

**FIRST DAWOOD INVESTMENT BANK LIMITED**



**ANNUAL REPORT 2010**



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FIRST DAWOOD INVESTMENT BANK LIMITED  
ANNUAL REPORT 2010

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## CORPORATE INFORMATION

FIRST DAWOOD INVESTMENT BANK LIMITED  
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<b>Board of Directors</b>	Mr. Rafique Dawood Mr. Abdus Samad Khan Mr. Rasheed Y. Chinoy Mr. Ayaz Dawood Mr. AVM (R) Syed Javed Raza Mr. Omar Hasan Khan Bangash Mr. Mohammad Siddiq Khokhar	Chairman Chief Executive Officer Director Director Director (Nominee of DCM) Director Director (Nominee of NIT)
<b>Audit Committee</b>	Mr. Rasheed Y. Chinoy Mr. Omar Hasan Khan Bangash Mr. Rafique Dawood	Chairman Member Member
<b>Chief Financial Officer</b>	Mr. Abbas Qurban	
<b>Company Secretary</b>	Syed Kabiruddin	
<b>Auditors</b>	M. Yousuf Adil Saleem & Co. Chartered Accountants	
<b>Legal Advisor</b>	Mohsin Tayebaly & Co.	
<b>Bankers</b>	Bank Al-Habib Bank Al-Falah Dawood Islamic Bank Faysal Bank First Women Bank Habib Metropolitan Bank Habib Bank KASB Bank National Bank of Pakistan Oman International Bank State Bank of Pakistan Standard Chartered Bank United Bank	
<b>Registered Office Head Office</b>	1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi-74000 UAN 111-DAWOOD (111-329663) PABX +92 (21) 3227-1874-96 Fax +92 (21) 3227-1913 Email <a href="mailto:fdib@firstdawood.com">fdib@firstdawood.com</a> URL <a href="http://www.firstdawood.com">www.firstdawood.com</a>	
<b>Branch Offices</b>	<b>Islamabad Branch</b> Office No 20 & 21, Beverly Centre, 1st Floor, 56-G-7, Jinnah Avenue, Islamabad-7400. Tel +92 (051) 227-6367 & 227-4194-5 Fax +92 (051) 227-1280 Email <a href="mailto:brrim@isb.paknet.com.pk">brrim@isb.paknet.com.pk</a> <b>Lahore Branch</b> Suite No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg III, Lahore Tel +92 (42) 3578-1888 Fax +92 (42) 3578-1890 Email <a href="mailto:fdibl@yahoo.com">fdibl@yahoo.com</a>	
<b>Share Registrar</b>	<b>F.D. Registrar Services (SMC-Pvt) Ltd.</b> 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi-74000 Tel +92 (21) 3547 8192-93 Fax +92 (21) 3227 1905 Email <a href="mailto:fdregistrar@hotmail.com">fdregistrar@hotmail.com</a> , <a href="mailto:fdregistrar@yahoo.com">fdregistrar@yahoo.com</a>	



### **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.



### CHAIRMAN WITH DIRECTORS FDIBL



Starting from Left to Right:

AVM (R) SYED JAVED RAZA, MR. OMAR HASAN KHAN BANGASH,  
MR. ABDUS SAMAD KHAN, MR. RAFIQUE DAWOOD (CHAIRMAN),  
MR. RASHEED Y.CHINOY, MR. AYAZ DAWOOD, MR. M.SIDDIQ KHOKHAR

### BOARD OF DIRECTORS MEETING HELD ON 28-09-2010



Starting from Left to Right:

SYED KABIRUDDIN, AVM (R) SYED JAVED RAZA, MR. OMAR HASAN KHAN BANGASH,  
MR. ABDUS SAMAD KHAN, MR. RAFIQUE DAWOOD (CHAIRMAN), MR. RASHEED Y.CHINOY,  
MR. AYAZ DAWOOD, MR. M.SIDDIQ KHOKHAR, MR. ABBAS QURBAN



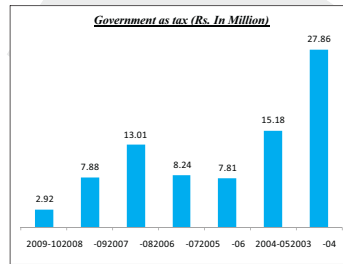
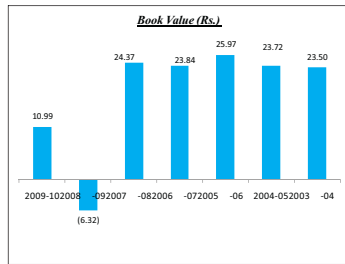
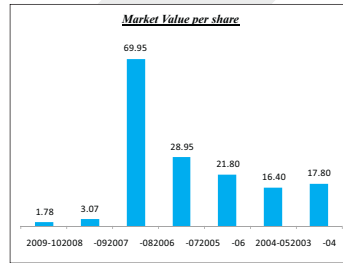
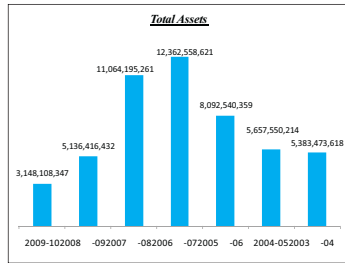
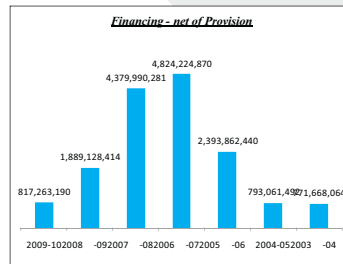
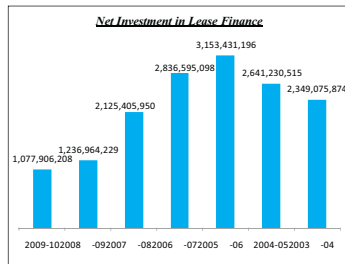
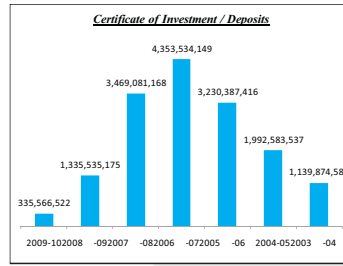
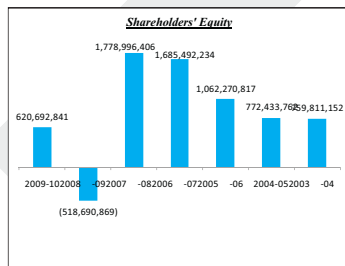
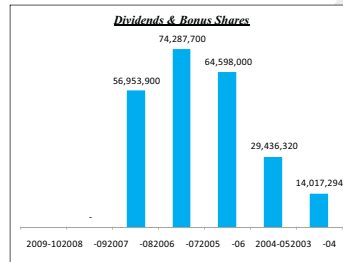
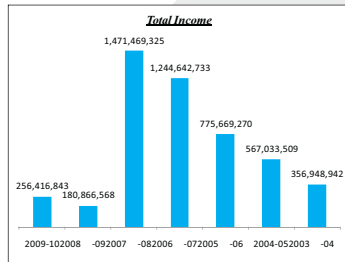
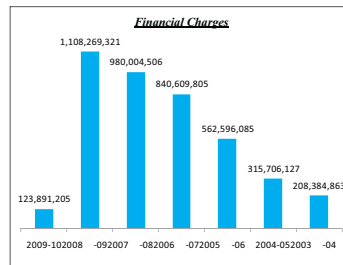
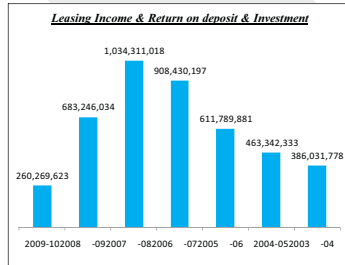
## FINANCIAL HIGHLIGHTS

### FIRST DAWOOD INVESTMENT BANK LIMITED ANNUAL REPORT 2010

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
<b>PROFIT &amp; LOSS</b>							Rupees	Rupees	Rupees	Rupees
Lease Income & Return on deposit & Investment	260,269,623	683,246,034	1,034,311,018	908,430,197	611,789,881	463,342,333	386,031,778	357,046,369	270,416,368	258,725,541
Financial Charges	123,891,205	1,108,269,321	980,004,506	840,609,805	562,596,085	315,706,127	208,384,863	208,377,249	200,060,396	175,320,927
Fee, commission, brokerage & others	56,576,610	2,555,994	93,994,151	64,024,883	30,737,223	20,444,982	8,481,604	2,440,838	1,044,366	2,580,379
Dividend & capital gain/(loss)	(60,429,390)	(504,935,460)	343,164,156	272,187,653	133,142,166	83,246,194	(37,564,440)	38,730,630	7,771,706	11,386,951
Total Income	256,416,843	180,866,568	1,471,469,325	1,244,642,733	775,669,270	567,033,509	356,948,942	398,217,837	279,232,440	272,692,871
Provisions / (Surplus) / Deficit	(201,350,448)	773,852,970	357,975,763	149,610,232	11,990,078	146,445,129	49,085,450	(141,122,093)	20,924,216	23,192,433
Operating expenses	99,622,885	94,049,058	97,377,189	62,107,534	60,659,608	41,137,407	37,499,605	26,464,943	25,426,207	26,863,283
Operating profit / (loss) before tax and provision	32,902,753	(1,021,451,811)	394,087,630	341,925,394	152,413,577	210,189,975	111,064,474	163,375,645	53,745,837	70,508,661
Profit / (loss) after taxation	377,676,221	(1,784,152,012)	113,655,423	188,514,986	125,129,337	53,563,395	46,787,789	280,857,037	22,102,921	31,511,749
Profit / (loss) before taxation	234,253,201	(1,795,304,781)	36,111,867	192,315,162	140,423,499	63,744,846	61,979,024	304,497,738	32,821,621	47,316,228
Dividends	-	-	-	-	-	-	14,017,294	12,500,000	-	25,000,000
Bonus shares	-	-	56,953,900	74,287,700	64,598,000	29,436,320	14,017,294	13,125,000	12,500,000	-
<b>BALANCE SHEET</b>										
Highlights	620,692,841	(518,690,869)	1,778,996,406	1,685,492,234	1,062,270,817	772,433,762	759,811,152	617,782,237	336,366,896	313,240,379
Revaluation Reserves	(67,870,526)	(115,444,739)	390,820,631	410,971,882	221,425,098	74,058,584	100,982,075	13,058,304	-	-
Certificate of Investment / Deposits	335,566,522	1,335,535,175	3,469,081,168	4,353,534,149	3,230,387,416	1,992,583,537	1,139,874,587	834,551,564	558,762,143	255,800,000
Borrowings from financial institutions	1,668,756,721	3,547,552,301	5,021,946,037	5,274,333,488	2,951,406,148	2,268,656,378	2,778,310,464	1,918,254,819	1,028,835,165	1,082,318,988
Net Investment In Lease Finances	1,077,906,208	1,236,964,229	2,125,405,950	2,836,595,098	3,153,431,196	2,641,230,515	2,349,075,874	1,869,410,398	1,684,311,868	1,434,078,999
Financing - net of Provision	817,263,190	1,889,128,414	4,379,990,281	4,824,224,870	2,393,862,440	793,061,492	771,668,064	607,045,488	214,494,254	8,608,604
Investment - net of provision	601,779,989	951,915,585	3,558,838,529	3,918,546,732	2,020,292,946	1,823,297,960	2,175,281,455	1,381,334,698	422,952,110	580,102,649
Total Assets	3,148,108,347	5,136,416,432	11,064,195,261	12,362,558,621	8,092,540,359	5,657,550,214	5,383,473,618	3,977,730,083	2,345,408,793	2,057,669,906
<b>FINANCIAL RATIOS</b>										
Gross spread ratio (%)	52.40%	-62.21%	5.25%	7.47%	8.04%	31.86%	46.02%	41.64%	26.02%	32.24%
Income / expense ratio (Times)	1.15	0.15	1.37	1.38	1.24	1.59	1.45	1.70	1.24	1.35
Return on Average Equity (ROE) (%)	740.53%	-283.13%	6.56%	13.72%	13.64%	6.99%	6.79%	58.87%	6.81%	10.17%
Return on Average Assets (ROA) (%)	9.12%	-22.03%	0.97%	1.84%	1.82%	0.97%	1.00%	8.88%	1.00%	1.76%
Profit before tax ratio	0.91	(9.93)	0.02	0.15	0.18	0.11	0.17	0.76	0.12	0.17
Financing / Deposit Ratio (Average) (%)	161.95%	130.48%	117.66%	95.18%	61.02%	49.95%	69.83%	58.96%	27.39%	4.36%
Total assets turnover ratio / Fixed assets turnover ratio (Times)	333.78	59.95	178.37	1,032.41	470.63	458.88	289.79	154.05	77.74	81.33
Price Earning ratio	0.30	(0.11)	34.98	7.60	6.77	9.94	11.19	1.12	5.26	4.13
Market Value per share	1.78	3.07	69.95	28.95	21.80	16.40	17.80	11.95	4.65	5.20
Earning per share (Rs.)	6.03	(28.00)	2.00	3.81	3.22	1.65	1.59	10.70	0.88	1.26
Book value per share (Rs.)	10.99	(6.32)	24.37	23.84	25.97	23.72	23.50	23.53	13.45	12.53
Book value per share - including surplus / (deficit) on revaluation	9.91	(8.16)	31.24	34.03	32.81	26.24	27.10	24.03	13.45	12.53
Employees as remuneration (Rs. In Million)	52.97	47.54	46.58	22.80	23.96	15.82	14.47	9.77	9.40	10.62
Government as tax (Rs. In Million)	2.92	7.88	13.01	8.24	7.81	15.18	27.86	11.73	4.98	1.86
Number of employees	34.00	35	52	45	43	28	28	22	22	22



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



**FIRST DAWOOD INVESTMENT BANK LIMITED  
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Notice is hereby given that the AGM XVI of First Dawood Investment Bank Limited will be held at its Registered Office, 1500-A, Saima Trade Towers, I. I.Chundrigar Road, Karachi on Tuesday, October 26, 2010 at 07:30 p.m. to transact the following business:

### **Ordinary Businesses**

1. To confirm the minutes of Extra Ordinary General Meeting held on March 05, 2010.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2010 together with Directors' and Auditors' Reports thereon.
3. To consider the appointment of Auditors for the year 2011 and to fix their remuneration.
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. Mr. AVM (Retd.) Syed Javed Raza
  5. Mr. Omar Hasan Khan Bangash
  6. Mr. Mohammad Siddiq Khokhar
5. Any other Business with the permission of the Chair.

**October 05, 2010  
Karachi**

**By Order of the Board**

**Syed Kabiruddin  
Company Secretary**

### **Notes:**

1. The share transfer books of the Company shall remain closed from October 20, 2010 to October 26, 2010 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1700-A, Saima Trade Towers, I.I.Chundrigar Road, Karachi, if any change of address immediately.
2. 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.





## DIRECTOR'S REPORT

FIRST DAWOOD INVESTMENT BANK LIMITED  
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IN THE NAME ALLAH THE MOST COMPASSIONATE, THE MOST MERCIFUL

Dear Shareholders,

The Board of Directors of First Dawood Investment Bank Limited ("FDIB" or the "Company") is pleased to present the Annual Report and Audited Accounts for the financial year ended June 30, 2010.

### General Overview

Due to persistent economic down turn, the financial sector and particularly the NBFC sector has yet to come out of the unprecedented liquidity crunch, which started two years ago. This situation is further worsening due to depreciating rupee, public sector enhanced borrowings, FDI depletion, sky rocketing inflation and deteriorating law & order situation in the country.

Your Company being no exception, also suffered and had to pass through severe hard times, when the commercial banks withdrew credit lines to meet their own liquidity crises. The economic downturn and crises of the financial sector has yet not subsided, as not only NBFC sector but even small / medium sized commercial banks are also passing through difficult times.

### Company's overview

The challenges which erupted due to liquidity crunch coupled with market crash/closure, and dwindling MUFAP pricing in the last part of 2008, though, seemed to be out of proportion, yet the reassured trust and supporting role of the FDIB's sponsor shareholders/Board and proactive guidance of SECP, enabled the management transform and restructure FDIB as sound and strong base entity. Your company therefore, will soon be repositioned to restart its normal business operations.

### Operations and Performance

FDIB reported accumulated losses of Rs 2.3 billion as on 30.06.2009, due to erosion in values of the share portfolio, forced provisioning on TFCs, subjective and time bound provisioning on loan and lease portfolio, and losses on assets swap against creditor's claims/settlement. This loss turned the positive equity of Rs 1.7 billion ( 30.06.2008) into negative Rs 518 million and then extended to negative Rs 567 million on 31.12.2009 upon further provisioning against non performing loan/lease portfolio, as was advised by our external auditors.

