

# Annual Report 2009

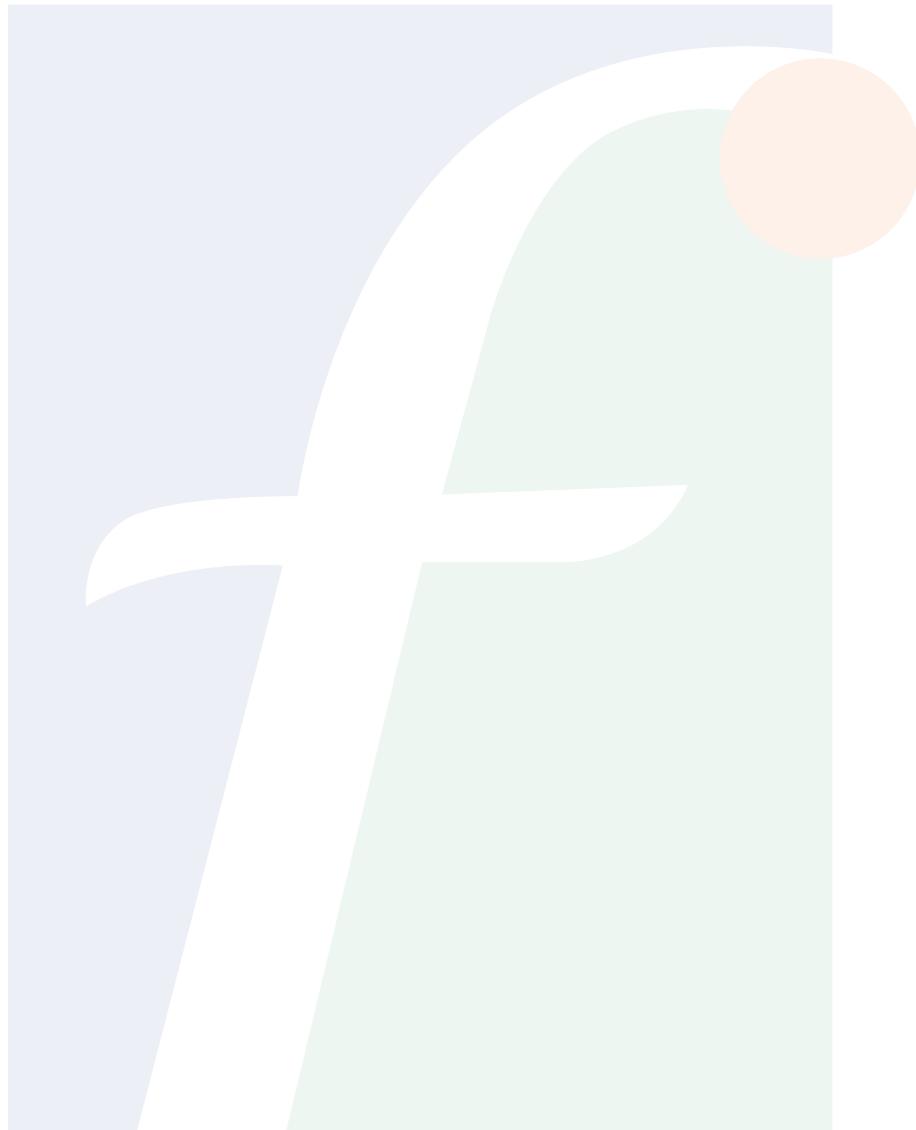


**fcib**

**FIRST CREDIT AND INVESTMENT BANK LTD.**



FIRST CREDIT AND INVESTMENT BANK LTD.



ANNUAL REPORT 2009



## *Vision*

*Be a preferred investment bank enhancing value  
for the stakeholders and contributing to the  
National goals.*

## *Mission Statement*

*Contributing through innovative financing and  
investment in quality portfolio, advisory services  
delivered in an environment of trust and  
customer confidence supported by a team of  
professionals.*



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## COMPANY INFORMATION

### AUDIT COMMITTEE:

Mr. Najib Tariq  
Mr. Wajahat A. Baqai  
Mr. Anwar -ul- Haq

### COMPANY SECRETARY:

Mr. Muhammad Mohsin Ali

### AUDITORS:

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

### LEGAL ADVISOR:

Zahid Hamid - Advocate

### BANKERS:

Allied Bank Limited  
Askari Commercial Bank Limited  
Atlas Bank Limited  
First Women Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
United Bank Limited

### SHARE REGISTRAR:

THK Associates (Pvt.) Limited  
Ground Floor, State Life Building-3  
Dr. Ziauddin Ahmed Road,  
Karachi. 75530  
P.O. Box No. 8533  
Ph. # +92 (21) 111-000-322  
Fax # +92 (21) 5655595

### HEAD OFFICE / REGISTERED OFFICE:

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Stratchen Road,  
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**WEBSITE:** www.fcibank.com.pk

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## BOARD OF DIRECTORS



**Mr. Shahid Anwar Khan**  
Chairman



**Ch. Abdul Qadeer**  
Director



**Dr. Asif A. Brohi**  
Director



**Mr. Najib Tariq**  
Director



**Mr. Wajahat A. Baqai**  
Director



**Mr. Anwar-ul-Haq**  
Director



**Mr. Mohammad Imran Malik**  
President & CEO



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 20th Annual General Meeting of the shareholders of First Credit & Investment Bank Limited will be held on Wednesday, October 21, 2009 at 6:00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwan-e-Saddar Road, Karachi to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on October 29, 2008.
2. To receive, consider and adopt the audited financial statements of the Company together with the Auditors' and Directors reports thereon for the year ended June 30, 2009.
3. To appoint the statutory auditors for the year ending June 30, 2010 and fix their remuneration. The present auditors M/s. M. Yousuf Adil Saleem, Chartered Accountants have completed their five years period and therefore retire. The Audit Committee of the Board has recommended appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as auditors for the year ending June 30, 2010.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Mohsin Ali  
Company Secretary

Karachi

September 29, 2009

### Notes:

1. The share transfer books of the Company will remain closed from October 15, 2009 to October 21, 2009 (both days inclusive).
2. A member entitled to attend and vote at the Meeting may appoint a proxy in writing to attend the meeting who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member. A proxy need not be a member of the Company.
3. In order to be effective, proxy form must be received at the office of our Registrar not later than forty eight (48) hours before the meeting, duly signed, stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
4. In case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. In case of the proxy by a corporate entity, Board of Directors resolution/ power of attorney and attested copy of CNIC or passport of the proxy shall be submitted alongwith the proxy form.
6. Accountholders and sub-accountholders holding book entries securities of the Company in the Central Depository Company of Pakistan Ltd, who wish to attend the meeting, are requested to bring their original CNIC with copies thereof duly attested for identification purpose.
7. The shareholders are requested to timely notify any change in their addresses to our Registrar office.



## DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the 20th Annual Report of the First Credit and Investment Bank Limited along with the audited financial statements and Auditors' Report thereon, for the year ended June 30, 2009.

### State of Pakistan's Economy

The year 2009 was a difficult year for Pakistan's economy, aggravated by electricity shortages and security issues, real GDP growth in FY09 has decelerated to 2.0%, down from 4.1% in FY08. Large-scale manufacturing activity has seen a record run of decline together with almost a nil growth in credit to private sector. Total exports of the country for FY09 remained \$17.781 billion with a trade deficit of \$17.040 billion for the year.

The country, however, received the highest-ever amount of over \$7.811 billion as workers' remittances in FY09, beating the previous record of \$6.451 billion received in FY08. Pakistani workers remitted \$744.85 million in July 2009 and \$780.53 million in August, 2009.

The average Consumer Price Index (CPI), the most commonly used measure of inflation in the country, during FY09 was up by 20.77% as compared to 12.00% in FY08. The SBP, in view of the domestic structural constraints and global developments, continued taking measures in FY09 to strike a balance between stabilization and sustainable recovery. To give further impetus, SBP in FY10 has decided to cut the policy rate by 100 basis points to 13%, effective 17th August 2009.

The stock markets in Pakistan remained resilient till April 2008, when KSE 100-Share Index achieved the all-time high record of 15,676 points. Downward slippage started gradually and KSE 100-Share Index dropped to 12,289 points by the end of June 2008. Following heavy losses in previous days, the stock exchanges introduced a 'floor mechanism' in respect of prices of equity securities based on the closing price as prevailing on August 27, 2008. On resumption of trading after lifting of the 'floor mechanism' KSE 100-Share Index continued downward slide and was at 5,865 by end December 2008 and climbed to 7,162 with total market capitalization at Rs 2,121 billion at the end of June 2009. The stock exchanges in the country appear to gradually coming out of the earlier turmoil. Foreign buyers are also active these days. KSE 100-Share Index managed to close at 9,714 on September 24, 2009, with total market capitalization at Rs 2,806 billion.

Banking sector in Pakistan is still not immune from potential downturn due to deterioration in its assets quality and value of investments in equity share because of diverse factors particularly inflation, high interest rates and huge trade deficit. Revival of private sector credit is critical for facilitating increase in investment and capital formation in the economy. It is important that the development of domestic capital markets is accelerated. Not only will this reduce the government's need to borrow from the banking system, a vibrant debt market could help ease credit access concerns, increase efficiency of the banks and help foster savings.

### Financial Results

Financial results of the Bank for 2008-09 are summarized below, comparative data for 2007-08 has also been provided:

	2008-09 (Rupees in ,000)	2007-08 (Rupees in ,000)
Total revenue	214,296	178,306
Profit before taxation and provisions	60,614	36,517
Profit before taxation	12,751	24,923
Profit after taxation	7,655	16,038
Shareholders' equity	808,568	557,981
Total assets	1,800,497	1,729,253
Earning per share-basic and diluted (Rs.)	0.12	0.40

### Operational Performance

Total revenue for FY09 at Rs 214.296 million shows an increase of 20.2% as compared to Rs 178.306 million for the previous year. Profit before Taxation and Provisions for FY09 amounts to Rs 60.614 million compared to Rs 36.517 million for FY08, showing an increase of 66%. Profit before Taxation and Provisions for FY09 in comparison to Total Revenue is higher at 28.3% as against 20.5% for FY08.



FY09 Profit before Tax at Rs.12.751 million, however, is 48.8% lower from FY08 pretax profit of Rs 24.923 million, due to higher provisioning on advances/investments and impairment for investments, which are Rs 47.863 million and Rs 11.594 million for the respective years. The impact of higher provisioning and impairment in FY09 also adversely affected the yearly Profit after Tax which reduced to Rs. 7.655 million as compared to Rs 16.038 million for FY08. This decline in after tax profitability of the Bank has been adversely affected largely due to continuing economic and financial crises, turmoil of the stock exchanges and competition from the commercial banks.

As to the Bank's total assets as on June 30, 2009, they have increased by 4.1% when compared to the total assets as on June 30, 2008. The management of the Bank, foreseeing the unfolding crisis in the financial sector and the turmoil in the stock exchanges, acted prudently and did not go all out for asset growth. Timely measures which were adopted by the management included reduction in overall exposure to stock exchange during the current year as well as the preceding year. These funds were diverted to higher quality debt securities and for reduction in bank borrowings. These measures saved the Bank from possible big losses and erosion in shareholders' equity.

It is worth noting that profitability and net worth of investment banking sector as well as NBFC sector as a whole has been negatively affected due to the economic and financial crises as mentioned above. It may be appreciated that your Bank perhaps is one of the few investment banks which are likely to show profits for FY09. Moreover, the management of your Bank has been successful in maintaining its net worth in the prevailing difficult circumstances.

### Treatment of Impairment Loss on 'Available for Sale' Investments

The investments in securities have been valued at prices quoted on stock exchanges as on June 30, 2009. Further, due to unprecedented decline in equity securities prices and prevailing financial crisis, the SECP vide SRO dated February 13, 2009 allowed the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investment held as 'available for sale' to quoted market prices, may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements during the quarters of calendar year ending 2009 shall be taken to Profit and Loss Account on quarterly basis during the calendar year ending December 31, 2009. The amount taken to equity as specified above shall be treated as a charge to profit and loss account for the purposes of distribution as dividend.

The recognition of the impairment in the profit and loss account would have the following effect on these financial statements:

	Rs.
Increase in 'impairment loss' in profit and loss account	15,175,613
Decrease in profit for the year	15,175,613
Decrease in deficit on revaluation of available for sale investments	15,175,613
Decrease in un-appropriated profit	15,175,613
Decrease in earning per share	0.25

### Major Developments

In order to increase resources of the Bank and to have it listed on the stock exchange, the Bank decided to raise further equity through injection of capital of Rs.250 million by the general public, through issue of 25 million ordinary shares (par value Rs.10 each). The process of Initial Public Offering was completed in August 2008 and the Company's paid up capital was raised to Rs.650 million. The Company's shares have since been quoted on the Karachi Stock Exchange. On June 30, 2009, the Company with equity of Rs 809 million is fully in compliance with the SECP's equity requirement and we do not see any problem in meeting the future requirements.

### Changes since Balance Sheet Date

There have not been any material events or changes that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

**Dividend**

Normally dividend policy of the Bank is a mix of offering competitive return to the shareholders, improving its credit rating and allowing the availability of adequate funds to meet its investment and expansion plans. Last year, prior to the IPO, the Bank had paid stock dividend at 234.5%. After careful deliberation of FY09 operations including sharp fall in profitability due to unexpected adverse market conditions, the Directors have decided not to recommend any dividend for the year ended June 30, 2009.

**Credit Rating Upgraded**

JCR-VIS Credit Rating Company Limited vide its report dated December 31, 2008 has upgraded the medium to long-term entity rating of the Bank to 'A-' (Single A Minus) from 'BBB+' (Triple B Plus)). Short-term rating has been maintained at 'A-2' (A-Two). Outlook on the medium to long term rating is 'Stable'. The upgrade takes into account the enhanced equity base of the company, providing the institution with additional loss absorption capacity, and the management's cautious and prudent approach. It may be appreciated that in the present economic and financial scenario, when most of the financial institutions have suffered rating downgrades, FCIB has exceptionally achieved rating upgrade. This achievement is reflective of good quality of the management of your Bank.

**Corporate and Financial Reporting Framework**

As required by the Code of Corporate Governance, the directors are pleased to report the following:

- a) These financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control, which is in place, is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

**Key operating and financial data**

The key operating and financial data of the Company for the last six years is as under:

Year ended June 30	2009	2008	2007	2006	2005	2004
Rupees in million						
Total revenue	214	178	190	171	94	69
Profit before taxation	13	25	57	50	39	48
Profit after taxation	8	16	56	47	31	42
Shareholders' equity	809	558	554	498	458	427
Total assets	1,800	1,729	2,058	1,764	1,346	1,354
Earning per share (Rs.)	0.12	0.40	1.39	4.00	3.04	4.47

**Future Outlook**

The earnings and growth of the financial sector has been negatively impacted by the current economic and political turmoil in the country. The commercial banks, having large low cost deposits from customers, were able to quickly absorb the shocks and continue operating at high profits. The investment banks and other NBFCs on the other hand have not been in such a happy situation as majority of them are dependent on the credit lines from the commercial banks for most of their funding requirements. Most of the NBFCs are facing reduction in such credit lines and that too at high mark up rate, if available at all.



Presently there are about ten domestic investment banks. In order to face the challenges ahead they will have to strive, singly as well as jointly, for developing new products, businesses and access to cheaper fund sources. FCIB, to face these challenges, will work on strategies to: (1) Maintain reasonable quality of its existing asset despite adverse market conditions; (2) Improve its infrastructure in terms of physical office space, more trained professionals and improved IT systems; and (3) Diversify and expand its products and services, including foreign collaborations, in line with the permissible businesses and opportunities offered by the fast-changing market conditions.

### Staff Retirement Benefit Schemes

Value of investments of Employees' Provident Fund and Gratuity Fund, based on their un-audited accounts as at June, 2009, were as follows:

	Rupees in '000
Provident Fund	6,839
Gratuity	5,668

### Human Resource: Training and Development

The Bank has a qualified management team and realizes that its human resources are its real strength. With a view to continuously sharpen their professional skills considered essential in changing market conditions and new challenges, the executives and other staff are sent to participate in suitable seminars, workshops and training sessions organized by various local and foreign institutions. The Bank is also an equal opportunity employer and has taken a number of steps to improve working environment and pay packages. Additionally, the Bank compensates the dedicated and result oriented executives and staff.

### Board Meetings

During the year Mr. Hamad Rasool resigned from Directorship of the Bank. The Board, in accordance with the laws and regulations and within the stipulated period, filled the casual vacancy by appointing Mr. Anwar-ul-Haq as Director, after getting SECP's approval as per NBFC Regulations – 2008.

During the year 2008-09, six Board meetings were held, in which Directors' attendance was as follows:

Name of Directors	No. of meetings attended
1- Mr. Shahid Anwar Khan	6
2- Ch. Abdul Qadeer	4
3- Dr. Asif A. Brohi	1
4- Mr. Najib Tariq	6
5- Mr. Wajahat A. Baqai	6
6- Mr. Anwar-ul-Haq	2
7- Mr. Mohammad Imran Malik	6

### Audit Committee and Internal Controls

Audit Committee of the Board comprises of three non-executives directors. Terms of reference of the Audit Committee have been formulated by the Board of Directors in accordance with the Code of Corporate Governance.

### Auditors

Auditors of the Bank, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire after completing the audit for the year ended June 30, 2009. According to clause (xli) of Code of Corporate Governance, all listed companies in the financial sector shall change their external auditors every five years. As present auditors of the Bank have completed their term of five years, the Board of Directors proposes, on recommendations of the Audit Committee, appointment of Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as auditors for the year ending June 30, 2010.



## FIRST CREDIT AND INVESTMENT BANK LTD.

### Pattern of Shareholdings

After public offering of shares in July 2008, the paid up capital of the Bank has been increased by Rs 250 million to Rs 650 million. The Pattern of Shareholding including Categories of Shareholders of the Company as on June 30, 2009 is annexed at the end of the annual report.

### Acknowledgement

We would like to express our sincere thanks and gratitude to our customers for their patronage. Our special thanks to the Government of Pakistan, the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan and the Karachi Stock Exchange for their continued support and guidance. We also take the opportunity to thank the shareholders for their continued trust and the staff for their dedication, hard work and commitment.

By Order of the Board

**Mohammad Imran Malik**  
Chief Executive/President

Karachi  
September 26, 2009



## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This Statement is being presented by the Board of Directors (the Board) of First Credit and Investment Bank Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (chapter XI) of The Listing Regulations of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors and one executive director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Company.
3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC and none of them is a member of any stock exchange.
4. During the year Mr. Hamad Rasool had resigned and was replaced by Mr. Anwar-ul-Haq due to reasons disclosed in Directors Report.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board and signed by all the directors and employees of the Company.
6. The Board has developed a vision\mission statement and significant policies of the Company. A complete record of particulars of significant policies along with 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 Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with the 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 related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions that were made on terms equivalent to those that prevails in the arm's length transactions only if such terms can be substantiated.
10. The Directors of the Company have been provided with copies of Listing Regulations, Code of Corporate Governance, NBFC Rules and Regulations, Company Memorandum and Article of Association and all other relevant rules and regulations and hence are conversant of the laws applicable to the Company, its policies and procedures and provisions of Memorandum and Article of Association and of their duties and responsibilities.
11. There was no new appointment of CFO, Company Secretary or Head of Internal Audit after implementation of Corporate Governance. Future appointments, if any, on statutory positions including their remuneration and terms and conditions of employment as determined by the CEO will be referred to the Board for approval.
12. The Directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
13. The Financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial Officer before approval of the Board.
14. The directors, chief executive 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.



## FIRST CREDIT AND INVESTMENT BANK LTD.

15. The Company has complied with all the corporate and financial reporting requirements of Code.
16. 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.
17. The meetings of audit committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
18. The Company has set up an Internal Audit Department manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the Internal Audit function on full time basis.
19. The statutory Auditors of the Company have confirmed that they have been given satisfactory rating under quality control review programme 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 Internal Federations 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. We confirm that all other material principles contained in the Code have been complied with.

By Order of the Board

Karachi  
September 26, 2009



Muhammad Imran Malik  
Chief Executive /President



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of First Credit Investment Bank Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 requires the Company to place before the Board for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transaction were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the period from August 21, 2008 till June 30, 2009.

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M. YOUSUF ADIL SALEEM & CO.  
Chartered Accountants

Karachi  
September 26, 2009



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of First Credit and Investment Bank Limited (the Company) as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion :
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

M. YOUSUF ADIL SALEEM & CO.  
Chartered Accountants

Karachi  
September 26, 2009

**BALANCE SHEET**

	Note	2009 Rupees	2008 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property and equipment	4	6,564,267	9,512,448
Intangible asset	5	379,470	217,577
Long-term investments	6	788,163,158	547,246,583
Long-term loans	7	15,086,847	14,147,066
Long-term finances	8	144,516,894	74,262,281
Long-term security deposits		1,050,000	1,000,000
Deferred tax asset	9	9,408,495	-
		965,169,131	646,385,955
<b>CURRENT ASSETS</b>			
Short-term investments	10	161,416,450	98,506,017
Short-term finances		-	398,145,717
Short-term placements	11	416,600,100	400,000,000
Current portion of non-current assets	12	171,122,897	90,272,988
Markup/interest accrued	13	41,300,665	21,941,814
Advance, prepayments and other receivables	14	6,870,335	45,746,949
Advance tax - net		6,548,659	14,284,786
Cash and bank balances	15	31,468,578	13,969,198
		835,327,684	1,082,867,469
<b>TOTAL ASSETS</b>			
		<u>1,800,496,815</u>	<u>1,729,253,424</u>



MOHAMMAD IMRAN MALIK  
Chief Executive / President



**AS AT JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
75,000,000 (2008: 75,000,000)		750,000,000	750,000,000
Ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital	16	650,000,000	400,000,000
Reserves	17	158,567,798	157,981,371
		808,567,798	557,981,371
<b>DEFICIT ON REVALUATION OF INVESTMENTS - NET</b>	18	(22,387,825)	(7,799,739)
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	19	-	87,500,000
Long-term certificate of deposit	20	100,000	1,800,000
		100,000	89,300,000
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	21	139,166,050	135,965,150
Short-term running finance	22	249,999,442	249,810,781
Current portion of long-term loans	19	87,500,000	120,833,332
Short-term certificates of deposit	23	510,500,000	556,200,000
Accrued markup	24	19,551,875	18,539,016
Accrued expenses and other liabilities	25	7,499,475	8,423,513
		1,014,216,842	1,089,771,792
<b>COMMITMENTS</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		1,800,496,815	1,729,253,424

The annexed notes from 1 to 39 form an integral part of these financial statements

The details of valuation of investments, impairment and impact on profit and loss account are given in note 6.7.

**WAJAHAT A. BAQAI**  
Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>INCOME</b>			
Income from term finances and funds placements	27	123,999,488	112,548,286
Income from investments	28	87,176,871	62,084,936
Fees and commission	29	2,555,000	3,463,164
Other income		564,800	209,821
		214,296,159	178,306,207
<b>EXPENDITURE</b>			
Finance cost	30	106,488,054	102,461,004
Administrative and operating expenses	31	46,239,892	39,328,366
Other charges - Workers' Welfare Fund		954,320	-
		153,682,266	141,789,370
<b>PROFIT BEFORE TAXATION AND PROVISIONS</b>		60,613,893	36,516,837
Provision for markup/interest accrued	13	(2,756,627)	-
Provision for non-performing investments	6.1	(20,000,000)	-
Unrealized loss on transfer of held for trading securities to available for sale	10.4.1	(6,801,304)	-
Provision for non-performing finances	8.3	(3,333,335)	-
Unrealized loss on held-for-trading investments		-	(8,266,637)
Provision for diminution in value of investments	6.4.2 & 6.5.1	(14,971,351)	(3,327,228)
<b>PROFIT BEFORE TAXATION</b>		12,751,276	24,922,972
Provision for taxation	32	(5,096,635)	(8,884,483)
<b>PROFIT FOR THE YEAR</b>		7,654,641	16,038,489
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	33	0.12	0.40

The annexed notes from 1 to 39 form an integral part of these financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 6.7



MOHAMMAD IMRAN MALIK  
Chief Executive / President



WAJAHAT A. BAQAI  
Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,751,276	24,922,972
Dividend income	(4,430,152)	(5,320,122)
<b>Adjustments for:</b>		
Depreciation	3,366,747	3,482,946
Amortization	86,007	6,153
Provision for gratuity	649,324	659,577
(Gain)/loss on disposal of property and equipment	(11,518)	10,499
Provision for diminution in value of investments	14,971,351	3,327,228
Provision for markup/interest accrued	2,756,627	-
Unrealized loss on held-for-trading investments	-	8,266,637
Provision for non-performing finances	3,333,335	-
Unrealized loss on transfer of held-for-trading securities to available for sale	6,801,304	-
Provision for non-performing investments	20,000,000	-
	51,953,177	15,753,040
Operating cash flows before working capital changes	60,274,301	35,355,890
<b>(Increase)/decrease in current assets</b>		
Short-term investments	(69,711,737)	(4,491,016)
Short-term finances	398,145,717	581,004,998
Short-term placements	(16,600,100)	(365,000,000)
Markup/interest accrued	(22,115,478)	(6,982,589)
Advance, prepayments and other receivables	38,729,394	(38,374,269)
	328,447,796	166,157,124
<b>Increase/(decrease) in current liabilities</b>		
Accrued expenses and other liabilities	(924,038)	(46,726,049)
Accrued markup	1,012,859	2,073,583
Short-term borrowings	3,200,900	(159,034,850)
	3,289,721	(203,687,316)
<b>Cash generated from/(used in) operations</b>	392,011,818	(2,174,302)
Security deposits (paid)/received	(50,000)	5,200
Gratuity contribution paid	(489,269)	(1,853,408)
Income tax paid	(2,976,496)	(8,549,548)
	(3,515,765)	(10,397,756)
<b>Net cash from/(used in) operating activities</b>	<u>388,496,053</u>	<u>(12,572,058)</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(421,348)	(584,831)
Acquisition of intangible asset	(247,900)	(223,730)
Proceeds from disposal of property and equipment	14,300	56,950
Long-term investments - net	(299,397,148)	(199,555,928)
Long-term placements	-	175,000,000
Dividend income received	4,417,317	5,320,122
Long-term finances	(145,528,447)	163,827,048
Long-term loans	(928,055)	(2,976,223)
<b>Net cash (used in)/from investing activities</b>	<u>(442,091,281)</u>	<u>140,863,408</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term loans	(120,833,332)	(129,166,666)
Short-term running finance	188,661	149,815,781
Certificates of deposit	(47,400,000)	(148,200,000)
Proceeds from issue of share capital	250,000,000	-
IPO expenses paid	(10,860,721)	-
Dividend paid	-	(11,958,170)
<b>Net cash from/(used in) financing activities</b>	<u>71,094,608</u>	<u>(139,509,055)</u>
Net increase/(decrease) in cash and cash equivalents	17,499,380	(11,217,705)
Cash and cash equivalents at the beginning of the year	13,969,198	25,186,903
Cash and cash equivalents at the end of the year	<u>31,468,578</u>	<u>13,969,198</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

MOHAMMAD IMRAN MALIK  
Chief Executive / President

WAJAHAT A. BAQAI  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	Issued, subscribed and paid-up capital	Statutory reserve	Unappropriated profit	Total
		..... (Rupees) .....			
<b>Balance as at July 1, 2007</b>		119,581,700	111,350,000	322,969,352	553,901,052
<b>Changes in equity for the year 2008</b>					
Bonus shares issued for the year ended June 30, 2007 declared subsequent to year end @ 234.5%		280,418,300	-	(280,418,300)	-
Profit for the year		-	-	16,038,489	16,038,489
Cash dividend for the year ended June 30, 2007 declared subsequent to year end @ Re. 1 per ordinary share		-	-	(11,958,170)	(11,958,170)
Transfer to statutory reserve		-	3,207,698	(3,207,698)	-
<b>Balance as at June 30, 2008</b>		400,000,000	114,557,698	43,423,673	557,981,371
<b>Changes in equity for the year 2009</b>					
Issue of 25,000,000 ordinary shares of Rs. 10 each	16.2	250,000,000	-	-	250,000,000
Initial Public Offering expense - net of tax		-	-	(7,068,214)	(7,068,214)
Profit for the year		-	-	7,654,641	7,654,641
Transfer to statutory reserve		-	1,530,928	(1,530,928)	-
		650,000,000	116,088,626	42,479,172	808,567,798

The annexed notes from 1 to 39 form an integral part of these financial statements



MOHAMMAD IMRAN MALIK  
Chief Executive / President



WAJAHAT A. BAQAI  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. LEGAL STATUS AND OPERATION

First Credit and Investment Bank Limited (the Company) was incorporated in Pakistan on August 31, 1989 as a private limited company under the name of First Credit and Discount Corporation (Private) Limited and thereafter converted into a public limited company. Subsequently, the name of the Company was changed to First Credit and Investment Bank Limited. During the current year, the Company was listed on Karachi Stock Exchange by way of issue of shares to general public. The registered office of the Company is situated at 2nd floor, Sidco Avenue Centre, Stractchen Road, R.A. Lines, Karachi, Pakistan. The Company is an associated undertaking of Water and Power Development Authority (WAPDA) and National Bank of Pakistan (NBP).

The Company is licensed to undertake business of investment finance services as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) issued by the Securities and Exchange Commission of Pakistan (SECP) [previously described under SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan].

The medium to long term credit rating of the Company rated by JCR-VIS Credit Rating Company Limited is 'A-' with a stable outlook. Short term rating of the Company is 'A-2'.

### 2. STATEMENT OF COMPLIANCE

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the Ordinance), the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The SECP has deferred the applicability of International Accounting Standards, IAS-39, 'Financial Instruments: Recognition and measurement' and IAS-40, 'Investment Property' through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. The SECP has also deferred the applicability of International Financial Reporting Standard, IFRS-7, 'Financial Instruments: Disclosures' through Circular No. 411(I)/2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

#### 2.2 Basis of preparation

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

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

#### 2.3 Initial application of a standard or an interpretation of approved accounting standards

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



Standard or interpretation	Effective from accounting period beginning on or after
Revised IAS 1 - Presentation of Financial Statements	January 1, 2009
Revised IAS 23 - Borrowing Costs	January 1, 2009
IAS 27 - Consolidation and Separate Financial Statements	July 1, 2009
Revised IFRS 3 - Business Combinations	July 1, 2009
IFRS 4 - Insurance Contracts	January 1, 2009
IFRS 8 - Operating Segments	January 1, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17 - Distribution of Non-cash Assets to Owners	July 1, 2009
IFRIC 18 - Transfer of Assets from Customers	July 1, 2009

#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In preparing these financial statements, the significant judgement made by the management in applying accounting policies include:

- Provision for current and deferred taxation (Note 3.9, 9 and 32)
- Classification and provisioning of investments (Note 3.3, 6 and 10)
- Provision against finances (Note 3.7 and 8)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Fixed Assets

##### 3.1.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income using the straight line method whereby the cost of an asset is written-off over its estimated useful life at rates specified in note 4 to the financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal, respectively.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gains or losses on disposal or retirement of property and equipment are taken to profit and loss account.

##### 3.1.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible asset is amortized over its estimated useful life, using straight line method at rate specified in note 5 to the financial statements.



### 3.2 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account

### 3.3 Investments

The Company determines the appropriate classification of its investments at the time of purchase of investment and re-evaluates this classification on a regular basis. The existing investment portfolio of the Company has been categorized as follows:

#### Held-for-trading

These are investments which are acquired principally for the purpose of generating profits from short-term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short-term profit taking exists.

#### Available-for-sale

These are investments that are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices.

#### Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

All investments are initially recognized at cost, being the fair value of the consideration given. Cost includes transaction costs associated with the investment. Subsequent to initial recognition, Held-for-trading and Available-for-sale investments for which active market exists, are measured at their market value while Held-to-maturity investments are stated at amortized cost using the effective interest rate method less impairment, if any.

Any surplus or deficit on revaluation of Held-for-trading investments are charged to income currently, while in case of Available-for-sale investments, the resulting surplus/(deficit) is kept in a separate account and is shown in the balance sheet below the shareholders' equity as surplus/(deficit) on revaluation of investments. At the time of disposal the respective surplus or deficit is transferred to income currently.

Unquoted available for sale investments, except where an active market exists, are carried at cost less accumulated impairment losses, if any, in accordance with the requirements of the above mentioned circular.

Impairment of investments is recognized when there is a permanent diminution in their values. Provision for impairment in the value of investment, if any, is taken to the profit and loss account.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the Company commits to purchase/sell the asset.

### 3.4 Derivatives

Derivative instruments held by the Company generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of derivatives is equivalent to the unrealised gain or loss from marking the derivatives to market using prevailing market rates at the balance sheet date. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss account.

### 3.5 Securities under repurchase and reverse repurchase agreements

Transactions of repurchase/reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:



#### **Repurchase agreements**

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liability for amounts received under these agreements is included in borrowings from banks/NBFCs. The difference between sale and repurchase price is treated as mark-up on borrowings from banks/NBFCs and accrued over the life of the repo agreement.

#### **Reverse repurchase agreements**

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions and accrued over the life of the reverse repo agreement.

#### **3.6 Continuous Funding System (CFS) Transactions**

Receivable against CFS transactions are recorded at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the profit and loss account and is recognized over the term of the respective transaction.

#### **3.7 Term finance/Credit facilities**

Term finances originated by the Company are stated net of provision for losses on such assets. The specific provision for bad and doubtful loans, if any, is determined in accordance with the requirements of the NBFC Regulations. Loans are written off when there is no realistic prospect of recovery.

#### **3.8 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash and bank balances.

#### **3.9 Taxation**

##### **Current**

The provision for current taxation is based on taxable income at current tax rates after taking into account tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes adjustments where necessary relating to prior years which arise from assessments framed/finalised during the year.

##### **Deferred**

Deferred tax is recognised using the liability method in respect of all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts used for financial reporting purposes. Deferred tax asset is recognized for all deductible temporary differences and tax losses, if any, to the extent that it is probable that the temporary differences will reverse in the future and the taxable profits will be available against which the temporary differences and tax losses can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax asset to be utilized.

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

#### **3.10 Staff retirement benefits**

##### **Defined benefit plan**

The Company operates an approved gratuity fund for all its eligible employees. Provisions are



made to cover the obligations under the schemes on the basis of actuarial assumptions using "Projected Unit Credit Method".

Actuarial gains and losses are recognized in the balance sheet using 10% Corridor approach and are amortized over the expected average remaining lives of the employees. The significant actuarial assumptions are stated in note 14.1 to these financial statements.

#### **Defined contribution plan**

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

#### **3.11 Return on certificates of deposit**

Return on certificates of deposit (CODs) issued by the Company is recognised on time proportionate basis taking into account the relevant CODs issue date and final maturity date.

#### **3.12 Provisions**

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

#### **3.13 Accrued and other liabilities**

Accrued and other liabilities are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

#### **3.14 Proposed dividend**

Dividends declared and transfer between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared/transfers are made.

#### **3.15 Revenue recognition**

- a) Return on term finances and funds placements, is recognised on time proportion basis taking into account the principle/net investment outstanding and applicable rates of profit thereon except in case of classified loans on which income is recognised on receipt basis.  
Interest/markup on rescheduled/restructured advances and investments is recognised in accordance with the guidelines given in the NBFC Regulations.
- b) Return on government securities and term finance certificates is recognised on time proportion basis.
- c) Dividend income on equity investments is recognised when the right to receive the dividend is established.
- d) Income from fees, commission and brokerage is recognised, when such services are provided.

#### **3.16 Financial instruments**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

#### **3.17 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.



## FIRST CREDIT AND INVESTMENT BANK LTD.

### 4. PROPERTY AND EQUIPMENT

PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2008	Additions	Deletion	As at June 30, 2009	As at July 1, 2008	Depreciation for the year	Depreciation on Disposal	As at June 30, 2009	As at June 30, 2009
	R U P E E S								
Furniture and fittings	1,179,935	-	-	1,179,935	549,391	157,213	-	706,604	473,331 15
Office equipment	2,186,237	17,168	-	2,203,405	1,068,007	404,756	-	1,472,763	730,642 20
Computers	2,286,310	404,180	(14,300)	2,676,190	1,368,637	535,511	(11,518)	1,892,630	783,560 33
Air conditioners	782,289	-	-	782,289	500,797	73,109	-	573,906	208,383 15
Vehicles	11,165,572	-	-	11,165,572	5,122,150	2,063,114	-	7,185,264	3,980,308 20
Leasehold improvements	665,218	-	-	665,218	144,131	133,044	-	277,175	388,043 20
<b>June 30, 2009</b>	<b>18,265,561</b>	<b>421,348</b>	<b>(14,300)</b>	<b>18,672,609</b>	<b>8,753,113</b>	<b>3,366,747</b>	<b>(11,518)</b>	<b>12,108,342</b>	<b>6,564,267</b>
PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2007	Additions	Deletion	As at June 30, 2008	As at July 1, 2007	Depreciation for the year	Depreciation on Disposal	As at June 30, 2008	As at June 30, 2008
	R U P E E S								
Furniture and fittings	1,315,716	59,089	(194,870)	1,179,935	589,533	154,728	(194,870)	549,391	630,544 15
Office equipment	2,145,452	40,785	-	2,186,237	657,566	410,441	-	1,068,007	1,118,230 20
Computers	2,197,208	424,697	(335,595)	2,286,310	1,157,133	479,650	(268,146)	1,368,637	917,673 33
Air conditioners	759,089	23,200	-	782,289	427,118	73,679	-	500,797	281,492 15
Vehicles	11,128,512	37,060	-	11,165,572	2,890,746	2,231,404	-	5,122,150	6,043,422 20
Leasehold improvements	665,218	-	-	665,218	11,087	133,044	-	144,131	521,087 20
<b>June 30, 2008</b>	<b>18,211,195</b>	<b>584,831</b>	<b>(530,465)</b>	<b>18,265,561</b>	<b>5,733,183</b>	<b>3,482,946</b>	<b>(463,016)</b>	<b>8,753,113</b>	<b>9,512,448</b>

### 5. INTANGIBLE ASSET

PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2008	Additions	Deletion	As at June 30, 2009	As at July 1, 2008	Depreciation for the year	Depreciation on Disposal	As at June 30, 2009	As at June 30, 2009
	R U P E E S								
Computer software	223,730	247,900	-	471,630	6,153	86,007	-	92,160	379,470 33
<b>June 30, 2009</b>	<b>223,730</b>	<b>247,900</b>	<b>-</b>	<b>471,630</b>	<b>6,153</b>	<b>86,007</b>	<b>-</b>	<b>92,160</b>	<b>379,470</b>
PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2007	Additions	Deletion	As at June 30, 2008	As at July 1, 2007	Depreciation for the year	Depreciation on Disposal	As at June 30, 2008	As at June 30, 2008
	R U P E E S								
Computer software	-	223,730	-	223,730	-	6,153	-	6,153	217,577 33
<b>June 30, 2008</b>	<b>-</b>	<b>223,730</b>	<b>-</b>	<b>223,730</b>	<b>-</b>	<b>6,153</b>	<b>-</b>	<b>6,153</b>	<b>217,577</b>

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## FIRST CREDIT AND INVESTMENT BANK LTD.

6. LONG-TERM INVESTMENTS	Note	2009 Rupees	2008 Rupees
<b>Held-to-maturity</b>			
-Term finance certificates/Sukuk - Unlisted	<b>6.1</b>	305,182,133	195,119,000
-Government securities - PIB's	<b>6.2</b>	265,056,368	168,758,045
		570,238,501	363,877,045
<b>Available-for-sale</b>			
-Term finance certificates - Listed	<b>6.3</b>	58,502,788	55,375,227
-Investment in shares - Listed	<b>6.4</b>	32,168,911	17,227,783
-Investment in mutual funds	<b>6.5</b>	109,890,458	95,766,528
-Investment in preference shares - Listed	<b>6.6</b>	17,362,500	15,000,000
		217,924,657	183,369,538
		788,163,158	547,246,583

### 6.1 Term finance certificates/Sukuk - Unlisted

Number of Certificates	Investee Company	Note	2009		2008	
			Cost	Cost		
			Rupees	Rupees		
<b>Sugar &amp; Allied industries</b>						
-	3	Chaudhry Sugar Mills Limited	-	352,940	-	-
8,000	-	Haq Bahoo Sugar Mills	6.1.1	40,000,000	-	-
<b>Cement</b>						
8,000	3,000	Gharibwal Cement Limited	6.1.2	37,989,000	15,000,000	15,000,000
<b>Fertilizer</b>						
2,400	2,400	Engro Chemical Pakistan Limited	6.1.3	12,000,000	12,000,000	12,000,000
<b>Cable &amp; electrical goods</b>						
-	10,000	Pak Electron Limited	-	50,000,000	-	-
8,000	8,000	New Allied Electronics Industries Limited	6.1.4	40,000,000	40,000,000	40,000,000
<b>Textile</b>						
5,000	5,000	Amtex Limited	6.1.5	25,000,000	25,000,000	25,000,000
28,000	-	Three Star Hosiery (Private) Limited	6.1.6	140,000,000	-	-
<b>Miscellaneous</b>						
10,000	10,000	Eden Housing Limited	6.1.7	50,000,000	50,000,000	50,000,000
100	100	Trakker (Private) Limited	6.1.8	6,250,000	8,750,000	8,750,000
Less: provision for non-performing investments						
			6.1.9	351,239,000 (20,000,000)	201,102,940 -	201,102,940 -
Less: current maturity						
			12	331,239,000 (26,056,867)	201,102,940 (5,983,940)	201,102,940 (5,983,940)
				<u>305,182,133</u>	<u>195,119,000</u>	<u>195,119,000</u>



- 6.1.1** This represents Sukuk Certificate issued for a period of three years at the rate of 6 month KIBOR+3.25%.
- 6.1.2** This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR+3%. JCR-VIS Credit Rating Agency Limited assigned a rating of "BBB-".
- 6.1.3** This represents Term Finance Certificates issued for a period of ten years at the rate of 6 month KIBOR+1.7% to 1.9%. Pakistan Credit Rating Agency Limited (PACRA) assigned a rating of "AA".
- 6.1.4** This represents Sukuk Certificate issued for a period of five years at the rate of 3 month KIBOR+2.2% with a floor of 7% and cap of 20%. JCR-VIS Credit Rating Agency Limited assigned a rating of "D". This is a non-performing investment and has been classified 'doubtful' on subjective basis. Accordingly a provision of Rs. 20,000,000 has been made against the investment amount (note 6.1.9).
- 6.1.5** This represents Sukuk Certificates issued for a period of five years at the rate of 3 month KIBOR+2% with a floor of 11% and cap of 25%. JCR-VIS Credit Rating Agency Limited assigned a rating of "A".
- 6.1.6** This represents Sukuk Certificates issued for a period of five years at the rate of 3 month KIBOR+3.25% with a floor of 11% and cap of 25%. PACRA assigned a rating of "BB".
- 6.1.7** This represents Sukuk Certificate issued for a period of five years at the rate of 6 month KIBOR+2.5% with a floor of 7% and cap of 20%. JCR-VIS Credit Rating Agency Limited assigned a rating of "A".
- 6.1.8** This represents Term Finance Certificates issued for a period of four years at the rate of 6 month KIBOR+3.5%. PACRA assigned a rating of "A".

	Note	2009 Rupees	2008 Rupees
<b>6.1.9 Provision for non-performing TFC's/Sukuk</b>			
Opening balance		-	-
Charge for the year		20,000,000	-
Closing balance		20,000,000	-
<b>6.2 Government Securities - Pakistan Investment Bonds</b>			
<b>Cost</b>			
Opening		183,299,550	183,299,550
Purchased during the year		100,758,350	-
		284,057,900	183,299,550
<b>Amortization</b>			
Opening		14,541,506	10,326,130
Charged during the year		4,460,026	4,215,375
		19,001,532	14,541,505
<b>6.2.1</b>		265,056,368	168,758,045

- 6.2.1** This represents investment in 10 year bonds issued by the Government of Pakistan. Periods to maturity of these ranges from 2.5 to 9 years and carry markup rates (coupon rate) ranging from 8% to 12% per annum (2008: 8% to 12% per annum). One of these investment of Rs. 50 million is held by other financial institution as security under repurchase agreement.



**6.3 Term finance certificates - Listed**

		Investee Company	Note	2009		2008			
Number of Units				Cost	Market value	Cost	Market value		
2009	2008			Rupees	Rupees	Rupees	Rupees		
<b>Pharmaceuticals</b>									
7,245	7,245	Searle Pakistan Limited	6.3.1	18,105,255	17,384,231	27,157,883	27,157,883		
<b>Textile Composite</b>									
4,000	4,000	Azgard Nine Limited	6.3.2	16,646,400	14,727,902	19,980,000	22,036,000		
<b>Investment Banks/Investment Companies</b>									
2,903	2,903	Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	6.3.3	4,354,500	4,288,116	7,257,500	7,257,500		
1,000	1,000	Jahangir Siddiqui & Company Limited	6.3.4	4,995,000	4,645,345	4,997,000	4,997,000		
<b>Technology and Communication</b>									
6,886	-	Worldcall Telecom Limited	6.3.5	34,422,964	32,762,194	-	-		
<b>Refinery</b>									
-	10,261	Naimat Basil		-	-	20,276,557	20,276,557		
<b>Miscellaneous</b>									
-	150	Pakistan Services Limited		-	-	107,078	107,078		
(Deficit)/surplus on revaluation			18	78,524,119 (4,716,331)	73,807,788 -	79,776,018 2,056,000	81,832,018 -		
Less: current maturity			12	73,807,788 (15,305,000)	73,807,788 (15,305,000)	81,832,018 (26,456,791)	81,832,018 (26,456,791)		
				58,502,788	58,502,788	55,375,227	55,375,227		

**6.3.1** This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR+2.5%. JCR-VIS Credit Rating Agency Limited assigned a rating of "BBB+".

**6.3.2** This represents Term Finance Certificates issued for a period of seven years at the rate of 6 month KIBOR+2.4%. PACRA assigned a rating of "AA-".

**6.3.3** This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR+2% . PACRA assigned a rating of "A".

**6.3.4** This represents Term Finance Certificates issued for a period of five years and six month at the rate of 6 month KIBOR+2.5% with a floor of 6% and cap of 16%. PACRA assigned a rating of "AA+".

**6.3.5** This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR+1.6%. PACRA assigned a rating of "A".



**6.4 Investment in shares - Listed**

		Investee Company	Note	2009		2008			
Number of Units				Cost	Market value	Cost	Market value		
2009	2008			Rupees	Rupees	Rupees	Rupees		
<b>Automobile</b>									
29,000	10,500	Dewan Farooq Motors Limited		453,640	48,720	375,200	72,555		
<b>Automobile Assembler</b>									
1,000	-	Pak Suzuki Motors Limited		83,790	67,900	-	-		
5,044	-	Indus Motors		721,741	543,340	-	-		
<b>Automobile Parts and Accessories</b>									
6,000	-	Agriauto Industries		215,999	195,840	-	-		
<b>Cable and Electrical Goods</b>									
61	-	Pak Electron Limited		1,488	1,495	-	-		
<b>Cement</b>									
17,200	-	Attock Cement Pakistan Limited		755,597	1,207,783	-	-		
34,100	-	D.G Khan Cement Limited		804,264	1,011,064	-	-		
139,927	-	Fauji Cement Company Limited		727,744	922,118	-	-		
9,288	-	Lucky Cement		529,599	543,626	-	-		
500	-	Pioneer Cement Limited		10,508	6,790	-	-		
110,534	100,000	Maple Leaf Cement Limited		2,637,355	470,875	2,561,511	1,091,000		
<b>Commercial Banks</b>									
1,534	-	Allied Bank Limited		76,013	57,678	-	-		
10,376	-	Arif Habib Bank Limited		85,150	72,528	-	-		
18,182	-	Askari Bank Limited		315,541	277,821	-	-		
12,500	-	Bank of Khyber		107,400	35,125	-	-		
49,004	-	Bank of Punjab		905,353	538,064	-	-		
5,183	-	Faysal Bank Limited		102,601	50,171	-	-		
1,461	-	Habib Bank Limited		155,978	125,734	-	-		
6,639	-	MCB Bank Limited		1,419,364	1,029,244	-	-		
23,631	-	National Bank Limited	6.4.1	1,510,950	1,583,986	-	-		
6,000	-	NIB Bank Limited		17,378	28,500	-	-		
34,400	-	Standard Chartered Bank Limited		546,960	292,056	-	-		
6,238	-	United Bank Limited		360,693	238,853	-	-		
<b>Engineering</b>									
6,879	-	Dost Steel Limited		81,790	36,734	-	-		
<b>Fertilizer</b>									
8,471	-	Engro Chemicals Limited		1,055,260	1,087,931	-	-		
5,819	-	Fauji Fertilizer Bin Qasim Limited		96,336	102,938	-	-		
1,023	6,282	Fauji Fertilizer Company Limited		49,335	88,950	380,635	831,234		
<b>Insurance</b>									
2,139	-	Adamjee Insurance Limited		271,454	179,655	-	-		
12,100	-	EFU general Insurance		1,482,356	1,065,889	-	-		
<b>Balance c/f</b>				<b>15,581,637</b>	<b>11,911,408</b>	<b>3,317,346</b>	<b>1,994,789</b>		



## FIRST CREDIT AND INVESTMENT BANK LTD.

		Investee Company	Note	2009		2008			
				Cost	Market value	Cost	Market value		
Number of Units	2009			Rupees	Rupees	Rupees	Rupees		
		<b>Balance b/f</b>		<b>15,581,637</b>	<b>11,911,408</b>	<b>3,317,346</b>	<b>1,994,789</b>		
		<b>Investment bank/ Investment Companies</b>							
131,287	-	Arif Habib Securities Limited		5,966,954	3,628,773	-	-		
15,000	-	Innovative Investment Bank Limited		62,250	62,250	-	-		
5,666	-	Jahangir Siddiqui & Co. Limited		318,089	131,395	-	-		
2,316	-	Javed Omar Vohra & Company		37,139	31,197	-	-		
179	-	J.S Investment Limited		7,145	3,032	-	-		
4,896	-	Pervaiz Ahmed Securities		39,553	25,900	-	-		
		<b>Modaraba</b>							
104,250	104,250	First Constellation Modaraba		806,577	113,633	806,577	453,487		
		<b>Oil and Gas Exploration Companies</b>							
1,000	-	Mari Gas Company Limited		134,580	148,830	-	-		
4,575	-	Pakistan Petroleum Limited		870,972	867,146	-	-		
43,912	28,000	Oil & Gas Development Company Ltd.		4,495,377	3,453,240	3,511,818	3,482,080		
13,033	4,500	Pakistan Oil Fields Limited		2,509,462	1,901,515	1,497,115	1,641,780		
		<b>Oil and Gas Marketing Companies</b>							
6,463	-	Pakistan State Oil Company Limited		1,676,842	1,380,820	-	-		
		<b>Power Generation and Distribution</b>							
24,068	-	Kot Addu Power Company		908,054	1,017,114	-	-		
147,459	85,000	The Hub Power Company Limited		4,984,694	3,994,664	3,682,120	2,431,000		
60,000	60,000	Karachi Electric Supply Corporation		693,576	159,000	693,576	328,200		
		<b>Refinery</b>							
1,063	-	National Refinery Limited		182,469	233,881	-	-		
124,627	120,000	Bosicor Pakistan Limited		2,683,475	867,404	2,668,172	1,608,000		
		<b>Technology and Communication</b>							
3,765	-	Netsol Technologies		153,715	67,243	-	-		
6	-	Pakistan Telecommunication Co. Ltd.		183	103	-	-		
27,096	-	Worldcall telecom		151,080	67,740	-	-		
108,212	105,000	Telecard Limited		1,712,200	187,203	1,707,928	667,800		
		<b>Textile Spinning</b>							
60	-	D.S. Industries Limited		780	185	-	-		
		<b>Textile Composite</b>							
8,365	6,550	Nishat Chunian Limited		650,945	72,023	642,490	157,265		
		<b>Balance c/f</b>		<b>44,627,748</b>	<b>30,325,699</b>	<b>18,527,142</b>	<b>12,764,401</b>		



## FIRST CREDIT AND INVESTMENT BANK LTD.

		Investee Company	Note	2009		2008			
Number of Units				Cost	Market value	Cost	Market value		
2009	2008			Rupees	Rupees	Rupees	Rupees		
		Balance b/f		44,627,748	30,325,699	18,527,142	12,764,401		
		Transport							
50,000	50,000	Pakistan International Airlines		1,030,764	166,000	1,030,764	250,000		
142,723	141,900	Close-end Mutual Funds							
		PICIC Growth Fund		5,471,748	1,198,873	5,466,009	3,372,963		
		Miscellaneous							
43,500	43,500	Siddique Sons Tin Plate		2,508,118	370,187	2,508,117	840,419		
19,382	-	Pace (Pakistan) Limited		224,641	108,152	-	-		
				53,863,019	32,168,911	27,532,032	17,227,783		
		Provision for diminution in value of listed equity securities	6.4.2	(13,458,985)	-	(3,327,228)	-		
				40,404,034	32,168,911	24,204,804	17,227,783		
		Deficit on revaluation	18	(8,235,123)	-	(6,977,021)	-		
				32,168,911	32,168,911	17,227,783	17,227,783		

**6.4.1** This is an investment in shares of associated undertaking.

	2009 Rupees	2008 Rupees
<b>6.4.2 Provision for diminution in value of listed equity securities</b>		
Opening balance	(3,327,228)	-
Charge for the year	(10,131,757)	(3,327,228)
Closing balance	<u>(13,458,985)</u>	<u>(3,327,228)</u>

### 6.5 Investment in mutual funds

		Investee Company	Note	2009		2008			
Number of Units				Cost	Market value	Cost	Market value		
2009	2008			Rupees	Rupees	Rupees	Rupees		
369,403	359,666	Nafa Stock Fund		5,000,000	2,241,723	5,000,000	4,123,315		
1,997,264	2,005,371	Nafa Cash Fund		20,000,000	20,164,175	20,910,576	21,611,683		
-	90,306	AMZ Plus Income Fund		-	-	10,000,000	10,012,489		
44,271	44,271	AMZ Plus Stock Fund		5,000,000	2,676,200	5,000,000	4,042,412		
90,083	80,000	Namco Income Fund		8,000,000	9,180,564	8,000,000	8,000,000		
99,645	90,419	Dawood Money Market Fund		10,000,000	8,069,641	10,000,000	10,017,523		
101,046	91,840	Dawood Islamic Fund		10,000,000	9,630,200	10,000,000	10,139,869		
410,995	395,949	Nafa Multi Asset Fund		5,000,000	3,535,376	5,000,000	4,565,259		
1,000,000	1,000,000	Nafa Islamic Multi Fund		10,000,000	8,573,600	10,000,000	9,536,000		
1,473,467	1,473,467	Namco Balanced Fund		14,734,670	6,954,764	14,734,670	13,717,978		
2,429,425	-	ABL Income Fund		24,294,252	24,334,580	-	-		
141,119	-	Faysal Saving Growth Fund		14,500,001	14,529,635	-	-		
				126,528,923	109,890,458	98,645,246	95,766,528		
		Provision for diminution in value of mutual funds	6.5.1	(4,839,594)	-	-	-		
				121,689,329	109,890,458	98,645,246	95,766,528		
		Deficit on revaluation	18	(11,798,871)	-	(2,878,718)	-		
				109,890,458	109,890,458	95,766,528	95,766,528		



2009 Rupees	2008 Rupees
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**6.5.1 Provision for diminution in value of mutual funds**

Opening balance	-	-
Charge for the year	4,839,594	-
Closing balance	<u>4,839,594</u>	<u>-</u>
	<u><u>4,839,594</u></u>	<u><u>-</u></u>

**6.6 Investment in preference shares**

Number of Units	Investee Company	Note	2009		2008	
			Cost	Market value	Cost	Market value
			Rupees	Rupees	Rupees	Rupees
1,500,000	<b>Cable and Electrical Goods</b>					
	Pak Electron Limited		15,000,000	17,362,500	15,000,000	15,000,000
	Surplus on revaluation	18	2,362,500	-	-	-
			<u>17,362,500</u>	<u>17,362,500</u>	<u>15,000,000</u>	<u>15,000,000</u>

**6.7** During the year, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE, the market volume declined significantly. The "Floor Mechanism" was subsequently removed by the KSE on December 15, 2008. Subsequent to the removal of the "Floor Mechanism" the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.

As a result of above, the value of listed equity securities and mutual funds declined significantly indicating impairment in value of these securities. Due to unprecedented decline in prices of securities, the SECP vide SRO 150(1)/2009 dated February 13, 2009 allowed to defer the impairment loss on Available for sale securities determined as on December 31, 2008 and show the same under equity. The amount taken to equity, including any adjustment/effect for price movements during the quarter of calendar year 2009 shall be taken to profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. The amount taken to equity as specified above shall be treated as a charge to profit and loss account for the purposes of distribution as dividend.

The Company opted not to charge the impairment loss to profit and loss account as at December 31, 2008 and showed the impairment under deficit on revaluation of investments below equity. During the two quarters of calendar year 2009, the Company charged Rs. 14,971,351 to profit and loss account and the balance impairment of Rs. 15,175,613 is shown under deficit on revaluation of investments below equity, which will be charged to profit and loss account in the next two quarters for the calendar year 2009 after taking into account the price movements.

The recognition of the impairment loss in the profit and loss account would have had the following effect on these financial statements.

	2009 Rupees
Increase in provision for diminution in value of investments in profit and loss account	15,175,613
Decrease in profit for the year	<u>15,175,613</u>
Decrease in deficit on revaluation of Available-for-sale investments	<u>15,175,613</u>
Decrease in unappropriated profit	<u>15,175,613</u>
Decrease in earnings per share (basic and diluted)	<u>0.25</u>



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	Note	2009 Rupees	2008 Rupees
<b>7. LONG-TERM LOANS - considered good</b>			
House loans to staff - Secured			
-Chief executive		5,760,659	6,100,006
-Executives		7,290,498	5,493,904
-Employees		2,533,528	2,381,652
	<b>7.2</b>	<b>15,584,685</b>	<b>13,975,562</b>
Other loans - unsecured, interest free			
-Chief executive		106,656	426,660
-Executives		629,196	943,800
-Employees		678,361	724,821
	<b>7.3</b>	<b>1,414,213</b>	<b>2,095,281</b>
Current portion			
-House loans		(994,946)	(743,018)
-Other loans		(917,105)	(1,180,759)
	<b>12</b>	<b>(1,912,051)</b>	<b>(1,923,777)</b>
		<b>15,086,847</b>	<b>14,147,066</b>

**7.1** Reconciliation of carrying amount of long-term loans to Chief Executive and Executives:

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
.....Rupees.....				
Opening balance	6,526,666	8,621,936	7,019,501	5,514,440
Disbursements during the year	-	-	-	1,943,800
Receipts during the year	(659,351)	(702,242)	(492,835)	(1,020,536)
	<b>5,867,315</b>	<b>7,919,694</b>	<b>6,526,666</b>	<b>6,437,704</b>

**7.2** These represent loans provided to the chief executive, executives and employees for purchase of property in accordance with the terms of employment. These loans carry mark-up rate at 4% (2008: 4%) per annum and are repayable on monthly basis over a period of 15 years. These loans are secured against mortgage of properties. The maximum aggregate balance due at the end of any month during the year from the chief executive is Rs. 6,072,573 (2008: Rs. 6,391,597) and executives are Rs. 7,547,402 (2008: Rs. 5,540,099).

**7.3** These represent loans provided to the chief executive, executives and employees and are repayable on monthly basis over a period of 3 years. The maximum aggregate balance due at the end of any month during the year from the chief executive is Rs. 399,993 (2008: Rs. 719,997) and executive is Rs. 917,583 (2008: Rs. 943,800).

	Note	2009 Rupees	2008 Rupees
<b>8. LONG-TERM FINANCES - secured</b>			
Considered good	<b>8.1</b>	<b>269,032,539</b>	<b>130,170,761</b>
Considered doubtful	<b>8.2</b>	<b>6,666,669</b>	<b>-</b>
Less: provision for non-performing finances	<b>8.3</b>	<b>275,699,208</b>	<b>130,170,761</b>
		<b>(3,333,335)</b>	<b>-</b>
Less: current portion	<b>12</b>	<b>272,365,873</b>	<b>130,170,761</b>
		<b>(127,848,979)</b>	<b>(55,908,480)</b>
		<b>144,516,894</b>	<b>74,262,281</b>



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- 8.1** These represent finances with maturities ranging from six months to seven years at mark-up rates ranging from 11.88% to 21.49% (2008: 11.36% to 18.65%) per annum and are repayable in monthly, quarterly and half yearly installments. These loans are secured against pari passu charge over present and future assets of borrowers, personal guarantees of directors, and mortgage over land and buildings.
- 8.2** This represents a finance facility that has been classified as non-performing under 'doubtful' category.

	Note	2009 Rupees	2008 Rupees
<b>8.3 Provision for non-performing finances</b>			
Opening balance		-	-
Charge for the year		(3,333,335)	-
Closing balance		<u>(3,333,335)</u>	<u>-</u>

### 9. DEFERRED TAX ASSET

Deferred tax asset on deductible temporary differences:

-Accelerated tax depreciation allowance	864,004	-
-Provisions	8,555,205	-
	9,419,209	-
Deferred tax liability on taxable temporary differences:		
-Accelerated tax amortization allowance	(10,714)	-
	9,408,495	-
	<u>9,408,495</u>	<u>-</u>

### 10. SHORT-TERM INVESTMENTS

#### Available-for-sale

-Dewan Cement Limited - Pre IPO term finance certificates	<b>10.1</b>	<u>50,000,000</u>	<u>50,000,000</u>
--	-------------	-------------------	-------------------

#### Held-to-maturity

-Government securities - T-Bills -Commercial paper	<b>10.2</b> <b>10.3</b>	89,077,200 22,339,250	- 26,851,592
		111,416,450	26,851,592

#### Held-for-trading

-Investment in shares - Listed	<b>10.4</b>	-	21,654,425
		<u>161,416,450</u>	<u>98,506,017</u>

- 10.1** No interest has been accrued on these certificates, as the investment has been classified under sub-standard category. Due to availability of adequate security, no provision has been made against the investment.
- 10.2** These represent investment in government securities to comply with the requirement of Regulation 14(4)(i) of NBFC Regulations. These carry rate of return ranging from 11.61% to 13.27% per annum and will mature latest by May 20, 2010.
- 10.3** It carries rate of return of 16.52% (2008:16.05 %) per annum and will mature on December 19, 2009.



**10.4 Investments in shares - Quoted**

Number of Units		Investee Company	Note	2009		2008	
2009	2008			Cost Rupees	Market value Rupees	Cost Rupees	Market value Rupees
<b>Automobile Assembler</b>							
-	18,500	Dewan Farooq Motors Limited		-	-	591,819	127,835
-	5,000	Indus Motors		-	-	1,732,876	1,000,250
-	1,000	Pak Suzuki Motors Limited		-	-	365,272	119,790
<b>Automobile Parts and Accessories</b>							
-	5,000	Agriauto Industries		--	-	611,547	413,750
<b>Cement</b>							
-	17,200	Attock Cement Pakistan Limited		-	-	1,958,495	1,326,636
-	70,000	Fauji Cement Company Limited		-	-	1,406,530	708,400
-	9,000	Lucky Cement		-	-	1,206,719	881,370
-	10,000	Maple Leaf Cement Limited		-	-	211,742	109,100
<b>Commercial Banks</b>							
-	1,200	Allied Bank Limited		-	-	156,131	102,324
-	6,750	Askari Bank Limited		-	-	506,251	271,283
-	6,000	Arif Habib Bank Limited		-	-	179,282	115,080
-	10,000	Bank of Khyber		-	-	173,435	142,000
-	17,250	Bank of Punjab		-	-	1,361,558	536,993
-	4,000	Faysal Bank Limited		-	-	263,333	140,160
-	1,000	Habib Bank Limited		-	-	278,156	208,630
-	6,000	MCB Bank Limited		-	-	2,567,964	1,958,280
-	6,500	National Bank Limited		-	-	1,506,970	958,750
-	34,400	Standard Chartered Bank Limited		-	-	1,829,514	808,744
-	4,750	United Bank Limited		-	-	711,529	404,178
<b>Engineering</b>							
-	5,000	Dost Steel Limited		-	-	180,286	109,200
<b>Fertilizer</b>							
-	4,000	Engro Chemicals Limited		-	-	1,348,520	1,123,240
-	1,500	Fauji Fertilizer Bin Qasim Limited		-	-	65,001	53,955
<b>Insurance</b>							
-	1,000	Adamjee Insurance Limited		-	-	400,780	270,720
<b>Investment Bank/ Investment Companies</b>							
-	1,000	Arif Habib Securities Limited		-	-	189,638	161,480
-	1,000	Pervaiz Ahmed Securities		-	-	83,087	49,570
-	1,000	Javed Omar Vohra & Company		-	-	120,899	53,380
-	15,000	Innovative Investment Bank Limited		-	-	60,012	62,250
<b>Oil and Gas Exploration Companies</b>							
-	1,000	Mari Gas Company Limited		-	-	357,722	269,530
-	4,000	Oil & Gas Development Company		-	-	532,756	497,440
-	1,000	Pakistan Oil Fields Limited		-	-	417,433	364,840
-	4,000	Pakistan Petroleum Limited		-	-	1,084,616	983,960
<b>Oil and Gas Marketing Companies</b>							
-	6,000	Pakistan State Oil Company Limited		-	-	3,073,015	2,503,440
<b>Balance c/f</b>						<b>25,532,888</b>	<b>16,836,558</b>



Number of Units		Investee Company	Note	2009		2008	
2009	2008			Cost Rupees	Market value Rupees	Cost Rupees	Market value Rupees
<b>Balance b/f</b>					<b>25,532,888</b>		<b>16,836,558</b>
		<b>Power Generation and Distribution</b>					
-	57,500	Hub Power Company Limited		-	-	1,835,310	1,644,500
-	19,000	Kot Addu Power Company		-	-	956,901	893,000
		<b>Refinery</b>					
-	1,000	National Refinery Limited		-	-	399,230	297,470
		<b>Technology and Communication</b>					
-	2,200	Netsol Technologies		-	-	245,999	214,015
-	38,675	Pakistan Telecommunication Company Limited		-	-	605,466	1,494,402
-	15,000	Worldcall telecom		-	-	268,553	217,800
		<b>Miscellaneous</b>					
-	2,000	Pace (Pakistan) Limited		-	-	76,715	56,680
				-	-	29,921,062	21,654,425
		Unrealized loss on revaluation of held-for-trading securities		-	-	(8,266,637)	-
				-	-	21,654,425	21,654,425

**10.4.1** The Company, as allowed under BSD Circular No. 10 of 2004 has transferred at fair value its held-for-trading investments to Available-for-sale on November 06, 2008. The diminution in value of investments amounting to Rs. 6,801,304 has been charged to profit and loss account.

	Note	2009 Rupees	2008 Rupees
<b>11. SHORT-TERM PLACEMENTS</b>			
Unsecured placements - considered good	11.1	416,600,100	400,000,000
<b>11.1</b> These are clean placements with Commercial Banks and Non Banking Finance Companies carrying markup rates ranging from 13% to 21% (2008: 11.60% to 19.00%) per annum and maturing on various dates latest by July 29, 2009			
<b>12. CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Current portion of term finance certificates - unlisted	6.1	26,056,867	5,983,940
Current portion of term finance certificates - listed	6.3	15,305,000	26,456,791
Current portion of long-term loans	7	1,912,051	1,923,777
Current portion of long-term finances	8	127,848,979	55,908,480
		171,122,897	90,272,988
<b>13. MARKUP/INTEREST ACCRUED</b>			
Accrued profit/markup/interest on:			
-Continuous funding system		-	2,013,919
-Term finance certificates/Sukuk		27,110,617	11,564,163
-Government securities		8,036,977	1,943,171
-Term finances		5,288,230	2,841,488
-Placements		2,691,275	3,579,073
-Commercial papers		930,193	-
		44,057,292	21,941,814
Less : provision for markup/interest on non-performing investment		(2,756,627)	-
		41,300,665	21,941,814



	Note	2009 Rupees	2008 Rupees
<b>14. ADVANCE, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advance - Considered good			
-Advance against expenses for Initial Public Offering (IPO)		-	4,911,880
<b>Prepayments</b>		1,487,195	521,360
Other receivables			
-Dividend receivable		132,835	120,000
-Receivable from brokers against sale of shares		3,347,309	38,648,701
-Receivable from gratuity fund	14.1	349,183	509,238
-Other receivables		1,553,813	1,035,770
		<u>6,870,335</u>	<u>45,746,949</u>
<b>14.1. Receivable From gratuity fund</b>		<u>349,183</u>	<u>509,238</u>

#### 14.1.1 Actuarial Assumptions

The valuation has been carried out based on the Projected Unit Credit Method, using the following significant assumptions:

	2009	2008
Discount rate (per annum)	13%	10%
Expected rate of increase in salaries (per annum)	11%	10%
Expected return on plan assets (per annum)	13%	10%
Expected average remaining working lives of employees	13 years	14 years
	2009 Rupees	2008 Rupees
<b>14.1.2 Reconciliation of amount receivable from defined benefit plan</b>		
Present value of defined benefit obligation	5,826,866	4,283,257
Fair value of plan assets	(5,660,696)	(5,038,910)
Unrecognized actuarial (losses)/gains	(515,353)	246,415
	<u>(349,183)</u>	<u>(509,238)</u>

#### 14.1.3 Changes in the present value of the defined benefit obligation

Operating defined benefit obligation	4,283,257	3,334,089
Current service cost	599,656	615,759
Interest cost	428,326	333,409
Actuarial loss	515,627	-
	<u>5,826,866</u>	<u>4,283,257</u>

#### 14.1.4 Changes in the fair value of plan assets

Fair value of plan asset as at July 01:	5,038,910	2,895,911
Expected return	503,891	289,591
Contribution	489,269	1,853,408
Actuarial loss	(371,374)	-
	<u>5,660,696</u>	<u>5,038,910</u>



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	2009 Rupees	2008 Rupees
<b>14.1.5 Movement in net (asset)/liability</b>		
Opening (asset)/liability	(509,238)	684,593
Charge for the year	649,324	659,577
Contributions	(489,269)	(1,853,408)
Closing (asset)/liability	<u>(349,183)</u>	<u>(509,238)</u>
<b>14.1.6 Charge for the year</b>		
Current service cost	599,656	615,759
Interest cost	428,326	333,409
Expected return on plan assets	(503,891)	(289,591)
Actuarial loss recognized	125,233	-
	<u>649,324</u>	<u>659,577</u>

**14.1.7** The present value of defined benefit obligation, fair value of plan assets and surplus or deficit on gratuity fund for the last three years is as follows:

	2009 Rupees	2008 Rupees	2007 Rupees
As at 30 June			
Present value of defined obligation	(5,826,866)	(4,283,257)	(3,334,089)
Fair value of plan assets	5,660,696	5,038,910	2,895,911
(Deficit)/surplus	<u>(166,170)</u>	<u>755,653</u>	<u>(438,178)</u>

Figures for 2005 and 2006 have not been shown since the Company started using Projected Unit Credit Method for measuring its liabilities towards employee benefit funds with effect from 2007.

<b>15. CASH AND BANK BALANCES</b>	Note	2009 Rupees	2008 Rupees
Cash in hand		68,158	53,975
Balance with banks			
-Deposit accounts	15.1	22,520,545	5,025,042
-Current account with SBP		7,129,875	7,140,181
-Reserve account with SBP		1,750,000	1,750,000
		<u>31,468,578</u>	<u>13,969,198</u>

**15.1** Effective markup rate in respect of deposit accounts ranges from 3.5 % to 7 % (2008: 1% to 3.5%) per annum.

### **16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

No. of Shares		2009 Rupees	2008 Rupees	
2009	2008			
28,500,000	3,500,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	285,000,000	35,000,000
36,500,000	36,500,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	365,000,000	365,000,000
<u>65,000,000</u>	<u>40,000,000</u>		<u>650,000,000</u>	<u>400,000,000</u>



	Note	2009 No. of Shares	2008 No. of Shares
<b>16.1 Reconciliation of number of ordinary shares of Rs. 10 each</b>			
At the beginning of the year		40,000,000	11,958,170
Bonus shares issued during the year		-	28,041,830
Issue of shares to general public	<b>16.2</b>	25,000,000	-
At the end of the year		<u>65,000,000</u>	<u>40,000,000</u>

#### **16.2 Shares issued during the year**

During the year, the Company offered 25 million ordinary shares of Rs. 10 each at par value to general public. Out of these, 1.95 million ordinary shares were subscribed by the general public in the Initial Public Offer (IPO) and the remainder 23.05 million shares were subscribed by the underwriter.

#### **16.3 Capital risk management**

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services appropriately with the level of risk. It is the policy of the Company to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The capital structure of the Company consists of equity comprising issued share capital and unappropriated profit.

#### **Goals of managing capital**

The goals of managing capital of the Company are as follows:

- To be appropriately capitalized, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to expand; and achieve overall low cost of capital with appropriate mix of capital elements.

The Securities Exchange Commission of Pakistan through its SRO 1203(I)2008 dated November 21, 2008 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2008 in which the equity requirements for an NBFC licensed by the SECP to undertake different forms of business have been prescribed. The present equity of the Company adequately covers the minimum levels specified by the NBFC Regulations.

	Note	2009 Rupees	2008 Rupees
<b>17. RESERVES</b>			
<b>Capital</b>			
-statutory reserve	<b>17.1</b>	116,088,626	114,557,698
<b>Revenue</b>			
- unappropriated profit		42,479,172	43,423,673
		<u>158,567,798</u>	<u>157,981,371</u>
<b>17.1 Statutory reserve</b>			
Opening balance		114,557,698	111,350,000
Transferred from profit and loss account	<b>17.2</b>	1,530,928	3,207,698
Closing balance		<u>116,088,626</u>	<u>114,557,698</u>



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- 17.2** Statutory reserve represents amount set aside at the rate of 20% of profit for the year after taxation as per the requirements of clause 16 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

	Note	2009 Rupees	2008 Rupees
<b>18. DEFICIT ON REVALUATION OF INVESTMENTS - NET</b>			
<b>Available-for-sale - Listed securities</b>			
Term finance certificates	<b>6.3</b>	(4,716,331)	2,056,000
Shares	<b>6.4</b>	(8,235,123)	(6,977,021)
Mutual funds	<b>6.5</b>	(11,798,871)	(2,878,718)
Preference shares	<b>6.6</b>	2,362,500	-
		<u>(22,387,825)</u>	<u>(7,799,739)</u>

### **19. LONG-TERM LOANS**

#### **From Banking Companies - Secured**

National Bank of Pakistan (NBP) - an associated undertaking	<b>19.1</b>	62,500,000	125,000,000
Allied Bank Limited (ABL)	<b>19.2</b>	25,000,000	83,333,332
Current portion of long-term loans		<u>87,500,000</u>	<u>208,333,332</u>
		<u>(87,500,000)</u>	<u>(120,833,332)</u>
		<u>-</u>	<u>87,500,000</u>

- 19.1** On May 11, 2005, the Company obtained a five year term loan facility of Rs. 250 million from NBP with a grace period of one year. The loan is repayable in 16 equal quarterly installments commencing from August 11, 2006 and carries markup @ 3 months KIBOR plus 0.5% per annum. The loan is secured by first pari passu hypothecation charge against all present and future assets of the Company.
- 19.2** On June 27, 2007, the Company obtained three year term loan facility of Rs. 200 million. The loan is repayable in 8 equal quarterly installments after a grace period of one year. The facility carries markup @ 3 months KIBOR plus 1.50% per annum and is secured by first pari passu hypothecation charge against all present and future assets of the Company.

### **20. LONG-TERM CERTIFICATE OF DEPOSIT**

This represents certificate issued for a term of three years at the rate of 11.25% (2008: 10.5% to 11.25%) per annum payable half yearly.

	Note	2009 Rupees	2008 Rupees
<b>21. SHORT-TERM BORROWINGS-Secured-from banking companies and other financial institutions other than related parties</b>			
Under repurchase agreement	<b>21.1</b>	<u>139,166,050</u>	<u>135,965,150</u>
<b>21.1</b> This represents funds borrowed from the local interbank market against government securities carrying markup rate of 11.50 % to 12.50% (2008: 13.9%) per annum maturing in July 2009.			
<b>22. SHORT-TERM RUNNING FINANCE - Secured</b>	Note	2009 Rupees	2008 Rupees
National Bank of Pakistan (NBP)- an associated undertaking	<b>22.1</b>	50,000,000	49,932,742
Allied Bank Limited - RF I	<b>22.2</b>	99,999,779	99,960,394
Allied Bank Limited - RF II	<b>22.3</b>	99,999,663	99,917,645
		<u>249,999,442</u>	<u>249,810,781</u>



- 22.1** This represents short-term running finance obtained from NBP with a limit of Rs. 50,000,000 (2008: Rs. 50,000,000) carrying markup at a rate based on 3 month KIBOR plus 1% (2008: 3 month KIBOR plus 0.5%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 62.5 million.
- 22.2** This represents short-term running finance obtained from ABL with a limit of Rs. 100,000,000 (2008: Rs. 100,000,000) carrying markup at a rate based on 3 month KIBOR plus 1.50% (2008: 3 month KIBOR plus 1.25%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 134 million.
- 22.3** This represents short-term running finance obtained from ABL with a limit of Rs. 100,000,000 (2008: Rs. 100,000,000) carrying markup at a rate based on 3 month KIBOR plus 1.50% (2008: 3 month KIBOR plus 1.25%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 134 million.

**23. SHORT-TERM CERTIFICATES OF DEPOSIT- unsecured**

These have been issued for terms ranging from one month to one year and expected return on these certificates ranges from 10.5% to 13% (2008: 8.50% to 9.75%) per annum payable monthly, quarterly, semi annually or on maturity.

24. ACCRUED MARKUP	Note	2009 Rupees	2008 Rupees
<b>Secured</b>			
- Loans and borrowings including running finance	24.1	1,434,986	4,688,505
- Repo borrowings		1,998,029	51,779
<b>Unsecured</b>			
- Certificates of deposit		16,110,860	13,790,732
- Others		8,000	8,000
		<u>19,551,875</u>	<u>18,539,016</u>

**24.1** This amount includes Rs. 1,199,897 (2008: Rs. 2,193,921) due to National Bank of Pakistan, an associated undertaking.

25. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2009 Rupees	2008 Rupees
Accrued expenses		6,065,674	5,337,300
Other liabilities		479,481	3,081,830
Payable to brokers against purchase of shares		-	4,383
Workers' Welfare Fund		954,320	-
		<u>7,499,475</u>	<u>8,423,513</u>

**26. COMMITMENTS**

- a) Commitment to provide Term Finance Facility    30,000,000  
 b) Stand by Letter of Credit on behalf of clients    -    35,000,000  
     100,000,000

**27. INCOME FROM TERM FINANCES AND FUNDS PLACEMENTS**

Income from long-term finances	27.1	33,072,645	28,801,068
Return on fund placements with financial institutions		82,799,857	30,776,723
Income from short-term finances		8,126,986	52,970,495
		<u>123,999,488</u>	<u>112,548,286</u>

**27.1 Return on fund placements with financial institutions**

- Return on bank deposits	2,801,197	550,819
- Return on certificates of investment	28,792,105	23,754,392
- Return on fund placements	47,115,222	6,436,137
- Return on commercial paper	4,091,333	35,375
	<u>82,799,857</u>	<u>30,776,723</u>



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	Note	2009 Rupees	2008 Rupees
<b>28. INCOME FROM INVESTMENTS</b>			
Return on government securities		13,302,236	11,256,185
Return on WAPDA bonds		-	3,171,507
Return on term finance certificates/sukus		63,074,736	27,497,177
Dividend income on available-for-sale investments		4,430,152	5,320,122
Capital gain on sale of securities		6,369,747	14,839,945
		<u>87,176,871</u>	<u>62,084,936</u>
<b>29. FEES AND COMMISSION</b>			
Underwriting commission		75,000	433,750
Guarantee commission		217,500	171,875
Consultancy and corporate advisory fees		2,262,500	2,857,539
		<u>2,555,000</u>	<u>3,463,164</u>
<b>30. FINANCE COST</b>			
Markup/Interest on:			
- Long-term loans		20,871,645	29,896,564
- Short-term borrowings		14,609,570	12,480,858
- Short-term running finances		5,031,387	4,193,968
- Certificate of deposits		65,108,757	50,863,362
- Clean borrowings		718,561	4,825,788
- Other charges		148,134	200,464
		<u>106,488,054</u>	<u>102,461,004</u>
<b>31. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries and allowances	<b>31.1 &amp; 31.2</b>	21,421,344	18,066,671
Travelling and conveyance		3,646,150	1,587,884
Printing and stationery		655,855	441,782
Rent, rates and taxes		2,599,083	2,521,500
Legal and professional		1,519,948	1,861,998
Repair and maintenance		1,057,723	1,034,331
Auditors' remuneration	<b>31.3</b>	546,500	365,500
Brokerage and commission		832,038	2,616,332
Motor vehicle running expenses		2,106,489	1,641,419
Telephone, telex and fax		706,899	661,886
Electricity, gas and water charges		1,026,453	846,388
Advertisement and business promotion		1,206,109	1,021,102
Newspaper and periodicals		52,045	39,051
Postage and courier services		69,934	34,284
Fees and subscription		2,275,006	612,391
Security guards		190,000	164,298
Insurance		342,966	485,104
Medical		1,063,449	1,024,064
Office supplies		330,193	250,389
IT support		399,294	366,501
Research and training		739,660	196,392
Depreciation	<b>4</b>	3,366,747	3,482,946
Amortization	<b>5</b>	86,007	6,153
		<u>46,239,892</u>	<u>39,328,366</u>

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	Note	2009 Rupees	2008 Rupees
<b>31.1</b>	It includes charge for gratuity and provident fund as follows:		
- Gratuity	14.1	649,324	659,577
- Provident fund		695,881	573,691
		<hr/> 1,345,205	<hr/> 1,233,268

**31.2** The aggregate amounts incurred during the year for remuneration including all benefits to Chief Executive, directors and executives of the Company are given below:

	2009 Rupees	2008 Rupees		
	Chief Executive	Executives	Chief Executive	Executives
Managerial Remuneration	4,135,467	4,705,775	2,752,014	2,420,708
Retirement benefits	869,813	590,549	678,640	431,096
Total	<hr/> 5,005,280	<hr/> 5,296,324	<hr/> 3,430,654	<hr/> 2,851,804
Number of persons	<hr/> 1	<hr/> 3	<hr/> 1	<hr/> 1

**31.2.1** This includes bonus paid to chief executive amounting to Rs. 734,712 (2008: 539,136) and executives amounting to Rs. 486,147 (2008: 405,936).

**31.2.2** In addition, the chief executive and executives are provided with free use of company maintained cars in accordance with the terms of their employment.

**31.2.3** Fee of Rs. 155,000 (2008: Rs. 170,000) was paid to directors for attending the Board and Audit Committee Meetings.

<b>31.3 Auditor's remuneration</b>	2009 Rupees	2008 Rupees
Statutory audit	250,000	150,000
Half - yearly review	100,000	100,000
Other services	170,000	100,500
Out of pocket expenses	26,500	15,000
	<hr/> 546,500	<hr/> 365,500

### **32. Taxation**

Current	15,759,075	8,000,000
Prior	(1,253,945)	884,483
Deferred	(9,408,495)	-

### **32.1 Relationship between tax expense and accounting profit**

Profit before tax	12,751,276	24,922,972
Tax at applicable rate of 35% (2008: 35%)		
Tax effect of:	4,462,947	8,723,040
- Income chargeable to tax at reduced rates	(936,714)	(971,181)
- Income/expenses that are exempted/ not allowed in determining taxable income	5,973,964	162,023
- Prior year charge	(1,253,945)	884,483
- Pre IPO expenses recognized in equity	(3,792,507)	-
- Others	642,890	86,118
Tax charge for the year	<hr/> 5,096,635	<hr/> 8,884,483



## FIRST CREDIT AND INVESTMENT BANK LTD.

**32.2** The income tax assessment of the Company has been finalized upto the tax year 2008.

33. EARNINGS PER SHARE - BASIC AND DILUTED	2009	2008
	Rupees	Rupees
Profit for the year	7,654,641	16,038,489
Weighted average number of shares outstanding during the year	62,191,781	40,000,000
Earnings per share - basic and diluted	0.12	0.40

### 34. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Company has diversified sources of funds and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored to ensure adequate liquidity is maintained. The Company has the ability to mitigate any short-term liquidity gaps by disposal of short-term investments and the availability of liquid funds at short notice.

The table below summarises the maturity profile of the Company's assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets/liabilities will be realised/settled.

	Total	Within one year	More than one year and less than five years	More than five years
<b>As at June 30, 2009</b>				
<b>Assets</b>				
Fixed assets	6,943,737	3,441,236	3,502,501	-
Investments	990,941,475	222,203,734	655,980,384	112,757,357
Loans	16,998,898	1,912,051	8,613,272	6,473,575
Long-term finances	272,365,873	127,848,979	144,516,894	-
Long-term security deposits	1,050,000	-	-	1,050,000
Deferred tax asset-net	9,408,495	-	9,408,495	-
Placements	416,600,100	416,600,100	-	-
Markup/interest accrued	41,300,665	41,300,665	-	-
Advances, prepayments and other receivables	6,870,335	6,870,335	-	-
Taxation - net	6,548,659	6,548,659	-	-
Cash and bank balances	31,468,578	31,468,578	-	-
	1,800,496,815	858,194,337	822,021,546	120,280,932
<b>Liabilities</b>				
Loans	87,500,000	87,500,000	-	-
Certificates of deposit	510,600,000	510,500,000	100,000	-
Short-term borrowings	139,166,050	139,166,050	-	-
Short-term running finance	249,999,442	249,999,442	-	-
Interest and markup accrued	19,551,875	19,551,875	-	-
Accrued expenses and other liabilities	7,499,475	7,499,475	-	-
	1,014,316,842	1,014,216,842	100,000	-
	786,179,973	(156,022,505)	821,921,546	120,280,932



## FIRST CREDIT AND INVESTMENT BANK LTD.

	Total	Within one year	More than one year and less than five years	More than five years
<b>As at June 30, 2008</b>				
<b>Assets</b>				
Fixed assets	9,730,025	3,026,083	6,703,942	-
Investments	678,193,331	209,622,908	403,900,717	64,669,706
Loans	16,070,843	1,923,777	8,571,054	5,576,012
Long-term finances	130,170,761	454,054,197	(323,883,436)	-
Short-term finances	398,145,717	398,145,717	-	-
Long-term security deposits	1,000,000	-	-	1,000,000
Deferred tax asset-net	-	-	-	-
Placements	400,000,000	400,000,000	-	-
Markup/interest accrued	21,941,814	21,941,814	-	-
Advances, prepayments and other receivables	45,746,949	45,746,949	-	-
Taxation - net	14,284,786	14,284,786	-	-
Cash and bank balances	13,969,198	13,969,198	-	-
	1,729,253,424	1,562,715,429	95,292,277	71,245,718
<b>Liabilities</b>				
Loans	208,333,332	120,833,332	87,500,000	-
Certificates of deposit	558,000,000	556,200,000	1,800,000	-
Short-term borrowings	135,965,150	135,965,150	-	-
Short-term running finance	249,810,781	249,810,781	-	-
Interest and markup accrued	18,539,016	18,539,016	-	-
Accrued expenses and other liabilities	8,423,513	8,423,513	-	-
	1,179,071,792	1,089,771,792	89,300,000	-
	550,181,632	472,943,637	5,992,277	71,245,718

### 35. YIELD / MARKET RATE RISK

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Market rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. An entity is exposed to yield / market rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through risk management strategies. Company's exposure to yield / market rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

As at June 30, 2009	Effective rate %	Exposed to yield / market rate risk				Not exposed to yield / market rate risk
		Total	Within one year	More than one year and less than five years	More than five years	
<b>Financial assets</b>						
Investments	11.71%	990,941,475	62,781,865	655,980,384	112,757,357	159,421,869
Loans	4.00%	16,998,898	1,912,051	8,613,272	6,473,575	-
Long-term finances	16.20%	272,365,873	127,848,979	144,516,894	-	-
Long-term security deposits		1,050,000	-	-	-	1,050,000
Placements	16.85%	416,600,100	416,600,100	-	-	-
Markup/interest accrued		41,300,665	41,300,665	-	-	-
Other receivables		5,033,957	-	-	-	5,033,957
Cash and bank balances	5.22%	31,468,578	22,520,545	-	-	8,948,033
		1,775,759,546	672,964,205	809,110,550	119,230,932	174,453,859



**Financial liabilities**

Loans	14.57%	87,500,000	87,500,000	-	-	-
Certificates of deposit	12.06%	510,600,000	510,500,000	100,000	-	-
Short-term borrowings	13.96%	139,166,050	139,166,050	-	-	-
Short-term running finance	15.96%	249,999,442	249,999,442	-	-	-
Interest and mark-up accrued		19,551,875	-	-	-	19,551,875
Accrued expenses and other liabilities		6,545,155	-	-	-	6,545,155
		1,013,362,522	987,165,492	100,000	-	26,097,030
<b>On-balance sheet gap</b>		<b>762,397,024</b>	<b>(314,201,287)</b>	<b>809,010,550</b>	<b>119,230,932</b>	<b>148,356,829</b>

**As at June 30, 2008**

	Effective rate %	Total	Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
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**Financial assets**

Investments	11.12%	678,193,331	59,974,172	403,900,717	64,669,706	149,648,736
Loans	4.00%	16,070,843	1,923,777	8,571,045	5,576,021	-
Long-term finances	13.40%	130,170,761	55,908,480	74,262,281	-	-
Short-term finances	15.62%	398,145,717	398,145,717	-	-	-
Long-term security deposits		1,000,000	-	-	-	1,000,000
Placements	11.75%	400,000,000	400,000,000	-	-	-
Markup/interest accrued		21,941,814	-	-	-	21,941,814
Other receivables		39,804,471	-	-	-	39,804,471
Cash and bank balances	3.44%	13,969,198	5,025,042	-	-	8,944,156
		1,699,296,135	920,977,188	486,734,043	70,245,727	221,339,177

**Financial liabilities**

Loans	10.89%	208,333,332	120,833,332	87,500,000	-	-
Certificates of deposit	9.53%	558,000,000	556,200,000	1,800,000	-	-
Short-term borrowings	9.86%	135,965,150	135,965,150	-	-	-
Short-term running finance	11.19%	249,810,781	249,810,781	-	-	-
Interest and mark-up accrued		18,539,016	-	-	-	18,539,016
Accrued expenses and other liabilities		8,423,513	-	-	-	8,423,513
		1,179,071,792	1,062,809,263	89,300,000	-	26,962,529
<b>On-balance sheet gap</b>		<b>520,224,343</b>	<b>(141,832,075)</b>	<b>397,434,043</b>	<b>70,245,727</b>	<b>194,376,648</b>

**36. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Company seeks to minimize its credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where possible. Details of composition of finances and loans are given below:



## FIRST CREDIT AND INVESTMENT BANK LTD.

Finance and leases	Amount in Rs	%	2008	
			Amount in Rs	%
Cement	7,803,944	2.70	24,129,092	16.50
Sugar	17,500,000	6.05	20,000,000	13.68
Construction	68,000,000	23.50	-	-
Financial institutions / leasing	92,603,594	32.00	20,000,000	13.68
Electric goods	3,333,334	1.15	6,666,669	4.56
Chemicals / fertilizers / pharmaceuticals	40,000,000	13.82	-	-
Textile	43,125,000	14.90	59,375,000	40.60
Miscellaneous - including individuals	16,998,899	5.87	16,070,843	10.99
	<b>289,364,771</b>	<b>100.00</b>	<b>146,241,604</b>	<b>100.00</b>

Sector-wise concentration of investments has been included in note 6 and 10 to these financial statements.

### 37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and post employment benefit schemes. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to associated undertakings, executives and remuneration of directors and executives are disclosed in the relevant notes. Transactions with related parties are as follows:

	2009 Rupees	2008 Rupees
<b>Associated Undertakings</b>		
Mark-up on long-term loans	13,058,822	16,285,266
Mark-up on short-term running finance	1,611,004	1,619,352
Return on WAPDA Bonds	-	3,171,507
Dividends paid	-	11,958,170
Rent paid	1,800,728	1,720,896
<b>Staff Retirement Plans</b>		
Contribution to staff retirement plans	1,437,655	2,437,740
<b>Key management personnel</b>		
Salaries, benefits and other allowances	7,962,374	5,172,722
Retirement benefits	1,460,362	1,109,736
	9,422,736	6,282,458
Return on long-term loans	506,760	410,952

### 38. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassification made are as follows:

From	To	Nature	Amount reclassified Rupees
Long-term investments	Current portion of non-current assets	Current maturity of long-term investments	32,440,731

### 39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 26, 2009 by the Board of Directors of the Company.

  
**MOHAMMAD IMRAN MALIK**  
 Chief Executive / President

  
**WAJAHAT A. BAQAI**  
 Director



**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2009**

Number of Shareholders	From	Shareholding To	Total number of Shares held	Percentage %
10	1	100	21	
719	101	500	359,496	0.55%
95	501	1000	95,000	0.15%
89	1001	5000	219,482	0.34%
17	5001	10000	139,500	0.21%
1	10001	15000	11,000	0.02%
1	15001	20000	19,500	0.03%
1	20001	25000	21,000	0.03%
4	25001	30000	111,501	0.17%
1	30001	35000	35,000	0.05%
2	40001	45000	81,500	0.13%
2	45001	50000	100,000	0.15%
1	55001	60000	55,500	0.09%
1	180001	185000	182,500	0.28%
1	300001	305000	303,500	0.47%
1	505001	510000	510,000	0.78%
1	1840001	1845000	1,844,160	2.84%
1	4310001	4315000	4,313,900	6.64%
2	4610001	4615000	9,220,800	14.19%
1	7375001	7380000	7,376,640	11.35%
2	19995001	20000000	40,000,000	61.54%
953			65,000,000	100.00%

Categories of Shareholders	Number	Shares Held	Percentage
Sponsors	2	40,000,000	61.54%
Banks, DFI & NBFI	4	15,378,860	23.66%
General Public	934	2,044,000	3.14%
Others	13	7,577,140	11.66%
	953	65,000,000	100.00%



## DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals	934	2,044,000	3.14%
Directors, Chief Executive Officer and their spouse and minor children			
Water and Power Development Authority	1	20,000,000	30.77%
National Bank of Pakistan	1	20,000,000	30.77%
Associated Companies			
Banks, DFIs, NBFCs, Insurance Companies, Modarabas	4	15,378,860	23.66%
Shareholders holding ten percent or more voting interest			
AKD Securities Limited	1	7,376,640	11.35%
Others	12	200,500	0.31%
<b>Total</b>	<b>953</b>	<b>65,000,000</b>	<b>100%</b>



**FIRST CREDIT AND INVESTMENT BANK LTD.**

AFFIX  
CORRECT  
POSTAGE

**FIRST CREDIT AND INVESTMENT BANK LTD.**

Registrar:  
**THK Associates (Pvt.) Limited**  
Ground Floor, State Life Building-3  
Dr. Ziauddin Ahmed Road,  
Karachi. 75530

Fold : Here

Fold : Here

Fold : Here

Fold : Here

ANNUAL REPORT 2009



## FIRST CREDIT AND INVESTMENT BANK LTD.

### FORM OF PROXY

The Company Secretary  
First Credit and Investment Bank Ltd.  
2nd Floor, Sidco Avenue Centre,  
Stratchen Road,  
Karachi - 74200  
Pakistan.

I/We \_\_\_\_\_  
of \_\_\_\_\_ (name)  
being member(s)  
(address)  
of First Credit and Investment Bank Ltd. and holder of \_\_\_\_\_ Ordinary  
(number of shares)  
Shares as per Share Registered Folio No. \_\_\_\_\_ and/or CDC Participant I.D No. \_\_\_\_\_  
and Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of  
(name)  
\_\_\_\_\_ or failing him/her \_\_\_\_\_  
(name)  
of \_\_\_\_\_  
(address) as my proxy to vote  
(address)

for me and on my behalf at the Annual General meeting of the company to be held on Wednesday, October 21, 2009 at 6.00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwan-e-Saddar Road Karachi.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

**1. Witness:**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
  
CNIC or \_\_\_\_\_  
Passport # \_\_\_\_\_

Signature

Signature on  
Rs. 5/-  
Revenue Stamp

(signature should agree with the  
specimen registered with  
the Company)

**2. Witness:**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
  
CNIC or \_\_\_\_\_  
Passport # \_\_\_\_\_

**IMPORTANT:**

- In order to be effective, the proxy forms must be received at the office of our Registrar THK Associates (Pvt.) Limited, Ground Floor, State Life Building -3, Dr. Ziauddin Ahmed Road, Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signatures, names, addresses and CNIC numbers given on the form.
- In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- In the case of proxy by a corporate entity, Board of Directors Resolution /power of attorney and attested copy CNIC or passport of the proxy shall be submitted alongwith proxy form.
- Proxy shall authenticate his /her identity by showing his /her original national identity card or original passport and bring folio number at the time of attending the meeting



## First Credit And Investment Bank Ltd.

2nd Floor, Sidco Avenue Centre,  
Stratchen Road, Karachi.  
Tel: (021) 565-8750-52 Fax: (021) 568-6310  
Email: info@fcibank.com.pk URL: fcibank.com.pk

**First Credit and Investment Bank Limited (FCIB)** was incorporated in 1989. It is listed on Karachi Stock Exchange (Guarantee) Limited. The major shareholders of FCIB include National Bank of Pakistan, WAPDA and other reputed financial institutions. FCIB is engaged in various Investment Banking activities. FCIB's credit rating is A-2 for short term and A- for medium to long term, with stable outlook. This upgrade is in recognition of management prudent policies and enhanced capital. The Bank has a team of high caliber professionals who work on sound and prudent financial criteria. FCIB has a history of growth and profitability since its inception. It has played a pioneering role in developing the Bond market in Pakistan, particularly WAPDA Bonds & Civil Aviation Bonds. FCIB has an excellent investment portfolio, and has consistently met its financial commitments.

FCIB believes in sharing benefits of its financial strength and profitability with its customers. This philosophy is evident from the profit rates and other facilities offered through our Certificate of Deposit (CD) schemes.

- i Attractive Profit Rates.
- i Loan facilities of upto 80% of deposit.
- i Premature encashment facility.

Individuals, body corporates, trusts, employee funds, mutual funds, financial institutions etc., are eligible to invest in these schemes.

### Monthly Income Certificate of Deposit (MICD)

This is a three years deposit scheme, suitable for those who desire regular monthly income.

Monthly Profit	
Amount of Deposit Rs.	3-Years
100,000	950
300,000	2,850
500,000	4,750
1,000,000	9,500
5,000,000	47,500

### Term Certificate of Deposit (TCD)

Under this scheme funds can be placed for a specific period, ranging from 30 days to three years. Profit on deposits of one year and above are paid half-yearly and for short term deposits at maturity.

Period of Deposit	Profit (% p.a.)
30 Days	10.50
2 Months	10.75
3 Months	11.00
6 Months	11.25
1 Year	11.50
2 Years	12.00
3 Years	12.50

### Income Certificate of Deposit (ICD)

This is a five years deposit scheme. Profit is paid on half-yearly basis at the rates of profit which increases gradually for every subsequent half-year completed.

Relevant Half-years	Profit %
1st half year	10.00
2nd half year	10.50
3rd half year	11.00
4th half year	11.50
5th half year	11.50
6th half year	12.50
7th half year	12.50
8th half year	13.00
9th half year	14.00
10th half year	16.00

### Growth Certificate of Deposit (GCD)

This is a ten years scheme for depositors who want to save for higher returns, in order to meet future requirements, like children's education, marriage, old age support, etc. Profit is added every year to the original investment.

Period of Deposit	Value of every Rs.100,000/-
Less than 1 Year	100,000
1 Year & above	107,500
2 Years & above	116,200
3 Years & above	126,170
4 Years & above	137,450
5 Years & above	150,100
6 Years & above	167,300
7 Years & above	184,000
8 Years & above	208,000
9 Years & above	251,100
10 Years	290,000

N.B. Profit rates & other terms and conditions are subject to change without prior notice. Please ask for latest information at the time of investing of your funds.

