

FIRST DAWOOD INVESTMENT BANK LIMITED



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FIRST DAWOOD INVESTMENT BANK LIMITED

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FIRST DAWOOD INVESTMENT BANK LIMITED

CORPORATE INFORMATION

Board of Directors*	Mr. Rafique Dawood Mr. Abu Khurshed M. Ariff Mr. Ayaz Dawood Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Amir Amin	Chairman Director & CEO (Not assumed charge as CEO) Director Director Director Director (Nominee of NIT) (Not assumed charge)
Audit Committee	Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Amir Amin	Chairman Member Member (Not assumed charge)
HR & R Committee	Mr. Khurshid A. Khair Mr. Asad Hussain Bokhari Mr. Abu Khurshed M. Ariff	Chairman Member Member
Chief Financial Officer & Company Secretary	Mr. Nabeel Asif	
Auditors	M. Yousuf Adil Saleem & Company Chartered Accountants (Deloitte)	
Legal counsels	A.Q.Abbasi & Associates Kabiraj & Talibuddin Kamal Azfar & Associates Khalil Asif Ejaz & Co Mohsin Tayebaly & Co Minto & Mirza Nishtar & Zafar (Advocate & Legal Consultants) S.B. Durrani Law Associates	
Management Consultants	Shekha & Mufti Chartered Accountants (Moore Stephens International)	
Bankers	Al-Baraka Islamic Bank Bank Al-Habib Habib Metropolitan Bank MCB Bank National Bank of Pakistan Oman International Bank Standard Chartered Bank United Bank	
Registered Office	18 th Floor, B.R.R Tower, Hasan Ali Street Off: I. I. Chundrigar Road, Karachi-74000 PABX +92 (21) 3227-1875-78 Fax +92 (21)3227-1912 Email fdib@firstdawood.com URL www.firstdawood.com	
Share Registrar	F.D. Registrar Services (SMC-Pvt) Ltd. 1705, 17th Floor, Saima Trade Tower -A, I.I. Chundrigar Road, Karachi-74000 Tel +92 (21) 3547 8192-93 / 021-32771906 Fax +92 (21) 3262 1233 / 021-32771905 Email fdregistrar@hotmail.com , fdregistrar@yahoo.com	

* Application for the prior approval of Directors is pending with SECP. Status-quo has been granted by the Honorable Islamabad High Court vide order dated 03-02-2014. Where the legality of the approval process has been challenged. As per advice of legal Counsel till approval is granted the newly elected directors cannot assume charge hence, the previous directors will continue to hold office.



FIRST DAWOOD INVESTMENT BANK LIMITED

VISION AND MISSION STATEMENT/ CORPORATE STRATEGY

VISION STATEMENT

Your Company's vision is to become the leading progressive and profitable organization in the financial sector through innovative, proactive and responsible management that provides the highest level of quality service to clientele. We will further develop strengths by introducing new products and services.

MISSION STATEMENT

- * To offer value in 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.



FIRST DAWOOD INVESTMENT BANK LIMITED

FINANCIAL HIGHLIGHTS

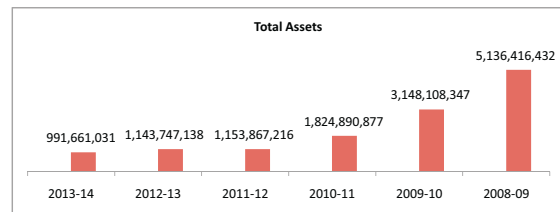
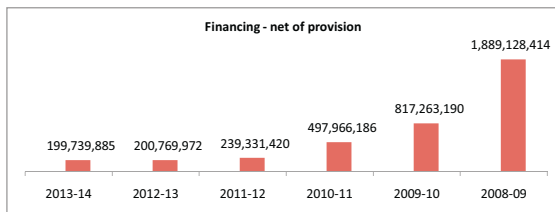
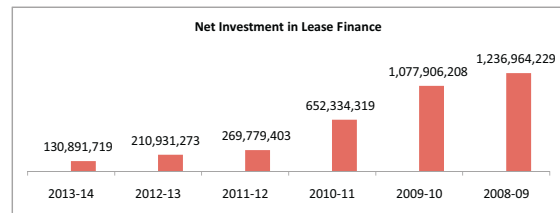
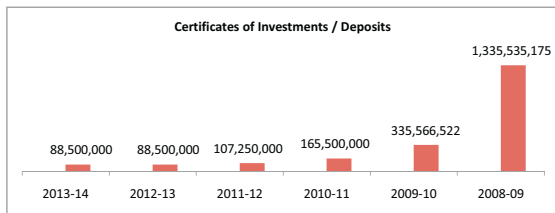
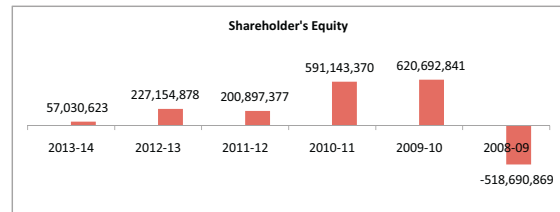
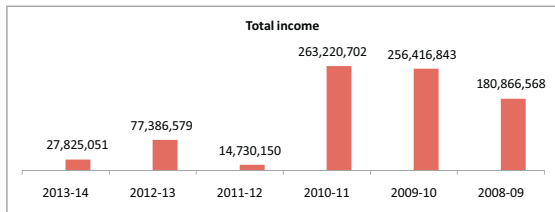
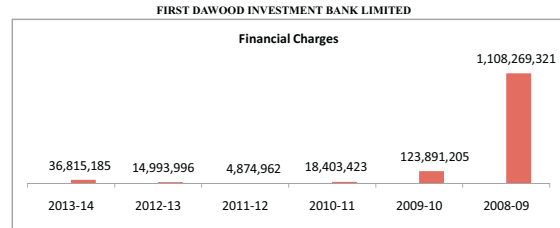
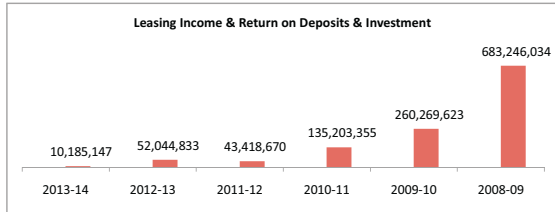
FIRST DAWOOD INVESTMENT BANK LIMITED

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
PROFIT & LOSS						
Lease Income & Return on deposit & Investment	10,185,147	52,044,833	43,418,670	135,203,355	260,269,623	683,246,034
Financial Charges	49,475,853	14,993,996	4,874,962	18,403,423	123,891,205	1,108,269,321
Fee, commission, brokerage & others	11,136,459	24,748,775	(29,082,716)	78,569,971	56,576,610	2,555,994
Dividend & capital gain/(loss)	6,503,445	592,971	394,196	49,447,376	(60,429,390)	(504,935,460)
Total Income	27,825,051	77,386,579	14,730,150	263,220,702	256,416,843	180,866,568
Provisions / (Surplus) / Deficit	37,051,368	10,595,297	306,001,742	74,474,521	(201,350,448)	773,852,970
Operating expenses	66,022,591	73,223,894	84,482,499	88,027,391	99,622,885	94,049,058
Operating profit/ (loss) before tax and provision	(103,857,361)	(8,290,666)	34,091,012	156,789,888	32,902,753	(1,021,451,811)
Profit (loss) after taxation	(140,945,055)	49,909,276	(376,387,222)	(44,284,223)	377,676,221	(1,784,152,012)
Profit/(loss) before taxation	(140,908,729)	(18,885,963)	(408,083,157)	12,644,688	234,253,201	(1,795,304,781)
Dividends	-	-	-	-	-	-
Bonus shares	-	-	-	-	-	-
BALANCE SHEET						
Shareholder's equity	55,600,305	227,154,878	200,897,377	591,143,370	620,692,841	(518,690,869)
Deficit / surplus on Revaluation of Investment	(6,982,479)	(5,006,303)	(9,987,869)	(24,502,432)	(67,870,526)	(115,444,739)
Certificate of Investment / Deposits	88,500,000	88500000	107,250,000	165,500,000	335,566,522	1,335,535,175
Borrowings from financial institutions	524,872,003	542,545,880	591,764,164	769,890,505	1,668,756,721	3,547,552,301
Net Investment In Lease Finances	130,891,719	210,931,273	269,779,403	652,334,319	1,077,906,208	1,236,964,229
Financing - net of Provision	199,739,885	200,769,972	239,331,420	497,966,186	817,263,190	1,889,128,414
Investment - net of provision	245,882,042	251,218,488	220,665,494	213,833,608	601,779,989	951,915,585
Total Assets	1,002,891,381	1,143,747,138	1,153,867,216	1,824,890,877	3,148,108,347	5,136,416,432
FINANCIAL RATIOS						
Gross spread ratio (%)	-79.41%	73.51%	88.77%	8639%	52.40%	-62.21%
Income / expense ratio (Times)	0.24	0.16	0.16	2.47	1.15	0.15
Return on Average Equity (ROE) (%)	-99.69%	23.32%	-95.04%	-731%	740.53%	-283.13%
Return on Average Assets (ROA) (%)	-13.13%	4.34%	-25.27%	-1.78%	9.12%	-22.03%
Profit / (Loss) before tax ratio	(5.06)	(1.37)	(27.70)	0.05	0.91	(9.93)
Financing / Deposit Ratio (Average) (%)	226.28%	224.73%	270.32%	262.49%	161.95%	13048%
Total assets turnover ratio /Fixed assets turnover ratio (Times)	0.01	0.07	0.01	3.79	27.19	2.11
Price Earning ratio	(0.55)	4.92	(0.53)	(4.82)	0.30	(0.11)
Market Value per share	1.5	1.82	1.49	1.59	1.78	3.07
Earning per share (Rs.)	(2.71)	0.34	(2.80)	(0.33)	6.03	(28.00)
Book value per share (Rs.)	0.91	3.63	3.21	9.83	10.99	(6.32)
Employees remuneration (Rs. In Million)	32.19	34.74	33.64	48.59	52.97	47.54
Government tax (Rs. In Million)	1.02	1.80	2.92	0.01	2.92	7.88
Number of employees	18	25	31	33	34	35



FIRST DAWOOD INVESTMENT BANK LIMITED

FINANCIAL HIGHLIGHTS





FIRST DAWOOD INVESTMENT BANK LIMITED

NOTICE OF 20th ANNUAL GENERAL MEETING (AGM XX)

Notice is hereby given that the AGM XX of First Dawood Investment Bank Limited will be held at its Registered Office, B.R.R Tower, Hassan Ali Street, Off: I.I. Chundrigar Road, Karachi on Friday, October 31, 2014 at 5:00 p.m. to transact the following business:

Ordinary Businesses

1. To confirm the minutes of XIX Annual General Meeting held on October 24, 2013.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2014 together with Directors' and Auditors' Reports thereon.
3. To consider the re-appointment of External Auditors and to fix their remuneration for the financial year ending June 30, 2015.

Special Business

4. To consider and if thought fit pass, special resolution to approve enhancement of authorized capital upto Rs.2,250,000,000/- (Rupees Two billion two hundred fifty million only) to accommodate conversion of preference shares into ordinary shares and pass the Proposed Special Resolution, with or without modification, subject to necessary procedural and regulatory Compliance.
5. Any other business with the permission of the Chair.

By Order of the Board

October 09, 2014
Karachi

Naveed Ahmed
Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 24, 2014 to October 31, 2014 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi, if any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. No person other than a member shall act as proxy. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub-account holders are requested to bring with them their computerized National ID Cards (CNIC) along with Participant(s) ID number and their account numbers at the time of attending this meeting in order to facilitate identification of the respective shareholder(s). In respect of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.



FIRST DAWOOD INVESTMENT BANK LIMITED

Statement under Section 160 (1) (b) of the Companies Ordinance, 1984

Item 4

The Board of Directors of the Company had decided in their meeting to increase authorized capital of the Company into Ordinary and Preference shares for the purpose of issuance of ordinary shares upon conversation of preference shares and otherwise.

Proposed Special Resolution

"RESOLVED that: the Authorized Capital of the company be and is hereby increased from Rs.1,500,000,000/- (Rupees One billion five hundred million only) divided into =75,000,000=- (Seventy Five Million Only) ordinary shares of Rs:10/-each and =75,000,000=- (Seventy Five Million Only) preference shares to Rs.2,250,000,000/- (Rupees Two billion two hundred fifty million only) divided into =150,000,000=- (One Hundred Fifty Million Only) ordinary shares of Rs:10/-each and =75,000,000=- (Seventy Five Million Only) preference shares of Rs:10/-each and clause V of Memorandum of Association and Article 5 of Article of Association of the Company be and hereby amended and substituted to be read as under:

CLAUSE V OF THE MEMORANDUM OF ASSOCIATION

The Authorized share capital of the company is Rs.2,250,000,000/- (Rupees Two billion two hundred fifty million only) divided into =150,000,000=- (One Hundred Fifty Million Only) ordinary shares of Rs:10/-each and =75,000,000=- (Seventy Five Million Only) preference shares of Rs:10/each. The Ordinary shares and preference shares have respective rights and benefits given in the Articles of Association of the Company. The Company Shall have power to increase or reduce the capital and to consolidate or sub-divide the shares and issue shares of different kind or classes therein of higher or lower denominations in such manner as may be determined by or in accordance with the regulations of the Company and subject to applicable laws.

ARTICLE 5 OF THE ARTICLES OF ASSOCIATION

The Authorized share capital of the company is Rs.2,250,000,000/- (Rupees Two billion two hundred fifty million only) divided into =150,000,000=- (One Hundred Fifty Million Only) ordinary shares of Rs:10/-each and =75,000,000=- (Seventy Five Million Only) preference shares of Rs:10/each. The Ordinary shares and preference shares have respective rights and benefits given in the Articles of Association of the Company. The Company Shall have power to increase or reduce the capital and to consolidate or sub-divide the shares and issue shares of different kind or classes therein of higher or lower denominations in such manner as may be determined by or in accordance with the regulations of the Company and subject to applicable laws.



FIRST DAWOOD INVESTMENT BANK LIMITED

Chairman Review Report

Dear Shareholders,

I am pleased to present 20th Annual Accounts along with audited financial statements of First Dawood Investment Bank Limited for the year ended June 30, 2014.

Your company is battling hard amidst uncertain conditions prevailing in the country, especially for investment banking sector. Again during this year, we did not receive new approved rules for 'Non-Banking Finance Companies (NBFCs) / Modarabas. The approved rules (for 'NBFCs') may give a clearer road map and a new beacon of light to companies to reorganize themselves for future challenges. This uncertainty is resulting in fewer Companies operating in the NBFC Sector a major sector which finances SME Sector. If corrective measures are not undertaken promptly, this sector will become history and it will be difficult to support Small and Medium sized Enterprises (SMEs) along second and third tier markets of the country, which is backbone of our organized economy.

The decisions of 2008 i.e. closure of market, introduction of MUFAP pricing, none action or no support for dying institutions etc continues to compel majority of players to curtail their operations, primarily due to prevailing uncertainty and also in view of non-availability of credit lines.

The year was eclipsed by political uncertainty and major economic targets were not achieved. The increasing foreign and local debt coupled with worsening law & order situation, especially in Karachi has adversely affected small businesses, which is bread and butter for NBFC sector. The foreign currency reserves are depleting and that is why government wishes to hurriedly off-load shares of state owned entities in guise of privatization.

In view of the aforementioned scenario prevailing in the country, your company's gross finance lease revenue during the year decreased to Rs.1.94 million only. However, a net of reversals of provisions, mainly due to recovery of doubtful loans amounted to Rs.14.15 million. Last year; additional provisioning was made, in view of new management's decision to acquire fresh valuations on collaterals. It is due to prevailing recessionary conditions in the country that majority of company's debtors cannot manage their businesses commitments; therefore the only ray of hope for the company is through the sale / adjustment of collateral. Your company; which used to cater to lower second and upper third tier markets of the country, got the worst hit during these turbulent times. Nevertheless, your company took corrective and aggressive measures to transform company's operations and today it is in a much better state. At the height of crisis; your company owed nearly Rs.10.0 billion to various Individuals, Corporate deposits, Provident Funds and financial institutions. Today, we can inform you with a great relief that all individual, P. Funds and Corporate deposits have fully been repaid and out of Rs.10.0 billion only Rs.620 million worth of liabilities only towards 5-6 financial institutions are outstanding.

Further, to improve profitability / liquidity, the new management has introduced austerity drive and during the financial year administrative expenses have been reduced by almost 10% which has mainly been possible because of restructuring and rightsizing.

Application for prior approval of Directors and CEO is pending with SECP. Further the license for Trustee for Debt Securities is challenged before appellate Bench of SECP and also at the Honorable court in Islamabad. Where it has been pleaded that your company has been victimized and discriminatory attitudes have been developed against it, since it took strong stance on a few things along side prevailing system in the country.

