



FIRST DAWOOD INVESTMENT BANK LIMITED

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CORPORATE INFORMATION



FIRST DAWOOD INVESTMENT BANK LIMITED

Board of Directors	Mr. Rafique Dawood Mr. Rasheed Y. Chinoy Mr. Ayaz Dawood AVM (R) S.J.Raza (Alternate Director Mr. Asad Hussain Bokhari) Mr. M. Riyazul Haque Mr. Khurshid A. Khair Mr. Abu Khursheed M. Ariff	Chairman Chief Executive Officer Director Director (Nominee of DCM) Director (Nominee of NIT) Director Director
Audit Committee	Mr. Asad Hussain Bokhari Mr. M. Riyazul Haque Mr. Khurshid A. Khair	Chairman Member Member
HR& R Committee	Mr. Khurshid A. Khair Mr. M. Riyazul Haque Mr. Asad Hussain Bokhari Mr. Rasheed Y. Chinoy	Chairman Member Member Member
Chief Financial Officer & Company Secretary	Mr. Nabeel Asif	
Auditors	Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants (Prime Global)	
Legal counsels	A.Q Abbasi & Associates Kabraji & Talibuddin Khalil Asif & Co Mohsin Tayebaly & Co Minto & Mirza S.B. Durrani Law Associates	
Management Consultants	Shekha & Mufti Chartered Accountants (Moore Stephens International)	
Bankers	Al-Baraka Islamic Bank Bank Al-Habib Habib Metropolitan Bank MCB Bank National Bank of Pakistan Oman International Bank Standard Chartered Bank United Bank	
Registered Office	1900-B, Saima Trade Towers, I. I. Chundrigar Road, Karachi-74000 PABX +92 (21) 3227-1875-80, 3701-0960-65, 3701-4641-44 Fax +92 (21)3227-1913 Email fdib@firstdawood.com URL www.firstdawood.com	
Share Registrar	F.D. Registrar Services (SMC-Pvt) Ltd. 705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi-74000 Tel +92 (21) 3547 8192-93 / 021-32771906 Fax +92 (21) 3262 1233 / 021-32771905 Email fdregistrar@hotmail.com, fdregistrar@yahoo.com	



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 term 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 their achievements.

CORPORATE STRATEGY

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

FINANCIAL HIGHLIGHTS



FIRST DAWOOD INVESTMENT BANK LIMITED

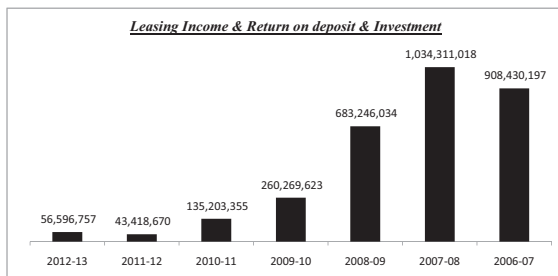
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
PROFIT & LOSS		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Lease Income & Return on deposit & Investment	56,596,757	43,418,670	135,203,355	260,269,623	683,246,034	1,034,311,018	908,430,197
Financial Charges	14,993,996	4,874,962	18,403,423	123,891,205	1,108,269,321	980,004,506	840,609,805
Fee, commission, brokerage & others	(43,375,421)	(29,082,716)	78,569,971	56,576,610	2,555,994	93,994,151	64,024,883
Dividend & capital gain/(loss)	592,971	394,196	49,447,376	(60,429,390)	(504,935,460)	343,164,156	272,187,653
Total Income	13,814,306	14,730,150	263,220,702	256,416,843	180,866,568	1,471,469,325	1,244,642,733
Provisions / (Surplus) / Deficit	52,976,975	306,001,742	74,474,521	(201,350,448)	773,852,970	357,975,763	149,610,232
Operating expenses	73,223,894	84,482,499	88,027,391	99,622,885	94,049,058	97,377,189	62,107,534
Operating profit / (loss) before tax and provision	(18,885,963)	408,083,157	156,789,888	32,902,753	(1,021,451,811)	394,087,630	341,925,394
Profit / (loss) after taxation	49,909,276	(376,387,222)	(44,284,223)	377,676,221	(1,784,152,012)	113,655,423	188,514,986
Profit / (loss) before taxation	(18,885,963)	(408,083,157)	12,644,688	234,253,201	(1,795,304,781)	36,111,867	192,315,162
Dividends	-	-	-	-	-	-	-
Bonus shares	-	-	-	-	-	56,953,900	74,287,700
BALANCE SHEET							
Shareholder's equity	227,154,878	200,897,377	591,143,370	620,692,841	(518,690,869)	1,778,996,406	1,685,492,234
Deficit / surplus on Revaluation of Investment	(5,006,303)	(9,987,869)	(24,502,432)	(67,870,526)	(115,444,739)	390,820,631	410,971,882
Certificate of Investment / Deposits	88,500,000	107,250,000	165,500,000	335,566,522	1,335,535,175	3,469,081,168	4,353,534,149
Borrowings from financial institutions	542,545,880	591,764,164	769,890,505	1,668,756,721	3,547,552,301	5,021,946,037	5,274,333,488
Net Investment In Lease Finances	210,931,273	269,779,403	652,334,319	1,077,906,208	1,236,964,229	2,125,405,950	2,836,595,098
Financing - net of Provision	200,570,517	239,331,420	497,966,186	817,263,190	1,889,128,414	4,379,990,281	4,824,224,870
Investment - net of provision	251,218,488	220,665,494	213,833,608	601,779,989	951,915,585	3,558,838,529	3,918,546,732
Total Assets	1,143,747,138	1,153,867,216	1,824,890,877	3,148,108,347	5,136,416,432	11,064,195,261	12,362,558,621
FINANCIAL RATIOS							
Gross spread ratio (%)	73.51%	88.77%	86.39%	52.40%	-62.21%	5.25%	7.47%
Income / expense ratio (Times)	0.16	0.16	2.47	1.15	0.15	1.37	1.38
Return on Average Equity (ROE) (%)	23.32%	-95.04%	-7.31%	740.53%	-283.13%	6.56%	13.72%
Return on Average Assets (ROA) (%)	4.34%	-25.27%	-1.78%	9.12%	-22.03%	0.97%	1.84%
Profit before tax ratio	(1.37)	(27.70)	0.05	0.91	(9.93)	0.02	0.15
Financing / Deposit Ratio (Average) (%)	224.73%	270.32%	262.49%	161.95%	130.48%	117.66%	95.18%
Total assets turnover ratio /							
Fixed assets turnover ratio (Times)	0.07	0.01	3.79	27.19	2.11	178.37	1,032.41
Price Earning ratio	4.92	(0.53)	(4.82)	0.30	(0.11)	34.98	7.60
Market Value per share	1.82	1.49	1.59	1.78	3.07	69.95	28.95
Earning per share (Rs.)	0.37	(2.80)	(0.33)	6.03	(28.00)	2.00	3.81
Book value per share (Rs.)	3.63	3.21	9.83	10.99	(6.32)	24.37	23.84
Employees remuneration (Rs. In Million)	34.74	33.64	48.59	52.97	47.54	46.58	22.8
Government tax (Rs. In Million)	1.80	2.92	0.01	2.92	7.88	13.01	8.24
Number of employees	25	31	33	34	35	52	45

FINANCIAL HIGHLIGHTS

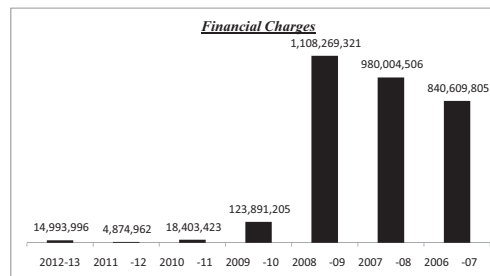


FIRST DAWOOD INVESTMENT BANK LIMITED

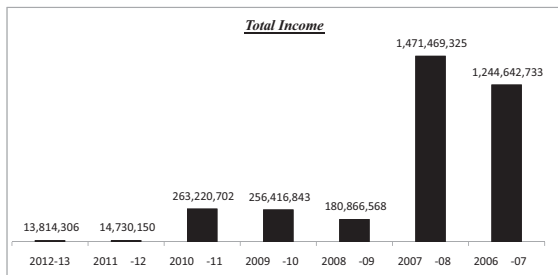
Leasing Income & Return on deposit & Investment



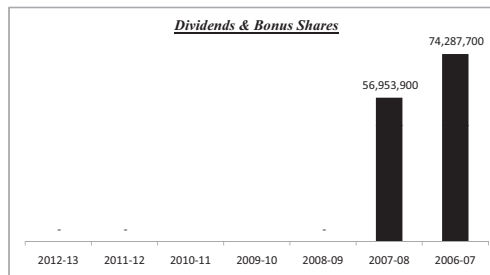
Financial Charges



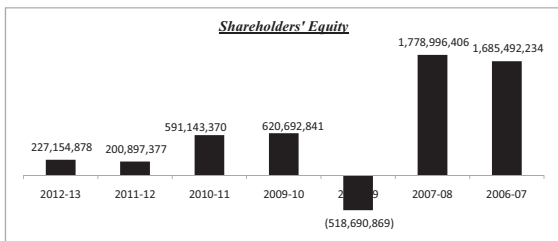
Total Income



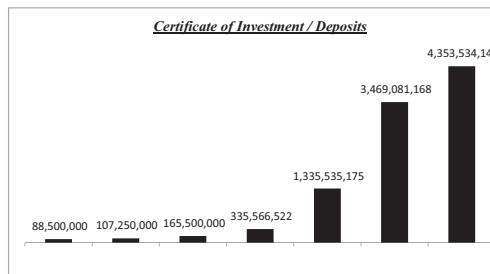
Dividends & Bonus Shares



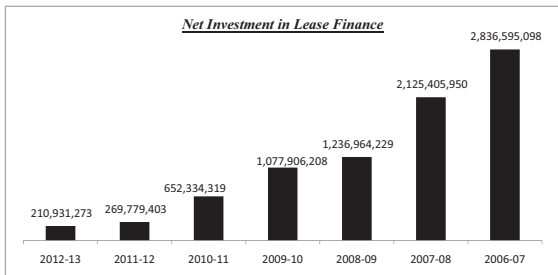
Shareholders' Equity



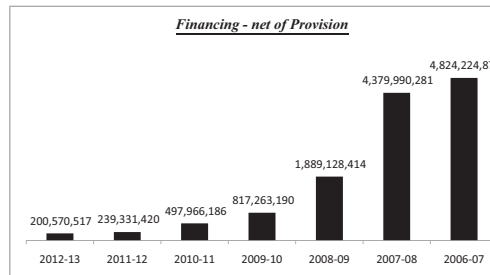
Certificate of Investment / Deposits



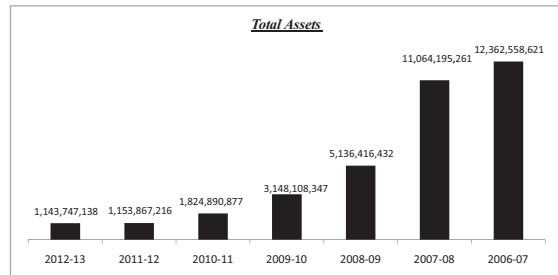
Net Investment in Lease Finance



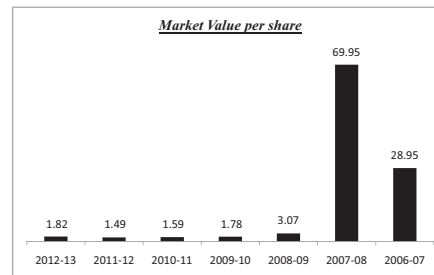
Financing - net of Provision



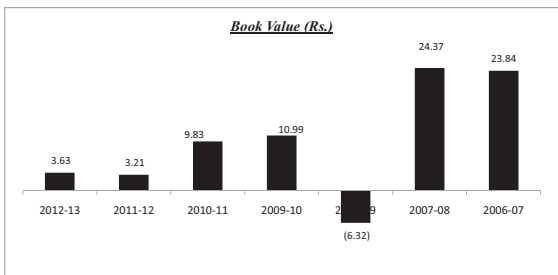
Total Assets



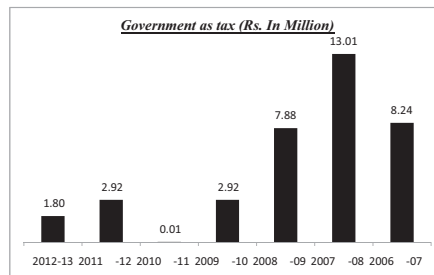
Market Value per share



Book Value (Rs.)



Government as tax (Rs. In Million)



NOTICE OF ANNUAL GENERAL MEETING



FIRST DAWOOD INVESTMENT BANK LIMITED

Notice is hereby given that the 19th AGM of First Dawood Investment Bank Limited will be held at its Registered Office, 1900-B, Saima Trade Towers, I. I. Chundrigar Road, Karachi on Thursday, October 24, 2013 at 10:30 a.m. to transact the following business:

Ordinary Businesses

1. To confirm the minutes of XVIII Annual General Meeting held on November 30, 2012.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2013 together with Directors' and Auditors' Reports thereon.
3. To consider the appointment of External Auditors and to fix their remuneration for the financial year ending June 30, 2014.
4. To elect seven directors of the Company as fixed by the Board of Directors. The following are the retiring directors and are eligible to offer themselves for re-election:
 1. Mr. Rafique Dawood
 2. Mr. Rasheed Y. Chinoy
 3. Mr. Ayaz Dawood
 4. AVM (Retd) Syed Javed Raza
 5. Mr. M Riyazul Haque
 6. Mr. Khurshid Abul Khair
 7. Mr. Abu Khursheed M. Ariff
5. Any other Business with the permission of the Chair.

By Order of the Board

**October 03, 2013
Karachi**

Nabeel Asif
CFO & Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 17, 2013 to October 24, 2013 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi, if any change of address immediately.
2. Any person who seeks to contest the election of the office of Directors shall at the Registered office of the Company, file not later than fourteen days before the date of meeting a notice of his intention to offer himself for election as a director in terms of Section 178(3) of the Companies Ordinance, 1984, subject to approval of the Securities & Exchange Commission of Pakistan.
3. 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.
4. 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.

CHAIRMAN REVIEW REPORT



FIRST DAWOOD INVESTMENT BANK LIMITED

Dear Shareholders,

I hereby present the 19th Annual Accounts along with the audited financial statements of First Dawood Investment Bank Limited for the year ended June 30, 2013.

This year was again a difficult year for the country, as well as for our company. The worsening law & order situation, especially in Karachi has adversely effected the economy as a whole and some businesses have either shutdown their operations or have / are in the process of shifting to safer havens. With regard to Non Banking Financial Sector (NBFC) sector, the wrong decisions i.e. closure of market etc and the financial turmoil of 2008 has compelled majority of independent players to curtail their operations, primarily due prevailing recessionary conditions in the economy resulting in frequent defaults and also due to non-availability of credit lines.

Further, Securities and Exchange Commission of Pakistan (SECP), the regulator has not been able to provide its regulatees with a road-map, which can steer the NBFC sector. It is being observed that only bank backed NBFC etc are flourishing, as they can share a portion of parents' business and also through their parents they can have an easy access to new credit lines. Since the start of crisis in 2008, NBFCs desperately are looking for; assistance, guidance and directions from the regulator, but so far in 5-years, the sector has been able to get only draft rules. Until such time that these rules are promulgated, the regulatees would remain directionless. Here it is pertinent to mention that a lot of stress is being given on development of 'Small & Medium Sized Enterprises' by the government and it is a bitter fact that this revival can be brought about effectively by 'NBFCs and Micro Finance banks. Therefore, we hope that government would give desired importance to NBFC sector, so that it may play its part in the revival of our economy.

In view of the aforementioned scenario prevailing in the country, your company's gross finance lease revenue during the year decreased to Rs.4.72 million only. However, a net reversals of provisions, mainly due to recovery of doubtful loans amounted to Rs.57.13 million. Last year; additional provisioning was made, in view of new management's decision to acquire fresh valuations on collaterals. It is due to prevailing recessionary conditions in the country that majority of company's debtors cannot manage their businesses' commitments; therefore the only ray of hope for the company is through the sale / adjustment of collateral. Your company; which used to cater to lower second and upper third tier markets of the country got the worst hit during these turbulent times. Here we would like to remind you that earlier i.e. during 2008-2009, your company lost over a billion rupees due to an irresponsible act, whereby first stock market was closed for 110-days and then MUFAP pricing was introduced, which eroded our secondary portfolio and the loan portfolio, which was secured against such instruments. Nevertheless, your company took corrective and aggressive measures to transform company's operations and today it is in a much better position. At the height of crisis; your company owed nearly Rs.10.0bn to various individuals, corporate, Provident Funds and financial institution. Today, we can inform you with a great relief that all individual, P. Fund, Corporate have been fully repaid and out of Rs.10.0bn only Rs.630M worth of liabilities, with only 5-6 financial institutions are outstanding.

Few of the loan / liabilities which were initially restructured 3-4 years ago, have become current therefore increasing from current liabilities Rs. 669.07 million to Rs. 835.08 million . In view of increasing current liabilities and the economy still in the same state; company's management has initiated yet another effort to amicable restructure / settle the balance amount of liabilities. Although, it is an uphill task, but the management is hopeful to achieve its goals.

