan Bonds		-	17,818,096
Pakistan Investment Bonds		-	46,166,236
Target Redemption Bonds		-	6,800,800
US Dollar Bonds		-	4,012,472
		18,384,468	209,493,312
Current portion	11	-	(17,614,072)
		18,384,468	191,879,240



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8.2.1 Preference shares

	Date of Maturity	2009 Number of shares	2008 Number of shares	2009 Rupees	2008 Rupees
Quoted					
Azgard Nine Limited	Sep 2010	3,064,078	3,064,078	30,654,358	30,654,358
Chenab Limited	Sep 2008	-	1,820,000	-	18,200,000
Shakarganj Mills Limited	Sep 2010	-	3,584,135	-	35,841,350
Un-quoted					
Jamshoro Joint Venture Limited	Feb 2009	-	5,000,000	-	50,000,000
				<u>30,654,358</u>	<u>134,695,708</u>
Less: Provision for impairment				<u>(12,269,890)</u>	<u>-</u>
				<u>18,384,468</u>	<u>134,695,708</u>

8.2.2 These represent cumulative redeemable convertible preference shares carrying dividend at the rate of 8.95% (2008: ranging from 8.5% to 15%) per annum.

	Note	2009 Rupees	2008 Rupees
9. LONG TERM FINANCES			
Term finance facility	9.1, 9.2 & 9.3	1,214,486,060	1,857,783,953
Provision for doubtful debt	9.4	(227,192,976)	(80,029,299)
Current portion	9.5	(442,377,774)	(865,113,031)
		<u>544,915,310</u>	<u>912,641,623</u>
9.1 The reconciliation of long term finance are as under:			
Opening balance		1,857,783,953	1,234,771,494
Disbursed during the year		679,544,405	888,578,311
Settled during the year		(973,439,543)	-
Repaid during the year		(349,402,755)	(265,565,852)
		<u>1,214,486,060</u>	<u>1,857,783,953</u>
9.2 The mark-up / profit rates ranges from 8% to 24.15% (2008: 8% to 24.15%) per annum subject to change in SBP discount rate and KIBOR, receivable on monthly / quarterly basis. These are secured against mortgage of immovable properties and principal will redeem upto March 2012.			
9.3 Long term finances include Rs. 775.51 million (2008: Rs.508.80 million) which have been placed under non-performing status. The forced sales value considered against these non-performing finances amounts to Rs. 443.62 million (2008: 376.82 million).			
9.4 Particulars of provision for doubtful receivables			
Opening balance		80,029,299	27,211,348
Charge for the year	34	162,249,233	52,817,951
Written off		(15,085,556)	-
	11.3.1	<u>227,192,976</u>	<u>80,029,299</u>



First Dawood Investment Bank Limited

9.4.1 Had the classification been determined in accordance with the previous requirements of NBFC Regulation 2007, the loss before taxation would have been lower and income from long term finances for the year ended June 30, 2009 would have been higher by Rs. 12.74 million and non performing loan and advances would have been lower by Rs.1149.28 million.

	Note	2009 Rupees	2008 Rupees
9.5			
Current portion of long term finance			
Maturing within one year		669,570,750	945,142,330
Provision for potential lease losses	7.4	(227,192,976)	(80,029,299)
	11	442,377,774	865,113,031
10. LONG TERM LOANS			
Considered good			
Chief Executive	10.2	-	514,446
Directors	10.2	702,073	1,546,011
Other staff	10.3	525,555	1,708,109
		1,227,628	3,768,566
Current portion	11	(373,726)	(1,113,651)
		853,902	2,654,915
Outstanding for period:			
- Within three years		911,786	2,666,931
- Exceeding three years		315,842	1,101,635
	10.1	1,227,628	3,768,566
10.1 Reconciliation of long term loans			
Opening balance		3,768,566	6,203,180
Loan disbursed during the year		-	400,000
Loan repaid during the year		(2,540,838)	(2,834,614)
Closing balance		1,227,728	3,768,566
10.2			
The loans has been provided to Chief Executive and a Director of the Company to facilitate purchase of house, which are repayable over a period of 10 years with service charge @ 5% (2008: 5%) per annum. Maximum aggregate amount outstanding during the year was Rs.2,060,457 (2008: Rs. 2,641,991).			
10.3			
The loans provided to other staff are at 5% (2008: 5%) service charge per annum, which are repayable over a period of 3 to 20 years.			
11. CURRENT PORTION OF NON-CURRENT ASSETS			
Net investment in lease finance	7.3	687,672,440	947,743,852
Investments-held to maturity	8.1	-	17,614,072
Long-term finances	9.4	442,377,774	865,113,031
Long-term loans	10	373,726	1,113,651
		1,130,423,940	1,831,584,606
12. SHORT TERM INVESTMENTS			
Investments - Available for sale	12.1	920,339,670	2,090,565,090
Investments designated at fair value through profit or loss	12.2	921,557	51,973,544
Investments held for trading	12.3	-	926,869,759
		921,261,227	3,069,408,393



First Dawood Investment Bank Limited

	Note	2009 Rupees	2008 Rupees
12.1 Investments - available for sale			
Term Finance Certificates	12.1.1	563,557,160	1,121,655,811
Pakistan Investment Bonds		-	222,845,580
Sukuk Bonds		-	160,000,000
National Investment Trust Units	12.1.2	41,259	80,377
Quoted securities	12.1.3	356,741,251	585,983,322
		<u>920,339,670</u>	<u>2,090,565,090</u>

12.1.1 Term Finance Certificates (TFCs)

	Number of Certificates		2009 Rupees	2008 Rupees
	2009	2008		
Quoted (12.2.1.1)				
Allied Bank Limited	4,409	4,409	21,312,692	23,362,492
Al-Zamin Leasing Modaraba (Managed by Al-Zamin Modaraba Management Limited)	3,000	8,000	29,539,152	33,305,224
Askari Bank Limited	3,000	4,000	14,314,770	20,675,304
Bank Al-Habib Limited	-	4,350	-	20,746,324
Escorts Investment Bank Limited	6,090	6,090	30,265,054	31,326,604
Maple Leaf Cement Factory Limited	3,003	-	4,085,176	-
Naimat Basal Oil & Gas Securitization Limited	-	9,826	-	19,692,682
Orix Leasing Limited	2,900	6,000	14,182,134	30,476,804
Pace Pakistan Limited	-	10,230	-	51,809,159
Pakistan International Airline Corporation Limited	-	29,000	-	122,245,991
Pakistan Mobile Communications Limited	-	2,000	-	2,150,200
Pakistan Services Limited	-	6,000	-	4,305,844
Searle Pakistan Limited	7,806	7,806	18,730,339	29,603,142
Standard Chartered Bank (Pakistan) Limited-II	-	3,933	-	20,709,675
Trust Investment Bank Limited	985	903	44,626,748	2,276,237
United Bank Limited - I	10,000	10,000	43,161,070	43,855,978
United Bank Limited - II	6,500	15,928	27,415,205	71,173,689
United Bank Limited - III	4,000	4,000	19,303,497	20,971,410
United Bank Limited - IV	-	10,000	-	49,725,000
			<u>266,935,837</u>	<u>598,411,759</u>
Un-quoted				
Associated Builders (Private) Limited	-	50,000	-	187,502,334
Avari Hotels Limited	-	1,000	-	5,066,667
Bunnys Limited	15,166	-	56,875,305	-
Chaudhry Sugar Mills Limited	-	25	-	4,411,751
Gharibwal Cement Limited	1,339	32,000	3,101,529	155,000,000
Optimus Limited	-	10,000	-	50,154,967
Pak Hye Oil Mills Limited	36,829	-	184,144,489	-
Three Star Hosiery Mills (Private) Limited	2,250	-	11,250,000	-
Trakker (Private) Limited	-	150	-	13,125,000
Vision Developers (Private) Limited	8,250	-	41,250,000	-
Zaver Petroleum Corporation Limited	-	40,000	-	107,983,333
			<u>296,621,323</u>	<u>523,244,052</u>
			<u>563,557,160</u>	<u>1,121,655,811</u>



First Dawood Investment Bank Limited

12.1.1.1 The listed TFCs are redeemed semi-annually and earn expected profit ranging from 8% to 22.50% (2008: 8% to 15.25%) . TFCs of Rs. 370.20 million (2008: Rs. 582.24 million) have been placed as collateral against borrowings. All listed TFCs have a face value of Rs. 5,000 each.

12.1.2 This represent 1,531 (2008: 1,531) units of National Investment Trust having a face value of Rs.10 each.

12.1.3 Quoted securities

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

	Number of shares/ certificates/Units		2009 Rupees	2008 Rupees
	2009	2008		
Abbot Laboratories Pakistan Limited	2,500	-	200,513	-
Adamjee Insurance Company Limited	6,110	16,372	513,179	4,432,228
Al-Zamin Leasing Corporation Limited	548	-	1,025	-
American Life Insurance Company Limited	2,841,219	2,013,576	39,840,615	98,665,224
AMZ Venture Limited	400,000	-	212,000	-
Arif Habib Bank Limited	1,000	75,000	5,115	1,438,500
Arif Habib Securities Limited	223,699	614,598	6,181,526	99,245,285
Askari Bank Limited	4,500	-	68,360	-
Atlas Insurance Company Limited	45,312	54,519	1,187,175	4,274,834
Attock Refinery Limited	5,008	-	624,948	-
Azgard Nine Limited	10,000	-	221,399	-
Bank Alfalah Limited	-	37,386	-	1,535,069
Bank Al Habib Limited	-	167,572	-	7,074,890
BankIslami Pakistan Limited	156	-	2,587	-
BRR Guardian Modaraba (Managed by BRR Investments (Private) Limited)	3,768,750	-	10,175,620	-
Callmate Tellips Telecom Limited	-	210,309	-	4,185,575
Century Paper Limited	2,200	-	29,018	-
Cherat Cement Limited	7,185	22,968	88,399	622,203
Cherat Paper Limited	5,805	-	209,791	-
Colgate Palmolive Limited	7,200	-	2,016,000	-
Crescent Commercial Bank Limited	-	476	-	5,022
Dandot Cement Limited	66,000	-	547,800	-
Dawood Money Market Fund (Rs.100 per unit) (Managed by Dawood Capital Limited)	884,030	-	72,304,847	-
Dewan Farooq Motors Limited	250	-	464	-
D.G. Khan Cement Limited	29,897	25,942	883,480	1,741,746
Dawood Equities Limited	5,200,000	1,800,500	19,708,000	31,958,875
Dawood Lawrencepur Limited	2,000	1,840	69,100	260,599
Eye Television Network Limited	-	504,317	-	29,704,280
Engro Polymer & Chemicals Limited	20,782	-	2,269,032	-
Escort Investment Bank Limited	36,975	-	147,531	-
Fauji Fertilizer Bin Qasim Limited	10,000	-	176,900	-
Fauji Fertilizer Company Limited	12,250	34,171	1,065,138	4,521,507
Faysal Bank Limited	3,375	181,743	32,670	6,368,274
First Dawood Mutual Fund (Managed by Dawood Capital Management Limited)	1,118,650	-	2,237,300	-
First Equity Modaraba (Managed by Premier Financial Services (Private) Limited)	600,300	593,300	578,625	8,899,500
First National Equities Limited	-	23,225	-	1,954,479
First Punjab Modaraba (Managed by Punjab Modaraba Services (Private) Limited)	556	-	945	-
GlaxoSmithKline Pakistan Limited	-	67,248	-	11,432,160