The management therefore embarked upon to secure debt/equity swaps from creditors and to find ways and means to write back maximum possible provisions. It is a matter of satisfaction that Rs 715 million debt/equity swap has been achieved (preference shares) besides provision writes back of around Rs 207 million. The SECP has been extremely helpful with their continued encouragement to the management efforts, particularly in conveying an instant approval for issuance of the preference shares, which was completed before June 30, 2010.

It is a matter of satisfaction for all of us that your company is now fully equity compliant with positive equity of Rs 621 million as of June 30, 2010.

Almost 97% of liabilities of your company have been settled / restructured, whereas the remaining 3% is expected to be dealt with in the next two to three months. Currently there is no serious threat to FDIB due to non settlement of the remaining 3%, as these institutions have been continuously offered the available securities to settle or restructure on matching terms.

Out of the total amount of Rs 829M of Certificates of Investment (COIs) of Individual, Corporate and Provident Funds, Rs 828M has been paid in cash along with accrued markup to COI holders. An amount of merely Rs.1M is outstanding, which will be paid as and when approached for encashment.

### Credit Rating

As of December 31, 2009, PACRA downgraded FDIB to "D" despite the fact that reasonable restructuring/ settlements had been achieved since their last update in November 2009. It seems that the 'Rating Agency' had developed 'selective rating criteria' which was strongly protested by FDIBL. We are hopeful that upon renewal of licenses, your company will be able to get investment grade rating.



### **Future Strategy**

We announce with pleasure, that Alhamdulillah sufficient progress has been made and achieved to revive the company to a full fledged functioning entity. The equity has been upgraded. Recoveries being intensified. Sponsors have very kindly made commitment in shape of injection of further funds and assets. Majority of creditors have been settled / restructured and called guarantees are effectively being defended.

As is anticipated, the country's economy is now on the path of recovery, due to which small and medium businesses will get revived. The NBFC sector will therefore be able to give supporting hands to the SME sector so that the role it had been playing in the past, could be reassured. FDIBL will definitely be a leader to re-strengthen/regain its pre-crises position. The year 2010-11 has been projected to be the year of sustainability where emphasis has been diverted to cash recoveries, so that a strong cash reserve base is rebuilt to cater to normal business activities. The patronage, guidance, assistance and facilitation of the regulators and other stakeholders will however remain the key to company's success.

### **Dividend**

The current liquidity position does not allow the Board to recommend any payout.

### **Key Financial Highlights**

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

### **Statement of Compliance**

Your Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2010. The external auditors review report on the statement of compliance with the Code of Corporate Governance is annexed with this report.

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

1. The financial statements prepared by management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
2. Your Company has maintained proper book of accounts.
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Accounting Standards / International Financial Reporting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, and directives of the Securities and Exchange Commission of Pakistan have been followed in the preparation of financial statements.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts over the ability of the company to continue as going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

### **Trading/Dealing in Shares of the Company**

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



### Statement of Ethics and Business Practices

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

### Staff Retirement Benefits

First Dawood Group operates a provident fund scheme for all permanent employees. The value of investments to date is Rs. 15 million in the provident fund scheme as on June 30, 2010.

### Post Balance Sheet Events

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

### Directors

During the year, casual vacancies occurred in the Board. Mr. Abdus Samad Khan (nominee of NIT), Mr. Abdul Hamid Dagia & Mr. Ansar Hussain (nominee of State Life) resigned and Mr. Omar Hasan Khan Bangash & Mr. Mohammad Siddiq Khokhar (nominee of NIT) were appointed Directors to fill the casual vacancies with the prior approval of SECP. Further Mr. Abdus Samad was appointed CEO of the company with the prior approval of SECP.

The Board wishes to place on record the invaluable contributions of Mr. Dagia and Mr. Ansar in steering ahead FDIBL. At the same time the Board welcomes Mr. Bangash and Mr. Khokhar and looking forward to their positive contribution in the progress of FDIBL

Next election of directors of the company is due in October 2010 and will be held in forthcoming AGM of the company on October 26, 2010.

### Auditors

The retiring auditors M. Yousuf Adil Saleem & Co., Chartered Accountant, have expressed their willingness to continue in office for the year ending June 30, 2011, a resolution relating to their re-appointment and the Board of Directors authorize the CEO to fix the remuneration of auditors and will be proposed at the forthcoming Annual General Meeting.

### Board Meetings

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

S. No.	Name	Designation	Entitlement To Attend Meeting	Meeting Attended	Leave of Absences
1	Mr. Rafique Dawood	Chairman	11	11	-
2	Mr. Abdus Samad Khan	CEO	11	11	-
3	Mr. Ayaz Dawood	Director	11	9	2
4	Mr. Rasheed Y. Chinoy	Director	11	11	-
5	Mr. AVM (R) Syed Javed Raza	Director	11	9	2
6	Mr. Abdul Hamid Dagia	Director	4	4	-
7	Mr. Ansar Hussain	Director	7	7	-
8	Mr. Omar Hasan Khan Bangash	Director	1	1	-
9	Mr. Mohammad Siddiq Khokhar	Director	-	-	-



#### **Pattern of Shareholding**

The pattern of shareholding as on June 30, 2010 along with disclosure as required under the Code of Corporate Governance is annexed.

#### **Acknowledgement**

The Board of Directors acknowledges and deeply appreciates the management and employees for their dedication, commitment, in time decisions and continuous efforts for bringing out the company from severe financial crisis. 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 in these hard times. 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 FDIBL not only to face these tough challenges, but to let it revive and once again to stand on its own strong footings.

**September 28, 2010  
Karachi**

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

**Rafique Dawood  
Chairman**

**STATEMENT OF COMPLIANCE WITH THE  
CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2010**



**FIRST DAWOOD INVESTMENT BANK LIMITED  
ANNUAL REPORT 2010**

This statement is being presented to comply with Code of Corporate Governance (the "Code") contained in Listing Regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board comprise of Seven (7) directors of which four (4) are non-executive and there is no director representing minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC, and none of them is a member of any stock exchange.
4. Three casual vacancies occurred in the Board during the year which was filled by the Directors as under:
  - a) Mr. Abdul Hamid Dagia resigned on November 3, 2009 and in his place Mr. Omar Hasan Khan Bangash was appointed on March 25, 2010 after obtaining approval from SECP.
  - b) Mr. Ansar Hussain representing State Life Insurance Company Limited (SLICL) resigned on January 20, 2010, SLICL has not yet nominated any one in his place.
  - c) Mr. Abdus Samad Khan representing National Investment Trust (NIT) resigned as director on July 14, 2009 and took charge as Chief Executive Officer after obtaining approval from SECP. Mr. Mohammad Siddiq Khokhar was nominated by NIT and after obtaining approval from SECP, he was appointed on June 03, 2010.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which is approved by all the Board and has been signed by all the directors and employees of the Company.
6. The Board has adopted a vision / mission statement and overall corporate strategy of the Company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. Eleven board meetings were held during the year including 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, except for in case of two board meetings where notice were circulated six days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, NBFC Rules and Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company, its policies and procedures and provision of Memorandum and Article of Associations and of their duties and responsibilities. Further, the directors of the company at the time of filling their consent to act as such, have given a declaration of their consent that they are aware of their duties and powers under the Companies Ordinance, 1984 and listing regulations of the stock exchange.
10. The Board of Directors of the Company has approved the appointment of the CEO and Company Secretary during the year including their remuneration and terms and conditions of employment.



**FIRST DAWOOD INVESTMENT BANK LIMITED  
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11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. Financial Statements of the Company were endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises 3 members; two of the members are non-executive directors including chairman of the committee.
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. The terms of reference of the audit committee has been approved by the Board.
17. Internal audit function of the company was outsourced to M/s Anjum Asim Shahid Rahman & Company, Chartered Accounts for three quarters during the year. Company has established internal audit department by appointing head of internal audit subsequently to comply with the requirements of code.
18. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for term and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
21. We confirm that all other material principles contained in the Code have been complied with.

**September 28, 2010  
Karachi**

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

**Abdus Samad Khan  
Chief Executive Officer**



**Deloitte.**

**M. Yousuf Adil Saleem & Co**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal,  
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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **FIRST DAWOOD INVESTMENT BANK LIMITED** (the Company) to comply with the Listing Regulations of the Karachi 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 Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on 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, 2010.

#### **Chartered Accountants**

Karachi

Dated: September 28, 2010

Member of  
**Deloitte Touche Tohmatsu**



# Deloitte.

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

UAN: +92 (0) 21 111-55-2626  
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Web: www.deloitte.com

We have audited the annexed balance sheet of **First Dawood Investment Bank Limited** (the Company) as at June 30, 2010 and the related profit and loss account, cash flow statement, statement of other comprehensive income and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (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;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement, statement of other comprehensive income and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, its cash flows, other comprehensive income and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

- i. As fully describe in note 1.3 to the financial statement, the company in the previous year sustained substantial losses which resulted into erosion of equity and its business licenses were not renewed. During the year the company has successfully arranged restructuring of its liabilities that has resulted in improvement in its financial position and the results of operations. There are still significant uncertainties as described in note 1.3 and note 32 to the financial statements. Management is confident that the company will be able to restructure its remaining facilities and will streamline its operations and its licenses will be renewed in the near future.
- ii. As mentioned in note 32.1 to the financial statements, the company has unfunded exposures in respect of performance guarantees and letter of comforts of Rs. 3,441 million issued on behalf of its customers. As stated in the said note, the company does not foresee any cash outflows and as such has not provided for any liability there against.

#### Chartered Accountants

Engagement Partner  
**Mushtaq Ali Hirani**

Karachi  
Dated: September 28, 2010

Member of  
**Deloitte Touche Tohmatsu**



**BALANCE SHEET**  
**AS AT JUNE 30, 2010**



**FIRST DAWOOD INVESTMENT BANK LIMITED**  
**ANNUAL REPORT 2010**

	2010	2009
<i>Note</i>	<i>Rupees</i>	
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property and equipment	9,431,583	85,681,310
Investment properties	191,037,708	97,437,708
Net investment in lease finance	288,753,097	549,291,789
Long term investments	22,961,150	410,189,882
Long term finances	191,792,808	544,915,310
Long term loans	461,060	853,902
Long term deposits	4,763,500	3,637,500
Deferred tax asset	147,528,543	-
	856,729,449	1,692,007,401
<b>CURRENT ASSETS</b>		
Current portion of non-current assets	1,052,765,571	1,130,423,940
Short term investments	578,818,839	921,261,227
Placements and finances	332,219,665	894,171,072
Advance against lease commitments	30,031,100	7,664,259
Advances and prepayments	23,329,725	27,184,134
Mark-up accrued	64,818,615	113,753,429
Other receivables	62,808,209	155,611,086
Cash and bank balances	146,587,174	194,339,884
	2,291,378,898	3,444,409,031
	<u>3,148,108,347</u>	<u>5,136,416,432</u>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Ordinary shares	626,492,900	626,492,900
Preference shares	715,833,540	-
	1,342,326,440	626,492,900
Reserves	333,744,789	258,209,545
Accumulated loss	(987,507,862)	(1,287,948,573)
	688,563,367	(403,246,128)
Deficit on revaluation of investments	(67,870,526)	(115,444,741)
	620,692,841	(518,690,869)
<b>NON CURRENT LIABILITIES</b>		
Redeemable capital	345,000,000	345,000,000
Long term loans	752,010,405	771,206,384
Certificates of investment	9,374,497	9,374,497
Long term deposits	111,158,142	177,077,334
Deferred liabilities	-	12,870,928
	1,217,543,044	1,315,529,143
<b>CURRENT LIABILITIES</b>		
Current portion of long term liabilities	275,652,668	993,218,753
Mark-up accrued	164,117,877	347,320,545
Short-term borrowings	505,645,127	1,637,288,009
Certificates of investment	325,000,000	1,317,818,653
Accrued and other liabilities	34,586,690	37,648,723
Taxation	4,870,100	6,283,475
	1,309,872,462	4,339,578,158
<b>Contingencies and commitments</b>	32	
	<u>3,148,108,347</u>	<u>5,136,416,432</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

\_\_\_\_\_  
**DIRECTOR**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2010**



**FIRST DAWOOD INVESTMENT BANK LIMITED  
ANNUAL REPORT 2010**

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>Rupees</i>	
<b>INCOME</b>			
Lease income		31,450,035	57,402,247
Return on placements, finances, deposits and investments	33	161,220,336	473,486,486
Gain / (loss) on sale of securities - net		32,369,985	(407,291,282)
Loss on disposal of investment in associate		(162,961)	-
Loss on sale of government / debt securities		(95,638,379)	(131,983,597)
Income from long term finances		106,964,812	193,931,732
Brokerage income		2,556,330	6,912,137
Exchange gain		10,184	47,120,438
Other income / (loss)	34	54,020,280	(4,356,143)
		<u>292,790,622</u>	<u>235,222,018</u>
<b>PROVISIONS / CHANGES IN FAIR VALUE</b>			
Reversal / (provision) for lease losses and doubtful recoveries	35	206,927,166	(573,989,670)
Deficit on revaluation of investment property		-	(8,439,153)
Surplus in fair valuation of interest rate swap		-	1,459,167
Provision for impairment in financial assets	36	(5,501,389)	(186,963,520)
Deficit on revaluation of held for trading securities		(75,329)	(18,189,684)
		<u>201,350,448</u>	<u>(786,122,860)</u>
		<u>494,141,070</u>	<u>(550,900,842)</u>
<b>EXPENDITURE</b>			
Administration expenses	37	99,622,885	94,049,058
Finance cost	38	123,891,205	1,108,269,321
		<u>(223,514,090)</u>	<u>(1,202,318,379)</u>
		<u>270,626,980</u>	<u>(1,753,219,221)</u>
Share of loss of associates	39	(36,373,779)	(54,355,451)
		<u>234,253,201</u>	<u>(1,807,574,672)</u>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>			
<b>TAXATION</b>			
Current	40	(4,105,523)	-
Deferred	11	147,528,543	16,152,769
		<u>143,423,020</u>	<u>16,152,769</u>
		<u>377,676,221</u>	<u>(1,791,421,903)</u>
<b>PROFIT / (LOSS) AFTER TAXATION</b>			
Earnings / (Loss) per share - basic - Rupees	41	<u>6.03</u>	<u>(28.59)</u>
Earnings / (Loss) per share - diluted - Rupees	41	<u>6.03</u>	<u>(28.59)</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2010**



**FIRST DAWOOD INVESTMENT BANK LIMITED  
ANNUAL REPORT 2010**

	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	234,253,201	(1,807,574,672)
Adjustments:		
- Depreciation	3,858,671	4,890,601
- (Gain) / loss on sale of investments	(32,369,985)	407,436,080
- Loss on disposal of investment in associate	162,961	-
- Share of loss of equity accounted investees	36,373,779	54,355,451
- Loss on sale of Government securities and Instruments	95,638,379	131,983,597
- Finance cost	123,891,205	1,108,269,321
- Loss / (gain) on sale of property and equipment	217,571	(690,674)
- Loss on sale of investment property	-	43,037,950
- Provision for gratuity	10,050,530	4,229,000
- (Reversal) / provision for lease losses and doubtful recoveries	(206,927,166)	573,989,670
- Provision written-off	(19,668,953)	-
- Provision for impairment in the value of available for sale investments	5,501,389	186,963,520
- Deficit on revaluation of securities at fair value through profit or loss	75,329	18,189,684
- Deficit on revaluation of investment property	-	8,439,153
- Exchange gain	(10,184)	(47,120,438)
- Amortisation of investment held to maturity	-	(118,409)
- Other income	(122,674,862)	(739,675)
	<u>(105,881,336)</u>	<u>2,493,114,831</u>
	128,371,865	685,540,159
<b>Changes in operating assets and liabilities</b>		
<i>(Increase) / decrease in operating assets</i>		
Net investment in lease finance	231,601,289	365,794,616
Long-term finances	408,652,561	469,253,357
Long-term loans	373,725	2,540,938
Placements and finances	252,016,519	779,116,930
Advances and prepayments	(1,750,368)	8,000,232
Advance against lease commitments	8,733,800	12,190,102
Interest accrued	(5,642,307)	12,827,885
Other receivables	89,444,209	(160,809,071)
	<u>983,429,428</u>	<u>1,488,914,989</u>
	1,111,801,293	2,174,455,148
<i>Increase / (decrease) in operating liabilities</i>		
Certificates of investment / deposits	(97,210,917)	(724,312,718)
Deposits	(48,378,559)	(133,919,993)
Short-term borrowings	435,612,955	70,130,519
Accrued and other liabilities	(5,469,762)	(19,253,730)
	<u>1,396,355,010</u>	<u>1,367,099,226</u>
Finance cost paid	(180,385,555)	(872,252,709)
Gratuity paid	(22,921,458)	(1,901,869)
Tax paid	(2,915,041)	(7,592,661)
<b>Net cash from operating activities</b>	<u>1,190,132,956</u>	<u>485,351,987</u>