Further, to improve profitability / liquidity, the new management has introduced austerity drive and during the financial year administrative expenses have been reduced by almost 13.32 % which has mainly been possible because of restructuring and rightsizing of staff despite increase of almost 53% in legal costs and cost of utilities by 32%.

It is encouraging and noteworthy that without any external assistance, your company has been maintaining its liquidity and making payments to its creditors and meeting its administrative expenses. The management and the Board are confident that all these measures will translate into growth of your company. Once reforms in the sectors are implemented this sector will again reach the neglected the SMEs, which greatly contributes toward the country domestic growth.

Whilst summing-up it is being reiterated that despite extremely unfavourable economic & financial conditions, your company with the support of its Board, new management, its creditors / lenders and shareholders have so far been able to sustain its business during all these years. The company now looks forward to more promising business activities for the benefits of all stakeholders as soon as the new regime of regulations is promulgated.

Rafique Dawood
Chairman

DIRECTORS REPORT



FIRST DAWOOD INVESTMENT BANK LIMITED

Dear Shareholders,

The Directors of your Company are pleased to present to you the 19th Annual Report annexed with Audited Financial Statements of the Company for the year ended June 30, 2013.

Business Performance

Your Company, being a part of the Non-Banking Financial Companies (NBFCs) sector; heavily, relies on the macro and micro economic dynamics at the country level. The whole of the NBFCs sector is in disarray and unfortunately has been placed in situation where normal business functions have almost been halted. This state of affairs is directly hitting the Small Medium sized Enterprises (SMEs) which is causing a great threat to the country domestic growth.

However on a positive note, the Regulator, Security Exchange Commission of Pakistan (SECP) have come forward and are in the process of moving ahead to let the NBFC sector not only survive but to play its real role in the economic sector of our country. The steps being taken and in the pipeline are well tailored and your company will be one of the beneficiary of these steps. We are confident this will translate into growth of this sector and the economy as a whole.

Financial Performance

The entire leasing industry baring a few players (which are primarily supported by bigger financial institutions of industrial groups) is passing through difficult time. The law and order, security issues situation has hurt our recovery drive from lease / loan portfolio. Despite these socio-political challenges and national trend the company since 2008 is in the process of making recoveries from defaulted customers which is an uphill task. Nevertheless, the Company has so far without any external assistance has managed the business through its internal resources.

	2013	2012
	<i>Rupees</i>	<i>Rupees</i>
Lease and financing income – <i>net of provision and impairment</i>	95,964,468	-291,873,536
Return on deposits and investments	17,192,235	27,073,056
Other gain / losses	(46,365,421)	(26,471,112)
Total Income	66,791,282	-291,271,592
Administrative and Operating Expenses	73,223,894	84,482,499
Finance cost	14,993,996	4,874,962
Total Expenditure	87,217,890	89,357,461
Share of (loss) /profit of associates	2,540,645	-27,454,104
Loss t before Taxation	-17,885,963	-408,083,157
Taxation	68,795,239	31,695,935
	49,909,276	-376,387,222
Earnings Per Share – Basic	0.34	-6.46
Earnings Per Share – Diluted	0.37	-2.8

Future Out look

The Company is facing severe liquidity crunch from the last four years and managing its affairs by internal cash generation through the recovery drive. The Company is fully conscious of its going concern as well as cognizant of director's fiduciary responsibility for revival of the company. The Sponsor are committee and have undertaken that MER will be under full compliance as per law and the same will be done either through; (i) a right issue (ii) induction of a foreign or a local partner (iii) merger or acquisition (iv) or any other arrangement, which will ensure compliance of capital.

**Internal Control and Audit Function**

The company is confident that it will be meeting the set goals and objectives as set in the 5year (2013-2017) business plan. The system of internal control is sound in design and has been effectively implemented and monitored. Further, to monitor and support the Board Internal Audit Department has been setup which directly reports to the Audit Committee.

Accounting Policies & Estimates

Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards, as stated in Note 4 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.

External Auditors

The Auditors M/s Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants retired and being eligible offer themselves for reappointment.

Related Party Transaction

All related party transactions have been placed before the Audit Committee of the company and upon recommendations of the committee the same have been placed before the board for review and approval.

Statement of Corporate Governance

Your Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2013. 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 and Karachi Stock Exchange, the Directors hereby confirm the following as required by clause (xvi) of the code:

- a. The financial statements, prepared by the management of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- b. Proper books of account of the listed company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained;
- e. The system of internal control is sound in design and has been effectively implemented and monitored; and
- f. There are no significant doubts upon the listed company's ability to continue as a going concern;

Significant deviations in operating results

The significant deviations in operating results of the Company was mainly due to the fact that last year new management had decided to carry out fresh valuations of the collateral held and excluded benefit where such collaterals could not be located .

Key Financial Highlights

Summary of key operating and financial data of last six years is is disclosed on page 4 of this annual report.

Dividend

The Board of Directors after assessing the financial position of the Company, considered it prudent not to recommend the payment of a dividend or the issuance of bonus shares for the year.

**Taxes, duties, levies and charges**

There are no outstanding taxes, duties, levies and charges other than disclosed in the financial statements. Assessment for tax year 2008 and 2009 are being carried out by FBR which is being handled by Deloitte (tax advisors). Further, in house taxation department is accessing the applicability of sales tax on services provided by the Company.

Provident Fund

Investments in the registered funded provident fund on the basis of unaudited financial statements for the year financial year ended June 30, 2013 is included is Rs.24.85 million company's contribution as an employer amounts to Rs.1.58 million.

Meeting of the Board & its Committees

The number of Board and Committees' meetings held during the year and attendance by each Director is disclosed as under:

Board Meetings

S. No	Name	Designation	Entitlement to Attend Meeting	Meeting Attend	Leave of Absences
1	Mr. Rafique Dawood	Chairman	5	4	1
2	Mr. Rasheed Y. Chinoy	CEO	5	5	-
3	Mr. Ayaz Dawood	Director	5	5	-
4	AVM (R) S.J.Raza	Director	2	1	1
5	Mr. Asad Hussain Bokhari	Alternate Director	3	3	-
6	Mr. M. Riyazul Haque	Director	5	5	-
7	Mr. Khurshid A. Khair	Director	5	3	2
8	Mr. Abu Khursheed M. Ariff	Director	4	4	-

Audit Committee Meetings

S. No	Name	Designation	Entitlement to Attend Meeting	Meeting Attend	Leave of Absences
1	Mr. Rasheed Y. Chinoy	Chairman	1	1	-
2	Mr. Asad Hussain Bokhari	Chairman	2	2	-
3	Mr. Khurshid A. Khair	Member	3	1	2
4	Mr. M. Riyazul Haque	Member	3	3	-

**Human Resources & Remuneration Committee Meetings**

The Committees' first meeting was held once prior to the financial year for the selection of the CEO and CFO&CS. 2nd HR&R Committee was held after the financial year; however no meeting was held during the financial year.

Directors

During the year, (i) Mr. Rasheed Y. Chinoy was appointed as CEO through SECP letter dated August 28, 2012 (ii) Mr. Abu Khursheed Muhammad Arif and Mr. Khurshid Abul Khair was appointed as Directors through SECP letter dated October 15, 2012. (iii) Mr. Asad Hussain Bokhari appointed as Alternate Director in place of AVM (R) S.J Raza through SECP letter dated December 26, 2012.

Directors Training Programme

One of the directors, Mr. M. Riaz ul Haque, have attended the directors training course conducted by the Pakistan Institute of Corporate Governance and the remaining directors will acquire the required directors training certification, unless exempt by the Code of Corporate Governance.

Pattern of Share holding

The pattern of shareholding and additional information regarding pattern of shareholding is annexed on page 63 of the Annual Report.

Creditors & Preference Shareholders

We would like to express our gratitude to our valued creditors, bankers for their continuous support, trust and patronage. During the year we have initiated negotiations with two commercial banks to restructure their outstanding amounts to the tune of Rs.360.12 million. Further, instalments due to be paid as at June 30, 2013 amounts to Rs.29.46 million. In the next two years amount of Rs.176.5 million is scheduled to be paid.

Payments are to be resumed once new terms are agreed. Financial assets have been offered to partly settle the liabilities, remaining will be paid through internally generated funds and equity if necessary.

Five other commercial banks, an investment bank, an insurance company and a fund who had participated in the cumulative convertible preference shares have not been paid dividend @ 4 p.a. amounting Rs.87.6 million for the last three years. It is highly probable that preference shareholders will exercise their option to convert their holding and accumulated dividend in to ordinary shares

Auditor's Report

The Auditors have given their opinion on the financial statements of the company for the year ended June 30, 2013, wherein they have qualified their report on (a) Deferred Tax Asset amounting Rs.198.89 million and (b) Excess holding in DFTL in contravention of Regulation 19(g) shares . Valuing Rs.135.3 million. Further the Auditors have given emphasise paragraph on (i) Going Concern as accumulated losses to the tune of Rs1.443 billion (ii) Guarantees as Rs.1.438 billion under litigation.

The Company's response to the aforementioned observation is as under:

- a. With regards to qualification on Deferred Tax Last year the Company had engaged an independent firm of Chartered Accountants for the preparation of five year business plan based on which the deferred tax asset has been recognised. The business plan involved certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. Unfortunately, the underlining assumption that NBFC Reforms will be implemented has temporarily delayed the execution of the Company's Business plan in full. However it is expected that there will be no material change in the projections and the Company will be able to generate profits as per the Business Plan which would then be utilized to set-off the Deferred tax Asset.



- b. With regards to qualification on investment in Dawood Family Takaful Limited (DFTL) in 2008, =7,000,000= shares of DFTL were subscribed, at that time the Company was in Compliance with the NBFC Regulations 2008. Thereafter, non-compliance has mainly arisen due to equity erosion and settlements with our defaulted client. It is important to note that out of total investment 6.4 million shares of DFTL are currently deposited with the Court's Nazir against an order of the Court in litigation with one of the financial institution as fully elaborated in Note 27.4 to the financial statements. Regrettably, DFTL is an unquoted company and it is not easy for the management to off-load it immediately. However, the company is making every endeavour to ensure that all violations are eliminated and for this we need the regulators co-operation.
- c. With regards to emphasis paragraph on, going concern the company is confident that given successful implementation of the Business Plan approved last year and Mitigation Plan as forwarded by the management waiver of principal and mark-up on settlement of liabilities, reversal of provisions and suspended income on settlement with lessees / borrowers, significant reduction in finance cost and conversion of Preference Shares in to ordinary shares will help the company in reducing its losses but a sizable positive impact on the equity in the short term. These measures provide reasonable assurance that the company would continue as a going concern and as such these financial statements are being prepared on a going concern basis.
- d. With regards to emphasis paragraph on guarantees amounting to Rs. 1,438 million (2012: Rs. 623 million) under litigations cases are being defended by lawyers of the Company. Based on the views of its legal advisors, the Company is confident that all legal suits will be disposed off in due course on technical grounds and flaws in the guarantees.

Trading / Dealing in Company Shares

Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children have not traded in the shares of the Company during the year other than Chairman of BoD who had received =71,736= as inheritance against succession certificate from his late mother.

Post Balance Sheet Events

There has been no occurrence of significant events between the financial year end June 30, 2013 of the company to date.
Earnings per Share

Acknowledgement

The Board of Directors acknowledges and deeply appreciates the management and employees for their dedication, commitment, in these hard times being faced by the company. The management role in the on time decisions and continuous efforts for bringing out the company from severe financial crisis is being acknowledged and appreciated. We also take this opportunity to express our gratitude to our valued customers, business partners, external auditors, stake holders, bankers and shareholders for their support, trust and patronage. Last, but not the least, we humbly pay our gratitude to our regulator SECP, who kept on rendering their immense support and facilitative role, enabling FDIB not only to face these tough challenges.

On behalf of the Board

Rasheed Y. Chinoy

**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

The statement is being presented to comply with the Code of Corporate Governance (COCG) contained in Regulation No. 35 of the Listing Regulations of Karachi and Islamabad Stock Exchange for the purpose of establishing 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 and a director representing minority interest on its Board of Directors. At present the Board includes:

Catagory	Names
Independent Directors	i) Mr. Khurshid Abul Khair
Executive Directors	ii) Mr. Rafique Dawood
	iii) Mr. Rasheed Y. Chinoy
	iv) Mr. Ayaz Dawood
Non-Executive Directors	v) Mr. Asad Hussain Bokhari
	vi) Mr. M. Riyazul Haque
	vii) Mr. Abu Khursheed Muhammad Ariff

Independent directors meet the criteria as laid under Clause-i(b) of the COCG 2012. However, conditions of said clause in relation to independent director are applicable after election of upcoming Board of Directors of the Company on October 24, 2013.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company;
3. All resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution, being a member of a stock exchange, has been declared a defaulter by that stock exchange.
4. No casual vacancy arose during the year. However, during the year Mr. Rasheed Y. Chinoy was appointed as Chief Executive vide SECP letter No. SC/NBFC(1)-R/2012/FDIBL-11 dated August 28, 2012, Mr. Abu Khursheed Muhammad Arif and Mr. Khurshid Abul Khair appointed as Director vide letter No. SC/NBFC(1)-R/2012/FDIBL-23 dated October 15, 2012 and Mr. Asad Hussain Bokhari has appointed as an Alternate Director in place of AVM (R) S.J Raza vide SECP letter Ref No. SC/NBFC(1)-R/2012/FDIBL-36 dated December 26, 2012.
5. The Company has prepared a 'Code of Conduct' defining acceptable and unacceptable behaviours to promote integrity for the Board, senior management and other employees and has ensured that appropriate steps have been taken to disseminate it through the Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Company. 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 employment of the CEO, other executive and non-executives directors have been taken by the Board.

**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

8. The meetings of the Board was presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met five times and 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 and signed by the Chairman of the Board of Directors.
9. One of the directors, Mr. M. Riyazul Haque, have attended the directors training course conducted by the Pakistan Institute of Corporate Governance and the remaining directors will acquire the required directors training certification within the time specified in Clause-xi of the Code, unless exempt there under.
10. The Board has no new appointment of CFO, Company Secretary and Head of Internal Audit, made during the year. However, we have been informed by our external auditors that experience of CFO is not as per requirement.
11. The Directors' Report of the Company for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters as required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO of the Company before approval of the Board.
13. The Directors, CEO and Executives of the Company do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
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 of three members all of whom are non-executive directors including the Chairman of the Committee. The Board appointed Chairman of the Audit Committee as CEO of the Company in its meeting held on July 19, 2012 which was duly approved by SECP on August 28, 2012. Accordingly, he resigned as Chairman of the Audit Committee in the Board meeting held on November 07, 2012 which was approved.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code with exception to the first quarter where due to the one month extension of holding Annual General Meeting vide SECP letter SCD/NLA/FDIBL/2012/26 dated October 17, 2012. The management had requested SECP through letter Ref # FDIBL/FIN/3475/2012 dated October 30, 2012 to condone holding of the quarterly meeting to which no objection has been raised by the Regulator.

The terms of reference of the Committee have been formed by the Board and advised to the Committee for compliance.
17. The Board has formed a Human Resources and Remuneration Committee. It comprises of three members all of whom are non-executive directors including the Chairman of the Committee. After appointment of Mr. Rasheed Y. Chinoy as CEO vacancy for non-executive directors remains to be filled and he will be the fourth member.
18. The Board has set-up an effective internal audit function which is considered suitably qualified and experience for the purpose and are conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Rasheed Y. Chinoy
Chief Executive Officer

Karachi.

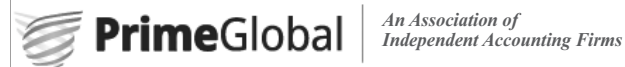
**REVIEW REPORT TO THE MEMBER ON
STATEMENT OF COMPLIANCE WITH BEST
PRACTICES OF THE CODE OF CORPORATE
GOVERNANCE**



FIRST DAWOOD INVESTMENT BANK LIMITED

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013; prepared by the Board of Directors of First Dawood Investment Bank Limited to comply with the Listing Regulations No.35 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 to 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, listing Regulation of the Stock Exchange requires the Company to place before the Board of Directors for their consideration and approval related party transaction distinguishing between transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

We draw attention on Paragraph 16 of the annexed Statement of Compliance which highlights that:

The Audit Committee meeting for the first quarter was not held prior to the approval of interim and final results of the Company where special resolution approval from SECP has been obtained in this respect.

Our conclusion is not qualified in respect of this matter.

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Karachi
Dated: 02 October, 2013

AUDITOR'S REPORT TO THE MEMBERS



FIRST DAWOOD INVESTMENT BANK LIMITED

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

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We have audited the annexed balance sheet of First Dawood Investment Bank Limited ("the Company") as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the 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 above said statements. We believe that our audit provides a reasonable basis for our qualified opinion and after due verification, we report that:

- a. as at June 30, 2013; the Company has recognized deferred tax assets of Rs. 198.89 million in respect of unabsorbed tax depreciation on leases, carry forward of unused tax losses and deductible temporary differences. As stated in note 11, the management has carried out assessment for the recoverability of the said deferred tax assets on the basis of projection for future taxable income which takes into account various assumptions regarding future business prospectus and conditions,

However, we have not been provided adequate supporting documentation/bases for assumptions used in preparation of these projections and consequently, we were unable to determine whether any adjustment to the amount of deferred tax assets was necessary,

- b. the Company's holding of 26.70% shares valuing Rs.135.300 million in Dawood Family Takaful Limited (DFTL) is not in consonance with the Regulation 19 (g) of NBFC & NE Regulations, 2008; which restrict holding of shares upto 20% of the paid-up capital of that company or 20% of its own equity, whichever is less,
- c. In our opinion except for the effects of the matters described in the preceding paragraphs, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- d. In our opinion:
- i. except for the effects of the matters described in the paragraphs (a) and (b), 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 ;

AUDITOR'S REPORT TO THE MEMBERS



FIRST DAWOOD INVESTMENT BANK LIMITED

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants



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Independent Accounting Firms*

- 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;
- e. in our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in paragraphs (a) and (b), the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and:
- f. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to the following matters:

- (i) As fully described in note 1.3 to the financial statements that the Company is facing financial problems, its accumulated losses are in the tune of Rs. 1,442.91 million, its licenses are presently suspended and is not able to meet minimum equity requirement. These conditions alongwith other matters as set forth in note 1.3 on the Company's mitigation plan and note 30 relating to unfunded exposure may cast significant doubt about the Company's ability to continue as a going concern, and
- (ii) as stated in note 30 to the financial statements, guarantees issued by the Company amounting to Rs.1,438 million have been called by the beneficiaries which are under litigation. The ultimate outcome in this regard cannot presently be ascertained.

Our opinion is not qualified in respect of matters referred in para (i) and (ii), above.

The financial statements of the company for the year ended June 30, 2012; were audited by another firm of Chartered Accountants who vide their auditors' report dated November 07, 2012; issued a qualified opinion in respect of deferred tax assets, loss of jumbo certificates, and shares that were not in the name of the Company.

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants
Engagement Partner - Shahid Hussain - FCA

Karachi.
Dated: 02 October, 2013

**BALANCE SHEET
AS AT JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	2013 Rupees	2012 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	4,795,768	7,486,509
Investment properties	6	70,855,000	70,095,000
Net investment in lease finance	7	92,369,542	61,007,530
Long term investments	8	195,984,535	186,929,237
Long term finances	9	23,288,578	10,062,306
Long term loans	10	132,531	240,797
Long term deposits		3,704,000	3,500,000
Deferred tax asset - net	11	198,893,526	129,746,665
		590,023,480	469,068,044
CURRENT ASSETS			
Current portion of non-current assets	12	228,624,516	362,640,338
Short term investments	13	55,233,953	33,736,257
Placements and finances	14	67,286,078	75,475,649
Advance against lease commitments	15	-	10,999,999
Loans, advances and prepayments	16	5,497,073	9,186,632
Mark-up accrued	17	3,880,871	762,053
Other receivables	18	96,595,100	47,637,883
Cash and bank balances	19	67,003,068	139,860,361
		524,120,658	680,299,172
Non Current Assets - Held for Sale	20	29,603,000	4,500,000
		1,143,747,138	1,153,867,216
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Ordinary shares	21	626,492,900	626,492,900
Preference shares	21	715,833,540	715,833,540
		1,342,326,440	1,342,326,440
Reserves		333,744,789	333,744,789
Accumulated loss		(1,443,910,048)	(1,465,185,983)
		232,161,181	210,885,246
Deficit on revaluation of investments	22	(5,006,303)	(9,987,869)
		227,154,878	200,897,377
NON CURRENT LIABILITIES			
Long term loans	23	65,500,000	277,663,068
Long term deposits	24	16,006,780	6,232,126
		81,506,780	283,895,194
CURRENT LIABILITIES			
Current portion of long term liabilities	25	501,181,641	353,224,560
Mark-up accrued	26	59,779,713	49,316,029
Short-term borrowings	27	81,418,223	81,418,223
Deferred Income		1,376,765	-
Certificates of investment	28	88,500,000	107,250,000
Accrued and other liabilities	29	101,748,784	76,365,833
Taxation		1,080,354	1,500,000
		835,085,480	669,074,645
Contingencies and commitments	30		
		1,143,747,138	1,153,867,216

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

INCOME	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
Lease income		4,722,571	11,793,755
Return on placements, finances, deposits and investments	31	17,769,934	27,064,949
Gain on sale of securities - net		592,971	394,196
Income from long term finances		34,104,252	4,559,966
Other loss	32	(43,375,421)	(29,082,716)
		13,814,306	14,730,150
PROVISIONS / CHANGES IN FAIR VALUE			
Provision for lease losses and doubtful recoveries - net of reversals	33	57,137,645	(308,227,257)
(Provision) / Reversal for impairment	34	(3,750,000)	3,612,500
Surplus / (Deficit) on revaluation of investment property		760,000	(1,000,896)
Loss on revaluation of investments		(1,170,670)	(386,089)
		52,976,975	(306,001,742)
		66,791,282	(291,271,592)
EXPENSES			
Administration expenses	35	73,223,894	84,482,499
Finance cost	36	14,993,996	4,874,962
		(88,217,890)	(89,357,461)
		(21,426,608)	(380,629,053)
Share of profit / (loss) from associates	37	2,540,645	(27,454,104)
LOSS BEFORE TAXATION		(18,885,963)	(408,083,157)
TAXATION			
Current year	38	(1,080,354)	(1,500,000)
Prior year		728,732	1,565,630
Deferred		69,146,861	31,630,305
		68,795,239	31,695,935
PROFIT / (LOSS) AFTER TAXATION		49,909,276	(376,387,222)
Earnings / (Loss) per share - basic - Rupees	39	0.34	(6.46)
Earnings / (Loss) per share - diluted - Rupees	39	0.37	(2.80)

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>2013</i> <i>Rupees</i>	<i>2012</i> <i>Rupees</i>
A. CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(18,885,963)	(408,083,157)
Adjustments:		
- Depreciation	2,654,720	6,717,758
- Amortization of discount income	(13,347,630)	-
- Gain on sale of investments	(592,971)	(394,196)
- Share of (profit) / loss from associates	(2,540,645)	26,586,333
- Finance cost	14,993,996	4,874,962
- (Gain) / loss on sale of property and equipment	(197,083)	17,127,836
- Loss on sale of investment property	-	15,187,650
- (Reversal) / provision for lease losses and doubtful recoveries	(57,137,645)	308,227,257
- Provision - written-off	-	(99,225,238)
- Provision / (Reversal) for impairment in the value of available for sale investments	3,750,000	(3,612,500)
- Loss on revaluation of securities held for trading	1,170,670	386,089
- (Surplus) / Deficit on revaluation of investment property	(760,000)	1,000,896
- Exchange (gain) / loss	(2,197,698)	523,542
- Other loss	(6,703,275)	(3,756,312)
	(60,907,561)	273,644,077
	(79,793,524)	(134,439,080)
Changes in operating assets and liabilities		
<i>(Increase) / decrease in operating assets</i>		
Net investment in lease finance	60,278,770	206,903,513
Long-term finances	60,016,695	82,089,668
Long-term loans	116,342	145,215
Placements and finances	8,189,571	42,984,334
Advances and prepayments	3,408,235	1,271,205
Advance against lease commitments	20,131,100	40,919,717
Mark up accrued	(3,118,818)	33,963,992
Other receivables	(42,702,062)	(37,458,184)
	106,319,833	370,819,460
	26,526,309	236,380,380
<i>Increase / (decrease) in operating liabilities</i>		
Certificates of investment / deposits	(18,750,000)	(58,250,000)
Long-term deposits	(5,213,049)	(39,645,334)
Deferred Income	1,376,765	-
Accrued and other liabilities	(3,250,391)	(10,492,080)
	689,634	127,992,966
Finance cost paid	(4,530,312)	(24,897,344)
Tax refund / (paid)	1,016,395	(3,648,236)
Net cash (outflows) / inflows from operating activities	(2,824,283)	99,447,386
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(1,287,722)	(1,273,791)
Proceeds from sale of property and equipment	1,520,825	2,215,660
Short term investments	(20,843,828)	(30,454,641)
Long-term deposits	(204,000)	(1,000,000)
Net cash out flows used in investing activities	(20,814,725)	(30,512,772)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>2013 Rupees</i>	<i>2012 Rupees</i>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long-term loans	<u>(49,218,284)</u>	<u>(43,126,041)</u>
<i>Net cash out flows used in financing activities</i>	(49,218,284)	(43,126,041)
<i>Net (decrease) / increase in cash and cash equivalents</i>	(72,857,292)	25,808,573
Cash and cash equivalents at beginning of the year	<u>139,860,361</u>	<u>114,051,788</u>
Cash and cash equivalents at end of the year	67,003,068	139,860,361

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>2013 Rupees</i>	<i>2012 Rupees</i>
Net profit / (loss) after taxation for the year	49,909,276	(376,387,222)
Other comprehensive income		
Surplus on remeasurement of investments classified as available for sale - net	644,725	13,906,800
Share of surplus on remeasurement of investments in an associate	4,336,841	867,771
	4,981,566	14,774,571
Total comprehensive income / (loss) for the year	54,890,842	(361,612,651)

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	SHARE CAPITAL		CAPITAL RESERVES			REVENUE RESERVES		TOTAL
	ORDINARY SHARES	PREFERENCE SHARES	STATUTORY RESERVE	PREMIUM ON RIGHT SHARES	CAPITAL RESERVE ON ACQUISITION	DEFICIT ON REVALUATION OF INVESTMENTS	ACCUMULATED LOSS	
----- Rupees -----								
Balance at July 1, 2011	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(24,762,440)	(1,060,165,419)	591,143,370
Total comprehensive income for the year								
- Loss for the year	-	-	-	-	-	-	(376,387,222)	(376,387,222)
- Other comprehensive income	-	-	-	-	-	14,774,571	-	14,774,571
Dividend on preference shares @ 4% for the year	-	-	-	-	-	-	(28,633,342)	(28,633,342)
Balance at June 30, 2012	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(9,987,869)	(1,465,185,983)	200,897,377
Total comprehensive income for the year								
- Loss for the year	-	-	-	-	-	-	49,909,276	49,909,276
- Other comprehensive income	-	-	-	-	-	4,981,566	-	4,981,566
Dividend on preference shares @ 4% for the year	-	-	-	-	-	-	(28,633,341)	(28,633,341)
Balance at June 30, 2013	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(5,006,303)	(1,443,910,048)	227,154,878

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

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 and Islamabad Stock Exchanges. The registered office of the Company is situated in Karachi, Pakistan. The Company had 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 Regulations, 2008 ("the Regulation") from the Securities and Exchange Commission of Pakistan (SECP) which are awaiting renewal.

During the year the Company has closed down its two branches in (i) Lahore and (ii) Islamabad as part of austerity measures. Nonetheless, once the company resumes its normal business operations it intends to reopen these branches and expand its market base. However, till then authorised representatives will fulfil occasional requirements of having these branches.

1.2 The Company is also acting as trustees to Term Finance Certificates / Sukuk issued by Standard Chartered bank Pakistan Limited, Askari Bank Limited, Allied Bank of Pakistan, Escorts Investment Bank Limited, Engro Fertilizers Limited, Orix Leasing Pakistan Limited-1, Orix Leasing Pakistan Limited -2, Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Pvt.), Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company, Bunn's Limited, Pak Hy-Oils Limited and Flying Board and Paper Products Limited. The value of such assets as at June 30, 2013 amounted to Rs. 23.93 billion (June 2012: 21.75 billion).

1.3 The Company incurred net profits of Rs. 49.91 million during the year ended June 30, 2013 (Net loss of Rs. 376.39 million: 2012) and its accumulated loss reduced to Rs.1,443.91 million as at June 30, 2013 (2012 : Rs.1,465.19 million) . The Company started facing financial difficulties from second quarter of financial year 2008-09 as a result of unwarranted liquidity crunch in the financial sector which resulted in withdrawal of money market lines of Non-Banking Financial Institution (NBFC) sector. Likewise, clean money market lines of the Company of over Rs. 5 billion from the banking sector were abruptly withdrawn and consequently the Company was unable to meet its commitments. As a result certain banks and financial institutions filed legal suits and / or served legal notices against the Company.

This equity erosion resulted in down grading of credit rating and non-compliance of requirements of NBFC Regulations. As a result of unprecedented losses on financial assets equity eroded and the Company was unable to meet the set minimum capital requirement. Presently, Leasing and Investment Finance Services (IFS) licenses have not been renewed and permission to issue certificates of investment and deposit stands withdrawn. Further, equity of the Company is below the Minimum Equity Requirement (MER) of Rs. 1,700 million (Rs.700 million for Leasing & Rs.1,000 million for IFS Licences respectively) as prescribed by the Securities and Exchange Commission of Pakistan (SECP) vide SRO No. 764(I) of 2009 dated September 02, 2009.

However, the management is confident that the Company will be able to continue as a going concern and will be able to perform according to the following mitigation plan:

Mitigation plan

The Company being part of the NBFC is heavily reliant on the macro and micro economic dynamics at the country level. At present, the whole of the NBFC sector is in disarray and unfortunately has been placed in situation where normal business functions have almost been halted. This state of affairs is directly affecting the Small Medium Enterprises (SMEs) resulting in slow down of domestic growth.

Last year the Company had taken an initiative to prepare 5-Year Business Plan (2013-17) which have been revised in view of the recent developments including change in MER and assumptions. Proposed reforms directly affecting the Company and which are expected to be implemented by December 2013 are discussed in the following paragraph:

Meeting Expenses For The Last 5-Years:

Since, FDIB continues to remain in the restructuring mode, but it is meeting all expenses for over 5-years. It has been able restructure the balance sheet, without any external financial assistance and without resorting to a bail-out package. The company still has got adequate cash and near cash reserves to meet at least 12-15 months requirements.

Recoveries from Doubtful Account:

"Further, the company expects, keeping in view the previous trend to recover at least 60% - 70% of its already provided doubtful assets either in cash or kind. Earlier also, FDIB during the last 5-years, it has not only been able to recover cash or assets, but also has been able to set-off its liabilities against such recoveries, which clearly shows the quality of assets, which are being recovered. All this has been made possible due to untiring and sincere efforts of recovery, who has been guided well by the senior management."

Emphasis on an Earlier Event:

We wish to reiterate that that NBFC in general and 'FDIB' in particular was subject to unwarranted liquidity crunch during the second quarter of 2008-09, which resulted in withdrawal of money market lines from NBFC sector. FDIBL at that time was availing over Rs 5.0 billion against available lines of Rs.8.0bn (from Money Market) was severely hit due to abrupt withdrawal of these lines. Hence an uncalled for run was triggered.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

FDIBL, despite all odds and distress situation, including but not limited to (i) the closure of stock market (from August until December 2008) (ii) introduction of 'Mufap' pricing for TFCs and (iii) the skyrocketed interest rates during last quarter of 2008 with no access to fresh money has so far managed to settle about 90% of its creditors / lenders primarily against its assets.

Emphasis on an Expected Event:

FDIB' awaits introduction of new regime for 'NBFCs' and it will ensure compliance to rules & regulations. In the meantime, 'FDIB' smoothly continues with its activities, which is beacon of light for other players in the NBFC sector, who are following FDIB.

Preference Shares

The Company issued cumulative preference shares of Rs. 715.83 million on June 09, 2010 against settlement of various liabilities / loans. These preference shares carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years. The preference share holders have option to convert these shares into ordinary shares of the Company at par value of Rs. 10 along with cumulative dividend at any time after issuance. The Company expects that the preference shares along with the cumulative dividend will be converted into ordinary shares of the Company which will strengthen the equity base of the Company.

The Company has been unable to pay dividends to preference share holders for the 3rd consecutive year. Nonetheless, the Company continues to accrue these dividends on daily basis as per terms. The Company intends to pay once it satisfies conditions as laid down u/s 249 of the Companies Ordinance 1984.

Provisioning for non-performing leases and other advances

SECP vide SRO 591(I)/2010 dated June 29, 2010 has revised Regulation-25 of Non-Banking Finance Companies and Notified Entities Regulations 2008. The aforementioned is applicable from the current financial year beginning on July 01, 2012. Accordingly, from the current financial year Schedule-XI will form the basis of classification and provisioning requirement in respect of non-performing short-term and long-term financing facilities have been modified.

Further, 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 realizable and adjusted forced sale value of mortgaged / pledged assets.

Litigations

"At beginning of the financial year the Company had three legal suits in the court of law amounting Rs.181 million which now have reduced to only two and the amount to Rs.81 million; after successful out of court settlement with State Life Insurance Corporation (SLIC). The settlement agreement was signed on December 29, 2012 with assistance of 'Karachi Centre of Dispute Resolution (KCDR) and Court Compromise Decree passed by Honourable High Court of Sindh dated February 14, 2013."

In case, of House Building Finance Corporation (HBFC) despite best efforts of the Company to settle / restructure HBFC's clean exposure / investment in 'COIs' against the Company's assets an out of court settlement was not been possible due to constant changes . HBFC has obtained a decree of Rs.75 million and as per the order of the Court, some of the Company's investment in shares and debt instruments have been attached in favour of Nazir of High Court. The Company is willing to surrender these assets against full and final settlement.