First Dawood Investment Bank Limited

	Number of shares/ certificates/Units		2009	2008
	2009	2008	Rupees	Rupees
Gul Ahmed Textile Mills Limited	25	-	971	-
Habib Metropolitan Bank Limited	11,400	115,898	282,564	4,771,520
ICI Pakistan Limited	15,000	-	2,108,165	-
International Industries Limited	39,037	13,867	1,760,179	1,739,754
Invest Capital Investment Bank Limited	53	64,594	155	1,336,547
Jahangir Siddiqui & Company Limited	5,000	-	115,950	-
Javed Omer Vohra & Company Limited	60,000	-	808,198	-
Kohinoor Textile Mills Limited	-	29,136	-	404,116
Maple Leaf Cement Limited	-	209,763	-	4,051,455
MCB Bank Limited	7,000	33,459	1,085,210	10,920,348
Millat Tractors Limited	42,300	-	11,811,852	-
Murree Brewery Company Limited	6,178	-	468,849	-
Namco Balanced Fund (Managed by National Asset Management Limited)	1,440,800	-	6,800,576	-
Namco Income Fund (Managed by National Asset Management Limited)	288,455	-	29,397,201	-
National Bank of Pakistan	9,473	90,360	97,597	13,328,100
National Refinery Limited	7,500	-	1,650,150	-
New Jubilee Life Insurance Limited	-	289,000	-	16,594,380
New Jubilee Insurance Company Limited	3,104	-	157,528	-
NIB Bank Limited	-	11,245	-	231,439
Nishat Chumian Limited	-	24,545	-	589,324
Nishat Mills Limited	2,600	-	97,812	-
Oil & Gas Development Company Limited	3,493	-	273,413	-
Orix Investment Bank Limited	21,500	-	10,361	-
Orix Leasing Pakistan Limited	9,458	-	75,665	-
Otsuka Pakistan Limited	128,500	-	4,587,450	-
Sitara Peroxide Limited	2,000	-	36,880	-
Packages Limited	52,700	1,606	8,276,007	404,535
Pakistan Capital Market Fund (Managed by Arif Habib Investment Management Limited)	263,632	-	2,188,146	-
Pakistan Oilfields Limited	7,908	33,060	1,153,777	12,061,610
Pakistan Petroleum Limited	5,575	-	1,056,686	-
Pakistan Re-Insurance Company Limited	5,314	206,308	963,831	17,909,598
Pakistan Strategic Allocation Fund (Managed by Arif Habib Investment Management Limited)	31,000	1,500,000	106,330	13,815,000
Pakistan Suzuki Motors Limited	4,000	-	268,000	-
Pakistan Telecommunication Company Limited	-	13,000	-	502,321
PICIC Growth Fund (Managed by PICIC Asset Management Company Limited)	142,500	-	1,196,998	-
PICIC Insurance Limited	8,099	53,428	48,514	926,977
Pioneer Cement Limited	200,186	1,336,594	2,718,387	37,651,728
Premier Insurance Company Limited (Rs. 5 each)	102,307	114,428	915,302	3,229,158
The Royal Bank of Scotland	1,020	1,023	4,842	24,623
Sapphire Textile Mills Limited	1,750	1,750	120,750	237,125
Singer Pakistan Limited	8,500	-	256,500	-
Soneri Bank Limited	8,083	-	88,591	-
Shell Pakistan Limited	31,800	-	7,120,009	-
Thal Limited	5,000	-	238,251	-
The Bank of Punjab Limited	-	14,075	-	438,154
TRG Pakistan Limited	1,865,010	5,000,000	2,522,806	52,414,593
Transmission Engineering Limited	7,000	-	24,570	-



First Dawood Investment Bank Limited

	Number of shares/ certificates/Units		2009	2008
	2009	2008	Rupees	Rupees
United Bank Limited	20,640	-	790,307	-
World Telecom Limited	104,404	-	261,015	-
Wyeth Pakistan Limited (Rs. 100 each)	930	930	1,172,730	2,185,500
Zephyr Textile Mills Limited	730,552	-	2,923,074	-
		12.1.4	<u>257,641,251</u>	514,088,155
Un-quoted				
Dawood Family Takaful Limited	9,910,000	7,000,000	99,100,000	70,000,000
First Pakistan Securities Limited	2,518,454	2,518,454	36,000,000	36,000,000
World Bridge Connect (Private) Limited	2,396,881	2,396,881	23,968,810	23,968,810
		159,068,810		129,968,810
Less. Provision for diminution in value of investments		12.1.3.1	<u>(59,968,810)</u>	<u>(58,073,643)</u>
		12.1.5	<u>356,741,251</u>	<u>585,983,322</u>
12.1.3.1 Particulars of provision for diminution in the value of investments				
Opening balance			58,073,643	23,968,810
Charge for the year			<u>1,895,167</u>	<u>34,104,833</u>
			<u>59,968,810</u>	<u>58,073,643</u>

12.1.4 The Karachi Stock Exchange (Guarantee) Limited (KSE) placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security prices of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 31, 2008. There were lower floors on number of securities at December 31, 2008. The equity securities have been valued at prices quoted on KSE on December 31, 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated January 29, 2009.

International Accounting Standard 39 - Financial Instruments: Recognition and Measurement requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to profit and loss account.

However, SECP vide S.R.O dated February 13, 2009 has allowed the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed companies and mutual funds held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment / effect for price movements shall be taken to profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. The amount taken to equity as at December 31, 2008 shall be treated as a charge to profit and loss account for the purpose of distribution as dividend.

The Company has adopted the said treatment as on December 31, 2008 it has taken impairment loss of Rs.289 million in the equity under 'deficit on revaluation of assets'. The Company had charged Rs. 47.24 million in profit and loss account and remaining unrealised loss of Rs.141.72 million had been included in the equity as on March 31, 2009 under 'deficit on revaluation of assets' as prescribed by the said Circular. The impairment loss has been determined based on prices quoted on the Karachi Stock Exchanges as of March 31, 2009 .

However, full amount of impairment loss amounting to Rs. 172.80 millions based on the market values as at June 30, 2009 has been recognised. Had the impairment loss not recognised in full, loss before tax would have been lower by Rs. 86.40 million and 'deficit on revaluation of assets' higher by the same amount.

12.1.5 These includes shares has been transferred during the year from investment held for trading due to change in the management's intention.



First Dawood Investment Bank Limited

12.2 Investments - Initially Designated at Fair Value

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

Shares/Certificate	Number of shares/ certificates/Units		2009 Rupees	2008 Rupees
	2009	2008		
Al-Ghazi Tractors Limited (Rs. 5 each)	-	105,750	-	28,801,013
Cherat Cement Company Limited	8,475	8,475	123,481	229,588
First Equity Modaraba (Managed by Premier Financial Services (Private) Limited)	593,300	602,300	528,264	1,776,785
First Imrooz Modaraba (Managed by A.R. Management Services (Private) Limited)	1,500	1,500	48,000	54,300
First National Bank Modaraba (Managed by National Bank of Pakistan)	-	24,500	-	1,960,000
First Prudential Modaraba (Managed by Prudential Modaraba Management (Private) Limited)	2,057	2,057	2,303	8,741
Gillette Pakistan Limited	-	3,200	-	427,552
Habib Modaraba (Managed by Habib Modaraba Management Limited)	-	40,000	-	310,800
National Asset Leasing Corporation Limited	-	196,700	-	121,954
Pakistan Tobacco Company Limited	-	12,500	-	1,462,501
Sanofi Aventis Limited	-	100	-	23,215
Standard Chartered Modaraba (Managed by Standard Chartered Services Pakistan (Private) Limited)	-	1,247	-	14,964
Suraj Cotton Mills Limited	5,000	5,000	63,500	267,500
Tripack Films Limited	-	65,600	-	11,297,631
Unilever (Pakistan) Limited (Rs. 50 each)	80	2,220	156,009	5,217,000
			<u>921,557</u>	<u>51,973,544</u>

12.3 Investments - Held for Trading

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

Shares/Certificate/Units	Number of shares/ certificates/Units		2009 Rupees	2008 Rupees
	2009	2008		
Quoted				
Abbot Laboratories Pakistan Limited	-	50,000	-	8,870,000
Adamjee Insurance Company Limited	-	113,267	-	30,663,642
Agri Auto Industries Limited (Rs. 5 each)	-	30,500	-	2,523,875
Allied Bank Limited	-	21,240	-	1,811,135
Al-Zamin Leasing Modaraba (Managed by Al-Zamin Modaraba Management (Private) Limited)	-	1,048	-	3,878
American Life Insurance Limited	-	1,085,500	-	53,189,500
AMZ Venture Limited	-	592,500	-	1,635,300
Arif Habib Bank Limited	-	48,714	-	934,335
Arif Habib Limited	-	17,500	-	4,322,326
Artistic Denim Mills Limited	-	10,000	-	425,700
Askari Commercial Bank Limited	-	29,425	-	1,182,589
Atlas Battery Limited	-	55,900	-	8,657,792



First Dawood Investment Bank Limited

Shares/Certificate/Units	Number of shares/ certificates/Units		2009 Rupees	2008 Rupees
	2009	2008		
Atlas Insurance Company Limited	-	26,000	-	2,038,660
Atlas Investment Bank Limited	-	20,172	-	211,404
Attock Refinery Limited	-	43,518	-	10,874,278
Attock Cement Limited	-	27,500	-	2,121,075
Attock Petroleum Limited	-	5,000	-	2,161,399
Azgard Nine Limited	-	20,000	-	1,231,200
Bank Alfalah Limited	-	61,691	-	2,533,032
Bank Al Habib Limited	-	80,670	-	3,405,888
BankIslami Pakistan Limited	-	406	-	6,013
Bawany Air Product Limited	-	16,500	-	258,060
BOC Pakistan Limited	-	69,100	-	15,103,187
Bosicor Pakistan Limited	-	415,808	-	5,571,832
BRR Guardian Modaraba (Managed by BRR Investments (Private) Limited)	-	1,810,529	-	12,909,067
Central Insurance Company Limited	-	9,350	-	1,522,180
Century Paper & Board Mills Limited	-	20,780	-	1,039,000
Chenab Limited	-	31,500	-	207,900
Cherat Paper Sack Limited	-	61,268	-	7,758,980
Clairant Pakistan Limited	-	38,100	-	8,445,627
Crescent Steel & Allied Product Limited	-	20,000	-	1,234,600
Crosby Dragon Fund (Managed by Crosby Asset Management (Pakistan) Limited)	-	128,899	-	21,975,991
D.G. Khan Cement Limited	-	207,809	-	13,952,296
Dandot Cement Limited	-	81,500	-	1,784,850
Dawood Hercules Chemicals Limited	-	14,439	-	5,623,990
Dawood Lawrancepur Limited	-	25,945	-	3,674,590
Dawood Money Market Fund (Rs. 100 per unit) (Managed by Dawood Capital Management Limited)	-	361,366	-	40,035,811
Dewan Cement Limited	-	75,399	-	4,556,207
Dewan Farooque Motors Limited	-	325	-	2,248
Dewan Salman Fibre Limited	-	20,298	-	100,474
Ecopak Limited	-	996,280	-	9,962,800
EFU General Insurance Company Limited	-	29,150	-	10,519,069
EFU Life Assurance Limited	-	32,250	-	12,295,635
Engro Chemicals Pakistan Limited	-	110,779	-	31,107,851
Engro Polymer & Chemical Limited	-	273,378	-	4,920,804
Escorts Investment Bank Limited	-	45,125	-	572,185
Fauji Cement Company Limited	-	82,500	-	834,900
Fauji Fertilizer Bin Qasim Limited	-	76,712	-	2,759,334
Fauji Fertilizer Company Limited	-	9,744	-	1,289,326
Faysal Bank Limited	-	8,000	-	280,320
First Capital Securities Corporation Limited	-	15,000	-	888,000
First Dawood Mutual Fund (Managed by Dawood Capital Management Limited)	-	1,118,650	-	7,987,161
First Habib Bank Modaraba (Rs. 5 each) (Managed by Habib Bank Financial Services (Private) Limited)	-	10,040	-	78,613
First Habib Income Fund (Managed by Habib Asset Management Limited)	-	108,595	-	11,103,846
First Punjab Modaraba (Managed by Punjab Modaraba Services (Private) Limited)	-	335,556	-	2,449,559
Flying Cement Company Limited	-	15,000	-	107,850



