



**FIRST DAWOOD INVESTMENT BANK LIMITED**

Third Quarter Report  
31 March 2009  
(Un-audited)

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1500 A Saima Trade Towers,  
I.I. Chundrigar Road, Karachi 74000





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## CORPORATE INFORMATION

Board of Directors	Mr. Rafique Dawood Mr. Rasheed Y. Chinoy Mr. Ayaz Dawood Mr. Abdul Hamid Dagia Mr. Abdus Samad Khan Mr. Ansar Hussain AVM (R) Syed Javed Raza	Chairman & Chief Executive    (Nominee of NIT) (Nominee of SLIC) (Nominee of DCM)
Audit Committee	Mr. Rasheed Y. Chinoy AVM (R) Syed Javed Raza Mr. Ayaz Dawood Mr. Abdul Hamid Dagia	Chairman Member Member
Group Finance Director	Mr. Muhammad Shoab	
Chief Financial Officer	Mr. Abbas Qurban	
Company Secretary	Mr. Tahir Mehmood	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Advisors	Mohsin Tayebaly & Co.	
Bankers	Bank Al-Habib Habib Metropolitan Bank Faysal Bank MCB Bank First Women Bank Standard Chartered Bank Habib Bank United Bank Bank Al-Falah KASB Bank	
Website	www.firstdawood.com	
Registered Office and Head Office	1500-A Saima Trade Towers, I. I. Chundrigar Road, Karachi-74000 UAN : 111-DAWOOD (111-329663) PABX : 92-21-227-1974/1897 Fax : 92-21-227-1913 E-mail : dlc@cyber.net.pk : fdib@firstdawood.com	
Branch Offices	Office No. 20 & 21, Beverly Centre, 1st Floor, 56-G, Jinnah Avenue, Islamabad-74400 Tel. : (051) 227-6367 & 227-4194/5 Fax : (051) 227-1280 E-mail : brim@isb.paknet.pk  72 Main Boulevard, Siddique Trade Centre, Suite 210, 2nd Floor, Lahore. Tel : (042) 578-1891 Fax : (042) 578-1980 E-mail : brr@brain.net.pk	
Registrar	F.D. Registrar Services (SMC-Pvt) Ltd. 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi-74000 Ph# 9221-547 8192-3 Fax # 9221-227 1905	



## DIRECTORS' REPORT

The Board of Directors of First Dawood Investment Bank Ltd ("FDIB") the "Company" present the un-audited financial statements of the Company for the nine months period ended March 31, 2009.

Year 2008 will be remembered as one of the toughest that Pakistan has experienced over the last few decades. The economy tumbled due to high inflation, unprecedented Government borrowings, downgrading of country's rating, poor law & order situation and severe liquidity crunch in the financial sector. FDIB could not be isolated and remained one of the victims of liquidity crunch, as regular lenders suspended short term credit lines and sought encashment of their funds. As it is absolutely impracticable to honor all commitments on maturities with no new financing available. The maturity of short term facilities of over Rs.5 billion therefore placed the bank in a difficult situation, and it had to accept the exorbitant rate of interest even up to 35% from the lenders.

With hectic negotiations about Rs.3 billion of short term liabilities have been settled with unencumbered securities including properties, shares, TFC's, term loans etc. For the remaining around Rs.2 billion, negotiations with creditors are in final stages. FDIB may succeed in rolling-over these liabilities for a 5 year period with a 1 year grace period and thereafter principal will be repaid quarterly, at 3 months KIBOR.

The above arrangement, if agreed by the creditors will give a breathing time to the company.

The financial performance of the company for the period under review was affected mainly due to the liquidity crunch in the financial sector, which is the main resource generating hub for the company. The company's Gross Loss during the period is Rs. 303.92 million as compared to Gross Income of Rs. 1,064.02 million in the same period of the previous year.

Administrative expenditure is under control and within the budget.

The financial expense for the period amounted to Rs. 923.24 million as against Rs. 740.41 million, last year. The financial expenses are expected to reduce due to settlement of various short term borrowings and expected reduction in the interest rates.

The Board would like to express its deepest and sincere gratitude to all shareholders and valued customers, creditors and other stake-holders for their support and cooperation during such testing times and hope that very soon, we would be able to resolve all outstanding issue.

April 21, 2009  
Karachi.