A decree of over Rs.6 million was passed by the court of law in favour of Bank Islami (Pakistan) Limited. However, the Company is in appeal and has also filed a counter claim legal suit seeking a decree for Rs.15 million plus mark-up against an outstanding from Bank Islami against Sukuk-II of Three Star Hosiery.

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. Approved accounting standards comprises of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the Ordinance), the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Ordinance, the Rules, the Regulations, or directives issued by SECP differ with the requirements of IFRSs, the requirements of the Regulation, the Rules, the Ordinance and the said directive issued by SECP shall prevail.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

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 Non Banking Finance Companies (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 SRO 411 dated April 28, 2008 to above mentioned NBFCs. Accordingly, the requirements of these standards have been considered to the extent of leasing operations of the Company and have resulted in additional disclosures in these financial statements.

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.

2.3 *Amendments/ Interpretation To Existing Standard and Forthcoming Requirements*

2.3.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

2.3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements, other than increased disclosures in certain cases.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

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

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

IFRS 13, "Fair value measurement," effective for annual periods beginning on or after January 1, 2013.

IFRS 9 "Financial instruments", applies on a modified retrospective basis to annual periods beginning on or after 1 January, 2015

IFRS 10, "Consolidated Financial statements," effective for annual period beginning on or after January 1, 2013

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after 1 January, 2013.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. Applicable to annual periods beginning on or after 1 January, 2013.

IAS 36, "Intangible assets", amendments resulting from recoverable amount disclosures for Non financial assets . Applicable to annual periods beginning on or after 1 January, 2014.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 *Property and equipment*

Owned

These are stated 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 charged to profit and loss account on straight line basis over the estimated useful life of the assets at the rates specified in note 5 to these financial statements after taking into account residual value, if significant. Depreciation on additions is charged from the month when the asset is available for use and on disposals up to the preceding month.

Normal repairs and maintenance are charged to income as and when incurred. Subsequent expenditure is capitalized 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 or loss on disposal of assets, if any, is included in the profit and loss account.

3.2 *Investment property*

Investment property is held for long term rental yield / capital appreciation and 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 recognized 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

Associates are all entities over which the Company has significant influence but not control, generally represented by a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's share of its associates' post acquisition profits or losses is recognized in profit and loss account and its share in post acquisition of other comprehensive income is recognized in Company's other comprehensive income. Cumulative post acquisition movements are adjusted against the carrying value of the investments. When the Company's share of losses in associate equals or exceeds its interest in the associate including any other long term unsecured receivable, the Company does not recognize future losses, unless it has incurred obligations or made payments on behalf of the associate. Gain on transaction between the Company and its associates are eliminated to the extent of Company's interest in the associates.

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 recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest 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 recognized in the income statement when the investments are de-recognized or impaired, as well as through the amortization process.

Available for sale

These are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. These investments are initially recognized 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

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

Investments at fair value through profit or loss

"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."

De-recognition

All investments are de-recognized 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 are entered into at contracted rates for specified periods of time following the trade date accounting. Securities purchased with a corresponding commitment to resale at a specified future date (reverse-repos) are not recognized 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 and accrued over the period 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 recognized 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 period of the repo agreement.

3.8 *Staff retirement benefits*

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.

3.9 *Long term loans*

Long term loans are initially recognized 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 method. Transaction cost relating to the loan term finance are being amortized over the period of agreement using the effective interest method.

3.10 *Borrowing costs*

Borrowing costs are recognized as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs eligible for capitalization are determined using effective interest method.

3.11 *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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

3.12 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. The charge for current tax also includes adjustment for prior years or otherwise considered necessary for such year.

Deferred

Deferred income tax is recognized 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.

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences including on investments in associates and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit and loss account except to the extent it relates to items recognized directly in equity / other comprehensive income in which case it is also recognized in equity / other comprehensive income.

3.13 Impairment

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that non-financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount of the asset which it would have been, had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

Financial assets

Loans and net investment in lease

Impairment testing and recognition of impairment loss if any, is carried out in accordance with requirements of NBFC Regulations, 2008. (refer note 3.11).

Held to maturity

If there is objective evidence that an impairment loss on held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognized in the profit and loss account. In a subsequent period, if the amount of the impairment loss decreases, the previously recognized impairment loss shall be reversed through profit and loss account.

Available for sale

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment is also considered when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

A decline in the value of equity securities determined as impairment loss is recognized in the profit and loss account. In case of reversal of impairment loss already recognized in profit and loss account for an investment in an equity instrument classified as available for sale, the unrealized gain is recorded in statement of changes in equity. When impairment loss recognized in the profit and loss account for an investment in debt instrument is reversed, the amount of reversal is recognized in the profit and loss account.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

3.14 Revenue recognition

The Company follows the financing method in accounting for recognition of 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.

Mark-up / interest on long term finances, mortgage finances, long term loans and Murabaha finances are accrued using effective yield on time proportionate basis except mark-up / interest / returns on classified loans and investments are recognized on receipt basis.

Return on preference shares and term finance certificate is recognized using the effective interest method on a time proportion basis.

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

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

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

Income on term finance certificates and bank deposits are recognized on accrual basis.

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

Guarantee income is recognized on time proportion basis.

Consultancy and corporate advisory fees are recognized as and when services are provided.

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

3.15 Foreign currency transactions and translation

The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency. Transactions in foreign currencies are accounted for in Pakistan Rupees at daily average rates. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses from the settlement of foreign currency transactions and translation of monetary assets and liabilities at the balance sheet date rates are included in profit and loss account.

3.16 Financial instruments

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

3.17 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.

3.18 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.

3.19 Repossessed assets

These assets are acquired in settlement of certain loans / lease receivables. These are measured at market value.

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.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

3.21 Earnings per share

Basic Earnings Per Share (EPS) is calculated by dividing profit after tax attributable to ordinary shareholders adjusted for the after-tax amounts of preference dividends on preference shares classified as equity by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

3.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive that makes strategic decisions. The Company's primary format for segment reporting is based on business segments as stated in note 42.

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

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent year are as follows:

- (a) Residual values and useful lives of property and equipment (note 3.1).
- (b) Provision for potential losses and doubtful receivables (note 3.4);
- (c) Classification of investments (note 3.5);
- (d) Current and deferred taxation (note 3.12); and
- (e) Provision for impairment on non-current assets (note 3.13).

5. PROPERTY AND EQUIPMENT

Operating fixed assets	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
	5.1	4,795,768	7,486,509

5.1 Operating fixed assets

	<i>COST</i>			<i>ACCUMULATED DEPRECIATION</i>			<i>Carrying value at June 30, 2013</i>	<i>Rate of depreciation %</i>
	<i>At July 01 2012</i>	<i>Additions / (deletions)</i>	<i>At June 30, 2013</i>	<i>At July 01 2012</i>	<i>For the year / (on deletions)</i>	<i>At June 30, 2013</i>		
----- <i>Rupees</i> -----								
<i>Owned</i>								
Furniture and fixtures	171,235	-	171,235	25,592	17,124	42,716	128,519	10
Equipment and appliances	8,137,161	279,202	8,416,363	6,836,961	442,900	7,279,861	1,136,502	20 - 33.33
Vehicles	13,896,900	1,008,520 (4,359,500)	10,545,920	7,856,234	2,194,697 (3,035,758)	7,015,173	3,530,747	20
	22,205,296	1,287,722 (4,359,500)	19,133,518	14,718,787	2,654,721 (3,035,758)	14,337,750	4,795,768	

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

2012	COST			ACCUMULATED DEPRECIATION			Carrying value at June 30, 2012	Rate of depreciation %
	At July 01 2011	Additions / (deletions)	At June 30, 2012	At July 01 2011	For the year / (on deletions)	At June 30, 2012		
-----Rupees-----								
Owned	-							
Office premises	51,072,000	-	-	851,200	1,489,600	-	-	5
		(51,072,000)			(2,340,800)			
Leasehold improvements	6,898,253	770,000	-	574,854	1,405,494	-	-	33.33
		(7,668,253)			(1,980,348)			
Furniture and fixtures	171,235	-	171,235	8,468	17,124	25,592	145,643	10
Equipment and appliances	8,064,020	143,491	8,137,161	6,472,637	430,766	6,836,961	1,300,200	20 - 33.33
		(70,350)			(66,442)			
Vehicles	17,817,709	360,300	13,896,900	6,645,060	3,374,774	7,856,234	6,040,666	20
		(4,281,109)			(2,163,600)			
	84,023,217	1,273,791	22,205,296	14,552,219	6,717,758	14,718,787	7,486,509	
		(63,091,712)			(6,551,190)			

5.1.1 Disposal of property and equipment

The following is a statement of assets disposed off during the year.

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceeds / settlement amount	Name of purchaser	Mode of disposal
Vehicle	70,500	38,775	31,725	31,725	Mr. Azhar Abdul Sattar, Karachi (Employee)	As per Company's Policy
Vehicle	70,500	42,300	28,200	28,200	Mr. Khurram Shahzad, Karachi (Employee)	As per Company's Policy
Vehicle	1,270,000	550,333	719,667	800,000	Mr. Mehmood Merchant / Mr. Noman and Farhan	Negotiation
Vehicle	41,500	8,300	33,200	40,000	Vehicle Stolen	Insurance Recovery
Vehicle	168,000	109,200	58,800	30,000	Mr. Arshad Jamil, Karachi (Employee)	As per Company's Policy
Vehicle	41,500	6,917	34,583	34,583	Crescent Standard Modaraba	Transfer of Employee to group company
Vehicle	41,000	25,283	15,717	15,717	Mr. Imran (Employee)	As per Company's Policy
Vehicle	1,387,500	1,387,500	-	138,750	Mr. Rizwan ul Haque (Employee)	As per Company's Policy
Vehicle	1,269,000	867,150	401,850	401,850	Mr. Nabeel ur Rehman (Employee)	As per Company's Policy
2013	4,359,500	3,035,758	1,323,742	1,520,825		
2012	63,091,712	6,551,190	56,540,522	39,412,686		

5.1.2 Cost of fully depreciated assets still in use is Rs. 8.57 million (2012: Rs.4.71 million).

6. INVESTMENT PROPERTIES

	2013 Rupees	2012 Rupees
Opening balance	70,095,000	119,086,520
Acquired in settlement of Assets	-	-
Disposed off in settlement of liabilities	-	(47,990,624)
Gain on fair value adjustment	760,000	(1,000,896)
	70,855,000	70,095,000

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

6.1 Fair value of the investment properties as at June 30, 2013 has been determined by the professional valuator M/S Pee Dee & Associates which is registered on the panel of Pakistan Banks' Association (PBA) and NBF1 & Modaraba Association of Pakistan. 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 the prevailing market.
- nature of property.

6.2 These investment properties have been mortgaged as a collateral against the guarantee provided to Asian Development Bank on behalf of the Company.

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
7. NET INVESTMENT IN LEASE FINANCE			
Net Investment in finance lease	7.1	676,198,108	754,876,878
Provision for potential lease losses	7.2	(465,266,835)	(485,097,475)
Current portion shown under current assets	7.3	(118,561,731)	(208,771,873)
		92,369,542	61,007,530

7.1 Particulars of net investment in finance lease

	<i>Note</i>	<i>Less than one year</i>	<i>More than one year and less than five years</i>	<i>Total</i>
		<i>-----Rupees-----</i>		
2013				
Minimum lease payments receivables	7.1.1	604,309,388	76,381,667	680,691,055
Residual value of leased assets		116,377,301	15,987,875	132,365,176
Gross investment in finance lease		720,686,689	92,369,542	813,056,231
Unearned finance income		(136,858,123)	-	(136,858,123)
Net investment in lease finance		583,828,566	92,369,542	676,198,108
2012				
Minimum lease payments receivables		690,756,588	76,565,900	767,322,488
Residual value of leased assets		133,446,098	6,232,127	139,678,225
Gross investment in finance lease		824,202,686	82,798,027	907,000,713
Unearned finance income		(130,333,338)	(21,790,497)	(152,123,835)
Net investment in lease finance		693,869,348	61,007,530	754,876,878

7.1.1 As at June 30, 2013, the balance of non-performing lease portfolio as per criteria prescribed in NBFC Regulations 2008 amounting to Rs. 654.22 million (2012: Rs. 723.01 million). The forced sales value benefit considered against these non-performing lease portfolio amounts to Rs. 82.94million (2012: Rs. 91.52 million).

7.1.2 The lease finances carries mark-up ranging from 8% to 29.17% (2012: 8% to 29.17%) having maturity period of three to five years and are secured against the lease assets.

7.1.3 The lease parties having outstanding lease rentals amounting to Rs.121,132,700/- have gone into liquidation by the order of the court. The legal counsel is in the process of initiating proceedings which includes recovery suits and criminal complaints. Further an application will be moved for becoming a party as intervener in the liquidation order.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>	
7.2 Provision for potential lease losses				
Balance at beginning of the year		485,097,475	313,945,872	
(Reversal) /Charge for the year - net	33	(18,434,565)	225,079,586	
Written off during the year		(1,396,075)	(53,927,983)	
Balance at end of the year		465,266,835	485,097,475	
7.3 Current portion of lease finance - net of provision				
Lease finance	7.1	583,828,566	693,869,348	
Provision for potential lease losses	7.2	(465,266,835)	(485,097,475)	
	12	118,561,731	208,771,873	
8. LONG TERM INVESTMENTS				
Investment in associates	8.1	189,238,323	182,360,837	
US Dollar bonds	8.2	6,746,212	4,568,400	
		195,984,535	186,929,237	
8.1 Movement of investment in associates				
Balance at the beginning of the year		182,360,837	163,947,170	
Increase of interest in associates		-	45,000,000	
Share of (loss) / gain	37	2,540,645	(27,454,104)	
Share of surplus on revaluation of investments		4,336,841	867,771	
Transferred from available-for-sale investments		-	-	
Balance at the end of the year		189,238,323	182,360,837	
8.1.2 Carrying value of investment in associates				
<i>2013</i>	<i>2012</i>		<i>2013</i>	<i>2012</i>
<i>Number of Shares</i>		<i>Name of associate</i>	<i>Rupees</i>	<i>Rupees</i>
2,246,070	2,246,070	'Dawood Capital Management Limited	22,533,668	22,533,668
4,762,100	4,762,100	B.R.R. Investments (Private) Limited	31,404,458	18,198,947
19,926,010	19,926,010	'Dawood Family Takaful Limited	135,300,197	141,628,222
			189,238,323	182,360,837

8.1.3 These financial statements do not incorporate any gain / loss pertaining to Dawood Capital Management Limited as the Company has not published / circulated its reviewed financial statements.

The summarized financial information of the associates based on audited / reviewed financial statements for the year / period ended June 30, 2013 are as follows.

	<i>Holding</i>	<i>Total assets</i>	<i>Total liabilities</i>	<i>Equity</i>	<i>Revenue</i>	<i>Profit / (loss) after tax</i>
	%	----- <i>Rupees</i> -----				
2013						
Dawood Capital Management Limited Chief Executive: Tara Uzra Dawood	15.00	154,079,161	3,854,734	150,224,427	19,715,844	1,171,827
B.R.R. Investments (Private) Limited Chief Executive: Ayaz Dawood	41.63	86,313,095	10,877,032	75,436,063	39,022,368	21,303,364
Dawood Family Takaful Limited Chief Executive: Rizwan Ahmed Farid	26.57	1,072,062,635	557,675,754	514,386,881	244,820,911	(42,993,408)

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Holding</i>	<i>Total assets</i>	<i>Total liabilities</i>	<i>Equity</i>	<i>Revenue</i>	<i>Profit / (loss) after tax</i>
<i>-----Rupees-----</i>						
2012						
Dawood Capital Management Limited Chief Executive: Tara Uzra Dawood	15.00	154,079,161	3,854,734	150,224,427	19,715,844	1,171,827
B.R.R. Investments (Private) Limited Chief Executive: Ayaz Dawood	41.63	82,361,573	38,646,362	43,715,211	16,190,236	154,780
Dawood Family Takaful Limited Chief Executive: Rizwan Ahmed Farid	26.57	964,223,308	431,018,216	533,205,092	147,769,978	(19,175,197)
8.2	These are guaranteed non-voting, non-cumulative perpetual preferred securities and entitle holders to receive non-cumulative preferential cash distributions payable on quarterly basis at the rate of 6.85% per annum.					
9.	LONG TERM FINANCES			<i>Notes</i>	2013 Rupees	2012 Rupees
	Term finance facility - secured			9.1, 9.2 & 9.3	296,877,293	356,893,988
	Provision for doubtful finances			9.5	(163,592,854)	(193,038,217)
					133,284,439	163,855,771
	Current portion shown under current assets			12	(109,995,861)	(153,793,465)
					23,288,578	10,062,306
9.1	The reconciliation of long term finance is as under:					
	Balance at beginning of the year				356,893,988	483,983,656
	Settled during the year				(34,585,021)	(48,474,412)
	Repaid during the year				(25,431,674)	(78,615,256)
	Balance at end of the year				296,877,293	356,893,988
9.2	The mark-up / profit rates on these facilities ranges from 8% to 18.27% (2012: 8% to 18.27%) 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 be redeemed up to July 2017.					
9.3	Long term finances include Rs. 293.29 million (2012: Rs.355.29 million) which have been placed under non-performing status. The forced sales value considered against these non-performing finances amounts to Rs. 129.80 million (2012: Rs. 176.06 million).					
9.4	Two properties in Rawalpindi were mortgaged on behalf of the client against swap of a facility measuring 4 and 8 Kanals. These two mortgages were not recorded in the Land Revenue Department record, However are intact for which the Company to keep the interest protected has filed a Petition before Additional Commissioner (Revenue). The Revenue Department's internal reports are in favour of the Company and mutation of mortgage in favour of the Company is very likely which will safeguard recovery. Further a court decree in favour of the Company to the tune on January 03, 2013 and an additional collateral in the form of immovable property has been attached in Islamabad.					
9.5	Particulars of provision for doubtful receivables			<i>Note</i>	2013 Rupees	2012 Rupees
	Balance at beginning of the year				193,038,217	140,556,121
	Charge / (reversal) for the year - net			33	(7,505,936)	52,549,865
	Written off during the year				(21,939,427)	(67,769)
	Balance at end of the year				163,592,854	193,038,217

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
10. LONG TERM LOANS			
<i>Considered good</i>			
Directors		-	-
Other staff	10.1	<u>199,455</u>	315,797
		199,455	315,797
Current portion shown under current assets	12	<u>(66,924)</u>	(75,000)
		132,531	240,797
Outstanding for period:			
- Within three years		199,455	315,797
- Exceeding three years		-	-
		<u>199,455</u>	315,797
10.1 Reconciliation of carrying amount of long term loans			
Balance at beginning of the year		315,797	461,012
Received during the year		<u>(116,342)</u>	(145,215)
Closing balance		199,455	315,797
10.2 Maximum aggregate amount outstanding at the end of any month during the year was Rs. 309,512 (2012: Rs. 1,532,056).			
	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
11. DEFERRED TAX ASSET - NET			
Deferred tax asset - net	11.1 & 11.2	198,893,526	129,746,665
11.1 Deductible temporary differences arising in respect of:			
Deficit on revaluation of investments		1,752,206	3,495,754
Difference in accounting and tax base of fixed assets		269,502	194,223
Provision for impairment		-	-
Provision for lease losses and doubtful receivables		176,584,777	196,582,952
Share of loss of associates		(889,227)	9,608,937
Carry forward of tax losses		<u>247,519,513</u>	171,938,128
		425,236,771	381,819,994
Taxable temporary differences arising in respect of:			
Difference in accounting and tax base of net investment in lease finance		<u>(227,655,745)</u>	(250,808,954)
Difference in accounting and tax base of fixed assets		-	-
Reversal of impairment		<u>1,312,500</u>	(1,264,375)
		(226,343,245)	(252,073,329)
Net deferred tax asset		198,893,526	129,746,665
11.2 Deferred tax asset is recognized in respect of carry forward assessed tax losses/deductible temporary differences to the extent it is probable that there will be future taxable profits against which these losses/deductible temporary differences can be utilized. Last year the Company engaged an independent firm of Chartered Accountants for the preparation of five year business plan which was duly reviewed and approved by the Board of Directors in its 88th meeting dated 07- Nov-2012. The business plan involved certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The determination of future taxable profit is directly related and sensitive to certain key assumptions such as recoveries of outstanding lease and long term finances, resumption of licenses, expected return on investments and bank balances etc. Any change in the key assumptions may have an effect on the realisability of the deferred tax asset. The Board and management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently it is expected that out of the total deferred tax asset of Rs 538.59 million as at June 30, 2013, the deferred tax asset up to Rs. 198.89 million will be realized in the future. Accordingly, the Company has not recognized deferred tax assets of Rs. 339.70 million in respect of remaining carry forward losses and deductible temporary differences.			
	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
12. CURRENT PORTION OF NON-CURRENT ASSETS			
Net investment in lease finance	7.3	118,561,731	208,771,873
Long-term finances	9	109,995,861	153,793,465
Long-term loans	10	66,924	75,000
		<u>228,624,516</u>	362,640,338

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FIRST DAWOOD INVESTMENT BANK LIMITED

13. SHORT TERM INVESTMENTS	Note	2013 Rupees	2012 Rupees
<i>Investments - available for sale</i>			
Term finance certificates	13.1	9,688,911	7,675,786
Unquoted equity securities	13.2	20,123,515	19,678,723
		29,812,426	27,354,509
<i>Investments - at fair value through profit or loss - held for trading</i>			
Quoted equity securities	13.3	12,977,102	6,381,748
<i>Investments - held to maturity</i>			
Preference shares	13.4	-	-
Treasury Bills		12,444,425	
		55,233,953	33,736,257

13.1 Term Finance Certificates (TFCs)

2013 Number of Certificates	2012 Quoted	
--------------------------------	----------------	--

3,000	3,000	Invest Capital Investment Bank Limited
82	82	Trust Investment Bank Limited

15,000,000	15,000,000
186,276	186,276
15,186,276	15,186,276

Un-quoted

2,000	-	Flying Paper and Board Limited
1,123	1,123	Gharibwal Cement Limited
1,023	1,023	New Allied Electronics (Private) Limited
4,247	-	Avari Hotels
3,000	3,000	Three Star Hosiery Mills (Private) Limited

3,812,500	-
5,550,000	5,550,000
4,348,775	4,348,775
1,750,692	-
15,000,000	15,000,000
30,461,967	24,898,775

Less: Provision for impairment in value of investments	13.1.1	(36,148,775)	(32,398,775)
Less: Unrealized loss on remeasurement of investments	13.1.2	189,443	(10,490)

45,648,243	40,085,051
(36,148,775)	(32,398,775)
189,443	(10,490)
9,688,911	7,675,786

13.1.1 Movement in provision for impairment in value of investments

Balance at beginning of the year		32,398,775	36,011,275
Transfer from provision of deficit on revaluation of investment	13.1.2	-	15,000,000
(Reversal) / provision for impairment during the year - net		3,750,000	(18,612,500)
(Reversal) / charge for the year	34	3,750,000	(3,612,500)
Balance at end of the year		36,148,775	32,398,775

32,398,775	36,011,275
-	15,000,000
3,750,000	(18,612,500)
3,750,000	(3,612,500)
36,148,775	32,398,775

13.1.2 Movement of unrealized loss on remeasurement of investments

Balance at beginning of the year		(10,490)	(15,000,000)
Transfer to provision for impairment	13.1.1	-	15,000,000
Gain/ (loss) during the year		199,933	(10,490)
Reversal during the year		-	-
Balance at end of the year	22	189,443	(10,490)

(10,490)	(15,000,000)
-	15,000,000
199,933	(10,490)
-	-
189,443	(10,490)

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13.1.3 Significant terms and conditions relating to term finance certificates having face value of Rs. 5,000 each are as follows: 2013 2012

Particulars	Profit rate per annum	Profit payment	Maturity Date
Quoted			
Invest Capital Investment Bank Limited	6 months KIBOR + 150 bps per annum with no floor and no cap	Semi-annually	September 05, 2013
Trust Investment Bank Limited	6 months KIBOR + 150 bps per annum with no floor and no cap	Semi-annually	July 04, 2013
Un-quoted			
Gharibwal Cement Limited Chief Executive: M. Tauseef Paracha	6 months KIBOR + 300 bps with no floor and no cap	Quarterly	September 01, 2012
Avari Hotels	1 year KIBOR + 250 bps	Annually	October 30, 2014
New Allied Electronics (Private) Limited Chief Executive: Mr. Mian Pervaiz	6 months KIBOR + 220 bps with floor of 7% and Cap of 20%.	Semi-annually	November 01, 2012
Three Star Hosiery Mills (Private) Limited Chief Executive: Mr. Mansoor Rasheed	6 months KIBOR + 300 bps with no floor and no cap	Semi-annually	December 01, 2014

13.1.4 TFCs of Invest Capital Investment Bank Limited amounting to Rs.15 million (2012: Rs.15 million) have been held with Banker's Equity Limited.

			Note	Rupees	Rupees
13.2 Un-quoted equity securities					
Fully paid ordinary shares of Rs.10 each:					
2013	2012				
<i>Number of shares</i>					
2,512,299	2,512,299	Burj Bank Limited	13.2.1	24,950,489	24,950,489
2,518,454	2,518,454	First Pakistan Securities Limited		36,000,000	36,000,000
2,396,881	2,396,881	World Bridge Connect (Private) Limited		23,968,810	23,968,810
				84,919,299	84,919,299
		Less: Provision for impairment		(59,968,810)	(59,968,810)
		Less: Deficit on revaluation of investment	13.2.2	(4,826,974)	(4,189,056)
				20,123,515	20,761,433
13.2.1 These shares have been held with Nazir High Court for settlement against short term borrowing.					
13.2.2 Movement in unrealized loss on remeasurement of investments					
		Balance at beginning of the year		(5,271,766)	(4,189,056)
		Surplus / (Deficit) during the year		444,792	(1,082,710)
		Balance at end of the year	22	(4,826,974)	(5,271,766)

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FIRST DAWOOD INVESTMENT BANK LIMITED

13.3 Quoted equity securities

Fully paid ordinary shares of Rs.10 each:

2013 Number of shares	2012 Number of shares		2013 Rupees	2012 Rupees
-	2,000	Adamjee Insurance Company Limited	-	116,500
-	14,500	Arif Habib Corporation Limited	-	448,485
46,358	-	Askari Bank	705,569	-
200,000	20,000	The Bank of Punjab	2,547,989	153,600
-	15,000	BYCO Petroleum Pakistan	-	126,450
-	5,000	D.G. Khan Cement Company Limited	-	196,900
720	720	Dawood Hercules Corporation Limited	33,199	23,767
-	500	Dawood Lawrencepur Limited	-	31,010
5,000	-	Deewan Farooque Spinning Mills Limited	17,350	-
-	20,000	Descon Oxychem Limited	-	77,600
-	2,000	Engro Corporation Limited	-	203,680
-	5,000	Engro Polymer & Chemicals Limited	-	49,250
-	66,902	Fatima Fertilizer Company Limited	-	1,650,472
-	60,000	Fauji Cement Company Limited	-	337,800
-	2,000	Fauji Fertilizer Company Limited	-	222,100
490	10,490	GlaxoSmithKline Pakistan Limited	59,452	663,388
-	2,972	Habib Bank Limited	-	335,360
-	12,000	Jahangir Siddiqui & Company Limited	-	148,920
-	15,000	Karachi Electric Supply Company Limited	-	48,600
18,000	-	Kohinoor Industries Limited	53,100	-
-	2,000	Lucky Cement Limited	-	230,780
3,310	1,400	Murree Brewery Company Limited	910,296	140,224
8,300	-	National Refinery	1,996,814	-
-	14,050	Netsol Technologies Limited	-	192,907
13,000	-	Pakistan Petroleum Limited	2,750,540	-
-	9,500	Pakistan Reinsurance Company Limited	-	162,545
-	1,500	Pakistan State Oil Company Limited	-	353,760
11,900	-	Shell Pakistan	1,703,723	-
-	45,000	Silk Bank Limited	-	94,950
-	20,000	Sitara Peroxide Limited	-	198,000
45,000	40,000	Summit Bank Limited	104,401	127,200
-	25,000	Telecard Limited	-	37,250
1,036,965	-	Transmission Engineering	2,094,669	-
-	5,000	World Telecom Limited	-	10,250
			12,977,102	6,381,748

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

13.4 Preference shares

2013	2012		2013	2012
Number of shares			Rupees	
75,500	75,500	<i>Quoted</i>		
		Azgard Nine Limited	377,668	377,668
		Less: Provision for impairment	(377,668)	(377,668)
			-	-

13.4.1 These represent cumulative redeemable convertible preference shares carried dividend at the rate of 8.95% (2012: 8.95%) per annum. These were matured on November 21, 2010.

	Note	2013 Rupees	2012 Rupees
14. PLACEMENTS AND FINANCES			
Placement - unsecured	14.1	14,500,000	14,500,000
Provision for doubtful placement	14.1.1	(14,500,000)	(14,500,000)
		-	-
Financing against shares	14.2	311,071,100	311,071,100
Provision for doubtful finances	14.2.1	(311,071,100)	(311,071,100)
		-	-
Short-term finances - secured	14.3 & 14.3.1	60,581,567	66,081,567
Provision for doubtful finances	14.3.2	(34,000,901)	(39,500,901)
		26,580,666	26,580,666
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful deposits		(5,000,000)	(5,000,000)
		-	-
Murabaha / musharaka finances - secured	14.4 & 14.4.1	94,886,886	124,018,446
Provision for doubtful finances	14.4.2	(54,181,474)	(75,123,463)
		40,705,412	48,894,983
		67,286,078	75,475,649

14.1 The placement matured on June 30, 2012 which was carrying profit at the rate of 12.5% (2012: 12.5%) per annum.

14.1.1 Movement in provision for doubtful placement

Balance at beginning of the year		14,500,000	-
Charge / (reversal) for the year	33	-	14,500,000
Balance at end of the year		14,500,000	14,500,000

14.2 These are secured against listed equity securities of Rs. nil (2012: Nil) held as collateral at June 30, 2013. These financing were made to companies and individuals in the normal course of business and were carrying profit at rates ranging from 15% to 24% (2012: 15% to 24%) per annum. The finances matured on June 30, 2009.

14.2.1 Movement in provision for doubtful finance

Balance at beginning of the year		311,071,100	340,755,324
Charge for the year		-	315,776
Reversal for the year		-	(30,000,000)
	33	-	(29,684,224)
Balance at end of the year		311,071,100	311,071,100

14.3 These are secured by ranking charge over hypothecation of stock and mortgage of immovable properties. These were carrying mark-up / profit ranges from 15.05% to 16.1 % (2012: 15.05% to 18.11%) per annum. These facilities were matured on June 30, 2009.

14.3.1 Short term finances Rs. 60.58 million (2012: Rs. 66.08 million) have been placed under non-performing status. Provision against non performing finances is made after netting off forced sale values of the collateral assets of Rs.26.58 million (2012 : Rs.26.58 million).

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
14.3.2 Movement in provision for doubtful finance			
Balance at beginning of the year		39,500,901	13,433,478
Charge / (reversal) for the year	33	(3,000,000)	26,067,423
Written off during the year		(2,500,000)	-
Balance at end of the year		34,000,901	39,500,901
14.4 These are secured by hypothecation of all present and future stocks, receivables, demand promissory note and personal guarantee of directors and borrowers. These were carrying mark-up / profit ranges from 8.5 % to 19.5 % (2012 : 8.5% to 19.5%) per annum subject to change in KIBOR. These facilities were matured on June 30, 2009.			
14.4.1 As at June 30, 2012 the balance of non-performing advances amounts to Rs. 124.02 million (2012 : Rs.136.36 million). Provision against non performing finances is made after netting off forced sale values of the collateral assets which amounted to Rs. 48.89 million (2012 : Rs. 65.43 million).			
14.4.2 Movement in provision for doubtful finance			
Opening balance		75,123,463	70,927,994
Charge / (reversal) for the year	33	(20,941,989)	16,389,803
Written off during the year		-	(12,194,334)
Closing balance		54,181,474	75,123,463
15. ADVANCE AGAINST LEASE COMMITMENTS			
Considered doubtful	15.1	35,696,246	55,827,346
Less : Provision for doubtful advances	15.2	(35,696,246)	(44,827,347)
		-	10,999,999
15.1 Advance against lease commitments were carrying mark-up rates ranging from 15.02% to 15.43% (2012: 14.38% to 15.56%) per annum.			
15.2 Movement in provision for doubtful advances			
Opening balance		44,827,347	75,747,063
(Reversal) / charge during the year - net	33	(1,000,000)	(30,919,716)
Write off		(8,131,101)	-
Closing balance		35,696,246	44,827,347
15.2.1 The advance against lease commitment Rs. 35.70 million (2012: Rs.55.83 million) have been placed under non-performing finances. The forced sale values considered against these finances amount to Rs. Nil (2012: Rs.11 million).			
16. LOANS, ADVANCES AND PREPAYMENTS			
Short term advances	16.1	3,000,920	8,100,000
Advance income tax		2,484,751	2,766,075
Income tax refund		718,236	-
Prepayments		502,334	360,386
Others		1,791,752	961,091
		8,497,993	12,187,552
Less : Provision for doubtful advances		(3,000,920)	(3,000,920)
		5,497,073	9,186,632
16.1 It was given to Dawood Power Limited (a related party) at the rate of 14% (2012: 14%) per annum.			

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
17. MARKUP ACCRUED			
Loans and advances		16,123	731,202
Term finance certificates / sukuk bonds		2,089,347	30,851
Placement and finances		1,775,401	-
		<u>3,880,871</u>	<u>762,053</u>
Less : Provision for doubtful recovery	17.1	-	-
		<u>3,880,871</u>	<u>762,053</u>
<i>17.1 Particulars of provision for doubtful recoveries</i>			
Opening balance		-	33,035,152
Charge during the year	33	-	-
Write-off		-	(33,035,152)
Closing balance		-	-
18. OTHER RECEIVABLES			
<i>Considered good</i>			
Brokerage receivable		618,602	699,910
Receivable against lease termination		2,786,816	9,370,462
Others	18.1	62,874,443	6,397,117
		<u>66,279,861</u>	<u>16,467,489</u>
<i>Considered doubtful</i>			
Decretal amount receivable	18.2	37,302,430	37,302,430
TFC proceeds receivable from Bankers Equity Limited		12,365,103	12,365,103
Receivable against lease termination		73,581,824	80,692,134
Receivable against KSE Card transaction-net	18.3	45,515,114	45,515,114
		<u>168,764,471</u>	<u>175,874,781</u>
Less : Provision for doubtful receivables	18.4	(138,449,232)	(144,704,387)
		<u>96,595,100</u>	<u>47,637,883</u>
18.1	This includes Rs. 52.09 million receivable from an associated undertaking. This amount receivable is part of the consideration for the 8.4 million shares (Refer Note 28.1 for details). The amount represents the fair value and transfer cost of 101 Acres plot of land as of June 30, 2013. Even through the title of the property has been transferred it has not been recorded by BRRGM because of pending approval from SECP. The remaining consideration is in the form of transfer of title of open plot of Land and balance in cash (Refer Note 20.1).		
18.2	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 in the Company's hands. However, as a matter of prudence the Company has made provision in this regard.		
18.3	The Company had purchased Karachi Stock Exchange (Guarantee) Limited (KSE) 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 this purchase which is netted off against this receivable. Currently the membership card is under litigation due to a case filed against the KSE member from whom that card was purchased. The Company has made provision against this receivable as a matter of prudence.		
	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
18.4 Movement in provision for doubtful receivables			
Balance at beginning of the year		144,704,387	110,459,867
(Reversal)/ Charge during the year	33	(6,255,155)	34,244,520
Balance at end of the year		<u>138,449,232</u>	<u>144,704,387</u>
19. CASH AND BANK BALANCES			
With banks			
- In deposit accounts	19.1	62,305,918	136,804,414
- In current accounts		4,697,150	3,055,947
		<u>67,003,068</u>	<u>139,860,361</u>
		<u>67,003,068</u>	<u>139,860,361</u>

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FIRST DAWOOD INVESTMENT BANK LIMITED

19.1 These represent deposits maintained with various commercial banks and carry profit at the rates ranging between 6% to 9.3% (2012: 5% to 13%).

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
20. NON CURRENT ASSETS - HELD FOR SALE			
Open Plot of Land	20.1	25,103,000	
Residential flat	20.2	4,500,000	
		29,603,000	-

20.1 This represents market value of open plot of land measuring 8.65 Acres situated at Hadbast Mouza Kamogill, Tehsil Patoki, Distt. Kasur, located at 49 Km of Multan Road acquired in settlement through court decree issued in favour of FDIBL. The land has been classified as Held for Sale as it forms part of the consideration for purchase of Burj bank limited shares (Refer Note 18.1)

20.2 This represents market value of residential property acquired in satisfaction of an outstanding lease finance. This asset has been reclassified as held for sale due to the out of Court settlement (Refer Note 28.1) with SLIC.

21. SHARE CAPITAL

21.1 Authorized

	<i>2013 Number of shares</i>	<i>2012 Number of shares</i>		<i>2013 Rupees</i>	<i>2012 Rupees</i>
	75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000,000	750,000,000
	75,000,000	75,000,000	Preference shares of Rs. 10 each	750,000,000	750,000,000
	150,000,000	150,000,000		1,500,000,000	1,500,000,000

21.2 Issued, subscribed and paid-up

	<i>2013 Number of shares</i>	<i>2012 Number of shares</i>		<i>2013 Rupees</i>	<i>2012 Rupees</i>
			Fully paid ordinary shares of Rs.10 each issued:		
	35,685,382	35,685,382	- for cash	356,853,820	356,853,820
	26,491,821	26,491,821	- issued as bonus shares	264,918,210	264,918,210
	472,087	472,087	- issued on acquisition	4,720,870	4,720,870
	62,649,290	62,649,290		626,492,900	626,492,900

21.2.1 There were no movements in share capital during the reporting year. The company has one class of ordinary shares which carry no right to fixed income.

21.2.2 At June 30, 2013 associated undertakings, namely Dawood Capital Management Limited holds 2,382,641 (2012: 2,382,641), BRR Guardian Modaraba holds 3,339,922 (2012: 3,339,922) and BRR Investments (Private) Limited holds 490,591 (2012: 315,239) ordinary shares of the Company.

	<i>2013 Number of shares</i>	<i>2012 Number of shares</i>		<i>2013 Rupees</i>	<i>2012 Rupees</i>
			Fully paid 4% cumulative preference shares of Rs.10 each issued against settlement of liabilities		
	71,583,354	71,583,354		715,833,540	715,833,540

21.3.1 The Company issued cumulative preference shares of Rs. 715.83 million on June 09, 2010 against settlement of various liabilities / loans. These preference shares carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years. These preference shares are non-voting, non-participatory and have a call option exercisable after two years from the date of issue. The holders of preference shares have option to convert these shares into ordinary shares of the Company at par value of Rs. 10 along with cumulative dividend at any time after issuance. Three years have lapsed without the payment of dividend however dividend are being accumulated on daily basis as per agreed terms.

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
22. DEFICIT ON REVALUATION OF INVESTMENTS			
Term finance certificates	13.1.2	189,443	(10,490)
Treasury bills		-	-
Ordinary shares - unquoted	13.2.2	(4,826,974)	(5,271,766)
Share of deficit on revaluation of investments in associates		(368,772)	(4,705,613)
		<u>(5,006,303)</u>	<u>(9,987,869)</u>

23. LONG TERM LOANS -Secured

Asian Development Bank	23.1	21,242,060	49,460,344
Commercial Banks	23.2	439,885,597	460,885,597
		<u>461,127,657</u>	510,345,941
Current portion shown under current liabilities	25	(395,627,657)	(232,682,873)
		<u>65,500,000</u>	<u>277,663,068</u>

23.1 Reconciliation of Asian Development Bank Loan

Balance at beginning of the year	49,460,344	73,836,385
Repaid during the year	(28,218,284)	(24,376,041)
Balance at end of the year	<u>21,242,060</u>	49,460,344

23.1.1 This represents a 15 year term loan facility, with a grace period of three years, obtained in trenches under Financial Sector Intermediation Loan No. 1371-PAK. The loan is repayable in Pak Rupees and 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 equitable mortgage of investment properties of the Company (refer note 6), and hypothecation in respect of all undertaking assets present and future and all other assets which could in the ordinary course of business be converted within one year into cash or assets readily convertible into cash.

23.2 Reconciliation of commercial bank loans

Balance at beginning of the year	460,885,597	614,635,597
Repaid / Settled during the year	(21,000,000)	(153,750,000)
Balance at end of the year	<u>439,885,597</u>	460,885,597

23.2.1 These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favour of other lenders to secure short term borrowings (refer Note 27). These are subject to mark-up rate ranging from 0% to 5% (2012: 0% to 3%) per annum payable on quarterly basis.

24. LONG TERM DEPOSITS

Lease deposits	24.1	121,560,764	126,773,813
Current portion of lease deposits shown under current liabilities	25	(105,553,984)	(120,541,687)
		<u>16,006,780</u>	<u>6,232,126</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.

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
25. CURRENT PORTION OF LONG TERM			
<i>LIABILITIES</i>			
Long-term loans	23	395,627,657	232,682,873
Deposits	24	105,553,984	120,541,687
		501,181,641	353,224,560
26. MARK-UP ACCRUED			
<i>Secured:</i>			
- Long-term loans		2,344,537	3,901,401
- Short-term borrowings		213,259	213,259
<i>Unsecured:</i>			
- Short-term borrowings		57,221,917	45,201,369
		59,779,713	49,316,029
27. SHORT TERM BORROWINGS			
<i>Unsecured</i>			
Call borrowing - commercial bank	27.2 & 27.5	6,418,223	6,418,223
Call borrowing - Development Financial Institution	27.3 & 27.4	75,000,000	75,000,000
		81,418,223	81,418,223
27.1 Reconciliation of short term borrowings			
Opening balance		81,418,223	81,418,223
Settled / restructured / repaid during the year		-	-
Closing balance		81,418,223	81,418,223
27.2	This facility was subject to mark-up rate of 16.75% (2012: 16.75%) per annum and was payable on February 15, 2009.		
27.3	This facility was subject to mark-up of 17% (2012: 17%) per annum. These facility had been overdue since June 30, 2009.		
27.4	The financial institutions has obtained a decree on Rs.75 million plus cost of fund and as per the order of the Court shares and debt instruments amounting Rs.108million at par have been attached in favour of Nazir of High Court. The Company is willing to surrender these assets in settlement against full and final settlement.		
27.5	A Commercial Bank filed a legal suit passed decree in its favour. The Company has appeal in the Honourable High Court of Sindh on the ground that the issue of maintainability raised by them in its leave to defend application was not given any consideration at all and therefore, the judgement is without lawful jurisdiction. The legal counsel is of the opinion that the Company has a good case which is likely to succeed.		
28. CERTIFICATES OF INVESTMENT - SHORT TERM			
Non Banking Financial Institutions	28.1	88,500,000	107,250,000
28.1	"An out of court settlement with the financial institution was indicated on December 29, 2012 with assistance of Karachi Centre for Dispute Resolution (KCDR). Subsequently, a compromise application was filed and accepted by the Honourable High Court of Sindh on February 6, 2013. The terms of the agreement were to be executed within 90 days of the signing i.e. March 29, 2013 subject to regulatory approvals."		
	In lieu of which agreed assets are in the process of being transferred including 8.4 shares of Burj Bank Limited which the Company was in the process of acquiring from an associated company which got delayed due to the regulatory restriction imposed by Registrar Modaraba, SECP . The transfer now awaits approval and after approval shares would be transferred to the Company and thereafter to the financial institution through Central Depository Company of Pakistan Limited (CDC). Further, the settlement also includes transfer of a repossessed apartment which due to various reservations from the financial institution still awaits transfer. However, recently it has been formulated by the financial institution on July 19, 2013 to sell the said property in open market and remitting sales proceeds to the extent to the amount as agreed in the out of court settlement.		

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
29. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		31,624	1,159,624
Unearned rent		1,991,000	3,077,000
Guarantee commission		10,320,608	9,612,971
Preference dividend payable		87,600,291	58,966,950
Others		1,805,261	3,549,288
		101,748,784	76,365,833

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingent liabilities

Letters of comfort / guarantee	30.1.1	2,038,000,000	2,038,000,000
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30.1.1 The outstanding guarantees include expired guarantees amounting to Rs. 600 million (2012: Rs. 600 million) original documents of which have not yet been returned to the Company. The outstanding guarantees also include guarantees amounting to Rs. 1,438 million (2012: Rs. 623 million) under litigations and are being defended by lawyers of the Company.

a) Guarantees against gas bills

Guarantees against gas bill provided to utility company amounting to Rs. 500 million (2012: Rs.500 million) were expired in the year 2010. However, the original guarantee documents have not yet been returned by the customer. The legal advisors of the Company are of the view that the Company does not have any financial exposure in respect of these guarantees as these have already been expired.

Out of the two guarantees, a guarantee of Rs. 270 million has been called by the beneficiary after its expiry date.

b) Guarantees against finances

The above amount includes guarantees held by commercial banks amounting to Rs. 110 million (2012: Rs.110 million) issued against the financing facilities extended to the clients. Out of two guarantees, one guarantee of Rs. 100 million has been called by the beneficiary. The legal advisors of the Company are of the view that the Company has good merits to defend the case.

c) Under litigation

"These are guarantees amounting to Rs.1,438 million (2012:Rs.623 million) which were called and are under dispute / litigations which are being defended by the competent lawyers. Based on the view of its legal advisors, the management is confident that adequate legal grounds are available to defend these cases. Accordingly, no provision has been made for the said cases in these financial statements."

Brief detail of the guarantees under litigations is as under:

- i) The Guarantee of Rs.245 million was given against a Letter of Commitment which is currently in litigation. The beneficiary has filed a winding up petition against the Company in the High Court of Sindh. According to the Company's legal advisors, the Company has good merits to defend its case against the winding up petition.
- ii) "The guarantee of Rs.250 million against the repayment of Sukuk was called as the principal debtor defaulted in payment of instalment of the said Sukuk Issue. The Trustee of Sukuk has filed a recovery suit against the Company in Sindh High Court, which is pending hearing. Based on the views of its legal advisors, the management is confident that the matter will be disposed off in due course in favour of the Company."
- iii) The guarantee of Rs.128 million against the bridge finance facility was called as the party in whose favour guarantee was given defaulted in making payment to the beneficiary bank. The beneficiary has filed for suit for recovery in the Sindh High Court, which is pending hearing. According to Company's legal advisors, the Company has good merits to defend this case.
- iv) An investment bank during the year has filed a legal suit against the issuer of a sukuk where the Company had given a guarantee to the trustees of the issue. However, the guarantee had already been revoked in 2011 due to non-transfer of Musharaka assets in favour of the investors which was duly informed. According to Company's legal advisors, the Company has good merits to defend this case.

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

v) A commercial bank who was an investor has been filed a legal suit against the issuer of a sukuk and included the Company in the pro-forma defendant. The Company has been joined as a party to the proceedings due to the fact that it is a joint pari-passu charge holder on Musharaka assets. According to legal advisors, there no relief has been sought against the Company.

30.2 Commissioner of Income Tax (CIT) has disallowed certain expenses while allocating expenses for the assessment year 2001-02 and tax year 2003 resulting in increase in tax liability by Rs.0.58 million with reduction in lease losses for the year by Rs. 10.75 million. The Company filed appeals in Appellate Tribunal Inland Revenue (ATIR) which were decided in favour of the Company, however, the CIT has filed appeal against ATIR decision for rectification. Based on the advice of the tax advisors of the Company, the management is confident that it will not result in any cash outflow from the Company.

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
31. RETURN ON PLACEMENTS, FINANCES, DEPOSITS AND INVESTMENTS - Net			
Return on investments / deposits / placements and finances		2,943,664	7,612,865
Rental income from investment properties		4,551,924	5,383,402
Profit on bank deposits		9,459,911	13,978,422
Dividend income		814,435	90,260
		<u>17,769,934</u>	<u>27,064,949</u>
32. OTHER LOSS			
<i>- On financial assets</i>			
Service charges on staff loan		19,091	18,335
<i>- On non - financial assets</i>			
Fee and commission and other charges		17,782,979	3,737,977
(Loss)/ gain on disposal of property and equipment		197,083	(17,127,836)
Loss on disposal of investment property		-	(15,187,650)
Loss on settlement of Assets and Liabilities		(63,572,272)	-
Exchange (loss) / gain		2,197,698	(523,542)
		<u>(43,394,512)</u>	<u>(29,101,051)</u>
		<u>(43,375,421)</u>	<u>(29,082,716)</u>
33. PROVISION FOR LEASE LOSSES AND DOUBTFUL RECOVERIES - NET OF REVERSALS			
Net investment in finance lease	7.2	(18,434,565)	225,079,586
Long term finances	9.4	(7,505,936)	52,549,865
Placements	14.1.1	-	14,500,000
Financing against shares	14.2.1	-	(30,000,000)
Short term finances	14.3.2	(3,000,000)	26,067,423
Murabaha / musharaka finance	14.4.2	(20,941,989)	16,389,803
Advance against lease commitments	15.2	(1,000,000)	(30,919,716)
Mark-up accrued	17	-	-
Other receivables	19.4	(6,255,155)	34,244,520
		<u>(57,137,645)</u>	<u>307,911,481</u>
34. PROVISION FOR IMPAIRMENT IN ASSETS			
(Reversal) / provision for impairment in the value of available for sale investments	13.1.1	3,750,000	(3,612,500)

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>Note</i>	<i>2013 Rupees</i>	<i>2012 Rupees</i>
35. ADMINISTRATION EXPENSES			
Salaries and benefits	35.1	34,744,296	42,979,558
Directors' meeting fees		999,979	823,808
Rent, rates and taxes		3,068,117	3,042,975
Legal, professional and consultancy		13,536,984	8,828,352
Vehicles running and maintenance		4,105,943	5,282,755
Fees and subscription		953,396	2,384,333
Travelling and conveyance		241,360	382,726
Postage and telephone		539,556	734,270
Utilities		1,999,684	1,517,676
Printing and stationery		363,116	638,422
Insurance		1,332,973	1,557,919
Entertainment		264,377	437,131
Advertisement		313,557	148,659
Repairs and maintenance		1,347,889	1,561,776
Auditors remuneration	35.2	1,702,754	1,558,000
Depreciation	5.1	2,654,720	6,717,758
Share registrar services		583,650	315,381
Brokerage		4,304,756	5,000,000
Security and other service		166,000	571,000
Donation		786	-
		<u>73,223,894</u>	<u>84,482,499</u>
35.1	It include Rs. 1,602,901 (2012: 2,454,873) in respect of Company's contribution in defined contribution plan.		
35.2 Auditors remuneration			
Statutory audit fee		900,000	880,000
Half yearly review fee		423,500	385,000
Other services and certification		208,500	160,000
Out of pocket expenses		170,754	133,000
		<u>1,702,754</u>	<u>1,558,000</u>
36. FINANCE COST			
Mark-up on:			
Long-term loans		2,955,390	17,414,132
Short-term borrowings		12,020,548	12,784,932
Short-term certificates of investment / deposits		-	1,486,961
Documentation, project examination, guarantee commission, trusteeship fee and bank charges		18,058	1,147,809
		<u>14,993,996</u>	<u>32,833,834</u>
Reversal due to settlement of liabilities	23.2.2	-	(27,958,872)
		<u>14,993,996</u>	<u>4,874,962</u>
37. SHARE OF (LOSS) / PROFIT FROM ASSOCIATES			
Dawood Capital Management Limited		-	175,774
B.R.R. Investment (Private) Limited		8,868,673	64,436
Dawood Family Takaful Limited		(6,328,028)	(27,694,314)
		<u>2,540,645</u>	<u>(27,454,104)</u>

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

37.1 The Income of BRR Investment (Private) Limited and Dawood Family Takaful Limited is based on managements accounts, as the audited financial statements of the companies were not available.

38. TAXATION

Return of income for the tax year 2012 has been duly filed and assessment up to the tax year 2012 is deemed to be finalised in terms of section 120 of the Income Tax Ordinance , 2001.

39. EARNINGS PER SHARE

Gain / (Loss) after taxation - basic	<i>Rupees</i>	21,275,935	(405,020,564)
Gain / (Loss) after taxation - diluted	<i>Rupees</i>	49,909,276	(376,387,222)
Weighted average number of ordinary shares - basic EPS	<i>Numbers</i>	62,649,290	62,649,290
Weighted average number of ordinary shares - diluted EPS	<i>Numbers</i>	134,232,644	134,232,644
Loss per share - basic	<i>Rupees</i>	0.34	(6.46)
Loss per share - diluted	<i>Rupees</i>	0.37	(2.80)

40. REMUNERATION TO DIRECTORS AND EXECUTIVES

	<i>2013</i>			
	<i>Chairman</i>	<i>Chief Executive Officer</i>	<i>Director</i>	<i>Executives</i>
	<i>----- Rupees -----</i>			
Managerial remuneration	-	3,960,000	8,280,000	12,161,987
Provident fund	-	-	552,000	803,646
Reimbursement of expenses	3,165,029	-	-	-
	3,165,029	3,960,000	8,832,000	12,965,633
Number of persons	1	1	1	8
	<i>2012</i>			
	<i>Chairman</i>	<i>Chief Executive Officer</i>	<i>Director</i>	<i>Executives</i>
	<i>----- Rupees -----</i>			
Managerial remuneration	-	7,200,000	8,280,000	10,037,600
Provident fund	-	480,000	552,000	667,444
Reimbursement of expenses	3,592,617	-	-	-
	3,592,617	7,680,000	8,832,000	10,705,044
Number of persons	1	1	1	4

40.1 The chief executive, director and executives are also provided with free use of company cars, medical insurance cover and travelling allowance, the monetary value of these are Rs. 1,459,650 (2012: Rs. 2,703,966) approximately.

Executive means an employee other than director and Chief Executive Officer, whose basic salary exceeds Rs.500,000 in a financial year.

41. TRANSACTIONS WITH RELATED PARTIES

41.1 All transactions involving related parties arising in the normal course of the business are conducted at arm's length at the normal commercial rates on the same terms and conditions as third party transactions using valuation models, as admissible, except in extremely rare circumstances where, subject to the approval of the BOD, it is in the interest of the Company to do so.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

40.1 The chief executive, director and executives are also provided with free use of company cars, medical insurance cover and travelling allowance, the monetary value of these are Rs. 1,459,650 (2012: Rs. 2,703,966) approximately.

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41.2 Details of transactions with related parties and balances with them except for those disclosed elsewhere in the financial statements:

	2013		2012	
	<i>Key management personnel</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- Rupees-----			
Long term finances / loans				
Balance at beginning of the year	-	-	71,799	-
Received during the year	-	-	(71,799)	-
Balance at end of the year	-	-	-	-
Investment in associate				
Balance at beginning of the year	-	182,360,837	-	163,947,170
Increase in equity holding	-	-	-	45,000,000
Transferred from available for sale investments	-	-	-	-
Share of (loss) / profit	-	2,540,645	-	(27,454,104)
Share of surplus on revaluation	-	4,336,841	-	867,771
Balance at end of the year	-	189,238,323	-	182,360,837
Short term loan	-	3,000,920	-	8,100,000
Long Term Finance	-	7,500,000	-	-
Disposal of fixed assets - cost	1,387,500	-	-	-
Unearned rent	-	1,991,000	-	3,077,000
Mark-up accrued	-	-	-	714,000
Settlement transactions				
Short term investments acquired	-	-	-	146,000,000
Property transferred / acquired	-	-	-	70,000,000
Term finance facility received	-	4,165,917	-	7,500,000
Term finance facility transferred	-	-	-	7,151,192
Vehicle sold	-	34,583	-	-
Land transferred	-	46,880,000	-	-
Transfer cost related to land transfer	-	5,921,000	-	-
Cash paid	-	-	-	26,000,000
Short term investments transferred	-	-	-	50,000,000

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	2013		2012	
	<i>Key management personnel</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- Rupees -----			
Charge to profit and loss account				
Loss on disposal of property	-		-	32,409,729
Lease Income	-		-	-
Return on placements, finances, deposits and investments	-		-	714,000
Common expenses charged	-	2,118,015	-	3,370,682
Share of (loss) / profit from associates		2,540,645	-	2,540,645
Share of common expenses received		421,050	-	3,245,099
Service charges on staff loan	20,885		18,335	-
Gain on settlement of redeemable capital	-		-	-
Rental income	-	1,086,000	-	2,334,790
Rent expense	-	2,243,920	-	964,640
Insurance expense	-	74,891	-	94,207
Provision or long term finance	-	(7,500,000)	-	-

42. SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The Chief Executive Officer (CEO) has been identified as the chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments. The CEO with his team is responsible for the business of the Company which is divided into four categories:

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

Primary segment information

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

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.

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

The internal reporting provided to the CEO for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

Segment assets and liabilities include all assets and liabilities related to the segment and segment revenues and expenses include all revenues and expenses related to the segment.

The Company's financial charges, administration and other operating expenses, taxation and assets and liabilities not related to the above mentioned segments are managed on the Company basis and are not allocated to operating segment.

There were no change in the reportable segments during the year.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



FIRST DAWOOD INVESTMENT BANK LIMITED

42.1 Segment information for the year ended June 30, 2013

	Leasing		Investments		Long Term Finances		Placements and Finances		Others		Total
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
	----- (Rupees) -----										
Segment revenue	4,722,571	11,793,755	4,351,070	7,097,321	34,104,252	4,559,966	123,850	1,000,000	34,010,847	22,594,594	77,312,589
Provisions and fair value changes	19,434,565	(194,159,870)	-	3,226,411	7,505,936	(52,549,865)	22,055,254	(26,957,226)	760,000	(1,000,896)	49,755,755
Loss on de-recognition of financial assets / investment property	-	-	-	-	-	-	-	-	(63,572,272)	(15,187,650)	(63,572,272)
Gain on sale of securities / investment properties	-	-	592,971	-	-	-	-	-	-	-	592,971
Share of (loss) / profit of associate	-	-	2,540,645	(27,454,104)	-	-	-	-	-	-	(27,454,104)
Segment results	24,157,136	(182,366,115)	7,484,686	(17,130,372)	41,610,188	(47,989,899)	22,179,104	(25,957,226)	(28,801,425)	6,406,048	66,629,689
Unallocated cost											
Loss on disposal of property and equipment											197,083
Other provisions											6,255,155
Finance cost											(14,993,996)
Administration expenses											(73,223,894)
(Loss) / profit before taxation											(81,765,652)
Taxation											(15,135,963)
Loss after taxation											68,795,239
Other information											53,659,276
Segment assets	210,931,273	280,779,402	251,218,488	220,665,494	133,284,439	163,855,771	67,286,078	75,475,649	-	-	662,720,278
Unallocated assets											481,026,860
Total assets											1,143,747,138
Segment liabilities	344,592,401	368,766,607	173,024,482	155,500,942	151,289,029	174,347,087	247,686,346	254,354,220	-	-	916,592,258
Total liabilities											916,592,260
Net assets											227,154,878

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

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

Segment by class of business

Class of business	2013				%
	Leasing operations	Investments	Long-term finance	Total	
----- Rupees -----					
Cement	-	5,550,000	-	5,550,000	0.45
Chemicals, fertilizers and pharmaceuticals	36,648,535	145,750	29,362,135	66,156,420	5.31
Construction	25,137,264	-	105,200,000	130,337,264	10.46
Electrical goods	3,930,700	4,348,775	885,637	9,165,112	0.74
Energy, oil and gas	576,620	6,451,077	8,890,000	15,917,697	1.28
Financial	-	232,733,048	-	232,733,048	18.68
Food, tobacco and beverages	24,001,125	910,296	-	24,911,421	2.00
Health care	6,492,900	-	-	6,492,900	0.52
Miscellaneous	116,062,441	5,563,192	142,018,456	263,644,089	21.16
Steel, engineering and automobile	22,107,531	2,094,669	-	24,202,200	1.94
Sugar and allied	26,488,704	-	-	26,488,704	2.13
Textile composite	191,076,202	-	-	191,076,202	15.34
Textile finishing	48,765,055	15,000,000	-	63,765,055	5.12
Transport and communication	174,911,031	-	10,521,065	185,432,096	14.88
	676,198,108	272,796,807	296,877,293	1,245,872,208	100.00

Class of business	2012				%
	Leasing operations	Investments	Long-term finance	Total	
----- Rupees -----					
Cement	-	6,315,480	-	6,315,480	0.44
Chemicals, fertilizers and pharmaceuticals	47,560,278	3,536,742	29,362,135	80,459,155	5.62
Construction	35,387,264	-	105,200,000	140,587,264	9.83
Electrical goods	3,930,700	4,348,775	871,301	9,150,776	0.64
Energy, oil and gas	576,620	528,810	26,673,078	27,778,508	1.94
Financial	293,882	264,205,077	-	264,498,959	18.49
Food, tobacco and beverages	24,223,425	140,224	-	24,363,649	1.70
Health care	7,452,900	-	-	7,452,900	0.52
Miscellaneous	114,911,239	-	179,681,387	294,592,626	20.59
Steel, engineering and automobile	46,443,172	-	4,585,021	51,028,193	3.57
Sugar and allied	27,731,415	-	-	27,731,415	1.94
Textile composite	197,236,202	408,678	-	197,644,880	13.82
Textile finishing	48,837,055	15,000,000	-	63,837,055	4.46
Transport and communication	200,292,726	24,209,217	10,521,066	235,023,009	16.43
	754,876,878	318,693,003	356,893,988	1,430,463,869	100.00

43. FINANCIAL RISK MANAGEMENT POLICIES

The Company's directors and management are responsible for ensuring that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. The Board of Directors reviews and agree policies for managing each of these risks.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Presently, the Company is in recovery phase and have stopped any new business activities. The Company is planning to adopt adequate risk management systems once it will resume operations.

The Company's financial assets comprise of lease finances, long term and short finances, placements, other receivables and cash and bank balances. The Company also holds available-for-sale investments, held to maturity investments and initially designated as investments at fair value through profit and loss. The Company's principal financial liabilities 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.

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FIRST DAWOOD INVESTMENT BANK LIMITED

The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized as follows:

43.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices.

43.1.1 Interest rate risk

Interest rate is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 reprising of assets and liabilities.

Cash flow and fair value interest rate risks

The Company's exposure to the risk of changes in interest rates relates primarily to the following:

	<i>2013</i> <i>Rupees</i>	<i>2012</i> <i>Rupees</i>
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	62,305,918	136,804,414
Long term investment	6,746,212	4,568,400
Short term investment	12,444,425	-
Long term loans	199,455	315,797
	81,696,010	141,688,611
Financial liabilities		
Loan term loans	249,861,510	278,079,794
Short-term borrowings	81,418,223	81,418,223
Certificates of investment	88,500,000	107,250,000
	419,779,733	466,748,017
Variable rate instruments at carrying amount:		
Financial assets		
Net investment in lease finance	210,931,273	269,779,403
Long term finances	133,284,439	163,855,771
Placements and finances	67,286,078	75,475,649
Advance against lease commitments	-	10,999,999
	411,501,790	520,110,822

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

43.1.1.1 Mismatch of interest rate sensitive assets and liabilities

	Effective Rate	2013							Total
		One year or less	More than one year but less than two years	More than two year but less than three years	More than three year but less than four years	More than four year but less than five years	More than five year	Not exposed to interest rate risk	
----- Rupees -----									
Financial Assets									
Net investment in lease finance	8% - 29.17%	118,561,731	-	92,369,542	-	-	-	-	210,931,273
Long term investments	-	-	-	-	-	-	-	-	195,984,535
Long-term finances	8% - 18.27%	109,995,861	6,228,019	354,756	15,979,853	725,950	-	-	133,284,439
Long-term loans	5.00%	66,924	73,203	59,328	-	-	-	-	199,455
Long term deposits	-	-	-	-	-	-	-	-	-
Short term investments	12.99% - 15.29%	12,444,425	-	-	-	-	-	-	55,233,953
Placements and finances	8.5% - 24%	67,286,078	-	-	-	-	-	-	67,286,078
Advance against lease commitments	14.38% - 15.56%	-	-	-	-	-	-	-	-
Loans, advances and prepayments	-	-	-	-	-	-	-	-	-
Interest accrued	-	-	-	-	-	-	-	-	5,497,073
Other receivables	-	3,100,000	-	-	-	-	-	-	3,880,871
Cash and bank balances	6% - 13%	62,305,918	-	-	-	-	-	-	93,495,100
		373,760,937	6,301,222	92,783,626	15,979,853	725,950	-	346,344,256	835,895,844
Financial Liabilities									
Long-term loans	0% - 5%	395,627,657	65,500,000	-	-	-	-	-	461,127,657
Deposits	-	-	-	-	-	-	-	-	121,560,764
Certificates of investment	17% - 20%	88,500,000	-	-	-	-	-	-	88,500,000
Short-term borrowings	17.00%	81,418,223	-	-	-	-	-	-	81,418,223
Accrued and other liabilities	-	-	-	-	-	-	-	-	101,748,784
On balance sheet gap		(191,784,943)	(59,198,778)	92,783,626	15,979,853	725,950	-	223,309,548	(18,459,584)

**NOTES TO FINANCIAL STATEMENTS
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FIRST DAWOOD INVESTMENT BANK LIMITED

	Effective Rate	2012							Total
		One year or less	More than one year but less than two years	More than two year but less than three years	More than three year but less than four years	More than four year but less than five years	More than five year	Not exposed to interest rate risk	
Financial Assets									
Net investment in lease finance	8% - 29.17%	208,771,873	58,367,574	2,639,956	-	-	-	-	269,779,403
Long term investment	-	-	-	-	-	-	-	-	186,929,237
Long-term finances	8% - 18.27%	153,793,465	2,535,517	1,121,017	2,759,588	1,715,357	1,930,827	-	163,855,771
Long-term loans	5.00%	75,000	83,288	85,263	72,246	-	-	-	315,797
Long term deposits	-	-	-	-	-	-	-	-	3,500,000
Short term investments	12.99% - 15.29%	-	7,675,786	-	-	-	-	-	33,736,257
Placements and finances	8.5% - 24%	75,475,649	-	-	-	-	-	-	75,475,649
Advance against lease commitments	14.38% - 15.56%	10,999,999	-	-	-	-	-	-	10,999,999
Loans, advances and prepayments	-	-	-	-	-	-	-	-	9,186,632
Interest accrued	-	-	-	-	-	-	-	-	762,053
Other receivables	-	8,100,000	-	-	-	-	-	-	39,537,883
Cash and bank balances	6% - 13%	136,804,414	-	-	-	-	-	-	139,860,361
		594,020,400	68,662,165	3,846,236	2,831,834	1,715,357	1,930,827	269,032,223	942,039,042
Financial Liabilities									
Long-term loans	0%-5%	199,682,873	78,396,921	-	-	-	-	-	510,345,941
Deposits	-	-	-	-	-	-	-	-	126,773,813
Certificates of investment	17% - 20%	107,250,000	-	-	-	-	-	-	107,250,000
Accrued mark-up	-	-	-	-	-	-	-	-	49,316,029
Short-term borrowings	17.00%	81,418,223	-	-	-	-	-	-	81,418,223
Accrued and other liabilities	-	-	-	-	-	-	-	-	76,365,833
		388,351,096	78,396,921	-	-	-	-	484,721,822	951,469,839
On balance sheet gap		205,669,304	(9,734,756)	3,846,236	2,831,834	1,715,357	1,930,827	(215,689,599)	(9,430,797)

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

Management of the Company estimates that an increase of 100 basis points in the market interest rate, with all other factors remaining constant, would increase the Company's income by Rs. 1.086 million and a decrease of 100 basis points would result in a decrease in the Company's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

Management is of the view that the above sensitivity analysis 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 reprising or maturity dates whichever is earlier is as follows:

43.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. As the Company does not have any foreign currency asset and liabilities except for investment in US dollar bonds having carrying value of USD 68,420, therefore, the Company is not materially exposed to foreign currency risk as at June 30, 2013.

43.1.3 Price risk

Price risk is the risk of volatility in the value of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the Company in which the investment is made, change in business circumstances of the Company, its business sector, industry and / or the economy in general. The Company's Executive Committee reviews and approves all investment related decisions.

At the balance sheet date, the exposure to listed equity securities is Rs. 12.977 million. Management of the Company estimates that 5% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Company's net assets by Rs.0.65 million. However, in practice, the actual results may differ from the sensitivity analysis.

43.2 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligation. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Company's maximum exposure to credit risk.

	2013 <i>Rupees</i>	2012 <i>Rupees</i>
Net investment in lease finance	210,931,273	269,779,403
Long term investments	195,984,535	186,929,237
Long term finances	133,284,439	163,855,771
Long term loans	199,455	315,797
Long term deposits	3,704,000	3,500,000
Short term investments	9,688,911	7,675,786
Placements and finances	67,286,078	75,475,649
Advance against lease commitments	-	10,999,999
Loans and advances	3,000,920	8,100,000
Mark-up accrued	3,880,871	762,053
Other receivables	96,595,100	47,637,883
Cash and bank balances	67,003,068	139,860,361
	791,558,650	914,891,939

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Credit risk on bank balances is limited as they are maintained with foreign and local banks having good credit ratings assigned by local and international credit rating agencies

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

	Short term	Long term	Rating agency
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Burj Bank Limited	A-1	A	JCR-VIS
MCB Bank Limited	A1+	AAA	PACRA
Al Baraka Bank	A-1	A	JCR-VIS
National Bank of Pakistan	A1+	AAA	JCR-VIS
Bank Al-Habib Limited	A1+	AA+	PACRA
Standard Chartered Bank	A1+	AAA	PACRA
Oman International Bank	A-2	BBB	JCR-VIS

43.3 FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company has investments carried at fair value amounting to Rs. 25,421,527 (2012: 18,625,934) which are valued under level 1 valuation method. There have been no movements in or out of the level 1 category during the year. The Company does not have any investment in level 2 or level 3 category.

43.4 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.

43.4.1 MATURITIES OF ASSETS AND LIABILITIES

	2013				
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
Assets					
Property and equipment	4,795,768	85,450	8,568	4,573,230	128,520
Investment property	70,855,000	-	-	-	70,855,000
Net investment in lease finance	210,931,273	29,640,433	88,921,298	92,369,542	-
Long term investments	195,984,535	-	-	-	195,984,535
Long-term finances	133,284,439	27,498,965	82,496,896	23,288,578	-
Long-term loans	199,455	16,731	50,193	132,531	-
Long-term deposits	3,704,000	-	-	-	3,704,000
Deferred tax asset	198,893,526	-	-	198,893,526	-
Short-term investment	55,233,953	25,421,527	-	9,688,911	20,123,515
Placement and finances	67,286,078	67,286,078	-	-	-
Other asset	-	-	-	-	-
Advances and prepayments	5,497,073	2,484,751	3,012,322	-	-
Interest accrued	3,880,871	3,880,871	-	-	-
Other receivables	96,595,100	96,595,100	-	-	-
Cash and bank balances	67,003,068	67,003,068	-	-	-
	1,114,144,138	319,912,973	174,489,277	328,946,318	290,795,570

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

Liabilities

Long-term loans	461,127,657	36,611,953	359,015,704	65,500,000	-
Certificates of investment	88,500,000	88,500,000	-	-	-
Lease Deposits	121,560,764	-	105,553,984	16,006,780	-
Deferred Income	1,376,765	1,376,765	-	-	-
Accrued mark-up	59,779,713	59,779,713	-	-	-
Short-term borrowings	81,418,223	81,418,223	-	-	-
Accrued and other liabilities	101,748,784	1,137,981	100,610,803	-	-
Taxation	1,080,354	-	1,080,354	-	-
	<u>916,592,260</u>	<u>268,824,635</u>	<u>566,260,845</u>	<u>81,506,780</u>	<u>-</u>
Net Assets	197,551,878	51,088,338	(391,771,568)	247,439,538	290,795,570

Share capital	1,342,326,440
Reserves net of accumulated	
	<u>(1,115,171,562)</u>
Net assets	227,154,878

2012

	<i>Total</i>	<i>Upto three months</i>	<i>Over three months to one year</i>	<i>Over one year to five years</i>	<i>Over five years</i>
Assets					
Property and equipment	7,486,509	798,860	2,022,425	4,547,278	117,947
Investment property	70,095,000	-	-	-	70,095,000
Net investment in lease finance	269,779,403	59,858,741	148,913,132	61,007,530	-
Long term investment	186,929,237	-	-	-	186,929,237
Long-term finances	163,855,771	41,187,741	112,605,724	10,062,306	-
Long-term loans	315,797	18,750	56,250	240,797	-
Long-term deposits	3,500,000	-	-	-	3,500,000
Deferred tax asset	129,746,665	-	-	129,746,665	-
Short-term investment	33,736,257	6,381,748	-	7,675,786	19,678,723
Placement and finances	75,475,649	75,475,649	-	-	-
Advance against lease commitments	10,999,999	10,999,999	-	-	-
Other asset	4,500,000	4,500,000	-	-	-
Advances and prepayments	9,186,632	9,186,632	-	-	-
Interest accrued	762,053	762,053	-	-	-
Other receivables	47,637,883	47,637,883	-	-	-
Cash and bank balances	139,860,361	139,860,361	-	-	-
	<u>1,153,867,216</u>	<u>396,668,417</u>	<u>263,597,531</u>	<u>213,280,362</u>	<u>280,320,907</u>
Liabilities					
Long-term loans	510,345,941	139,409,461	93,273,412	277,663,068	-
Certificates of investment	107,250,000	107,250,000	-	-	-
Lease Deposits	126,773,813	126,773,813	-	-	-
Accrued mark-up	49,316,029	49,316,029	-	-	-
Short-term borrowings	81,418,223	81,418,223	-	-	-
Accrued and other liabilities	76,365,833	76,365,833	-	-	-
Taxation	1,500,000	-	1,500,000	-	-
	<u>952,969,839</u>	<u>580,533,359</u>	<u>94,773,412</u>	<u>277,663,068</u>	<u>-</u>
Net Assets	200,897,377	(183,864,942)	168,824,119	(64,382,706)	280,320,907
Share capital	1,342,326,440				
Reserves net of accumulated					
loss	<u>(1,141,429,063)</u>				
Net assets	200,897,377				

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

44. FINANCIAL INSTRUMENTS BY CATEGORY	2013 Rupees	2012 Rupees
Financial assets as per balance sheet		
Held for trading		
Quoted equity securities	12,977,102	6,381,748
Held to maturity		
Long term investments	195,984,535	186,929,237
Treasury Bills	12,444,425	-
Available for sale		
Term finance certificates	9,688,911	7,675,786
Unquoted equity securities	20,123,515	19,678,723
	29,812,426	27,354,509
Loans and receivables		
Net investment in lease finance	210,931,273	269,779,403
Long-term finances	133,284,439	163,855,771
Long-term loans	199,455	315,797
Long term deposits	3,704,000	3,500,000
Placements and finances	67,286,078	75,475,649
Advance against lease commitments	-	10,999,999
Loans, advances and prepayments	5,497,073	9,186,632
Interest accrued	3,880,871	762,053
Other receivables	96,595,100	47,637,883
Cash and bank balances	67,003,068	139,860,361
	588,381,356	721,373,548
	839,599,844	942,039,042
Financial liabilities as per balance sheet		
Financial liabilities measured at amortised cost		
Long term loans	461,127,657	510,345,941
Long term deposits	121,560,764	126,773,813
Mark-up accrued	59,779,713	49,316,029
Short-term borrowings	81,418,223	81,418,223
Certificates of investment	88,500,000	107,250,000
Accrued and other liabilities	101,748,784	76,365,833
	914,135,141	951,469,839
44.1 Reconciliation of financial assets and liabilities with total assets and liabilities		
Total financial assets	839,599,844	942,039,042
Add: Non financial assets		
Property and equipment	4,795,768	7,486,509
Investment properties	70,855,000	70,095,000
Deferred tax asset	198,893,526	129,746,665
Other asset	-	-
	274,544,294	207,328,174
Total assets	1,114,144,138	1,149,367,216
Total financial liabilities		
	914,135,141	951,469,839
Add: Non financial liabilities		
Deferred Income	1,376,765	-
Taxation	1,080,354	1,500,000
Total liabilities	916,592,260	952,969,839

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

45. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide adequate returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to comply with the capital requirements of NBFC Regulations, 2008 issued by SECP.

As per rule 3 of NBFC Regulations, the minimum equity requirement for investment finance services was Rs.1,000 million to be achieved in a phased manner by June 30, 2013. Further the minimum equity requirement for Leasing was Rs. 700 million to be achieved in a phased manner by June 30, 2013. Currently the Company has net equity of Rs. 202.74 million which does not meet the minimum equity requirement for investment finance services and leasing license.

Consistent with other companies in the industry, the Company monitors the capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in balance sheet and plus net debt.

The gearing ratios of the Company as at June 30, 2013 and 2012 were as follows:

	<i>2013</i>	<i>2012</i>
	<i>Rupees</i>	<i>Rupees</i>
Total borrowings	631,045,880	699,014,164
Less: Cash and bank balances	<u>(67,003,068)</u>	<u>(139,860,361)</u>
Net debt	564,042,812	559,153,803
Total equity	<u>227,154,878</u>	<u>200,897,377</u>
Total capital	791,197,690	760,051,180
Gearing ratio	71.29%	73.57%

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **September 18, 2013** by the Board of Directors of the Company.

47. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**PATTERN OF SHAREHOLDING - ORDINARY SHARES
AS ON JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

Number Of Share Holders	From	Share Holding	To	Total Shares Held
913	1	-	100	31,525
405	101	-	500	109,667
685	501	-	1,000	612,641
505	1,001	-	5,000	1,212,907
144	5,001	-	10,000	1,167,013
55	10,001	-	15,000	746,322
27	15,001	-	20,000	496,608
26	20,001	-	25,000	605,071
25	25,001	-	30,000	706,230
12	30,001	-	35,000	407,353
7	35,001	-	40,000	277,076
6	40,001	-	45,000	267,673
17	45,001	-	50,000	841,031
7	50,001	-	55,000	357,313
7	55,001	-	60,000	408,640
8	60,001	-	65,000	496,224
2	65,001	-	70,000	136,000
1	70,001	-	75,000	71,736
5	75,001	-	80,000	394,369
1	80,001	-	85,000	83,500
4	85,001	-	90,000	344,778
2	90,001	-	95,000	186,630
5	95,001	-	100,000	494,155
1	110,001	-	115,000	112,000
2	115,001	-	120,000	232,783
2	120,001	-	125,000	248,620
1	125,001	-	130,000	127,805
2	135,001	-	140,000	271,590
1	145,001	-	150,000	145,475
2	155,001	-	160,000	317,855
1	160,001	-	165,000	161,600
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	397,858
2	200,001	-	205,000	404,852
1	215,001	-	220,000	217,291
1	220,001	-	225,000	225,000
1	235,001	-	240,000	235,434
1	245,001	-	250,000	246,373
1	250,001	-	255,000	250,096
1	260,001	-	265,000	261,500
1	270,001	-	275,000	275,000
1	275,001	-	280,000	278,300
1	300,001	-	305,000	301,955
2	315,001	-	320,000	634,483
1	330,001	-	335,000	330,762
1	395,001	-	400,000	397,963
1	400,001	-	405,000	400,537
1	435,001	-	440,000	436,425
1	460,001	-	465,000	464,000
1	490,001	-	495,000	492,594
2	500,001	-	505,000	1,004,438
1	525,001	-	530,000	529,171
1	595,001	-	600,000	599,276
1	600,001	-	605,000	604,500
1	745,001	-	750,000	750,000
1	800,001	-	805,000	805,000
1	1,390,001	-	1,395,000	1,394,028
1	1,415,001	-	1,420,000	1,418,522
1	1,920,001	-	1,925,000	1,921,400
1	2,340,001	-	2,345,000	2,341,935
1	2,380,001	-	2,385,000	2,382,641
1	2,475,001	-	2,480,000	2,478,564
1	2,585,001	-	2,590,000	2,585,770
1	5,345,001	-	5,350,000	5,350,000
1	8,865,001	-	8,870,000	8,867,566
1	10,375,001	-	10,380,000	10,378,637
2924				62,649,233



FIRST DAWOOD INVESTMENT BANK LIMITED

Number Of Share Holders	From	Share Holding	To	Total Shares Held
Categories of Shareholders		Number Of Share Holders	Total Shares Held	Percentage
Individuals		2867	39,945,630	63.76
Joint Stock Companies		25	295,274	0.47
Insurance Companies		7	10,492,936	16.75
Financial Institutions		7	4,176,745	6.67
Investment Companies		6	818,246	1.31
Modarabas		7	3,545,874	5.66
Modaraba Management Companies		2	637,092	1.02
Mutual Fund		1	2,478,564	3.96
Others		2	258,872	0.41
		2924	62,649,233	100

ADDITIONAL INFORMATION OF ORDINARY SHARES AS ON JUNE 30, 2013

S. No.	Categories Shareholders	Shares Held	% Age
1	Associated Companies	6,215,794	9.92
	B.R.R. Guardian Modaraba	3,342,562	
	Dawood Capital Management Limited	2,382,641	
	B.R.R. Investment (Pvt.) Ltd.	490,591	
2	NIT & ICP	2,478,854	3.96
	National Bank of Pakistan-Trustee Department Ni(U)T Fund	2,478,564	
	National Investment Trust	220	
	IDBL (ICP) Unit	70	
3	Directors, CEO, their Spouses and Minor Children	15,072,914	24.06
	Ayaz Dawood	2,585,770	
	Hamida Dawood	2,834,529	
	Rafique Dawood	8,939,302	
	Shumaila Matri Dawood	319,244	
	Rasheed Y. Chinoy	247,594	
	Mohammad Ali S/O Ayaz Dawood	145,475	
	Khurshid A. Khair	500	
	Abu Khursheed M. Arif	500	
4	Public Sector Companies and Corporation	10,378,637	16.57
5	Banks, DFIS, NBFIS, Insurance Companies, Modarabas Joint Stock Companies and Mutual Funds	3,630,318	5.79
	Shareholders Holding Five Percent Or More In The Company	24,667,939	39.37
	State Life Insurance Corp. Of Pakistan	10,378,637	16.57
	Rafique Dawood	8,939,302	14.27
	Abdul Sattar Vayani	5,350,000	8.54

**PATTERN OF SHAREHOLDING - PREFERENCE SHARES
AS ON JUNE 30, 2013**



FIRST DAWOOD INVESTMENT BANK LIMITED

Number of Share Holders (Preference Shares)	Share Holding		Total Shares Held
	From	To	
1	1,495,001	-	1,500,000
1	1,995,001	-	2,000,000
1	2,495,001	-	2,500,000
1	3,040,001	-	3,045,000
1	5,995,001	-	6,000,000
1	9,935,001	-	9,940,000
1	14,090,001	-	14,095,000
1	32,510,001	-	32,515,000
8			71,583,354

Categories of Certificate Holder's	No. of Share Holder	Shares Held	Percentage
Financial Institution	6	62,538,974	87.37
Insurance Companies	1	6,000,000	8.38
Mutual Fund	1	3,044,380	4.25
	8	71,583,354	100.00

ADDITIONAL INFORMATION OF PREFERENCE SHARES AS ON JUNE 30, 2011

Categories Shareholders	Numbers	Shares Held	% Age
Financial Institution	6	62,538,974	87.37
National Bank of Pakistan		32,511,474	
The Bank of Khyber		14,092,000	
Allied Bank Limited		9,935,500	
Askari Bank Limited		2,500,000	
IGI Investment Bank Limited		2,000,000	
Bank Alfalah Limited		1,500,000	
Insurance Companies	1	6,000,000	8.38
National Insurance Company Limited		6,000,000	
Mutual Fund	1	3,044,380	4.25
CDC - Trustee AMZ Plus Income Fund		3,044,380	
Shareholders holding ten percent or more Preference Shares in the Company	3	56,538,974	78.98
National Bank of Pakistan		32,511,474	45.42
The Bank of Khyber		14,092,000	19.69
Allied Bank Limited		9,935,500	13.88

FORM OF PROXY
XIX Annual General Meeting
First Dawood Investment Bank Limited
Karachi.



FIRST DAWOOD INVESTMENT BANK LIMITED

I/ we _____ of
_____ (full address)

being a member of **First Dawood Investment Bank Limited** Folio No CDC A/c. No. _____ do
hereby appoint Mr. /Ms _____ Folio No. CDC A/c No _____

of _____ (full address) (or failing him)

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 **XIX Annual General Meeting** of the Company to be held on October 24, 2013 at 10:30 a.m. hours
and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2013, 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 October 17, 2013 to October 24, 2013 (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. The signature on the Instrument of Proxy must confirm 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 Securities & Exchange Commission of Pakistan for attending the meeting.



FIRST DAWOOD INVESTMENT BANK LIMITED

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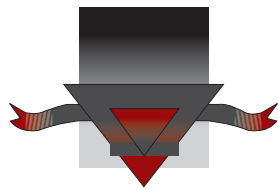
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FIRST DAWOOD INVESTMENT BANK LIMITED

1900-B, Saima Trade Towers, I.I. Chundrigar Road, Karachi-74000

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FIRST DAWOOD INVESTMENT BANK LIMITED

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