FIRST DAWOOD INVESTMENT BANK LIMITED  
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<i>Notes</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(7,835,822)	(31,054,550)
Purchase of investment property	(93,600,000)	(65,378,441)
Proceeds from sale of property and equipment	3,103,826	3,201,383
Proceeds from sale of capital work in progress	(118,656,800)	-
Long term investment	337,217,370	42,498,875
Short term investments	(782,107,887)	(214,999,917)
Long-term deposits	(13,376,000)	-
<i>Net cash flow used in investing activities</i>	(675,255,313)	(265,732,650)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long-term loans obtained	154,000,000	542,500,000
Repayment of long-term loans	(227,844,578)	(571,156,874)
<i>Net cash flow used in financing activities</i>	(73,844,578)	(28,656,874)
<i>Net increase in cash and cash equivalents</i>	441,033,065	190,962,463
Cash and cash equivalents at beginning of the year	(394,394,873)	(585,357,336)
Cash and cash equivalents at end of the year	46,638,192	(394,394,873)

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The annexed notes from 1 to 51 form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2010**



**FIRST DAWOOD INVESTMENT BANK LIMITED  
ANNUAL REPORT 2010**

	<i>2010</i>	<i>2009</i>
	<i>Rupees</i>	
Net Income /(Loss) after taxation for the year	377,676,221	(1,791,421,903)
<b>Other Comprehensive Income</b>		
Surplus / (deficit) on remeasurement of investments classified as available for sale	56,535,826	(886,132,156)
Share of (deficit) / surplus on remeasurement of investments in associate	(8,961,611)	379,866,784
<b>Total Comprehensive Income / (Loss) For the Year</b>	<u>425,250,436</u>	<u>(2,297,687,275)</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

\_\_\_\_\_  
**DIRECTOR**



FIRST DAWOOD INVESTMENT BANK LIMITED  
ANNUAL REPORT 2010

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2010

	SHARE CAPITAL		CAPITAL RESERVES			REVENUE RESERVES			TOTAL	
	ORDINARY SHARES	PREFERENCE SHARES	STATUTORY RESERVES	RESERVE FOR ISSUE OF BONUS SHARES	RESERVE FOR PREMIUM ON RIGHT SHARES	CAPITAL ACQUISITION	(DEFICIT)/ SURPLUS ON REVALUATION OF INVESTMENTS	GENERAL RESERVES		(ACCUMULATED LOSS)/ UNAPPROPRIATED PROFIT
Balance at June 30, 2008	569,539,000	-	202,186,151	-	53,426,910	2,596,484	390,820,631	375,000,000	185,427,230	1,778,996,406
Total Comprehensive loss for the year	-	-	-	-	-	-	(506,265,372)	-	(1,791,421,903)	(2,297,687,275)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Transfer to reserve for issue of bonus shares @ 15% for the year ended June 30, 2008	-	-	-	56,953,900	-	-	-	-	(56,953,900)	-
Bonus shares issued	56,953,900	-	-	(56,953,900)	-	-	-	-	-	-
Transfer from general reserves	-	-	-	-	-	-	-	(375,000,000)	375,000,000	-
Balance at June 30, 2009	626,492,900	-	202,186,151	-	53,426,910	2,596,484	(115,444,741)	-	(1,287,948,573)	(518,690,869)
Issuance of 4% preference shares	-	715,833,540	-	-	-	-	-	-	-	715,833,540
Total Comprehensive income for the year	-	-	-	-	-	-	47,574,215	-	377,676,221	425,250,436
Transfer to statutory reserve	-	-	75,535,244	-	-	-	-	-	(75,535,244)	-
Dividend on preference shares @ 4% for the year	-	-	-	-	-	-	-	-	(1,700,266)	(1,700,266)
Balance at June 30, 2010	626,492,900	715,833,540	277,721,395	-	53,426,910	2,596,484	(67,870,526)	-	(987,507,862)	620,692,841

The annexed notes from 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



**1. STATUS AND NATURE OF BUSINESS**

**1.1** First Dawood Investment Bank Limited ("the Company") was incorporated on June 22, 1994 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The registered office of the Company is situated in Karachi, Pakistan. The Company 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 has been expired.

**1.2** The Company is also acting as Trustees to Term Finance Certificates / Sukuk issued by Askari Commercial Bank Limited (2nd Issue), Soneri Bank Limited, Standard Chartered Bank (Pakistan) Limited (3rd Issue), Jahangir Siddiqui Investment Bank Limited, First International Investment Bank Limited, Faysal Bank Limited, Allied Bank of Pakistan Limited, Worldcall Communication Limited, Azgard Nine Limited, Escorts Investment Bank Limited, Engro Chemicals Pakistan Limited, Sitara Energy Limited, KASB Securities Limited, Orix Leasing Pakistan Limited, Grays Leasing Limited, Saudi Pak Leasing Company, New Allied Electronics (Private) Limited., Security Leasing Corporation Limited (sukuk), Trakkers (Pvt) Limited, Dewan Cement Limited, Al-Zamin Leasing Corporation Limited, House Building Finance Company Limited (sukuk), Bunny's Limited, Vision developers (Pvt) Limited, Pak Hye Oils Limited, Flying Board & Paper Products Limited and mutual fund certificates issued by Namco Balanced Fund and Namco Income Fund. The value of such assets as at June 30, 2010 amounted to Rs.32.82 billion (2009: 34.74 billion).

**1.3 Challenges & Mitigation Plan**

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 NBFC sector. The clean money market lines of the Company of over Rs.5 billion from the banking sector were abruptly withdrawn and hence company was unable to repay its commitments promptly due to liquidity crunch. Certain banks and financial institutions filed cases and / or served legal notices against the company. These resulted in down grading of credit rating, non compliance of requirement of NBFC Regulations regarding minimum capital and suspension of leasing license and permission to issue certificates of investment and deposit.

In order to meet the creditors' obligations company entered into settlements arrangement of its liabilities against assets owned by the Company. Due to stock market crash, MUFAP pricing, provisioning and settlements, the company incurred losses and its accumulated loss till June 2009 were Rs.1,288 million which resulted in a negative equity to the tune of Rs.519 million. These casted doubt about the going concern ability of the company during the year 2009. The intensity of such doubts created on the going concern ability of the Company have now significantly been diluted due to the following mitigation steps taken by the management and result achieved so far.

**Mitigating efforts and achievements**

During the year 2009, a Steering Committee of the creditors was formed which recommended a settlement process. The process has been taken forward and to date the company has successfully able to pay / settle / restructure Rs. 9,500 million (almost 97%) of its liabilities of Rs. 9,818 million as at June 30, 2008 (principal and markup). The balance sheet footing of the Company reduced from Rs. 11,064 million (at June 30 2008) to Rs. 5,136 million as at June 30, 2009 and to Rs. 3,148 million as at June 30, 2010. Further, out of Rs.499.37 million outstanding COI's, Company repaid Rs. 498.13 million to individuals, provident funds and other corporate customers. The Company continued to remain current on its long term liabilities and 'Term Finance Certificates'.

**Debt equity swap, restructuring and settlement with financial institutions**

The major lenders National Bank of Pakistan, Allied Bank Limited, The Bank of Khyber, National Insurance Company Limited, Askari Bank Limited and IGI Investment Bank Limited have converted a part of their outstanding debts to a Rs.715 million into 5 year convertible cumulative preference shares and settled their remaining balances against assets. These preference shares carries dividend rate of 4% and are non-participatory and callable. The issuance of preference shares alongwith positive operating result for the year has resulted in positive equity.

Further, the Company has settled assets worth 2,826 million (June 30, 2009 : Rs.4,657.18 million) and has been able to restructure short term obligation into long term Rs.516 million (June 30, 2009 : Rs.542 million) from short term obligation into long term at a considerably reduced markup rates. These will result in increase in net spread of company significantly the impact of which will be reflected in the operating results of the company in future.

The settlements and recoveries from debtors of the Company has resulted in a net reversal of provision Rs. 204 million against loans / advances as on June 30, 2010. The management expect the continuation of this trend in next few years.



### **Capital and equity**

The Board had considered 50% right issue of shares latest which is likely to be issued by December 31, 2010. Sponsoring directors are committed to subscribe their portion as Rs. 20 million cash injection and property worth Rs. 104 million, to add to the equity.

### **Litigation cases by the creditors**

Originally eight unsecured lenders having a total outlay of Rs.1 billion resorted to legal course. These institutions had lent clean money to the company and insisted for cash settlement. However, when the actual scenario (unprecedented liquidity crunch) was explained to them, three institutions settled their liabilities amounting to Rs. 800 million against company's assets via out of court settlement. Subsequent to year end, the case of Pak Iran Joint Investment Company Limited, which were subjudice (refer note 9.2), is going to settle in accordance to the settlement agreement dated February 18, 2009 as SBP NOC has been received. Subsequent to year end another creditor of Rs.156 million is settled against the transfer of assets. However, three institutions (having exposure of Rs.210 million only) continue to insist for full cash settlement but they are being pursued to settle / restructure in the same fashion as done by others.

### **Bank guarantees**

The company initially had non-funded exposures in respect of performance guarantees of Rs.3,869 million issued on behalf of its customers (refer note 20). As mentioned in more detail in the notes, out of these, guarantees Rs. 2,060 million (June 2009 : Rs.425 million) have either been settled or has expired. The guarantees amounting to Rs. 340 million (June 2009 : Rs.2,205 million) are current. However, guarantees worth Rs.843.75 (June 2009 : Rs.256.93) million are under litigation and being defended by competent lawyers and the management is confident that no funded exposure will arise out of it. Apart from the above, guarantees worth Rs.536 million (June 2009 : Rs.572.04 million) which have been called, are under negotiation with the beneficiaries. No provision is required against these guarantees as management does not anticipate any cash outflow. Further, subsequent to year end, the exposure of the Company in respect of guarantees against finances amounting to Rs.626 million will become nil due to restructuring by beneficiary banks.

### **Credit rating**

As of December 31, 2009, Pakistan Credit Rating Agency (PACRA) downgraded company's rating to "D" (Previous Entity ratings; long-term: BB; short term B) despite the fact that reasonable restructuring / settlements had been achieved. The management feel that the 'Rating Agency' had developed 'selective rating criteria' and have recorded its protest. At this point when most of the concerns are resolved, the company will apply soon for fresh credit rating, which in view of turning around will hopefully be minimum investment grade.

### **SECP report**

The Securities and Exchange Commission of Pakistan (SECP) had undertaken inspection of the books and affairs of company and issued inspection report on May 21, 2009 identifying non-compliances and irregularities in the affairs of the company. The company had submitted detailed reply to their observations on July 25, 2009. The company received show cause notice from SECP on February 18, 2010 to explain reasons for non-compliances and violations reported in the inspection report.

The Company has sent a reply of show cause notice and Board members had a meeting with SECP in which they responded the concerns raised by SECP in their report. Since then SECP is not pursuing their report and has approved preference share issue. In addition to that, the company has been regularly keeping the SECP informed of all the development and achievements so far. The SECP is guiding and monitoring the company to become equity compliant the soonest possible and restart normal operations.

### **Future prospect**

SECP has shown its willingness to the renewal of Company 'Investment Finance Services' license on the strength of increase in equity up to Rs. 621 million. The present equity meets the MCR and will allow renewal of both leasing and investment and finance services licenses.

As evident, the management has successfully achieved the target set for the business revival plan and the restructuring strategies formulated last year. Most of the creditors being satisfied and court cases withdrawn the management will now emphasize on recoveries of non performing portfolio. As the borrowings have been reduced significantly or restructured on softer terms, Company will be able to manage a positive cash flows from its operations and will meet its obligations, as and when due.

In the next stage, the company plans to reactivate its Karachi, Lahore and Islamabad branches, which will become the base of resource mobilization. Under the new business plan, low concentration has been given to the inter-bank borrowings. The present management is committed and has successfully managed to turn around the Company for the benefit of the creditors, share holders and other stakeholders in the least possible time.





## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

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

### 2.2 Basis of Measurement

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

### 2.3 Adoption of new International Financial Reporting

In the current year, the company has adopted following new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the SECP that are relevant to its operations and effective for company's accounting period beginning on July 01, 2009. The adoption of these new Standards and Interpretations has resulted in additional disclosures and changes to the Company's accounting policies.

#### Effective for accounting period beginning on or after

- IAS 1 (revised) - Presentation of Financial Statements January 01, 2009

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Company has applied IAS 1 (revised) from July 1, 2009, and has elected to present two statements (the income statement and statement of comprehensive income).

- IFRS 8 - Operating Segments January 01, 2009

IFRS 8 'Operating segments' also became effective from January 1, 2009 which requires an entity to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker (CODM) that is, the Company's function which allocates resources to and assesses performance of its operating segments. The adoption of this standard has not resulted in a significant change in the presentation of financial information.



#### 2.4 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	July 01, 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	July 01, 2009
Amendments to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance	January 01, 2009
Amendments to IAS 23 - Borrowing Costs	January 01, 2009
IAS 32- Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation	January 01, 2009
IAS 38 - Intangible Assets	January 01, 2009
IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged Items	July 01, 2009
IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 17 - Distribution of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

#### 2.5 New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them

IFRS 9 - Financial Instruments	January 01, 2013
Amendments to IFRS 2 - Share based Payment	January 01, 2010
Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
Amendments to IAS 17 - Leases	January 01, 2010
Amendments to IAS 24 - Related Party Disclosures	January 01, 2010

#### 2.6 New guideline by SECP not yet effective

During the year the Securities Exchange Commission of Pakistan (SECP) has revised the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. In accordance with Regulation 25 of the above regulations, the SECP has revised the basis of classification and provisioning requirement in respect of non-performing short-term and long-term financing facilities. Under the revised guidelines the category of Other Assets Especially Mentioned (OAEM) has been dispensed with, while the categories of substandard, doubtful and loss have been retained. In addition, the basis of classification of loans and advances and net investment in finance leases under these three categories has been redefined whereby all finances overdue by 90, 180 and 365 days are now required to be classified as substandard, doubtful and loss respectively. As per the current requirements, short-term and long-term facilities are required to be separately assessed and are classified as OAEM, substandard, doubtful or loss based on prescribed ageing criteria.

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

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



### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property and equipment

##### Owned

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

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

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

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

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

##### Leased

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

#### 3.2 Investment property

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

#### 3.3 Net investment in lease finance

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of the asset to the lessees are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value, if any, and excluding unearned finance income, write-offs and provision for potential lease losses, if any.

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

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

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

#### 3.5 Investments

##### Investment in associate

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

##### Held to maturity

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



#### **Available for sale**

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

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

#### **Investments -Held for trading and initially designated at fair value**

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

#### **Derecognition**

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

### **3.6 Loans and advances**

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

### **3.7 Sale and repurchase agreements**

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

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

### **3.8 Derivatives**

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

### **3.9 Staff retirement benefits**

#### **Defined benefit plans**

The company operated unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service upto December 31, 2009. Contributions made to cover the obligations under the schemes on the basis of actuarial valuation were charged to income. The scheme has been discontinued effective January 01, 2010 and the defined benefit obligation has fully discharged.

#### **Defined contribution plans**

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



### **3.10 Long term loans and redeemable capital**

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

### **3.11 Borrowing costs**

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

### **3.12 Provisions**

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

### **3.13 Taxation**

#### **Current**

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

#### **Deferred**

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

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

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

### **3.14 Impairment**

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

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



### 3.15 Revenue recognition

The Company follows the finance method in recognizing income on lease contracts. Under this method, the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the term of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the leases. Front end fee, documentation charges, gain / losses on termination of lease contracts, commitment fee and other commissions, if any, are taken to income when earned.

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

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

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

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

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

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

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

Guarantee income is recognised on time proportion basis.

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

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

### 3.16 Foreign currency transactions

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

Exchange differences are taken to the profit and loss account.

### 3.17 Financial instruments

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

### 3.18 Offsetting

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



### 3.19 Fiduciary assets

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

### 3.20 Cash and cash equivalents

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

### 3.21 Earnings per share

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

### 3.22 Segment reporting

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

### 3.23 Dividend distributions and appropriations

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

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- (a) determining the residual values and useful lives of property and equipment (Note 3.1);
- (b) Provision for potential lease losses (Note 3.4);
- (c) classification of investments (Note 3.5);
- (d) recognition of taxation and deferred tax (Note 3.13);
- (e) provisions (Note 3.4); and
- (f) impairment of non-current assets (Note 3.14);

## 5. PROPERTY AND EQUIPMENT

Operating fixed assets	5.1	9,431,583	8,775,810
Capital work in progress - civil work	5.2	-	76,905,500
		<u>9,431,583</u>	<u>85,681,310</u>



5.1 Operating fixed assets

	COST			ACCUMULATED DEPRECIATION			Rate %
	At July 01 2009	At June 30, 2010	At July 01 2009	For the year / (on deletion)	At June 30, 2010	Book value at June 30, 2010	
<b>Owned</b>							
Furniture and fixtures	3,989,050	42,500	3,321,329	242,725 (3,563,700)	354	42,146	10
Equipment and appliances	8,983,423	7,463,735	7,388,416	969,127 (1,672,480)	6,685,063	778,672	20
Vehicles	11,781,140	13,817,009	5,268,058	2,646,819 (2,708,633)	5,206,245	8,610,764	20
	24,753,613	21,323,244	15,977,803	3,858,671 (7,944,813)	11,891,662	9,431,583	
	COST			ACCUMULATED DEPRECIATION			Rate %
	At July 01 2008	At June 30, 2009	At July 01 2008	For the year / (on deletion)	At June 30, 2009	Book value at June 30, 2009	
<b>Owned</b>							
Furniture and fixtures	3,989,050	3,989,050	2,932,924	388,405	3,321,329	667,721	10
Equipment and appliances	8,806,373	8,983,423	6,077,097	1,311,319	7,388,416	1,595,007	20
Vehicles	16,230,543	11,781,140	7,344,175	3,190,877 (5,266,994)	5,268,058	6,513,082	20
	29,025,966	24,753,613	16,354,196	4,890,601 (5,266,994)	15,977,803	8,775,810	





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5.1.1 Cost of fully depreciated assets still in use is Rs. 6.44 million (2009: Rs.6.821 million).

**5.1.2 Disposal of property and equipment**

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Name of purchaser</i>	<i>Mode of disposal</i>
Equipment & Appliances	1,925,841	1,672,480	253,380	21,000	Mr. Asharaf Gul Kabari, Karachi	Negotiation
Vehicle	60,300	60,300	-	-	Mr. Shahid, Karachi	As per company policy
Vehicle	639,000	639,000	-	63,900	Mr. Khurram Khan, Karachi	As per company policy
Vehicle	58,500	47,775	10,725	10,725	Mr. Amin Amdani, Karachi	As per company policy
Vehicle	58,500	49,725	8,775	8,775	Mr. Shakeel, Karachi	As per company policy
Vehicle	58,500	47,775	10,725	10,725	Mr. Abdul Razzak, Karachi	As per company policy
Vehicle	58,500	47,775	10,725	10,725	Mr. Nasir Mehmood, Karachi	As per company policy
Vehicle	58,500	49,725	8,775	8,775	Mr. Saeed Niaz, Karachi	As per company policy
Vehicle	560,000	541,333	18,667	431,334	Mr. Yousuf Ali, Karachi	As per company policy
Vehicle	62,000	52,700	9,300	9,300	Mr. Azhar , Karachi	As per company policy
Vehicle	62,000	52,700	9,300	9,300	Mr. Khurram Shahzad, Karachi	As per company policy
Vehicle	879,000	527,400	351,600	351,600	Mr. S. Irtiza Ali, Karachi	As per company policy
Vehicle	350,000	274,167	75,833	-	Mr. Rafique Dawood, Karachi	As per company policy
Vehicle	1,619,000	269,833	1,349,167	1,349,167	Mr. Muhammad Shoaib, Karachi	As per company policy
Vehicle	70,500	9,400	61,100	67,000	New Jubilee Insurance Co. Ltd., Karachi	Insurance claim
Vehicle	70,500	3,525	66,975	70,500	New Jubilee Insurance Co. Ltd., Karachi	Insurance claim
Vehicle	70,500	3,525	66,975	70,500	New Jubilee Insurance Co. Ltd., Karachi	Insurance claim
Vehicle	70,500	-	70,500	70,500	New Jubilee Insurance Co. Ltd., Karachi	Insurance claim
Vehicle	70,500	8,225	62,275	65,000	New Jubilee Insurance Co. Ltd., Karachi	Insurance claim
Vehicle	475,000	23,750	451,250	475,000	New Jubilee Insurance Co. Ltd., Karachi	Insurance claim
Furniture & Fixtures	105,000	105,000	-	-		Written off
Furniture & Fixtures	1,200,000	1,200,000	-	-		Written off
Furniture & Fixtures	40,000	40,000	-	-		Written off
Furniture & Fixtures	150,000	148,750	1,250	-		Written off
Furniture & Fixtures	39,900	39,568	332	-		Written off
Furniture & Fixtures	1,709,934	1,524,690	185,244	-		Written off
Furniture & Fixtures	723,316	500,294	223,022	-		Written off
Furniture & Fixtures	20,900	5,398	15,502	-		Written off
<b>2010</b>	<b>11,266,191</b>	<b>7,944,813</b>	<b>3,321,397</b>	<b>3,103,826</b>		
<b>2009</b>	<b>7,777,403</b>	<b>5,266,994</b>	<b>2,510,409</b>	<b>3,201,383</b>		



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	<i>2010</i>	<i>2009</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>5.2</b> The movement in capital work in progress during the year is as follows;		
Opening balance	76,905,500	49,356,000
Acquired in settlement of assets	-	76,905,500
Disposed off in settlement of liabilities	<u>(76,905,500)</u>	<u>(49,356,000)</u>
	<u>-</u>	<u>76,905,500</u>

**6. INVESTMENT PROPERTIES**

Opening balance	97,437,708	863,624,534
Addition during the year	-	3,091,742
Acquired in settlement of assets	93,600,000	-
Disposed off in settlement of liabilities	-	(760,839,414)
Loss on fair value adjustment	-	(8,439,154)
	<u>191,037,708</u>	<u>97,437,708</u>

**6.1** Fair value of the investment properties has been determined by M.J Surveyors (Pvt) Limited. The main criteria of valuation for the assessment of investment properties include:

- property brokers, dealers and estate agents are contacted to ascertain the asking and selling prices for the properties of the same nature in the immediate neighbourhoods and adjoining areas.
- properties which are recently sold and their respective selling prices.
- properties which are up for sale and their asking price in prevailing market.
- nature of property.

**7. NET INVESTMENT IN LEASE FINANCE**

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>Rupees</i>	<i>Rupees</i>
Net Investment in finance lease	7.1	1,369,376,659	1,600,977,948
Provision for potential lease losses	7.2	(291,470,451)	(364,013,719)
Current maturity	7.3	<u>(789,153,111)</u>	<u>(687,672,440)</u>
		<u>288,753,097</u>	<u>549,291,789</u>

**7.1 Particular 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>		
<b>2010</b>				
Minimum lease payments receivables	7.1.1	1,127,541,995	210,519,991	1,338,061,986
Residual value of leased assets		<u>190,513,888</u>	<u>111,158,145</u>	<u>301,672,033</u>
		1,318,055,883	321,678,136	1,639,734,019
		<u>(237,432,321)</u>	<u>(32,925,039)</u>	<u>(270,357,360)</u>
Unearned finance income		<u>1,080,623,562</u>	<u>288,753,097</u>	<u>1,369,376,659</u>
Net investment in lease finance				
<b>2009</b>				
Minimum lease payments receivables	7.1.1	1,125,064,924	468,404,241	1,593,469,165
Residual value of leased assets		<u>151,081,094</u>	<u>179,593,368</u>	<u>330,674,462</u>
		1,276,146,018	647,997,609	1,924,143,627
		<u>(224,459,859)</u>	<u>(98,705,820)</u>	<u>(323,165,679)</u>
Unearned finance income		<u>1,051,686,159</u>	<u>549,291,789</u>	<u>1,600,977,948</u>
Net investment in lease finance				

**7.1.1** As at June 30, 2010 the balance of non-performing lease portfolio as per time based criteria prescribed in NBFC Regulations 2008 amounting to Rs. 911.85 million (2009: Rs. 978.5 million). The forced sales value considered against these non-performing lease portfolio amounts to Rs. 601.25 million (2009: Rs. 487.4 million).

**7.1.2** These lease finances carries mark-up ranging from 8% to 32.43% (2009: 7.6% to 34.2%) having maturity period of three to five years and are secured against the lease assets.



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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>7.2 Provision for potential lease losses</b>			
Opening balance		364,013,719	301,296,615
(Reversal) / charge during the year - net	35	(61,164,882)	62,717,104
Transfer from long term finance		2,000,000	-
Written off		(13,378,386)	-
Closing balance		<u>291,470,451</u>	<u>364,013,719</u>
<b>7.3 Current portion of lease finance</b>			
Maturing within one year	7.1	1,080,623,562	1,051,686,159
Provision for potential lease losses	7.2	(291,470,451)	(364,013,719)
		<u>789,153,111</u>	<u>687,672,440</u>
<b>8. LONG TERM INVESTMENTS</b>			
Investment in associates	8.1	22,961,150	391,805,414
Investments - Held to maturity	8.2	-	18,384,468
		<u>22,961,150</u>	<u>410,189,882</u>
<b>8.1 Investment in associates</b>			
Opening balance		391,805,414	297,550,896
(Decrease) / increase in interest of associates		(22,187,150)	203,739,187
Transfer to available-for-sale investment	8.1.1	(301,297,407)	-
Share of loss	39	(36,373,779)	(54,355,451)
Share of deficit on revaluation of investments		(8,985,928)	(55,129,218)
		<u>22,961,150</u>	<u>391,805,414</u>



**8.1.1** Summary of financial information as at June 30, 2010 for associates, not adjusted for the percentage ownership held by the Company.

	<b>Holding %</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Revenue</b>	<b>Profit / Loss</b>
		-----Rupees-----				
<b>2010</b>						
Dawood Capital Management Limited 2,246,070 shares of Rs. 10 each Market value: Rs. 29.80 million Chief Executive: Tara Uzra Dawood	15.00	158,124,733	18,551,365	139,573,368	36,484,989	(5,719,916)
B.R.R. Investments (Private) Limited 4,762,100 shares of Rs. 10 each Chief Executive: Ayaz Dawood	41.63	139,531,315	134,666,853	4,864,461	(7,307,676)	(32,032,579)
		<b>297,656,048</b>	<b>153,218,218</b>	<b>144,437,829</b>	<b>29,177,313</b>	<b>(37,752,495)</b>
<b>2009</b>						
Dawood Capital Management Limited 4,492,125 shares of Rs. 10 each Market value: Rs. 24.48 million Chief Executive: Tara Uzra Dawood	30.00	197,180,046	43,861,628	153,318,418	34,733,186	(102,529,852)
Dawood Islamic Bank Limited (8.1.2.1) 32,198,285 shares of Rs. 10 each Chief Executive: Syed Rashid Rahman	6.43	11,652,527,000	6,588,179,000	5,064,348,000	225,928,000	(64,033,000)
B.R.R. Investments (Private) Limited 4,762,100 shares of Rs. 10 each Chief Executive: Ayaz Dawood	41.63	161,846,277	112,910,284	48,935,993	4,982,563	(38,969,314)
		<b>12,011,533,323</b>	<b>6,744,950,912</b>	<b>5,266,602,411</b>	<b>265,643,749</b>	<b>(205,532,166)</b>

**8.1.1.1** During the year, two directors of company who were also directors of Dawood Islamic Bank Limited retired from the Bank and the company has no significant influence on the economic decision of the investee Bank. Therefore, the investment in Dawood Islamic Bank Limited has been transferred to Available-for-sale investments as on April 01, 2010.



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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>8.2 Held to maturity investments</b>			
Preference shares		377,668	18,384,468
Current portion	8.2.1 & 8.2.2	<u>(377,668)</u>	<u>-</u>
		<u>-</u>	<u>18,384,468</u>

**8.2.1 Preference shares**

	<i>Date of maturity</i>	<i>2010 Number of shares</i>	<i>2009 Number of shares</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<i>Quoted</i>					
Azgard Nine Limited	September 2010	37,750	3,064,078	377,668	30,654,358
Less: Provision for impairment				<u>(377,668)</u>	<u>(12,269,890)</u>
			12	<u>-</u>	<u>18,384,468</u>

**8.2.2** These represent cumulative redeemable convertible preference shares carrying dividend at the rate of 8.95% (2009: 8.95%) per annum.

**9. LONG TERM FINANCES**

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
Term finance facility	9.1, 9.2 & 9.3	680,833,499	1,214,486,060
Provision for doubtful finances	9.4	<u>(225,821,074)</u>	<u>(227,192,976)</u>
Current portion	9.5	<u>(263,219,617)</u>	<u>(442,377,774)</u>
		<u>191,792,808</u>	<u>544,915,310</u>

**9.1** The reconciliation of long term finance are as under:

Opening balance	1,214,486,060	1,857,783,953
Restructured / disbursed during the year	54,771,803	679,544,405
Settled during the year	(431,119,705)	(973,439,543)
Repaid during the year	<u>(157,304,659)</u>	<u>(349,402,755)</u>
	<u>680,833,499</u>	<u>1,214,486,060</u>

**9.2** The mark-up / profit rates ranges from 8% to 20.18% (2009: 8% to 24.15%) per annum subject to change in SBP discount rate and KIBOR, receivable on monthly / quarterly basis. These are secured against mortgage of immovable properties and principal will redeem upto March 2026.

**9.3** Long term finances include Rs. 657.93 million (2009: Rs.775.51 million) which have been placed under non-performing status. The forced sales value considered against these non-performing finances amounts to Rs. 531.25 million (2009: 443.62 million).

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>9.4 Particulars of provision for doubtful receivables</b>			
Opening balance		227,192,976	80,029,299
(Reversal) / charge for the year - net	35	3,378,939	162,249,233
Written off		<u>(4,750,841)</u>	<u>(15,085,556)</u>
		<u>225,821,074</u>	<u>227,192,976</u>

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>9.5 Current portion of long term finance</b>			
Maturing within one year		489,040,691	669,570,750
Provision for potential finances losses	9.4	<u>(225,821,074)</u>	<u>(227,192,976)</u>
	12	<u>263,219,617</u>	<u>442,377,774</u>



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**10. LONG TERM LOANS**

*Considered good*

Directors	10.2	394,796	702,073
Other staff	10.3	459,107	525,555
		<u>853,903</u>	<u>1,227,628</u>
Current portion	12	<u>(392,843)</u>	<u>(373,726)</u>
		<u>461,060</u>	<u>853,902</u>
Outstanding for period:			
- Within three years		615,230	911,786
- Exceeding three years		238,673	315,842
	10.1	<u>853,903</u>	<u>1,227,628</u>

**10.1 Reconciliation of long term loans**

Opening balance	1,227,728	3,768,566
Received during the year	<u>(373,825)</u>	<u>(2,540,838)</u>
Closing balance	<u>853,903</u>	<u>1,227,728</u>

**10.2** The loans has been provided to a Director and an employee of the Company to facilitate purchase of house, which are payable year upto 2011 with service charge @ 5% (2009: 5%) per annum. Maximum aggregate amount outstanding during the year was Rs. 1,227,728 (2009: Rs. 3,768,566).

**10.3** The loans provided to other staff are at 5% (2009: 5%) service charge per annum, which are payable year upto 2016.

**11. DEFERRED TAX ASSET**

Deferred tax asset	11.1 & 11.2	<u>147,528,543</u>	<u>-</u>
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**11.1** Breakup of the deferred tax assets and liabilities is as under:

**Deferred Tax Assets**

	<b>2010 Rupees</b>	<b>2009 Rupees</b>
Deficit on revaluation of Investments	23,754,684	40,936,554
Difference in accounting and tax base of own fixed assets	1,037,198	-
Retirement benefits	-	4,504,650
Provision for lease & other doubtful receivables	389,807,795	439,414,432
Carry forward assessed tax losses	495,351,090	711,868,703
	<u>909,950,767</u>	<u>1,196,724,339</u>

**Deferred Tax Liabilities**

Difference in accounting and tax base of net investment in lease finance	<u>(295,435,758)</u>	<u>(310,463,435)</u>
Difference in accounting and tax base of own fixed assets	-	(451,885)
	<u>(5,388,529)</u>	<u>(3,887,234)</u>
Share of profit from associates	<u>(300,824,287)</u>	<u>(314,802,554)</u>
Net deferred tax (asset)/ liability	<u>609,126,480</u>	<u>881,921,785</u>

**11.2** Deferred tax asset is recognised 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. The Company has not recognised net deferred tax asset of Rs.461.6 million in respect of remaining losses and deductible temporary differences as sufficient future taxable profits would not be available to set these off based on the five years business porjection prepared by the management.

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

	<b>Note</b>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
Net investment in lease finance	7.3	789,153,111	687,672,440
Investments-held to maturity	8.2	-	-
Long-term finances	9.5	263,219,617	442,377,774
Long-term loans	10	392,843	373,726
		<u>1,052,765,571</u>	<u>1,130,423,940</u>



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**13. SHORT TERM INVESTMENTS**

Investments - Available for sale	13.1	578,818,839	920,339,670
Investments designated at fair value through profit or loss	13.2	-	921,557
		<u>578,818,839</u>	<u>921,261,227</u>

**13.1 Investments - available for sale**

Term Finance Certificates	13.1.1	150,067,991	563,557,160
National Investment Trust Units	13.1.2	44,246	41,259
Quoted securities	13.1.3	18,334,575	257,641,251
Unquoted securities	13.1.4	410,372,027	99,100,000
		<u>578,818,839</u>	<u>920,339,670</u>

**13.1.1 Term Finance Certificates (TFCs)**

	<i>Number of Certificates</i>		<i>2010</i>	<i>2009</i>
	<i>2010</i>	<i>2009</i>	<i>Rupees</i>	<i>Rupees</i>
<b>Quoted (13.1.1.1)</b>				
Allied Bank Limited	-	4,409	-	21,312,692
Al-Zamin Leasing Modaraba (Managed by Al-Zamin Modaraba Management Limited)	3,000	3,000	30,415,526	29,539,152
Askari Bank Limited	-	3,000	-	14,314,770
Escorts Investment Bank Limited	-	6,090	-	30,265,054
Maple Leaf Cement Factory Limited	-	3,003	-	4,085,176
New Allied Electronics (Pvt) Limited (13.1.1.2)	4,660	-	-	-
Orix Leasing Limited	-	2,900	-	14,182,134
Searle Pakistan Limited	-	7,806	-	18,730,339
Trust Investment Bank Limited	85	985	322,304	44,626,748
United Bank Limited - I	-	10,000	-	43,161,070
United Bank Limited -II	-	6,500	-	27,415,205
United Bank Limited -III	-	4,000	-	19,303,497
			<u>30,737,830</u>	<u>266,935,837</u>

**Un-quoted**

Bunnys Limited	-	15,166	-	56,875,305
Flying Paper & Board Limited (13.1.1.2)	28,000	-	105,000,000	-
Gharibwal Cement Limited (13.1.1.2)	3,123	1,339	9,303,661	3,101,529
Pak Hy Oil Mills Limited	-	36,829	-	184,144,489
Three Star Hosiery Mills (Private) Limited	-	2,250	-	11,250,000
Vision Developers (Private) Limited (13.1.1.2)	1,340	8,250	5,026,500	41,250,000
			<u>119,330,161</u>	<u>296,621,323</u>
			<u>150,067,991</u>	<u>563,557,160</u>

**13.1.1.1** The listed TFCs are redeemed semi-annually and earn expected profit ranging from 13.42 % to 17.37 % (2009: 8% to 22.50%). TFCs of Rs. 15.49 million (2009: Rs. 370.20 million) have been placed as collateral against borrowings. All listed TFCs have a face value of Rs. 5,000 each.

**13.1.1.2** These TFCs are net of impairment of Rs. 52.44 million (2009: Rs. 116.96 million).

**13.1.2** This represent 1,531 (2009: 1,531) units of National Investment Trust having a face value of Rs.10 each.



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13.1.3 Quoted securities

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

	<i>Number of shares / certificates / Units</i>		<i>2010</i>	<i>2009</i>
	<i>2010</i>	<i>2009</i>	<i>Rupees</i>	<i>Rupees</i>
Abbot Laboratories Pakistan Limited	-	2,500	-	200,513
Adamjee Insurance Company Limited	30,000	6,110	2,396,400	513,179
Al-Zamin Leasing Corporation Limited	-	548	-	1,025
American Life Insurance Company Limited	-	2,841,219	-	39,840,615
AMZ Venture Limited	-	400,000	-	212,000
Arif Habib Bank Limited	-	1,000	-	5,115
Arif Habib Securities Limited	-	223,699	-	6,181,526
Askari Bank Limited	-	4,500	-	68,360
Atlas Insurance Company Limited	-	45,312	-	1,187,175
Attock Petroleum Services Limited	2,500	-	724,375	-
Attock Refinery Limited	5,000	5,008	402,800	624,948
Azgard Nine Limited	-	10,000	-	221,399
Bank Islami Pakistan Limited	-	156	-	2,587
BRR Guardian Modaraba (Managed by BRR Investments (Private) Limited)	-	3,768,750	-	10,175,620
Century Paper Limited	-	2,200	-	29,018
Cherat Cement Limited	-	7,185	-	88,399
Cherat Paper Limited	-	5,805	-	209,791
Colgate Palmolive Limited	-	7,200	-	2,016,000
Dandot Cement Limited	-	66,000	-	547,800
Dawood Money Market Fund (Rs.100 per unit) (Managed by Dawood Capital Limited)	-	884,030	-	72,304,847
Dewan Farooq Motors Limited	-	250	-	464
D.G. Khan Cement Limited	-	29,897	-	883,480
Dawood Equities Limited	2,265,000	5,200,000	4,303,500	19,708,000
Dawood Lawrencepur Limited	2,000	2,000	91,980	69,100
Engro Polymer & Chemicals Limited	-	20,782	-	2,269,032
Escort Investment Bank Limited	-	36,975	-	147,531
Fauji Fertilizer Bin Qasim Limited	-	10,000	-	176,900
Fauji Fertilizer Company Limited	-	12,250	-	1,065,138
Faysal Bank Limited	-	3,375	-	32,670
First Dawood Mutual Fund (Managed by Dawood Capital Management Limited)	1,118,650	1,118,650	1,812,213	2,237,300
First Equity Modaraba (Managed by Premier Financial Services (Private) Limited)	-	600,300	-	578,625
First Punjab Modaraba (Managed by Punjab Modaraba Services (Private) Limited)	-	556	-	945
Gul Ahmed Textile Mills Limited	-	25	-	971
Habib Bank Limited	10,000	-	972,500	-
Habib Metropolitan Bank Limited	-	11,400	-	282,564
ICI Pakistan Limited	-	15,000	-	2,108,165
International Industries Limited	-	39,037	-	1,760,179
Invest Capital Investment Bank Limited	-	53	-	155
Jahangir Siddiqui & Company Limited	-	5,000	-	115,950
Javed Omer Vohra & Company Limited	-	60,000	-	808,198





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	<i>Number of shares / certificates / Units</i>		<i>2010</i>	<i>2009</i>
	<i>2010</i>	<i>2009</i>	<i>Rupees</i>	<i>Rupees</i>
Lucky Cement Limited	5,000	-	310,700	
MCB Bank Limited	7,500	7,000	1,456,426	1,085,210
Millat Tractors Limited	4,500	42,300	2,161,395	11,811,852
Murree Brewery Company Limited	-	6,178	-	468,849
Namco Balanced Fund (Managed by National Asset Management Limited)	-	1,440,800	-	6,800,576
Namco Income Fund (Managed by National Asset Management Limited)	-	288,455	-	29,397,201
National Bank of Pakistan	12,500	9,473	801,248	97,597
National Refinery Limited	-	7,500	-	1,650,150
New Jubilee Insurance Company Limited	-	3,104	-	157,528
Nishat Mills Limited	20,100	2,600	866,713	97,812
Oil & Gas Development Company Limited	-	3,493	-	273,413
Orix Investment Bank Limited	-	21,500	-	10,361
Orix Leasing Pakistan Limited	-	9,458	-	75,665
Otsuka Pakistan Limited	-	128,500	-	4,587,450
Sitara Peroxide Limited	-	2,000	-	36,880
Packages Limited	-	52,700	-	8,276,007
Pakistan Capital Market Fund (Managed by Arif Habib Investment Management Limited)	-	263,632	-	2,188,146
Pakistan Oilfields Limited	-	7,908	-	1,153,777
Pakistan Petroleum Limited	2,500	5,575	460,300	1,056,686
Pakistan Re-Insurance Company Limited	-	5,314	-	963,831
Pakistan Strategic Allocation Fund (Managed by Arif Habib Investment Management Limited)	-	31,000	-	106,330
Pakistan Suzuki Motors Limited	5,000	4,000	396,350	268,000
Pakistan Telecommunication Company Limited	25,000		445,000	
PICIC Growth Fund (Managed by PICIC Asset Management Company Limited)	-	142,500	-	1,196,998
PICIC Insurance Limited	-	8,099	-	48,514
Pioneer Cement Limited	-	200,186	-	2,718,387
Premier Insurance Company Limited (Rs. 5 each)	-	102,307	-	915,302
The Royal Bank of Scotland	-	1,020	-	4,842
Sapphire Textile Mills Limited	1,750	1,750	190,575	120,750
Singer Pakistan Limited	-	8,500	-	256,500
Soneri Bank Limited	-	8,083	-	88,591
Shell Pakistan Limited	-	31,800	-	7,120,009
Thal Limited	-	5,000	-	238,251
TRG Pakistan Limited	-	1,865,010	-	2,522,806
Transmission Engineering Limited	-	7,000	-	24,570
United Bank Limited	10,000	20,640	542,100	790,307
World Telecom Limited	-	104,404	-	261,015
Wyeth Pakistan Limited (Rs. 100 each)	-	930	-	1,172,730
Zephyr Textile Mills Limited	-	730,552	-	2,923,074
			<b>18,334,575</b>	<b>257,641,251</b>



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	<i>Number of shares / certificates / Units</i>		<i>2010</i>	<i>2009</i>
	<i>2010</i>	<i>2009</i>	<i>Rupees</i>	<i>Rupees</i>
<b>13.1.4 Un-quoted securities</b>				
Dawood Family Takaful Limited	9,060,000	9,910,000	90,600,000	99,100,000
Dawood Islamic Bank Limited (13.1.4.1)	32,198,285	-	319,772,027	-
First Pakistan Securities Limited (13.1.4.2)	2,518,454	2,518,454	36,000,000	36,000,000
World Bridge Connect (Private) Limited (13.1.4.2)	2,396,881	2,396,881	23,968,810	23,968,810
			<u>470,340,837</u>	<u>159,068,810</u>
Less: Provision for diminution in value of investments		13.1.4.1	<u>(59,968,810)</u>	<u>(59,968,810)</u>
		13.1.5	<u>410,372,027</u>	<u>99,100,000</u>

**13.1.4.1** 29,685,986 shares will be transferred in settlement of liability as per the terms of settlement agreement dated February 18, 2009, for which permission for delivery of these sponsors shares has also been received from State Bank of Pakistan.

	<i>2010</i>	<i>2009</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>13.1.4.2 Particulars of provision for diminution in the value of investments</b>		
Opening balance	59,968,810	58,073,643
Charge for the year	-	1,895,167
	<u>59,968,810</u>	<u>59,968,810</u>

**13.2 Investments - Designated at fair value through profit and loss**

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

<i>Shares/Certificates/Units</i>	<i>Number of shares / certificates / Units</i>		<i>2010</i>	<i>2009</i>
	<i>2010</i>	<i>2009</i>	<i>Rupees</i>	<i>Rupees</i>
Cherat Cement Company Limited	-	8,475	-	123,481
First Equity Modaraba (Managed by Premier Financial Services (Private) Limited)	-	593,300	-	528,264
First Imrooz Modaraba (Managed by A.R. Management Services (Private) Limited)	-	1,500	-	48,000
First Prudential Modaraba (Managed by Prudential Modaraba Management (Private) Limited)	-	2,057	-	2,303
Suraj Cotton Mills Limited	-	5,000	-	63,500
Tripack Films Limited	-	-	-	-
Unilever (Pakistan) Limited (Rs. 50 each)	-	80	-	156,009
			<u>-</u>	<u>921,557</u>



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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>14. PLACEMENTS AND FINANCES</b>			
Placements and finances- unsecured	14.1	84,235,781	308,183,497
Provision for doubtful finances	14.1.1	(4,575,681)	(85,887,672)
		79,660,100	222,295,825
Financing against shares	14.2	472,366,259	494,440,593
Provision for doubtful finances	14.2.1	(344,071,100)	(398,187,821)
		128,295,159	96,252,772
Short-term finance - secured	14.3	66,781,567	510,186,399
Provision for doubtful finances	14.3.1	(17,400,000)	(21,326,160)
		49,381,567	488,860,239
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful deposits		(5,000,000)	(5,000,000)
		-	-
Morabaha / musharika finances	14.4	138,262,780	143,352,417
Provision for doubtful finances	14.4.1	(63,379,941)	(56,590,181)
		74,882,839	86,762,236
		<u>332,219,665</u>	<u>894,171,072</u>

**14.1** The unsecured placements and finances includes Rs. Nil (2009: Rs. 42.56 million) due from related parties / associated undertakings. Maximum aggregate balance at the end of any month during the year was Rs. 42.56 million (2009 : Rs. 744.80 million). Profit rates range from 17.5% to 20% (2009: 1.5% to 20%) per annum receivable on maturity. These placements matured on June 30, 2009.

**14.1.1** The unsecured placement and finances include Rs. 69.24 million (2009: Rs. 265.62 million) which have been placed under non performing status, net of which Rs. 64.67 million has been recovered subsequent to year end.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>Particular of provision for doubtful finance</b>			
Opening balance		85,887,672	25,000,000
(Reversal) / charge for the year - net	35	(81,311,991)	60,887,672
		<u>4,575,681</u>	<u>85,887,672</u>

**14.2** These are secured against listed equity securities held as collateral at June 30, 2010 being Rs. 28.29 million (2009: Rs. 96.26 million). Short-term placements and financing are made to financial institutions, companies and individuals in the normal course of business with profit rates ranging from 15% to 24% (2009: 15% to 24%) per annum. Profit is receivable on maturity. These placements matured on June 30, 2009.

**14.2.1** The financing against shares include Rs. 372.51 million (2009: Rs. 494.44 million ) which have been placed under non-performing status. The market value of shares pledged against these finances amount to Rs. 28.15 million (2009: Rs.96.26 million).



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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b><i>Particular of provision for doubtful finance</i></b>			
Opening balance		398,187,821	214,981,349
(Reversal) / charge for the year - net	35	<u>(54,116,721)</u>	<u>183,206,472</u>
		<u>344,071,100</u>	<u>398,187,821</u>

**14.3** These are secured by ranking charge over hypothecation of stock and mortgage of immovable properties. The mark-up / profit rates range from 14% to 18.11% (2009: 14% to 20%) per annum. These facilities matured on June 30, 2009.

**14.3.1** Short term finances include Rs. 75.78 million (2009: Rs. 107.80 million) which have been placed under non-performing status.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b><i>Particular of provision for doubtful finance</i></b>			
Opening balance		21,326,160	42,500,000
Reversal for the year	35	<u>(386,434)</u>	<u>(21,173,840)</u>
Transfer to lease and long term finance		<u>(3,539,726)</u>	<u>-</u>
		<u>17,400,000</u>	<u>21,326,160</u>

**14.4** These are secured by hypothecation of all present and future stocks, receivables, demand promissory note and personal guarantee of directors. The mark-up / profit rates ranging from 15% to 19.5% (2009: 15% to 19.5% per annum subject to change in KIBOR. These facilities matured on June 30, 2009.

**14.4.1** The morabaha / musharika finances include Rs. 138.26 million (2009: Rs.143.35 million) which have been placed under non performing finances. The forced sales values considered against these finances amount to Rs. 74.88 million (2009: 83.18 million).

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b><i>Particular of provision for doubtful finance</i></b>			
Opening balance		56,590,181	15,205,711
Charge for the year	35	<u>6,789,760</u>	<u>41,384,470</u>
		<u>63,379,941</u>	<u>56,590,181</u>

**15. ADVANCE AGAINST LEASE COMMITMENTS**

Considered doubtful	15.1	98,247,063	106,980,863
Less : Provision for doubtful advances	15.2	<u>(68,215,963)</u>	<u>(99,316,604)</u>
		<u>30,031,100</u>	<u>7,664,259</u>

**15.1** Advance against lease commitments are subject to mark-up rate ranging from 14.38% to 15.56% (2009: 14.38% to 15.56%) per annum.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>15.2 Particulars of provision for doubtful advances</b>			
Opening balance		99,316,604	52,559,859
(Reversal) / charge for the year - net	35	<u>(31,100,641)</u>	<u>46,756,745</u>
		<u>68,215,963</u>	<u>99,316,604</u>

**15.2.1** The advance against lease commitment include Rs. 98.24 million (2009: Rs.106.98 million) which have been placed under non performing finances. The forced sale values considered againsts these finances amount to Rs. 30.03 million (2009: Nil)



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		<i>2010</i>	<i>2009</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>16.</b>	<b>ADVANCES AND PREPAYMENTS</b>		
	<i>Considered good</i>		
	Advance against purchase of shares	3,000,920	3,000,920
	Advance income tax	2,915,041	11,337,973
	Income tax refunds	16,930,951	11,111,876
	Prepayments	770,083	1,682,235
	Others	2,713,650	51,130
		<u>26,330,645</u>	<u>27,184,134</u>
	Less : Provision for doubtful advances	35 (3,000,920)	-
		<u>23,329,725</u>	<u>27,184,134</u>
<b>17.</b>	<b>MARKUP ACCRUED</b>		
	Loans and advances	1,989,998	22,655,677
	Term finance certificates / Sukuk bonds	33,308,669	75,989,025
	Placement and finances	29,519,948	14,938,727
	Foreign currency bonds	170,000	170,000
		<u>64,988,615</u>	<u>113,753,429</u>
	Less : Provision for doubtful markup accrued	35 (170,000)	-
		<u>64,818,615</u>	<u>113,753,429</u>
<b>18.</b>	<b>OTHER RECEIVABLES</b>		
	<i>Considered good</i>		
	Receivable from brokers against sale of securities	28,186,876	3,289,559
	Receivable from an associated undertaking	-	113,465,892
	Brokerage receivable	1,189,866	2,020,486
	Receivable against lease termination	14,864,446	14,588,166
	Others	18.1 18,567,021	22,246,983
		<u>62,808,209</u>	<u>155,611,086</u>
	<i>Considered doubtful</i>		
	Decreeal amount receivable	18.2 37,302,430	37,302,430
	Receivable against lease termination	7,813,884	-
	Receivable against KSE Card transaction-net	18.3 45,515,114	45,515,114
		<u>90,631,428</u>	<u>82,817,544</u>
	Less : Provision for doubtful receivables	18.4 (90,631,428)	(82,817,544)
		<u>62,808,209</u>	<u>155,611,086</u>
<b>18.1</b>	This includes Rs.6.64 million (2009: 6.64 million) receivable from an associated undertaking. Maximum aggregate outstanding balance during the year was Rs.6.64 million (2009: Rs. 6.64 million).		
<b>18.2</b>	This includes decree of recovery for Rs. 64.412 million which was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance), Act of 1997. The Company has the possession of assets, the forced sale value of which is fairly higher than the carrying value. Further, the Company also holds additional security by way of equitable mortgage on factory land and building, the possession of which is now in the Company's hands. However, the Company has made provision as a matter of prudence.		
<b>18.3</b>	The Company has settled liabilities of a member of KSE as per instruction of KSE to purchase its membership card on behalf of one of its customer amounting to Rs.149.7 million. The customer has paid advance of Rs.104.2 million to the Company for purchase of the card which is netted off against this receivable. Currently the Card is under litigation due to a case filed against the said member. The Company made provision against this receivable as a matter of prudence.		
<b>18.4</b>	<b>Particulars of provision for doubtful receivables</b>	<i>Note</i>	
	Opening balance		<i>2010</i> <i>Rupees</i>
	Charge for the year	35	<i>2009</i> <i>Rupees</i>
			<u>82,817,544</u>
			<u>7,813,884</u>
			<u>90,631,428</u>
			<u>44,855,730</u>
			<u>37,961,814</u>
			<u>82,817,544</u>



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**19. CASH AND BANK BALANCES**

In hand	54,535	30,000
With banks		
- In deposit accounts	29,541,433	184,742,427
- In current accounts	116,991,206	9,567,457
	146,532,639	194,309,884
	146,587,174	194,339,884

**20. SHARE CAPITAL**

**20.1 Authorized capital**

75,000,000 ordinary shares of Rs. 10 each	750,000,000	750,000,000
75,000,000 preference shares of Rs. 10 each	750,000,000	-
	1,500,000,000	750,000,000

**20.2 Issue, subscribed and paid-up capital**

	<i>2010</i>	<i>2009</i>		<i>2010</i>	<i>2009</i>
	<i>Number of shares</i>			<i>Rupees</i>	
			Fully paid ordinary shares of Rs.10 each		
	35,685,382	35,685,382	in 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
			Fully paid 4% cumulative preference shares of Rs.10 each issued against settlement of loans		
	71,583,354	-		715,833,540	-
	134,232,644	62,649,290		1,342,326,440	626,492,900

**20.3** The company issued cumulative preference shares of Rs. 715.83 million during the month of June, 2010 against settlements of various liabilities / loans. These preference shares carry preference dividend @ 4% on cumulative basis and are convertible at par after five years. These preference shares are non-voting, non-participatory and has a call option exercisable after two years from the date of issue. The preference share holders have option to convert these shares into ordinary shares of the company at par value of Rs. 10 alongwith cumulative dividend at any time after issuance.

	<i>2010</i>	<i>2009</i>
	<i>Rupees</i>	
<b>20.3 Reconciliation of number of ordinary shares of Rs 10 each</b>		
At beginning of the year	626,492,900	569,539,000
Issued as bonus shares during the year	-	56,953,900
At end of the year	626,492,900	626,492,900

**20.4 Reconciliation of number of preference shares of Rs 10 each**

Issued against loans during the year	715,833,540	-
Closing balance	715,833,540	-

**20.5** At June 30, 2010 associated undertakings, namely Dawood Capital Management Limited holds 2,382,641 (2009: 2,382,641), BRR Guardian Modaraba holds 3,339,922 (2009: 3,339,922 ) and BRR Investments (Private) Limited holds 315,239 (2009: 490,591) shares.



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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>21. DEFICIT ON REVALUATION OF INVESTMENTS</b>			
Ordinary shares, certificates and units		(10,011,043)	1,010,351
Term Finance Certificates		(52,442,794)	(116,961,381)
Share of surplus on revaluation of investments in associate		(5,416,689)	506,289
		<u>(67,870,526)</u>	<u>(115,444,741)</u>
Related deferred tax liability	11	-	-
		<u>(67,870,526)</u>	<u>(115,444,741)</u>

**22. REDEEMABLE CAPITAL - Secured-  
Non-participatory**

Term Finance Certificates - Unlisted	22.1	<u>345,000,000</u>	<u>345,000,000</u>
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**22.1** This represents privately placed Term Finance Certificates (TFCs) redeemable on September 12, 2012. Profit is payable semi-annually at the rate of six months KIBOR+1.60 percent. The TFCs are secured by way of a charge on leased assets and lease rentals receivable ranking pari passu with long term-loans (Refer Note 23.1 and 23.2) and short term borrowings (Refer 29.2).

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>23. LONG TERM LOANS -Secured</b>			
Asian Development Bank	23.1	73,836,385	88,213,826
Commercial Banks	23.2	744,275,209	1,477,050,465
		<u>818,111,594</u>	<u>1,565,264,291</u>
Current portion	27	(66,101,189)	(794,057,907)
		<u>752,010,405</u>	<u>771,206,384</u>

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>23.1 Reconciliation of Asian Development Bank Loan</b>			
Opening balance		88,213,826	135,332,928
Repaid during the year		(14,377,441)	(13,040,677)
Charge / (reversal) of exchange loss		-	(34,078,425)
		<u>73,836,385</u>	<u>88,213,826</u>

**23.1.1** This represents a 15 year term loan facility, with a grace period of three years, obtained in tranches under Financial Sector Intermediation Loan # 1371-PAK. The loan is subject to interest at the rate of 0.25% over variable Ordinary Capital Resource (OCR) rate of Asian Development Bank. The repayments are semi-annual and secured by guarantee of a development financial institution. The guarantee is secured against hypothecation of assets including book debts of the Company ranking pari-passu with charges created to secure redeemable capital (Refer Note 22.1) and short term borrowings (Refer Note 29.2).

	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>23.2 Reconciliation of Commercial Bank Loan</b>		
Opening balance	1,477,050,465	1,425,999,998
Transfer from short term borrowing	154,000,000	542,000,000
Settled / restructured / repaid during the year	(886,775,256)	(490,949,533)
	<u>744,275,209</u>	<u>1,477,050,465</u>

**23.2.1** These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favor of other lenders to secure redeemable capital (Refer Note 22.1) and short term borrowings (Refer Note 29.2). These are subject to mark-up rate ranging from 3% to 12.27% (2009: 3% to 18.15%) per annum payable on quarterly / half yearly basis.



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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>24. CERTIFICATES OF INVESTMENT - LONG TERM</b>			
Corporate		9,374,497	12,474,497
Individuals		1,192,025	5,242,025
	24.1	<u>10,566,522</u>	<u>17,716,522</u>
Current portion	27	<u>(1,192,025)</u>	<u>(8,342,025)</u>
		<u>9,374,497</u>	<u>9,374,497</u>

24.1 The scheme is based on profit and loss sharing basis. The certificates are for the terms ranging from three months to five years. The expected rate of profit 9% (2008: 8% to 20%) payable on various dates by August 2013.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>25. LONG TERM DEPOSITS</b>			
Lease deposits	25.1	287,267,596	316,270,025
Others		32,250,000	51,626,130
		<u>319,517,596</u>	<u>367,896,155</u>
Current portion of lease deposits	27	<u>(208,359,454)</u>	<u>(190,818,821)</u>
		<u>111,158,142</u>	<u>177,077,334</u>

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

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>26. DEFERRED LIABILITIES</b>			
Staff gratuity	26.1	<u>-</u>	<u>12,870,928</u>

26.1 During the year the company has discontinued gratuity scheme effective December 31, 2009 and liability of Rs. 22.59 million has been settled by the company.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>27. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Long-term loans	23	66,101,189	794,057,907
Certificates of investment / deposit	24	1,192,025	8,342,025
Deposits	25	208,359,454	190,818,821
		<u>275,652,668</u>	<u>993,218,753</u>

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>28. MARK-UP ACCRUED</b>			
<i>Mark-up on secured:</i>			
- Redeemable capital		14,841,995	16,251,768
- Long-term loans		60,676,740	71,016,890
- Short-term borrowings		17,870,908	44,224,786
<i>Mark-up on unsecured:</i>			
- Short-term borrowings		36,170,383	122,481,218
- Certificates of investment		34,557,851	93,345,883
		<u>164,117,877</u>	<u>347,320,545</u>





	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>29. SHORT TERM BORROWINGS</b>			
<i>Secured</i>			
Running finance	29.2	99,948,982	588,734,757
<i>Unsecured</i>			
From commercial banks - call borrowings	29.3	6,418,223	291,772,286
Non-banking finance companies - call borrowings	29.4	399,277,922	756,780,966
		<u>505,645,127</u>	<u>1,637,288,009</u>

**29.1 Reconciliation of short term borrowings**

Opening balance		1,637,288,009	2,965,613,111
Transfer from short term borrowing		-	(542,000,000)
Settled / restructured / repaid during the year		<u>(1,131,642,882)</u>	<u>(786,325,102)</u>
		<u>505,645,127</u>	<u>1,637,288,009</u>

**29.2** These facility is secured against hypothecation of assets including book debts of the Company ranking pari passu with the charge created to secure redeemable capital (Refer Note 21.1) and long term-loans (Refer Note 22.1 and 22.2) and against Term Finance Certificates. The mark-up rate is 14.26% (2009: 14.26% to 15.26%) per annum. The sanctioned running finance facilities from commercial banks expired on June 30, 2009.

**29.3** This facility was subject to mark-up rate of 16.75% (2009: ranging from 16.75% to 22.50%) per annum till February 15, 2009. The facilities is overdue as on June 30, 2009.

**29.4** These facilities are subject to mark-up ranging from 17% to 21% (2009 : 11.25% to 21%) per annum. These facilities are overdue as on June 30, 2009.

**29.5** The two financial institutions having balance of Rs. 366 million have filed suit for recovery of their dues. The Company is in negotiation with financial institutions for settlement/ restructuring (note 1.3).

	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>30. CERTIFICATES OF INVESTMENT - SHORT TERM</b>		
Non Banking financial institutions	325,000,000	545,000,000
Commercial banks	-	203,818,653
Corporate	-	509,000,000
Individuals	-	60,000,000
	<u>325,000,000</u>	<u>1,317,818,653</u>

**30.1** These represent the mobilization of funds under the scheme of certificates of investment and deposits issued with the permission of SECP. The scheme is based on profit and loss sharing basis. The expected rate of profit ranges from 11% to 20% (2009: 8% to 20%) payable on various dates.

**30.2** One financial institution having balance of Rs. 156 million has filed a suit for recovery. The Company is in negotiation with the financial institution for settlement/ restructuring (note 1.3).



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	2010 Rupees	2009 Rupees
<b>31. ACCRUED AND OTHER LIABILITIES</b>		
Accrued expenses	717,500	1,307,105
Unearned rent	119,355	578,125
Guarantee commission	7,106,920	5,577,375
Payable to brokers against purchase of listed securities	-	617,996
Payable against sale of shares of clients	-	14,330,584
Payable to an associated undertaking	20,177,350	-
Preference dividend payable	1,700,266	-
Others	4,765,299	15,237,538
	<u>34,586,690</u>	<u>37,648,723</u>

**32. CONTINGENCIES AND COMMITMENTS**

**32.1 Contingent Liability**

Letters of comfort / guarantee	32.1.1 & 32.1.2	<u>3,441,550,163</u>	<u>3,869,726,729</u>
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**32.1.1** These include guarantees amounting to Rs.695 million expired upto June 30, 2010 and original documents of which are not returned to the Company. These also includes guarantees amounting to Rs. 2,107 million (2009: Rs.1,229 million) called by the beneficiaries. The Company has not booked any liability on guarantees called as the company does not foresee any cash outflow in view of the explanations / justification here under. Out of balance guarantees of Rs. 1,334 million (2009: Rs. 2,640 million) the guarantee worth Rs.1,130 million (2009: Rs. 1,624 million) are provided in favour of Trustees of TFCs and Sukuks. The profit payments of majority of these instruments are regular at this point in time. Remaining guarantees of Rs.204 million are against finance facilities and letter of comfort and are regular at the year end.

**a. Guarantees against gas bills**

This include guarantees called by a utility company amounting to Rs.727 million (June, 2009: Rs. 400 million) as per its routine practice prior to the maturity dates so that a renewed guarantee is provided before expiry. Guarantees of Rs. 500 million has been called, where the customer is negotiating with the beneficiary. There is no default on the part of clients on whose behalf these guarantees have been issued. Even in case of default, the company is exposed only upto the maximum of unpaid gas bills.

**b. Guarantees against letters of comfort and letters of credit**

This includes guarantees called by the commercial banks amounting to Rs. Nil (June 30, 2009 Rs. 423.29 million) issued against the import of 'plant and machinery' (to open L/Cs) during prior years to ultimately write leases.

**c. Guarantees against finances**

This includes guarantees called by commercial banks amounting to Rs. 536 million (June 30, 2009 Rs.148.75 million) issued against the finance facilities extended to clients. The company has adequate security and collateral covering these guarantee amounts. Finance facility against which a guarantee of Rs.426 million is given is under restructuring and guarantee will be released after completion of process.

**d. Under litigation**

These are guarantees amounting to Rs. 844 million (June 30, 2009 Rs. 256.93 million) which were called are now under dispute / litigations which are being defended by the competent lawyers. The Company is confident that there is adequate legal protection and there would not be any cash outflows. Detail of the guarantees under litigations is as under:

- i. The Guarantee of Rs 245 million was given against a letter of comfort which is currently in litigation. The company has proposed that the underline securities maybe accepted by the guarantor as full & final settlement. However, the beneficiary bank filed a winding up petition against the company. Subsequent to year end the beneficiary bank has restructured its facilities to the customer due which the guarantee of the company will be released and winding up petition will be withdraw by the beneficiary bank.



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- ii. The guarantee of Rs. 250 million against the repayment of Sukuk was called as the principal debtor defaulted in payment of coupon of Rs. 62 million. The Trustee of Sukkur has filed a recovery suit against the company. The company contended that guarantee should have been called for after taking all legal measures against the principal debtor. Further the underlying assets representing the Sukuks have not yet been transferred in the name of Trustees of Sukuk in contravention of Shariah Regulations and trust deed which make the guarantee ineffective abinito.
- iii. In respect guarantee of Rs. 200 million the beneficiary bank has restructured the facility without obtaining NOC from the company as such the company considers that it has enough legal protection.
- iv. The guarantees of Rs. 149 million issued against the finance facilities extended to clients. The company has adequate security and collaterals covering these guarantee amounts. Further, in case of guarantee of Rs.128 million, the beneficiary bank restructured the finance facility, without obtaining NOC from the Company

32.2 Commissioner of Income Tax (CIT) has disallowed certain expenses on allocation of expenses basis for the assessment year 2001-02 and tax year 2003 resulting in increase in tax liability by Rs. 0.582 million and Rs. 3 million respectively. The Company had filed appeals in Income Tax Appellate Tribunal (ITAT) which were decided in favor of the Company, however, the CIT has filed appeal against ITAT decision for rectification. The management is confident that it will not result in any cash outflow to the Company.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>33. RETURN ON PLACEMENTS, FINANCES, DEPOSITS AND INVESTMENTS - Net</b>			
Return on investments / deposits / placements and finances		137,179,654	414,189,928
Rental income from investment property		6,140,640	14,551,863
Interest earned on reverse repo / (paid) on repo transactions - net		-	8,016,233
Profit on bank deposits		14,898,077	2,389,044
Dividend income		3,001,965	34,339,418
		<u>161,220,336</u>	<u>473,486,486</u>
<b>34. OTHER INCOME / (LOSS)</b>			
<i>- On financial assets</i>			
Service charges on staff loan		52,874	169,309
<i>- On non - financial assets</i>			
Fee and commission and other charges	34.1	11,275,551	37,730,883
Custodian fee		-	90,941
(Loss) / gain on disposal of property and equipment		(217,571)	690,674
Gain on settlement of liabilities		42,909,426	-
Loss on disposal of investment property		-	(43,037,950)
		53,967,406	(4,525,452)
		<u>54,020,280</u>	<u>(4,356,143)</u>
<b>34.1</b>			
It includes underwriting commission of Rs. 4,153,650 (2009: Rs. 14,901,693).			
<b>35. REVERSAL / (PROVISION) FOR LEASE LOSSES AND DOUBTFUL RECOVERIES - Net</b>			
Net investment in finance lease	7.2	(61,164,882)	62,717,104
Long term finances	9.4	3,378,939	162,249,233
Placements and finances	14.1.1	(81,311,991)	60,887,672
Financing against shares	14.2.1	(54,116,721)	183,206,472
Short term finances	14.3.1	(386,434)	(21,173,840)
Morabaha / musharika finance	14.4.1	6,789,760	41,384,470
Advance against lease commitments	15.2	(31,100,641)	46,756,745
Advances and prepayments	16	3,000,920	-
Markup accrued	17	170,000	-
Other receivables	18.4	7,813,884	37,961,814
		<u>(206,927,166)</u>	<u>573,989,670</u>



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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>36. PROVISION FOR IMPAIRMENT IN FINANCIAL ASSETS</b>			
Provision for impairment in the value of available for sale investment	13.2.3.1	5,501,389	174,693,630
Provision for impairment in the value of held to maturity investment	8.2.1	-	12,269,890
		5,501,389	186,963,520
<b>37. ADMINISTRATION EXPENSES</b>			
Salaries and benefits	37.1	52,974,289	43,344,245
Directors' meeting fees		500,000	383,500
Rent, rates and taxes		7,673,692	7,997,234
Insurance		1,048,891	1,493,782
Legal, professional and consultancy		11,380,209	15,872,928
Travelling and conveyance		1,705,043	1,165,784
Postage and telephone		1,446,325	2,625,388
Utilities		2,340,796	1,938,193
Printing and stationery		687,484	556,672
Vehicles running and maintenance		4,786,941	4,835,299
Entertainment		1,471,710	1,049,306
Advertisement		43,671	21,000
Repairs and maintenance		3,070,359	2,617,694
Auditors remuneration	37.2	1,521,500	1,476,518
Depreciation	5.1	3,858,671	4,890,601
Fees and subscription		3,714,165	2,028,321
Share registrar services		258,561	228,434
Brokerage		1,140,578	1,524,159
		99,622,885	94,049,058
<b>37.1</b>	It includes Rs. 6,614,515 (2009: Rs. 5,727,858) in respect of retirement benefits.		
<b>37.2 Auditors remuneration</b>			
Statutory audit fee		700,000	600,000
Half year review fee		285,000	340,000
Other services		438,000	451,518
Out of pocket expenses		98,500	85,000
		1,521,500	1,476,518
<b>38. FINANCE COST</b>			
Mark-up / return on:			
Redeemable capital		47,543,178	51,105,749
Long-term loans		61,675,485	203,564,916
Long-term certificates of investment / deposits		915,806	35,241,572
Short-term borrowings		158,818,086	501,387,880
Short-term certificates of investment / deposits		110,967,607	313,432,598
Documentation, project examination, guarantee commission, trusteeship fee and bank charges		2,039,034	3,536,606
		381,959,196	1,108,269,321
Reversal due to settlement of liabilities		(258,067,991)	-
		123,891,205	1,108,269,321



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	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>39. SHARE OF LOSS FROM ASSOCIATES</b>		
Dawood Capital Management Limited	(857,992)	(30,758,956)
Dawood Islamic Bank Limited	(22,180,624)	(7,373,570)
B.R.R. Investment (Private) Limited	(13,335,163)	(16,222,925)
	(36,373,779)	(54,355,451)

**40. TAXATION**

The relationship between tax expense and accounting profit has not been presented in these financial statements as there is a taxable loss due to which minimum tax has been provided under section 113 of the Income Tax Ordinance, 2001.

**41. EARNINGS PER SHARE**

Profit / (loss) after taxation	<i>Rupees</i>	377,676,221	(1,791,421,903)
Weighted average number of ordinary shares	<i>Numbers</i>	62,649,290	62,649,290
Earnings / (loss) per share - basic	<i>Rupees</i>	6.03	(28.59)
Earnings / (loss) per share - diluted	<i>Rupees</i>	6.03	(28.59)

**42. CASH AND CASH EQUIVALENTS**

	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
Cash and bank balances	19	146,587,174
Short term borrowings	29	(99,948,982)
	46,638,192	(394,394,873)

**43. REMUNERATION TO DIRECTORS AND EXECUTIVES**

	<i>2010</i>		
	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>
	----- <i>Rupees</i> -----		
Managerial remuneration	7,683,871	9,114,467	5,880,000
Gratuity	3,711,088	3,715,329	1,711,741
Provident fund	512,300	460,000	392,000
	11,907,259	13,289,796	7,983,741
Number of persons	* 2	2	2
	<i>2009</i>		
	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>
	----- <i>Rupees</i> -----		
Managerial remuneration	4,800,000	4,600,000	11,901,828
Housing and utilities	2,400,000	2,300,000	5,950,943
Gratuity	1,200,000	1,150,000	1,586,326
Provident fund	480,000	460,000	1,166,987
	8,880,000	8,510,000	20,606,084
Number of persons	1	1	15

\* New chief executive took charge from August 01, 2009.

**43.1** The chief executive, directors and executives are also provided with free use of company cars, medical insurance cover and travelling allowance, the monetary value of these are Rs. 5,103,629 (2009: Rs.6,692,799) approximately.

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



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**44. TRANSACTIONS WITH RELATED PARTIES**

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

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

	2010		2009	
	<i>Key management personnel</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
----- Rupees-----				
<b>Net Investment in Finance Lease</b>				
Balance at beginning of the year	-	60,886,313	-	73,568,039
Sanctioned / granted	-	-	-	-
Rentals received	-	(8,304,985)	-	(12,681,726)
Balance at end of the year	-	52,581,328	-	60,886,313
<b>Long term finances / loans</b>				
Balance at beginning of the year	702,073	-	2,060,457	-
Sanctioned / granted	-	-	-	307,922,427
Received during the year	(307,277)	-	(1,358,384)	(307,922,427)
Balance at end of the year	394,796	-	702,073	-
<b>Placement and finances</b>				
Balance at beginning of the year	-	42,560,044	-	425,849,464
Sanctioned / granted	-	-	-	5,261,909,312
Received during the year	-	(42,560,044)	-	(5,645,198,732)
Balance at end of the year	-	-	-	42,560,044
<b>Investment in associate</b>				
Balance at beginning	-	391,805,413	-	297,550,896
Sanctioned / granted	-	-	-	203,739,187
Settlement against liability	-	(22,186,302)	-	-
Share of loss	-	(37,944,501)	-	(109,484,670)
Balance at end	-	331,674,610	-	391,805,413
Available for sale securities	-	-	-	94,609,180
Securities purchased	-	-	-	218,230,585
Securities sold	-	-	-	186,285,168
Advances and prepayments	-	-	-	3,000,920
Mark-up receivable	-	-	-	259,052
Other receivables	-	17,742,225	-	120,108,947
Mark-up payable	-	24,917,808	-	1,630,137
Short-term borrowings	-	-	-	100,000,000
Disposal of fixed assets - cost	1,619,000	-	1,757,166	415,833
<b>Charge to profit and loss account</b>				
Finance cost	-	24,917,808	1,082,985	34,946,528
Brokerage expenses - CFS	-	-	-	10,400
Brokerage expenses - equity	-	-	-	420,400
Capital gain / (loss)	-	-	-	(6,323,426)
Lease Income	-	3,664,742	-	8,174,376
Return on placements, finances, deposits and investments	-	1,857,143	-	52,992,368
Common expenses paid	-	14,454,880	-	17,519,462
Long term finance income	-	-	-	4,260,286
Share of loss of associates	-	(36,373,779)	-	(54,355,451)
Share of common expenses	-	-	-	9,372,606

**44.3** Maximum aggregate balance of placements at the end of any month during the period was Rs. 24.56 million (2009: Rs.744.80 million).



#### 45. SEGMENT ANALYSIS

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

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

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

##### *Primary segment information*

Leasing	Principally engaged in providing finance to individual and corporate customers in acquiring plant & machinery, vehicles and equipments.
Investments	Principally engaged in trading of equity securities and debt instruments like term finance certificates, commercial papers, asset backed certificates and government securities.
Long term finances	Principally involved in providing term finance facilities to individual and corporate customers.
Placements & finances	Principally involved in providing money market facilities against marketable securities and letter of placement. It also include short term financing and musharika financing facilities.



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4.5.1 Segment information for the year ended June 30, 2010

	Leasing		Investments		Long Term Finances		Placements & Finances		Fee & Commission		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees)											
Total external revenue	31,450,035	57,402,247	25,744,988	(322,024,617)	106,964,810	193,931,732	72,206,956	246,827,280	11,275,551	(4,356,143)	247,642,340	171,780,499
Unallocated revenue	-	-	-	-	-	-	-	-	-	-	45,148,264	63,441,520
Total segment revenue	31,450,035	57,402,247	25,744,988	(322,024,617)	106,964,810	193,931,732	72,206,956	246,827,280	11,275,551	(4,356,143)	292,790,604	235,222,019
Segment results	50,102,946	(215,516,898)	41,014,254	1,209,042,331	170,405,282	(728,117,234)	115,032,661	(926,713,717)	-	-	376,555,142	(661,305,518)
Unallocated profits											17,963,043	16,355,618
Results from operating activities											394,518,185	(644,949,900)
Net finance cost											(123,891,205)	(1,108,269,321)
Share of profit of equity accounted investees											(36,373,779)	(54,355,451)
Taxation											143,423,020	16,152,769
Profit for the period											377,676,221	(1,791,421,903)
<b>Other information</b>											2,473,988,235	4,058,073,610
Segment assets	1,107,937,308	1,236,964,229	578,818,839	939,645,227	455,012,428	987,293,048	332,219,660	894,171,106	-	-	22,961,150	391,805,413
Investment in associates											651,158,962	686,537,409
Unallocated assets											3,148,108,347	5,136,416,432
Total assets											2,527,415,506	5,655,107,301
Segment liabilities	1,131,863,884	1,723,765,046	591,318,782	1,309,437,702	464,838,696	1,375,837,075	339,394,144	1,246,067,478	-	-	620,692,841	(518,690,869)
Unallocated liabilities											3,148,108,347	5,136,416,432
Total liabilities											101,435,822	80,410,550
Capital expenditure											3,858,652	4,890,601
Depreciation												





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

*Segment by class of business*

Class of business	2010				
	Leasing operations	Investments	Long-term finance	Total	%
	Rupees				
Transport and communication	242,956,508	841,350	87,041,307	330,839,165	12.58
Sugar and allied	56,648,888	-	-	56,648,888	2.15
Textile composite	270,756,888	1,149,268	7,370,436	279,276,592	10.62
Textile finishing	112,020,780	-	-	112,020,780	4.26
Food, tobacco and beverages	36,554,938	-	37,981,759	74,536,697	2.84
Steel, engineering and automobile	57,108,800	2,161,395	25,017,790	84,287,985	3.21
Health care	47,499,286	-	4,625,235	52,124,521	1.98
Energy, oil and gas	7,998,148	1,587,475	33,355,164	42,940,787	1.63
Chemicals, fertilizers and pharmaceuticals	-	-	29,362,135	29,362,135	1.12
Cement	27,669,368	9,614,361	-	37,283,729	1.42
Electrical goods	7,235,055	5,501,389	-	12,736,444	0.48
Financial	4,173,703	443,633,601	43,561,559	491,368,863	18.69
Miscellaneous	498,754,297	114,330,000	412,518,117	1,025,602,414	39.01
	1,369,376,659	578,818,839	680,833,502	2,629,029,000	100.00

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



#### 46. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

##### 46.1 Price risk

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

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

As at June 30, 2010, the fair value of equity securities exposed to price risk were Rs. Nil (2009: 0.921 million).

##### 46.2 Credit Risk and concentrations of significant credit risk

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

46.2.1 In summary, compared to the amount included in the balance sheet, the maximum exposure to credit risk related to leasing operations as at June 30, 2010 are as follows: -

	2010		2009	
	Lease Operation	Maximum Exposure	Lease Operation	Maximum Exposure
	<----- Rupees ----->			
Lease	984,588,699	984,588,699	1,236,964,229	1,236,964,229
Advance against Lease	31,031,100	31,031,100	7,664,259	7,664,259
	<u>1,015,619,799</u>	<u>1,015,619,799</u>	<u>1,244,628,488</u>	<u>1,244,628,488</u>

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

##### 46.3 Interest rate risk

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

If the interest rate would have been higher or lower by 50 basis points and all the other variable remains constant, the Company's profit would have been higher / (lower) by Rs.9.12 million for the year ended June 30, 2010 in respect of leasing operations.

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

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



46.3.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

		2010							
		Rupees							
Effective Rate %	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	Total	
<b>Financial Assets</b>									
	Net investment in lease finance	789,153,116	111,120,494	161,290,615	15,461,623	880,360	-	1,077,906,208	
	Long term Investments	-	-	-	-	-	22,961,150	22,961,150	
	Long-term finances	263,219,617	73,155,580	43,038,671	49,298,168	4,825,299	21,475,090	455,012,425	
	Long-term loans	392,843	145,216	77,171	81,116	85,263	72,294	853,903	
	Short term investments	463,623,638	40,810,460	37,709,241	36,675,500	-	-	578,818,839	
	Placements and finances	332,219,665	-	-	-	-	-	332,219,665	
	Advance against lease commitments	30,031,100	-	-	-	-	-	30,031,100	
	Advances and prepayments	-	-	-	-	-	23,329,725	23,329,725	
	Interest accrued	64,818,615	-	-	-	-	-	64,818,615	
	Other receivables	-	-	-	-	-	62,808,209	62,808,209	
	Cash and bank balances	146,587,174	-	-	-	-	-	146,587,174	
		2,090,045,768	225,231,750	242,115,698	101,516,407	5,790,922	21,547,384	2,795,347,014	
<b>Financial Liabilities</b>									
	Redeemable capital	-	345,000,000	-	-	-	-	345,000,000	
	Long-term loans	66,006,948	142,975,954	265,076,907	298,051,785	46,000,000	-	818,111,594	
	Deposits	-	-	-	-	-	319,517,596	319,517,596	
	Certificates of investment / deposits	326,192,025	-	-	-	-	9,374,497	335,566,522	
	Accrued mark-up	164,117,877	-	-	-	-	-	164,117,877	
	Short-term borrowings	505,645,127	-	-	-	-	-	505,645,127	
	Accrued and other liabilities	34,586,690	-	-	-	-	-	34,586,690	
		1,096,548,667	487,975,954	265,076,907	298,051,785	46,000,000	9,374,497	2,522,545,406	
	On balance sheet gap	993,497,101	(262,744,204)	(22,961,209)	(196,535,378)	(40,209,078)	12,172,887	272,801,608	



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	Effective Rate %	2009							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									
<b>Financial Assets</b>									
Net investment in lease finance	12.98%	687,672,440	252,395,234	116,947,447	166,519,128	13,429,980	-	-	1,236,964,229
Long term Investments	0.00%	-	18,384,001	-	-	-	-	391,805,413	410,189,414
Long-term finances	17.48%	442,377,774	167,035,375	147,976,525	110,682,126	81,740,740	37,480,544	-	987,293,084
Long-term loans	5.00%	373,726	392,843	145,216	77,171	81,116	157,556	-	1,227,628
Short term investments	15.02%	409,986,275	79,903,619	164,505,683	143,847,074	114,481,912	8,536,664	-	921,261,227
Placements and finances	20.00%	894,171,072	-	-	-	-	-	-	894,171,072
Advance against lease commitments	14.98%	-	-	-	-	-	-	-	-
Advances and prepayments	0.00%	7,664,259	-	-	-	-	-	-	7,664,259
Interest accrued	0.00%	-	-	-	-	-	-	27,184,134	27,184,134
Other receivables	0.00%	113,753,429	-	-	-	-	-	-	113,753,429
Cash and bank balances	0.00%	-	-	-	-	-	-	155,611,086	155,611,086
		194,339,884	-	-	-	-	-	-	194,339,884
		2,750,338,859	518,111,072	429,574,871	421,125,499	209,733,748	46,174,764	574,600,633	4,949,659,447
<b>Financial Liabilities</b>									
Redeemable capital	14.89%	-	-	-	345,000,000	-	-	-	345,000,000
Long-term loans	16.90%	794,057,907	265,851,189	217,475,954	152,327,182	135,552,059	-	-	1,565,264,291
Deposits	0.00%	-	-	-	-	-	-	367,896,155	367,896,155
Certificates of investment / deposits	15.47%	1,335,535,175	-	-	-	-	-	-	1,335,535,175
Accrued mark-up	0.00%	347,320,545	-	-	-	-	-	-	347,320,545
Short-term borrowings	15.60%	1,637,288,009	-	-	-	-	-	-	1,637,288,009
Accrued and other liabilities	0.00%	37,648,723	-	-	-	-	-	-	37,648,723
		4,151,850,359	265,851,189	217,475,954	497,327,182	135,552,059	-	367,896,155	5,635,952,899
On balance sheet gap		(1,401,511,500)	252,259,883	212,098,917	(76,201,683)	74,181,689	46,174,764	206,704,478	(686,293,452)



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**46.4 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.

**46.4.1 MATURITIES OF ASSETS AND LIABILITIES**

	<i>2010</i>				
	<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>
<b>Assets</b>					
Property and equipment	9,431,583	-	-	9,431,583	-
Investment property	191,037,708	-	-	-	191,037,708
Net investment in lease finance	1,077,906,208	645,203,574	143,949,542	288,289,642	463,450
Long term investment	22,961,150	-	-	-	22,961,150
Long-term finances	455,012,425	175,861,226	87,358,388	170,317,718	21,475,093
Long-term loans	853,903	96,382	296,462	303,503	157,556
Long-term deposits	4,763,500	-	-	-	4,763,500
Deferred tax asset	147,528,543	-	-	-	147,528,543
Short-term investment	578,818,840	168,446,813	410,372,027	-	-
Placement and finances	332,219,665	332,219,665	-	-	-
Advance against lease commitments	30,031,100	-	30,031,100	-	-
Advances and prepayments	23,329,725	23,329,725	-	-	-
Interest accrued	64,818,615	64,818,615	-	-	-
Other receivables	62,808,208	62,808,208	-	-	-
Cash and bank balances	146,587,174	146,587,174	-	-	-
	<u>3,148,108,347</u>	<u>1,619,371,382</u>	<u>672,007,519</u>	<u>468,342,446</u>	<u>388,387,000</u>
<b>Liabilities</b>					
Redeemable capital	345,000,000	-	-	345,000,000	-
Long-term loans	818,111,594	8,388,012	57,618,936	706,104,646	46,000,000
Certificates of investment / deposit	335,566,522	326,192,025	-	-	9,374,497
Deposits	319,517,596	40,673,115	53,372,371	225,472,110	-
Accrued mark-up	164,117,877	164,117,877	-	-	-
Short-term borrowings	505,645,127	505,645,127	-	-	-
Accrued and other liabilities	34,586,690	34,586,690	-	-	-
Taxation	4,870,100	-	4,870,100	-	-
	<u>2,527,415,506</u>	<u>1,079,602,846</u>	<u>115,861,407</u>	<u>1,276,576,756</u>	<u>55,374,497</u>
<b>Net Assets</b>	<u>620,692,841</u>	<u>539,768,536</u>	<u>556,146,112</u>	<u>(808,234,310)</u>	<u>333,012,503</u>
Share capital	1,342,326,440				
Reserves net of accumulated loss	(721,633,599)				
	<u>620,692,841</u>				



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	<i>Total</i>	<i>2009</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>
<b>Assets</b>					
Property and equipment	85,681,310	-	76,905,500	-	8,775,810
Investment property	97,437,707	-	-	-	97,437,707
Net investment in lease finance	1,236,964,229	365,721,974	321,950,466	549,291,789	-
Long-term investment	410,189,414	-	-	18,384,001	391,805,413
Long-term finances	987,293,084	243,825,828	198,551,946	507,434,766	37,480,544
Long-term loans	1,227,628	91,692	282,034	696,346	157,556
Long term deposits	3,637,500	-	-	-	3,637,500
Short-term investment	921,261,227	385,193,925	24,792,350	502,738,288	8,536,664
Placement and finances	894,171,072	894,171,072	-	-	-
Advance against lease commitments	7,664,259	7,664,259	-	-	-
Advances and prepayments	27,184,134	4,866,789	22,317,345	-	-
Interest accrued	113,753,429	113,753,429	-	-	-
Other receivables	155,611,086	155,611,086	-	-	-
Cash and bank balances	194,339,884	194,339,884	-	-	-
	<u>5,136,415,963</u>	<u>2,365,239,938</u>	<u>644,799,641</u>	<u>1,578,545,190</u>	<u>547,831,194</u>
<b>Liabilities</b>					
Redeemable capital	345,000,000	-	-	345,000,000	-
Long-term loans	1,565,264,291	590,860,565	203,197,342	771,206,384	-
Certificates of investment / deposit	-	-	-	-	-
Deferred liabilities	12,870,928	12,870,928	-	12,870,928	-
Deposits	367,896,155	88,536,153	51,580,515	227,779,487	-
Accrued mark-up	347,320,545	347,320,545	-	-	-
Short-term borrowings	1,637,288,009	1,637,288,009	-	-	-
Accrued and other liabilities	37,648,723	37,648,723	-	-	-
Taxation	6,283,475	-	6,283,475	-	-
	<u>5,655,107,301</u>	<u>4,027,814,673</u>	<u>261,061,332</u>	<u>1,356,856,799</u>	<u>9,374,497</u>
<b>Net Assets</b>	<u>(518,691,338)</u>	<u>(1,662,574,735)</u>	<u>383,738,309</u>	<u>221,688,391</u>	<u>538,456,697</u>
Share capital	626,492,900				
Reserves net of accumulated loss	(1,145,184,238)				
	<u>(518,691,338)</u>				



**47. FOREIGN EXCHANGE RISK MANAGEMENT**

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. Payable exposed to foreign currency risk is covered through matching investments in foreign currency assets. There were no forward cover contracts outstanding at year end. The Company is not exposed to foreign currency risk.

**48. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

**49. CAPITAL RISK MANAGEMENT**

The Company's objective when managing capital is to safe guard its ability to continue as going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders, to maintain a strong capital base to support the sustained development of business and to comply with the capital requirements of NBFC Regulations, 2008.

The Company is subject to capital requirements of the SECP. In accordance with the rule 3 of NBFC Regulations 2008, the minimum equity requirement for investment finance services is Rs. 300 million as at June 30, 2010 and Rs.1,000 million to be achieved in a phased manner by June 30, 2013. Further the minimum equity requirement for Leasing is Rs. 200 million as at June 30, 2009 and Rs. 700 million to be achieved in a phased manner by June 30, 2013. Currently the Company has net equity of Rs. 621 million which meet the minimum equity requirement for investment finance services and leasing licenses.

In order to maintain or adjust the capital structure, the Company may issue new shares. The business plan of the company shows that the Company will achieve the minimum enhanced equity requirement of the SECP in planned manner by June 2013.

**50. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 28, 2010 by the Board of Directors of the Company.

**51. GENERAL**

**51.1** Figures have been rounded off to the nearest Rupee.

**CHIEF EXECUTIVE**

**DIRECTOR**

**PATTERN OF SHAREHOLDING - ORDINARY SHARES  
AS JUNE 30, 2010**



**FIRST DAWOOD INVESTMENT BANK LIMITED  
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Number of Share Holders (Ordinary Shares)	Share Holding		Total Shares Held
	From	To	
933	1	100	34,750
437	101	500	115,480
740	501	1000	660,380
619	1001	5000	1,499,965
177	5001	10000	1,449,415
61	10001	15000	779,878
33	15001	20000	613,274
28	20001	25000	659,184
24	25001	30000	680,242
11	30001	35000	364,280
9	35001	40000	348,740
9	40001	45000	391,611
8	45001	50000	387,559
4	50001	55000	205,701
4	55001	60000	229,640
6	60001	65000	378,613
3	65001	70000	201,940
3	70001	75000	218,446
3	75001	80000	236,459
1	80001	85000	85,000
2	85001	90000	177,259
3	90001	95000	276,699
1	95001	100000	98,511
2	100001	105000	203,900
1	105001	110000	108,350
2	110001	115000	227,526
1	115001	120000	116,830
2	120001	125000	249,498
1	130001	135000	130,158
2	135001	140000	276,090
1	145001	150000	145,475
2	155001	160000	314,851
1	165001	170000	168,261
1	170001	175000	172,550
1	175001	180000	175,352
2	180001	185000	366,370
2	185001	190000	373,450
1	190001	195000	190,853
3	195001	200000	597,460
2	200001	205000	404,852
1	215001	220000	218,291
1	235001	240000	237,500
1	245001	250000	246,373
1	260001	265000	264,188
1	275001	280000	278,300
1	300001	305000	301,955
2	315001	320000	634,483
1	395001	400000	397,963
1	400001	405000	400,537
1	410001	415000	412,390
1	435001	440000	436,425
2	490001	495000	984,920
1	500001	505000	501,512
1	525001	530000	529,171
1	585001	590000	585,352
1	595001	600000	599,276
1	850001	855000	850,005
1	1415001	1420000	1,418,522
1	1510001	1515000	1,513,896
1	1650001	1655000	1,654,436
1	1920001	1925000	1,921,400
1	2340001	2345000	2,341,935
1	2380001	2385000	2,382,641
1	2585001	2590000	2,585,770
1	2735001	2740000	2,735,564
1	4655001	4660000	4,655,426
1	8865001	8870000	8,867,566
1	10375001	10380000	10,378,637
<b>3,176</b>			<b>62,649,286</b>





**FIRST DAWOOD INVESTMENT BANK LIMITED  
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Categories of Share Holder's	No. of Share Holder	Share Held	Percentage
<b>Individuals</b>	3,104	33,186,081	52.97
<b>Investment Companies</b>	3	896,751	1.43
<b>Joint Stock Companies</b>	47	1,504,696	2.40
<b>Financial Institution</b>	8	7,428,764	11.86
<b>Others</b>	4	4,658,479	7.44
<b>Leasing Companies</b>	1	237	0.00
<b>Cooperative Societies</b>	1	30,885	0.05
<b>Modaraba Management Companies</b>	2	637,092	1.02
<b>Insurance Companies</b>	3	10,791,027	17.22
<b>Modaraba Companies</b>	3	3,515,274	5.61
	<b>3,176</b>	<b>62,649,286</b>	<b>100.00</b>

**ADDITIONAL INFORMATION OF ORDINARY SHARES AS ON JUNE 30, 2010**

S. No.	Categories Shareholders	Numbers	Shares Held	% Age
<b>1</b>	<b>Associated Companies</b>	<b>3</b>	<b>6,037,802</b>	<b>9.64</b>
	B.R.R. Guardian Modaraba		3,339,922	5.33
	Dawood Capital Management Limited		2,382,641	3.80
	B.R.R. Investment (Pvt.) Ltd.		315,239	0.50
<b>2</b>	<b>NIT &amp; ICP</b>	<b>2</b>	<b>2,806,230</b>	<b>4.48</b>
	National Bank of Pakistan Trustee Deptt.		2,806,010	4.48
	Investment Corporation of Pakistan		220	0.00
<b>3</b>	<b>Directors, CEO and their Spouses and Minor Children</b>	<b>6</b>	<b>15,000,678</b>	<b>23.94</b>
	Ayaz Dawood		2,585,770	4.13
	Hamida Dawood		2,834,529	4.52
	Rafique Dawood		8,867,566	14.15
	Shumaila Matri Dawood		319,244	0.51
	Rasheed Y. Chinoy		247,594	0.40
	Omar Hasan Khan Bangsh		500	0.00
	Mohammad Ali S/o Ayaz Dawood		145,475	0.23
<b>4</b>	<b>Public Sector Companies and Corporation</b>	<b>1</b>	<b>10,378,637</b>	<b>16.57</b>
<b>5</b>	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds</b>	<b>66</b>	<b>10,240,536</b>	<b>16.35</b>
<b>6</b>	<b>Shareholders holding ten percent or more in the Company</b>	<b>2</b>	<b>19,246,203</b>	<b>30.72</b>
	State Life Insurance Corp. of Pakistan		10,378,637	16.57
	Rafique Dawood		8,867,566	14.15

**PATTERN OF SHAREHOLDING - PREFERENCE SHARES  
AS ON JUNE 30, 2010**



**FIRST DAWOOD INVESTMENT BANK LIMITED  
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Number of Share Holders (Preference Shares)	Share Holding			Total Shares Held
	From	To		
1	1,495,001	-	1,500,000	1,500,000
1	1,995,001	-	2,000,000	2,000,000
1	2,495,001	-	2,500,000	2,500,000
1	3,040,001	-	3,045,000	3,044,380
1	5,995,001	-	6,000,000	6,000,000
1	9,935,001	-	9,940,000	9,935,500
1	14,090,001	-	14,095,000	14,092,000
1	31,395,001	-	31,400,000	32,511,474
<b>8</b>				<b>71,583,354</b>

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

**ADDITIONAL INFORMATION OF PR**

**REFERENCE SHARES AS ON JUNE 30, 2010**

Categories Shareholders	Numbers	Shares Held	% Age
<b>Financial Institution</b>	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	
<b>Insurance Companies</b>	1	6,000,000	8.38
National Insurance Company Limited		6,000,000	
<b>Mutual Fund</b>	1	3,044,380	4.25
CDC - Trustee AMZ Plus Income Fund		3,044,380	
<b>Shareholders holding ten percent or more Preference Shares in the Company</b>	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**  
**XVI Annual General Meeting**

First Dawood Investment Bank Limited  
Karachi.

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

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

of \_\_\_\_\_ (full address) (or failing him)

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 **XVI Annual General Meeting** of the Company to be held on October 26, 2010 at 19:30  
hours and to every adjournment thereof.

And witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2010, 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 20, 2010 to October 26, 2010 (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.

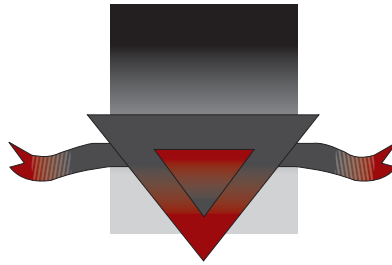


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<p><b>FIRST DAWOOD INVESTMENT BANK LIMITED</b> 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi-74000</p>	<p>AFFIX CORRECT POSTAGE</p>
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## **FIRST DAWOOD INVESTMENT BANK LIMITED**

**Head Office :** 1500-A, Saima Trade Towers I.I. Chundrigar Road, Karachi-74000  
UAN : 111-DAWOOD (111-329663) Fax : 92-21-3227-1913  
Email : [dlc@cyber.net.pk](mailto:dlc@cyber.net.pk) [fdib@firstdawood.com](mailto:fdib@firstdawood.com)

**Islamabad :** Office No. 20 & 21, Beverly Centre, 1<sup>st</sup> Floor, 56-G, Jinnah Avenue, Islamabad-74400  
Tel. : (051) 227-6367 & 227-4194/5 Fax : (051) 227-1280

**Lahore :** 72 Main Boulevard, Siddique Trade Centre, Suite # 210, 2<sup>nd</sup> floor, Lahore,  
Tel. : (042) 3578-1891 (042) 3578-1890 E-mail : [dlc@brain.net.pk](mailto:dlc@brain.net.pk)