For and on behalf of the  
Board of Directors

Chairman



## BALANCE SHEET AS AT MARCH 31, 2009

	Note	31 March 2009 (Unaudited)	30 June 2008 (Audited)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	5 & 6	10,551,984	62,027,770
Investment property	7	100,356,870	863,624,534
Net Investment in lease finance	8	652,703,972	876,365,483
Investments in equity accounted investees	9	66,118,780	297,550,896
Other investments	10	43,695,633	191,879,240
Long-term finances	11	886,726,362	912,641,623
Long-term loans		1,895,185	2,654,915
Long-term deposits		3,637,500	3,637,500
		<u>1,765,686,286</u>	<u>3,210,381,961</u>
<b>CURRENT ASSETS</b>			
Current portion of non-current assets	12	1,216,981,621	1,831,584,606
Other investments	10	1,147,877,207	3,069,408,393
Placement and finances	13	1,296,082,340	2,602,235,627
Advance against lease commitments		45,772,326	66,611,106
Advances and prepayments		24,271,137	52,564,215
Interest accrued		249,221,620	168,721,583
Other receivables		52,375,214	28,931,995
Cash and bank balances		16,017,876	33,755,775
		<u>4,048,599,341</u>	<u>7,853,813,300</u>
	Rupees	<u>5,814,285,627</u>	<u>11,064,195,261</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorized capital</b>			
75,000,000 ordinary shares of Rs.10/- each		<u>750,000,000</u>	750,000,000
<b>Issued, subscribed and paid-up capital</b>			
35,685,382 (30 June 2008: 35,685,382) ordinary shares of Rs.10/- each fully paid in cash		356,853,820	356,853,820
26,491,821 (30 June 2008: 20,796,431) ordinary shares of Rs.10/- each issued as fully paid bonus shares		264,918,210	207,964,310
472,087 (30 June 2008: 472,087) Ordinary Shares of Rs.10/- each issued for consideration other than cash		4,720,870	4,720,870
		<u>626,492,900</u>	569,539,000
Reserves and unappropriated profit		<u>(442,745,299)</u>	818,636,775
		<u>183,747,601</u>	<u>1,388,175,775</u>
(Deficit) / surplus on revaluation of investments		<u>(287,044,965)</u>	390,820,631
		<u>(103,297,364)</u>	<u>1,778,996,406</u>
<b>NON CURRENT LIABILITIES</b>			
Redeemable capital		345,000,000	345,000,000
Long-term loans		822,929,920	1,050,375,581
Certificates of investment/deposit	14	48,212,055	367,034,709
Deferred liabilities		18,519,975	16,136,703
Deposits		301,576,610	403,948,853
		<u>1,536,238,560</u>	<u>2,182,495,846</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term liabilities	15	673,617,409	913,026,085
Mark-up accrued		280,221,399	185,620,882
Short term borrowings		2,064,669,997	2,965,613,111
Certificates of investment/deposit	14	1,310,962,230	2,947,845,014
Accrued and other liabilities		40,589,923	59,341,932
Taxation		11,283,473	31,255,985
		<u>4,381,344,431</u>	<u>7,102,703,009</u>
Contingencies and commitments	16	-	-
	Rupees	<u>5,814,285,627</u>	<u>11,064,195,261</u>

The annexed notes form an integral part of these financial statements. The detail of valuation of investments, impairments and impact on profit and loss are given in Note 10.1.1

Chairman & Chief Executive

3

Director



**PROFIT & LOSS ACCOUNT (Unaudited)**  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2009

	Nine months ended March 31		Quarter ended March 31	
	2009 Rupees	2008	2009 Rupees	2008
<b>Income</b>				
Lease Income	28,794,537	104,918,246	(73,147)	23,065,148
Return on Deposits and Investments - Net	438,507,656	569,764,605	73,351,387	204,006,409
Loss on Sale of Securities - Net	(302,911,114)	192,514,115	(286,016,135)	44,494,286
Loss on Disposal of Government / Debt Securities	(126,407,398)	(14,015,358)	(33,651,520)	-
Mortgage Finance	-	-	-	(6,093,383)
Long-Term Finance	179,972,885	139,040,649	84,583,233	45,231,453
Brokerage Income	5,792,039	7,530,276	1,456,183	2,415,092
Exchange Gain	47,004,544	4,410,496	443,619	2,506,225
Other Income	33,168,448	59,861,748	6,019,268	9,232,990
	<u>303,921,597</u>	<u>1,064,024,777</u>	<u>(153,887,112)</u>	<u>324,858,220</u>
<b>Provision / Changes in Fair Value</b>				
Provision for Lease Losses and Doubtful Recoveries	(372,893,311)	(178,091,074)	(177,789,918)	8,651,606
Surplus in Fair Valuation of Interest Rate SWAP	1,459,167	3,506,761	-	-
Deficit on revaluation of investment property	(46,113,241)	72,389,979	-	-
Deficit on Revaluation of Held for Trading Securities	(65,416,784)	(26,166,059)	(47,821,152)	(219,507)
	<u>(482,964,169)</u>	<u>(128,360,393)</u>	<u>(225,611,070)</u>	<u>8,432,099</u>
	<u>(179,042,572)</u>	<u>935,664,384</u>	<u>(379,498,182)</u>	<u>333,290,319</u>
<b>Expenditure</b>				
Administrative and Operating Expenses	(66,725,351)	(72,912,378)	(25,091,111)	(25,537,363)
Financial Charges	(923,238,959)	(740,414,170)	(271,279,263)	(242,157,161)
	<u>(989,964,310)</u>	<u>(813,326,548)</u>	<u>(296,370,374)</u>	<u>(267,694,524)</u>
Share of (Loss)/Profit of Equity Accounted Investee	(30,421,292)	6,954,489	(5,794,929)	268,422
<b>(Loss)/Profit before Taxation</b>	<u>(1,199,428,174)</u>	<u>129,292,325</u>	<u>(681,663,485)</u>	<u>65,864,217</u>
<b>Taxation</b>				
Current	(5,000,000)	(12,832,466)	(2,000,000)	(4,000,000)
Deferred	-	85,867,499	-	-
	<u>(5,000,000)</u>	<u>73,035,033</u>	<u>(2,000,000)</u>	<u>(4,000,000)</u>
<b>(Loss)/Profit after Taxation</b>	<u>(1,204,428,174)</u>	<u>202,327,358</u>	<u>(683,663,485)</u>	<u>61,864,217</u>
(Loss)/Earnings Per Share - Basic and diluted	<u>(19.22)</u>	<u>3.23</u>	<u>(10.91)</u>	<u>0.99</u>

The annexed notes form an integral part of these financial statements. The detail of valuation of investments, impairments and impact on profit and loss are given in Note 10.1.1



**STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
FOR THE NINE MONTHS ENDED MARCH 31, 2009

	Issued Subscribed and Paid-up Capital	Capital Reserve			Revenue Reserve		Un- appropriated Profit	Total	
		Statutory Reserve*	Reserve for Issue of Bonus Shares	Premium on Right Issue	Capital Reserve on Acquisition	Surplus on Revaluation of Investments			General Reserve
<b>Balance as at 30 June 2007</b>	495,251,300	179,455,066	-	53,426,910	2,596,484	410,971,882	250,000,000	199,916,788	1,591,618,430
Effect of change in accounting policy with respect to accounting for investment property	-	-	-	-	-	-	-	93,890,054	93,890,054
<b>Balance as at 30 June 2007 - restated</b>	495,251,300	179,455,066	-	53,426,910	2,596,484	410,971,882	250,000,000	293,806,842	1,685,508,484
Profit for the six months ended 31 March 2008	-	-	-	-	-	-	-	202,327,358	202,327,358
Surplus on revaluation of investments	-	-	-	-	-	99,786,911	-	-	99,786,911
Share of surplus on revaluation of investments of associates	-	-	-	-	-	29,024,178	-	-	29,024,178
Total recognised income and expense for the nine months ended 31 March 2008	-	-	-	-	-	128,811,089	-	202,327,358	331,138,447
Transfer to General Reserve	-	-	-	-	-	-	125,000,000	(125,000,000)	-
Transfer to reserve for issue of bonus shares @ 15% for the year ended 30 June 2008	-	-	74,287,700	-	-	-	-	(74,287,700)	-
Issue of bonus shares	74,287,700	-	(74,287,700)	-	-	-	-	-	-
Transfer to statutory reserve	-	28,092,628	-	-	-	-	-	(28,092,628)	-
<b>Balance as at 31 March 2008</b>	<u>569,539,000</u>	<u>207,547,694</u>	<u>-</u>	<u>53,426,910</u>	<u>2,596,484</u>	<u>539,782,971</u>	<u>375,000,000</u>	<u>268,753,872</u>	<u>2,016,646,931</u>
<b>Balance as at 30 June 2008 Previously reported</b>	569,539,000	202,186,151	-	53,426,910	2,596,484	390,820,631	375,000,000	185,427,230	1,778,996,406
Loss for the Nine Months Ended 31 March 2009	-	-	-	-	-	-	-	(1,204,428,174)	(1,204,428,174)
Deficit on Revaluation of Investments	-	-	-	-	-	(681,945,490)	-	-	(681,945,490)
Share of surplus on revaluation of Investments of associates	-	-	-	-	-	4,079,894	-	-	4,079,894
Total recognised income and expense for the Nine Months ended March 31 2009	569,539,000	202,186,151	-	53,426,910	2,596,484	(287,044,965)	375,000,000	(1,019,000,944)	(103,297,364)
Transfer to reserve for issue of bonus shares @ 10% for the year ended 30 June 2008	-	-	56,953,900	-	-	-	-	(56,953,900)	-
Issue of Bonus Shares	56,953,900	-	(56,953,900)	-	-	-	-	-	-
<b>Balance as at 31 March 2009</b>	<u>626,492,900</u>	<u>202,186,151</u>	<u>-</u>	<u>53,426,910</u>	<u>2,596,484</u>	<u>(287,044,965)</u>	<u>375,000,000</u>	<u>(1,075,954,844)</u>	<u>(103,297,364)</u>

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

The annexed notes form an integral part of these financial statements. The detail of valuation of investments, impairments and impact on profit and loss are given in Note 10.1.1



**CASH FLOW STATEMENT (Unaudited)**  
FOR THE NINE MONTHS ENDED MARCH 31, 2009

	Nine months ended March 31	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>(Loss) / profit before taxation</b>	<b>(1,199,428,174)</b>	129,292,325
<b>Adjustments :</b>		
- Depreciation	3,772,141	4,294,857
- Loss / (gain) on sale of investments	429,318,512	(178,498,757)
- Share of loss / (profit) of equity accounted Investee	30,421,292	(6,954,489)
- Financial charges	923,238,959	740,414,170
- Loss/(Gain) on sale of property, plant and equipment	2,228,643	(74,850)
- Provision for gratuity	3,171,500	2,406,000
- Provision for lease losses and doubtful recoveries	372,893,311	178,091,074
- Deficit on revaluation of held for trading securities	65,416,784	26,166,059
- Deficit / (Surplus) on revaluation of investment property	46,113,241	(72,389,979)
- Surplus in fair valuation of interest rate Swap	(1,459,167)	(3,506,761)
- Exchange gain	(47,004,544)	(4,410,496)
- Amortization of discount income	-	(67,666)
	<b>1,828,110,672</b>	685,469,162
<b>Operating cash flow before movements in working capital</b>	<b>628,682,498</b>	814,761,487
<b>Changes in Operating Assets and Liabilities</b>		
<b>(Increase) / Decrease in operating assets</b>		
Net investment in lease finance	362,874,429	577,300,047
Mortgage finance	-	111,493,385
Long-term finances	320,597,033	(125,318,159)
Long-term loans	856,920	2,594,729
Placements and finances	1,144,730,993	141,348,134
Advances and prepayments	(34,953,281)	(110,839,749)
Advance against lease commitments	15,076,202	5,175,939
Interest accrued	(80,500,037)	-
Other receivables	(23,443,219)	273,593,040
	<b>1,705,239,040</b>	875,347,366
	<b>2,333,921,538</b>	1,690,108,853
<b>Increase / (Decrease) in operating liabilities</b>		
Certificates of investment / deposits	(2,101,714,858)	(783,801,868)
Deposits	(104,608,260)	(26,703,094)
Short term borrowings	(796,115,156)	(317,309,410)
Accrued and other liabilities	(18,752,009)	(29,135,497)
	<b>(687,268,745)</b>	533,158,984
Financial charges paid	(828,638,442)	(770,921,940)
Gratuity paid	(788,228)	(332,618)
Bad debts recovered	-	116,409,442
Tax paid	(7,211,267)	(10,277,791)
<b>Net Cash used in Operating Activities</b>	<b>(1,523,906,682)</b>	(131,963,923)



	Note	Nine months ended March 31	
		2009	2008
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(3,505,050)	(394,641,172)
Purchase of investment property		(3,091,741)	-
Proceeds from sale of property and equipment		2,081,066	1,156,262
Proceeds from sale of investment property		720,246,164	-
Investment in equity accounted Investees		138,855,124	(59,803,576)
Other investments		1,040,941,653	12,124,592
Long term deposits		-	(3,500,000)
<b>Net Cash from Investing Activities</b>		<b>1,895,527,216</b>	(444,663,894)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term loans obtained		165,500,000	450,000,000
Repayment of long-term loans		(450,030,475)	(363,297,061)
Lease liability paid		-	(463,154)
Dividend paid		-	(26,241)
Net Cash (used in)/from Financing Activities		<b>(284,430,475)</b>	86,213,544
Net Decrease in Cash and Bank Balances		<b>87,090,059</b>	(490,414,273)
Cash and Cash Equivalents at beginning of the period		(585,357,336)	(323,915,772)
Cash and Cash Equivalents at end of the period	17	<b>(498,267,277)</b>	(814,330,045)

The annexed notes form an integral part of these financial statements. The detail of valuation of investments, impairments and impact on profit and loss are given in Note 10.1.1



## NOTES TO THE FINANCIAL STATEMENTS (Unaudited) FOR THE NINE MONTHS ENDED MARCH 31 2009

### 1. STATUS AND NATURE OF BUSINESS

- 1.1** The Company was incorporated on June 22, 1994 as a public limited company under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. Company has obtained licenses of Leasing business and Investment Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 from the Securities and Exchange Commission of Pakistan (SECP). Registered office of the company is situated in Karachi, Sindh. The Investment Finance Services license has been renewed on February 11, 2009 for one year. Leasing license will be due for renewal on May 2009.
- 1.2** The Company is also acting as trustees to Term Finance Certificates / Sukuk and mutual fund issued by various corporate clients. The value of such fiduciary assets as at March 31, 2009 amounted to Rs.34.474 billion (June 30, 2008 Rs.36.675 billion).
- 1.3** According to Regulation 4 of Non Banking Finance Companies and Notified Entities Regulations, 2008 an NBFC shall at all time meet the minimum equity requirement as provided in Schedule 1, bank has a license of leasing and investment finance services. The minimum equity requirement prescribed in Schedule 1 for fresh licenses of these businesses comes to Rs.1,700 million and the bank has to make up an equity balance of Rs. 850 million by June 30, 2009, Rs.1,200 million by June 30, 2010 and Rs.1,500 million by June 30, 2011.
- 1.4** Due to unprecedented liquidity crisis in recent past, freeze of KSE index for 110 days actually resulted in transforming of the entire financial sector, which initially create problems for equity brokerage houses and then it affected all equity mutual funds. The suspension of redemptions of equity funds by MUFAP transferred all the pressure on Money Market Funds, which resulted in heavy redemption requests and later the liquidity crisis engulfed the entire money market resulting in lack of liquidity for NBFCs and small to medium sized commercial banks.

Bank is also one of the worst victims of this liquidity crunch because lenders withdrew all credit lines and money market lenders also demanded their money on maturity. It was nearly impossible to repay all short term facilities of over Rs. 5 billion in one go. However, in a view to continue, bank accepted even unjustified rate of markup as high as 35% to rollover these money market lines. Since, this situation was not sustainable in the long run therefore bank started negotiating with all unsecured money market lenders for rollover for specific period at reasonable rate, honoring even in these difficult times all secured commitments.

After hectic negotiations with creditors, Rs. 3 billion of liabilities have been settled by giving assets like properties, shares, TFCs, term loans etc. For remaining Rs.2 billion of money market liabilities negotiations with creditors are in final stage, resulting in the facility will be rollovered for 5 years with 1 year grace period and thereafter principal will be paid quarterly. The financial cost has been recommended on the basis of 3K. However, we would like to reiterate that all secured long term lines, TFCs repayments and running lines are being paid on time without a delay of single day.



We are negotiating with at least two foreign private equity funds for equity participations up to Rs. 800 million. We are also working for merger of bank with any one of the group companies to ensure continuity of business for the bank. We are confident that by end June 2009 the bank would be in new shape and size to cater to the demand of reshaping economy in the country.

### 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with requirements of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulation), the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), the Companies Ordinance, 1984 (the Ordinance), directives issued by the SECP and approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Rules, the Regulations, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the Regulations, the NBFC Rules, the Ordinance and the said directives take precedence. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.

These financial statements are un-audited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and Listing Regulations of Stock Exchange.

### 3. BASIS OF MEASUREMENT

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

### 4. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Company for the year ended 30 June 2008, except for investments held for trading. As per Para 50 of International Accounting Standard 39 "Financial Instruments: Recognition and measurement" the "held for trading" equity investments which were at fair value through profit or loss are reclassified to "available for sale" investments with effect from July 01, 2008. The reason for the reclassification is the rare adverse situation prevailing in the equity market. The change in classification has reduced the loss for the period by Rs. 141,720,964.



	March 31 2009	June 30 2008
	----- Rupees -----	
<b>5. ACQUISITION OF ASSETS - AT COST</b>		
Equipment and appliances	177,050	750,972
Vehicles - owned	3,328,000	3,636,390
Office premises	-	25,000
Vehicles - leased	-	164,000
Furniture and fixtures	-	20,900
	<u>3,505,050</u>	<u>4,597,262</u>
<b>6. DISPOSAL OF ASSETS - AT COST</b>		
Vehicles - owned	<u>4,046,325</u>	<u>682,000</u>
<b>7. INVESTMENT PROPERTY</b>		
Balance at 01 July 2008	863,624,534	217,120,000
Acquisitions during the year	3,091,741	562,960,500
Deletion during the year	(720,246,164)	(17,900)
Changes in fair value	(46,113,241)	83,561,934
Balance at 31, March 2009	<u>100,356,870</u>	<u>863,624,534</u>
<b>8. NET INVESTMENT IN LEASE FINANCE</b>		
Minimum Lease Payments Receivables	1,744,326,819	2,062,769,454
Residual Value of Leased Assets	363,297,946	439,683,360
	<u>2,107,624,765</u>	<u>2,502,452,814</u>
Unearned Finance Income	(345,093,244)	(377,046,864)
Net Investment in Lease Finance	<u>1,762,531,521</u>	<u>2,125,405,950</u>
Current Portion of Net Investment in Lease Finance		
Current/overdue rentals	(1,109,827,549)	(1,249,040,467)
Provision for Lease Losses	8.2 <u>403,090,605</u>	<u>301,296,615</u>
	<u>(706,736,944)</u>	<u>(947,743,852)</u>
	<u>652,703,972</u>	<u>876,365,483</u>

8.1 As at 31 March 2009 the balance of non-performing lease portfolio amounts to Rs.918.244 million (June 30, 2008: Rs.861.5 million). Provision against non performing leases is made after netting off forced sale values of the leased assets amounts to Rs.598.3 million (June 30, 2008: Rs.437.4 million).

	March 31 2009	June 30 2008
	----- Rupees -----	
<b>8.2</b> The following is the movement of provision for lease losses:		
Opening balance	301,296,615	405,682,865
Amount provided/(reversed) during the period - net	101,793,990	(104,386,250)
Closing balance	<u>403,090,605</u>	<u>301,296,615</u>
<b>9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES</b>		
Balance at beginning of the year	297,550,896	233,085,060
Share of (loss) / profits	(30,421,292)	2,587,993
Increase in interest in associates	-	20,600,000
Decrease in interest in associates	(138,855,124)	-
Share of (deficit) / surplus on revaluation of investments	(62,155,700)	41,277,843
Balance at end of the year	<u>66,118,780</u>	<u>297,550,896</u>
<b>10. OTHER INVESTMENTS</b>		
<i>Non-current Investments</i>		
Held to maturity investments	<u>43,695,633</u>	<u>191,879,240</u>
<i>Current Investments</i>		
Available for sale investments	10.1 <u>1,146,004,410</u>	2,090,565,090
Investments designated at fair value through profit or loss	1,872,797	51,973,544
Investments held for trading	-	926,869,759
	<u>1,147,877,207</u>	<u>3,069,408,393</u>
<b>10.1 Investment - available for sale</b>		
Term Finance Certificates	690,853,306	1,121,655,811
Pakistan Investment Bonds	-	222,845,580
Sukuk Bonds	-	160,000,000
National Investment Trust Units	39,576	80,377
Quoted securities	10.1.1 <u>455,111,528</u>	<u>585,983,322</u>
	<u>1,146,004,410</u>	<u>2,090,565,090</u>





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

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

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

In view of the above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for "Available for Sale" equity securities through profit and loss account will not reflect the correct financial performance of the Bank.

The recognition of impairment loss in accordance with the requirement of IAS 39 would have had the following effect on these financial statements:

	Nine Months ended March 31, 2009 ----- Rupees -----	Quarter ended March 31, 2009
Increase in impairment (loss) / gain in profit and loss account	<u>(141,720,964)</u>	<u>147,698,856</u>
Increase in (loss) / gain for the period	<u>(141,720,964)</u>	<u>147,698,856</u>
Increase in (loss) / gain per share - basic	<u>(2.26)</u>	<u>2.36</u>
Decrease in (deficit) / surplus of revaluation of available for sale securities	<u>(141,720,964)</u>	<u>147,698,856</u>
(Decrease) / Increase in unappropriated profit	<u>(141,720,964)</u>	<u>147,698,856</u>



	Note	March 31 2009 ----- Rupees -----	June 30 2008
<b>11. LONG-TERM FINANCES</b>			
Term finance facility	11.1	<b>1,537,186,920</b>	1,857,783,953
Current portion	12	<b>650,460,558</b>	945,142,330
Less: Provision for doubtful receivables		<b>(145,981,943)</b>	(80,029,299)
		<b>504,478,615</b>	865,113,031
	11.2&11.3	-	
		<u><b>886,726,362</b></u>	<u>912,641,623</u>

11.1 These are secured against mortgage of immovable properties. The mark-up/profit rates ranges from 8% to 21.15% (June 30, 2008: 8% to 18.18%) per annum subject to change in SBP discount rate and KIBOR, receivable on monthly / quarterly basis. The principal is receivable in installments upto March 2012.

11.2 Long term finance include Rs.363.16 million (June 30, 2008: Rs.508.798 million) which have been placed under non-performing finances. The forced sales value considered against these non-performing finances amounts to Rs.171.340 million (June 30, 2008: Rs.376.821 million).

**11.3 Particulars of provision for doubtful receivables**

Opening balance	11.3.1	<b>80,029,299</b>	27,211,348
Charge for the year		<b>65,952,644</b>	52,817,951
Closing balance		<u><b>145,981,943</b></u>	<u>80,029,299</u>

11.3.1 This includes the amount of provision for doubtful receivables relating to mortgage finance at the beginning of the year.

**12. CURRENT PORTION OF NON-CURRENT ASSETS**

Net investment in lease finance	<b>706,736,944</b>	947,743,852
Investments-held to maturity	<b>4,749,601</b>	17,614,072
Long-term finances	<b>504,478,615</b>	865,113,031
Long-term loans	<b>1,016,461</b>	1,113,651
	<u><b>1,216,981,621</b></u>	<u>1,831,584,606</u>



	Note	March 31 2009	June 30 2008
----- Rupees -----			
<b>13. PLACEMENTS AND FINANCES</b>			
Placements and finances- unsecured Provision for doubtful finances	13.1	<b>578,632,344</b> <b>(137,896,562)</b> <b>440,735,782</b>	660,849,464 (25,000,000) 635,849,464
Financing against shares Provision for doubtful finances	13.2	<b>493,959,303</b> <b>(274,158,411)</b> <b>219,800,892</b>	958,303,291 (214,981,349) 743,321,942
Short-term finance - secured Provision for doubtful finances	13.3	<b>510,186,399</b> <b>(10,000,000)</b> <b>500,186,399</b>	724,818,749 (42,500,000) 682,318,749
Certificates of deposit Provision for doubtful deposits		<b>5,000,000</b> <b>(5,000,000)</b> -	5,000,000 (5,000,000) -
Morabaha / Musharika Finances Provision for Doubtful Finances	13.4	<b>172,413,648</b> <b>(37,054,381)</b> <b>135,359,267</b>	553,937,858 (15,205,711) 538,732,147
Financing against Continuous Funding System		-	2,013,325
		<b><u>1,296,082,340</u></b>	<b><u>2,602,235,627</u></b>

**13.1** The unsecured placement includes Rs.136 million (June 30, 2008: Rs. 418.36 million) due from associated undertakings. Maximum aggregate balance at the end of any month during the period was Rs.690.05 million (June 30, 2008 : Rs.566.25 million). Profit rates on these placements range from 1.50% to 20% (June 30, 2008: 1.50% to 17%) per annum with profit being receivable on maturity. These placements mature on various dates by June 30, 2009 and are renewable. As at March 31, 2009 the balance of non-performing advances amounts to Rs.160.39 million (June 30, 2008: Rs.50 million).

**13.2** These are secured against listed equity securities with market value of securities held as collateral being Rs. 314 million (June 30, 2008: Rs. 951.277 million). Short-term placements and financing are made to financial institutions and individuals and per annum profit is receivable on maturity. The financing mature on various dates. As at March 31, 2009 the entire balance of advance is overdue and Rs. 354 million is unsecured.



**13.3** These are secured by first ranking charge over hypothecation of stock and mortgage of immovable properties. The mark-up/profit rates range from 14% to 20.19% (30 June 2008: 14% to 20%) per annum. These facilities mature on various dates by August 05, 2009 and are renewable. As at March 31, 2009 the balance of non-performing advances amounts to Rs.10 million (June 30, 2008: Rs.82.5 million).

**13.4** These are secured by hypothecation of all present and future stocks, receivables, demand promissory note and personal guarantee of directors. The mark-up/profit rate ranges from 8.5% to 19.50% (30 June 2008: 8.5% to 17%) per annum subject to change in KIBOR. These facilities mature on various dates by June 30, 2009 and are renewable. As at March 31, 2009 the balance of non-performing advances amounts to Rs. 47.98 million (June 30, 2008:Rs.18.85 million).

	March 31 2009	June 30 2008
----- Rupees -----		
<b>14. CERTIFICATE OF INVESTMENT/DEPOSITS</b>		
Long-term certificate of investment/deposits Maturing within one year	<b>56,404,080</b> <b>(8,192,025)</b> <b>48,212,055</b>	521,236,154 (154,201,445) 367,034,709
Short-term certificate of investment/deposits	<b>1,310,962,230</b>	<b>2,947,845,014</b>

These represent the mobilization of funds under the scheme of certificates of investment and deposits issued with the permission of Securities and Exchange commission of Pakistan. The scheme is based on profit and loss sharing basis. The certificates are for the terms ranging from three months to five years. the expected rate of profit ranges from 8% to 20% (June 30, 2008: 7% to 16%) payable on various dates by June 25, 2012.

**15. CURRENT PORTION OF LONG TERM LIABILITIES**

Long term loans	<b>569,794,106</b>	660,957,345
Certificates of Investment / Deposit	<b>8,192,025</b>	154,201,445
Lease Deposits	<b>95,631,278</b>	97,867,295
	<b><u>673,617,409</u></b>	<b><u>913,026,085</u></b>

**16. CONTINGENCIES AND COMMITMENTS**

**16.1 Contingent Liability**

Letters of Comfort/Guarantee	<b>3,855,925,163</b>	<b>2,588,210,000</b>
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16.1.1 This includes guarantees issued on behalf of AMZ Securities and Noorani Enterprises amounting Rs. 128 million and 20.75 million favoring Bank of Punjab Limited and MyBank Limited respectively has been called. The management consider the security/collateral held against these guarantees adequately covered the called amount.

	Note	March 31 2009	June 30 2008
----- Rupees -----			
<b>16.2 Commitments</b>			
Underwriting Commitments of TFCs/Shares	-	329,908,325	
Interest Rate SWAP- IRS	-	50,600,000	
Capital Expenditures	-	32,904,000	
<b>17. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		16,017,876	33,755,775
Running finance		(514,285,153)	(619,113,111)
		<u>(498,267,277)</u>	<u>(585,357,336)</u>

#### 18. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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



	Nine months ended March 31		Quarter ended March 31	
	2009	2008	2009	2008
----- Rupees -----				
<b>With Associated Companies</b>				
Profit Earned on Loans	46,471,206	18,863,943	4,548,823	7,562,998
Share of Common Expenses Paid	13,187,499	12,878,535	4,323,438	9,840,559
Share of Common Expenses Received	7,393,950	8,056,786	2,417,606	2,923,199
Profit Paid on Deposit / Placements	<u>22,522,480</u>	<u>11,175,445</u>	<u>194,170</u>	<u>2,821,507</u>
<b>With Key Management Personnel</b>				
Remuneration to Chief Executive Officer	6,210,411	9,718,082	2,067,945	2,669,589
Remuneration to Director	5,951,640	9,332,979	1,981,779	2,558,356
Remuneration to Executives	<u>11,170,290</u>	<u>13,504,023</u>	<u>3,721,348</u>	<u>8,277,468</u>

	March 31 2009	June 30 2008
----- Rupees -----		
<b>18.1 Balances with related parties can be summarized as follows:</b>		

#### With Associated Companies

Loans		
Opening Balance	418,355,736	125,000,000
Loans Provided/Transferred During the Period	4,607,842,996	1,278,210,178
	<u>5,026,198,732</u>	<u>1,403,210,178</u>
Loans Repaid During the Period	(4,890,198,732)	(984,854,442)
Closing Balance	<u>136,000,000</u>	<u>418,355,736</u>
Profit Earned on Loans	<u>46,471,206</u>	<u>29,566,175</u>
Lease Rentals Paid	-	668,790
Share of Common Expenses Paid	<u>13,187,499</u>	<u>18,365,940</u>
Share of Common Expenses Received	<u>7,393,950</u>	<u>10,351,046</u>

#### Placement/Deposits of Funds

Opening Balance	430,000,000	110,000,000
Deposits Received During the Period	2,239,800,000	3,383,069,117
	<u>2,669,800,000</u>	<u>3,493,069,117</u>
Deposits Repaid During the Period	(2,479,800,000)	(3,063,069,117)
Closing Balance	<u>190,000,000</u>	<u>430,000,000</u>
Profit Paid on Deposit	<u>22,522,480</u>	<u>31,462,630</u>
Proceeds From Sale of Vehicles	-	15,000



	March 31 2009	June 30 2008
	----- Rupees -----	
<i>Investments Held for Trading</i>		
<i>B.R.R. Guardian Modaraba</i>		
Opening balance	-	18,148,452
Certificates purchased during the year	-	44,400
Revaluation of certificates	-	(2,903,736)
	<u>-</u>	<u>15,289,116</u>
Certificates sold during the year	-	(2,380,049)
Closing balance	<u>-</u>	<u>12,909,067</u>
<b>Singer Pakistan Limited</b>		
Opening balance	-	408,738
Shares purchased during the year	-	1,411,105
Revaluation of shares	-	(76,477)
	<u>-</u>	<u>1,743,366</u>
Shares sold during the year	-	-
Closing balance	<u>-</u>	<u>1,743,366</u>
<b>First Dawood Mutual Fund</b>		
Opening balance	-	10,256,850
Certificates Purchased During the year	-	43,500
Revaluation of certificates	-	(2,099,956)
	<u>-</u>	<u>8,200,394</u>
Certificates sold during the year	-	(213,233)
Closing balance	<u>-</u>	<u>7,987,161</u>
<b>Dawood Money Market Fund</b>		
Opening balance	-	63,784,010
Units purchased during the year	-	135,000,000
Revaluation of units	-	35,811
	<u>-</u>	<u>198,819,821</u>
Units redeemed during the year	-	(158,784,010)
Closing balance	<u>-</u>	<u>40,035,811</u>
<i>Investments Available for sale</i>		
<i>Eye Television Network</i>		
Opening balance	-	25,165,418
Shares purchased during the year	-	-
Revaluation of shares	-	4,538,853
	<u>-</u>	<u>29,704,271</u>
Shares sold during the year	-	-
Closing balance	<u>-</u>	<u>29,704,271</u>

	March 31 2009	June 30 2008
	----- Rupees -----	
<b>Dawood Equities Limited</b>		
Opening balance	-	18,000,000
Shares purchased during the year	-	8,750
Revaluation of shares	-	13,950,125
	<u>-</u>	<u>31,958,875</u>
Shares sold during the year	-	-
Closing balance	<u>-</u>	<u>31,958,875</u>
<b>First Dawood Mutual Fund</b>		
Opening balance	7,987,161	10,256,850
Certificates Purchased During the year	-	43,500
Revaluation of certificates	(5,425,452)	(2,099,956)
	<u>2,561,709</u>	<u>8,200,394</u>
Certificates sold during the year	-	(213,233)
Closing balance	<u>2,561,709</u>	<u>7,987,161</u>
<b>Dawood Money Market Fund</b>		
Opening balance	40,035,811	63,784,010
Units purchased during the year	159,000,000	135,000,000
Revaluation of units	(31,807,764)	35,811
	<u>167,228,047</u>	<u>198,819,821</u>
Units redeemed during the year	(107,105,139)	(158,784,010)
Closing balance	<u>60,122,908</u>	<u>40,035,811</u>
<b>B.R.R. Guardian Modaraba</b>		
Opening balance	12,909,067	18,148,452
Certificates purchased during the year	-	44,400
Revaluation of certificates	(7,839,586)	(2,903,736)
	<u>5,069,481</u>	<u>15,289,116</u>
Certificates sold during the year	-	(2,380,049)
Closing balance	<u>5,069,481</u>	<u>12,909,067</u>
<b>Singer Pakistan Limited</b>		
Opening balance	1,743,366	408,738
Shares purchased during the year	-	1,411,105
Revaluation of shares	(587,359)	(76,477)
	<u>1,156,007</u>	<u>1,743,366</u>
Shares sold during the year	(579,761)	-
Closing balance	<u>576,246</u>	<u>1,743,366</u>



## 19. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on April 21, 2009 by the Board of Directors of the Bank.

## 20. GENERAL

20.1 Figures have been rounded off nearest to the Rupees.

20.2 Following corresponding figures have been rearranged and reclassified for better presentation.

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