It is encouraging and noteworthy that without any external assistance or a bail-out package your company is surviving and operating without any support for the last six years. It is merely due to inherent strength of the then largest investment bank in Pakistan that it is meeting all of its expenses on its own. The management and the Board are confident that all these measures will translate into growth of your company. Once reforms in the sectors are implemented, this sector will again reach the neglected 'SMEs', which greatly contributes toward the country's domestic growth. Whilst summing-up, it is reiterated that despite extremely unfavorable economic & financial conditions, your company with the support of its Board, new management, its creditors / lenders and shareholders has so far been able to sustain its business during all these years. The company now looks forward to more promising business activities for the benefits of all stakeholders as soon as the new regime of regulations is promulgated.

Chairman
Rafique Dawood



FIRST DAWOOD INVESTMENT BANK LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company are pleased to present to you the 20th Annual Report annexed with Audited Financial Statements of the Company for the year ended June 30, 2014.

Business Performance

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

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

Financial Performance

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

	2014	2013
	Rupees	Rupees
Lease and financing (loss) / income <i>net of provision and impairment</i>	(32,928,227)	95,964,468
Return on deposits and investments	14,963,879	17,192,235
Other gain / (loss)	8,738,031	(46,365,421)
Total (Loss) / Income	(9,226,317)	66,791,282
Administrative and Operating Expenses	66,022,591	73,223,894
Finance cost	49,475,853	14,993,996
Total Expenditure	115,498,444	88,217,890
Share of (loss) / profit of associates	(16,183,968)	2,540,645
(Loss) before Taxation	(140,908,729)	(18,885,963)
Taxation	(36,326)	68,795,239
(Loss) / Profit after Tax	(140,945,055)	49,909,276
(Loss) / Earnings Per Share – Basic	(2.71)	0.34
(Loss) / Earnings Per Share – Diluted	(0.97)	0.37

Future Outlook

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

Internal Control and Audit Function

The company is confident that it will be meeting the set goals and objectives as set in the 5year (2013-2017) business plan. The said updated business plan involved certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The system of internal control is sound in design and has been effectively implemented and monitored. Further, to monitor and support the Board



FIRST DAWOOD INVESTMENT BANK LIMITED

your company has outsourced the Internal Audit function to J.A.S.B & Associates Chartered Accountants and has been appointed as Internal Auditors w.e.f. January 01, 2014 which directly reports to the Audit Committee.

Accounting Policies & Estimates

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

External Auditors

The Auditors Deloitte Pakistan-Chartered Accountants have retired and being eligible offered themselves for reappointment.

Related Party Transaction

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

Statement of Corporate Governance

Your Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2014. The external auditors review report on the statement of compliance with the Code of Corporate Governance is annexed with this report. As per directives of SECP and Karachi Stock Exchange, the Directors hereby confirm the following as required by clause (xvi) of the code:

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

Significant deviations in operating results

The significant deviations in operating results of the Company were mainly due to the fact that during the current year the company made further provisions on Non Performing Assets (NPAs) amounting to Rs. 65.52 million. The reversal in provision of 'Long term finances' and 'Placement and finances' amounted to Rs. 28.87 million. Whereas, last year total reversal in the provision amounted to Rs. 57.13 million. This was mainly due to settlement 'in kind' with one of its top defaulter.

Other gains currently stand at Rs. 8.74 million; whereas, in the corresponding year loss amounted Rs. 46.36 million was due to settlement of liabilities. Further, the company has managed to reduce its administrative expenses by 10% i.e. from Rs. 73.22 million in the last year to Rs. 66.02 million despite the prevailing inflationary trend. The finance cost has increased to Rs. 49.47 million as against Rs. 14.99 million in the corresponding year. This is mainly due to a default in payment of instalments of a restructured facility from a financial institution. According to the restructuring term in case of default the Company has to pay interest at market rates. This erratic increase is due to accrual of the mark-up on the loan. Nonetheless, management had initiated the dialogue to set the loan at zero mark-up, consistent with other financial institutions. This is expected to be reversed in upcoming years.

Key Financial Highlights

Summary of key operating and financial data of last six years is disclosed on page 4 of Annual Report.

Dividend

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



FIRST DAWOOD INVESTMENT BANK LIMITED

Taxes, duties, levies and charges

There are no outstanding taxes, duties, levies and charges other than disclosed in the financial statements. Assessment for tax year 2008, 2009, 2011 and 2013 are being carried out by FBR. Deloitte is acting as tax advisors for the aforementioned assessments. Further, in-house taxation department is accessing the applicability of sales tax on services and revising procedures in light of changes in tax regulations.

Provident Fund

The Company and its employees contribute equally in a Registered Funded Provident Fund (the Fund) for its employees. The net assets of the Fund as per the initialled accounts for the period ended June 30, 2014 stood at Rs. 73.01 million and the surplus earned by the Fund for the year amounted to Rs. 10.43 million.

Meeting of the Board & its Committees

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

Board Meetings

S. No	Name	Designation	Entitlement to Attend Meeting	Meetings Attended	Leave of Absences
1	Mr. Rafique Dawood	Chairman	4	4	-
2	Mr. Rasheed Y. Chinoy	Ex-CEO	2	2	-
3	Mr. Ayaz Dawood	Director	4	4	-
4	Mr. Asad Hussain Bokhari	Alternate Director	1	1	-
	Mr. Asad Hussain Bokhari	Director	3	3	-
5	Mr. M. Riyazul Haque-Nominee of NIT	Director	1	1	-
6	Mr. Khurshid Abul Khair	Director	4	4	-
7	Mr. Abu Khursheed M Ariff	Director	4	4	-
8	Mr. Amir Amin -Nominee of NIT (Not Assume Charged)	Director	3	1	2

Audit Committee Meetings

S. No	Name	Designation	Entitlement to Attend Meeting	Meetings Attended	Leave of Absences
1	Mr. Asad Hussain Bokhari	Chairman	4	4	-
2	Mr. Khurshid A. Khair	Chairman	4	4	-
3	Mr. M. Riyazul Haque	EX-Member	2	1	1
4	Mr. Amir Amin Nominee of NIT (Not Assume Charged)	Member	2	-	2

Human Resources & Remuneration Committee Meetings

During the financial year two HR&R Committee were held; wherein, changes in the HR Policy, renewal of CEO contract and increments for the staff were discussed and recommended.



FIRST DAWOOD INVESTMENT BANK LIMITED

Directors

The Applications for approval of directors elected in the Annual General Meeting of the Company held on October 24, 2013 are pending with the SECP. Further, the legality of the approval process has been challenged by the Company at the Islamabad High Court which issued directives to maintain status-quo. Therefore, till the approval of SECP is received, elected directors cannot assume charge of their office under Clause-2 of Schedule IX of the NBFC & NE Regulation 2008.

Hence, the previous directors shall continue to hold office except Mr. Rasheed Y. Chinoy who retired as Chief Executive Officer on October 29, 2013 and subsequently on January 16, 2014 resigned from the Board.

Mr. Abu Khursheed Muhammad Arif was appointed as Chief Executive Officer by the Board of Directors in their meeting dated October 29, 2013. However he also has not assumed charge as approval is pending. The casual vacancy still remains vacant as it could not be filled due to the aforementioned the court order.

Directors Training Programme

Chairman, Mr. Rafique Dawood and Executive Director, Mr. Ayaz Dawood are exempt to attend the directors training course as they meet the criterion laid in proviso of Clause-xi of the Code of Corporate Governance. Further, Nominee Director - NITL, Mr. Aamir Amin has attended the directors training course conducted by the Pakistan Institute of Corporate Governance and the remaining directors will acquire the required directors training certification, unless exempt.

Pattern of Share holding

The pattern of shareholding and additional information regarding pattern of shareholding is annexed on page 64 of the Annual Report.

Creditors & Preference Shareholders

We would like to express our gratitude to our valued creditors, bankers for their continuous support, trust and patronage. Two commercial banks having outstanding amount Rs. 203.95 million have been offered various assets. Negotiations with these banks are at an advance stage. Overdue instalments amounts to Rs. 133.07 million and in the coming year the full amount becomes payable.

The company has an outstanding amount of Rs. 228.62 million which is already overdue. Settlement negotiations were made with an Ex-President; unfortunately, after his departure the matter is in abeyance. However, all venues are being explored and the executive of the commercial bank are of the view that an agreement on similar terms would be finalised.

It is in view of a cordial business relationship and upon an understanding that FDIBL will settle with the said commercial banks. They have not resorted to a legal option against the Company.

The outstanding foreign financial institution loan's last instalment amounting Rs. 10.88 million is due to be paid after the Company verifies documents being kept with various ministries of the federal government.

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

Five other commercial banks, an investment bank, an insurance company and a fund who had participated in the cumulative convertible preference shares have not been paid dividend @ 4 p.a. amounting Rs.116.23 million for the last three years.

At the expiry of the term on June 08, 2015, the Company will have to convert all the preference shares along with accrued preference dividend thereon into ordinary shares at par value of Rs 10 each. Further, subsequent to the year end, one of its preference shareholders has opted to convert 50% of its holding of preference shares amounted to Rs. 5.795 million (including conversion of preference dividend of Rs. 0.827 million) into ordinary shares of Rs. 10 each.

It is highly probable that preference shareholders will exercise their option to convert their holding and accumulated dividend into ordinary shares.

Auditor's Report

The Auditors have given their opinion on the financial statements of the company for the year ended June 30, 2014, wherein they have qualified their report on (a) Deferred Tax Asset amounting Rs.198.89 million and (b) impairment on investment in an associated undertakings not tested by the Company. Further the Auditors have given emphasis on the following matters (i) Going Concern as accumulated losses to the tune of



FIRST DAWOOD INVESTMENT BANK LIMITED

Rs.1.612 billion and current liabilities exceeding current assets by Rs.400.22 million (ii) Called Guarantees to the tune of Rs.1.71 billion out of which Rs.1.098 billion are under litigation (iii) Non-compliance of Regulations 17(1), 17(2), 19(g), 5(1) and 5(2) of the NBFC & NE, 2008 and lastly non-compliance with Regulation 6(2) of the Debt Securities Trustee Regulations, 2012.

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

- a. With regards to qualification on Deferred Tax Last year the Company had engaged an independent firm of Chartered Accountants for the preparation of five year business plan based on which the deferred tax asset has been recognised. The business plan involved certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. Unfortunately, the most basic underlining assumption that NBFC Reforms will be implemented has temporarily delayed the execution of the Company's Business plan in full. However it is expected that there will be no material change in the projections and the Company will be able to generate profits as per the Business Plan which would then be utilized to set-off the Deferred tax Asset.
- b. With regards to closure of operations of one of the associated company as its licence for carrying out asset management services was revoked. The investee company has filed an appeal at the Appellate Bench of the SECP which is pending adjudication. Further, relief was also sought from the Islamabad High Court (IHC) which has granted a stay on the execution of the order which accepted by the Appellate Bench of SECP. The management believes that they will be able to recover its full amount of investment as they are sponsor investors of DCM and have controlling interest in it and as such its recoverable value would be much more than its break-up value.
- c. With regards to emphasis paragraph on going concern, the company is confident that given successful implementation of the Business Plan approved in November 2012 and Mitigation Plan as forwarded by the management waiver of principal and mark-up on settlement of liabilities, reversal of provisions and suspended income on settlement with lessees / borrowers, significant reduction in finance cost and conversion of Preference Shares in to ordinary shares will help the company in reducing its losses but a sizable positive impact on the equity in the short term. These measures provide reasonable assurance that the company would continue as a going concern and as such these financial statements are being prepared on a going concern basis.
- d. With regards to emphasis paragraph on on called guarantees, to the tune of Rs.1,708 million (2013: Rs. 1,708 million) amounting to Rs. 1,098 million (2013: Rs. 1,098 million) under litigations cases are being defended by lawyers of the Company. Based on the views of its legal advisors, the Company is confident that all legal suits will be disposed off in due course on technical grounds and flaws in the guarantees.
- e. With regards to emphasis paragraph on non-compliance of equity requirement and Regulations 17(1) of NBFC & NE Regulations, 2008 will be met as the management implements its business plan and forward progress is made for waiver of principal and mark-up on settlement of liabilities, reversal of provisions and suspended income on settlement with lessees / borrowers, significant reduction in finance cost and conversion of preference shares into ordinary shares. This will help the company to reduce its losses but will have a sizable positive impact on the equity in the short term. The positive progress to show in this regard is that subsequent to the year end, one of its preference shareholders has opted to convert 50% of its holding of preference shares amounted to Rs. 5.795 million (including conversion of preference dividend of Rs. 0.827 million) into ordinary shares of Rs. 10 each.
- f. With regards to emphasis paragraph on non compliance of Regulations 19(g) of NBFC & NE Regulations, 2008. Investment in Dawood Family Takaful Limited (DFTL) was made in 2008, =7,000,000= shares of DFTL were subscribed, at that time the Company was in Compliance with the NBFC Regulations 2008. Thereafter, non-compliance has mainly arisen due to equity erosion and settlements with our defaulted client. It is important to note that out of total investment 6.4 million shares of DFTL are currently deposited with the Court's Nazir against an order of the Court in litigation with one of the financial institution as fully elaborated in Note 9.4 to the financial statements. Regrettably, DFTL is an unquoted company and it is not easy for the management to off-load it immediately. With regards to holding of the B.R.R. Investments (Private) Limited we would like to mention that the process to offload these shares has already been initiated correspondence in this regard is being underway with NBFCs Litigation and Advisory Wings, SCD and response to which is awaited. However, the company is making every endeavour to ensure that all violations are eliminated and for this we need the regulators co-operation.
- g. With regards to emphasis paragraph on non-compliance of regulatory requirements as laid in Regulations 5(1) and 5(2) of NBFC & NE Regulations, 2008 in respect to aggregate liabilities (excluding contingent liabilities and security deposits) and contingent liabilities not exceeding 10 times respectively.

Trading / Dealing in Company Shares

Directors, CEO, CFO, Company Secretary, Internal Auditor, other employees and their spouses and minor children have not traded in the shares of the Company during the year.



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Post Balance Sheet Events

There has been no occurrence of significant events between the financial year ends June 30, 2014 of the company to date.

Acknowledgement

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

On behalf of the Board

Chairman



FIRST DAWOOD INVESTMENT BANK LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014.

The statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of the Listing Regulations of Karachi and Islamabad Stock Exchange 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 election of directors was held on October 24, 2013 in an Annual General Meeting (AGM) of the Company. However, the applications for approval of directors elected in the said AGM are pending with the Securities and Exchange Commission of Pakistan (SECP). Further, the legality of the approval process has been challenged by the Company at the Islamabad High Court which issued directives to maintain status-quo; therefore, till the approval of SECP is received, directors elected in the said AGM cannot assume charge of their office under Clause 2 of Schedule IX of the NBFC Regulations, 2008 and thus the Board existed prior to election of directors shall continue to hold office and the provisions of this Code are made applicable to them.

The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of the following:

Category	Names
Independent Director	Mr. Khurshid Abul Khair
Executive Director	Mr. Ayaz Dawood
Non – Executive Directors	Mr. Rafique Dawood Mr. M. Riyazul Haque Mr. Abu Khursheed Muhammad Ariff Mr. Asad Hussain Bokhari

The independent director meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being member of a stock exchange, has been declared a defaulter by that stock exchange.
4. During the year, one casual vacancy occurred on the Board as the Chief Executive Officer (CEO) of the Company retired on October 29, 2013 from the post of CEO and subsequently tendered his resignation as a director on January 16, 2014. The said casual vacancy will be filled once the SECP approval is received for the new Board as stated in paragraph 1 above.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.



FIRST DAWOOD INVESTMENT BANK LIMITED

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Company are experienced and seasoned corporate professionals and are well-versed with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Chairman and one of the directors in the Board are exempted from the Directors Training Program in accordance with the criteria specified in Clause (xi) of the Code, whereas one director has attended the directors training course conducted by the Pakistan Institute of Corporate Governance. The remaining directors will acquire the required director's training certification once SECP approval for the new Board is received.
10. There was no new appointment of Chief Financial Officer (CFO) or Company Secretary during the year.
11. The Directors' Report of the Company for the year ended June 30, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters as required to be disclosed.
12. The financial statements of the Company were duly endorsed by two directors and CFO of the Company before approval of the Board.
13. The Directors and Executives of the Company do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim results of the Company and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members all of whom are non-executive directors including the Chairman of the Committee.
18. The Board has outsourced the internal internal audit function to a firm of Chartered Accountants (the Firm) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. Presently, there is no Head of Internal Audit to act as coordinator between the Firm and the Board.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.



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22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with except for the following towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:
 - a. there is no Head of Internal Audit to act as coordinator between the Firm and the Board as stated in Paragraph 18 above;
 - b. the Company is in a process of developing mechanism for annual performance evaluation of the Board.

Director

Director

Karachi



FIRST DAWOOD INVESTMENT BANK LIMITED

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of First Dawood Investment Bank Limited for the year ended June 30, 2014 to comply with the Listing Regulation No. 35 of the Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transaction distinguishing between transaction 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Further, we would like to highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S. No.	Paragraph reference	Description
i	4	Casual vacancy occurred on the Board could not be filled due to reasons mentioned in the said paragraph.
ii	18	There is no Head of Internal Audit to act as coordinator between the Firm and the Board.
iii	23	The Company is in a process of developing mechanism for annual performance evaluation of the Board.

The Code of the Company for the year ended June 30, 2013 was reviewed by another firm of Chartered Accountants who vide their review report dated October 02, 2013 had given emphasis of matter paragraph on the matter that audit committee meeting for the first quarter was not held prior to the approval of interim and final results of the Company.

Chartered Accountants

Date: September 30, 2014
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of First Dawood Investment Bank Limited (the Company) as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that except for the matters referred to in paragraphs (a) to (b) below, 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.

Except for the matters stated in paragraphs (a) and (b) below, 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. Except for the matters stated in paragraphs (a) and (b) below, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion and after due verification, we report that:

- a) As at June 30, 2014, the Company has recognized deferred tax asset of Rs 198.89 million in respect of unabsorbed tax depreciation on leases, carry forward of unused tax losses and deductible temporary differences. As stated in note 11 to the financial statements, assessment for recoverability of the said deferred tax asset on the basis of projections for future taxable income taking into account various assumptions regarding future business prospects and conditions has been carried out by the management. However, we were not provided adequate supporting documentation / bases for the assumptions used in preparation of those projections and consequently, we were unable to determine whether any adjustment in the amount of deferred tax asset was necessary;
- b) The operations of one of the associated undertaking were closed due to the reason stated in note 9.3 to the financial statements; consequently, assessment for impairment of investment in that associate should have been made by the management. However, in the absence of such exercise, we were unable to determine whether any adjustment in the carrying value of investment in the associate was necessary
- c) in our opinion, except for the possible effects of the matters described in the paragraphs (a) and (b) above, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- d) in our opinion:
 - (i) except for the possible effects of the matters described in the paragraphs (a) and (b) above, 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 investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- e) in our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in paragraphs (a) and (b) above, the balance sheet, profit and loss account, cash flow statement,

Deloitte

and statement of changes in equity together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, its cash flows, and changes in equity for the year then ended; and

f) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following matters:

- i) note 1.3 to the financial statements which describes that the Company is facing financial problems, its accumulated losses as at June 30, 2014 are in the tune of Rs 1,612.06 million, and as of that date, the Company's current liabilities exceed its current assets by Rs. 400.22 million, its licenses to carry out business are not renewed and is not being able to meet minimum equity requirements. These conditions alongwith other matters as stated in note 1.3 and unfunded exposures as described in note 29.1.1 may cast significant doubt about the Company's ability to continue as a going concern;
- ii) as stated in note 29.1.1 to the financial statements, guarantees issued by the Company amounting to Rs.1,708 million have been called by the beneficiaries including guarantees of Rs. 1,098 million which are under litigations. The ultimate outcome in this regard cannot presently be ascertained; and
- iii) as stated in notes 1.10, 9.5, 29.3 and 29.4 to the financial statements, the Company is not in compliance with certain requirements of NBFC Regulations. Further, as stated in note 1.2 to the financial statements appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 is currently pending at the appellate bench of SECP.

Our opinion is not qualified in respect of these matters.

The financial statements of the Company for the year ended June 30, 2013 have been audited by another firm of Chartered Accountants whose report dated October 02, 2013 expressed a modified opinion with regard to realizability of deferred tax asset and non-compliance of NBFC Regulations by holding shares in one of the group companies in excess of prescribed threshold and had given emphasis of matter paragraphs on the use of going concern assumption and guarantees under litigations.

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Dated: September 30, 2014
Karachi

Member of
Deloitte Touche Tohmatsu



FIRST DAWOOD INVESTMENT BANK LIMITED

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	5,524,976	4,795,768
Investment properties	7	71,525,000	70,855,000
Net investment in finance lease	8	440,602	92,369,542
Long term investments	9	188,083,010	195,984,535
Long term finances	10	331,867	23,288,578
Long term deposits		3,704,000	3,704,000
Deferred tax asset - net	11	198,893,526	198,893,526
		468,502,981	589,890,949
CURRENT ASSETS			
Current portion of non-current assets	12	261,604,026	228,757,047
Short term investments	13	57,799,032	55,233,953
Placements and finances	14	68,255,109	67,286,078
Assets classified as held for sale	15	95,108,166	91,608,166
Advance against lease commitments	16	-	-
Loans, advances, deposits and prepayments	17	25,430,782	9,951,228
Mark-up accrued	18	212,033	3,880,870
Other receivables	19	-	39,276,613
Cash and bank balances	20	25,979,252	67,003,068
		534,388,400	562,997,023
		<u>1,002,891,381</u>	<u>1,152,887,972</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Ordinary shares	21	626,492,900	626,492,900
Preference shares	21	715,833,540	715,833,540
		1,342,326,440	1,342,326,440
Capital reserves		333,744,789	333,744,789
Accumulated loss		(1,613,488,445)	(1,443,910,048)
		62,582,784	232,161,181
Share of unrealised gain / (loss) on remeasurement of investments in associates		650,190	(6,855,881)
Unrealised (loss) / gain on remeasurement of available-for-sale investments		(7,632,669)	1,849,578
		55,600,305	227,154,878
NON CURRENT LIABILITIES			
Long term loans	22	-	65,500,000
Long term deposits	23	18,905	16,006,780
		18,905	81,506,780
CURRENT LIABILITIES			
Current portion of long term liabilities	24	538,510,565	501,181,641
Mark-up accrued	25	108,233,414	59,779,713
Short-term borrowings	26	81,418,223	81,418,223
Deferred income		-	1,376,765
Certificates of investment	27	88,500,000	88,500,000
Accrued and other liabilities	28	129,807,951	110,889,618
Taxation		802,018	1,080,354
		947,272,171	844,226,314
CONTINGENCIES AND COMMITMENTS			
	29		
		<u>1,002,891,381</u>	<u>1,152,887,972</u>

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

These financial statements have been signed by two Directors due to reasons stated in note 1.9 to the financial statements.

Director

Director



FIRST DAWOOD INVESTMENT BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
INCOME			
Lease income		1,944,311	4,722,571
Income from long term finances		1,785,031	34,104,252
Return on investments and deposits	30	6,455,805	13,218,010
Gain on sale of securities - net		6,503,445	592,971
Other income	31	11,136,459	24,748,775
		<u>27,825,051</u>	<u>77,386,579</u>
EXPENSES			
Administrative expenses	32	(66,022,591)	(73,223,894)
Finance cost	33	(49,475,853)	(14,993,996)
		<u>(115,498,444)</u>	<u>(88,217,890)</u>
OPERATING LOSS BEFORE PROVISIONS AND CHANGES IN FAIR VALUE			
		<u>(87,673,393)</u>	<u>(10,831,311)</u>
PROVISIONS / CHANGES IN FAIR VALUE			
(Provision) / reversal of provision for potential lease and other loan losses - net	34	(36,657,569)	57,137,645
Impairment on available-for-sale securities	35	(186,276)	(3,750,000)
Unrealized gain / (loss) on remeasurement of investments - held for trading		2,190,905	(1,170,670)
Loss on settlement of liabilities		(3,068,428)	(63,572,272)
Surplus on revaluation of investment properties		670,000	760,000
		<u>(37,051,368)</u>	<u>(10,595,297)</u>
		<u>(124,724,761)</u>	<u>(21,426,608)</u>
Share of (loss) / profit from associates	36	(16,183,968)	2,540,645
LOSS BEFORE TAXATION			
		<u>(140,908,729)</u>	<u>(18,885,963)</u>
TAXATION			
	37	(36,326)	68,795,239
(LOSS) / PROFIT AFTER TAXATION			
		<u>(140,945,055)</u>	<u>49,909,276</u>
Earnings per share - basic	38	(2.71)	0.34
Earnings per share - diluted	38	(0.97)	0.35

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

These financial statements have been signed by two Directors due to reasons stated in note 1.9 to the financial statements.

Director

Director



FIRST DAWOOD INVESTMENT BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(140,908,729)	(18,885,963)
Adjustments:		
Depreciation	2,411,629	2,654,720
Gain on sale of securities - net	(6,503,445)	(592,971)
Share of loss / (profit) from associates	16,183,968	(2,540,645)
Finance cost	49,475,853	14,993,996
Loss / (gain) on sale of property and equipment	23,001	(197,083)
Provision / (reversal of provision) for lease and other loan losses - net	36,657,569	(57,137,645)
Impairment on available-for-sale securities	186,276	3,750,000
Unrealized (gain) / loss on remeasurement of investments - held for trading	(2,190,905)	1,170,670
Surplus on revaluation of investment properties	(670,000)	(760,000)
Exchange gain	(768,789)	(2,197,698)
Other income	(7,157,033)	(20,050,905)
	87,648,124	(60,907,561)
	(53,260,605)	(79,793,524)
Changes in operating assets and liabilities		
(Increase) / decrease in operating assets		
Net investment in finance lease	51,229,601	60,278,770
Long term finances	14,150,300	60,016,695
Loans to employees	199,455	116,342
Placements and finances	(15,545,927)	8,189,571
Assets classified as held for sale	(3,500,000)	-
Advance against lease commitments	-	20,131,100
Loans, advances, deposits and prepayments	(14,837,745)	3,408,235
Mark-up accrued	3,668,837	(3,118,818)
Other receivables	2,563,402	(51,842,896)
	37,927,923	97,178,999
	(15,332,682)	17,385,475
Increase / (decrease) in operating liabilities		
Certificates of investment	-	(18,750,000)
Long term deposits	(26,485,074)	(5,417,049)
Deferred income	(1,376,765)	1,376,765
Accrued and other liabilities	18,918,333	5,890,443
	(24,276,188)	485,634
Finance cost paid	(1,022,152)	(4,530,312)
Tax (paid) / refund	(1,017,032)	1,016,395
Net cash used in operating activities	(26,315,372)	(3,028,283)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(3,365,070)	(1,287,722)
Proceeds from sale of property and equipment	201,232	1,520,825
Short term investments made - net	6,129,271	(20,843,828)
Net cash generated from / (used in) investing activities	2,965,433	(20,610,725)



FIRST DAWOOD INVESTMENT BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long-term loans	(17,673,877)	(49,218,285)
Net cash used in financing activities	<u>(17,673,877)</u>	<u>(49,218,285)</u>
Net decrease in cash and cash equivalents	(41,023,816)	(72,857,293)
Cash and cash equivalents at beginning of the year	67,003,068	139,860,361
Cash and cash equivalents at end of the year	<u>25,979,252</u>	<u>67,003,068</u>

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

These financial statements have been signed by two Directors due to reasons stated in note 1.9 to the financial statements.

Director

Director



FIRST DAWOOD INVESTMENT BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
Net (loss) / profit after taxation	(140,945,055)	49,909,276
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Share of associates on reversal of unrealised (loss) / gain on remeasurement of investments	7,506,071	4,336,841
Unrealised gain on remeasurement of available-for-sale investments	(9,482,247)	644,725
	(1,976,176)	4,981,566
Total comprehensive income for the year	<u>(142,921,231)</u>	<u>54,890,842</u>

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

These financial statements have been signed by two Directors due to reasons stated in note 1.9 to the financial statements.

Director

Director



FIRST DAWOOD INVESTMENT BANK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	SHARE CAPITAL		CAPITAL RESERVES			REVENUE RESERVES			Total
	Ordinary shares	Preference shares	Statutory reserve	Premium on issue of right shares	Capital reserve on acquisition	Share of unrealised (loss) / gain on remeasurement of associates' investments	Unrealised gain / (loss) on remeasurement of available-for-sale investments	Accumulated loss	
Rupees									
Balance at July 1, 2012	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(11,192,722)	1,204,853	(1,465,185,983)	200,897,377
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	-	-	49,909,276	49,909,276
Other comprehensive income									
- Share of unrealised gain on remeasurement of associates' investments	-	-	-	-	-	4,336,841	-	-	4,336,841
- Unrealised gain on remeasurement of available-for-sale investments	-	-	-	-	-	-	644,725	-	644,725
Dividend on preference shares @ 4% for the year	-	-	-	-	-	-	-	(28,633,341)	(28,633,341)
Balance at June 30, 2013	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	(6,855,881)	1,849,578	(1,443,910,048)	227,154,878
Total comprehensive income for the year									
- Loss for the year	-	-	-	-	-	-	-	(140,945,055)	(140,945,055)
Other comprehensive income									
- Share of unrealised gain on remeasurement of associates' investments	-	-	-	-	-	7,506,071	-	-	7,506,071
- Unrealised loss on remeasurement of available-for-sale investments	-	-	-	-	-	-	(9,482,247)	-	(9,482,247)
Dividend on preference shares @ 4% for the year	-	-	-	-	-	-	-	(28,633,342)	(28,633,342)
Balance at June 30, 2014	626,492,900	715,833,540	277,721,395	53,426,910	2,596,484	650,190	(7,632,669)	(1,613,488,445)	55,600,305

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

These financial statements have been signed by two Directors due to reasons stated in note 1.9 to the financial statements.

Director

Director



FIRST DAWOOD INVESTMENT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. STATUS AND NATURE OF THE BUSINESS

- 1.1 First Dawood Investment Bank Limited (the Company) was incorporated on June 22, 1994 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is listed on the Karachi and Islamabad Stock Exchanges. The registered office of the Company is situated in Karachi, Pakistan. The Company had obtained the licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulation) from the Securities and Exchange Commission of Pakistan (SECP) which has been expired and awaiting renewal.
- 1.2 The Company had applied for registration as a Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 which was denied by SECP vide its order dated November 22, 2013 against which an appeal has been filed before appellate bench of SECP on December 17, 2013. The appeal is pending. The Company is acting as trustees to Term Finance Certificates / Sukuk issued by Allied Bank of Pakistan, Escorts Investment Bank Limited, Engro Fertilizers Limited, Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Private) Limited, Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company Limited, Bunny's Limited, Pak Hy-Oils Limited, and Flying Board and Paper Products Limited. The value of assets under trustee as at June 30, 2014 amounted to Rs. 16.89 billion (2013: Rs. 23.93 billion).
- 1.3 The Company incurred a net loss of Rs. 140.94 million during the year ended June 30, 2014, its accumulated losses reached to Rs. 1,613.48 million as at June 30, 2014 and its current liabilities exceed current assets by Rs 412.88 million. The Company started facing financial difficulties from financial year 2008-09 as a result of unwarranted liquidity crunch in the financial sector mainly due to closure of KSE for all practical purpose for 109 days and erosion of values in the stock market by approximately 60% 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 meet its commitments on time due to liquidity crunch. Since, the Company was unable to repay as per schedule of payment, certain banks and financial institutions filed cases and / or served legal notices against the Company. These unprecedented conditions resulted in down grading of credit rating and non compliance of requirements of NBFC Regulations regarding minimum capital. Further, leasing license has not been renewed and the Company since then has not been able to raise funds under certificates of investment or through banks. Presently, the equity of the Company is Rs. 55.60 million which is below the Minimum Equity Requirement (MER) of Rs 1,700 million as prescribed by the SECP. The Company awaits approval of draft rules for the NBFC and MER Compliance would be done accordingly.

Above factors cast doubt on the Company's ability to continue as a going concern, however the management of the Company is confident that due to steps / measures / mitigation plan explained in the following paragraphs, the going concern assumption is appropriate and as such, these financial statements have been prepared on a going concern basis.

1.4 Mitigation plan

- a. The Company issued cumulative, convertible preference shares of Rs. 715.83 million on June 09, 2010 against settlement of certain liabilities / loans. These preference shares carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years. The Company expects that the preference shares along with the cumulative dividend will be converted into ordinary shares of the Company. Subsequent to the year end, the Company converted 50% holding of one of its preference shareholders which amounted to Rs. 5.795 million (including conversion of preference dividend of Rs. 0.827 million) into ordinary shares of Rs. 10 each.
- b. The Company has successfully able to meet over 95% of its financial obligations through recoveries and settlements and has been able to settle Rs.10 billion (approximately) worth of its liabilities and other commitments through its assets in last 5 to 6 years. It further plans to continue with the settlement of its remaining outstanding liabilities i.e. around Rs. 600 million
- c. The Company has been able to restructure a major portion of its liabilities at zero percent mark up and now settlement of the same against its assets is underway.
- d. The Company is meeting all of its expenses since the financial turmoil of 2008-09 without any external financial support or a bail-out package. Further, the Company has adequate liquid assets in the form of bank balances and short term investments to meet its obligations / expenses in the next twelve months and more.
- e. The Company is aggressively following-up with its non-performing portfolio for recovery of principal, mark-up and repossession of collateralized assets. In this respect, the management has realigned its strategy accordingly.
- f. During the year ended June 30, 2014, the Company made recoveries amounting Rs. 53.27 million which is below the expected recovery amount of Rs. 93 million. Major reason for the difference was slow litigation system in the country. The management is expecting to recover the amount either through auction of the collateralized assets or transfer of title of the collateralized asset through the Court order or out of court settlement.
- g. The Company expects recovery of approximately Rs. 250 to Rs. 300 million in the next three financial years.



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1.5 Expected NBFC sector reforms / regime

The requirement of minimum equity will be addressed through reversal of provisions by recovering outstanding advances, injection of equity by issuing right shares and conversion of accrued dividend on preference shares in the ensuing years. Further, draft NBFC sector reforms / regime has been issued by the 'SECP' in which the minimum capital requirements have been reduced to Rs 150 million (for investment financial services and leasing licences) subject to certain conditions. Upon approval of the said reforms / regime, the sector and the Company would have a clearer road-map. Management is confident that as soon as the draft rules are formally approved, equity would be arranged through (i) issuance of right shares and/or (ii) induction of foreign or local partner and/or (iii) evaluation of option of merger or acquisition, and/or (iv) any other arrangement which will ensure compliance of minimum equity requirements.

1.6 Future prospects

A sizeable recovery of non-performing lease and advances portfolio will provide cash flow cushion within next two - three years. The management is confident that it will manage to continue writing back provisions as a result of expected recoveries which will result in better cash flows. Administrative expenses have been curtailed and departments have been restructured and rationalized / right sized to reduce the payroll cost and overhead expenses. The proposed reduction in financing cost through restructuring / settlements with the lenders will assist in further reducing the losses and improving the equity. This will make the Company attractive for equity participation / merger alongwith an opportunity for the existing shareholders to inject additional equity. The sponsoring directors are committed to subscribe their portion of right issue. The management is confident that the Company will be able to resume its operations upon renewal of licences.

1.7 Cases under litigation

Funded exposure

As at June 30, 2014, only three cases are pending in the court of law. In two cases, financial institutions have obtained decrees aggregated to Rs. 81.4 million against which the Company has filed appeals in the Honourable Supreme Court of Pakistan which are pending adjudication. In one of the aforementioned case, a counterclaim of Rs 22.3 million has also been made by the Company in the Banking Court at Karachi. Whilst in the third case an investor has filed for execution of an out of court settlement agreement in the High Court of Sindh.

Unfunded exposure

Total amount of letters of comfort / guarantees as at June 30, 2014 amounting to Rs. 2,238 million out of which Rs. 530 million pertains to expired / unreturned guarantee documents. The aforesaid includes guarantees amounting to Rs. 1,708 million called by the beneficiaries out of which guarantees worth Rs. 1,098 million are under litigations. The legal counsel of the Company is confident that no funded claim will arise out of these guarantees due to non-completion of formalities prior to its issuance and some basic flaws in guarantee documentation and not meeting terms of the guarantees by the beneficiaries.

1.8 Credit rating

The Company has not sought fresh credit rating from credit rating agencies; since PACRA downgraded Company's rating to "D" in December 2009 i.e. due to prevailing unprecedented conditions in NBFI sector of the Country. Management will seek fresh credit rating once the licenses are renewed and normal business functioning of the Company is commenced.

1.9 Applications for approval of directors elected in the Annual General Meeting of the Company held on October 25, 2013 are still pending with the SECP. Further, the legality of the approval process has been challenged by the Company at the Islamabad High Court which issued directives to maintain status-quo vide order of February 3, 2014, therefore, till the approval of SECP is received, directors elected in Annual General Meeting held on October 25, 2013 cannot assume charge of their office under Clause-2 of Schedule IX of the NBFC Regulations, 2008. Hence, the previous directors shall continue to hold office except Rasheed Y. Chinoy who left the charge of the Chief Executive Officer on October 29, 2013 and subsequently on January 16, 2014 resigned from the Board. As such two directors have signed these financial statements.

1.10 Due to the fact that the Company's equity is reduced to Rs 55.60 million, the Company could not meet certain regulatory requirements of NBFC Regulations, 2008 including Regulation 17 (1) of NBFC Regulation, 2008 which states that "the total outstanding exposure to a single person (fund based and non-fund based) by an NBFC to a single person shall not exceed 30% of the equity of an NBFC (as disclosed in the latest financial statements) provided that maximum outstanding fund based exposure does not exceed 20% of equity of an NBFC". The Company could not meet the said requirements in three cases. Further all contingent liabilities excluding one guarantee exceeds 30% of the equity of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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



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

2.2 Basis of measurement

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

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND IFRS INTERPRETATIONS

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 1, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
Amendments to IAS 19 Employee Benefits:	January 1, 2013

3.2 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
Amendments to IAS 19 Employee Benefits: Employee contributions	July 1, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	July 1, 2014
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	July 1, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	July 1, 2014



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	Effective from accounting period beginning on or after
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	July 1, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	July 1, 2014
IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015
IFRIC 21 - Levies	January 1, 2014

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 14 – Regulatory Deferral Accounts
IFRS 15 – Revenue from Contracts with Customers

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Property and equipment

Owned

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

Depreciation is charged to profit and loss account on straight line basis over the estimated useful life of the assets at the rates specified in note 6 to these financial statements after taking into account residual value, if significant. Depreciation on additions is charged from the month when the asset is available for use and on disposals upto the preceding month.

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

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

4.2 Investment property

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

4.3 Net investment in lease finance

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

4.4 Provision for potential lease and other loan 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.



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4.5 Financial assets

The Company classifies its financial assets into the following categories:

- at fair value through profit and loss
- loans and receivables
- held-to-maturity
- available-for-sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial asset at the time of initial recognition.

a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. These are initially recognised at fair value and transaction costs associated with these investments are taken directly to the profit and loss account. Investments at fair value through profit and loss are marked to market using the closing market rates and are carried on the balance sheet at fair values. Net gains and losses arising on changes in the fair value of these investments are taken to the profit and loss account.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise of loans, advances, deposits, other receivables, and cash and cash equivalents.

c) Held to maturity

Held to maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other investments that are intended to be held-to-maturity are recognised initially at cost plus attributable transaction costs. Subsequently, these are measured at amortised cost.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognized or impaired. Premiums and discounts on held-to-maturity investments are amortised using the effective interest rate method and taken to income from investments.

d) Available for sale

Other financial assets not covered in any of the above categories are classified as being available for sale.

All financial assets classified as available-for-sale are initially recognised at cost, being the fair value of the consideration given including acquisition charges.

After initial recognition, financial assets which are classified as available-for-sale are remeasured at fair value. Gains or losses on available-for-sale investments are recognised directly in equity through other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the profit and loss account.

For financial assets that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted financial assets, where the fair value cannot be reliably determined, are recognised at break up value less impairment, if any. Provision for impairment in value, if any, is taken to income currently.

Investment in associate

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

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The profit and loss account reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

De-recognition

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



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4.6 Long term finances and loans

These are initially recognised at cost being the fair value of consideration given together with the associated transaction cost. These are stated at net of provisions against non-performing advances. Provisions are made in accordance with the guidance in the NBFC 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.

4.7 Sale and repurchase agreements

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

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

4.8 Staff retirement benefits

Defined contribution plans

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

4.9 Borrowing costs

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

4.10 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.

4.11 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates, and exemption available if any. For income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes adjustment for prior years or otherwise considered necessary for such year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Company also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

The Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities / fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS-12) - Income Taxes.

4.12 Impairment

Non-financial assets

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



FIRST DAWOOD INVESTMENT BANK LIMITED

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

Financial assets

Loans and net investment in finance lease

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

Held to maturity

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the investment's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating) the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

Available for sale

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

A decline in the value of equity securities determined as impairment loss is recognized in the profit and loss account and the cumulative loss (measured as the difference between the acquisition cost and current fair value, less any impairment loss on that investment previously recognised in the profit and loss account) that had been recognised in other comprehensive income shall be reclassified from equity to the profit and loss account as a reclassification adjustment even though the investment has not been derecognized. In case of reversal of impairment loss already recognized in profit and loss account for an investment in an equity instrument classified as available for sale, the unrealized gain is recorded in statement of changes in equity. When impairment loss recognized in the profit and loss account for an investment in debt instrument is reversed, the amount of reversal is recognized in the profit and loss account.

4.13 Revenue recognition

- The Company follows the financing method in accounting for recognition of finance 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, in order to produce a constant rate of return on net investment in the finance 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. Revenue from finance lease is not accrued when rent is past due by ninety days or more.
- Mark-up / interest on long term finances, mortgage finances, long term loans and murabaha finances are recognised on a time proportion basis except that mark-up / interest / return on classified loans and investments are recognised on receipt basis.
- Return on preference shares and term finance certificate is recognized using the effective interest method.
- Dividend income from investments is recognized when the right to receive the dividend is established.
- Gain / loss on sale of investments is taken to income in the period in which it arises.
- Unrealized gains / losses arising on the remeasurement of securities classified as financial assets at fair value through profit or loss are included in the profit and loss account in the year in which they arise.
- Income on bank deposits are recognized on accrual basis.
- Rental income on investment property is recognized on accrual basis.
- Guarantee income is recognized on time proportion basis.
- Consultancy, corporate advisory, trusteeship and custodian fees are recognized as and when services are provided.

4.14 Foreign currency transactions and translation

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



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4.15 Financial instruments

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

4.16 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.

4.17 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.

4.18 Assets classified as held for sale

These assets are acquired in settlement of certain loans / lease receivables. The Company classifies asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised though the profit and loss account for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. Asset held for sale is not depreciated.

4.19 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 if any which are repayable on demand or in the short term and form an integral part of the Company's cash management.

4.20 Earnings per share

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

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

4.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resources allocation and performance assessment. Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis.

4.22 Dividend distributions and appropriations

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

- (a) Residual values and useful lives of property and equipment (note 4.1);
- (b) Provision for potential losses and other loan losses (note 4.4);
- (c) Classification of financial assets (note 4.5);
- (d) Current and deferred taxation (note 4.11); and
- (e) Impairment on financial and non-financial assets (note 4.12).



FIRST DAWOOD INVESTMENT BANK LIMITED

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- (e) Impairment on financial and non-financial assets (note 4.12).



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	Note	2014 Rupees	2013 Rupees
6. PROPERTY AND EQUIPMENT			
Operating fixed assets	6.1	<u>5,524,976</u>	<u>4,795,768</u>

6.1 Operating fixed assets

2014	COST			ACCUMULATED DEPRECIATION			Carrying value at June 30, 2014	Rate of depreciation
	At July 01, 2013	Additions / (deletions)	At June 30, 2014	At July 01, 2013	For the year / (on deletions)	At June 30, 2014		
----- Rupees -----								%
Owned								
Furniture and fixtures	171,235	-	171,235	42,716	17,124	59,840	111,395	10
Equipment and appliances	8,416,363	- (103,075)	8,313,288	7,279,861	435,778 (24,947)	7,690,692	622,596	20 - 33.33
Vehicles	10,545,920	3,365,070 (284,200)	13,626,790	7,015,173	1,958,727 (138,095)	8,835,805	4,790,985	20
	<u>19,133,518</u>	<u>3,365,070</u> <u>(387,275)</u>	<u>22,111,313</u>	<u>14,337,750</u>	<u>2,411,629</u> <u>(163,042)</u>	<u>16,586,337</u>	<u>5,524,976</u>	

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



FIRST DAWOOD INVESTMENT BANK LIMITED

6.1.1 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceeds
Vehicle	284,200	138,095	146,105	155,928
Assets having book value less than Rs. 50,000 each				
Office equipment	103,075	24,947	78,128	45,304
2014	387,275	163,042	224,233	201,232
2013	4,359,500	3,035,758	1,323,742	1,520,825

6.1.2 Cost of fully depreciated assets still in use is Rs. 8.87 million (2013: Rs.8.57 million).

	Note	2014	2013
		Rupees	
7. INVESTMENT PROPERTIES			
Balance at beginning of the year		70,855,000	70,095,000
Gain on fair value adjustment		670,000	760,000
Balance at end of the year		<u>71,525,000</u>	<u>70,855,000</u>

7.1 Fair value of the investment properties as at June 30, 2014 has been determined by the professional valuator which is registered on the panel of Pakistan Banks' Association (PBA) and NBF & Modaraba Association of Pakistan. The main criteria of valuation for the assessment of investment properties include:

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

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

	Note	2014	2013
		Rupees	
8. NET INVESTMENT IN FINANCE LEASE			
Net investment in finance lease	8.1	583,883,761	676,198,108
Provision for potential lease losses	8.2	<u>(452,992,042)</u>	<u>(465,266,835)</u>
		130,891,719	210,931,273
Current portion shown under current assets	8.3	<u>(130,451,117)</u>	<u>(118,561,731)</u>
		<u>440,602</u>	<u>92,369,542</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

8.1 Particulars of net investment in finance lease

		Less than one year	More than one year and less than five years	Total
	Note	----- Rupees -----		
2014				
Minimum lease payments receivables	8.1.1	609,608,357	473,860	610,082,217
Residual value of leased assets		105,861,197	18,905	105,880,102
		<u>715,469,554</u>	<u>492,765</u>	<u>715,962,319</u>
Unearned finance income		(77,997)	(52,163)	(130,160)
Mark-up held in suspense		(131,948,398)	-	(131,948,398)
Net investment in lease finance		<u>583,443,159</u>	<u>440,602</u>	<u>583,883,761</u>
2013				
Minimum lease payments receivables	8.1.1	604,309,388	76,381,667	680,691,055
Residual value of leased assets		116,377,301	15,987,875	132,365,176
		<u>720,686,689</u>	<u>92,369,542</u>	<u>813,056,231</u>
Unearned finance income		(237,543)	-	(237,543)
Mark-up held in suspense		(136,620,580)	-	(136,620,580)
Net investment in lease finance		<u>583,828,566</u>	<u>92,369,542</u>	<u>676,198,108</u>

8.1.1 As at June 30, 2014, the principal outstanding against non-performing lease portfolio as per the criteria prescribed in NBFC Regulations, 2008 amounted to Rs. 487.03 million (2013 : Rs. 654.22 million). The forced sale value benefit considered against these non-performing lease portfolio was Rs 34.03 million (2013: Rs 188.96 million).

8.1.2 The lease finances carry mark up ranging from six month KIBOR plus spread of 2% to 5% (2013: six month KIBOR plus spread of 2% to 5%) per annum having maturity upto 5 years and are secured against leased assets.

	Note	2014 Rupees	2013 Rupees
8.2 Provision for potential lease losses			
Balance at beginning of the year		465,266,835	485,097,475
Charge / (reversal) for the year - net	35	28,809,953	(18,434,565)
Written off during the year		(41,084,746)	(1,396,075)
Balance at end of the year		<u>452,992,042</u>	<u>465,266,835</u>
8.3 Current portion of finance lease - net of provision			
Finance lease	8.1	583,443,159	583,828,566
Provision for potential lease losses	8.2	(452,992,042)	(465,266,835)
	12	<u>130,451,117</u>	<u>118,561,731</u>
9. LONG TERM INVESTMENTS			
Investments in:			
- associates - equity method	9.1 - 9.5	180,560,426	189,238,323
- US dollar bond - available-for-sale	9.6	7,522,584	6,746,212
		<u>188,083,010</u>	<u>195,984,535</u>
9.1 Movement of investment in associates			
Balance at beginning of the year		189,238,323	182,360,837
Share of (loss) / profit	36	(16,183,968)	2,540,645
Share of reversal of deficit on revaluation of available-for-sale investments recognised in other comprehensive income		7,506,071	4,336,841
Balance at end of the year		<u>180,560,426</u>	<u>189,238,323</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

9.1.1 The summarized financial information of the associates for the year / period ended June 30, 2014 are as follows.

	Holding	Basis of financial statements	Total assets	Total liabilities	Equity	Revenue	Profit / (loss) after tax
	%		----- Rupees -----				
2014							
Dawood Capital Management Limited Chief Executive: Tara Uzra Dawood	15.00	Unaudited	154,079,161	3,854,734	150,224,427	19,715,844	1,171,827
B.R.R. Investments (Private) Limited Chief Executive: Ayaz Dawood	41.63	Audited	103,195,273	7,376,761	95,818,512	21,754,293	2,628,154
Dawood Family Takaful Limited Chief Executive: Mr. Nasir Mehmood (Proposed CEO- SECP approval pending)	26.57	Unaudited	1,503,638,857	1,058,979,566	444,659,291	176,288,229	(26,945,857)
2013							
Dawood Capital Management Limited Chief Executive: Tara Uzra Dawood	15.00	Unaudited	154,079,161	3,854,734	150,224,427	19,715,844	1,171,827
B.R.R. Investments (Private) Limited Chief Executive: Ayaz Dawood	41.63	Audited	86,313,095	10,877,032	75,436,063	39,022,368	21,303,364
Dawood Family Takaful Limited Chief Executive: Rizwan Ahmed Farid	26.57	Unaudited	1,072,062,635	557,675,754	514,386,881	244,820,911	(42,993,408)

9.2 Carrying value of investment in associates

2014	2013	Name of associate	2014	2013
Number of shares			Rupees	
2,246,070	2,246,070	Dawood Capital Management Limited	22,533,668	22,533,668
4,762,100	4,762,100	B.R.R. Investments (Private) Limited	39,889,618	31,404,458
19,926,010	19,926,010	Dawood Family Takaful Limited	118,137,140	135,300,197
			<u>180,560,426</u>	<u>189,238,323</u>

9.3 In March 2013, license of one of the Associated Company for carrying out asset management services was cancelled by the SECP and thereby its operations were closed. The investee company has filed an appeal at the Appellate Bench of the SECP which is pending adjudication. Further, relief was also sought from the Islamabad High Court (IHC) which has granted a stay on the execution of the order which was later confirmed by the Appellate Bench of SECP. The management believes that it will be able to recover full amount of investment, as the Company has controlling interest in DCM and as such the recoverable value would be higher than the break up value of Rs. 9.32 per share based on unaudited financial statements for the year ended June 30, 2014.

9.4 It includes 6,466,010 shares of Dawood Family Takaful Limited which have been pledged with Nazir, High Court of Sindh in pursuant to litigation with one of the lenders of the Company.

9.5 As per Regulation 19 (g) and 17 (2) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), an NBFC shall not hold shares of an amount exceeding 20% of the paid-up share capital of that company or 20% of its own equity, whichever is less and has an outstanding fund based exposure in excess of 35% of the equity respectively. As at June 30, 2014, the Company holds 41.63% shares of B.R.R. Investments (Private) Limited and 26.57% shares of Dawood Family Takaful Limited. The management is in process of taking steps to reduce investments in these associates in order to comply with the said requirements of NBFC Regulations.

9.6 This represents investment in a US dollar bond having face value of USD 75,000. It is perpetual preference security which entitles holders to receive preferential cash distributions on quarterly basis at the rate of 6.85% (June 30, 2013: 6.85%) per annum. These securities are listed at Luxembourg Stock Exchange.



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	Note	2014	2013
		Rupees	
10. LONG TERM FINANCES			
Term finance facilities - secured	10.1 - 10.3	279,877,585	296,877,293
Provision for doubtful finances	10.4	(148,392,809)	(163,592,854)
		131,484,776	133,284,439
Current portion shown under current assets	12	(131,152,909)	(109,995,861)
		<u>331,867</u>	<u>23,288,578</u>
10.1 The reconciliation of long term finance is as under:			
Balance at beginning of the year		296,877,293	356,893,988
Received during the year		(14,150,300)	(38,077,268)
Written off during the year		(2,849,408)	(21,939,427)
Balance at end of the year		<u>279,877,585</u>	<u>296,877,293</u>

10.2 The mark-up / profit rates on these facilities ranges from 13.5% to 15.1% (2013: 8% to 18.27%) per annum subject to change in SBP discount rate and KIBOR. These are secured against mortgage of immovable properties.

10.3 As at June 30, 2014, long term finance of Rs. 279.21 million (2013 : Rs. 293.29 million) have been placed under non-performing status. The forced sales value benefits considered against these non-performing finances amounted to Rs. 130.81 million (2013 : Rs. 129.80 million).

	Note	2014	2013
		Rupees	
10.4 Particulars of provision for doubtful receivables			
Balance at beginning of the year		163,592,854	193,038,217
Reversals for the year - net	35	(12,350,637)	(7,505,936)
Written off during the year		(2,849,408)	(21,939,427)
Balance at end of the year		<u>148,392,809</u>	<u>163,592,854</u>

11. DEFERRED TAX ASSET - NET

Deferred tax asset - net	11.1 & 11.2	<u>198,893,526</u>	<u>198,893,526</u>
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11.1 Deductible temporary differences arising in respect of:

Deficit on revaluation of investments	1,752,206	1,752,206
Difference in accounting and tax base of fixed assets	269,502	269,502
Provision for lease losses and doubtful receivables	176,584,777	176,584,777
Share of loss of associates	(889,227)	(889,227)
Carry forward of tax losses	247,519,513	247,519,513
	<u>425,236,771</u>	<u>425,236,771</u>

Taxable temporary differences arising in respect of:

Difference in accounting and tax base of net investment in lease finance	(227,655,745)	(227,655,745)
Reversal of impairment	1,312,500	1,312,500
	<u>(226,343,245)</u>	<u>(226,343,245)</u>
Net deferred tax asset	<u>198,893,526</u>	<u>198,893,526</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

11.2 Deferred tax asset is recognized in respect of carry forward assessed tax losses/deductible temporary differences to the extent it is probable that there will be future taxable profits against which these losses/deductible temporary differences can be utilized. The Company has prepared a five year business plan which has been approved by the Board of Directors. The said plan involves certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The determination of future taxable profit is directly related and sensitive to certain key assumptions such as recoveries of outstanding lease and long term finances, resumption of licenses, expected return on investments and bank balances etc. Any change in the key assumptions may have an effect on the realizability of the deferred tax asset. The Board and management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently it is expected that out of the total deferred tax asset of Rs.913.19 million as at June 30, 2014; the deferred tax asset up to Rs. 198.89 million (including deferred tax asset of Rs 190.97 million on unabsorbed depreciation) will be realized in the future. The Company has not recognized deferred tax assets of Rs. 714.30 million in respect of remaining carry forward losses and deductible temporary differences.

	Note	2014	2013
		Rupees	
12. CURRENT PORTION OF NON-CURRENT ASSETS			
Net investment in finance lease	8	130,451,117	118,561,731
Long-term finances	10	131,152,909	109,995,861
Long-term loans		-	199,455
		<u>261,604,026</u>	<u>228,757,047</u>

	Note	2014	2013
		Rupees	
13. SHORT TERM INVESTMENTS			
Available-for-sale			
Term finance certificates / sukuk bonds	13.1	3,750,000	9,688,911
Unquoted shares	13.2	15,630,699	20,123,515
Preference shares	13.3	377,668	377,668
		<u>19,758,367</u>	<u>30,190,094</u>
Less: provision for impairment in preference shares		<u>(377,668)</u>	<u>(377,668)</u>
		<u>19,380,699</u>	<u>29,812,426</u>
At fair value through profit or loss - held for trading			
Quoted equity securities	13.4	38,418,333	12,977,102
Held to maturity			
Treasury Bills		-	12,444,425
		<u>57,799,032</u>	<u>55,233,953</u>

13.1 Term finance certificates / sukuk bonds

2014	2013				
Number of certificates / bonds	Number of certificates / bonds	Quoted			
3,000	3,000	Invest Capital Investment Bank Limited		15,000,000	15,000,000
82	82	Trust Investment Bank Limited		186,276	186,276
				<u>15,186,276</u>	<u>15,186,276</u>
Un-quoted					
1,123	1,123	Gharibwal Cement Limited		5,550,000	5,550,000
1,023	1,023	New Allied Electronics (Private) Limited		4,348,775	4,348,775
-	2,000	Flying Paper and Board Limited		-	3,812,500
-	4,247	Avari Hotels		-	1,750,692
				<u>9,898,775</u>	<u>15,461,967</u>
				25,085,051	30,648,243
		Impairment in value of investments	13.1.1	(21,335,051)	(21,148,775)
		Unrealized gain on remeasurement of investments	13.1.2	-	189,443
				<u>3,750,000</u>	<u>9,688,911</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

	Note	2014	2013
		Rupees	
13.1.1 Movement in provision for impairment in value of investments			
Balance at beginning of the year		21,148,775	32,398,775
Impairment during the year	35	186,276	-
Reversal for impairment during the year		-	(11,250,000)
Charge / (reversal) for the year		186,276	(11,250,000)
Balance at end of the year		21,335,051	21,148,775

13.1.2 Movement of unrealized gain on remeasurement of investments			
Balance at beginning of the year		189,443	(10,490)
Addition during the year		-	199,933
Reversal during the year		(189,443)	-
Balance at end of the year		-	189,443

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

Particulars	Maturity date
Quoted	
Invest Capital Investment Bank Limited	September 05, 2013
Trust Investment Bank Limited	July 04, 2013
Un-quoted	
Gharibwal Cement Limited	September 01, 2012
New Allied Electronics (Private) Limited	November 01, 2012

The Company has made required provision against all these outstanding TFCs.

13.1.4 TFCs of Invest Capital Investment Bank Limited amounting to Rs. 15 million (2013: Rs. 15 million) have been pledged with a DFI against the guarantee provided to Asian Development Bank on behalf of the Company.

13.1.5 TFCs aggregated to Rs. 10.08 million (2013: Rs. 10.08 million) have been pledged with Nazir, High Court of Sindh in pursuant to the litigation with one of the lenders of the Company.

13.2 Un-quoted equity securities

Fully paid ordinary shares of Rs.10 each:

2014	2013		Note	2014	2013
Number of shares				Rupees Rupees	
2,512,299	2,512,299	Burj Bank Limited	13.2.1	24,950,489	24,950,489
2,518,454	2,518,454	First Pakistan Securities Limited		36,000,000	36,000,000
2,396,881	2,396,881	World Bridge Connect (Private) Limited		23,968,810	23,968,810
				84,919,299	84,919,299
		Impairment loss		(59,968,810)	(59,968,810)
		Unrealised loss on remeasurement of investments	13.2.2	(9,319,790)	(4,826,974)
				15,630,699	20,123,515



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13.2.1 These shares have been pledged with Nazir, High Court of Sindh in pursuant to the litigation with one of the lenders of the Company.

	2014	2013
	Rupees	
13.2.2 Movement in unrealized loss on remeasurement of investments		
Balance at beginning of the year	(4,826,974)	(5,271,766)
Unrealised (loss) / gain during the year	(4,492,816)	444,792
Balance at end of the year	<u>(9,319,790)</u>	<u>(4,826,974)</u>

13.3 Preference shares

	2014	2013		2014	2013
	Number of shares			Rupees	
			Quoted		
	75,500	75,500	Azgard Nine Limited	377,668	377,668
			Less: Provision for impairment	<u>(377,668)</u>	<u>(377,668)</u>
				<u>-</u>	<u>-</u>

13.3.1 These represent cumulative redeemable convertible preference shares carried dividend at the rate of 8.95% (2013: 8.95%) per annum. These were matured on November 21, 2010. However, due to default in repayment at maturity dates, full provision has been made against these preference shares.

13.4 Quoted equity securities

Fully paid ordinary shares of Rs.10 each:

	2014	2013		2014	2013
	Number of shares			Rupees	
	10,000	-	Arif Habib Corporation Limited	278,400	-
	-	46,358	Askari Bank Limited	-	705,569
	9,500	-	Attock Refinery Limited	2,016,755	-
	30,500	-	Bank Alfalah Limited	838,750	-
	162,500	-	BYCO Petroleum Pakistan Limited	1,852,500	-
	66,000	-	D.G. Khan Cement Company Limited	5,805,360	-
	1,220	720	Dawood Hercules Corporation Limited	85,144	33,199
	3,000	-	Dawood Lawrencepur Limited	351,000	-
	-	5,000	Dewan Farooqui Spinning Mills Limited	-	17,350
	2,000	-	Fauji Cement Company Limited	38,480	-
	15,000	-	Fauji Fertilizer Company Limited	1,683,750	-
	5,000	-	Faysal Bank Limited	80,750	-
	648	490	GlaxoSmithKline Pakistan Limited	107,587	59,452
	1,000	-	Highnoon Laboratories Limited	169,460	-
	3,000	-	International Industries Limited	148,320	-
	113,000	-	K-Electric Limited	959,371	-
	-	18,000	Kohinoor Industries Limited	-	53,100
	2,700	-	Linde Pakistan Limited	454,680	-
	85,000	-	Lotte Chemical Pakistan Limited	611,150	-
	35,000	-	Maple Leaf Cement Factory Limited	1,051,750	-
	3,841	3,310	Murree Brewery Company Limited	3,609,273	910,296



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2014	2013		2014	2013
Number of shares			Rupees	
4,500	8,300	National Refinery Limited	969,165	1,996,814
5,000	-	Pak Elektron Limited	130,100	-
920	13,000	Pakistan Petroleum Limited	206,393	2,750,540
-	11,900	Shell Pakistan Limited	-	1,703,723
270	-	Siemens Pakistan Engineering Company Limited	339,390	-
5,500	-	Sui Northern Gas Pipelines Limited	124,575	-
223,000	-	Sui Southern Gas Company Limited	8,175,180	-
-	45,000	Summit Bank Limited	-	104,401
915,500	200,000	The Bank of Punjab	8,331,050	2,547,989
-	1,036,965	Transmission Engineering Limited	-	2,094,669
			<u>38,418,333</u>	<u>12,977,102</u>

13.4.1 These include shares having a market value aggregating to Rs. 2.32 million (2013: Rs. 4.52 million) which have been pledged with National Clearing Company of Pakistan Limited in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

	Note	2014 Rupees	2013 Rupees
14. PLACEMENTS AND FINANCES			
Placement - unsecured	14.1	12,000,000	14,500,000
Provision for doubtful placement	14.1.1	(12,000,000)	(14,500,000)
		-	-
Financing against shares	14.2	306,756,172	311,071,100
Provision for doubtful finances	14.2.1	(306,756,172)	(311,071,100)
		-	-
Short-term finances - secured	14.3	50,581,567	60,581,567
Provision for doubtful finances	14.3.1	(21,990,943)	(34,000,901)
		28,590,624	26,580,666
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful finance		(5,000,000)	(5,000,000)
		-	-
Murabaha / musharika finances - secured	14.4	91,840,959	94,886,886
Provision for doubtful finances	14.4.1	(52,176,474)	(54,181,474)
		39,664,485	40,705,412
		<u>68,255,109</u>	<u>67,286,078</u>

14.1 The said facility has been restructured in October 2013. As per the restructuring terms, the customer / borrower paid Rs 2.5 million in October 2013 and agreed to repay the balance principal amount of Rs 12 million in four equal annual installments of Rs 3 million with zero mark up, upto October 30, 2017. This facility is secured by way of registered hypothecation charge of present and future receivables of the customer.



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	2014	2013
	Rupees	
14.1.1 Movement in provision for doubtful placement		
Balance at beginning of the year	14,500,000	14,500,000
Reversal during the year	<u>(2,500,000)</u>	<u>-</u>
Balance at end of the year	<u>12,000,000</u>	<u>14,500,000</u>

14.2 These financing were made to a company and individuals in the normal course of business and matured on June 30, 2009.

14.2.1 Movement in provision for doubtful financing against shares		
Balance at beginning of the year	311,071,100	311,071,100
Written off during the year	<u>(4,314,928)</u>	<u>-</u>
Balance at end of the year	<u>306,756,172</u>	<u>311,071,100</u>

14.3 These are secured by mortgage of properties and ranking charge over hypothecation of stock and matured on June 30, 2009. During the current year, amount of Rs 10 million was received from one of the customers as per agreed restructuring terms.

	2014	2013
	Rupees	
14.3.1 Movement in provision for doubtful finances		
Balance at beginning of the year	34,000,901	39,500,901
Reversal for the year	(12,009,958)	(3,000,000)
Written off during the year	-	(2,500,000)
Balance at end of the year	<u>21,990,943</u>	<u>34,000,901</u>

14.4 These are secured by way of mortgage of properties, hypothecation of all present and future stocks, receivables, demand promissory note and personal guarantee of directors and borrowers. These facilities were matured on June 30, 2009.

	2014	2013
	Rupees	
14.4.1 Movement in provision for doubtful murabaha / musharika finances		
Balance at beginning of the year	54,181,474	75,123,463
Reversal for the year	<u>(2,005,000)</u>	<u>(20,941,989)</u>
Balance at end of the year	<u>52,176,474</u>	<u>54,181,474</u>

14.5 As at June 30, 2014, an amount of Rs 451.68 million (June 30, 2013: Rs 486.03 million) has been placed under non performing status. Provision against non performing finances is made after netting off forced sale values of the collateral assets which amounted to Rs. 53.75 million (June 30, 2013 : Rs. 67.28 million).

	2014	2013
	Rupees	
15. ASSETS CLASSIFIED AS HELD FOR SALE		
Balance at beginning of the year	91,608,166	4,500,000
Assets acquired during the year	3,500,000	87,108,166
Balance at end of the year	<u>95,108,166</u>	<u>91,608,166</u>
	15.1	

15.1 These represent repossessed assets consisting of land and buildings previously held as collateral against lease and other finances. The Company intends either to dispose of these assets to recover the outstanding amount of respective leases and other finances or to settle its liabilities against these assets. During the year, the management has reclassified land acquired in satisfaction of claim valuing Rs 62.01 million from 'other receivable' to 'assets classified as held for sale' for better presentation (also refer note 46). The title of this land is in the name of an associated company.



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	Note	2014 Rupees	2013 Rupees
16. ADVANCE AGAINST LEASE COMMITMENTS			
Considered doubtful		35,696,246	35,696,246
Provision for doubtful advances		(35,696,246)	(35,696,246)
		-	-
17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS			
Short term advance - associated company		3,000,920	3,000,920
Advance for purchase of shares		2,500,000	-
Advance income tax		3,126,560	2,484,751
Income tax refund		718,236	718,236
Margin deposit	17.1	17,184,813	-
Prepayments		385,083	502,334
Loan to employee		820,854	628,752
Others		695,236	5,617,155
		28,431,702	12,952,148
Less : Provision for doubtful advances		(3,000,920)	(3,000,920)
		25,430,782	9,951,228

17.1 This represents margin held by National Clearing Company of Pakistan Limited against deliverable future contracts.

	Note	2014 Rupees	2013 Rupees
18. MARKUP ACCRUED			
Long term finance		4,439	16,123
Bank deposit accounts		207,594	1,108,915
Term finance certificates		-	2,089,347
Placement and finances		-	666,485
		212,033	3,880,870

19. OTHER RECEIVABLES

Receivable against lease termination		-	2,786,816
Considered doubtful			
Decretal amount receivable	19.1	37,302,430	37,302,430
TFC proceeds receivable from Bankers Equity Limited		12,365,103	12,365,103
Receivable against lease termination		74,048,040	73,581,824
Receivable against KSE Card transaction-net	19.2	45,515,114	45,515,114
Accounts receivable - others		5,295,096	5,555,956
Brokerage receivable		636,660	618,602
		175,162,443	174,939,029
Less : Provision for doubtful receivables	19.3	(175,162,443)	(138,449,232)
		-	39,276,613

19.1 This includes decree of recovery for Rs. 64.412 million which was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance), Act of 1997. The Company has the possession of assets, the forced sale value of which is fairly higher than the carrying value. Further, the Company also holds additional security by way of equitable mortgage on factory land and building, the possession of which is in the Company's hands. However, as a matter of prudence the Company has made provision in this regard.

19.2 The Company had purchased Karachi Stock Exchange (Guarantee) Limited (KSE) membership card on behalf of one of its customer amounting to Rs.149.7 million. The customer paid an advance amounting Rs.104.2 million to the Company for this purchase which is netted off against this receivable. Currently the membership card is under litigation due to a case filed against the KSE member from whom that card was purchased. The Company has made provision against this receivable as a matter of prudence.



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	Note	2014	2013
		Rupees	
19.3 Movement in provision for doubtful receivables			
Balance at beginning of the year		138,449,232	144,704,387
Charge / (reversal) during the year	35	36,713,211	(6,255,155)
Balance at end of the year		<u>175,162,443</u>	<u>138,449,232</u>

20. CASH AND BANK BALANCES

	Note	2014	2013
		Rupees	
With banks			
- In deposit accounts	20.1	25,958,088	62,305,918
- In current accounts		21,164	4,697,150
		<u>25,979,252</u>	<u>67,003,068</u>

20.1 These represent deposits maintained with various commercial banks and carry profit at the rates ranging between 6% to 9.3% (2013: 6% to 9.3%).

21. SHARE CAPITAL

21.1 Authorized

2014	2013		2014	2013
Number of shares			Rupees	
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000,000	750,000,000
75,000,000	75,000,000	Preference shares of Rs. 10 each	750,000,000	750,000,000
<u>150,000,000</u>	<u>150,000,000</u>		<u>1,500,000,000</u>	<u>1,500,000,000</u>

21.2 Issued, subscribed and paid-up

2014	2013		2014	2013
Number of shares			Rupees	
		Fully paid ordinary shares of Rs.10 each issued:		
35,685,382	35,685,382	- for cash	356,853,820	356,853,820
26,491,821	26,491,821	- issued as bonus shares	264,918,210	264,918,210
472,087	472,087	- issued on acquisition	4,720,870	4,720,870
<u>62,649,290</u>	<u>62,649,290</u>		<u>626,492,900</u>	<u>626,492,900</u>

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

21.2.2 At June 30, 2014 associated undertakings, namely Dawood Capital Management Limited holds 2,382,641 (2013: 2,382,641), BRR Guardian Modaraba holds 3,342,562 (2013: 3,342,562) and BRR Investments (Private) Limited holds 490,591 (2013: 490,591) ordinary shares of the Company.

21.3 Preference share capital

2014	2013		2014	2013
Number of shares			Rupees	
<u>71,583,354</u>	<u>71,583,354</u>	Fully paid 4% cumulative preference shares of Rs.10 each issued against settlement of liabilities	<u>715,833,540</u>	<u>715,833,540</u>



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21.3.1 The Company issued cumulative preference shares of Rs. 715.83 million on June 09, 2010 against settlement of various liabilities / loans. These preference shares carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years. These preference shares are non-voting, non-participatory and have a call option exercisable after two years from the date of issue. The holders of preference shares have option to convert these shares into ordinary shares of the Company at par value of Rs. 10 along with cumulative dividend at any time after issuance. At the expiry of the term on June 08, 2015, the Company will have to convert all the preference shares along with accrued preference dividend thereon into ordinary shares at par value of Rs 10 each. Subsequent to the year end, one of its preference shareholders has opted to convert 50% of its holding of preference shares amounted to Rs. 5.795 million (including conversion of preference dividend thereof amounting Rs. 0.827 million) into ordinary shares of Rs. 10 each.

	Note	2014	2013
		Rupees	
22. LONG TERM LOANS - Secured			
Commercial banks	22.1	432,573,673	439,885,597
Asian Development Bank	22.2	10,880,107	21,242,060
		443,453,780	461,127,657
Current portion shown under current liabilities	24	(443,453,780)	(395,627,657)
		-	65,500,000
22.1 Reconciliation of commercial bank loans			
Balance at beginning of the year		439,885,597	460,885,597
Repaid / settled during the year		(7,311,924)	(21,000,000)
Balance at end of the year		432,573,673	439,885,597

22.1.1 These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favour of other lenders to secure short term borrowings. These are subject to mark-up rate ranging from 0% to 5% (2013: 0% to 5%) per annum payable on quarterly / half yearly basis.

	2014	2013
	Rupees	
22.2 Reconciliation of Asian Development Bank Loan		
Balance at beginning of the year	21,242,060	49,460,344
Repaid during the year	(10,361,953)	(28,218,284)
Balance at end of the year	10,880,107	21,242,060

22.2.1 This represents a term loan obtained in tranches under Financial Sector Intermediation Loan. The loan was subject to interest at the rate of 6.31% per annum. The repayments are semi-annual and secured by guarantee of a Development Financial Institution (DFI). The guarantee provided by a DFI is secured against equitable mortgage of investment properties of the Company along with certain investments of the Company. The loan matured in March 2014. The Company intends to make payment of balance amount after release of guarantee documents by DFI.

	Note	2014	2013
		Rupees	
23. LONG TERM DEPOSITS			
Lease deposits	23.1	95,075,690	121,560,764
Current portion shown under current liabilities	24	(95,056,785)	(105,553,984)
		18,905	16,006,780

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

24. CURRENT PORTION OF LONG TERM LIABILITIES

Long-term loans	22	443,453,780	395,627,657
Long-term deposits	23	95,056,785	105,553,984
		538,510,565	501,181,641



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	Note	2014 Rupees	2013 Rupees
25. MARK-UP ACCRUED			
Secured:			
- Long-term loans		48,031,293	2,344,537
- Short-term borrowings		213,259	213,259
Unsecured:			
- Short-term borrowings		59,988,862	57,221,917
		<u>108,233,414</u>	<u>59,779,713</u>

26. SHORT TERM BORROWINGS

Unsecured

Call borrowing - commercial bank	26.1	6,418,223	6,418,223
Development Financial Institution	26.2	<u>75,000,000</u>	<u>75,000,000</u>
		<u>81,418,223</u>	<u>81,418,223</u>

26.1 A commercial bank filed a legal suit against the Company and obtained decree in its favour. The Company filed an appeal in the High Court of Sindh (SHC) on the ground that, the issue of maintainability raised by the Company in its leave to defend application was not given any consideration and the judgement of the Banking Court at Karachi is without lawful jurisdiction. However the SHC dismissed the Company's appeal. During the current year, the Company approached Honourable Supreme Court of Pakistan challenging the maintainability of suit. The legal counsel is of the opinion that the Company has a good case which is likely to succeed.

26.2 The facility was expired on June 30, 2009. The development financial institution has obtained a decree on Rs.75 million plus cost of fund at the rate of 14.33% per annum. As per the order of Sindh High Court, shares and debt instruments having face value of Rs.108 million have been attached in favour of Nazir of High Court. The Company has filed appeal against the said order of SHC in the Supreme Court of Pakistan which is pending adjudication.

	Note	2014 Rupees	2013 Rupees
27. CERTIFICATES OF INVESTMENT			
Public sector insurance company	27.1	<u>88,500,000</u>	<u>88,500,000</u>

27.1 An out of court settlement with the insurance company was initiated on December 29, 2012 with the assistance of Karachi Centre for Dispute Resolution (KCDR) for payment of Rs. 108.50 million. Subsequently a Compromise Application has been filed and accepted by the Honorable High Court of Sindh on February 6, 2013. According to the terms of agreement, the Company agreed to pay (i) Rs 20 million in cash and (ii) transfer 8.4 million shares of Burj Bank Limited (after acquiring it from BRRGM) at par value of Rs 10 each within 90 days from the date of signing of the said agreement and (iii) transfer a repossessed property (flat) of Rs 4.5 million to the SLIC. The Company duly paid cash of Rs 20 million at the time of signing of the said agreement and also handed possession of the flat however, the shares could not be transferred as the necessary approval of the Registrar Modaraba to BRRGM regarding sale of these shares to the Company is pending. Nevertheless, sponsors and management are committed to make the aforesaid shares for settlement. In February 2014, the insurance company filed a case for recovery against the Company in SHC which is pending for hearing.

	Note	2014 Rupees	2013 Rupees
28. ACCRUED AND OTHER LIABILITIES			
Preference dividend		116,233,633	87,600,291
Guarantee commission		10,536,272	10,320,608
Payable to associated company		-	9,140,834
Unearned rent		731,706	1,991,000
Others		<u>2,306,340</u>	<u>1,836,885</u>
		<u>129,807,951</u>	<u>110,889,618</u>



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	Note	2014	2013
		Rupees	
		(Restated)	
29. CONTINGENCIES AND COMMITMENTS			
29.1 Contingent liabilities			
29.1.1 Letters of comfort / guarantees		<u>2,238,000,000</u>	<u>2,238,000,000</u>
<p>The outstanding guarantees include expired guarantees amounting to Rs. 530 million (2013: Rs. 530 million) the original documents of which have not yet been returned to the Company. The outstanding guarantees also include guarantees amounting to Rs. 1,708 million (2013: Rs. 1,708 million) called by the beneficiaries. Out of the called guarantees, the guarantees worth Rs. 1,098 million (2013: Rs. 1,098 million) are under litigations and are being defended by lawyers of the Company. Details of guarantees are as follows:</p>			
a) Guarantees against gas bills			
<p>Guarantees against gas bill provided to a utility company amounting to Rs. 500 million (2013: Rs.500 million) expired in the year 2010. However, the original guarantee documents have not yet been returned by the customer. Out of two guarantees, a guarantee of Rs. 270 million was called by the beneficiary after the expiry date. The legal advisors of the Company are of the view that the Company does not have any financial exposure in respect of these guarantees as these have already been expired.</p>			
b) Guarantees against finances			
<p>The above amount include guarantees given to financial institutions and a pharmaceutical company amounting to Rs. 640 million (2013: Rs.640 million) issued against the financing facilities extended to the clients. Out of three guarantees, one guarantee of Rs. 340 million have been called by the beneficiary. The legal advisors of the Company are of the view that the Company has good merits to defend the case.</p>			
c) Under litigation			
<p>These are guarantees amounting to Rs. 1,098 million (2013: Rs.1,098 million) which were called and are under dispute / litigations which are being defended by the lawyers of the Company. Based on the opinion of legal advisors of the Company, the management is confident that adequate legal grounds are available to defend these cases. Accordingly, no provision is required to be made for the said cases in these financial statements. Brief detail of the guarantees under litigations are as under:</p>			
<p>i) A guarantee of Rs. 245 million was given against a Letter of Commitment and not against a guarantee which is currently in litigation. The beneficiary has restructured its facilities to the customer, hence the amount is disputed. The beneficiary has filed a recovery case and winding up petition against the Company in the Sindh High Court (SHC). According to the Company's legal advisors, the Company has good merits to defend both recovery case and winding up petition.</p>			
<p>ii) A guarantee of Rs. 250 million against the repayment of sukuk was called as the principal debtor defaulted in payment of installments of the said sukuk. The Trustee of the sukuk has filed a recovery suit against the Company in the SHC, which is pending adjudication. Based on opinion of the legal advisors of the Company, the Company has good merits to defend the case as in its view the guarantee never became operational on technical grounds.</p>			
<p>iii) A guarantee of Rs 465 million against the repayment of sukuk has been called which is currently under litigation. Based on the opinion of the legal advisors of the Company, the Company has good merits to defend the case as in its view the guarantee never became operational due to default on part of trustee of the sukuk issue.</p>			
<p>iv) A guarantee of Rs. 128 million against the bridge finance facility was called as the party in favour of which guarantee was issued defaulted in making payment to the beneficiary bank. The beneficiary has filed winding up petition and suit for recovery in the SHC, which is pending adjudication. According to the Company's legal advisor, the Company has good merits to defend both the recovery case and the winding up petition.</p>			
<p>v) The guarantee of Rs.10 million to secure repayment of running finance facility of the customer has been called by the beneficiary bank. The Company, in response, filed a recovery case against the customer in the SHC. In January 2013, a settlement agreement was finalized between the customer and the Company under which the customer has undertaken to settle its liability of Rs 10 million directly with the beneficiary. The Company has filed statement in SHC for striking out its name from title of the plaintiff.</p>			
29.2			
<p>The Commissioner of Income Tax (CIT) disallowed certain expenses while allocating expenses for the assessment year 2001-02 resulting in increase in tax liability by Rs.0.58 million with reduction in lease losses for the year by Rs. 10.75 million. The Company filed appeals in Appellate Tribunal Inland Revenue (ATIR) which were decided in favor of the Company. However, ATIR subsequently recalled its appellate order through Miscellaneous Application filed by the tax department, who insisted that the matter of proration required a review in the light of ATIR's another order. Based on the opinion of the tax advisors of the Company, the management is confident that the matter will ultimately be decided in its favour and accordingly no provision is required to be made in this regard in these financial statements.</p>			



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29.3 As per the requirements of Regulations 5(1) of NBFC Regulations, 2008, aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC shall not exceed seven times of its equity for the first two years of its operation and ten times of its equity in the subsequent years. However, at June 30, 2014, the aggregate liabilities, excluding contingent liabilities and security deposits, of the Company was 15.33 times of its equity.

29.4 As per the requirements of Regulations 5(2) of NBFC Regulations, 2008, contingent liabilities of an NBFC shall not exceed 10 times of its equity. However, at June 30, 2014, the contingent liabilities (guarantees) of the Company was 40.25 times of its equity.

	2014	2013	
	Rupees		
30. RETURN ON INVESTMENTS AND DEPOSITS			
Return on investments	2,560,036	2,943,664	
Profit on bank deposits	3,354,095	9,459,911	
Dividend income	541,674	814,435	
	<u>6,455,805</u>	<u>13,218,010</u>	
31. OTHER INCOME			
On financial assets			
Service charges on staff loan	5,743	19,091	
On non - financial assets			
Fee and commission and other charges	5,659,714	17,782,979	
Rental income from investment properties	4,725,214	4,551,924	
(Loss) / gain on disposal of property and equipment	(23,001)	197,083	
Exchange gain	768,789	2,197,698	
	<u>11,130,716</u>	<u>24,729,684</u>	
	<u>11,136,459</u>	<u>24,748,775</u>	
32. ADMINISTRATIVE EXPENSES			
Salaries and benefits	32.1	32,190,472	34,744,296
Directors' meeting fees		980,553	999,979
Rent, rates and taxes		4,490,923	3,068,117
Legal, professional and consultancy		11,409,672	13,536,984
Vehicles running and maintenance		3,850,987	4,105,943
Fees and subscription		729,932	953,396
Brokerage		1,891,636	4,304,756
Travelling and conveyance		1,017,306	241,360
Postage and telephone		651,135	539,556
Utilities		1,257,586	1,999,684
Printing and stationery		425,692	363,116
Insurance		1,322,154	1,332,973
Entertainment		343,928	264,377
Advertisement		112,688	313,558
Repairs and maintenance		742,187	1,347,889
Auditors' remuneration	32.2	1,900,000	1,702,754
Depreciation	6.1	2,411,629	2,654,720
Share registrar service		294,111	583,650
Security service		-	166,000
Donation		-	786
		<u>66,022,591</u>	<u>73,223,894</u>

32.1 It include Rs. 1,595,330 (2013: Rs. 1,602,901) in respect of Company's contribution in defined contribution plan.



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	Note	2014	2013
		Rupees	
32.2 Auditors' remuneration			
Statutory audit fee		1,000,000	900,000
Half yearly review fee		450,000	423,500
Other services and certification		250,000	208,500
Out of pocket expenses		200,000	170,754
		<u>1,900,000</u>	<u>1,702,754</u>
33. FINANCE COST			
Mark-up on			
Long-term loans		46,570,789	2,955,390
Short-term borrowings		2,766,945	12,020,548
Bank charges		138,119	18,058
		<u>49,475,853</u>	<u>14,993,996</u>
34. PROVISION / (REVERSAL OF PROVISION) FOR POTENTIAL LEASE AND OTHER LOAN LOSSES - NET			
Net investment in finance lease	8.2	28,809,953	(18,434,565)
Long term finances	10.4	(12,350,637)	(7,505,936)
Placements and finances	14	(16,514,958)	(23,941,989)
Other receivables	19.4	36,713,211	(6,255,155)
Advance against lease commitments		-	(1,000,000)
		<u>36,657,569</u>	<u>(57,137,645)</u>
35. IMPAIRMENT ON AVAILABLE-FOR-SALE SECURITIES			
Impairment on available-for-sale securities		186,276	3,750,000
		<u>186,276</u>	<u>3,750,000</u>
36. SHARE OF (LOSS) / PROFIT FROM ASSOCIATES			
Dawood Family Takaful Limited		(17,163,058)	(6,328,028)
B.R.R. Investment (Private) Limited		979,090	8,868,673
		<u>(16,183,968)</u>	<u>2,540,645</u>
37. TAXATION			
Current year		(802,018)	(1,080,354)
Prior year		765,692	728,732
Deferred		-	69,146,861
		<u>(36,326)</u>	<u>68,795,239</u>

37.1 The current tax represents the minimum tax for the year under section 113 of the Income Tax Ordinance, 2001, therefore reconciliation between accounting loss and taxable loss has not been given in these financial statements.

37.2 Return for the tax year 2013 has been filed which is deemed to have been assessed under section 120 of the Income Tax Ordinance, 2001.



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38. EARNINGS PER SHARE

(Loss) / profit after taxation - basic	Rupees	(169,578,397)	21,275,935
(Loss) / profit after taxation - diluted	Rupees	(140,945,055)	49,909,276
Weighted average number of ordinary shares - basic EPS	Numbers	62,649,290	62,649,290
Weighted average number of ordinary shares - diluted EPS	Numbers	145,856,007	142,992,673
Earnings per share - basic	Rupees	(2.71)	0.34
Earnings per share - diluted	Rupees	(0.97)	0.35

39. REMUNERATION TO CHAIRMAN, DIRECTORS AND EXECUTIVES

	2014			
	Chairman	Chief Executive Officer *	Director	Executives
	----- Rupees -----			
Managerial remuneration	-	1,440,000	8,280,000	10,464,580
Provident fund	-	-	552,000	697,639
Reimbursement of expenses	2,935,993	-	-	-
Medical	-	-	42,207	154,351
Fuel	-	-	523,742	1,271,570
	<u>2,935,993</u>	<u>1,440,000</u>	<u>9,397,949</u>	<u>12,588,140</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>6</u>

	2013			
	Chairman	Chief Executive Officer *	Director	Executives
	----- Rupees -----			
Managerial remuneration	-	3,960,000	8,280,000	12,161,987
Provident fund	-	-	552,000	803,646
Reimbursement of expenses	3,165,029	-	-	-
Medical	-	-	60,000	104,929
Fuel	-	-	39,593	1,434,124
	<u>3,165,029</u>	<u>3,960,000</u>	<u>8,931,593</u>	<u>14,504,686</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>5</u>

* On October 29, 2013, the Chief Executive Officer of the Company has resigned from the Board. Also refer note 1.9 to these financial statements.

39.1 The chairman, director and executives are also provided with free use of Company maintained cars.

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

39.3 Disclosures related to Provident Fund

The following information is based on the latest un-audited financial statements of the Fund:

	2014	2013
Size of the fund - Total assets	73,015,196	75,541,713
Cost of investments made	65,713,676	67,987,542
Percentage of investments made	99.91%	99.93%
Fair value of investments	72,947,816	75,489,929



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The break-up of fair value of investments are:

	2014	----- % -----	2013	----- % -----
Investment in securities	3,307,378	5%	2,924,548	4%
Government securities	10,605,750	15%	39,616,657	52%
Debt securities	16,555,124	23%	15,393,022	20%
Mutual funds	6,824,447	9%	6,823,803	9%
Bank balances	35,655,117	49%	10,731,899	14%
	<u>72,947,816</u>	<u>100%</u>	<u>75,489,929</u>	<u>100%</u>

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

39.3.1 The total and average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

	2014	2013
Average number of employees during the year	<u>22</u>	<u>25</u>
Number of employees as at June 30, 2014 / 2013	<u>19</u>	<u>25</u>

40. TRANSACTIONS WITH RELATED PARTIES

40.1 The Company has related party relationships with its group companies, associated companies, staff provident fund, directors and key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

40.2 Details of transactions with related parties and balances with them in the financial statements are as follows:

	2014		2013	
	Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties
	----- Rupees -----			
Investment in associates				
Balance at beginning of the year	-	189,238,323	-	182,360,837
Share of (loss) / profit from associates	-	(16,183,968)	-	2,540,645
Share of reversal of deficit on revaluation of investments classified in other comprehensive income	-	7,506,071	-	4,336,841
Balance at end of the year	<u>-</u>	<u>180,560,426</u>	<u>-</u>	<u>189,238,323</u>
Short term loans	726,750	3,000,920	-	3,000,920
Unearned rent	-	905,000	-	1,991,000
Long term finance	-	-	-	7,500,000
Disposal of fixed assets - cost	52,275	-	1,387,500	-
Settlement transactions				
Term finance facility received	-	-	-	4,165,917
Vehicle sold	-	-	-	34,583
Land transferred	-	-	-	62,005,166



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	2014		2013	
	Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties
	----- Rupees -----			
Charge to profit and loss account				
Common expenses paid	-	2,322,810	-	2,118,015
Share of (loss) / profit from associates	-	(16,183,968)	-	2,540,645
Share of common expenses received	-	643,005	-	421,050
Service charges on staff loan	5,743	-	19,091	-
Rental income	-	1,086,000	-	1,086,000
Rent expense	-	2,020,800	-	2,243,920
Takaful expense	-	69,000	-	74,891

41. SEGMENT ANALYSIS

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

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

Primary segment information

Leasing	Finance lease to individual and corporate customers in acquiring plant and machinery, vehicles and equipment.
Investments	Trade of equity securities and debt instruments like term finance certificates, commercial papers, asset backed certificates and government securities.
Long term finances	Term finance facilities to individual and corporate customers.
Placements and finances	Money market facilities against marketable securities and letter of placement. It also include short term financing and musharika financing facilities.

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

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

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

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



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41.1 Segment information for the year ended June 30, 2014

	Rupees											
	Leasing		Investments		Long term finances		Placements and finances		Fee, commission and other income		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Segment revenues	1,944,311	4,722,571	12,959,250	13,810,981	1,785,031	34,104,352	-	-	11,136,459	24,748,775	27,825,051	77,386,579
Share of (loss) / profit from associates	-	-	(16,183,968)	2,540,645	-	-	-	-	-	-	(16,183,968)	2,540,645
Segment results	1,944,311	4,722,571	(3,224,718)	16,351,626	1,785,031	34,104,352	-	-	11,136,459	24,748,775	11,641,083	79,927,224
Reversal of provision for potential lease and other loan losses - net	28,809,953	(18,434,565)	-	-	(12,350,637)	(7,505,936)	(16,514,958)	(23,941,989)	36,713,211	(7,255,155)	(36,657,549)	57,137,645
Unrealized gain / (loss) on remeasurement of investments	-	-	2,190,905	(1,170,670)	-	-	-	-	-	-	2,190,905	(1,170,670)
Impairment on available-for-sale securities	-	-	(186,276)	(3,750,000)	-	-	-	-	-	-	(186,276)	(3,750,000)
Surplus on revaluation of investment properties	-	-	-	-	-	-	-	-	-	-	670,000	760,000
Loss on settlement of liabilities	-	-	-	-	-	-	-	-	-	-	(3,068,428)	(63,572,272)
Administrative expenses	-	-	-	-	-	-	-	-	-	-	66,022,591	73,223,894
Finance cost	-	-	-	-	-	-	-	-	-	-	49,475,853	14,993,996
(Loss) / profit before taxation	130,891,719	210,931,273	245,882,042	25,121,848	131,484,776	133,284,439	68,255,109	67,286,078	-	-	576,513,646	662,720,278
Taxation	-	-	-	-	-	-	-	-	-	-	(36,326)	68,795,239
(Loss) / profit after taxation	130,891,719	210,931,273	245,882,042	25,121,848	131,484,776	133,284,439	68,255,109	67,286,078	-	-	540,187,320	731,515,517
Segment assets	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	-	-	-	-	-	426,377,735	490,167,694
Total assets	1,002,891,381	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972	1,152,887,972
Segment liabilities	215,073,066	294,643,255	404,017,955	350,919,198	216,047,540	186,180,837	112,152,516	93,989,804	-	-	947,291,076	925,733,094
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	215,073,066	294,643,255	404,017,955	350,919,198	216,047,540	186,180,837	112,152,516	93,989,804	-	-	947,291,076	925,733,094
Net Assets	787,818,315	858,244,717	748,869,997	801,968,774	936,840,432	966,707,135	1,040,735,456	1,058,898,168	1,152,887,972	1,152,887,972	207,596,896	227,154,878



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

Segment by class of business

Class of business	2014					
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	%
	Rupees					
Cement	-	12,445,590	-	-	12,445,590	0.75
Chemicals, fertilizers and pharmaceuticals	27,946,195	3,111,771	28,862,135	-	59,920,101	3.61
Construction	14,609,217	-	105,200,000	-	119,809,217	7.22
Electrical goods	4,062,742	4,348,775	4,625,235	-	13,036,752	0.79
Energy, oil and gas	669,115	13,344,568	15,572,086	-	29,585,769	1.78
Food, tobacco and beverages	23,069,128	3,609,272	-	24,500,000	51,178,400	3.08
Health care	5,201,904	-	-	-	5,201,904	0.31
Individuals	104,884,528	-	106,880,166	351,756,166	563,520,860	33.96
Steel, engineering and automobile	25,846,818	-	846,462	822,532	27,515,812	1.66
Sugar and allied	33,762,249	-	-	-	33,762,249	2.03
Textile	168,696,243	728,668	7,370,436	-	176,795,347	10.65
Transport and communication	175,135,622	-	10,521,065	2,100,000	187,756,687	11.32
Financial	-	230,226,141	-	87,000,000	317,226,141	19.12
Miscellaneous	-	61,545,992	-	-	61,545,992	3.71
	583,883,761	329,360,777	279,877,585	466,178,698	1,659,300,821	100

Class of business	2013					
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	%
	Rupees					
Cement	-	5,550,000	-	-	5,550,000	0.31
Chemicals, fertilizers and pharmaceuticals	36,648,535	92,651	29,362,135	-	66,103,321	3.69
Construction	25,137,264	-	105,200,000	-	130,337,264	7.28
Electrical goods	3,930,700	4,348,775	885,637	-	9,165,112	0.51
Energy, oil and gas	576,620	6,451,077	8,890,000	-	15,917,697	0.89
Food, tobacco and beverages	24,001,125	910,296	-	34,500,000	59,411,421	3.32
Health care	6,492,900	-	-	-	6,492,900	0.36
Individuals	116,062,441	-	142,018,456	359,117,021	617,197,918	34.49
Steel, engineering and automobile	22,107,531	2,094,669	-	822,532	25,024,732	1.40
Sugar and allied	26,488,704	-	-	-	26,488,704	1.48
Textile	239,841,257	448,118	-	-	240,289,375	13.43
Transport and communication	174,911,031	-	10,521,065	2,100,000	187,532,096	10.48
Financial	-	232,733,047	-	89,500,000	322,233,047	18.00
Miscellaneous	-	77,976,427	-	-	77,976,427	4.36
	676,198,108	330,605,060	296,877,293	486,039,553	1,789,720,014	100

41.3 Geographical segment analysis

The Company's operations are restricted to Pakistan only except investment in US dollar bond of USD 75,000 which is listed at Luxembourg Stock Exchange.



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	2014	2013
	Rupees	
42. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
Held for trading		
Quoted equity securities	38,418,333	12,977,102
Held to maturity		
Treasury bills	-	12,444,425
Available for sale		
Term finance certificates	3,750,000	9,688,911
Unquoted equity securities	15,630,699	20,123,515
US dollar bond	7,522,584	6,746,212
	26,903,283	36,558,638
Loans and receivables		
Net investment in lease finance	130,891,719	210,931,273
Long-term finances	131,484,776	133,284,439
Long-term loans	-	199,455
Long term deposits	3,704,000	3,704,000
Placements and finances	68,255,109	67,286,078
Loans and advances	6,321,774	3,629,672
Mark-up accrued	212,033	3,880,870
Other receivables	-	39,276,613
Cash and bank balances	25,979,252	67,003,068
	366,848,663	529,195,468
	<u>432,170,279</u>	<u>591,175,633</u>
Financial liabilities as per balance sheet		
Financial liabilities measured at amortised cost		
Long term loans	443,453,780	461,127,657
Long term deposits	95,075,690	121,560,764
Mark-up accrued	108,233,414	59,779,713
Short-term borrowings	81,418,223	81,418,223
Certificates of investment	88,500,000	88,500,000
Accrued and other liabilities	129,076,245	99,757,784
	<u>945,757,352</u>	<u>912,144,141</u>
42.1 Reconciliation of financial assets and liabilities with total assets and liabilities		
Total financial assets	432,170,279	591,175,633
Add: Non financial assets		
Property and equipment	5,524,976	4,795,768
Assets classified as held for sale	95,108,166	91,608,166
Investment properties	71,525,000	70,855,000
Investment in associates - equity method	180,560,426	189,238,323
Prepayments	19,109,008	6,321,556
Deferred tax asset	198,893,526	198,893,526
	570,721,102	561,712,339
Total assets	<u>1,002,891,381</u>	<u>1,152,887,972</u>
Total financial liabilities	945,757,352	912,144,141
Add: Non financial liabilities		
Deferred income	-	1,376,765
Taxation	802,018	1,080,354
Unearned rent and accrued expenses	731,706	11,131,834
Total liabilities	<u>947,291,076</u>	<u>925,733,094</u>



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43. FINANCIAL RISK MANAGEMENT POLICIES

Currently, the Company's activities are making recoveries from its customers relating to lease and other finances and investments of available funds in listed equity securities for trading purposes. These activities are exposed to a variety of financial risks which mainly includes market risk, credit risk and liquidity risk.

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

The Company's financial assets comprise of finance lease, long term and short finances, placements, long term and short term investments, other receivables and cash and bank balances. The Company's principal financial liabilities comprise loans and borrowings, deposits and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations.

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

43.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices. Market risk comprises of three types of risk: interest rate risk, currency risk and other price risk.

43.1.1 Interest rate risk

Interest rate is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates . The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liability that mature or repriced in a given period. The Company manages this risk by matching the reprising of assets and liabilities.

Cash flow and fair value interest rate risks

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

	2014 Rupees	2013 Rupees
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	25,958,088	62,305,918
Long term investments	7,522,584	6,746,212
Short term investments	-	12,444,425
Long term loans	-	199,455
	<u>33,480,672</u>	<u>81,696,010</u>
Financial liabilities		
Loan term loans	239,499,557	249,861,510
Short-term borrowings	75,000,000	75,000,000
	<u>314,499,557</u>	<u>324,861,510</u>
Variable rate instruments at carrying amount:		
Financial assets		
Net investment in lease finance	130,891,719	210,931,273
Long term finances	131,484,776	133,284,439
Placements and finances	68,255,109	67,286,078
Advance against lease commitments	-	-
	<u>330,631,604</u>	<u>411,501,790</u>

Management of the Company estimates that an increase of 100 basis points in the market interest rate, with all other factors remaining constant, would decrease the Company's loss by Rs. 0.80 million and a decrease of 100 basis points would result in a decrease in the Company's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

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

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



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43.1.1.1 Mismatch of interest rate sensitive assets and liabilities

		2014							Total
Effective interest 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		
----- Rupees -----									
Financial assets									
Net investment in lease finance	8% - 29.17%	130,451,117	-	440,602	-	-	-	130,891,719	
Long term investments	6.85%	-	-	-	-	7,522,584	180,560,426	188,083,010	
Long-term finances	8% - 18.27%	131,152,909	331,867	-	-	-	-	131,484,776	
Long term deposits	-	-	-	-	-	-	3,704,000	3,704,000	
Short term investments	-	-	-	-	-	-	57,799,032	57,799,032	
Placements and finances	8.5% - 24%	68,255,109	-	-	-	-	-	68,255,109	
Loans and advances	-	-	-	-	-	-	25,430,782	25,430,782	
Mark-up accrued	-	-	-	-	-	-	212,033	212,033	
Other receivables	-	-	-	-	-	-	-	-	
Cash and bank balances	6% - 10%	25,958,088	-	-	-	-	21,164	25,979,252	
		<u>355,817,223</u>	<u>331,867</u>	<u>440,602</u>	<u>-</u>	<u>-</u>	<u>7,522,584</u>	<u>631,839,713</u>	
Financial liabilities									
Long term loans	0% - 6.31%	443,453,780	-	-	-	-	-	443,453,780	
Long term deposits	-	-	-	-	-	-	95,075,690	95,075,690	
Mark-up accrued	-	-	-	-	-	-	108,233,414	108,233,414	
Short-term borrowings	17.00%	81,418,223	-	-	-	-	-	81,418,223	
Certificates of investment	17% - 20%	88,500,000	-	-	-	-	-	88,500,000	
Accrued and other liabilities	-	-	-	-	-	-	129,076,245	129,076,245	
		<u>613,372,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,385,349</u>	<u>945,757,352</u>	
On balance sheet gap		<u>(257,554,780)</u>	<u>331,867</u>	<u>440,602</u>	<u>-</u>	<u>-</u>	<u>7,522,584</u>	<u>(313,917,639)</u>	

The Company has investment properties and assets held for sale Rs. 71.53 million and Rs. 95.11 million respectively for settlement of its liabilities. Further, the Company plans to restructure its liabilities so as to manage the on-balance sheet gap in the coming years.

		2013							Total
Effective interest 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		
----- Rupees -----									
Financial assets									
Net investment in lease finance	8% - 29.17%	118,561,731	-	92,369,542	-	-	-	210,931,273	
Long term investments	6.85%	-	-	-	-	6,746,212	189,238,323	195,984,535	
Long-term finances	8% - 18.27%	109,995,861	6,228,019	354,756	15,979,853	725,950	-	133,284,439	
Long-term loans	5.00%	66,924	73,203	59,328	-	-	-	199,455	
Long term deposits	-	-	-	-	-	-	3,704,000	3,704,000	
Short term investments	12.99% - 15.29%	12,444,425	-	-	-	-	42,789,528	55,233,953	
Placements and finances	8.5% - 24%	67,286,078	-	-	-	-	-	67,286,078	
Loans and advances	-	-	-	-	-	-	9,951,228	9,951,228	
Mark-up accrued	-	-	-	-	-	-	3,880,870	3,880,870	
Other receivables	-	-	-	-	-	-	39,276,613	39,276,613	
Cash and bank balances	6% - 9.3%	62,305,918	-	-	-	-	4,697,150	67,003,068	
		<u>370,660,937</u>	<u>6,301,222</u>	<u>92,783,626</u>	<u>15,979,853</u>	<u>725,950</u>	<u>6,746,212</u>	<u>786,735,512</u>	
Financial liabilities									
Long term loans	0% - 6.31%	395,627,657	65,500,000	-	-	-	-	461,127,657	
Long term deposits	-	-	-	-	-	-	121,560,764	121,560,764	
Mark-up accrued	-	-	-	-	-	-	59,779,713	59,779,713	
Short-term borrowings	17.00%	81,418,223	-	-	-	-	-	81,418,223	
Certificates of investment	17% - 20%	88,500,000	-	-	-	-	-	88,500,000	
Accrued and other liabilities	-	-	-	-	-	-	99,757,784	99,757,784	
		<u>565,545,880</u>	<u>65,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,098,261</u>	<u>912,144,141</u>	
On balance sheet gap		<u>(194,884,943)</u>	<u>(59,198,778)</u>	<u>92,783,626</u>	<u>15,979,853</u>	<u>725,950</u>	<u>6,746,212</u>	<u>(125,408,629)</u>	



FIRST DAWOOD INVESTMENT BANK LIMITED

43.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. As the Company does not have any foreign currency asset and liabilities except for investment in US dollar bonds amounting to Rs. 7.52 million, therefore, the Company is not materially exposed to foreign currency risk as at June 30, 2014.

43.1.3 Price risk

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

At the balance sheet date, the exposure to listed equity securities is Rs. 38.41 million. Management of the Company estimates that 100 basis points increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Company's net assets by Rs. 0.38 million. However, in practice, the actual results may differ from the sensitivity analysis.

43.2 Credit risk

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

	2014	2013
	Rupees	
Net investment in lease finance	130,891,719	210,931,273
Long term investments	180,560,426	189,238,323
Long term finances	131,484,776	133,284,439
Long term deposits	3,704,000	3,704,000
Short term investments	3,750,000	9,688,911
Placements and finances	68,255,109	67,286,078
Loans and advances	3,000,920	3,000,920
Mark-up accrued	212,033	3,880,870
Other receivables	-	39,276,613
Cash and bank balances	25,979,252	67,003,068
	<u>547,838,235</u>	<u>727,294,495</u>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of lease and other finances and receivables have been classified as loss and the amount appears in the above statement are forced sale values of collateralized properties and security deposits as at June 30, 2014 which have been taken in accordance with the requirements of the NBFC Regulations, 2008. However, the Company filed recovery suits at different forums against the non-performing parties.

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

43.3 Fair value hierarchy

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

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

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

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

The Company has investments carried at fair value amounting to Rs. 45,940,917 (2013: 32,167,739) which are valued under level 1 valuation method. There have been no movements in or out of the level 1 category during the year. The Company does not have any investment in level 2 or level 3 category.

43.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

As of balance sheet date, the Company has liquid assets to the tune of Rs. 71.92 million to meet its commitments and obligations. Further, through recovery measures, the Company is generating a liquidity of Rs. 4 million to Rs. 5 million per month. Since the borrowings of the Company are in restructuring phase, the pressure of payments to creditors is eased to some extent.

	Weighted average effective rate of interest	Carrying amount	Upto three months	2014		
				Over three months to one year	Over one year to five years	Over five years
----- Rupees -----						
Liabilities						
Long-term loans	0% - 6.31%	443,453,780	10,880,107	432,573,673	-	-
Long term deposits	-	95,075,690	-	18,905	95,056,785	-
Mark-up accrued	-	108,233,414	108,233,414	-	-	-
Short-term borrowings	-	81,418,223	81,418,223	-	-	-
Certificates of investment	14.33%	88,500,000	88,500,000	-	-	-
Accrued and other liabilities	17% - 20%	129,807,951	-	129,807,951	-	-
		<u>946,489,058</u>	<u>289,031,744</u>	<u>562,400,529</u>	<u>95,056,785</u>	<u>-</u>

	Weighted average effective rate of interest	Carrying amount	Upto three months	2013		
				Over three months to one year	Over one year to five years	Over five years
----- Rupees -----						
Liabilities						
Long-term loans	0% - 6.31%	461,127,657	36,611,953	359,015,704	65,500,000	-
Long term deposits	-	121,560,764	-	105,553,984	16,006,780	-
Mark-up accrued	-	59,779,713	59,779,713	-	-	-
Short-term borrowings	-	81,418,223	81,418,223	-	-	-
Deferred income	-	1,376,765	1,376,765	-	-	-
Certificates of investment	14.33%	88,500,000	88,500,000	-	-	-
Accrued and other liabilities	17% - 20%	110,889,618	1,137,981	109,751,637	-	-
		<u>924,652,740</u>	<u>268,824,635</u>	<u>574,321,325</u>	<u>81,506,780</u>	<u>-</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

44. CAPITAL RISK MANAGEMENT

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

As per Rule 3 of NBFC Regulations, the minimum equity requirement for investment finance services was Rs.1,000 million to be achieved in a phased manner by June 30, 2013. Further the minimum equity requirement for Leasing was Rs. 700 million to be achieved in a phased manner by June 30, 2013. Currently the Company has net equity of Rs. 55.60 million which does not meet the minimum equity requirement for investment finance services and leasing license.

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

The gearing ratios of the Company as at June 30, 2014 and 2013 were as follows:

	2014 Rupees	2013 Rupees
Total borrowings	613,372,003	631,045,880
Less: Cash and bank balances	<u>(25,979,252)</u>	<u>(67,003,068)</u>
Net debt	587,392,751	564,042,812
Total equity	<u>55,600,305</u>	<u>227,154,878</u>
Total capital	<u>642,993,056</u>	<u>791,197,690</u>
Gearing ratio	<u>91.35%</u>	<u>71.29%</u>

The high gearing ratio is due to the factors mentioned in note 1 to these financial statements.

45. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transactions. No significant rearrangements or reclassifications were made in these financial statements except the following:

Description	Reclassified		2013
	From	To	
Reposessed assets	Other receivables	Assets classified as held for sale	62,005,166
Payable to associated company	Other receivables	Accrued and other liabilities	9,140,834
Others	Other receivables	Loans, advances, deposits and prepayments	4,454,155

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 September 2014 by the Board of Directors of the Company.

47. GENERAL

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

These financial statements have been signed by two Directors due to reasons stated in note 1.9 to the financial statements.

Director

Director



FIRST DAWOOD INVESTMENT BANK LIMITED

PATTERN OF SHAREHOLDING - ORDINARY SHARES AS ON JUNE 30, 2014

Number Of Share Holders	From	Share Holding		Total Shares Held
		-	To	
907	1	-	100	31,095
382	101	-	500	102,260
662	501	-	1,000	591,142
474	1,001	-	5,000	1,099,984
129	5,001	-	10,000	1,048,308
47	10,001	-	15,000	613,654
29	15,001	-	20,000	529,492
25	20,001	-	25,000	588,413
29	25,001	-	30,000	815,155
6	30,001	-	35,000	207,038
12	35,001	-	40,000	464,718
8	40,001	-	45,000	348,673
24	45,001	-	50,000	1,191,263
7	50,001	-	55,000	361,693
8	55,001	-	60,000	465,040
6	60,001	-	65,000	372,791
3	65,001	-	70,000	204,056
1	70,001	-	75,000	71,736
4	75,001	-	80,000	316,458
1	80,001	-	85,000	83,000
3	85,001	-	90,000	260,411
3	90,001	-	95,000	278,630
7	95,001	-	100,000	697,000
2	100,001	-	105,000	203,350
1	110,001	-	115,000	115,000
3	115,001	-	120,000	352,059
1	120,001	-	125,000	125,000
1	125,001	-	130,000	127,805
3	135,001	-	140,000	408,590
1	145,001	-	150,000	145,475
1	175,001	-	180,000	175,352
2	180,001	-	185,000	366,370
2	185,001	-	190,000	373,450
2	195,001	-	200,000	397,858
2	200,001	-	205,000	404,852
1	205,001	-	210,000	208,898
2	210,001	-	215,000	425,500
1	215,001	-	220,000	217,291
1	220,001	-	225,000	225,000
1	240,001	-	245,000	245,000
1	250,001	-	255,000	250,096
1	270,001	-	275,000	275,000
1	275,001	-	280,000	278,300
2	280,001	-	285,000	563,162
1	300,001	-	305,000	301,955
2	315,001	-	320,000	634,483
1	345,001	-	350,000	345,889
1	395,001	-	400,000	397,963
1	400,001	-	405,000	400,537
1	435,001	-	440,000	436,425
1	440,001	-	445,000	445,000
1	490,001	-	495,000	492,594
1	500,001	-	505,000	501,512
1	525,001	-	530,000	529,171
1	580,001	-	585,000	580,500
1	595,001	-	600,000	599,276
1	745,001	-	750,000	750,000
1	800,001	-	805,000	805,000
1	1,390,001	-	1,395,000	1,394,028
1	1,415,001	-	1,420,000	1,418,522
1	1,920,001	-	1,925,000	1,921,400
1	2,340,001	-	2,345,000	2,341,935
1	2,365,001	-	2,370,000	2,368,064
1	2,380,001	-	2,385,000	2,382,641
1	2,585,001	-	2,590,000	2,585,770
1	5,140,001	-	5,145,000	5,145,000
1	8,865,001	-	8,870,000	8,867,566
1	10,375,001	-	10,380,000	10,378,637
2,834				62,649,286



FIRST DAWOOD INVESTMENT BANK LIMITED

Number Of Share Holders	From	Share Holding	To	Total Shares Held
Categories of Shareholders		Number Of Share Holders	Total Shares Held	Percentage
Individuals		2783	40,095,895	64.00
Joint Stock Companies		20	283,522	0.45
Insurance Companies		7	10,492,936	16.75
Financial Institutions		7	4,176,686	6.67
Investment Companies		6	818,246	1.31
Modarabas		6	3,517,973	5.62
Modaraba Management Companies		2	637,092	1.02
Mutual Fund		1	2,368,064	3.78
Others		2	258,872	0.41
		2834	62,649,286	100.00

Additional Information Of Ordinary Shares As On June 30, 2014

S. No.	Categories Shareholders	Shares Held	% Age
1	Associated Companies	6,215,794	9.92
	B.R.R. Guardian Modaraba	3,342,562	
	Dawood Capital Management Limited	2,382,641	
	B.R.R. Investment (Pvt.) Ltd.	490,591	
2	NIT & ICP	2,368,295	3.78
	CDC - Trustee National Investment (UNIT) Trust	2,368,064	
	Investment Corporation of Pakistan	220	
	IDBL (ICP) Unit	11	
3	Directors, CEO, their Spouses and Minor Childern	14,825,820	23.66
	Ayaz Dawood	2,585,770	
	Hamida Dawood	2,834,529	
	Rafique Dawood	8,939,302	
	Shumaila Matri Dawood	319,244	
	Mohammad Ali S/O Ayaz Dawood	145,475	
	Khurshid A. Khair	500	
	Abu Khursheed M. Arif	500	
	Asad Hussain Bokhari	500	
4	Public Sector Companies and Corporation	10,378,637	16.57
5	Banks, DFIS, NBFIS, Insurance Companies, Modarabas Joint Stock Companies and Mutual Funds	3,590,665	5.73
	Shareholders Holding Five Percent Or More In The Company	24,667,939	39.37
	State Life Insurance Corp. Of Pakistan	10,378,637	16.57
	Rafique Dawood	8,939,302	14.27
	Abdul Sattar Vayani	5,145,000	8.21



FIRST DAWOOD INVESTMENT BANK LIMITED

**PATTERN OF SHAREHOLDING - PREFERENCE SHARES
AS ON JUNE 30, 2014**

Number of Shareholders	Shareholdings From	-	To	Total Number of Shares Held
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	32,510,001	-	32,515,000	32,511,474
8				71,583,354

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Financial Institutions	6	62,538,974	87.37
Insurance Companies	1	6,000,000	8.38
Mutual Fund	1	3,044,380	4.25
	8	71,583,354	100.0



FIRST DAWOOD INVESTMENT BANK LIMITED

FORM OF PROXY
20th 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 **20th Annual General Meeting** of the Company to be held on October 31, 2014 at 05:00
p.m. hours and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2014, 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 24, 2014 to October 31, 2014 (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 notorially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered Office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of Proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. The signature on the Instrument of Proxy must confirm to the Specimen Signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of Securities & Exchange Commission of Pakistan for attending the meeting.



FIRST DAWOOD INVESTMENT BANK LIMITED

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AFFIX
CORRECT
POSTAGE

FIRST DAWOOD INVESTMENT BANK LIMITED
18th floor, B.R.R Tower, Hassan Ali Street off: I.I. Chundrigar Road, Karachi-74000

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FIRST DAWOOD INVESTMENT BANK LIMITED

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