First Dawood Investment Bank Limited

Shares/Certificate/Units	Number of shares/ certificates/Units		2009 Rupees	2008 Rupees
	2009	2008		
Gharibwal Cement Limited	-	8,727	-	168,867
GlaxoSmithKline Pakistan Limited	-	34,272	-	5,826,240
Gul Ahmed Textile Mills Limited	-	164	-	6,560
Habib Bank Limited	-	5,610	-	1,170,415
Habib Insurance Limited	-	90	-	6,175
Highnoon Laboratories Limited	-	45,000	-	2,539,800
Honda Atlas Cars Pakistan Limited	-	34,040	-	1,280,925
Hub Power Company Limited	-	270,500	-	7,736,300
Ibrahim Fibres Limited	-	124	-	6,511
ICI Pakistan Limited	-	88,027	-	14,204,917
IGI Investment Bank Limited	-	6,500	-	51,415
Indus Motor Company Limited	-	15,500	-	3,100,775
International General Insurance Limited	-	71,325	-	16,099,479
International Industries Limited	-	35,000	-	4,391,100
Invest Capital Investment Bank Limited (Formerly Asset Investment Bank Limited)	-	53	-	628
Jahangir Siddiqui & Company Limited	-	28,272	-	14,988,401
Javed Omar Vohra & Company Limited	-	100,280	-	5,352,945
JS Bank Limited	-	300	-	4,124
JS Income Fund (Managed by JS Investments Limited)	-	973,615	-	101,197,543
JS Investments Limited	-	55,000	-	5,228,850
Karachi Electric Supply Corporation Limited (Rs. 5 each)	-	400	-	2,188
KASB Bank Limited	-	64,837	-	1,249,409
Kohat Cement Limited	-	13,570	-	497,069
Kohinoor Textile Mills Limited	-	12,601	-	174,775
Kot Addu Power Company Limited	-	10,000	-	470,001
Lucky Cement Limited	-	52,249	-	5,116,745
Maple Leaf Cement Factory Limited	-	75,399	-	822,604
Mari Gas Company Limited	-	47,500	-	12,802,675
MCB Bank Limited	-	23,900	-	7,800,482
Merit Packaging Limited	-	25,000	-	2,274,250
Millat Tractors Limited	-	131,000	-	34,846,000
Murree Brewery Company Limited	-	28,877	-	4,851,048
My Bank Limited	-	25,000	-	468,000
Namco Balanced Fund (Managed by National Asset Management Limited)- Pre IPO	-	1,440,800	-	13,413,848
Namco Income Fund (Managed by National Asset Management Limited)	-	250,000	-	25,000,000
National Bank of Pakistan	-	142,280	-	20,986,300
National Refinery Limited	-	88,400	-	26,296,347
Nestle Milk Pak Pakistan Limited	-	15,700	-	25,748,000
Netsol Technology Limited	-	26,699	-	2,597,278
New Jubilee Insurance Company Limited	-	106,260	-	17,898,434
New Jubilee Life Insurance Company Limited	-	68,000	-	3,904,561
NIB Bank Limited	-	100,000	-	1,136,997
Nimir Industrial Chemicals Limited (Rs. 5 each)	-	2,125	-	7,187
Nishat Mills Limited	-	63,359	-	5,446,973
Oil & Gas Development Corporation	-	116,207	-	14,451,503
Orix Investment Bank Limited	-	272,000	-	1,346,441
Orix Leasing Pakistan Limited	-	16,725	-	417,959



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Shares/Certificate/Units	Number of shares/ certificates/Units		2009 Rupees	2008 Rupees
	2009	2008		
Otsuka Pakistan Limited	-	104,500	-	8,673,500
Pace Pakistan Limited	-	10,000	-	283,400
Packages Limited	-	12,000	-	3,022,679
Pak Electron Limited	-	107,492	-	6,019,551
Pak Suzuki Motor Company Limited	-	100,635	-	12,055,067
Pakistan Capital Market Fund (Managed by Arif Habib Investment Management Limited)	-	256,343	-	2,778,760
Pakistan Cement Limited	-	119,950	-	815,662
Pakistan International Air Lines Corporation	-	50,000	-	250,000
Pakistan International Container Terminal Limited	-	12,578	-	1,565,710
Pakistan National Shipping Corporation Limited	-	-	-	-
Pakistan Oilfields Limited	-	9,000	-	3,283,560
Pakistan Petroleum Limited	-	3,050	-	750,270
Pakistan Premier Fund (Managed by Arif Habib Investment Management Limited)	-	22,458	-	300,263
Pakistan PTA Limited	-	325	-	1,375
Pakistan Refinery Limited	-	43,952	-	6,653,454
Pakistan Re-Insurance Company Limited	-	37,500	-	3,255,375
Pakistan State Oil Company Limited	-	12,454	-	5,196,309
Pervaiz Ahmed Securities Limited	-	9,375	-	464,719
PICIC Growth Fund (Managed by PICIC Asset Management Company Limited)	-	167,561	-	3,982,923
POBOP Advantage Plus Fund (Managed by Pak Oman Asset Management Company Limited)	-	51,021	-	2,722,480
Premier Insurance Company Limited (Rs. 5 each)	-	46,565	-	1,314,064
Samin Textile Mills Limited	-	19,500	-	540,540
Searle Pakistan Limited	-	40,350	-	3,693,644
Security Leasing Corporation Limited	-	386	-	2,660
Security Papers Limited	-	6,000	-	459,960
Shell Pakistan Limited	-	18,200	-	7,589,400
Siddiqsons Tin Plate Limited	-	36,500	-	705,180
Singer Pakistan Limited	-	33,760	-	1,743,366
Sitara Peroxide Limited	-	75,000	-	4,074,000
Soneri Bank Limited	-	90,396	-	2,245,437
Standard Chartered Bank Pakistan Limited	-	112,500	-	2,644,875
Sui Northern Gas Pipelines Limited	-	32,500	-	1,416,025
Sui Southern Gas Company Limited	-	22,329	-	626,551
Telecard Limited	-	75,000	-	477,000
Thal Limited (Rs. 5 each)	-	25,200	-	4,939,704
The Bank of Khyber	-	183,757	-	2,609,349
TRG Pakistan Limited	-	2,899,925	-	18,124,531
United Bank Limited	-	74,875	-	6,371,113
World Call Telecom Limited	-	115,904	-	1,682,926
Zephyr Textile Mills Limited	-	1,723,552	-	8,428,169
				<u>926,869,759</u>

12.3.1 These shares have been reclassified during the year from investment available for sale due to change in the management's intention.



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	Note	2009 Rupees	2008 Rupees
13. PLACEMENTS AND FINANCES			
Placements and finances- unsecured	13.1	308,183,497	660,849,464
Provision for doubtful finances	13.1.1	(85,887,672)	(25,000,000)
		222,295,825	635,849,464
Financing against shares	13.2	494,440,593	958,303,291
Provision for doubtful finances	13.2.1	(398,187,821)	(214,981,349)
		96,252,772	743,321,942
Short-term finance - secured	13.3	510,186,399	724,818,749
Provision for doubtful finances	13.3.1	(21,326,160)	(42,500,000)
		488,860,239	682,318,749
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful deposits	13.4	(5,000,000)	(5,000,000)
		-	-
Morabaha / musharika finances	13.5	143,352,417	553,937,858
Provision for doubtful finances	13.5.1	(56,590,181)	(15,205,711)
		86,762,236	538,732,147
Receivable against continuous funding systems	13.6	-	2,013,325
		894,171,072	2,602,235,627

13.1 The unsecured placements and finances includes Rs.42.56 million (2008: Rs. 418.36 million) due from related parties / associated undertakings. Maximum aggregate balance at the end of any month during the year was Rs.744.80 million (2008 : Rs. 566.25 million). Profit rates range from 1.5% to 20% (2008: 1.5% to 17%) per annum with profit being receivable on maturity. These placements matured on June 30, 2009.

13.1.1 The unsecured placement and finances include Rs. 265.62 million (2008: 50 million) which have been placed under non-performing status.

Particular of provision for doubtful finance

Opening balance		25,000,000	-
Charge for the year	34	60,887,672	25,000,000
		85,887,672	25,000,000

13.2 These are secured against listed equity securities with market value of securities held as collateral as at June 30, 2009 being Rs. 207.52 million (2008: Rs. 951.28 million). Short-term placements and financing are made to financial institutions, companies and individuals in the normal course of business with profit rates ranging from 15% to 24% (2008: 12 % to 24%) per annum. Profit is receivable on maturity. These placements matured on June 30, 2009.

13.2.1 The financing against shares include Rs. 494.44 million (2008: Rs. 431.65 million) which have been placed under non-performing status. The forced sales value considered against these non-performing finances amounts to Rs. Nil (2008 : Rs.93.28 million). The market value of shares pledged against these finances amount to Rs. 96.26 million (2008: Rs.151.41 million).



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	Note	2009 Rupees	2008 Rupees
Particular of provision for doubtful finance			
Opening balance		214,981,349	-
Charge for the year	34	183,206,472	214,981,349
		<u>398,187,821</u>	<u>214,981,349</u>
13.3 These are secured by ranking charge over hypothecation of stock and mortgage of immovable properties. The mark-up / profit rates range from 14% to 20% (2008: 13.87% to 20%) per annum. These facilities matured on June 30, 2009.			
13.3.1 Short term finances include Rs. 107.80 million (2008: Rs. 82.5 million) which have been placed under non-performing status.			
Particular of provision for doubtful finance			
Opening balance		42,500,000	10,000,000
(Reversal) / charge for the year	34	(21,173,840)	32,500,000
		<u>21,326,160</u>	<u>42,500,000</u>
13.4 Particular of provision for doubtful finance			
Opening balance		5,000,000	9,217,000
Reversal for the year	34	-	(4,217,000)
		<u>5,000,000</u>	<u>5,000,000</u>
13.5 These are secured by hypothecation of all present and future stocks, receivables, demand promissory note and personal guarantee of directors. The mark-up / profit rates ranging from 15% to 19.5% (2008: 8.5% to 17%) per annum subject to change in KIBOR. These facilities matured on June 30, 2009.			
13.5.1 The morabaha / musharika finances include Rs. 143.35 million (2008: Rs.18.851 million) which have been placed under non-performing finances. The forced sales values considered against these finances amount to Rs. 83.18 million (2008: 3.89 million).			
Particular of provision for doubtful finance			
Opening balance		15,205,711	14,294,334
Charge for the year	34	41,384,470	911,377
		<u>56,590,181</u>	<u>15,205,711</u>
3.6 This was represented financing under continuous funding system which was secured against equity securities. The rates of return on these transactions is Nil (2008: 24%) per annum.			
13.7 Had the classification been determined in accordance with the previous requirements of NBFC Regulation 2007, the loss before taxation would have been lower and income from placements and finances for the year ended June 30, 2009 would have been higher by Rs. 5.67 million and non performing placement and finance would have been lower by Rs. 31.10 million.			
14. ADVANCE AGAINST LEASE COMMITMENTS			
Considered good		-	53,960,348
Considered doubtful		106,980,863	65,210,617
	14.1	106,980,863	119,170,965
Less : Provision for doubtful advances	14.2	(99,316,604)	(52,559,859)
		<u>7,664,259</u>	<u>66,611,106</u>



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14.1 Advance against lease commitments are subject to mark-up rate ranging from 14.38% to 15.56% (2008: 13% to 17.85%) per annum.

	Note	2009 Rupees	2008 Rupees
14.2 Particulars of provision for doubtful advances			
Opening balance		52,559,859	-
Charge for the year	34	46,756,745	52,559,859
		<u>99,316,604</u>	<u>52,559,859</u>

14.2.1 The advance against lease commitment include Rs. 106.98 million (2008: Rs.18.851 million) which have been placed under non-performing finances.

15. ADVANCES AND PREPAYMENTS		2009 Rupees	2008 Rupees
Considered good			
Advance against purchase of shares		3,000,920	-
Advance income tax		11,337,973	30,433,049
Income tax refunds		11,111,876	9,396,649
Prepayments		1,682,235	2,934,767
Others		51,130	9,799,750
		<u>27,184,134</u>	<u>52,564,215</u>

16. MARKUP ACCRUED		2009 Rupees	2008 Rupees
Loans and advances		22,655,677	86,102,470
Term finance certificates / Sukuk bonds		75,989,025	40,605,375
Placement and finances		14,938,727	31,699,057
Foreign currency bonds		170,000	2,643,694
Pakistan investment bonds		-	5,252,305
Advance against lease commitments		-	1,732,707
Interest rate swap		-	496,364
Bank deposits		-	189,611
		<u>113,753,429</u>	<u>168,721,583</u>

17. OTHER RECEIVABLES	Note	2009 Rupees	2008 Rupees
Considered good			
Receivable from brokers against sale of securities		3,289,559	7,816,577
Receivable from a associated undertaking	17.1	113,465,892	-
Brokerage receivable		2,020,486	4,833,104
Receivable against lease termination		14,588,166	8,520,080
Others	17.2	22,246,983	7,762,234
		<u>155,611,086</u>	<u>28,931,995</u>
Considered doubtful			
Decretal amount receivable	17.3	37,302,430	37,302,430
Receivable against lease termination		-	7,553,300
Receivable against KSE Card transaction-net	17.4	45,515,114	-
		<u>82,817,544</u>	<u>44,855,730</u>
Less : Provision for doubtful receivables	17.5	(82,817,544)	(44,855,730)
		<u>155,611,086</u>	<u>28,931,995</u>



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- 17.1** This represents receivable from Dawood Equity Limited (DEL), an associate undertaking, against sale of shares. DEL obtained financing by pledging share portfolio of the Company placed in DEL's CDC investor account. On default by DEL, the investors sold these shares against the settlement of their dues. Consequently, the Company has derecognised its investment portfolio and recognised the receivable amount from the DEL. In the view of subsequent settlement with DEL, the Company treated this amount as good.
- 17.2** This includes Rs.6.64 million (2008: Nil) receivable from an associated undertaking. Maximum aggregate outstanding balance during the year was Rs.6.64 million (2008: Rs. 4.97 million).
- 17.3** This includes decree of recovery for Rs. 64.412 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 assets, the forced sale value of which 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 hands. However, the Company has made provision as a matter of prudence.
- 17.4** The Company has settled various liabilities of a member of KSE as per instruction of KSE to purchase its membership card on behalf of one of its customer amounting to Rs.149.7 million. The customer has paid advance of Rs.104.2 million to the Company for purchase of the card which is netted off against this receivable. Currently the Card is under litigation due to a case filed against the said member. The Company made provision against this receivable as a matter of prudence.

	Note	2009 Rupees	2008 Rupees
17.5 Particulars of provision for doubtful receivables			
Opening balance		44,855,730	37,302,430
Charge for the year	34	37,961,814	7,553,300
		<u>82,817,544</u>	<u>44,855,730</u>
18. CASH AND BANK BALANCES			
In hand		30,000	120,648
With banks			
- In deposit accounts		184,742,427	23,253,620
- In current accounts		9,567,457	10,381,507
		<u>194,309,884</u>	<u>33,635,127</u>
		<u>194,339,884</u>	<u>33,755,775</u>
19. ISSUED, SUBSCRIBED & PAID UP CAPITAL			
19.1 Authorized capital			
75,000,000 ordinary shares of Rs. 10 each		<u>750,000,000</u>	<u>750,000,000</u>
19.2 Issue, subscribed and paid-up capital			
		2009	2008
		Number of shares	Rupees
	Fully paid ordinary shares of Rs.10 each		
35,685,382	35,685,382	356,853,820	356,853,820
26,491,821	20,796,431	264,918,210	207,964,310
472,087	472,087	4,720,870	4,720,870
<u>62,649,290</u>	<u>56,953,900</u>	<u>626,492,900</u>	<u>569,539,000</u>



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19.3 Reconciliation of number of ordinary shares of Rs 10 each

	Note	2009 Rupees	2008 Rupees
At beginning of the year		569,539,000	495,251,300
Issued as bonus shares		56,953,900	74,287,700
At end of the year		<u>626,492,900</u>	<u>569,539,000</u>

19.4 Associated undertakings, namely Dawood Capital Management Limited holds 2,382,641 (2008: 2,166,038), BRR Guardian Modaraba holds 3,339,922 (2008: 3,036,295) and BRR Investments (Private) Limited holds 490,591 (2008: 445,992) shares of the Company at June 30, 2009.

		2009 Rupees	2008 Rupees
20. (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS			
Ordinary shares, certificates and units		1,010,351	354,796,101
Pakistan Investment Bonds		-	(19,725,640)
Term Finance Certificates		(116,961,582)	(10,445,397)
Share of surplus on revaluation of investments in associate		506,289	55,635,704
		(115,444,942)	380,260,768
Related deferred tax liability		-	10,559,863
		<u>(115,444,942)</u>	<u>390,820,631</u>

21. REDEEMABLE CAPITAL - secured-non-participatory	Notes	2009 Rupees	2008 Rupees
Term Finance Certificates - unlisted	21.1	<u>345,000,000</u>	<u>345,000,000</u>

21.1 This represents privately placed Term Finance Certificates (TFCs) redeemable on September 12, 2012. Profit is payable semi-annually at the rate of six months KIBOR+1.60 percent. The TFCs are secured by way of a charge on leased assets and lease rentals receivable ranking pari passu with long term-loans (Refer Note 22.1 and 22.2) and short term borrowings (Refer 28.2).

22. LONG TERM LOANS	Notes	2009 Rupees	2008 Rupees
<i>Secured</i>			
<i>Foreign Currency</i>			
Asian Development Bank	22.1	88,213,826	135,332,928
<i>Local Currency</i>			
Commercial Banks	22.2	1,477,050,465	1,425,999,998
<i>Unsecured</i>			
Non Banking Financial Institutions	22.3	-	150,000,000
		<u>1,565,264,291</u>	<u>1,711,332,926</u>
Current portion	26	(794,057,907)	(660,957,345)
		<u>771,206,384</u>	<u>1,050,375,581</u>

22.1 Reconciliation of Asian Development Bank Loan

Opening balance	135,332,928	134,476,497
Loan repaid during the year	(13,040,677)	(11,828,450)
Charge / (Reversal) of exchange loss	(34,078,425)	12,684,881
	<u>88,213,826</u>	<u>135,332,928</u>



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22.1.1 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 at the rate of 0.25% 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 21.1) and short term borrowings (Refer Note 28.2).

	Note	2009 Rupees	2008 Rupees
22.2 Reconciliation of Commercial Bank Loan			
Opening balance		1,425,999,998	1,542,666,666
Loan received during the year		-	300,000,000
Transfer from short term borrowing		542,000,000	-
Loan repaid during the year		(490,949,533)	(416,666,668)
		<u>1,477,050,465</u>	<u>1,425,999,998</u>

22.2.1 These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favor of other lenders to secure redeemable capital (Refer Note 21.1) and short term borrowings (Refer Note 28.2). These are subject to mark-up rate ranging from 3% to 18.15% (2008: 11.59% to 12.60%) per annum payable on quarterly / half yearly basis.

22.3 Reconciliation of Non Banking Financial Institution Loan

Opening balance		150,000,000	-
Received during the year		-	150,000,000
Settled against company assets		(150,000,000)	-
		<u>-</u>	<u>150,000,000</u>

23. LONG TERM CERTIFICATES OF INVESTMENT

Corporate		12,474,497	442,459,420
Individuals		5,242,025	78,776,734
		<u>17,716,522</u>	<u>521,236,154</u>
Current portion	23.1 26	(8,342,025)	(154,201,445)
		<u>9,374,497</u>	<u>367,034,709</u>

23.1 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 8% to 20% (2008: 7% to 16.40%) payable on various dates by August 2013.

	Note	2009 Rupees	2008 Rupees
24. DEPOSITS			
Lease deposits	24.1	316,270,025	419,958,923
Others		51,626,130	81,857,225
		<u>367,896,155</u>	<u>501,816,148</u>
Current portion of lease deposits	26	(190,818,821)	(97,867,295)
		<u>177,077,334</u>	<u>403,948,853</u>

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



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	Note	2009 Rupees	2008 Rupees
25. DEFERRED LIABILITIES			
Staff Gratuity	25.1	12,870,928	10,543,797
Taxation	25.2	-	5,592,906
		<u>12,870,928</u>	<u>16,136,703</u>

25.1 STAFF RETIREMENT BENEFITS

The actuarial valuation of gratuity schemes was carried out as at 30 June 2008. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

- Discount rate is 12% per annum (2008: 12%)
- Expected rate of increase in salaries 12% per annum (2008: 12%).
- EOBI wage limit increase 2.78%
- Employee turnover 18.18% (2008:18.18%)

	Note	2009 Rupees	2008 Rupees
The amounts recognised in balance sheet are as follows:			
Present value of defined benefit obligation	25.2.1	20,264,797	20,264,797
Total unrecognised actuarial losses	25.2.2	(9,721,000)	(9,721,000)
Liability in the balance sheet		<u>10,543,797</u>	<u>10,543,797</u>

25.1.1 Movement of present value of defined benefit obligation over the year ended June 30, 2009

Actuarial liability as at June 30, 2008		20,264,797	14,943,155
Service cost for the year		1,720,000	1,254,000
Interest cost for the year		1,996,000	1,527,000
Actuarial (gain) / loss		513,000	3,100,000
Actual benefits paid during the year		(1,901,869)	(559,358)
Actuarial liability as at June 30, 2009		<u>22,591,928</u>	<u>20,264,797</u>

25.1.2 Determination of (gain) or loss as at June 30, 2009

Unrecognised loss at June 30, 2008		9,721,000	7,048,000
Amount recognised during the year		(513,000)	(427,000)
Remaining unrecognised loss		9,208,000	6,621,000
Actuarial loss during the year		513,000	3,100,000
Unrecognised loss as at June 30, 2009		<u>9,721,000</u>	<u>9,721,000</u>

25.1.3 Movement in the net liability recognised in the balance sheet is as follows:

Opening balance		10,543,797	7,895,155
Current service cost		1,720,000	1,254,000
Interest cost		1,996,000	1,527,000
Actuarial loss recognised during the year		513,000	427,000
Benefits paid		(1,901,869)	(559,358)
Present value of defined benefit obligation as at 30 June 2009		<u>12,870,928</u>	<u>10,543,797</u>



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The following amounts have been charged in the profit and loss account in respect of these benefits:

	2009 Rupees	2008 Rupees
Current service cost	1,720,000	1,254,000
Interest cost	1,996,000	1,527,000
Recognition of actuarial loss	513,000	427,000
	<u>4,229,000</u>	<u>3,208,000</u>
Accumulated experience adjustment arising on defined benefit obligation	<u>513,000</u>	3,100,000
Expected contributions to funds in the following year	<u>4,022,000</u>	<u>4,229,000</u>

Historical information	2009	2008	2007	2006	2005
	-----Rupees-----				
Present value of defined benefit obligation	<u>22,591,928</u>	<u>20,264,797</u>	<u>14,943,155</u>	<u>9,500,691</u>	<u>7,052,000</u>
Experience adjustments arising on plan liabilities	<u>513,000</u>	<u>3,100,000</u>	<u>3,060,000</u>	<u>1,720,000</u>	<u>(991,000)</u>

25.2 As at June 30, 2009 deferred tax liabilities and assets related to the following:

Deferred Tax Liabilities	Note	2009 Rupees	2008 Rupees
Difference in accounting and tax base of net investment in lease finance		310,463,435	376,896,515
Difference in accounting and tax base of own fixed assets		451,885	849,218
Surplus on revaluation of investment property		-	79,794,124
Share of profit from associates		3,887,234	22,735,386
		<u>314,802,554</u>	480,275,243
Deferred Tax Assets			
Deficit on revaluation of Investments		(40,936,554)	(10,559,863)
Retirement benefits		(4,504,650)	(3,690,329)
Provision for lease & other doubtful receivables		(439,414,432)	(273,499,997)
Carry forward assessed losses		(711,868,703)	(186,932,148)
		<u>(1,196,724,339)</u>	(474,682,337)
Net deferred tax (asset)/ liability		(881,921,785)	5,592,906
Less: Deferred tax asset not recognised		881,921,785	-
		<u>-</u>	<u>5,592,906</u>

25.2.1 Deferred tax asset amounting to Rs. 881.92 has not been recognised as on June 30, 2009 as it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised by the Company.

26. CURRENT PORTION OF LONG TERM LIABILITIES

Long-term loans	21	794,057,907	660,957,345
Certificates of investment / deposit	23	8,342,025	154,201,445
Deposits	24	190,818,821	97,867,295
		<u>993,218,753</u>	<u>913,026,085</u>



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	Note	2009 Rupees	2008 Rupees
27. MARK-UP ACCRUED			
Mark-up on secured:			
- Redeemable capital		16,251,768	12,290,694
- Long-term loans		71,016,890	50,454,761
- Short-term borrowings		44,224,786	16,270,180
Mark-up on unsecured:			
- Short-term borrowings		122,481,218	27,140,065
- Certificates of investment / deposit		93,345,883	79,465,182
		<u>347,320,545</u>	<u>185,620,882</u>
28. SHORT TERM BORROWINGS			
<i>Secured</i>			
Repurchase agreement borrowings	28.1	-	256,500,000
Running finance	28.2	588,734,757	619,113,111
<i>Unsecured</i>			
From commercial banks - call borrowings	28.3	291,772,286	700,000,000
Non-banking finance companies - call borrowings	28.4	756,780,966	1,260,000,000
Individuals	28.5	-	130,000,000
		<u>1,637,288,009</u>	<u>2,965,613,111</u>
28.1	These facilities were secured against Term Finance Certificates and Pakistan Investment Bonds. The rate of mark-up ranges from Nil (2008: 10.5% to 13%) per annum. The facilities were obtained from commercial banks.		
28.2	These facilities aggregating to Rs.840 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 21.1) and long term-loans (Refer Note 22.1 and 22.2) and against Term Finance Certificates. The mark-up rates ranges from 14.26% to 15.26% (2008: 11.11% to 12.51%) per annum. The sanctioned running finance facilities from commercial banks expired on 30 June 2009.		
28.3	These facilities were subject to mark-up rate ranging from 16.75% to 22.50% (2008: 10% to 17%) per annum till February 15, 2009. These facilities are overdue as on June 30, 2009.		
28.4	These facilities are subject to mark-up ranging from 11.25% to 21% (2008 : 10.5% to 16.75%) per annum. These facilities are overdue as on June 30, 2009.		
28.5	This facility were obtained from individuals and were subject to mark-up at the rate of 16% (2008: 16%) per annum.		
28.6	The five financial institutions having balance of Rs. 712 million, out of total of six, have filed suit for recovery of their dues. The Company is in negotiation with financial institutions for settlement/ restructuring (note 1.3).		
29. SHORT TERM CERTIFICATES OF INVESTMENT AND DEPOSITS			
Commercial banks		203,818,653	675,000,000
Non Banking financial institutions		545,000,000	2,096,866,734
Corporate		509,000,000	6,000,000
Individuals		60,000,000	169,978,280
		<u>1,317,818,653</u>	<u>2,947,845,014</u>



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29.1 These represent the mobilization of funds under the scheme of certificates of investment and deposits issued with the permission of SECP. The scheme is based on profit and loss sharing basis. The expected rate of profit ranges from 8% to 20% (2008: 7% to 16.40%) payable on various dates.

	Note	2009 Rupees	2008 Rupees
30. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		1,307,105	5,555,215
Unearned rent		578,125	20,057,985
Guarantee commission		5,577,375	3,786,448
Payable to brokers against purchase of listed securities		617,996	12,350,461
Payable against sale of shares of clients		14,330,584	-
Unrealised loss on revaluation of interest rate swap		-	1,459,167
Subscription account - bankers' to the issue		-	7,171,313
Unclaimed dividend		-	2,382,053
Others		15,237,538	6,579,290
		<u>37,648,723</u>	<u>59,341,932</u>
31. CONTINGENCIES AND COMMITMENTS			
31.1 Contingent Liability			
Letters of comfort / guarantee	31.1.1 & 31.1.2	<u>3,869,726,729</u>	<u>2,588,210,000</u>

31.1.1 These includes guarantees amounting to Rs. 1,229 million called by the beneficiaries . Out of balance guarantees of Rs. 2,640 million the guarantee worth Rs. 1,624 million are provided in favour of Trustees of TFCs and Sukuks. The profit payments of majority of these instruments are regular at this point in time and one of which is now under-going restructuring. The Company has not booked any liability on guarantees called as the company does not foresee any cash outflow in view of the following:

(a) Guarantees against gas bills

This include guarantees called by Utility company amounting to Rs. 400 million as per its routine practice prior to the maturity dates, so that a renewed guarantee is provided before expiry. There is no default on the part of clients on whose behalf these guarantees have been issued. One of such factory is closed for the last 2 years. Even in case of default, the Company is exposed only upto the maximum of unpaid gas bills.

(b) Guarantees against letters of comfort and Letters of Credit

This includes guarantees called by the commercial banks amounting to Rs. 423.29 million issued against the import of 'plant and machinery' (to open L/Cs) during prior years to ultimately write leases. However, in view of its cash constraints, the Company had requested the beneficiary banks who have given their in-principle consent to takeover the collaterals / securities held by the Company against full and final settlement and to extend direct financing / lease to the client / customers. Two of such banks have requested for 10% key lease money (total amounting to Rs. 32 million), which the Company is arranging from the client and requested the beneficiary to deals directly with the client.

(c) Guarantees against finances

This includes guarantees called by commercial banks amounting to Rs. 148.75 million issued against the finance facilities extended to clients. The beneficiary banks have given their in-principle consent to takeover the collaterals / securities held by Company against full & final settlement to enable and secure them further to continue with their financing.



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(d) Under litigation

These are guarantees amounting to Rs. 256.93 million called and are now under dispute / litigation. The Company held adequate collateral/security against a guarantee amounting to Rs. 56.93 million. In respect other guarantee of Rs. 200 million the beneficiary bank has restructured the facility without obtaining NOC from the Company as such the company considers that it has enough legal protection. The management is confident that these would not result in any cash obligation.

31.1.2 These also include guarantees amounting to Rs. 425 million expired during and subsequent to the year end upto signing of the financial statements. The original guarantee documents have not been returned to the Company.

	Note	2009 Rupees	2008 Rupees
31.2 Commitments			
Underwriting commitment of TFCs / shares		-	329,908,325
Interest rate SWAP-IRS		-	50,600,000
Capital expenditure		-	32,904,000
31.3 Commissioner of Income Tax (CIT) has disallowed certain expenses on allocation of expenses basis for the assessment year 2001-02 and tax year 2003 resulting in increase in tax liability by Rs. 582,197 and Rs. 2,970,416 respectively. The Company had filed appeals in Income Tax Appellate Tribunal (ITAT) which were decided in favor of the Company, however, the CIT has filed appeal against ITAT decision for rectification. The management is confident that it will not result in any cash outflow to the Company.			
32. RETURN ON PLACEMENTS, FINANCES, DEPOSITS AND INVESTMENTS - Net			
Return on investments / deposits / placements and finances		414,189,928	665,229,033
Rental income from investment property		14,551,863	9,978,255
Amortisation of discount income		-	13,205,122
Interest earned on reverse repo / (paid) on repo transactions - net		8,016,233	3,119,254
Profit on bank deposits		2,389,044	579,340
Dividend income		34,339,418	54,474,260
		473,486,486	746,585,264
33. OTHER (LOSS) / INCOME			
<i>- On financial assets</i>			
Service charges on staff loan		169,309	238,667
<i>- On non - financial assets</i>			
Fee and commission and other charges	33.1	37,730,883	83,140,886
Custodian fee		90,941	475,733
Gain on disposal of property and equipment		690,674	17,750
Gain on disposal of investment property		(43,037,950)	57,100
		(4,525,452)	83,691,469
		(4,356,143)	83,930,136

33.1 It includes underwriting commission of Rs. 4,153,650 (2008: Rs. 14,901,693).



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	Note	2009 Rupees	2008 Rupees
34. PROVISION / (REVERSAL) FOR LEASE LOSSES AND DOUBTFUL RECOVERIES			
Net investment in finance lease	11.2	62,717,104	(104,386,250)
Long term finances	9.3	162,249,233	52,817,951
Placements and finances - unsecured	13.1.1	60,887,672	25,000,000
Financing against shares	13.2.1	183,206,472	214,981,349
Short term finances - secured	13.3.1	(21,173,840)	32,500,000
Certificates of deposits	13.4	-	(4,217,000)
Morabaha / musharika finance	13.5.1	41,384,470	911,377
Advance against lease commitment	14.1	46,756,745	52,559,859
Other receivables	17.3	37,961,814	7,553,300
Short term investments		-	(84,853,250)
		<u>573,989,670</u>	<u>192,867,336</u>
35. PROVISION FOR IMPAIRMENT IN ASSETS			
Provision for impairment in the value of available for sale investment	12.2.3.1	174,693,630	34,104,833
Provision for impairment in the value of held to maturity investment	8.2	12,269,890	-
		<u>186,963,520</u>	<u>34,104,833</u>
36. ADMINISTRATION EXPENSES			
Salaries and benefits	36.1	43,344,245	46,577,842
Directors' meeting fees		383,500	118,000
Rent, rates and taxes		7,997,234	5,454,414
Insurance		1,493,782	623,695
Legal, professional and consultancy		15,872,928	7,682,698
Travelling and conveyance		1,165,784	2,135,613
Postage and telephone		2,625,388	2,524,360
Utilities		1,938,193	5,226,397
Printing and stationery		556,672	674,353
Vehicles running and maintenance		4,835,299	5,439,934
Entertainment		1,049,306	1,542,948
Advertisement		21,000	385,940
Repairs and maintenance		2,617,694	2,523,199
Auditors remuneration	36.2	1,476,518	605,000
Depreciation	5.1	4,890,601	5,516,375
Fees and subscription		2,028,321	3,542,540
Share registrar services		228,434	224,899
Brokerage expense		1,524,159	6,018,196
Donation		-	560,786
		<u>94,049,058</u>	<u>97,377,189</u>

36.1 It include Rs. 6,614,515 (2008: Rs. 5,727,858) in respect of retirement benefits.



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36.2 Auditors remuneration	Note	2009 Rupees	2008 Rupees
Statutory audit fee		600,000	350,000
Half year review fee		340,000	140,000
Other services	36.2.1	451,518	90,000
Out of pocket expenses		85,000	25,000
		<u>1,476,518</u>	<u>605,000</u>

36.2.1 These includes fees of Rs.251,518 paid to previous year's auditors.

37. FINANCE COST

Mark-up / return on:			
Redeemable capital		51,105,749	35,260,799
Long-term loans		203,564,916	221,524,479
Lease-liabilities		-	59,286
Long-term certificates of investment / deposits		35,241,572	27,583,910
Short-term borrowings		501,387,880	288,774,733
Short-term certificates of investment / deposits		313,432,598	397,055,736
Documentation, project examination, guarantee commission, trusteeship fee and bank charges		3,536,606	9,745,563
		<u>1,108,269,321</u>	<u>980,004,506</u>

38. SHARE OF (LOSS) / PROFIT FROM ASSOCIATE

Dawood Capital Management Limited		(30,758,956)	5,324,849
Dawood Islamic Bank Limited		(7,373,570)	2,170,156
B.R.R. Investment (Private) Limited		(16,222,925)	(4,907,012)
		<u>(54,355,451)</u>	<u>2,587,993</u>

39. TAXATION

39.1 Relationship between tax expense and accounting profit

Accounting (loss) / profit		(1,807,574,672)	36,111,867
Tax @ 35%		-	12,639,154
Tax effect of income exempt from tax / taxed at reduced rates		-	(101,128,249)
Tax effect of income taxed under minimum tax		-	10,945,539
		<u>-</u>	<u>(77,543,556)</u>
Current tax		-	10,945,539
Deferred tax	38.3	16,152,769	(88,489,095)
		<u>16,152,769</u>	<u>(77,543,556)</u>

39.1.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as there is tax loss during the year.

40. EARNINGS PER SHARE

(Loss) / profit after taxation	<i>Rupees</i>	<u>(1,791,421,903)</u>	<u>113,655,423</u>
Weighted average number of ordinary shares	<i>Numbers</i>	<u>62,649,290</u>	<u>62,649,290</u>
(Loss) / earnings per share - basic	<i>Rupees</i>	<u>(28.59)</u>	<u>1.81</u>
(Loss) / Earnings per share - diluted	<i>Rupees</i>	<u>(28.59)</u>	<u>1.81</u>



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	Note	2009 Rupees	2008 Rupees
41. CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	194,339,884	33,755,775
Short term borrowings	29	(588,734,757)	(619,113,111)
		<u>(394,394,873)</u>	<u>(585,357,336)</u>

42. REMUNERATION TO DIRECTORS AND EXECUTIVES

	2009		
	Chief Executive	Director	Executives
	----- Rupees -----		
Managerial remuneration	4,800,000	4,600,000	11,901,828
Housing and utilities	2,400,000	2,300,000	5,950,943
Gratuity	1,200,000	1,150,000	1,586,326
Provident fund	480,000	460,000	1,166,987
	<u>8,880,000</u>	<u>8,510,000</u>	<u>20,606,084</u>
Number of persons	<u>1</u>	<u>1</u>	<u>15</u>
	2008		
	Chief Executive	Director	Executives
	----- Rupees -----		
Managerial remuneration	4,800,000	4,600,000	8,926,000
Housing and utilities	2,400,000	2,300,000	4,463,000
Bonus	1,200,000	1,150,000	1,631,500
Gratuity	3,207,671	3,093,836	1,250,684
Provident fund	480,000	459,998	892,600
	<u>12,087,671</u>	<u>11,603,834</u>	<u>17,163,784</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>

42.1 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.6,692,799 (2008: Rs.3,858,391) approximately.

Executive means an employee other than director and chief executive, whose basic salary exceeds Rs.500,000 (2008: 500,000) in a financial year.

43. TRANSACTIONS WITH RELATED PARTIES

43.1 Related parties comprises of major shareholders, associated companies with or without common directors, other companies with common directors, retirement benefit fund, directors, key management personnel and their close family members.

43.2 Details of transactions with related parties and balances with them except for those disclosed elsewhere in the financial statements as at the year-end are as follows:



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	2009		2008	
	Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties
Rupees				
Net Investment in Finance Lease				
Balance at beginning	-	73,568,039	-	99,317,377
Sanctioned / granted	-	-	-	-
Rentals received	-	(12,681,726)	-	(25,749,338)
Balance at end	-	60,886,313	-	73,568,039
Long term finances / loans				
Balance at beginning	2,060,457	-	2,641,991	-
Sanctioned / granted	-	307,922,427	-	-
Rentals received	(1,358,384)	(307,922,427)	(581,534)	-
Balance at end	702,073	-	2,060,457	-
Placement and finances				
Balance at beginning	-	425,849,464	-	125,000,000
Sanctioned / granted	-	5,261,909,312	-	1,285,703,906
Rentals received	-	(5,645,198,732)	-	(984,854,442)
Balance at end	-	42,560,044	-	425,849,464
Investment in associate				
Balance at beginning	-	297,550,896	-	233,085,060
Sanctioned / granted	-	203,739,187	-	20,600,000
Rentals received	-	(109,484,670)	-	43,865,836
Balance at end	-	391,805,413	-	297,550,896
Held for trading securities				
Available for sale securities	-	94,609,180	-	93,902,373
Securities purchased	-	218,230,585	-	229,244,760
Securities sold	-	186,285,168	-	166,663,958
Advances and prepayments	-	3,000,920	-	-
Mark-up receivable	-	259,052	-	727,064
Other receivables	-	120,108,947	-	465,781
Mark-up payable	-	1,630,137	-	7,268,494
Short-term borrowings	-	100,000,000	-	430,000,000
Short term Certificates of investment / deposit	-	-	-	100,000,000
Disposal of fixed assets - cost	1,757,166	415,833	361,875	-
Charge to profit and loss account				
Brokerage expenses - CFS	-	10,400	-	194,302
Brokerage expenses - equity	-	420,400	-	2,557,291
Finance cost	1,082,985	34,946,528	48,219	42,611,123
Capital gain / (loss)	-	(6,323,426)	-	11,388,570
Lease Income	-	8,174,376	-	5,641,502
Return on placements, finances, deposits and investments	-	52,992,368	-	29,566,175
Common expenses paid	-	17,519,462	-	18,365,940
Long term finance income	-	4,260,286	-	-
Share of profit from associate	-	(54,355,451)	-	2,587,993
Share of common expenses	-	9,372,606	-	10,351,046
Rent expenses	-	-	-	668,790



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43.3 Maximum aggregate balance of placements at the end of any month during the period was Rs.744.80 million (2008: Rs.566.25 million).

44. SEGMENT ANALYSIS

A business segment is a distinguishable component within the Company that is engaged in providing an individual product or service or a group of related products or services and which are subject to risks and returns that are different from those of other business segments.

The Company has following reportable business segments on the basis of product/service characteristics:

1. Leasing
2. Investments
3. Long term finances
4. Placements & finances

Primary segment information

Leasing Principally engaged in providing finance to individual and corporate customers in acquiring plant & machinery, vehicles and equipments.

Investments Principally engaged in trading of equity securities and debt instruments like term finance certificates, commercial papers, asset backed certificates and government securities.

Long term finances Principally involved in providing term finance facilities to individual and corporate customers.

Placements & finances Principally involved in providing money market facilities against marketable securities and letter of placement. It also include short term financing and musharika financing facilities.



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44.1 Segment information for the year ended 30 June 2009

	<i>Leasing</i>		<i>Invetments</i>		<i>Long Term Finance</i>		<i>Placement & Finances</i>		<i>Fee & Commission</i>		<i>Consolidated</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	----- (Rupees) -----											
Total external revenue	57,402,247	169,303,513	(322,024,617)	581,248,492	193,931,732	172,326,362	246,827,280	472,341,109	(4,356,143)	83,930,136	171,780,499	1,479,149,612
Unallocated revenue											63,441,520	(10,268,280)
Total segment revenue	57,402,247	169,303,513	(322,024,617)	581,248,492	193,931,732	172,326,362	246,827,280	472,341,109	(4,356,143)	83,930,136	235,222,019	1,468,881,332
Segment results	(215,516,898)	120,791,429	1,209,042,331	399,235,659	(728,117,234)	118,363,883	(926,713,717)	324,431,662	-	-	(661,305,518)	962,822,633
Unallocated profits											16,355,618	50,705,747
Results from operating activities											(644,949,900)	1,013,528,380
Net finance cost											(1,108,269,321)	(980,004,506)
Share of profit of equity accounted investees											(54,355,451)	2,587,993
Taxation											16,152,769	77,543,556
Profit for the period											(1,791,421,903)	113,655,423
Other information												
Segment assets	1,236,964,229	1,824,109,335	939,645,227	3,278,901,705	987,293,048	1,344,919,722	894,171,106	3,019,082,132	-	-	4,058,073,610	9,467,012,894
Investment in associates											391,805,413	297,550,896
Unallocated assets											686,537,409	1,299,631,471
Total assets											5,136,416,432	11,064,195,261
Segment liabilities	1,407,554,603	1,523,084,795	1,084,499,292	2,759,557,846	1,123,451,141	1,131,898,454	1,017,486,704	2,540,890,986	-	-	4,632,991,740	7,955,432,081
Unallocated liabilities											518,691,331	1,329,766,774
Total liabilities											5,151,683,071	9,285,198,855
Capital expenditure											80,410,550	570,579,897
Depreciation											4,890,601	5,516,375



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

Segment by class of business

Class of business	2009				%
	Leasing operations	Investments	Long-term finance	Total	
----- Rupees -----					
Transport and communication	289,885,596	2,808,386	112,801,109	405,495,091	10.85
Sugar and allied	86,852,436	238,250	-	87,090,686	2.33
Textile composite	301,369,338	33,960,893	21,370,436	356,700,667	9.55
Textile finishing	145,510,557	18,564,850	65,290,337	229,365,744	6.14
Food, tobacco and beverages	18,788,641	59,516,162	22,080,273	100,385,076	2.69
Steel, engineering and automobile	52,368,995	13,146,244	26,426,734	91,941,973	2.46
Health care	62,944,826	-	4,625,235	67,570,061	1.81
Energy, oil and gas	9,264,251	196,023,483	118,996,558	324,284,292	8.68
Chemicals, fertilizers and pharmaceuticals	23,164,978	30,347,363	83,755,403	137,267,744	3.67
Cement	59,594,236	11,548,228	-	71,142,464	1.90
Electrical goods	11,626,847	950,751	-	12,577,598	0.34
Financial	23,571,833	504,391,800	87,084,755	615,048,388	16.46
Miscellaneous	516,035,414	49,764,817	672,055,220	1,237,855,451	33.13
	<u>1,600,977,948</u>	<u>921,261,227</u>	<u>1,214,486,060</u>	<u>3,736,725,235</u>	<u>100.00</u>

Class of business	2008				%
	Leasing operations	Investments	Long-term finance	Total	
----- Rupees -----					
Transport and communication	440,336,925	122,500,000	75,751,788	638,588,713	17.09
Sugar and allied	138,685,496	-	-	138,685,496	3.71
Textile composite	369,083,513	156,468,666	-	525,552,179	14.06
Textile finishing	98,316,278	400,000,000	-	498,316,278	13.34
Food, tobacco and beverages	55,021,440	162,834,932	337,770,549	555,626,921	14.87
Steel, engineering and automobile	93,999,019	158,618,158	23,382,556	275,999,733	7.39
Health care	80,129,795	-	4,625,235	84,755,030	2.27
Energy, oil and gas	84,645,290	255,000,000	256,178,660	595,823,950	15.95
Chemicals, fertilizers and pharmaceuticals	23,164,978	-	29,362,135	52,527,113	1.41
Cement	74,071,765	28,520,156	90,000,000	192,591,921	5.15
Electrical goods	19,831,877	-	12,183,421	32,015,298	0.86
Financial	29,361,770	249,278,725	100,000,000	378,640,495	10.13
Miscellaneous	618,757,804	1,745,681,068	495,694,677	2,860,133,549	76.54
	<u>2,125,405,950</u>	<u>3,278,901,705</u>	<u>1,424,949,021</u>	<u>6,829,256,676</u>	<u>100.00</u>



First Dawood Investment Bank Limited

45. FINANCIAL RISK MANAGEMENT POLICIES

The Company's activities expose it to the varieties of financial risks. The management of these risks is carried out by Investment Committee, Credit Committee and Assets and Liabilities Committee, who are responsible for identifying, evaluating or measuring significant risks inherent in the organization as well as establishing controls in coordination with the relevant departments to mitigate such risks. The Committees also monitors concentration of exposure to market risk.

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, deposits, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has lease finances, long term and short finances, Placements, other receivables and cash that arrive directly from its operations. The Company also holds available-for-sale investments, held to maturity investments and initially designated to profit and loss investments.

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks.

45.1 Price risk

Price risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices. The Company's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

The Company also manages price risk through diversification and continued monitoring of its investment portfolio.

As at June 30, 2009, the fair value of equity securities exposed to price risk were as follow: -

	2009 Rupees	2008 Rupees
Investment - initially designated at fair value	921,557	51,973,544
Held for Trading	-	926,869,759
	<u>921,557</u>	<u>978,843,303</u>

45.2 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 obligations and cause the other party to incur a financial loss.

45.2.1 In summary, compared to the amount included in the balance sheet, the maximum exposure to credit risk related to leasing operations as at June 30, 2009 are as follows: -

	2009		2008	
	Lease Operation	Maximum Exposure	Lease Operation	Maximum Exposure
	<----- Rupees ----->			
Lease	1,236,964,229	1,236,964,229	1,824,109,335	1,824,109,335
Advance against Lease	7,664,259	7,664,259	66,611,106	66,611,106
	<u>1,244,628,488</u>	<u>1,244,628,488</u>	<u>1,890,720,441</u>	<u>1,890,720,441</u>



First Dawood Investment Bank Limited

45.2.2 The Company follows an operating policy and the NBFC Regulations, 2008 issued by the Securities & Exchange Commission of Pakistan. The operating policy defines the extent of exposure with reference to a particular sector or group. The exposures are classified on the basis of NBFC Regulations, 2008 guidelines.

45.3 Interest rate risk

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.

If the interest rate would have been higher or lower by 50 basis points and all the other variable remains constant, the Company's profit would have been higher / (lower) by Rs.11.47 million for the year ended June 30, 2009 in respect of leasing operations.

Management is of the view that the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives.

The Company's exposure to interest rate risk on its financial assets and liabilities based on contractual repricing or maturity dates whichever is earlier is as follows:



First Dawood Investment Bank Limited

45.4 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.

45.4.1 MATURITIES OF ASSETS AND LIABILITIES

	Total	2009			
		Upto three months	Over three months to one year	Over one year to five years	Over five years
Assets					
Property and equipment	85,681,310	-	76,905,500	-	8,775,810
Investment property	97,437,708	-	-	-	97,437,707
Net investment in lease finance	1,236,964,229	365,721,974	321,950,466	549,291,789	-
Long term investment	410,189,882	-	-	18,384,001	391,805,413
Long-term finances	987,293,584	243,825,828	198,551,946	507,434,766	37,480,544
Long-term loans	1,227,628	91,692	282,034	696,346	157,556
Deferred cost	3,637,500	-	-	-	3,637,500
Short-term investment	921,261,227	385,193,925	24,792,350	502,738,288	8,536,664
Placement and finances	894,171,072	894,171,072	-	-	-
Advance against lease commitments	7,664,259	7,664,259	-	-	-
Advances and prepayments	27,184,134	4,866,789	22,317,345	-	-
Interest accrued	113,753,429	113,753,429	-	-	-
Other receivables	155,611,086	155,611,086	-	-	-
Cash and bank balances	194,339,884	194,339,884	-	-	-
	<u>5,136,416,932</u>	<u>2,365,239,938</u>	<u>644,799,641</u>	<u>1,578,545,190</u>	<u>547,831,194</u>
Liabilities					
Redeemable capital	345,000,000	-	-	345,000,000	-
Long-term loans	1,565,264,291	590,860,565	203,197,342	771,206,384	-
Certificates of investment / deposit	-	1,326,160,678	-	-	9,374,497
Deferred liabilities	12,870,928	-	-	12,870,928	-
Deposits	367,896,155	88,536,153	51,580,515	227,779,487	-
Accrued mark-up	347,320,545	347,320,545	-	-	-
Short-term borrowings	1,637,288,009	1,637,288,009	-	-	-
Accrued and other liabilities	37,648,723	37,648,723	-	-	-
Taxation	6,283,475	-	6,283,475	-	-
	<u>5,655,107,301</u>	<u>4,027,814,673</u>	<u>261,061,332</u>	<u>1,356,856,799</u>	<u>9,374,497</u>
Net Assets	<u>(518,690,869)</u>	<u>(1,662,574,735)</u>	<u>383,738,309</u>	<u>221,688,391</u>	<u>538,456,697</u>
Share capital	626,492,900				
Reserves and unappropriated profit	(1,145,183,769)				
	<u>(518,690,869)</u>				



First Dawood Investment Bank Limited

	Total	2008			Over five years
		Upto three months	Over three months to one year	Over one year to five years	
Assets					
Property and equipment	62,027,770	-	-	-	62,027,770
Investment property	863,624,534	-	-	-	863,624,534
Net investment in lease finance	1,824,109,335	447,914,703	514,211,850	846,010,495	15,972,287
Long term investment	507,044,208	18,200,000	67,614,072	59,694,908	361,535,228
Long-term finances	1,777,754,654	381,923,174	552,793,755	796,484,172	46,553,553
Long-term loans	3,768,566	280,893	871,220	2,294,869	321,584
Deferred cost	3,637,500	-	-	-	3,637,500
Short-term investment	3,069,408,393	1,625,867,777	49,689,864	811,992,527	581,858,225
Placement and finances	2,602,235,627	1,777,753,047	824,482,580	-	-
Advance against lease commitments	66,611,106	66,611,106	-	-	-
Advances and prepayments	52,564,215	28,722,944	23,841,271	-	-
Interest accrued	168,721,583	168,721,583	-	-	-
Other receivables	28,931,995	28,931,995	-	-	-
Cash and bank balances	33,755,775	33,755,775	-	-	-
	<u>11,064,195,261</u>	<u>4,578,682,997</u>	<u>2,033,504,612</u>	<u>2,516,476,971</u>	<u>1,935,530,681</u>
Liabilities					
Redeemable capital	345,000,000	-	-	345,000,000	-
Long-term loans	1,711,332,926	191,777,950	419,179,395	1,100,375,581	-
Certificates of investment / deposit	3,469,081,168	1,692,025	3,100,354,434	367,034,709	-
Deferred liabilities	16,136,703	-	-	10,543,797	5,592,906
Deposits	501,816,148	27,893,409	69,883,886	403,948,853	-
Accrued mark-up	185,620,882	185,620,882	-	-	-
Short-term borrowings	2,965,613,111	2,880,613,111	85,000,000	-	-
Accrued and other liabilities	59,341,932	57,882,765	1,459,167	-	-
Taxation	31,255,985	-	31,255,985	-	-
	<u>9,285,198,855</u>	<u>3,345,480,142</u>	<u>3,707,132,867</u>	<u>2,226,902,940</u>	<u>5,592,906</u>
Net Assets	<u>1,778,996,406</u>	<u>1,233,202,855</u>	<u>(1,673,628,255)</u>	<u>289,574,031</u>	<u>1,929,937,775</u>
Share capital	569,539,000				
Reserves and unappropriated profit	1,209,457,406				
	<u>1,778,996,406</u>				



First Dawood Investment Bank Limited

<i>Effective Rate %</i>	<i>2008</i>							<i>Total</i>	
	<i>One year or less</i>	<i>More than one year but less than two years</i>	<i>More than two year but less than three years</i>	<i>More than three year but less than four years</i>	<i>More than four year but less than five years</i>	<i>More than five year</i>	<i>Not exposed to interest rate risk</i>		
<i>Financial Assets</i>									
Net investment in lease finance	15.75%	962,126,553	433,901,591	331,057,940	63,212,573	17,838,391	15,972,287	-	1,824,109,335
Long term Investments	0.00%	85,814,072	66,495,708	-	-	-	57,183,532	297,550,896	507,044,208
Long-term finances	15.26%	934,716,929	166,963,043	194,645,921	135,639,653	163,400,623	182,388,485	-	1,777,754,654
Long-term loans	5.00%	1,152,113	894,861	619,957	380,183	399,868	321,584	-	3,768,566
Short term investments	14.95%	1,675,557,641	143,434,602	269,157,167	247,465,990	145,133,968	588,659,025	-	3,069,408,393
Placements and finances	12.88%	2,602,235,627	-	-	-	-	-	-	2,602,235,627
Advance against lease									
Commitments	16.15%	66,611,106	-	-	-	-	-	-	66,611,106
Advances & prepayments	0.00%	-	-	-	-	-	-	52,564,215	52,564,215
Interest accrued	0.00%	168,721,583	-	-	-	-	-	-	168,721,583
Other receivables	0.00%	-	-	-	-	-	-	28,931,995	28,931,995
Cash and bank balances	5.00%	33,755,775	-	-	-	-	-	-	33,755,775
		<u>6,530,691,399</u>	<u>811,689,805</u>	<u>795,480,985</u>	<u>446,698,399</u>	<u>326,772,850</u>	<u>844,524,913</u>	<u>379,047,106</u>	<u>10,134,905,457</u>
<i>Financial Liabilities</i>									
Redeemable capital	11.66%	-	-	-	345,000,000	-	-	-	345,000,000
Long-term loans	11.13%	610,957,345	522,710,771	265,851,189	217,475,954	38,017,182	22,242,058	34,078,427	1,711,332,926
Deposits	0.00%	-	-	-	-	-	-	501,816,148	501,816,148
Certificates of investment / deposits	10.72%	3,102,046,459	11,000,000	6,615,000	29,157,819	320,261,890	-	-	3,469,081,168
Accrued mark-up	0.00%	185,620,882	-	-	-	-	-	-	185,620,882
Short-term borrowings	10.43%	2,965,613,111	-	-	-	-	-	-	2,965,613,111
Accrued and other liabilities	0.00%	10,800,830	-	-	-	-	-	48,541,102	59,341,932
		<u>6,875,038,627</u>	<u>533,710,771</u>	<u>272,466,189</u>	<u>591,633,773</u>	<u>358,279,072</u>	<u>22,242,058</u>	<u>584,435,677</u>	<u>9,237,806,167</u>
On balance sheet gap		<u>(344,347,228)</u>	<u>277,979,034</u>	<u>523,014,796</u>	<u>(144,935,374)</u>	<u>(31,506,222)</u>	<u>822,282,855</u>	<u>(205,388,571)</u>	<u>897,099,290</u>



First Dawood Investment Bank Limited

<i>Effective Rate %</i>	<i>2009</i>							<i>Total</i>	
	<i>One year or less</i>	<i>More than one year but less than two years</i>	<i>More than two year but less than three years</i>	<i>More than three year but less than four years</i>	<i>More than four year but less than five years</i>	<i>More than five year</i>	<i>Not exposed to interest rate risk</i>		
	----- <i>Rupees</i> -----								
<i>Financial Assets</i>									
Net investment in lease finance	12.98%	687,672,440	252,395,234	116,947,447	166,519,128	13,429,980	-	-	1,236,964,229
Long term Investments	0.00%	-	18,384,001	-	-	-	-	391,805,413	410,189,414
Long-term finances	17.48%	442,377,774	167,035,375	147,976,525	110,682,126	81,740,740	37,480,544	-	987,293,084
Long-term loans	5.00%	373,726	392,843	145,216	77,171	81,116	157,556	-	1,227,628
Short term investments	15.02%	409,986,275	79,903,619	164,505,683	143,847,074	114,481,912	8,536,664	-	921,261,227
Placements and finances	20.00%	894,171,072	-	-	-	-	-	-	894,171,072
Advance against lease commitments	14.98%	7,664,259	-	-	-	-	-	-	7,664,259
Advances and prepayments	0.00%	-	-	-	-	-	-	27,184,134	27,184,134
Interest accrued	0.00%	113,753,429	-	-	-	-	-	-	113,753,429
Other receivables	0.00%	-	-	-	-	-	-	155,611,086	155,611,086
Cash and bank balances		194,339,884	-	-	-	-	-	-	194,339,884
		<u>2,750,338,859</u>	<u>518,111,072</u>	<u>429,574,871</u>	<u>421,125,499</u>	<u>209,733,748</u>	<u>46,174,764</u>	<u>574,600,633</u>	<u>4,949,659,447</u>
<i>Financial Liabilities</i>									
Redeemable capital	14.89%	-	-	-	345,000,000	-	-	-	345,000,000
Long-term loans	16.90%	794,057,907	265,851,189	217,475,954	152,327,182	135,552,059	-	-	1,565,264,291
Deposits	0.00%	-	-	-	-	-	-	367,896,155	367,896,155
Certificates of investment / deposits	15.47%	1,335,535,175	-	-	-	-	-	-	1,335,535,175
Accrued mark-up	0.00%	347,320,545	-	-	-	-	-	-	347,320,545
Short-term borrowings	15.60%	1,637,288,009	-	-	-	-	-	-	1,637,288,009
Accrued and other liabilities	0.00%	37,648,723	-	-	-	-	-	-	37,648,723
		<u>4,151,850,359</u>	<u>265,851,189</u>	<u>217,475,954</u>	<u>497,327,182</u>	<u>135,552,059</u>	<u>-</u>	<u>367,896,155</u>	<u>5,635,952,899</u>
On balance sheet gap		<u>(1,401,511,500)</u>	<u>252,259,883</u>	<u>212,098,917</u>	<u>(76,201,683)</u>	<u>74,181,689</u>	<u>46,174,764</u>	<u>206,704,478</u>	<u>(686,293,452)</u>



First Dawood Investment Bank Limited

46. 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 not exposed to foreign currency risk.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The carrying value of all financial instruments reflected in the financial statements approximates their fair values. Investments carried at cost and amortised cost have a fair value of Rs. 18.36 million (2008: Rs. 176.40 million).

48. CAPITAL RISK MANAGEMENT

The company is subject to capital requirements of the SECP. In accordance with the rule 3 of NBFC Regulations 2008, the minimum equity requirement for Investment finance services is Rs. 300 million as at 30 June 2009 and Rs. 1,000 million to be achieved in a phased manner by 30 June 2013, further the minimum equity requirement for Leasing is Rs. 200 million as at 30 June 2009 and Rs. 700 million to be achieved in a phased manner by 30 June 2013.

At the year end, the company's capital is below the capital requirement imposed by SECP by Rs 1,024 million due to the negative equity. As explained in note 1.3, the company is making efforts for revival of its operations and becomes equity compliant.

49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on November 03, 2009 by the Board of Directors of the Company.

50. GENERAL

50.1 Corresponding figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure. The corresponding figures reclassified during the year are as follows.

<i>Reclassified from</i>	<i>Reclassification to</i>	<i>2009 Rupees</i>
Current portion of non-current asset	Net investment in lease finance	301,296,615
Current portion of non-current asset	Long-term finances	80,029,299
Short-term finances - secured	Long-term finances	432,834,932

50.2 Figures have been rounded off to the nearest Rupee.

Chief Executive

Director



First Dawood Investment Bank Limited

PATTERN OF SHAREHOLDING As On 30-JUNE-2009

Number of Share Holders	Share Holding			Total Shares Held
	From	From	To	
949	1	-	100	34,789
487	101	-	500	134,789
773	501	-	1,000	693,736
713	1,001	-	5,000	1,753,574
170	5,001	-	10,000	1,361,919
51	10,001	-	15,000	676,374
42	15,001	-	20,000	784,538
203	20,001	-	25,000	552,248
17	25,001	-	30,000	472,382
5	30,001	-	35,000	164,500
9	35,001	-	40,000	352,576
7	40,001	-	45,000	300,607
9	45,001	-	50,000	440,152
6	50,001	-	55,000	307,528
2	55,001	-	60,000	111,140
3	60,001	-	65,000	184,682
4	65,001	-	70,000	272,000
5	70,001	-	75,000	365,626
3	75,001	-	80,000	236,459
4	85,001	-	90,000	350,643
2	90,001	-	95,000	185,621
3	95,001	-	100,000	298,511
2	100,001	-	105,000	206,000
2	105,001	-	110,000	218,350
2	110,001	-	115,000	228,526
1	115,001	-	120,000	117,274
1	135,001	-	140,000	136,090
4	145,001	-	150,000	590,638
1	160,001	-	165,000	164,500
1	175,001	-	180,000	175,352
2	180,001	-	185,000	366,370
2	185,001	-	190,000	373,450
2	195,001	-	200,000	394,028
3	200,001	-	205,000	609,852
2	215,001	-	220,000	433,937
1	230,001	-	235,000	231,500
1	235,001	-	240,000	237,500
1	245,001	-	250,000	246,373
1	265,001	-	270,000	266,000
1	275,001	-	280,000	278,300
1	300,001	-	305,000	301,955
2	315,001	-	320,000	634,483
1	345,001	-	350,000	348,000
1	395,001	-	400,000	397,963
1	400,001	-	405,000	400,537
1	410,001	-	415,000	412,390
1	435,001	-	440,000	436,425
1	490,001	-	495,000	492,594
1	500,001	-	505,000	501,512
1	500,001	-	505,000	501,512
1	525,001	-	530,000	529,171
1	595,001	-	600,000	599,276
1	1,415,001	-	1,420,000	1,418,522
1	1,920,001	-	1,925,000	1,921,400
1	2,205,001	-	2,210,000	2,209,497
1	2,340,001	-	2,345,000	2,341,935
1	2,380,001	-	2,385,000	2,382,641
1	2,585,001	-	2,590,000	2,585,770
1	2,735,001	-	2,740,000	2,735,564
1	2,815,001	-	2,820,000	2,817,857
1	4,625,001	-	4,630,000	4,627,326
1	8,865,001	-	8,870,000	8,867,566
1	10,375,001	-	10,380,000	10,378,468
3,520				62,649,286



First Dawood Investment Bank Limited

Categories of Shareholders as at June 30, 2009

Categories of Certificate Holder's	No. of Certificate Holder	Certificate Held	Percentage
Individuals	3,423	29,897,731	47.72
Investment Companies	5	904,992	1.44
Joint Stock Companies	63	3,732,058	5.96
Financial Institution	10	8,102,687	12.93
Others	4	5,025,702	8.02
Leasing Companies	1	237	0.00
Cooperative Societies	1	11,385	0.02
Modaraba Management Companies	2	637,092	1.02
Insurance Companies	3	10,791,420	17.23
Modaraba Companies	8	3,545,982	5.66
	3,520	62,649,286	100.00

ADDITIONAL INFORMATION

As at June 30, 2009

S. No.	Categories Shareholders	Numbers	Shares Held	% Age
1	Associated Companies	3	6,037,802	9.64
	B.R.R. Guardian Modaraba		3,339,922	5.33
	Dawood Capital Management Limited		2,382,641	3.80
	B.R.R. Investment (Pvt.) Ltd.		315,239	0.50
2	NIT & ICP	2	5,553,662	8.86
	National Bank of Pakistan Trustee Deptt.		5,553,421	8.86
	Investment Corporation of Pakistan		241	0.00
3	Directors, CEO and their Spouses and Minor Children	6	15,000,178	23.94
	Ayaz Dawood		2,585,770	4.13
	Hamida Dawood		2,834,529	4.52
	Rafique Dawood		8,867,566	14.15
	Shumaila Matri Dawood		319,244	0.51
	Rasheed Y. Chinoy		247,594	0.40
	Mohammad Ali S/o Ayaz Dawood		145,475	0.23
4	Public Sector Companies and Corporation	2	10,378,686	16.57
5	Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	70	10,236,492	16.34
6	Shareholders holding ten percent or more in the Company	2	19,246,203	30.72
	State Life Insurance Corp. of Pakistan		10,378,637	16.57
	Rafique Dawood		8,867,566	14.15



First Dawood Investment Bank Limited

FORM OF PROXY XV ANNUAL GENERAL MEETING

First Dawood Investment Bank Limited
Karachi.

I/We _____ of
_____ (full address)

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

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
XV Annual General Meeting of the Company to be held on November 26, 2009 at 19:00 hours and to every adjournment
thereof.

And witness my/our hand/seal this _____ day of _____ 2009, signed by the said
_____ in the presence of
Mr./Ms. _____
of _____ (full address)

**REVENUE
STAMP
Rs. 5/-**

Signature of Witness

Signature(s) and or Seal

Important Notes :

1. The share transfer books of the Company will remain closed from November 20, 2009 to November 26, 2009 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as a proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. This signature on the Instrument of Proxy must conform to the specimen signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting.