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FIRST DAWOOD INVESTMENT BANK LIMITED

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CORPORATE INFORMATION

FIRST DAWOOD INVESTMENT BANK LIMITED

Board of Directors	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. M. Riyazul Haque	Chairman Chief Executive Officer Director Director Director (Nominee of DCM) Director Director (Nominee of NIT)
Audit Committee	Mr. Rasheed Y. Chinoy Mr. Omar Hasan Khan Bangash Mr. Rafique Dawood	Chairman Member Member
Chief Financial Officer	Mr. Abbas Qurban	
Company Secretary	Syed Kabiruddin	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Advisor	Mohsin Tayebaly & Co.	
Bankers	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	
Registered Office Head Office	1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi-74000 UAN 111-DAWOOD (111-329663) PABX +92 (21) 3227-1874-96 Fax +92 (21) 3227-1913 Email fdib@firstdawood.com URL www.firstdawood.com	
Branch Offices	Islamabad Branch Office No 20 & 21, Beverly Centre, 1st Floor, 56-G-7, Jinnah Avenue, Islamabad-7400. Tel +92 (051) 227-6367 & 227-4194-5 Fax +92 (051) 227-1280 Email brrim@isb.paknet.com.pk Lahore Branch Suite No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg III, Lahore Tel +92 (42) 3578-1888 Fax +92 (42) 3578-1890 Email fdibl@yahoo.com	
Share Registrar	F.D. Registrar Services (SMC-Pvt) Ltd. 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi-74000 Tel +92 (21) 3547 8192-93 Fax +92 (21) 3227 1905 Email fdregistrar@hotmail.com , fdregistrar@yahoo.com	

**IN THE NAME OF 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 unaudited first quarter 2010-11 interim financial statements of the Company for period ended September 30, 2010.

Your company during the 1st quarter under review has recorded after-tax profit of Rs. 43.73 million as compared to profit of Rs. 21.85 million during the corresponding quarter last year. Gross revenue for the quarter is Rs. 47.63 million as compared to gross revenue of Rs 128.25 million which resulted mainly due to reduced lease and finance portfolio as the company has been focusing on consolidation and reviving your company, therefore no new business has been written. In view of rescheduling / restructuring / settlement and reduction in liabilities, financial charges have gone down substantially to Rs. 15.57 million from Rs. 110.45 million. Now since the company has become equity compliant, therefore, it has requested SECP for the renewal of 'Investment Finance Services and Leasing Licenses. Administrative expenses for the quarter under review remained under control and are at same level i.e. Rs. 19.80 million comparing Rs. 20.01 million during the corresponding quarter last year.

As mentioned above your company has become fully equity compliant with a positive equity of Rs. 651.27 million as of September 30, 2010. The 'Minimum Capital Requirement' (MCR) for the aforesaid licenses is Rs.500M, thus the company has got adequate surplus reserve over & above the 'MCR'.

Your company is on right path and is focusing on recoveries, reduction of liabilities, rebuilding of cash reserve and controlling costs. As informed in last report, that management of your company projected the year 2010-11 to be the year of sustainability, whereby emphasis has been diverted towards cash recoveries, so that balance sheet and operations of the company could be strengthened further.

The Board of Directors acknowledges and appreciates the commitment and continuous efforts of all the employees and management. We also take this opportunity to express our gratitude to SECP, our valued customers, business partners, other stakeholders, shareholders and particularly our creditors for their continued confidence and patronage.

October 27, 2010
Karachi.

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

Rafique Dawood
Chairman



BALANCE SHEET
AS AT SEPTEMBER 30, 2010

FIRST DAWOOD INVESTMENT BANK LIMITED

	Unaudited September 30 2010	Audited June 30 2010
<i>Note</i>	<i>Rupees</i>	
ASSETS		
NON CURRENT ASSETS		
Property and equipment	10,869,247	9,431,583
Investment properties	322,901,708	191,037,708
Net investment in lease finance	251,858,922	288,753,097
Long term investments	37,522,820	22,961,150
Long term finances	136,913,541	191,792,808
Long term loans	371,249	461,060
Long term deposits	4,763,500	4,763,500
Deferred tax asset	147,528,543	147,528,543
	912,729,530	856,729,449
CURRENT ASSETS		
Current portion of non-current assets	1,085,764,092	1,052,765,571
Short term investments	631,477,304	578,818,839
Placements and finances	167,559,565	332,219,665
Advance against lease commitments	30,031,099	30,031,100
Advances and prepayments	23,480,437	23,329,725
Mark-up accrued	40,760,021	64,818,615
Other receivables	124,669,479	62,808,209
Cash and bank balances	115,477,543	146,587,174
	2,219,219,540	2,291,378,898
	<u>3,131,949,070</u>	<u>3,148,108,347</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Ordinary shares	626,492,900	626,492,900
Preference shares	715,833,540	715,833,540
	1,342,326,440	1,342,326,440
Reserves	333,744,789	333,744,789
Accumulated loss	(950,991,171)	(987,507,862)
	725,080,058	688,563,367
Deficit on revaluation of investments	(73,805,522)	(67,870,526)
	651,274,536	620,692,841
NON CURRENT LIABILITIES		
Redeemable capital	345,000,000	345,000,000
Long term loans	699,485,553	752,010,405
Certificates of investment	-	9,374,497
Long term deposits	107,373,715	111,158,142
	1,151,859,268	1,217,543,044
CURRENT LIABILITIES		
Current portion of long term liabilities	319,290,106	275,652,668
Mark-up accrued	151,787,776	164,117,877
Short-term borrowings	505,645,127	505,645,127
Certificates of investment	320,000,000	325,000,000
Accrued and other liabilities	26,222,161	34,586,690
Taxation	5,870,096	4,870,100
	1,328,815,266	1,309,872,462
Contingencies and commitments	17	
	<u>3,131,949,070</u>	<u>3,148,108,347</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2010



FIRST DAWOOD INVESTMENT BANK LIMITED

	September 30 2010	September 30 2009
	<i>Rupees</i>	
INCOME		
Lease income	5,325,964	21,738,223
Return on placements, finances, deposits and investments	12,392,966	60,916,605
Gain on sale of securities	402,400	9,962,783
Loss on sale of debt securities	-	(3,804,089)
Income from long term finances	13,271,626	30,934,378
Brokerage income	-	969,730
Exchange gain	2,845	-
Other income	16,236,779	7,531,894
	47,632,580	128,249,524
PROVISIONS / CHANGES IN FAIR VALUE		
Reversal for lease losses and doubtful recoveries	18,029,280	25,000,000
Surplus on revaluation of held for trading securities	-	389,313
	18,029,280	25,389,313
	65,661,860	153,638,837
EXPENDITURE		
Administrative expenses	19,804,875	20,012,887
Finance cost	15,572,269	110,446,259
	(35,377,144)	(130,459,146)
	30,284,716	23,179,691
Share of Profit/ (loss) of associates	14,449,146	(132,995)
PROFIT / (LOSS) BEFORE TAXATION	44,733,862	23,046,696
TAXATION		
Current	1,000,000	1,200,000
PROFIT AFTER TAXATION	43,733,862	21,846,696
Earnings per share - basic and diluted - Rupees	0.70	0.35

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2010



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>September 30</i> <i>2010</i> <i>Rupees</i>	<i>September 30</i> <i>2009</i> <i>Rupees</i>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	44,733,862	23,046,696
Adjustments:		
- Depreciation	912,315	859,647
- Gain on sale of investments	(402,400)	(9,962,783)
- Share of (profit) / loss of equity accounted investees	(14,449,146)	132,995
- Loss on sale of Debt securities	-	3,804,089
- Finance cost	15,572,269	110,446,259
- Gain on sale of property and equipment	(32,800)	-
- Provision for gratuity	-	1,005,500
- Reversal for lease losses and doubtful recoveries	(18,029,280)	(25,000,000)
- Surplus on revaluation of securities at fair value through profit or loss	-	(389,313)
- Exchange gain	(2,845)	-
	(16,431,887)	80,896,394
	28,301,975	103,943,090
Changes in operating assets and liabilities <i>(Increase) / decrease in operating assets</i>		
Net investment in lease finance	89,667,865	24,421,783
Long-term finances	12,373,917	25,588,635
Long-term loans	96,380	91,691
Placements and finances	2,000,000	18,937,973
Advances and prepayments	(150,712)	(319,125)
Interest accrued	24,058,594	(10,233,421)
Other receivables	(61,861,270)	9,199,079
	66,184,774	67,686,615
	94,486,749	171,629,705
<i>Increase / (decrease) in operating liabilities</i>		
Certificates of investment / deposits	(15,566,522)	(41,260,917)
Deposits	(10,729,816)	(1,404,832)
Accrued and other liabilities	(8,364,529)	2,827,947
	59,825,882	131,791,903
Finance cost paid	(27,902,370)	(59,107,578)
Gratuity paid	-	(1,019,507)
Tax paid	(522,778)	(848,146)
Net cash from operating activities	31,400,734	70,816,672
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,373,179)	(4,019,122)
Proceeds from sale of property and equipment	56,000	1,732,942
Short term investments	(59,443,186)	8,691,269
Long-term deposits	-	(126,000)
Net cash flow (used) / from investing activities	(61,760,365)	6,279,089



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>September 30 2010</i>	<i>September 30 2009</i>
<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long-term loans	(750,000)	(66,480,565)
<i>Net cash flow used in financing activities</i>	(750,000)	(66,480,565)
<i>Net (decrease)/increase in cash and cash equivalents</i>	(31,109,631)	10,615,196
Cash and cash equivalents at beginning of the year	46,638,192	(394,394,873)
Cash and cash equivalents at end of the year	15,528,561	(383,779,677)

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2010**



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>SHARE CAPITAL</i>		<i>CAPITAL RESERVES</i>			<i>REVENUE RESERVES</i>		<i>TOTAL</i>	
	<i>ORDINARY SHARES</i>	<i>PREFERENCE SHARES</i>	<i>STATUTORY RESERVE</i>	<i>PREMIUM ON RIGHT SHARES</i>	<i>CAPITAL RESERVE ON ACQUISITION</i>	<i>(DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS</i>	<i>GENERAL RESERVE</i>		<i>(ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT</i>
	----- Rupees -----								
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)
Total Comprehensive income for the period	-	-	-	-	-	40,584,854	-	21,846,696	62,431,550
Balance at September 30 2009	626,492,900	-	202,186,151	53,426,910	2,596,484	(74,859,887)	-	(1,266,101,877)	(456,259,319)
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
Total Comprehensive income for the period	-	-	-	-	-	(5,934,996)	-	43,733,862	37,798,866
Dividend on preference shares @ 4% for the period	-	-	-	-	-	-	-	(7,217,171)	(7,217,171)
Balance at September 30 2010	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(73,805,522)	-	(950,991,171)	651,274,536

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2010**

FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>September 30, 2010</i>	<i>September 30, 2009</i>
	<i>Rupees</i>	
Net income after taxation for the year	43,733,862	21,846,696
Other comprehensive income		
(Deficit) / surplus on re-measurement of investments classified as available for sale	(5,934,996)	39,040,972
Share of surplus on remeasurement of investments in associate	-	1,543,882
Total comprehensive income for the Period	<u>37,798,866</u>	<u>62,431,550</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE PERIOD ENDED SEPTEMBER 30, 2010



FIRST DAWOOD INVESTMENT BANK LIMITED

1. STATUS AND NATURE OF BUSINESS

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 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 and now applied for renewal.

2. BASIS OF PRESENTATION

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

The condensed interim financial statements is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

3. BASIS OF MEASUREMENT

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

4. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in preparation of these interim financial statements are the same as those applied in the preparation of annual financial statements of the Company for the year ended 30 June 2010.

	<i>September 30, 2010 Rupees</i>	<i>June 30, 2010 Rupees</i>
5. PROPERTY AND EQUIPMENT		
Furniture & fixtures	41,083	42,147
Equipment and appliances	841,233	778,672
Vehicles	9,986,931	8,610,764
	<u>10,869,247</u>	<u>9,431,583</u>
5.1 Acquisition of assets - at cost		
Furniture & fixtures	-	42,500
Equipment and appliances	276,179	406,153
Vehicles	2,097,000	7,387,169
	<u>2,373,179</u>	<u>7,835,822</u>
5.2 Disposal of assets - at cost		
Furniture & fixtures	-	3,989,050
Equipment and appliances	29,000	1,925,841
Vehicles	560,000	5,351,300
	<u>589,000</u>	<u>11,266,191</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

		<i>September 30, 2010 Rupees</i>	<i>June 30, 2010 Rupees</i>
6.	INVESTMENT PROPERTIES		
	Opening balance	191,037,708	97,437,708
	Acquired in settlement of assets	131,864,000	93,600,000
		<u>322,901,708</u>	<u>191,037,708</u>
7.	NET INVESTMENT IN LEASE FINANCE		
	Net investment in lease finance	1,279,708,794	1,369,376,659
	Provision for doubtful receivables	(291,470,451)	(291,470,451)
	Current portion	(736,379,421)	(789,153,111)
		<u>251,858,922</u>	<u>288,753,097</u>
	7.1 Particulars of net investment in lease finance		
	Minimum lease payments receivable	1,236,801,340	1,338,061,986
	Residual value of leased assets	290,942,217	301,672,033
		<u>1,527,743,557</u>	<u>1,639,734,019</u>
	Unearned finance income	(248,034,763)	(270,357,360)
	Net Investment in lease finance	<u>1,279,708,794</u>	<u>1,369,376,659</u>
8.	LONG TERM INVESTMENTS		
	8.1 Investment in associates		
	Opening Balance	22,961,150	391,805,414
	Decrease in interest in associates	-	(22,187,150)
	Transfer to available-for-sale investment	-	(301,297,407)
	Share of profit / (loss)	14,449,146	(36,373,779)
	Share of surplus / (deficit) on revaluation of investments	112,524	(8,985,928)
		<u>37,522,820</u>	<u>22,961,150</u>
9.	LONG TERM FINANCES		
	Term finance facilities	668,459,582	680,833,499
	Provision for doubtful receivables	(182,547,644)	(225,821,074)
	Current portion	(348,998,397)	(263,219,617)
		<u>136,913,541</u>	<u>191,792,808</u>
10.	CURRENT PORTION OF NON-CURRENT ASSETS		
	Net investment in lease finance	736,379,421	789,153,111
	Long-term finances	348,998,397	263,219,617
	Long-term loans	386,274	392,843
		<u>1,085,764,092</u>	<u>1,052,765,571</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>September 30, 2010 Rupees</i>	<i>June 30, 2010 Rupees</i>
11. SHORT TERM INVESTMENTS		
11.1 Investments - Available for sale		
Term finance certificates	140,848,860	150,067,991
National investment trust units	40,204	44,246
Quoted securities	15,556,113	18,334,575
Unquoted securities	475,032,127	410,372,027
	<u>631,477,304</u>	<u>578,818,839</u>
12. PLACEMENTS AND FINANCES		
Placements and finances- unsecured	15,000,000	84,235,781
Provision for doubtful finances	-	(4,575,681)
	15,000,000	79,660,100
Financing against shares	370,366,259	472,366,259
Provision for doubtful finances	(342,071,100)	(344,071,100)
	28,295,159	128,295,159
Short-term finance - secured	66,781,567	66,781,567
Provision for doubtful finances	(17,400,000)	(17,400,000)
	49,381,567	49,381,567
Certificates of deposit	5,000,000	5,000,000
Provision for doubtful deposits	(5,000,000)	(5,000,000)
	-	-
Morabaha / Musharika Finances	138,262,780	138,262,780
Provision for Doubtful Finances	(63,379,941)	(63,379,941)
	74,882,839	74,882,839
	<u>167,559,565</u>	<u>332,219,665</u>
13. LONG TERM LOANS		
Secured		
<i>Foreign Currency</i>		
Asian Development Bank	73,836,385	73,836,385
<i>Local Currency</i>		
Commercial banks	743,525,209	744,275,209
	817,361,594	818,111,594
Maturing within one year	(117,876,041)	(66,101,189)
	<u>699,485,553</u>	<u>752,010,405</u>
14. CURRENT PORTION OF LONG TERM LIABILITIES		
Long term loans	117,876,041	66,101,189
Certificates of investment / deposit	-	1,192,025
Lease deposits	201,414,065	208,359,454
	<u>319,290,106</u>	<u>275,652,668</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

	<i>September 30, 2010 Rupees</i>	<i>June 30, 2010 Rupees</i>
15. SHORT TERM BORROWINGS		
Secured		
Running finance	99,948,982	99,948,982
Unsecured		
From commercial banks - call borrowings	6,418,223	6,418,223
Non-banking finance companies - call borrowings	399,277,922	399,277,922
	<u>505,645,127</u>	<u>505,645,127</u>
16. SHORT TERM CERTIFICATES OF INVESTMENT / DEPOSIT		
Non banking financial institutions	320,000,000	325,000,000
	<u>320,000,000</u>	<u>325,000,000</u>
17. CONTINGENCIES AND COMMITMENTS		
17.1 Contingent Liability		
Letters of comfort / guarantee	17.1.1 <u>3,441,550,163</u>	<u>3,441,550,163</u>
17.1.1	<p>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.</p>	
a. Guarantees against gas bills	<p>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.</p>	
b. Guarantees against letters of comfort and letters of credit	<p>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.</p>	
c. Guarantees against finances	<p>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.</p>	

**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.
- 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

- 17.2 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>September 30, 2010 Rupees</i>	<i>September 30, 2009 Rupees</i>
18. CASH AND CASH EQUIVALENTS		
Cash and Bank Balances	115,477,543	125,328,668
Short Term Running Finance	<u>(99,948,982)</u>	<u>(509,108,345)</u>
	<u>15,528,561</u>	<u>(383,779,677)</u>

19. TRANSACTIONS WITH RELATED PARTIES

- 19.1 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.



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19.2 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:

	30-Sep-10		30-Jun-10	
	Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties
----- Rupees -----				
Net Investment in Finance Lease				
Balance at beginning of the year	-	52,581,328	-	60,886,313
Rentals received	-	(529,500)	-	(8,304,985)
Balance at end of the year	-	52,051,828	-	52,581,328
Long term finances / loans				
Balance at beginning of the year	394,796	-	702,073	-
Received during the year	(79,245)	-	(307,277)	-
Balance at end of the year	315,551	-	394,796	-
Placement and finances				
Balance at beginning of the year	-	-	-	42,560,044
Received during the year	-	-	-	(42,560,044)
Balance at end of the year	-	-	-	-
Investment in associate				
Balance at beginning	-	331,674,610	-	391,805,413
Settlement against liability	-	-	-	(22,186,302)
Share of loss	-	-	-	(37,944,501)
Balance at end	-	331,674,610	-	331,674,610
Other receivables	-	-	-	17,742,225
Mark-up payable	-	29,202,740	-	24,917,808
Disposal of fixed assets - cost	-	-	1,619,000	-
Charge to profit and loss account				
	30-Sep-10		30-Sep-09	
Finance cost	-	4,284,932	-	13,816,275
Lease Income	-	690,767	-	812,873
Return on placements, finances, deposits and investments	-	-	-	927,586
Common expenses paid	-	3,046,925	-	4,011,008
Share of profit / (loss) of associates	-	14,449,146	-	(132,995)

19.3 Maximum aggregate balance of placements at the end of any month during the period was Nil (2010: Rs.24.56 million).

20. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 October 2010 by the Board of Directors of the Company.

21. GENERAL

Figures have been rounded off nearest to Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR