

**FIRST DAWOOD INVESTMENT BANK LIMITED**

---

October 03, 2018

FDIBL/MG/ 4743 /2018

**The General Manager**  
**Pakistan Stock Exchange Limited**  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

Sub: **SUBMISSION OF ANNUAL AUDITED ACCOUNTS FOR THE PERIOD ENDED**  
**JUNE 30, 2018.**

Dear Sir,

In compliance with the provisions of Section 237 of the Companies Act 2017, read with the PSX notice No. PSX/N-4207 dated July 13, 2018 and PSX/N-4952 dated August 29, 2018, we are pleased to submit electronically through PUCAR Annual Audited Accounts for the year ended June 30, 2018 and in hard form by sending three (03) copies to you.

Further, please find enclosed Statement of Free Float of Shares duly signed by the Chief Executive Officer and Company Secretary of the Company along with the Independent Reasonable Assurance Report on quarter wise Statement of Free Float of Shares from July 1, 2017 to June 30, 2018 issued by Reanda Haroon Zakaria & Company, the external Auditors of the Company.

Yours Sincerely,

**Syed Musharaf Ali**  
CFO & Company Secretary

## **INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES**

The Chief Executive  
First Dawood Investment Bank Limited

### **Introduction**

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares of First Dawood Investment Bank limited as of September 30, 2017, December 31, 2017, March 31, 2018 and June 30, 2018.

### **Applicable Criteria**

The criteria against which the Statement is assessed is Regulation No. 5.7.2(c) (ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations) which requires every Listed company / modaraba / mutual fund to submit directly to Pakistan Stock Exchange (PSX) an annual Free-Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.4(a) of the PSX Regulations.

### **Management's Responsibility for the Statements**

Management is responsible for the preparation of the Statement as of September 30, 2017, December 31, 2017, March 31, 2018 and June 30, 2018 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement/s such that it is free from material misstatement, whether due to fraud or error.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Our responsibility and summary of the work performed**

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable Level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to First Dawood Investment Bank Limited's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Company with Securities & Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX regulation also forms part of our assurance procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Statement as of September 30, 2017, December 31, 2017, March 31, 2018 and June 30, 2018 is prepared, in all material respects, in accordance with the PSX Regulations.

### **Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Regulation No. 5.7.2(c){ii} of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.



*Reanda Haroon Zakaria*  
**Reanda Haroon Zakaria & Company**  
**Chartered Accountants**

**Place:** Karachi

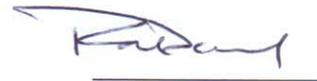
**Dated:** 26 SEP 2018

**FIRST DAWOOD INVESTMENT BANK LIMITED**  
**STATEMENT OF FREE FLOAT SHARES**

	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18
<b>Total outstanding shares</b>	148,390,023	148,390,023	148,390,023	148,390,023
<b>Less: Government Holding</b>	-	-	-	-
<b>Less: Shares held by Directors / Sponsors I Senior Management Officers and their associates</b>	14,832,718	14,832,718	14,832,718	14,832,718
<b>Less: Shares in Physical Form</b>	2,869,876	2,869,874	2,869,354	2,869,354
<b>Less: Shares held by Associate companies I Group Companies. (Cross holdings)</b>	6,037,802	6,037,802	6,037,802	6,037,802
<b>Less: Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course</b>	-	-	-	-
<b>Less: Treasury shares</b>	-	-	-	-
<b>Less: Any other category that are barred from selling at the review date</b>	-	-	-	-
	<u>23,740,396</u>	<u>23,740,394</u>	<u>23,739,874</u>	<u>23,739,874</u>
<b>Free Float Shares</b>	<u><u>124,649,627</u></u>	<u><u>124,649,629</u></u>	<u><u>124,650,149</u></u>	<u><u>124,650,149</u></u>

Basis of Preparation: This statement is prepared in accordance with the requirements of the Regulation No. 5.7.2(c) of Pakistan Stock Exchange Limited Regulations (PSX Regulations)

  
Company Secretary

  
Chief Executive

Rh2,

PRESENT



FIRST DAWOOD INVESTMENT BANK LIMITED

ANNUAL REPORT 2018

PAST

FUTURE





FIRST DAWOOD INVESTMENT BANK LIMITED

Corporate Information	02
Vision and Mission Statement / Corporate Strategy	03
Financial Highlights	04
Notice of Annual General Meeting	06
Chairman Review Report	07
Directors' Report	08
<b>ڈائریکٹرز کی رپورٹ:</b>	17
Statement of Compliance with Code of Corporate Governance	18
Review Report to the Members on Statement of Compliance with Code of Corporate Governance	20
Auditor's Report	21
Statement of Financial Position	27
Statement of Profit or Loss Account	28
Statement of Cash Flows	29
Statement of Other Comprehensive Income	31
Statement of Changes in Equity	32
Notes to the Financial Statements	33
Pattern of Share Holding - Ordinary Shares	71
Proxy Form	74



FIRST DAWOOD INVESTMENT BANK LIMITED

## CORPORATE INFORMATION

<b>Board of Directors</b>	Mr. Christopher John Aitken Andrew Mr. Rafique Dawood  Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Abu Khursheed M. Ariff Mr. Syed Iqbal Hussain Rizvi Mr. Muhammad Saeed	Chairman Director & CEO (Nominee B.R.R. Investments (Pvt) Ltd.) Director Director Director Director (Nominee B.R.R. Investments (Pvt) Ltd.) Director
<b>Audit Committee</b>	Mr. Asad Hussain Bokhari Mr. Khurshid A. Khair Mr. Abu Khursheed M. Ariff	Chairman Member Member
<b>HR&amp;R Committee</b>	Mr. Khurshid A. Khair Mr. Asad Hussain Bokhari Mr. Abu Khursheed M. Ariff	Chairman Member Member
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Syed Musharaf Ali	
<b>Auditors</b>	Haroon Zakaria & Company Chartered Accountants	
<b>Internal Auditor</b>	J.A.S.B. & Associates Chartered Accountants	
<b>Legal Advisor</b>	Nishtar & Zafar	
<b>Legal counsels</b>	A.Q. Abbasi & Associates Ansari AG Legal Kabirji & Talibuddin Khalil Asif Ejaz & Co.	
<b>Bankers</b>	Al-Baraka Islamic Bank Ltd. Bank Al-Habib Ltd. Habib Metropolitan Bank Ltd. MCB Bank Ltd.	
<b>Registered Office Head Office</b>	18 <sup>th</sup> Floor, B.R.R Tower, Hasan Ali Street Off: I. I. Chundrigar Road, Karachi-74000 PABX: +92 (21) 32602401-06 Email: fdib@firstdawood.com URL : www.firstdawood.com	
<b>Share Registrar</b>	F.D. Registrar Services (SMC-Pvt) Ltd. 1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi-74000 Tel: +92 (21) 3547 8192-93 / 021-32771906 Fax : +92 (21) 3262 1233 / 021-32271905 Email: fdregistrar@hotmail.com, fdregistrar@yahoo.com	



FIRST DAWOOD INVESTMENT BANK LIMITED

## **VISION AND MISSION STATEMENT/ CORPORATE STRATEGY**

### **VISION STATEMENT**

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

### **MISSION STATEMENT**

- \* To offer value in term of dividend yield and capital gains to shareholders.
- \* To effectively fulfill the needs of clients to their satisfaction.
- \* To endeavour to achieve a lasting relationship with clients and associates on the principles of mutualism.
- \* To fulfill all social responsibilities and be a good corporate citizen.
- \* To increase its contribution to the Industrial development of the country.
- \* To ensure that human resources is ready to take on new challenges.
- \* To reward employees according to their achievements.

### **CORPORATE STRATEGY**

- \* Ensuring shareholder's security and a high rate of return on investments.
- \* Striking the right balance between risks and rewards.
- \* Offering the optimal mix of products and services to customers.
- \* Maintaining highest standards of integrity, honesty and ethics.
- \* Building a long lasting relationship with customers.
- \* Providing growth & development opportunities to the management and staff of the company.
- \* Maintaining financial discipline and adhering to professional and moral codes.



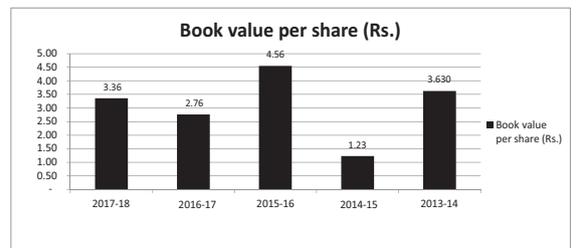
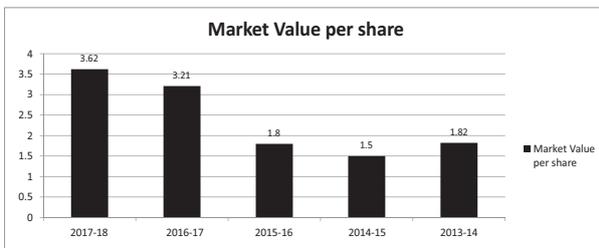
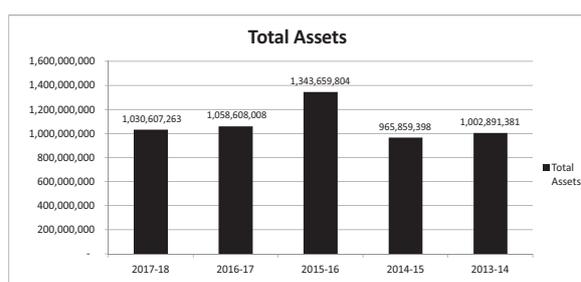
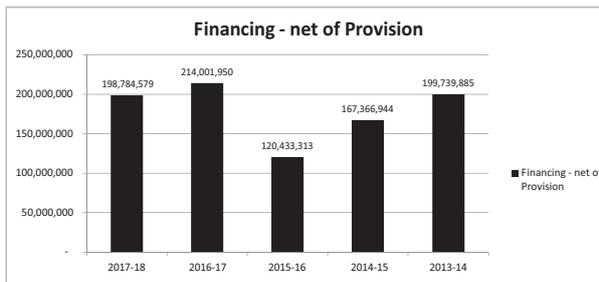
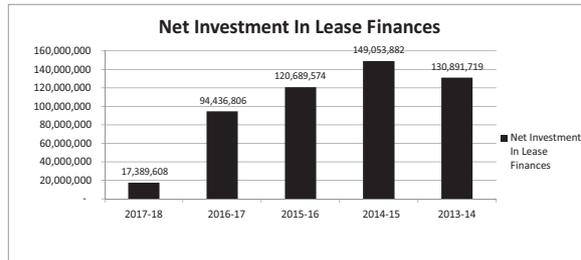
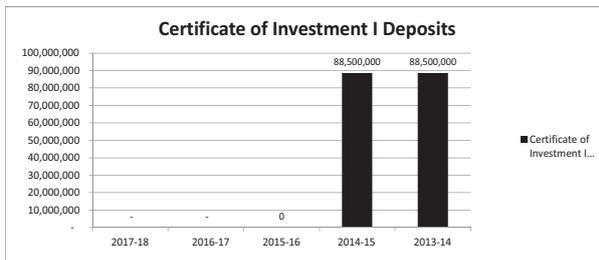
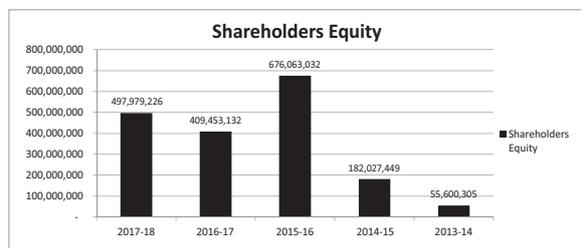
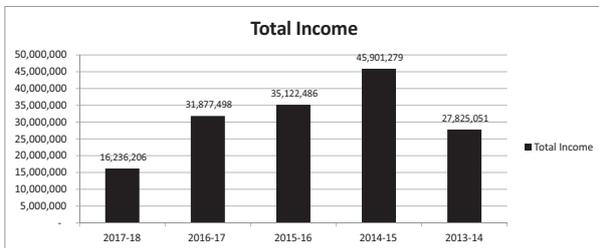
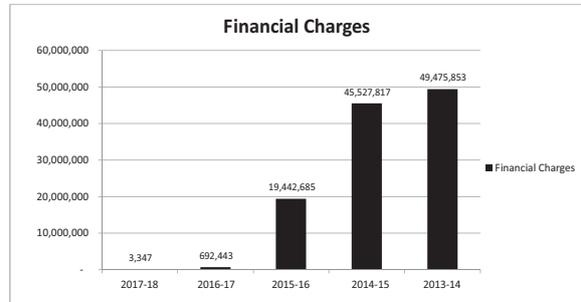
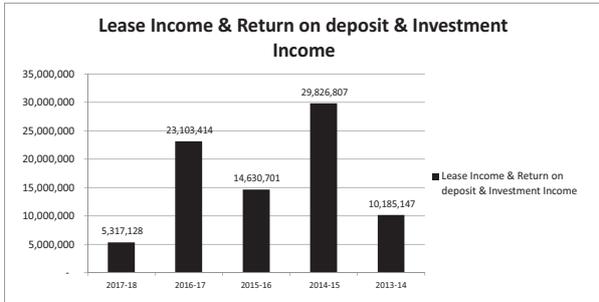
FIRST DAWOOD INVESTMENT BANK LIMITED

## FINANCIAL HIGHLIGHTS

	2017-18	2016-17	2015-16	2014-15	2013-14
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>PROFIT &amp; LOSS</b>					
Lease Income & Return on deposit & Investment	5,317,128	23,103,414	14,630,701	29,826,807	10,185,147
Financial Charges	3,347	692,443	19,442,685	45,527,817	49,475,853
Fee, commission, brokerage & others	688,682	3,630,537	15,308,090	10,407,622	11,136,459
Dividend & capital gain/(loss)	10,230,396	5,143,547	5,183,695	5,666,850	6,503,445
Total Income	16,236,206	31,877,498	35,122,486	45,901,279	27,825,051
Provisions / (Surplus) / Deficit	129,348,336	4,193,870	49,896,676	53,338,990	37,051,368
Operating expenses	39,216,290	39,216,290	41,055,839	41,845,235	66,022,591
Other operating charges	-	683,857	-	-	-
Operating profit/ (loss) before tax and provision	(21,229,880)	(8,031,235)	(25,376,038)	46,559,165	(103,857,361)
Profit (loss) after taxation	101,625,823	(284,639,004)	500,269,039	6,508,693	(140,945,055)
Profit(loss) before taxation	103,474,969	11,721,786	22,471,064	6,779,825	(140,908,729)
Dividends					
Bonus shares					-
<b>BALANCE SHEET</b>					
Shareholder's equity	497,979,226	409,453,132	676,063,032	182,027,449	55,600,305
Deficit I surplus on Revaluation of Investment	(4,601,740)	8,497,989	(9,531,115)	(3,297,659)	(6,982,479)
Certificate of Investment I Deposits	-	-	0	88,500,000	88,500,000
Borrowings from financial institutions	426,200,019	487,731,536	494,198,916	513,991,893	524,872,003
Net Investment In Lease Finances	17,389,608	94,436,806	120,689,574	149,053,882	130,891,719
Financing - net of Provision	198,784,579	214,001,950	120,433,313	167,366,944	199,739,885
Investment - net of provision	19,341,003	79,246,555	217,267,734	244,658,359	245,882,042
Total Assets	1,030,607,263	1,058,608,008	1,343,659,804	965,859,398	1,002,891,381
<b>FINANCIAL RATIOS</b>					
Gross spread ratio (%)	158762.50%	3236.51%	-34.49%	-79%	73.51%
Income / expense ratio (Times)	0.41	0.7853	0.5253	0.24091	0.16
Return on Average Equity (ROE) (%)	22.40%	-69.52%	7.15%	-253%	23.32%
Return on Average Assets (ROA) (%)	9.73%	-26.89%	1.35%	-14.05%	4.34%
Profit / (Loss) before tax ratio	6.37	0.37	0.15	-5.0641	-1.37
Total assets turnover ratio /Fixed assets turnover ratio (Times)	0.0003	0.0007	0.00	0.01	0.07
Price Earning ratio	5.25	1.67	20.00	(0.55)	4.92
Market Value per share	3.62	3.21	1.8	1.5	1.82
Earning per share (Rs.)	0.69	1.92	0.09	(2.71)	0.340
Book value per share (Rs.)	3.36	2.76	4.56	1.23	3.630
Employees remuneration (Rs. In Million)	19.94	24.14	25.8	32.190472	34.74
Government tax (Rs. In Million)	0.91	0.61	0.95	1.017	1.8
Number of employees	8	8	9	18	25



FIRST DAWOOD INVESTMENT BANK LIMITED





FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTICE OF 24<sup>th</sup> ANNUAL GENERAL MEETING (AGM XXIV)

Notice is hereby given that the AGM XXIV of First Dawood Investment Bank Limited will be held at its Registered Office, B.R.R. Tower, Hassan Ali Street, Off: I. I. Chundrigar Road, Karachi on Friday, October 26, 2018 at 11:30 a.m. to transact the following business:

### Ordinary Businesses

1. To confirm the minutes of XXIII Annual General Meeting held on October 27, 2017.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2018 together with Directors' and Auditors' Reports thereon.
3. To consider the appointment of External Auditors and to fix their remuneration for the financial year ending June 30, 2019.
4. Any other Business with the permission of the Chair.

October 02, 2018  
Karachi

By Order of the Board  
Syed Musharaf Ali  
CFO & Company Secretary

### Notes:

1. The share transfer books of the Company shall remain closed from October 19, 2018 to October 26, 2018 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi, if any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. No person other than a member shall act as proxy. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. **Un Claimed Bonus Shares**  
Shareholders who could not collect their bonus shares are advised to contact our share Registrar to collect / enquire about their unclaimed bonus shares, if any. In compliance with section 244 of the Companies Act 2017, after having the stipulated procedure, all such bonus shares outstanding for a period of three years or more from the date due shall be delivered to the SECP.
4. The CDC account holders will have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

### A. For Attending the Meeting:

- (i) In case of individuals, the account holders or sub- account holders and / or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their computerized National Identity Card (CNIC) or original passport at the time of attending.
- (ii) In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier)
- (iii) If the company receives consent from the members holding in aggregate at least 10% shareholding of total paid up capital residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the company will arrange facility of video-link in that city subject to availability of such facility in that city. To avail this facility, please provide the following information to our Registrar i.e. FD Registrar Services (SMC-Pvt.) Ltd.

(iv)

### CONSENT FOR VIDEO CONFERENCING FACILITY

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of First Dawood Investment Bank Limited, holder of \_\_\_\_\_ ordinary share(s) as per Registered Folio / CDC Account no. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

Signature of the Member(s)

### B. For Appointing Proxies:

- (i) In case of individuals, the account holders or sub-account holders and or / persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations, shall submit the proxy forms accordingly.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy forms.
- (iv) The proxy shall produce their original CNIC or original passport at the time of the meeting.
- (v) In respect of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting on behalf of entity.

Chairman of First Dawood Investment Bank Limited  
Mr. Christopher John Aitken Andrew





FIRST DAWOOD INVESTMENT BANK LIMITED

## Chairman Review Report

Dear Shareholders,

I hereby present the 24th Annual Accounts along with the audited financial statements of First Dawood Investment Bank Limited for the year ended June 30, 2018.

This year was again a challenging period for the country as well as for your company due to uncertain geo-political development resulting in economic woes. During the FY 2017-18, Pakistan's GDP has grown by 5.8%. This highest growth rate in a decade, was primarily driven by improved performances in large-scale Manufacturing and Agriculture sectors; which grew by 6% and 4% respectively. However, Pakistan's economy remained beset with multiple and significant challenges. However, CPEC is a great expectation for Pak economy and we hope that its benefit will properly be utilized over a long term.

In view of the aforementioned scenario prevailing in the country, your company's gross finance lease revenue during the year decreased to Rs. 2.33 million only. However, a net of reversal of provision against 'Non Performing Assets' amounted to Rs.58.66 million. Due to prevailing recessionary conditions in the country, the majority of company's debtors cannot manage their businesses' commitments; therefore the only ray of hope for the company is through the sale / adjustment of collateral and recovery from litigation. Nevertheless your company took aggressive measures to transform company's operations and today it is in a much better state. At the height of crisis; your company owed nearly Rs.10.0bn to various individuals, corporate, Provident Funds and financial institutions. Today, we are pleased to inform with a great relief that all individuals, Provident Funds, corporate deposits and banks loans have been fully repaid / settled and out of Rs.10.0bn only Rs.425.0M worth of liabilities are outstanding towards a 2-3 financial institutions.

The persistent fiscal deficit at 6.8% of GDP along with one of the lowest tax-to-GDP ratio of 12.4% among developing countries continues to be major growth impediments for the domestic economy. During FY 2017-18, fiscal revenue collection aggregated to Rs. 3,841 billion against a target of Rs. 3,935, billion. These collections also included contribution from income tax amnesty scheme yielding Rs. 90.0 billion. With regards to 'Non-Banking Finance Companies' (NBFC) sector, the hasty decisions of SECP (i.e. closure of market, Mufap pricing etc) of 2008-09 continue to haunt, but relaxation of license requirement is expected to pave a new road map in re-development of this sector. Earlier, the financial turmoil and liquidity crisis of 2008-09 had a devastating impact and it has taken your company almost a decade to successfully come out of it, since no external support was provided and / or acquired by your company.

It is encouraging and noteworthy that without any external assistance your company has been maintaining its liquidity and making payments to its creditors and meeting its administrative expenses. The management and the Board are confident that all these measures will translate into growth of your company. Whilst summing-up, it may be reiterated that despite extremely unfavourable economic & financial conditions, your company with the support of its Board, new management, its creditors / lenders and shareholders have so far been able to sustain its business during all these years. The company now looks forward to more promising business activities for the benefits of all stakeholders as soon as license has been renewed as per new regulation promulgated by SECP.

I would like to acknowledge and particularly thank our CEO, his executive leadership team and all the employees of FDIBL for their hard work, commitment. I am also grateful to our bankers, shareholders, the SECP, Pakistan Stock Exchange, and other regulators for their cooperation and support.

*Chairman*



FIRST DAWOOD INVESTMENT BANK LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company are pleased to present to you the 24th Annual Report annexed with Audited Financial Statements of the Company for the year ended June 30, 2018.

### Business Performance

During the year the company's results for 2018 reflect another year of sound performance that was enabled by aggressive strategy well executed by our management team in an environment where the banking industry facing economic turmoil. The management continued its recovery drive with assertiveness resulted after taking effect of provision made and reversal / recovery against already provided classified portfolio, the company earned before tax profit to Rs.103.475M, as opposed to a profit of Rs.11.722M last year. However, the net worth of your company has increased from Rs. 409.45M to Rs.497.98M due to reversal of provision and reversal of liability which is no longer payable, an amount equivalent to 20% of after tax has been transferred to statutory reserve.

The management of FDIBL is continuing its efforts for recoveries and focusing its priority on reduction in non-performing portfolio and managing cash reserve. Correspondingly, the costs are also being controlled and overhead are being restricted. For the same reasons, we have restructured the operations and finance departments to ensure that the costs do not exceed the expected benefits. The company loan portfolio is down to its most chronic market defaulters; henceforth 'Legal Department' are making concerted efforts to negotiate and to settle with these non-performing loans. We are pleased to inform that these efforts have already borne fruits, as some of these loans have been restructured and revenue stream has started flowing from these defaulters. It is expected that once all such accounts are regularised, it will enhance company's financial health and corresponding values.

### Financial Performance

Previous couple of years were not satisfactory for the NBFC Sector particularly for investment banks due to adverse market & economic conditions, political instability and overall law & order situation in the country. Majority of investment banks continue to face serious problems in terms of liquidity, profitability and viability. Earlier, the security and law & order issues were also hurting our recovery drive from lease / loan portfolio, but a positive change in law & order situation is expected to reap benefits in forthcoming years. Despite these socio-political challenges since 2008, your company is making progress in the right direction to keep FDIB afloat. Hence, the Company has been able to manage its business affairs only through its internal resources during all these 9-10 years without any external financial support or a bail-out package, which indeed is a big achievement on its own account.

	2018	2017
	Rupees	Rupees
Lease and financing (loss) / income <i>net of provision and impairment</i>	121,149,441	14,156,749
Return on deposits and investments	13,153,459	17,984,082
Other gain / (loss)	688,682	3,630,537
<b>Total (Loss) / Income</b>	<b>134,991,582</b>	<b>35,771,368</b>
Administrative and Operating Expenses	(37,462,739)	(39,216,290)
Finance cost	(3,347)	(692,443)
<b>Total Expenditure</b>	<b>97,525,496</b>	<b>39,764,956</b>
Share of (loss) / profit of associates	5,949,473	15,859,151
<b>(Loss) before Taxation</b>	<b>103,474,969</b>	<b>11,721,786</b>
<b>Taxation</b>	<b>(1,849,146)</b>	<b>(296,360,790)</b>
<b>(Loss) / Profit after Tax</b>	<b>101,625,823</b>	<b>(284,639,004)</b>
<b>(Loss) / Earnings Per Share – Basic</b>	<b>0.68</b>	<b>(1.92)</b>
<b>(Loss) / Earnings Per Share – Diluted</b>	<b>0.68</b>	<b>(1.92)</b>

### Future Outlook

During current year recovery of Rs.23.50 million has been made against non-performing lease and advances portfolio. Further recoveries are also expected from the existing portfolio, which will provide adequate cash flows for next 12-18 months. Hence, there are no issue of going concern for your company in the near future. The management is confident that it will continue to write back provisions as a result of expected recoveries which will not only result in better cash flows, but will also enhance profitability and the net worth of your company. The departments have been restructured and rationalized / right sized to reduce the payroll cost and overhead expenses. The proposed reduction in financing cost through restructuring / settlements with the lenders will assist in further reducing the losses and improving the equity. The company has applied for renewal of its license and decision is pending with Appellate bench. The renewal of license will make the Company attractive



**FIRST DAWOOD INVESTMENT BANK LIMITED**

for equity participation / merger along and / or with an opportunity for the existing shareholders to inject additional equity. The management is confident that the Company will be able to resume its operations upon renewal of licences and to take advantage of deferred tax by writing new lease facilities.

**Internal Control and Audit Function**

The company is confident that it will be meeting the set goals and objectives as set in business plan. The said updated business plan involved certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The system of internal control is sound in design and has been effectively implemented and monitored. Further, to monitor and support the Board your company has outsourced the Internal Audit function to J.A.S.B & Associates Chartered Accountants, which directly reports to the Audit Committee.

**Accounting Policies & Estimates**

Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards, as stated in Note 3 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.

**External Auditors**

The Auditors Haroon Zakaria & Company -Chartered Accountants have retired and being eligible offered themselves for reappointment.

**Related Party Transaction**

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

**Statement of Corporate Governance**

Your Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2018. The external auditors review report on the statement of compliance with the Code of Corporate Governance is annexed with this report. As per directives of SECP and Pakistan Stock Exchange, the Directors hereby confirm the following as required by clause (xvi) of the code:

- a. The financial statements, prepared by the management of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- b. Proper books of account of the listed company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained;
- e. The system of internal control is sound in design and has been effectively implemented and monitored; and

**Significant deviations in operating results**

The significant deviations in operating results of the Company were mainly due to the fact that during the current year the company made net reversal of provisions on Non Performing Assets (NPAs) amounting to Rs.58.66 million This was mainly due to settlement / restructuring of outstanding liabilities.

The company has managed to reduce its administrative expenses by 4.47% i.e. from Rs. 39.216 million to Rs. 37.462 million last year despite the prevailing inflationary trend.

**Key Financial Highlights**

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

**Dividend**

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



FIRST DAWOOD INVESTMENT BANK LIMITED

**Taxes, duties, levies and charges**

There are no outstanding taxes, duties, levies and charges other than disclosed in the financial statements. Further, in-house taxation department is accessing the applicability of sales tax on services and revising procedures in light of changes in tax regulations.

**Provident Fund**

The Company and its employees contribute equally in a Registered Funded Provident Fund (the Fund) for its employees. The net assets of the Fund as per the unaudited financial statement for the year ended June 30, 2018 stood at Rs. 125.99 million.

**Meeting of the Board & its Committees**

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

**Board Meetings**

S. No	Name	Designation	Entitlement to Attend Meeting	Meetings Attended	Leave of Absences
1	Mr. Christopher John Aitken Andrew	Chairman	2	2	-
2	Mr. Rafique Dawood	Director & CEO	4	4	-
3	Mr. Abu Khursheed M. Ariff	Director	4	4	-
4	Mr. Asad Hussain Bokhari	Director	4	4	-
5	Mr. Khurshid Abul Khair	Director	4	4	-
6	Mr. Syed Iqbal Hussain Rizvi	Director	2	1	-
7	Mr. Muhammad Saeed	Director	2	1	-

**Audit Committee Meetings**

S. No	Name	Designation	Entitlement to Attend Meeting	Meetings Attended	Leave of Absences
1	Mr. Asad Hussain Bokhari	Chairman	4	4	-
2	Mr. Khurshid A. Khair	Member	4	4	-
3	Mr. Abu Khursheed M. Ariff	Member	4	4	-

**Human Resources & Remuneration Committee Meetings**

S. No	Name	Designation	Entitlement to Attend Meeting	Meetings Attended	Leave of Absences
1	Mr. Khurshid A. Khair	Chairman	1	1	-
2	Mr. Asad Hussain Bokhari	Member	1	1	-
3	Mr. Abu Khursheed M. Ariff	Member	1	1	-

Leave of absence was granted in case the Directors were not able to attend the meetings.



FIRST DAWOOD INVESTMENT BANK LIMITED

### Directors Training Programme

The Chief Executive Officer, Mr. Rafique Dawood is exempt to attend the directors training course as he meet the criterion laid in proviso of Clause-xi of the Code of Corporate Governance.

### Pattern of Share holding

The pattern of shareholding and additional information regarding pattern of shareholding is annexed on page 71 of the Annual Report.

### Auditor's Report

The Auditors have given their opinion on the financial statements of the company for the year ended June 30, 2018, wherein they have expressed their opinion on (a) Deferred Tax Asset amounting Rs.397.339 million Further, they draw attention to following matters (i) licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008 from the Securities and Exchange Commission of Pakistan (SECP) has been expired and awaiting renewal. (ii) appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 is currently pending at the Hon' able High Court of Sindh. (iii) note 1.10 & 11.4 of the financial statements discloses that the Company is not in compliance with certain requirements of NBFC Regulations. (iv) Company has received assessment order from Sindh Revenue Board (SRB) against which the company has reconciled their records of last six years and made payment of Sindh Sales Tax to SRB. (v) note 32.1 to the financial statements which describes the litigation with HBFC over the settlement amount of liabilities due to different cost of funds as determined by SBP and JCR-VIS.

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

- a. With regards to Deferred Tax, the Company had engaged an independent firm of Chartered Accountants for the preparation of financial projections based on which the deferred tax asset has been recognised. The business plan involved certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. However it is expected that there will be no material change in the projections and the Company will be able to generate profits as per the Business Plan which would then be utilized to set-off the deferred tax Asset, once the license is renewed. Consequently, the deferred tax asset accounted for in the financial statements will be fully realized in the future.
- (i) The appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations is pending at the High Court.
- (ii) The Company is compliant with Minimum Equity Requirement (MER) since December 2017 and has applied for renewal of Investment Finance Services License to SECP and the matter is pending with Appellate bench of SECP.
- (iii) A single party exposure is exceeding the 20% of equity of the company and the same amount is under litigation. In this current financial year the company had offloaded the 53% shares of associated company and company endeavour to reduce the investment in associate as per the limit defined in NBFC Regulations.
- (iv) The company has reconciled the six years record with SRB and make payment of SST to SRB in order to dispose of the proceeding.
- (v) The DFI shared a 'cost of fund' inclusive of; Administrative & Provision costs (in addition to cost of funds). In view of the above, the company took assistance of the report of Rating Agency for 'cost of fund' and structured the 'Schedule of Repayment'. The DFI accepted the first cheque, which triggered the repayment schedule, as per the offer. Thereafter 12-installments were duly paid by the company i.e. from April 2016 until March 2017, after settling the value of securities that were not released.

### Trading / Dealing in Company Shares

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

### Post Balance Sheet Events

There has been no occurrence of significant events between the financial year ends June 30, 2018 of the company to date.



FIRST DAWOOD INVESTMENT BANK LIMITED

**Acknowledgement**

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

Director

Director



FIRST DAWOOD INVESTMENT BANK LIMITED

- ۴۔ ادارے نے SRB سے مشاورت کے بعد سٹریٹجی کی ادا کی گئی ہے۔
- ۵۔ ڈی ایف آئی نے قرضے پر سود کی شرح میں انتظامی اخراجات اور دوسرے اخراجات کو شامل کیا ہے۔ اس کو مل نظر رکھتے ہوئے ادارے نے ایک مستند ریٹنگ ایجنسی کی رپورٹ مدد لی۔ جس کے تحت ادارے نے قرضے کی 12 قسطیں ادا کیں۔ ان اثاثوں کی مالیت شامل ہے جو نظر ہائی کورٹ کے پاس ہیں۔

### کمپنی کے شیئرز میں ٹریڈنگ / ڈیکنگ:

سال بھر کے دوران ڈائریکٹرز ای او سی ایف او، انٹرنل آڈیٹر، دیگر ملازمین اور اہل خانہ میں سے کسی بھی کمپنی کے شیئرز کے حوالے سے کوئی لین دین نہیں کیا۔

بیلنس شیٹ کے اجرا کے بعد ایسا کوئی بھی مالیاتی لین دین یا کوئی اور واقعہ رونما نہیں ہوا جسے بیلنس شیٹ میں شامل کرنا ضروری سمجھا جائے۔

### اظہار تشکر:

بورڈ آف ڈائریکٹرز مشکلات حالات میں بھی پوری محنت لگن اور عزم کے ساتھ کام کرنے پر انتظامیہ سمیت ملازمین کی خدمات کو قدر کی نگاہ سے دیکھتا ہے۔ شدید بحرائی کیفیت میں ادارے کو مالی اعتبار سے مستحکم رکھنے میں انتظامیہ نے قابل رشک کردار ادا کیا۔ ہم ادارے پر پورا اعتبار کا اظہار کرنے پر اپنے معزز کرم فرماؤں، بینکرز، ایکسٹرنل آڈیٹرز، برنس پارٹنر اور اسٹیک ہولڈرز اور شیئرز ہولڈرز کے بھی شکر گزار ہیں۔

ایف ڈی بی کو مشکلات سے بہتر طور پر نبرد آزما ہونے کے قابل بنانے میں بروقت رہنما کردار ادا کرنے پر ہم اپنے (ریاستی ویکو لیٹر) ایس ای سی پی کے بھی احسان مند ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

ڈائریکٹر

ڈائریکٹر



FIRST DAWOOD INVESTMENT BANK LIMITED

## انسانی وسائل اور مشاہرتی کمیٹی میٹنگز:

سیریل نمبر	نام	عہدہ	میٹنگ آئینڈ کرنے کی اہلیت	حاضری	تغییل
1	جناب خورشید ابوالخیر	چیئر مین	1	1	-
2	جناب اسد حسین بخاری	رکن	1	1	-
3	جناب ابو خورشید عارف	رکن	1	1	-

## ڈائریکٹرز ٹریننگ پروگرام:

چیف ایگزیکٹو آفیسر رفیق داؤد تربیت سے مستثنیٰ ہیں کیونکہ کوڈ آف کارپوریٹ گورننس کی شیق xi کے تحت وہ مطلوبہ پروگرام پر پورے اترتے ہیں۔

## پیٹرن آف شیئر ہولڈنگ:

پیٹرن آف شیئر ہولڈنگ اور اس سے متعلق اضافی معلومات مالیاتی گوشواروں سے منسلک صفحہ نمبر 71 پر دی گئی ہیں۔

## آڈیٹرز رپورٹ:

آڈیٹرز نے 30 جون 2018ء کو ختم ہونے والے مالی سال کے حوالے سے رپورٹ میں درج ذیل داغے دی ہیں۔

(a) ڈیفیڈنسیس 397.339 ملین روپے ہے۔

- 1- کاروباری اجازت نامہ NBFC Regulation کے تحت مبعاد ختم ہونے کے بعد تجدیدی مراحل میں ہے۔
- 2- نوٹ نمبر 1.10 اور 11.4 کے مطابق کمپنی نے بعض امور میں این بی ایف سی کے بعض ریگولیشنز پر مکمل عمل نہیں کیا اور ڈیٹ سیکیورٹیز ریگولیشنز 2012 کے ریگولیشن (2) 6 سے مطابقت پیدا نہیں کی۔
- 3- ٹرٹی کاروبار کے اجازت نامہ کی درخواست ہائی کورٹ میں زیر التواء ہے۔
- 4- ادارے کو SRB سے Notice موصول ہوا جس میں سٹیزنگس کی ادائیگی کا کیا گیا ہے
- 5- آڈیٹرز کی رپورٹ پر کمپنی کی آزریشن درج ذیل ہے  
نوٹ 32.1 کے مطابق ادارے اور HBFC کے درمیان طریقہ ادائیگی کا معاملہ ہائی کورٹ میں زیر سماعت ہے۔

(b) ڈیفیڈنسیس کی مناسبت سے بزنس پلان ترتیب دینے کیلئے ادارے نے ایک چارٹرڈ اکاؤنٹنٹس فرم کی خدمات حاصل کی تاکہ مستقبل میں ٹیکس ایبل پروفٹ کا اندازہ لگایا جاسکے۔ یہ بزنس پلان ادارے کی حکمت عملی کے مطابق ہے اور امید ہے کہ سب کچھ اس پلان کے مطابق درست انداز سے طے پاتا جائے گا اور ادارہ ہر امید کہ اس کا کاروباری اجازت نامہ مل جائے گا۔

- 1- ٹرٹی کاروبار کے اجازت نامہ کی درخواست ہائی کورٹ میں زیر التواء ہے اور ادارہ اس کے لئے بہت ہر امید ہے۔
- 2- ادارہ دسمبر 2017ء سے کم از کم ایکویٹی کی مبعاد پورا کرتا ہے اور کاروباری لائسنس کا اجازت نامہ کی درخواست SECP اپیلیٹ ٹینج میں داخل کی گئی ہے۔
- 3- صرف ایک کسٹمر کی مالیاتی 20% سے تجاوز کرتی ہے اور قرض کی واپسی کا معاملہ کورٹ میں زیر سماعت ہے اس مالیاتی سال میں ادارے نے 53% انویسٹمنٹ میں کمی کی ہے۔ اپنی ایسوسی ایٹ کمپنی میں اور مزید NBFC Regulation پر پورا کرنے کیلئے کوشاں ہے۔



FIRST DAWOOD INVESTMENT BANK LIMITED

## آپریٹنگ نتائج میں اہم تبدیلیاں:

ادارے نے گزرے ہوئے سال میں نان پرفارمنگ اسٹیٹس 58.66 ملین روپے کی کمی واقع ہوئی ہے۔ جس کے لئے مختص رقم کمپنی نے انتظامی اخراجات میں نمایاں کمی واقع ہوئی جو پچھلے سال 39.22 ملین روپے کے تناسب میں اس سال 37.46 ملین روپے ہے۔ واجبات کی سیٹلمنٹ اور ری اسٹرکچرنگ کیلئے بھی بات چیت کی گئی۔

## اہم مالیاتی امور:

- ۱- ڈویڈنڈ (مقنوم): ادارے کی مالی حالات دیکھتے ہوئے بورڈ آف گورنرز نے طے کیا ہے کہ ڈویڈنڈ یا بونس شیئرز کے اجرا کا اعلان نہ کیا جائے۔
- ۲- ٹیکس، ڈیوٹی، چارجز: مالیاتی گوشواروں میں بیان کردہ رقم کے سوا کوئی بھی رقم ادارے پر واجب الادا نہیں۔ ادارے کا ٹیکس ڈپارٹمنٹ خدمات پریسز ٹیکس عائد کرنے اور ٹیکس ریکیولیشنز میں تبدیلیوں کا جائزہ لے رہا ہے۔
- ۳- پراویڈنٹ فنڈ: ملازمین کیلئے ادارے نے پراویڈنٹ فنڈ کا اہتمام کر رکھا ہے۔ اس مدت میں 30 جون 2018ء کے مطابق 125.99 ملین روپے موجود تھے۔
- ۴- بورڈ آف ڈائریکٹرز اور کمیٹی کی میٹنگ: سال بھر میں بورڈ آف ڈائریکٹرز اور کمیٹی کی میٹنگز کی حاضری حسب ذیل رہی:

## ڈائریکٹرز کی میٹنگز:

سیریل نمبر	نام	عہدہ	میٹنگ اٹیڈ کرنے کی اہلیت	حاضری	تعطیل
1	جناب کرسٹوفر جان اتھین اینڈریو	چیئر مین	2	2	-
2	جناب رفیق داؤد	ڈائریکٹر ای ای او	4	4	-
3	جناب ابو خورشید عارف	ڈائریکٹر	4	4	-
4	جناب اسد حسین بخاری	ڈائریکٹر	4	4	-
5	جناب خورشید ابوالخیر	ڈائریکٹر	4	4	-
6	جناب سید اقبال حسین رضوی	ڈائریکٹر	2	1	-
7	جناب محمد سعید	ڈائریکٹر	2	1	-

## آڈٹ کمیٹی کی میٹنگز:

سیریل نمبر	نام	عہدہ	میٹنگ اٹیڈ کرنے کی اہلیت	حاضری	تعطیل
1	جناب اسد حسین بخاری	چیئر مین	4	4	-
2	جناب خورشید ابوالخیر	رکن	4	4	-
3	جناب ابو خورشید عارف	رکن	4	4	-



FIRST DAWOOD INVESTMENT BANK LIMITED

## مستقبل کے امکانات:

ناپ فارمنگٹونز اور ایڈوانسز پورٹفولیو کی مدد میں 23.50 ملین روپے کی ریکوری ہوئی۔ مزید اکاؤنٹس سے بھی جلد ریکوری کی امید ہے۔ اب بارہ سے اٹھارہ تک کیش فلو کا مسئلہ پیدا نہ ہونے کی امید ہے۔ مستقبل قریب میں پریشانی کو کوئی بات نہیں ہوگی۔ ریکوری کی صورت میں کیش فلو ہی بہتر نہ ہوگا بلکہ منافع کی صلاحیت بھی بہتر ہوگی اور ادارے کی مجموعی قدر و قیمت میں اضافہ ہوگا۔

ایف ڈی آئی بی نے مختلف شعبوں کی ساخت تبدیل کر کے پے رول کو کنٹرول کرنے کی کوشش کی ہے۔ اخراجات میں بھی کمی کی راہ ہموار کی گئی تاکہ منافع کمانے کی صلاحیت بہتر اور ایکویٹی کا گراف بلند ہو۔ اس صورت میں ادارے کی ایکویٹی میں شراکت کے حوالے سے بیرونی شخصیات یا ادارے بھی دلچسپی ظاہر کر سکتے ہیں اور شیئرز ہولڈرز کو بھی ادارے کے ساتھ مزید اشتراک عمل تحریک ملے گی کہ لائسنس کی بحالی کے بعد ڈیفریڈیکس کی مدد سے ادارہ نئی لیز دینے کی پوزیشن میں آجائے گا۔

## اندرونی کنٹرول اور آڈٹ:

ادارے کو پورا اعتماد ہے کہ بیج سالہ منصوبے کے مطابق تمام نتائج حاصل کرنے جائیں گے۔ بزنس پلان میں مستقبل کیلئے ٹیکس ایبل پروفٹس اور نئی ایکویٹی بھی شامل ہے۔ انٹرنل کنٹرول معیاری ہے۔ نگرانی کا نظام جامع ہے۔ اس نتیجے میں معاملات بہتری کے ساتھ نمٹائے جا رہے ہیں۔ انٹرنل آڈٹ کیلئے جے اے ایس بی ایسوی ایٹس چارٹرڈ اکاؤنٹنٹس کی خدمات حاصل کی گئی ہیں۔ یہ کمپنی آڈٹ کمپنی کو براہ راست رپورٹ کرے گی۔

## اکاؤنٹنگ پالیسیز اور تخمینے

ایف ڈی آئی بی نے تمام ٹرانزیکشنز کا درست ترین ریکارڈ دیکھنے کیلئے عالمی سطح پر تسلیم شدہ اصولوں کے تحت اکاؤنٹنگ پریسیجرز اپنائے ہیں۔ مالیاتی گوشواروں کے نوٹ نمبر 3 میں صراحت کی گئی ہے۔ اکاؤنٹنگ کے تمام تخمینے معقول اور دانشمندانہ فیصلے کی روشنی میں تیار کئے گئے ہیں۔

## ایکسٹرنل آڈیٹرز:

آڈیٹرز ہارون کریا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس سے معاہدے کی معیاد ختم ہو چکی ہے انہوں نے دوبارہ تقرر کیلئے درخواست کی ہے۔

## ریلیٹیو پارٹی ٹرانزیکشن:

تمام ریلیٹیو پارٹی انزیکشنز آڈٹ کمپنی کے سامنے کئے جاتے ہیں اور اس کے بعد وہ کمپنی کی تباہی کے ساتھ بورڈ آف ڈائریکٹرز کے سامنے نظر ثانی اور منظوری کیلئے پیش کئے جاتے ہیں۔

## کارپوریٹ گورننس:

30 جون 2018ء کو ختم ہونے والے سال کیلئے طے شدہ کوڈ آف کارپوریٹ گورننس پر پورے عمل کیا گیا ہے اس حوالے سے آڈیٹرز کی رپورٹ منسلک ہے۔ ایس ای سی پی اور کراچی اسٹاک ایکسچینج کی ہدایات کے مطابق درج ذیل امور کو یقینی بنانے کی کوشش کی گئی ہے۔

- ۱- تمام مالیاتی گوشوارے ادارے کی درست پوزیشن ظاہر کریں۔
- ۲- تمام مالیاتی کتب بہترین معیار اپ ڈیٹڈ رکھی جائیں۔
- ۳- موزوں اور متعلقہ اکاؤنٹنگ پریکٹس اور طریقہ کار اپنایا جائے۔
- ۴- انٹرنیشنل فنانسشل رپورٹنگ اسٹینڈرڈز اپنائے جائیں اور اگر کہیں نہ اپنائے جائیں تو تصریح کردی جائے۔
- ۵- انٹرنل کنٹرول کا معیاری نظام اپنایا گیا ہے اس حوالے سے موثر نگرانی کا نظام بھی موجود ہے۔



FIRST DAWOOD INVESTMENT BANK LIMITED

## ڈائریکٹرز کی رپورٹ:

ہم تمام ڈائریکٹرز 30 جون 2018ء کو ختم ہونے والے مالی سال کیلئے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

## ادارے کی کارکردگی:

گزرے ہوئے سال کے دوران کمپنی کے 2018ء کے نتائج اس بات کی عکاسی کرتا ہے کہ ہماری انتظامیہ کی انتھک محنت اور کاوشوں اور حاضر کے ترجیحات جو کہ بینکنگ کو درپیش ہے بڑی کامیابی سے اس سے بڑا ڈیما ہونے ہیں۔ کمپنی انتظامیہ کی تسلسل سے ریکوری کی کامیاب کاوشوں کے نتیجے میں منافع قبل از ٹیکس 103.475 ملین روپے اس کی نسبت پچھلے سال کا منافع 11.722 ملین روپے ہے۔ جبکہ کمپنی کی حقیقی مالیت میں اضافہ ہوا جو کہ 409.45 ملین روپے سے 437.98 ملین روپے ہو گئی ہے جس کی وجہ سے شدہ مارک اپ اور پروویژن کا واپس ہونا ہے۔

ایف ڈی آئی بی کی توجہ غیر منافع بخش سرگرمیوں سے دور رہنے اور کیش فلو یقینی بنانے پر مرکوز رہی ہے۔ لاگت کم سے کم سطح پر رکھنے کے ساتھ ساتھ اور بہتر اخراجات کو بھی قانع میں رکھنے پر خاص توجہ دی جاتی رہی ہے۔ کمپنی کالون پورٹ فوئیو بھی متاثر ہوا۔ مارکیٹ کے کروٹ ڈیفالٹرز سے ہمارے لیگل ڈپازٹمنٹ نے بات کی تاکہ نان پر فارمنگ لونز کی بہتر سٹیٹمنٹ ہو سکے۔ اس حوالے سے کی جانب والی کوششیں مجموعی طور پر خاص کارگر اور سود مند ثابت ہوئی ہیں۔ چند ایک کیسز میں سٹیٹمنٹ یقینی بنائی جاسکی اور اب ریکوری ہو رہی ہے۔ اُمید ہے کہ دیگر تمام اکاؤنٹس بھی جلد ہی سیٹل کر لئے جائیں گے اور ادارے کی منافع کمانے کی صلاحیت میں غیر معمولی اضافہ ممکن بنایا جاسکے گا۔

## مالیاتی کارکردگی:

NBFC سیکٹر خاص طور پر انوسٹیمنٹ بینک کیلئے پچھلے کئی سال غیر تسلی بخش پائے گئے ہیں۔ جسکی وجہ خراب تجارتی و معاشی حالات، غیر یقینی سیاسی صورتحال اور ملک کے امن و امان کی بگڑتی ہوئی صورتحال ہے۔ اکثر انوسٹیمنٹ بینک مسلسل مالیاتی بحران کا شکار ہیں۔ امن و امان کا مسئلہ درپیش ہونے سے کاروباری شو بہ شدت مشکلات سے دوچار تھا۔ اب خبر سے سیکورٹی کی صورت حال بہتر ہے۔ اس سے انڈسٹری کو بہتر کارکردگی دکھانے کا موقع ملا ہے۔ 2008ء کے بحران کے باوجود ادارے کی کارکردگی اچھی رہی۔ ایف ڈی آئی بی مارکیٹ میں پورے دمٹم کے ساتھ موجود ہے۔ ان آٹھ نو برس میں ادارے نے بیرونی مالیاتی امداد لینے سے گریز کیا جو اس کے اعتماد کو ظاہر کرتا ہے۔

## مالیاتی گوشوارے:

	2018	2017
	Rupees	Rupees
Lease and financing (loss) / income net of provision and impairment	121,149,441	14,156,749
Return on deposits and investments	13,153,459	17,984,082
Other gain / (loss)	688,682	3,630,537
<b>Total (Loss) / Income</b>	<b>134,991,582</b>	<b>35,771,368</b>
Administrative and Operating Expenses	(37,462,739)	(39,216,290)
Finance cost	(3,347)	(692,443)
<b>Total Expenditure</b>	<b>97,525,496</b>	<b>39,764,956</b>
Share of (loss) / profit of associates	5,949,473	15,859,151
<b>(Loss) before Taxation</b>	<b>103,474,969</b>	<b>11,721,786</b>
Taxation	(1,849,146)	(296,360,790)
<b>(Loss) / Profit after Tax</b>	<b>101,625,823</b>	<b>(284,639,004)</b>
<b>(Loss) / Earnings Per Share – Basic</b>	<b>0.68</b>	<b>(1.92)</b>
<b>(Loss) / Earnings Per Share – Diluted</b>	<b>0.68</b>	<b>(1.92)</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of the company: FIRST DAWOOD INVESTMENT BANK LIMITED  
YEAR ENDED: 30 JUNE 2018

1. The total number of directors are 7 as per the following:
  - a. Male: 7
  - b. Female: Exempted for current term

2. The composition of the board is as follows:

Category	Names
Independent Director	Mr. Khurshid Abul Khair Mr. Abu Khursheed Muhammad Ariff
Executive Director	Mr. Rafique Dawood
Non – Executive Directors	Mr. Asad Hussain Bokhari Mr. Christopher John Aitken Andrew Mr. Syed Iqbal Hussain Rizvi Mr. Muhammad Saeed

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. Certain noncompliance of the NBFC Regulation are identified which are disclosed appropriately in the financial statements.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The directors of the Company are experienced and seasoned corporate professionals and are well-versed with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Chief Executive Officer as a Director in the Board is exempted from the Directors Training Program in accordance with the criteria specified in Clause (xi) of the Code, The remaining directors will acquire the required director's training certification in forthcoming financial year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.



FIRST DAWOOD INVESTMENT BANK LIMITED

12. The board has formed following mandatory committees comprising of members given below:

**AUDIT COMMITTEE**

Mr. Asad Hussain Bukhari	Chairman
Mr. Khursheed A. Khair	Member
Mr. Abu Khursheed M. Arif	Member

**HUMAN RESOURCE AND REMUNERATION COMMITTEE**

Mr. Khursheed A. Khair	Chairman
Mr. Asad Hussain Bukhari	Member
Mr. Abu Khursheed M. Arif	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of the meetings (quarterly/half yearly/yearly) of the committee were as per following:
- |                                  |                                        |
|----------------------------------|----------------------------------------|
| a) Audit Committee               | 04 meeting were held during FY 2017-18 |
| b) HR and Remuneration Committee | 01 meeting was held during FY 2017-18  |
15. One casual vacancy occurred in the Board during the year which was filled by the Directors as under;
- Mr. Ayaz Dawood representing BRR Investments (Pvt.) Ltd. resigned as director on October 09, 2017 and Mr. Syed Iqbal Hussain Rizvi was nominated by BRR Investments (Pvt.) Ltd and after obtaining approval of SECP, he was appointed as Director on December 29, 2017.
16. During the year Mr. Abu Khursheed M. Arif has resigned from Chief Executive Officer effective September 27, 2017 and Mr. Rafique Dawood appointed as Chief Executive Officer effective September 27, 2017, subsequently SECP approval granted on December 29, 2017.
17. During the Year Mr. Sadam Hussain Channa appointed as Head of Internal Audit effective August 1, 2017, subsequently, Mr. Sohail Ahmed appointed as Head of Internal Audit effective April 30, 2018 in place of Mr. Sadam Hussain Channa.
18. The Board has outsourced the internal audit function to a firm of Chartered Accountant (J.A.S.B Associate Chartered Accountant) who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. Presently, the Head of Internal Audit to act as coordinator between the Firm and the Board.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight BOD of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other requirements of the Regulations have been complied with.

\_\_\_\_\_  
Chairman



FIRST DAWOOD INVESTMENT BANK LIMITED

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of First Dawood Investment Bank

**Review Report on the Statement of Compliance contained in listed companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **First Dawood Investment Bank** for the year ended June 30, 2018 in accordance with the requirement of regulation 40 of the Regulation.

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

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

The Regulation require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the Related party transaction by the board of directors upon recommendations of the Audit committee. We have not carried out procedures to assess and determine the company's process for identification of the related party and that whether the related party transactions 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below instance of non-compliance with the requirements of the Regulations as reflected in the note reference where it is stated in the Statement of Compliance:

Note Reference	Description
4	Management Company could not comply with the corporate and financial reporting requirements of the regulation 17(1), 17(2) and 19(g) of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**Reanda Haroon Zakaria & Company**  
Chartered Accountants

**Place: Karachi**  
**Date: 01 October, 2018**



FIRST DAWOOD INVESTMENT BANK LIMITED

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FIRST DAWOOD INVESTMENT BANK LIMITED  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Qualified Opinion**

We have audited the annexed financial statements of **First Dawood Investment Bank Limited** which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the basis for qualified opinion section of our report the statement of financial position, statement of profit or loss, other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Qualified Opinion**

As at June 30, 2018, the Company has recognized deferred tax asset of Rs.397.34 million in respect of carry forward of unused tax losses and provisions that result in deductible temporary differences. As stated in note 14 to the financial statements, assessment for recoverability of the said deferred tax asset on the basis of projections for future taxable income taking into account various assumptions regarding future business prospects and conditions has been carried out by the management. However, we could not substantiate deferred tax assets and relevant projections realization of which is dependent on renewal of license and availability of taxable profit which are uncertain.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



FIRST DAWOOD INVESTMENT BANK LIMITED

### **Material Uncertainty Relating to Going Concern**

We draw attention to note 1.3 to the financial statements describes that the Company is facing financial problems, its accumulated losses as at June 30, 2018 are in the tune of Rs.1,436.745 million, and as of that date, the Company's current liabilities exceed its current assets by Rs. 66.05 million and its licenses to carry out business are not renewed. These conditions along with other matters as stated in note 1.3 and contingencies identified in note 35.1 to note 35.7 indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and accordingly Company may not be able to realize its assets and discharge its liabilities at stated amount. Our opinion is not qualified in this respect.

The material uncertainty identified above does not indicate that the going concern basis of accounting is inappropriate. The Company's financial statements have been prepared using the going concern basis of accounting. The use of the going concern basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Company's financial statements is appropriate.

### **Emphasis of Matter(s)**

- (i) We draw attention to note 1.1 to the financial statements which state that licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008 from the Securities and Exchange Commission of Pakistan (SECP) has been expired and awaiting renewal.
- (ii) Further, we draw attention to note 1.2 to the financial statements which state that appeal for renewal of registration as Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 is currently pending at the Hon' able High Court of Sindh.
- (iii) Further, we draw attention to note 1.10 & 11.4 of the financial statements discloses that the Company is not in compliance with certain requirements of NBFC Regulations.
- (iv) Further we draw attention to note 35.6 of the financial statements which state that the company has received assessment order from Sindh Revenue Board (SRB) against which the company has reconciled their records of last six years and made payment of Sindh Sales Tax to SRB of Rs.2.732 million against demand of Rs. 14.735 million to dispose of the proceeding. Company expect that no further demand will be arisen.
- (v) Further we draw attention to note 32.1 to the financial statements which describes the litigation with HBFC over the settlement amount of liabilities due to different cost of funds as determined by SBP and JCR-VIS.

Our opinion is not qualified in respect of above matters.

### **Key Audit Matter(s)**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



FIRST DAWOOD INVESTMENT BANK LIMITED

Following are the Key audit matter(s):

S. No.	Key audit matter(s)	How the matter was addressed in our audit
	<p><b>1) Preparation of financial statement under Companies Act, 2017</b></p> <p>The Companies Act 2017 (the Act) became applicable from financial year ended 30 June 2018 and affects the presentation of disclosures in the financial statements – Refer Note 3.1.</p>	<p>We obtained necessary information from management for completeness of disclosures and evaluate the appropriateness of such information by cross checking it with relevant audit evidences.</p> <p>Evaluating the results of management’s analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the fourth schedules to the companies Act, 2017 and our understanding of the Company’s operations and business.</p> <p>Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.</p>
	<p><b>2) Regulatory Provisions against non-performing Assets</b></p> <p>Refer to Note # 10, 12 and 17 to the Financial Statements; management has made provisions for the non-performing finance leases, long term finances and Placements and Finances in accordance with NBFC and Notified Entities Regulations 2008 that require significant judgments including estimates of Forced Sale Value of assets held as collateral.</p>	<p>Our key audit procedures with respect to provision against non-performing assets include</p> <p>We assessed whether all assets are classified appropriately among regular, sub-standard, doubtful and loss category based on period since which they are outstanding.</p> <p>For non-performing receivables eligible for Forced Sale Value benefit, we evaluated whether valuation reports are available and valid.</p> <p>We examined that wether FSV benefit are restricted to lower of new and old valuation report, where applicable, as provided by</p>



FIRST DAWOOD INVESTMENT BANK LIMITED

S. No.	Key audit matter(s)	How the matter was addressed in our audit
		<p>Independent valuer listed on panel of approved valuers by Pakistan Banks' Association.</p> <p>We examined that reversal of provision has been made as per specified condition in the NBFC and Notified Entities Regulations 2008.</p> <p>We inspected mortgage deeds to substantiate existence of leased assets held as collateral.</p>
	<p><b>3) Company's Exposure to litigation risk</b></p> <p>Refer to note 35, Company is exposed to litigations and claims that has been filed against the Company during the last many years, there is significant judgment involved regarding the outcome of these litigations.</p>	<p>Our audit procedures included the following:</p> <p>Obtaining understanding of the Company's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Board Audit Committee.</p> <p>Discuss the legal matters with Inhouse legal personnel.</p> <p>Examine the litigation report generated by the Management.</p> <p>Reading correspondence between Company and Regulatory Authority.</p> <p>Circularising external confirmations, where appropriate, on material cases and assessing the replies received thereto.</p> <p>Whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed financial statements.</p> <p>Review the website of High Court of Sindh to cross check the pending cases with the record of the Company.</p>



FIRST DAWOOD INVESTMENT BANK LIMITED

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



FIRST DAWOOD INVESTMENT BANK LIMITED

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) Except for the possible effects of the matter described in basis for qualified opinion paragraph proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) Except for the possible effects of the matter described in basis for qualified opinion paragraph the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is **Farhan Ahmed Memon**.

**Reanda Haroon Zakaria & Company**  
**Chartered Accountants**

**Place:** Karachi

**Dated:** 01 October, 2018



FIRST DAWOOD INVESTMENT BANK LIMITED

**STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018**

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Property and equipment	7	338,835	730,135
Intangibles assets	8	883,528	983,578
Investment properties	9	62,805,000	27,070,000
Net investment in finance lease	10	17,389,608	-
Long term investments	11	151,914,281	203,180,826
Long term finances	12	-	-
Long term deposits	13	2,500,000	4,139,822
Deferred tax asset - net	14	397,338,572	381,210,328
		<b>633,169,824</b>	<b>617,314,689</b>
<b>Current Assets</b>			
Current & overdue portion of non-current assets	15	198,784,579	171,976,537
Short term investments	16	19,341,003	79,246,555
Placements and finances	17	39,025,413	42,025,413
Assets classified as held for sale	18	-	93,295,960
Investment held with Nazir SHC	19	42,377,778	-
Advance against lease commitments	20	-	-
Loans and advances	21	1,320,036	2,469,419
Tax refund due from government	22	-	7,023,091
Deposits and prepayments	23	26,673	35,019,196
Mark-up accrued	24	46,856	152,869
Other receivables	25	6,000,000	6,000,000
Cash and bank balances	26	90,515,101	4,084,279
		<b>397,437,439</b>	<b>441,293,319</b>
		<b>1,030,607,263</b>	<b>1,058,608,008</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Share Capital Reserves</b>			
Ordinary shares	27	1,483,900,230	1,483,900,230
Capital reserves		455,425,501	435,100,336
Accumulated loss		(1,436,744,765)	(1,518,045,423)
		<b>502,580,966</b>	<b>400,955,143</b>
Share of unrealised gain on remeasurement of investments in associates		6,994,953	12,883,266
Unrealised loss on remeasurement of available-for-sale investments		(11,596,693)	(4,385,277)
		<b>497,979,226</b>	<b>409,453,132</b>
<b>Non-Current Liabilities</b>			
Long term loans	28	59,140,000	125,740,000
Long term deposits	29	10,000,000	-
		<b>69,140,000</b>	<b>125,740,000</b>
<b>Current Liabilities</b>			
Current & overdue portion of long term liabilities	30	360,991,536	361,991,536
Mark-up accrued	31	33,028,644	95,520,993
Short-term borrowings	32	56,266,346	56,266,346
Accrued and other liabilities	33	5,349,014	8,756,384
Taxation	34	7,852,497	879,617
		<b>463,488,037</b>	<b>523,414,876</b>
<b>Contingencies and Commitments</b>			
	35	<b>1,030,607,263</b>	<b>1,058,608,008</b>

The annexed notes from 1 to 55 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

## STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2018

		<i>2018</i>	<i>2017</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>Income</b>			
Lease income		2,330,581	4,365,073
Income from long term finances		63,484	4,878,644
Income from placement and finance		-	1,019,162
Return on investments and deposits	36	2,923,063	12,840,535
Gain on sale of securities - net	37	10,022,201	5,143,547
Reclassification of gain to profit and loss account		208,195	-
Other income	38	688,682	3,630,537
		<b>16,236,206</b>	<b>31,877,498</b>
<b>Expenses</b>			
Administrative expenses	39	(37,462,739)	(39,216,290)
Finance cost - Net	40	(3,347)	(8,586)
Other operating charges	41	-	(683,857)
		<b>(37,466,086)</b>	<b>(39,908,733)</b>
<b>Operating loss before provisions and changes in fair value</b>		<b>(21,229,880)</b>	<b>(8,031,235)</b>
<b>Provisions / changes in fair value</b>			
Reversal of provision / (provision) for potential lease and other loan losses - net	42	58,665,428	5,567,595
Unrealized loss on remeasurment of investments - held for trading		(2,441,441)	(9,272,983)
Liabilities written back	43	62,492,349	-
Unrealized gain on remeasurment of investments property		10,632,000	5,414,000
Amount transferred from other comprehensive income		-	2,485,258
		<b>129,348,336</b>	<b>4,193,870</b>
		<b>108,118,456</b>	<b>(3,837,365)</b>
Loss on disposal of asset classified as held for Sale		(10,592,960)	(300,000)
<b>Share of profit from associates- net</b>	44	<b>5,949,473</b>	<b>15,859,151</b>
<b>Profit before taxation</b>		<b>103,474,969</b>	<b>11,721,786</b>
Taxation	45	(1,849,146)	(296,360,790)
<b>Profit/(Loss) after taxation</b>		<b>101,625,823</b>	<b>(284,639,004)</b>
<b>Earning/(Loss) per share - basic</b>	46	<b>0.68</b>	<b>(1.92)</b>
<b>Earning/(Loss) per share - diluted</b>	46	<b>0.68</b>	<b>(1.92)</b>

The annexed notes from 1 to 55 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

## STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
Net profit / (loss) after taxation	101,625,823	(284,639,004)
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Share of unrealised (loss)/gain from associates on remeasurement of investments	(6,708,349)	12,930,057
Reclassification of gain to profit and loss account	(208,195)	-
Unrealised (loss)/gain on remeasurement of available-for-sale investments	(9,257,891)	7,584,305
Add: Impact of Deferred Tax	3,074,706	
	(13,099,728)	20,514,362
<b>Total comprehensive income / (loss) for the year</b>	<b>88,526,094</b>	<b>(264,124,642)</b>

The annexed notes from 1 to 55 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	2018 <i>Rupees</i>	2017 <i>Rupees</i>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	103,474,969	11,721,786
<b>Adjustments:</b>		
Depreciation	523,301	711,625
Gain on sale of securities - net	(10,022,201)	(5,143,547)
Amortization	100,050	100,050
Share of profit from associates	(5,949,473)	(15,859,151)
Liabilities written back	(62,492,349)	-
Finance cost	3,347	8,586
Gain on sale of property and equipment	(316,400)	(5,350)
Reversal of provision for lease and other loan losses - net	(58,665,428)	(5,567,595)
Income on DSCs	(34,222)	(30,874)
Unrealized gain on remeasurement of investments - held for trading	2,441,441	9,272,983
Unrealized gain on remeasurement of investments property	(10,632,000)	(5,414,000)
Amount transferred from other comprehensive income	-	(2,485,258)
Loss on disposal of asset classified as held for Sale	10,592,960	-
Exchange gain	(25,904)	(163)
	(134,476,878)	(24,412,694)
<b>Changes in operating assets and liabilities</b>	<b>(31,001,909)</b>	<b>(12,690,908)</b>
<b>(Increase) / decrease in operating assets</b>		
Investment properties	-	68,192,960
Net investment in finance lease	7,596,501	4,800,310
Long term finances	529,202	10,126,841
Long term deposits	1,639,822	-
Placements and finances	3,930,000	3,647,954
Assets classified as held for sale	-	(66,192,960)
Loans and advances	976,458	3,299,702
Deposits and prepayments	34,992,523	(9,736,171)
Mark-up accrued	106,013	(152,869)
Other receivables	5,585,000	(5,557,493)
	55,355,519	8,428,274
	24,353,610	(4,262,634)
<b>Increase / (decrease) in operating liabilities</b>		
Long term deposits	-	(18,907)
Accrued and other liabilities	(3,407,370)	(5,177,210)
	20,946,240	(9,458,751)
Finance cost paid	(3,347)	(8,586)
Taxes paid	(906,714)	(1,837,967)
<b>Net cash generated from / (used in) operating activities</b>	<b>20,036,179</b>	<b>(11,305,304)</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of operating fixed assets	(132,000)	-
Proceeds from sale of property and equipment	316,400	9,500
Long and short term investments made - net	66,184,339	20,396,876
<b>Net cash generated from operating activities</b>	<b>66,368,739</b>	<b>20,406,376</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long-term loans	-	(5,760,000)
Short term borrowings	-	(5,358,897)
<b>Net cash used in operating activities</b>	<b>-</b>	<b>(11,118,897)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>86,404,918</b>	<b>(2,017,825)</b>
<b>Foreign currency translation</b>	<b>25,904</b>	<b>163</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,084,279</b>	<b>6,101,941</b>
<b>Cash and cash equivalents at end of the year</b>	<b>90,515,101</b>	<b>4,084,279</b>

The annexed notes from 1 to 55 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

## STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	SHARE CAPITAL		CAPITAL RESERVES			REVENUE RESERVES			Total
	Ordinary shares	Preference shares	Statutory reserve	Premium on issue of right shares	Capital reserve on acquisition	Share of unrealised (loss) / gain on remeasurement of associates' investments	Unrealised gain / (loss) on remeasurement of available-for-sale investments	Accumulated loss	
<i>Rupees</i>									
Balance at June 30, 2016	1,483,900,230	-	379,076,942	53,426,910	2,596,484	(46,791)	(9,484,324)	(1,233,406,419)	676,063,032
<b>Total comprehensive income for the year</b>									
- Profit for the year	-	-	-	-	-	-	-	(284,639,004)	(284,639,004)
- Other comprehensive income									
Share of unrealised gain on remeasurement of associates' investments	-	-	-	-	-	12,930,057	-	-	12,930,057
Unrealised gain on remeasurement of available-for-sale investments	-	-	-	-	-	-	7,584,305	-	7,584,305
Transfer to profit and loss Account	-	-	-	-	-	-	(2,485,258)	-	(2,485,258)
Balance at June 30, 2017	1,483,900,230	-	379,076,942	53,426,910	2,596,484	12,883,266	(4,385,277)	(1,518,045,423)	409,453,132
<b>Total comprehensive income for the year</b>									
- Profit for the year	-	-	-	-	-	-	-	101,625,823	101,625,823
- Other comprehensive income									
Share of unrealised gain on remeasurement of associates' investments	-	-	-	-	-	(6,708,349)	-	-	(6,708,349)
Unrealised gain on remeasurement of available-for-sale investments	-	-	-	-	-	-	(9,257,891)	-	(9,257,891)
Reclassification of gain to profit and loss account	-	-	-	-	-	(208,195)	-	-	(208,195)
Transfer to statutory reserve	-	-	20,325,165	-	-	-	-	(20,325,165)	-
Deferred Tax-OCI	-	-	-	-	-	1,028,231	2,046,475	-	3,074,706
Balance at June 30, 2018	1,483,900,230	-	399,402,107	53,426,910	2,596,484	6,994,953	(11,596,693)	(1,436,744,765)	497,979,226

The annexed notes from 1 to 55 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 First Dawood Investment Bank Limited ("the Company") was incorporated on June 22, 1994 as a public limited company in Pakistan under the Companies Act, 2017 (formerly Companies Ordinance, 1984) and is listed on Pakistan Stock Exchange. The registered office of the Company is situated in Karachi, Pakistan. The Company had obtained the licenses for Leasing Business and Investment and Finance Services under Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the Rules") and Non Banking Finance Companies and Notified Entities Regulations, 2008 ("the Regulation") from the Securities and Exchange Commission of Pakistan (SECP) which has been expired and awaiting renewal.
- 1.2 The Company had applied for registration as a Debt Securities Trustee under Regulation 6(2) of Debt Securities Trustee Regulations, 2012 which was denied by SECP vide its order dated November 22, 2013 against which an appeal has been filed before appellate bench of SECP on December 17, 2013. The appeal is pending. The Company is acting as trustees to Term Finance Certificates / Sukuk issued by Saudi Pak Leasing Company Limited, New Allied Electronics Industries (Private) Limited, Security Leasing Company Limited, Dewan Cement Limited, House Building Finance Company Limited (sukuk issue) and Pak Hy-Oils Limited. The value of assets under trustee as at June 30, 2017 amounted to Rs.9.04 billion (2018: Rs. 9.40 billion).
- 1.3 The Company earned a net profit of Rs 101.626 million during the year ended June 30, 2018, its accumulated losses reached to Rs1436.745 million as at June 30, 2018 and its current liabilities exceed current assets by Rs 66.051 million. The Company faced liquidity crunch due to aftermath of financial crisis 2008-09 which result primarily in view of unwarranted closure of PSX for all practical purpose for 109 days. The stock market nosedived by approximately 60% which resulted in withdrawal of money market lines by financial institution of NBFC sector. Owing to abrupt withdrawal of clean money market money of the Company of over Rs. 5 billion from the banking sector; the Company was unable to meet its commitments on time. To honour its commitment to creditors/lenders, the Company settled its majority of its liabilities against its assets, thus various loans & liabilities have been settled and about Rs. 458.509 millions is outstanding for which the Company is making efforts to settle in a similar manner. Presently, the equity of the Company is 497.979 million. However as per SECP notice dated May 24, 2018, MCR shall excluded deferred tax asset. Thereby excess will not be available. Above factors indicate existence of uncertainties which may cast doubts on the Company's ability to continue as a going concern and accordingly Company may not be able to realize its assets and discharge its liabilities at stated amount but the company through innovative means has been able to settle various liabilities and has also covering all expenditures. Similarly and going forward, the management of the Company is confident that it will continue with the mitigation plan, as explained in the following paragraphs, which will also ensure that the company continues as going concern owing to these factors financials statement are prepared on going concern basis.

### 1.4 Mitigation plan

- The Company has successfully able to meet over many of its financial obligations through recoveries and settlements and has been able to settle majority of its liabilities and other commitments through its assets in last few years. It further plans to continue with the settlement of its remaining outstanding liabilities i.e. around Rs.458.509 million.
- The Company is hopeful to restructure / settle the residual amount of liabilities in the near future.
- The Company is meeting all of its expenses since the financial turmoil of 2008-09 without any external financial support or a bail-out package. Further, the Company has adequate liquid assets in the form of bank balances and short term investments to meet its obligations / expenses in the near future.
- The Company is aggressively following-up with its non-performing portfolio for recovery of principal, mark-up and repossession of collateral assets. In this respect, the management has realigned its strategy accordingly.
- During the year ended June 30, 2018, the Company made recoveries amounting Rs. 19.97 million which is below the expected recovery amount of Rs. 90.00 million. Major reason for the difference was slow litigation system in the country. The management is expecting to recover the amount either through auction of the collateralized assets or transfer of title of the collateralized asset through the Court order or out of court settlement.
- The Company expects recovery of approximately Rs.100 to 150 million in the next two financial years.

### 1.5 Expected NBF sector reforms / regime

The requirement of minimum equity is expected to be resolved with the support from group companies and company may apply on the same basis for renewal of license. It is pertinent to mention that as per new rules of NBF sector; 'SECP' has reduced minimum capital requirements to Rs 100 million (for investment financial services and leasing licences). Upon renewal of license, the company will be able to fulfill a procedural formality. The management is confident that after renewal of the license, induction of foreign or local partner will be possible and / or the company may also evaluate the option of merger or acquisition. Presently, the net equity stands at Rs.497.98 which exceeding the MCR by Rs.397.98 millions. However as per SECP notice dated May 24, 2018, MCR shall exclude deferred tax asset. Thereby excess will not be available. The company has filed Appeal in this regard.

### 1.6 Future prospects

During current year recovery of Rs.19.971 million has been made against lease and advances portfolio and further recovery is also expected which will provide cash flow cushion within next two - three years. The management is confident that it will manage to continue writing back provisions as a result of expected recoveries which will result in better cash flows. Administrative expenses have been curtailed and departments have been restructured and rationalized / right sized to reduce the payroll cost and overhead expenses. The proposed reduction in financing cost through restructuring / settlements with the lenders will assist in further reducing the losses and improving the equity. This will make the Company attractive for equity participation / merger alongwith an opportunity for the existing shareholders to inject additional equity. The sponsoring directors are committed to subscribe their portion of right issue. The management is confident that the Company will be able to resume its operations upon renewal of licences and take advantage of deferred tax by writing new lease facilities.



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 1.7 Cases under litigation

These are disclosed in note no.35.

### 1.8 Credit rating

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

1.9 The Board has appointed Mr. Rafiq Dawood as Chief Executive Officer w.e.f October 09, 2017 and Mr. Christopher John Aitken Andrew as chairman of the board w.e.f April 30, 2018 as per SECP approval dated December 29, 2017

1.10 The Company could not meet certain regulatory requirements of NBFC Regulations, 2008 including Regulation 17 (1) of NBFC Regulation, 2008 which states that "the total outstanding exposure to a single person (fund based and non-fund based) by an NBFC to a single person shall not exceed 20% of the equity of an NBFC (as disclosed in the latest financial statements) provided that maximum outstanding fund based exposure does not exceed 15% of equity of an NBFC".

## 2 SIGNIFICANT TRANSACTIONS AND EVENTS THAT EFFECTED THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the forth schedule notified by Securities and Exchange Commission of Pakistan vide S.R.O 1169 dated 7 November 2017.
- The company has reversed markup accrued on short term borrowing from Developing Financial Institution amounting to Rs. 62.49 million as assessed by opinion provided by legal advisor.
- The company has settled long term loan from UBL amounting to Rs. 57.6 millions against property classified as held for sale having book value of Rs. 68.19 millions.
- Settlement issue of Loan amounting to Rs.56.27 is explained in note no. 32.1.

## 3 BASIS OF PREPARATION

### 3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprises of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of directives issued under the companies Act, 2017
- Non Banking Finance companies (Establishment and Regulations) Rules, 2003 (The NBFC Rules) and Non-Banking finance companies and Notified Entity Regulations, 2008 (The NBFC Regulations)

The requirement of IFRS for which deferment is allowed to NBFC are either ignored, followed to the extent it is practicable.

### 3.2 Basis of measurement

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

## 4 NEW / REVISED ACCOUNTING STANDARDS, AMENDMENTS TO PUBLISHED ACCOUNTING STANDARDS, AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

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



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

<i>Standard or Interpretation</i>	<i>Effective date (annual periods beginning on or after)</i>
IFRS 2 Classification and Measurement of Share Based Payment Transactions (Amendment)	01 January 2018
IFRS 9 Financial Instruments.	01 July 2018
IFRS 9 Payment Features With Negative Compensation - (Amendments).	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Yet not finalised
IFRS 15 Revenue from Contracts With Customers.	01 July 2018
IFRS 16 Leases	01 January 2019
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance	01 January 2018
IFRS 40 Investment Property: Transfers of Investment Property (Amendments).	01 January 2018
IAS 19 Plan Amendment, Curtailment or Settlement (Amendments).	01 January 2019
IAS 28 Long - term interests in Associates and Joint Ventures - (Amendments).	01 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income tax treatment	01 January 2019

The above standards and amendments are not expected to have any material impact on the company's financial statements in the period of initial application except for IFRS 15 - Revenue from Contracts with Customers. The company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual period beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	<b>Effective date (annual periods beginning on or after)</b>
<b>4.1. Standard or Interpretation</b>	
IFRS 14 - Regulatory Deferral Accounts	01 January 2018
IFRS 17 - Insurance Contracts	01 January 2021
The company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.	
<b>4.2. Annual Improvements</b>	
IFRS 5 Non Current Assets Held for Sale and Discontinued Operation - Changes in method of disposal.	
IFRS 7 Financial Instruments: Disclosures - Servicing Contracts.	



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- IFRS 7 Financial Instruments: Disclosures - Applicability of off-setting disclosure to condensed interim financial statements.
- IFRS 19 Employee Benefits - Discount rate: Regional market issue.
- IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'.

The Company expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB (International Accounting Standards Board). Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

### 5 SIGNIFICANT ACCOUNTING POLICIES

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

#### 5.1 Property and equipment

##### Owned

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

Depreciation is charged to profit and loss account on straight line basis over the estimated useful life of the assets at the rates specified in note 7 to these financial statements after taking into account residual value, if significant. Depreciation on additions is charged from the month when the asset is available for use and on disposals upto the preceding month.

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

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

#### 5.2 Intangibles assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

##### *Golf Club Membership Card*

This is initially stated at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged applying straight line method over estimated useful life of the Golf Club Membership Card.

#### 5.3 Investment property

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

#### 5.4 Net investment in lease finance

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

#### 5.5 Provision for potential lease and other loan losses and write offs

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 5.6 Financial assets

The Company classifies its financial assets into the following categories:

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

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

#### a. Financial assets at fair value through profit and loss

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

#### b. Loans and receivables

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

#### c. Held to maturity

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

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

#### d. Available for sale

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

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

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

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

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

#### Investment in associates

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

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The profit and loss account reflects the share of the results of operations



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

### **De-recognition**

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

### **5.7 Long term finances and loans**

These are initially recognised at cost being the fair value of consideration given together with the associated transaction cost. These are stated at net of provisions against non-performing advances. Provisions are made in accordance with the guidance in the NBFC Regulations issued by the Securities and Exchange Commission of Pakistan. The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted-off against advances.

### **5.8 Sale and repurchase agreements**

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

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

### **5.9 Staff retirement benefits**

#### **Defined contribution plans**

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

### **5.10 Borrowing costs**

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

### **5.11 Provisions**

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

### **5.12 Taxation**

#### **Current**

The charge for current taxation is based on taxable income at the current rate of taxation or minimum tax under section 113 or alternate corporate tax whichever is higher after taking into account applicable tax credit, rebates and exemption available if any. For income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes adjustment for prior years or otherwise considered necessary for such year.

#### **Deferred**

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



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

### 5.13 Impairment

#### Non-financial assets

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

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

#### Financial assets

##### Loans and net investment in finance lease

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

##### Held to maturity

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

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

##### Available for sale

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

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

### 5.14 Revenue recognition

- The Company follows the financing method in accounting for recognition of finance lease contracts. Under this method, the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the term of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the finance leases. Front end fee, documentation charges, gain / losses on termination of lease contracts, commitment fee and other commissions, if any, are taken to income when earned. Revenue from finance lease is not accrued when rent is past due by ninety days or more.
- Mark-up / interest on long term finances, mortgage finances, long term loans, lease and murabaha finances are recognised on a time proportion basis except that mark-up / interest / return on classified loans and investments are recognised on receipt basis.
- Return on preference shares and term finance certificate is recognized using the effective interest method.
- Reversal of provision is recognized as per requirement of NBFC regulations.



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- Dividend income from investments is recognized when the right to receive the dividend is established.
- Gain / loss on sale of investments is taken to income in the period in which it arises.
- Unrealized gains / losses arising on the remeasurement of securities classified as financial assets at fair value through profit or loss are included in the profit and loss account in the year in which they arise.
- Income on bank deposits are recognized on accrual basis.
- Rental income on investment property is recognized on an accrual basis.
- Guarantee income is recognized on time proportion basis.
- Consultancy, corporate advisory, trusteeship and custodian fees are recognized as and when services are provided.

### 5.15 Foreign currency transactions and translation

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

### 5.16 Financial instruments

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

### 5.17 Offsetting

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

### 5.18 Fiduciary assets

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

### 5.19 Assets classified as held for sale

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

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

### 5.20 Cash and cash equivalents

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

### 5.21 Earnings per share

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 5.22 Segment reporting

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

### 5.23 Dividend distributions and appropriations

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

## 6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

- Residual values and useful lives of property and equipment (note 5.1).
- Residual values and useful lives of intangible asset (note 5.2).
- Provision for potential losses and other loan losses (note 5.5);
- Classification of financial assets (note 5.6);
- Current and deferred taxation (note 5.12); and
- Impairment on financial and non-financial assets (note 5.13).

## 7 PROPERTY AND EQUIPMENT

### 7.1 The following is the statement of property and equipment

<i>Description</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Computers</i>	<i>Total</i>
	----- Rupees -----				
<b>Year ended June 30, 2018</b>					
Opening net book value (NBV)	60,024	612,024	58,087	-	730,135
Additions (at cost)	-	97,000	35,000	-	132,000
<b>Disposals</b>					
Cost	-	-	(3,164,000)	-	(3,164,000)
Depreciation	-	-	3,164,000	-	3,164,000
<b>Net Book value</b>	-	-	-	-	-
Depreciation charge	(17,118)	(487,786)	(18,396)	-	(523,300)
Closing net book value	42,906	221,238	74,691	-	338,835
<b>Gross carrying value basis</b>					
Cost	171,235	4,136,150	3,644,189	4,829,099	12,780,673
Accumulated depreciation / impairment	(128,329)	(3,914,912)	(3,569,498)	(4,829,099)	(12,441,838)
Net book value	42,906	221,238	74,691	-	338,835



FIRST DAWOOD INVESTMENT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

<i>Description</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Computers</i>	<i>Total</i>
	----- Rupees -----				
<i>Year ended June 30, 2017</i>					
<i>Net carrying value basis</i>					
Opening net book value (NBV)	77,147	1,241,924	117,062	9,776	1,445,909
Additions (at cost)	-	-	-	-	-
<i>Disposals</i>					
Cost	-	(41,500)	-	-	(41,500)
Depreciation	-	37,350	-	-	37,350
<i>Net Book value</i>	-	(4,150)	-	-	(4,150)
Depreciation charge	(17,124)	(625,750)	(58,975)	(9,776)	(711,625)
<i>Closing net book value (refer note 5.1)</i>	60,024	612,024	58,087	-	730,135
<i>Gross carrying value basis</i>					
Cost	171,235	7,203,150	3,609,189	4,829,099	15,812,673
Accumulated depreciation / impairment	(111,212)	(6,591,126)	(3,551,102)	(4,829,099)	(15,082,538)
Net book value	60,024	612,024	58,087	-	730,135
<i>Depreciation rate % per annum</i>	<b>10</b>	<b>20</b>	<b>33.33</b>	<b>20</b>	

**7.1.1 Disposal of operating fixed assets**

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Carrying Value</i>	<i>Sale proceeds/ insurance Claim</i>	<i>Gain/(Loss) on disposal</i>	<i>Mode of Disposal</i>	<i>Particulars of buyer/Insurer</i>
	----- Rupees -----						
Vehicle	42,500	42,500	-	4,250	4,250	Benefit to employee	Raheel Israr
Vehicle	1,709,000	1,709,000	-	170,900	170,900	Benefit to Director	Ayaz Dawood
Vehicle	1,370,000	1,370,000	-	137,000	137,000	Benefit to Chairman	Rafeeq Dawood
Motor Cycle	42,500	42,500	-	4,250	4,250	Benefit to employee	Imran Memon
	<b>3,164,000</b>	<b>3,164,000</b>	<b>-</b>	<b>316,400</b>	<b>316,400</b>		
	41,500	37,350	4,150	9,500			

**8 INTANGIBLES ASSETS**

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
Golf Club Membership Card	8.1	<b>883,528</b>	983,578
<b>8.1 Golf Club Membership Card</b>			
Opening net book value		<b>983,578</b>	1,083,628
Addition		-	-
Amortization charge		<b>(100,050)</b>	(100,050)
<b>Closing net book value</b>		<b>883,528</b>	983,578



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

As at June 30, 2017	Note	2018 Rupees	2017 Rupees	
Cost		1,500,000	1,500,000	
Accumulated amortization		<u>(616,472)</u>	<u>(516,422)</u>	
		<u>883,528</u>	<u>983,578</u>	
Rate of amortization (%)		<u>6.67%</u>	<u>6.67%</u>	
<b>9 INVESTMENT PROPERTIES</b>				
Balance at beginning of the year		27,070,000	89,848,960	
Transfer from/(to) asset classified as held for sale	18.3	25,103,000	(68,192,960)	
Gain on fair value adjustment		<u>10,632,000</u>	<u>5,414,000</u>	
<b>Balance at end of the year</b>		<u><b>62,805,000</b></u>	<u><b>27,070,000</b></u>	
<b>9.1</b> Fair value of the investment properties as at June 30, 2018 has been determined by the professional valuer which is registered on the panel of Pakistan Banks' Association (PBA) and NBF1 & Modaraba Association of Pakistan. The main criteria of valuation for the assessment of investment properties include:				
<ul style="list-style-type: none"> <li>- property brokers, dealers and estate agents are contacted to ascertain the asking and selling prices for the properties of the same nature in the immediate neighborhoods and adjoining areas.</li> <li>- properties which are recently sold and their respective selling prices.</li> <li>- properties which are offered for sale and their asking price in the prevailing market.</li> <li>- nature of property.</li> </ul>				
<b>9.2</b> The FSVs of Patoki land is Rs.26.422 millions and office no. 5B Lakson Square Building is Rs.20.844 millions.				
<b>10 NET INVESTMENT IN FINANCE LEASE</b>				
	Note	2018 Rupees	2017 Rupees	
Net investment in finance lease	10.1	505,623,681	513,220,182	
Provision for potential lease losses	10.2	<u>(381,074,829)</u>	<u>(418,783,376)</u>	
		<u>124,548,852</u>	<u>94,436,806</u>	
Current portion shown under current assets	10.3	<u>(107,159,244)</u>	<u>(94,436,806)</u>	
		<u><b>17,389,608</b></u>	<u><b>-</b></u>	
	Note	Less than one year	More than one year and less than five years	Total
----- Rupees -----				
<b>10.1 Particulars of net investment in finance lease</b>				
<b>2018</b>				
Minimum lease payments receivable	10.1.1	547,622,184	7,389,608	555,011,792
Residual value of leased assets		<u>51,167,875</u>	<u>10,000,000</u>	<u>61,167,875</u>
		<u>598,790,059</u>		616,179,667
Unearned finance income		-	-	-
Mark-up held in suspense		<u>(110,555,986)</u>	-	<u>(110,555,986)</u>
Net investment in lease finance		<u><b>488,234,073</b></u>	<u><b>17,389,608</b></u>	<u><b>505,623,681</b></u>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	<i>Less than one year</i>	<i>More than one year and less than five years</i>	<i>Total</i>
		<i>Rupees</i>		
<b>2017</b>				
Minimum lease payments receivable	10.1.1	564,938,874	-	564,938,874
Residual value of leased assets		61,167,875	-	61,167,875
		<b>626,106,749</b>	-	626,106,749
Unearned finance income		-	-	-
Mark-up held in suspense		(112,886,567)	-	(112,886,567)
<b>Net investment in lease finance</b>		<b>513,220,182</b>	-	<b>513,220,182</b>

10.1.1 As at June 30, 2018, the principal outstanding against non-performing lease portfolio as per the criteria prescribed in NBFC Regulations, 2008 amounted to Rs.434.30 million (2017: Rs. 438.29 million). The forced sale value benefit considered against these non-performing lease portfolio was Rs53.23 million (2017: Rs 19.5 million).

10.1.2 The lease finances carry mark up ranging from six month KIBOR plus spread of 2% to 5% (2017: six month KIBOR plus spread of 2% to 5%) per annum having maturity upto 5 years and are secured against leased assets.

	Note	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>10.2 Provision for potential lease losses</b>			
Balance at beginning of the year		418,783,376	397,330,918
Charge / (reversal) for the year - net	42	(37,708,547)	21,452,458
<b>Balance at end of the year</b>		<b>381,074,829</b>	<b>418,783,376</b>

### 10.3 Current portion of finance lease - net of provision

Finance lease	10.1	488,234,073	513,220,182
Provision for potential lease losses	10.2	(381,074,829)	(418,783,376)
	15	<b>107,159,244</b>	<b>94,436,806</b>

## 11 LONG TERM INVESTMENTS

### Investments in:

- Associates - equity method	11.1 - 11.4	151,564,495	202,865,262
- Defence Saving Certificates - held to maturity		349,786	315,564
		<b>151,914,281</b>	<b>203,180,826</b>

### 11.1 Movement of investment in associates

Balance at beginning of the year		202,865,262	174,076,054
Share of profit / (loss)	44	6,140,443	15,859,151
Disposal of investment		(19,471,444)	-
Transferred to investment held with Nazir SHC	11.3	(31,261,426)	-
Share of reversal of deficit on revaluation of available-for-sale investments recognised in other comprehensive income		(6,708,340)	12,930,057
<b>Balance at end of the year</b>		<b>151,564,495</b>	<b>202,865,262</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

11.1.1 The summarized financial information of the associates are as follows.

	Holding %	Registered Address	Place of Incorporation	Operational Status	Period ended	Basis of financial statements	Total assets	Total liabilities	Equity	Revenue	(Loss) / profit after tax
							----- Rupees -----				
<b>2018</b>											
786 Investment Limited	15.00		Pakistan	Operational	June 30, 2018	Unaudited	262,566,543	18,601,331	243,965,212	11,346,876	(27,898,122)
Chief Executive: Tara Uzra Dawood		G3, Ground Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000									
B.R.R. Investments (Private) Limited	41.63		Pakistan	Operational	December 31, 2017	Unaudited	176,584,339	9,681,225	166,903,173	27,786,661	24,936,339
Chief Executive: Ayaz Dawood		18th Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000									
Dawood Family Takaful Limited	26.57		Pakistan	Operational	March 31, 2018	Unaudited	3,834,751,580	3,474,361,754	360,389,827	8,065,347	(9,791,450)
Chief Executive: Mr. Nasir Mehmood		1701-A, Saima Trade Tower, I. I. Chundrigar Road, Karachi 74000									
<b>2017</b>											
786 Investment Limited (Formerly Dawood Capital Management Limited)	15.00		Pakistan		June 30, 2017	Audited	287,198,782	16,312,331	270,886,451	10,013,419	55,142,017
Chief Executive: Tara Uzra Dawood		G3, Ground Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000									
B.R.R. Investments (Private) Limited	41.63		Pakistan		June 30, 2017	Unaudited	165,347,378	11,679,280	153,668,098	44,430,019	26,283,842
Chief Executive: Ayaz Dawood		18th Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000									
Dawood Family Takaful Limited	26.57		Pakistan		June 30, 2017	Unaudited	3,344,347,041	2,981,971,257	362,375,784	11,588,889	(12,625,120)
Chief Executive: Mr. Nasir Mehmood		1701-A, Saima Trade Tower, I. I. Chundrigar Road, Karachi 74000									

**11.2 Carrying value of investment in associates**

2018	2017		2018	2017
Number of Shares		Name of associate	Rupees	Rupees
2,246,070	2,246,070	786 Investment Limited	36,817,096	40,633,000
4,762,100	4,762,100	B.R.R. Investments (Private) Limited	69,482,428	65,956,216
9,420,000	19,926,010	Dawood Family Takaful Limited	45,264,971	96,276,046
			<b>151,564,495</b>	<b>202,865,262</b>

11.3 This represents 6,466,010 shares of Dawood Family Takaful Limited which have been pledged with Nazir, High Court of Sindh in pursuant to litigation with HBFC. Refer Note- 19.

11.4 As per Regulation 19 (g) and 17 (2) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), an NBFC shall not hold shares of an amount exceeding 15% of the paid-up share capital of that company or 15% of its own equity, whichever is less. As at June 30, 2018, the Company holds 41.63% shares of B.R.R. Investments (Private) Limited and 21.18% shares of Dawood Family Takaful Limited. The management is in process of taking steps to reduce investments in these associates in order to comply with the said requirements of NBFC Regulations.



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>12 LONG TERM FINANCES</b>			
Term finance facilities - secured	12.1 - 12.3	254,505,140	255,034,342
Provision for doubtful finances	12.4	(162,879,805)	(177,494,611)
		<u>91,625,335</u>	<u>77,539,731</u>
Current portion shown under current assets	15	(91,625,335)	(77,539,731)
		<u>-</u>	<u>-</u>
<b>12.1</b> The reconciliation of long term finance is as under:			
Balance at beginning of the year		255,034,342	265,161,183
Received during the year		(529,202)	(10,126,841)
<b>Balance at end of the year</b>		<u>254,505,140</u>	<u>255,034,342</u>
<b>12.2</b> The mark-up / profit rates on these facilities ranges from 13.5% to 15.1% (2017: 13.5% to 15.1%) per annum subject to change in SBP discount rate and KIBOR. These are secured against mortgage of immovable properties.			
<b>12.3</b> As at June 30, 2018, long term finance of Rs.253.46 million (2017 : Rs. 245.21 million) have been placed under non-performing status. The forced sales value benefits considered against these non-performing finances amounted to Rs.90.58 million (2017 : Rs. 67.71 million).			
<b>12.4 Particulars of provision for doubtful receivables</b>	Note	2018 Rupees	2017 Rupees
Balance at beginning of the year		177,494,611	158,643,283
Provision during the year		12,617,694	46,712,828
Reversals for the year - net	42	(44,154,000)	(27,861,500)
<b>Balance at end of the year</b>		<u>162,879,805</u>	<u>177,494,611</u>
<b>13 LONG TERM DEPOSITS</b>			
Security Deposite-NCCPL		<u>2,500,000</u>	<u>4,139,822</u>
<b>14 DEFERRED TAX ASSET - NET</b>			
Deferred tax asset - net		<u>397,338,572</u>	<u>381,210,328</u>
<b>14.1 Deductible temporary differences arising in respect of:</b>			
Provision for lease losses and doubtful receivables		287,922,572	307,965,418
Alternate corporate tax		11,843,910	-
Minimum tax		29,926	-
Share of Profit from associate		(458,556)	-
Carry forward of tax losses		98,000,720	73,244,910
<b>Net deferred tax asset-recognized</b>		<u>397,338,572</u>	<u>381,210,328</u>
<b>14.2</b> Deferred tax asset is recognized in respect of carry forward assessed tax losses / deductible temporary differences to the extent it is probable that there will be future taxable profits against which these losses / deductible temporary differences can be utilized. The Company has prepared a five year business plan which has been approved by the Board of Directors. The said plan involves certain key assumptions underlying the estimation of future taxable profits including injection of fresh equity. The determination of future taxable profit is directly related and sensitive to certain key assumptions such as recoveries of outstanding lease and long term finances, resumption of licenses, expected return on investments and bank balances etc. Any change in the key assumptions may have an effect on the realizability of the deferred tax asset. The Board and management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and deferred tax asset will be realized in the future.			



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>15 CURRENT &amp; OVERDUE PORTION OF NON-CURRENT ASSETS</b>			
Net investment in finance lease	10	<b>107,159,244</b>	94,436,806
Long-term finances	12	<b>91,625,335</b>	77,539,731
		<b>198,784,579</b>	171,976,537
<b>16 SHORT TERM INVESTMENTS</b>			
<b>Available-for-sale</b>			
Term finance certificates / sukuk bonds	16.1	<b>1,771,862</b>	12,468,230
Unquoted shares	16.2	-	20,565,212
Preference shares	16.3	<b>377,668</b>	377,668
		<b>2,149,530</b>	33,411,110
Less: Provision for impairment in preference shares		<b>(377,668)</b>	(377,668)
		<b>1,771,862</b>	33,033,442
<b>At fair value through profit or loss - held for trading</b>			
Quoted equity securities	16.4	<b>17,569,141</b>	21,599,644
Investment held with NCCPL	16.5	-	24,613,470
		<b>19,341,003</b>	79,246,555
<b>16.1 Term finance certificates / sukuk bonds</b>			
2018	2017		
<b>Number of Certificates / Bonds</b>			
		<b>Quoted</b>	
<b>1,976</b>	1,976	Invest Capital Investment Bank Ltd.	<b>9,880,000</b>
<b>82</b>	82	Trust Investment Bank Limited	<b>186,276</b>
			<b>10,066,276</b>
		<b>Un-quoted</b>	
<b>1,023</b>	1,023	New Allied Electronics (Pvt.) Ltd.	<b>4,348,775</b>
		<b>Un-quoted-Related party</b>	
<b>13,727</b>	13,727	BRR Guardian Modaraba	<b>1,771,862</b>
			<b>16,186,913</b>
		Impairment in value of investments	<b>(14,415,051)</b>
			<b>1,771,862</b>
<b>16.1.1 BRR Guardian Modaraba-Related party</b>			
Gross		<b>12,468,230</b>	29,926,083
Less: Redemption		<b>(10,696,368)</b>	(17,457,853)
		<b>1,771,862</b>	12,468,230
<b>16.1.2 Movement in provision for impairment in value of investments</b>			
Balance at beginning of the year		<b>14,415,051</b>	25,085,051
Reversal during the year		-	10,670,000
<b>Balance at end of the year</b>		<b>14,415,051</b>	14,415,051



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

<b>Particulars</b>	<b>Maturity Date</b>
<b>Quoted</b>	
Invest Capital Investment Bank Limited Chief Executive: Mr. Muhammad Asif	September 05, 2013
Trust Investment Bank Limited Chief Executive: Mr. Shahid Iqbal	July 04, 2013
<b>Un-quoted</b>	
Gharibwal Cement Limited Chief Executive: M. Tauseef Paracha	September 01, 2012
New Allied Electronics (Private) Limited Chief Executive: Mr. Mian Pervaiz	November 01, 2012

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

16.1.4 TFCs of Invest Capital Investment Bank Limited amounting to Rs.9.88 million (2017: Rs. 9.88 million) have been pledged with a DFI against the guarantee provided to Asian Development Bank on behalf of the Company.

16.1.5 TFCs aggregated to Rs.4.54 million (2017: Rs. 4.54 million) have been pledged with Nazir, High Court of Sindh in pursuant to the litigation with one of the lenders of the Company.

### 16.2 Un-quoted equity securities

Fully paid ordinary shares of Rs.10 each:

<b>2018</b>	<b>2017</b>		<b>2018</b>	<b>2017</b>
<b>Number of Shares</b>		<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>1,477,823</b>	2,512,299	Al Baraka Bank Pakistan Limited	<b>24,950,489</b>	24,950,489
<b>2,518,454</b>	2,518,454	First Pakistan Securities Ltd.	<b>36,000,000</b>	36,000,000
		16.2.2	<b>60,950,489</b>	60,950,489
			<b>(36,000,000)</b>	(36,000,000)
Impairment loss on First Pakistan Securities Limited			-	(4,385,277)
Unrealised loss on remeasurement of investments		16.2.3	-	-
Transferred to investment held with Nazir SHC		16.2.1	<b>(24,950,489)</b>	-
			<b>-</b>	<b>20,565,212</b>

16.2.1 These shares have been transferred to investment held with Nazir SHC details of which are provided in note 19.

16.2.2 Burj Bank was merge with Al Baraka Bank Pakistan Limited (ABPL). As per Scheme of Amalgamation, shareholders of Burj Bank received shares of ABPL in the ratio of 1 share of ABPL for 1.7 shares of Burj Bank.

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>16.2.3 Movement in unrealized loss on remeasurement of investments</b>			
Balance at beginning of the year		<b>(4,385,277)</b>	(11,969,582)
Unrealised gain/ (loss) during the year		-	7,584,305
Transferred to investment held with Nazir SHC	16.2.1	<b>4,385,277</b>	-
<b>Balance at end of the year</b>		<b>-</b>	<b>(4,385,277)</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 16.3 Preference shares

2018	2017		Note	2018 Rupees	2017 Rupees
<i>Number of Shares</i>					
		<b>Quoted</b>			
75,500	75,500	Azgard Nine Ltd.	16.3.1	377,668	377,668
		Less: Provision for impairment		(377,668)	(377,668)
				-	-

16.3.1 These represent cumulative redeemable convertible preference shares carried dividend at the rate of 0% (2017: 0%) per annum. These were matured on November 21, 2010. However, due to default in repayment at maturity dates, full provision has been made against these preference shares.

### 16.4 Quoted equity securities

Fully paid ordinary shares of Rs.10

2018	2017		2018 Rupees	2017 Rupees
<i>Number of Shares</i>				
-	-	Askari Bank Limited		
8,600	8,600	Allied Bank Limited	887,090	770,732
-	100	Agriauto Industries Limited	-	43,190
25,000	20,000	Bank of Punjab	301,750	235,600
45,000	45,000	Byco Petroleum Pakistan Limited	549,000	859,500
3,000	3,000	Crescent Steel & Allied Product	273,510	715,710
-	576	Dawood Hercules Corporation Limited	451,548	85,781
110,000	-	Dost Steels Limited	870,100	-
-	13,000	Fauji Fertilizer Bin Qasim Limited	-	556,920
11,500	11,500	GlaxoSmithKline Pakistan Limited	2,016,568	2,264,580
-	3,450	GlaxoSmithKline Consumer Healthcare Pakistan Limited	1,397,423	721,085
3,450	-	Habib Bank Limited	16,311	26,376
98	98	The Hub Power Company Limited	460,800	-
5,000	-	K-Electric Limited	406,120	345,000
71,500	50,000	Loads Limited	1,753,906	2,319,707
56,251	55,937	Lotte Chemical Pakistan Limited	239,200	975,150
20,000	99,000	Murree Brewery Company Limited	3,263,225	3,473,647
4,501	4,501	Matco Foods Limited	107,065	-
2,849	-	National Refinery Limited	886,020	1,451,980
2,000	2,000	Pakistan Oxygen Limited ( Formerly Linde Pakistan Limited)	77,040	361,530
321	1,500	Pakistan Petroleum Limited	863,898	1,484,363
4,020	10,020	Pakistan Telecommunication Company Limited	85,800	117,075
7,500	7,500	Pakistan International Bulk	733,482	1,496,692
64,624	64,624	PICIC Growth Fund	518,670	527,000
17,000	17,000	Quice Food Industries Limited	-	232,050
-	35,000	Service Industries Limited	392,490	655,000
500	500	Siemens Pakistan Engineering Co. Ltd.	274,117	186,300
270	270	Shahtaj Textile Limited	79,990	132,430
1,000	1,000	The Searle Company Limited	1,358	2,048
4	4	Silkbank Limited	54,318	67,099
39,940	39,940	Treet Corporation Limited	608,342	1,493,100
17,793	26,250			
			<b>17,569,141</b>	<b>21,599,644</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

16.4.1 These include shares having a market value aggregating to Rs. Nil (2017: Rs. 1.702 million) which have been pledged with National Clearing Company of Pakistan Limited in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

### 16.5 Investment held with NCCPL

2018	2017		2018	2017
Number of Shares			Rupees	Rupees
-	162,500	Quice Food Industries Limited	-	1,077,375
-	241,000	TPL Trakker Limited	-	2,381,080
-	10,000	Treet Corporation Limited	-	568,800
-	513,500	TRG Pakistan Limited - Class 'A'	-	20,586,215
			-	24,613,470

### 17 PLACEMENTS AND FINANCES

Note

Placement - unsecured	17.1	-	3,000,000
Provision for doubtful placement		-	-
		-	3,000,000
Financing against shares	17.2	155,185,306	155,185,306
Provision for doubtful finances	17.2.1	(155,185,306)	(155,185,306)
Short-term finances - secured	17.3 & 17.3.1	11,300,000	11,300,000
Provision for doubtful finances	17.3.2	(11,300,000)	(11,300,000)
Certificates of deposit		5,000,000	5,000,000
Provision for doubtful finance		(5,000,000)	(5,000,000)
Murabaha / musharika finances - secured	17.4	86,684,717	87,614,717
Provision for doubtful finances	17.4.1	(47,659,304)	(48,589,304)
		39,025,413	39,025,413
		39,025,413	42,025,413

17.1 The said facility has been restructured in October 2013. As per the restructuring terms, the customer / borrower paid Rs.5.5 million till June 2015 and agreed to repay the balance principal amount of Rs.9.0 million in three equal annual installments of Rs 3 million with zero mark up, upto October 30, 2017. This facility is secured by way of registered hypothecation charge of present and future receivables of the customer.

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

17.2.1 Movement in provision for doubtful financing against shares	Note	2018 Rupees	2017 Rupees
Balance at beginning of the year		155,185,306	155,823,260
Received during the year		-	(637,954)
<b>Balance at end of the year</b>		<b>155,185,306</b>	<b>155,185,306</b>

17.3 These are secured by mortgage of properties and ranking charge over hypothecation of stock and matured on June 30, 2009.

### 17.3.1 The reconciliation of short term finances-secured is as under:

Balance at beginning of the year		11,300,000	11,300,000
Written off during the year	42	-	-
<b>Balance at end of the year</b>		<b>11,300,000</b>	<b>11,300,000</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<i>2018</i>	<i>2017</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>17.3.2 Movement in provision for doubtful finances</b>		
Balance at beginning of the year	<b>11,300,000</b>	11,300,000
Charge/(Reversal) for the year	-	-
<b>Balance at end of the year</b>	<b>11,300,000</b>	<b>11,300,000</b>

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

	<i>2018</i>	<i>2017</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>17.4.1 Movement in provision for doubtful murabaha / musharika finances</b>		
Balance at beginning of the year	<b>48,589,304</b>	79,709,304
(Reversal) / charge for the year	<b>(930,000)</b>	(31,120,000)
<b>Balance at end of the year</b>	<b>47,659,304</b>	<b>48,589,304</b>

17.5 As at June 30, 2018, an amount of Rs 258.17 million (June 30, 2017: Rs 259.10 million) related to finances has been placed under non performing status. Provision against non performing finances is made after netting off forced sale values of the collateral assets which amounted to Rs.39.03 million (June 30, 2017 : Rs.39.03 million).

	<i>2018</i>	<i>2017</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>18 ASSETS CLASSIFIED AS HELD FOR SALE</b>		
Balance at beginning of the year	<b>93,295,960</b>	27,103,000
Assets disposed off during the year	<b>(68,192,960)</b>	(2,000,000)
	<b>25,103,000</b>	25,103,000
Asset transfer (to)/from investment property	<b>(25,103,000)</b>	68,192,960
<b>Balance at end of the year</b>	<b>-</b>	<b>93,295,960</b>

18.1 During the year company has transferred five office amounting Rs. 68.193 millions to UBL in settlement of loan of Rs 57.6 millions as explained in note 25.1.2

18.2 These represent repossessed assets consisting of land and buildings previously held as collateral against lease and other finances. The Company intends either to dispose of these assets to recover the outstanding amount of respective leases and other finances or to settle its liabilities against these assets. Balance of Rs. 25.10 million (June 30, 2017 : Rs. 25.10 million) represent a property situated at Patoki. The Honourable Lahore High Court has ordered to transfer the ownership of Patoki land in name of company and buyer is also identified but sale is pending owing to peaceful transfer of possession for which buyer has written to the Company to take steps. During previous year legal advisor has informed that party in possession is willing to purchase the land however, the land is carried at it's previous values which is lower than the current fair value i.e. Rs 30.297 Million.

18.3 During the year company was not able to dispose of property described above, therefore it is re-transferred to Investment property.

### 19 INVESTMENT HELD WITH NAZIR SHC

<i>2018</i>	<i>2017</i>		<i>2018</i>	<i>2017</i>
<i>Number of Shares</i>		<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>6,466,010</b>	-	Dawood Family Takaful Limited	<b>31,261,426</b>	-
<b>1,477,823</b>	-	Al Baraka Bank Pakistan Limited	<b>24,950,489</b>	-
			<b>56,211,915</b>	-
		Impairment loss on investment ABPL	<b>(13,643,168)</b>	-
		Share of loss from associates DFTL	<b>(190,970)</b>	-
			<b>42,377,778</b>	-



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

19.1 These securities are held by Nazir of Honorable High court in pursuant to the litigation with HBFC since May 2011. However, as per the order of Honorable 'Supreme Court Pakistan' (SCP), HBFC was ordered to arrange for the release of those securities on a pro-rata basis i.e. on, receipt of periodical installments from FDIBL. As per the order of 'SCP'; FDIBL made two cash payments but, HBFC remained in default to the order and did not release any security owing to the fact that HBFC has taken cost of fund @ 14.33% as per SBP letter which is significantly higher than the market norms and same is verified in JCR-VIS calculation i.e. 4.70%. In view of the above, FDIBL was compelled to adjust securities held by the Nazir and paid balance amount in cash to settle the liability as per legal opinion sought. The liability was fully settled in March, 2017, but since HBFC has filed a fresh application with High court (and not 'SCP') and because the securities continues to remain with the Nazir. Therefore, FDIBL is showing these securities under a separate account head to show the realistic position of books of accounts.

	<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>19.2 Movement in impairment loss on investment</b>			
Transfer from short term investment		(4,385,277)	-
Impairment loss during the year	19.2.1	(9,257,891)	-
Balance at the end of year		<u>(13,643,168)</u>	<u>-</u>

19.2.1 Impairment loss is recorded on the breakup value of Rs. 7.651 per share based on unaudited financial statement as on March 31, 2018 as latest available.

	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>20 ADVANCE AGAINST LEASE COMMITMENTS</b>		
Considered doubtful	35,696,247	35,696,247
Provision for doubtful advances	(35,696,247)	(35,696,247)
	<u>-</u>	<u>-</u>

20.1 The Company issued Letter of comforts on behalf of two clients amounting of Rs. 20.0M and 15.6M and made payment to Banks on their demand. Subsequently, both clients defaulted in payment of broken period markup. Therefore, the advance against lease could not be transferred to Finance lease.

	<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>21 LOANS AND ADVANCES</b>			
<i>Considered good</i>			
Loan to employee		1,154,748	194,998
Others		165,288	421,496
		<u>1,320,036</u>	<u>616,494</u>
<i>Considered - Doubtful</i>			
Advance rent		172,925	1,852,925
Less : Provision for doubtful advances		(172,925)	-
		<u>-</u>	<u>1,852,925</u>
		<u>1,320,036</u>	<u>2,469,419</u>

	<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>22 TAX REFUND DUE FROM GOVERNMENT</b>			
Opening balance		7,023,090	5,185,124
Add: Tax paid during the year		906,714	1,837,966
		<u>7,929,804</u>	<u>7,023,090</u>
Less: provision for taxation		(14,902,684)	-
Transfer to provision for taxation	34	6,972,880	-
		<u>-</u>	<u>7,023,090</u>

	<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>23 DEPOSITS AND PREPAYMENTS</b>			
Margin deposit receivable from NCCPL	23.1	-	34,928,050
Prepayments		26,673	91,146
		<u>26,673</u>	<u>35,019,196</u>

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



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>24 MARKUP ACCRUED</b>			
Placement and finances		-	52,023
Short term investment		<b>46,856</b>	100,846
		<b>46,856</b>	152,869
<b>25 OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Receivable from nazir SHC	25.1	<b>6,000,000</b>	6,000,000
<b>Considered doubtful</b>			
Decretal amount receivable	25.2	<b>32,302,430</b>	37,302,430
Receivable against lease termination		<b>70,375,530</b>	70,960,530
Receivable against KSE Card transaction-net	25.3	<b>45,515,114</b>	45,515,114
Accounts receivable - others		<b>5,295,096</b>	5,295,096
Brokerage receivable		<b>636,660</b>	636,660
		<b>154,124,830</b>	159,709,830
Less : Provision for doubtful receivables	25.4	<b>(154,124,830)</b>	(159,709,830)
		<b>6,000,000</b>	6,000,000
<b>25.1</b>	This represents amount receivable from Nazir high court Sindh against TFCs of Gharibwal cement limited pledged with nazir SHC against a loan from HBFC. Gharibwal cement limited has confirmed to pay Rs 6,000,000 in respect of TFCs having book value of Rs, 5,550,000 by a letter dated October 13, 2015. Owing to the aforementioned factors company has derecognized investment & reversed provision on the TFCs accordingly the difference between the amount confirmed & book value has been transferred to profit & Loss.		
<b>25.2</b>	This relates to decree of recovery for Rs. 64.412 million which was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance), Act of 1997. The Company has the possession of assets, the forced sale value of which is fairly higher than the carrying value. Further, the Company also holds additional security by way of equitable mortgage on factory land and building, the possession of which is in the Company's hands. A partial amount was received by the Bank and PICL on sale of machinery of Regent Dyeing. Sale of land and building has yet to be accomplished by FDIBL and PICL, which is under process. However, as a matter of prudence the Company has made provision in this regard.		
<b>25.3</b>	The Company had purchased Pakistan Stock Exchange Limited (PSX) membership card on behalf of one of its customer amounting to Rs.149.7 million. The customer paid an advance amounting Rs.104.2 million to the Company for this purchase which is netted off against this receivable. Recently, Mr. Hassan Naqvi fraudulently changed the Form-29 on 08-10-2015; removed First Dawood Group Nominee (Mr. Mohammad Ahmed), appointed some Mr. Syed Mohsin Hasan in place of Mr. Ahmad and took away the money which was being paid to all brokers of stock exchange by the Chinese company, who has taken-over the management & major stakes of KSE (now Pakistan Stock Exchange). In view of the above, the company had lodged FIR for; fraud, forgery and theft, against Mr. Hassan Naqvi to recover an amount of Rs.212.463M (Rs.152.463 + Rs.60.0M). The Company has made provision against this receivable as a matter of prudence. As at June 30, 2018 there was no change in the status of case as it was fixed for hearing of application		
		<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>25.4 Movement in provision for doubtful receivables</b>			
Balance at beginning of the year		<b>159,709,830</b>	172,517,440
(Reversal) / charge during the year	43	<b>(5,585,000)</b>	(12,807,610)
Balance at end of the year		<b>154,124,830</b>	159,709,830
<b>26 CASH AND BANK BALANCES</b>			
<b>With banks</b>			
- In deposit accounts	26.1	<b>1,085,542</b>	302,144
- In current accounts		<b>89,429,559</b>	3,782,135
		<b>90,515,101</b>	4,084,279



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

26.1 These represent deposits maintained with various commercial banks and carry profit at the rates ranging between 4.52% to 7% (2017 : 4.52% to 7%).

### 27 SHARE CAPITAL

#### 27.1 Authorized

2018	2017		2018	2017
Number of Shares		Note	Rupees	Rupees
75,000,000	75,000,000	Ordinary shares of Rs.10 each	750,000,000	750,000,000
75,000,000	75,000,000	Preference shares of Rs.10 each	750,000,000	750,000,000
<b>150,000,000</b>	<b>150,000,000</b>		<b>1,500,000,000</b>	<b>1,500,000,000</b>
<b>150,000,000</b>	<b>150,000,000</b>	Ordinary or preference shares of Rs.10 each	<b>1,500,000,000</b>	<b>1,500,000,000</b>

#### 27.2 Issued, subscribed and paid-up

2018	2017		2018	2017
Number of Shares			Rupees	Rupees
35,685,382	35,685,382	Fully paid ordinary shares of Rs.10 each issued:		
26,491,821	26,491,821	- for cash	356,853,820	356,853,820
85,740,733	85,740,733	- issued as bonus shares	264,918,210	264,918,210
472,087	472,087	- issued against preference shares and its dividend	857,407,330	857,407,330
148,390,023	148,390,023	- issued on acquisition	4,720,870	4,720,870
			<b>1,483,900,230</b>	<b>1,483,900,230</b>

27.2.1 During the year ended June 30, 2015 the company had converted its preference shares amounting to Rs.715,833,540 and accrued dividend payable on these preference shares amounting to 141,573,814 into ordinary shares. The company has one class of ordinary shares which carry no right to fixed income.

27.2.2 At June 30, 2018 associated undertakings, namely 786 Investment Limited holds 2,382,641 (2017 : 2,382,641), BRR Guardian Modaraba holds 3,342,562 (2017 : 3,342,562) and BRR Investments (Private) Limited holds 490,591 (2017 : 490,591) ordinary shares of the Company.

	Note	2018	2017
		Rupees	Rupees
<b>28 LONG TERM LOANS</b>			
- Secured			
Commercial banks	28.1	369,213,673	426,813,673
Current portion shown under current liabilities	30	(310,073,673)	(301,073,673)
		<b>59,140,000</b>	<b>125,740,000</b>

#### 28.1 Reconciliation of commercial bank loans

Balance at beginning of the year	426,813,673	432,573,673
Repaid / settled during the year	(57,600,000)	(5,760,000)
<b>Balance at end of the year</b>	<b>369,213,673</b>	<b>426,813,673</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

			<i>2018</i>	<i>2017</i>
	<i>Note</i>		<i>Rupees</i>	<i>Rupees</i>
<b>29 LONG TERM DEPOSITS</b>				
- Security deposits				
Lease deposits	29.1		60,917,863	60,917,863
Current portion shown under current liabilities	30		<u>(50,917,863)</u>	<u>(60,917,863)</u>
			<u>10,000,000</u>	<u>-</u>
<p>29.1 This represent interest free security deposit received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases.</p>				
<b>30 CURRENT &amp; OVERDUE PORTION OF LONG TERM LIABILITIES</b>				
Long-term loans	28		310,073,673	301,073,673
Long-term lease deposits	29		<u>50,917,863</u>	<u>60,917,863</u>
			<u>360,991,536</u>	<u>361,991,536</u>
<b>31 MARK-UP ACCRUED</b>				
<b>Secured:</b>				
- Long-term loans			7,272,000	7,272,000
<b>Unsecured:</b>				
- Short-term borrowings			<u>25,756,644</u>	<u>88,248,993</u>
			<u>33,028,644</u>	<u>95,520,993</u>
<p>31.1 Markup on BOK has not been charged as this is defaulted loan and currently provision could not be made without determination of default by court.</p>				
<b>32 SHORT TERM BORROWINGS</b>				
<b>Unsecured</b>				
Call borrowing - commercial bank			-	-
Development Financial Institution	32.1		<u>56,266,346</u>	<u>56,266,346</u>
			<u>56,266,346</u>	<u>56,266,346</u>
<p>32.1 The investment arrangement got matured on June 30, 2009, but due to the then liquidity crunch the company could not timely settle the repayment. Since, the investing 'Development Financial Institution' (DFI) didn't agree to settle the out standings against available assets of the company (like other financial institutions), therefore it filed a legal suit. It obtained a decree of Rs.75.0M plus cost of fund payable within a year (i.e. by March 2017) in 12-installments. Further as per the Order of Honorable 'Supreme Court of Pakistan' (SCP), the DFI was to release the cash &amp; securities on a pro-rata basis, which were held by the Nazir of High court in this case. The DFI shared a 'cost of fund' inclusive of; Administrative &amp; Provision costs (in addition to cost of funds). In view of the above, the company took assistance of the report of Rating Agency for 'cost of fund' and structured the 'Schedule of Repayment'. The DFI accepted the first cheque, which triggered the repayment schedule, as per the offer. Thereafter 12-installments were duly paid by the company i.e. from April 2016 until March 2017, after settling the value of securities that were not released. Thus to create an unnecessary dispute, the DFI has filed a fresh case in the High court, which is pending. The company is seeking legal advice to properly close this matter in the books of account.</p>				
<b>33 ACCRUED AND OTHER LIABILITIES</b>				
Token money received	33.1		-	5,000,000
Accrued liabilities			<u>5,349,014</u>	<u>3,756,384</u>
			<u>5,349,014</u>	<u>8,756,384</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

33.1 This represents advance against sale of investment property which is not transferred in assets held for sale from investment property as the advance is refundable subject to compliance with legal formalities.

	<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<b>34 PROVISION FOR TAXATION</b>			
Opening		879,617	3,006,499
Addition/(adjustment) during the year	22	<u>6,972,880</u>	<u>(2,126,882)</u>
Closing		<u><u>7,852,497</u></u>	<u><u>879,617</u></u>
<b>35 CONTINGENCIES AND COMMITMENTS</b>			
35.1 Letters of comfort / guarantees		<u><u>1,088,000,000</u></u>	<u><u>1,088,000,000</u></u>

These are guarantees amounting to Rs. 1,088 million (2017: Rs.1,098 million) which were called and are under dispute / litigations which are being defended by the lawyers of the Company. Based on the opinion of legal advisors of the Company, the management is confident that adequate legal grounds are available to defend these cases. Accordingly, no provision is required to be made for the said cases in these financial statements. Brief detail of the guarantees under litigations are as under:

- i. A guarantee of Rs. 245 million was given against a Letter of Commitment and not against a guarantee which is currently in litigation. The beneficiary has restructured its facilities to the customer, hence the amount is disputed. The beneficiary has filed a recovery case and winding up petition against the Company in the Sindh High Court (SHC). According to the Company's legal advisors, the Company has good merits to defend both recovery case and winding up petition.
  - ii. A guarantee of Rs. 250 million against the repayment of sukuk was called as the principal debtor defaulted in payment of installments of the said sukuk. The Trustee of the sukuk has filed a recovery suit against the Company in the SHC, which is pending adjudication. Based on opinion of the legal advisors of the Company, the Company has good merits to defend the case as in its view the guarantee never became operational on technical grounds.
  - iii. A guarantee of Rs 465 million against the repayment of sukuk has been called which is currently under litigation. Based on the opinion of the legal advisors of the Company, the Company has good merits to defend the case as in its view the guarantee never became operational due to default on the part of trustee of the sukuk issue.
  - iv. A guarantee of Rs. 128 million against the bridge finance facility was called as the party in favour of which guarantee was issued defaulted in making payment to the beneficiary bank. The beneficiary has filed winding up petition and suit for recovery in the SHC, which is pending adjudication. According to the Company's legal advisor, the Company has good merits to defend both the recovery case and the winding up petition.
- 35.2 The Commissioner of Income Tax (CIT) disallowed certain expenses while allocating expenses for the assessment year 2001-02 resulting in increase in tax liability by Rs.0.58 million with reduction in lease losses for the year by Rs. 10.75 million. The Company filed appeals in Appellate Tribunal Inland Revenue (ATIR) which were decided in favor of the Company. However, ATIR subsequently recalled its appellate order through Miscellaneous Application filed by the tax department, who insisted that the matter of proration required a review in the light of ATIR's another order. Based on the opinion of the tax advisors of the Company, the management is confident that the matter will ultimately be decided in its favour and accordingly no provision is required to be made in this regard in these financial statements.
- 35.3 Objections filed by the Company against the claim of Rs. 32.87 million by Pak Kuwait Investment Company Limited-PKICL are pending for adjudication before the Honourable Court.
- 35.4 Suit with the Bank Alfalah Limited - BAFL is pending for property for which title documents have been transferred by the company and require the BAFL to coordinate directly with the title owner.
- 35.5 The matter with House Building Finance Corporation Limited - HBFCL is discussed in Note 29.1 with related liability.
- 35.6 The company is regularly filing return of Sindh Sales Tax to Sindh Revenue Board Government of Sindh (SRB). The Company has received a letter from SRB in which they intimated for short payment of Sindh Sales Tax and instructed for reconcile the record. The company has reconciled the six years record with SRB and make payment of SST to SRB of Rs.2.732 millions against demand of Rs. 14.735 millions to dispose of the proceeding.
- 35.7 Various other cases which are at hearing stage are also pending for which outcome could not be determined and in various cases compromise has been reached.



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

		2018 Rupees	2017 Rupees
<b>36 RETURN ON INVESTMENTS AND DEPOSITS</b>			
Income from Brrgm Sukuk		1,189,898	10,382,774
Income on DSCs		34,222	30,874
Profit on bank deposits		893,260	753,760
Dividend income		805,683	583,127
Markup received on Term Finance Certificates		-	1,090,000
		<u>2,923,063</u>	<u>12,840,535</u>
<b>37 GAIN ON SALE OF SECURITIES - NET</b>			
This includes gain of Rs.967,994/- on mutual fund of an associated company namely 786 Investment Limited and loss of Rs. 494,657/-on disposal of investment in Dawood Family Takaful Limited, an associated undertaking.			
	<i>Note</i>	2018 Rupees	2017 Rupees
<b>38 OTHER INCOME</b>			
<b>On non - financial assets</b>			
Fee and commission and other charges		113,000	169,280
Rental income from investment properties		233,010	3,450,744
Gain on disposal of property and equipment / insurance claim		316,400	5,350
Others		368	5,000
Exchange gain		25,904	163
		<u>688,682</u>	<u>3,630,537</u>
<b>39 ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	39.1	19,938,710	24,144,681
Directors' meeting fees		788,657	737,782
Rent, rates and taxes		3,782,551	1,249,700
Legal, professional and consultancy		4,853,713	5,797,570
Vehicles running and maintenance		1,787,204	1,400,931
Fees and subscription		1,484,846	1,437,821
Brokerage		192,538	306,944
Travelling and conveyance		-	93,573
Postage and telephone		98,006	127,840
Printing and stationery		280,305	219,704
Insurance		552,613	179,156
Entertainment		187,569	193,998
Advertisement		35,200	81,000
Repairs and maintenance		572,182	602,372
Auditors' remuneration	39.2	1,587,780	1,465,820
Depreciation	7.1	523,301	711,625
Amortization	8.1	100,050	100,050
Share registrar service		331,000	322,500
Other expenses		366,514	43,223
		<u>37,462,739</u>	<u>39,216,290</u>

39.1 It include Rs.1,717,882 (2017 : Rs.1,267,116) in respect of Company's contribution in defined contribution plan.



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

		<i>2018</i>	<i>2017</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>39.2</b>	<b>Auditors' remuneration</b>		
	Statutory audit fee	810,000	750,000
	Half yearly review fee	540,000	400,000
	Review report on Code of Corporate Governance	108,000	100,000
	Other services and certification	50,600	128,000
	Out of pocket expenses	79,180	87,820
		<u>1,587,780</u>	<u>1,465,820</u>
		<i>2018</i>	<i>2017</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>40</b>	<b>FINANCE COST</b>		
	Bank charges	<u>3,347</u>	<u>8,586</u>
<b>41</b>	<b>OTHER OPERATING CHARGES</b>		
	Sindh Worker's Welfare Fund	<u>-</u>	<u>683,857</u>
<b>42</b>	<b>REVERSAL / (PROVISION) FOR POTENTIAL LEASE AND OTHER LOAN LOSSES - NET</b>		
	Net investment in finance lease	10.2 37,708,547	(21,452,458)
	Long term finances	12.4 14,614,806	(18,851,328)
	Placements and finances	17 930,000	31,757,954
	Other receivables	25.4 5,585,000	442,507
	Loan and advances	21 (172,925)	3,000,920
	Short term investment	16.1.2 -	10,670,000
		<u>58,665,428</u>	<u>5,567,595</u>
<b>42.1</b>	This reflects reversal of excess provision made in earlier years. The correction is made prospectively owing to practical difficulties in identifying period specific amount.		
		<i>2018</i>	<i>2017</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>43</b>	<b>LIABILITIES WRITTEN BACK</b>		
	Liabilities written back	43.1 <u>62,492,349</u>	<u>-</u>
<b>43.1</b>	This represents reversal of markup owing to nil markup charged by bank due to transfer of finance to special asset management division (SAMD).		
		<i>2018</i>	<i>2017</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>44</b>	<b>SHARE OF PROFIT / (LOSS) FROM ASSOCIATES-Net</b>		
	Dawood Family Takaful Limited	(469,184)	(3,354,244)
	786 Investment Limited	(3,962,437)	8,271,330
	B.R.R. Investment (Private) Limited	10,381,094	10,942,065
		<u>5,949,473</u>	<u>15,859,151</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

45 TAXATION	2018 Rupees	2017 Rupees
Current year	(14,902,684)	(879,617)
Deferred tax	13,053,538	(298,487,672)
Prior year	-	3,006,499
	<u>(1,849,146)</u>	<u>(296,360,790)</u>

Management has provided sufficient tax provision in financial statements in accordance with income tax ordinance, 2001. Following is the comparison of tax provision as per accounts vis a vis tax assessment for last three years:

	<i>Deemed Assessment Rupees</i>	<i>Provision Rupees</i>
Tax year 2017	770,019	879,617
Tax year 2016	2,890,553	3,006,499
Tax year 2015	271,132	271,132

46 EARNINGS / (LOSS) PER SHARE	2018	2017
Profit / (loss) after taxation - basic	<i>Rupees</i> <u>101,625,823</u>	<u>(284,639,004)</u>
Profit / (loss) after taxation - diluted	<i>Rupees</i> <u>101,625,823</u>	<u>(284,639,004)</u>
Weighted average number of ordinary shares - basic EPS	<i>Numbers</i> <u>148,390,023</u>	<u>148,390,023</u>
Weighted average number of ordinary shares - diluted EPS	<i>Numbers</i> <u>148,390,023</u>	<u>148,390,023</u>
Earning / (loss) per share - basic	<i>Rupees</i> <u>0.68</u>	<u>(1.92)</u>
Earning / (loss) per share - diluted	<i>Rupees</i> <u>0.68</u>	<u>(1.92)</u>

### 47 REMUNERATION TO CHAIRMAN, DIRECTORS AND EXECUTIVES

	2018			
	<i>Chairman</i>	<i>Chief Executive Officer</i>	<i>Director</i>	<i>Executives</i>
	----- Rupees -----			
Managerial remuneration	-	-	2,277,000	5,148,000
Provident fund	-	-	138,000	514,800
Reimbursement of expenses	2,617,615	-	-	-
Utilities	-	-	713,000	2,574,000
Medical	-	-	25,030	14,900
Fuel	-	600,000	72,198	310,884
Maintenance	-	-	-	29,940
Bonus	-	-	690,000	483,603
	<u>2,617,615</u>	<u>600,000</u>	<u>3,915,228</u>	<u>9,076,127</u>
Number of persons	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2017			
	Chairman	Chief Executive Officer *	Director	Executives
	----- Rupees -----			
Managerial remuneration	-	-	5,520,000	8,634,004
Provident fund	-	-	552,000	616,398
Reimbursement of expenses	2,673,578	-	-	-
Utilities	-	-	2,760,000	611,996
Medical	-	-	60,872	154,000
Fuel	-	-	227,248	575,540
Maintenance	-	-	690,000	754,000
	2,673,578	-	9,810,120	11,345,938
Number of persons	1	-	1	4

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

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

47.2 Executive means an employee other than director and Chief Executive Officer, whose basic salary exceeds Rs.1,200,000 in a financial year.

### 47.3 Disclosures related to Provident Fund

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

	2018	2017
Size of the fund - Total assets	<b>Rs. 140,989,915</b>	124,684,909
Cost of investments made	<b>Rs. 123,126,639</b>	100,475,972
Percentage of investments made	<b>93.49%</b>	82.91%
Fair value of investments	<b>Rs. 131,811,108</b>	103,381,729

The break-up of fair value of investments are:

	2018	----- % -----	2017	----- % -----
Investment in securities	21,649,765	16%	13,540,568	13%
Government securities	25,000,000	19%	25,000,000	24%
Debt securities	32,300,911	25%	30,102,299	29%
Mutual funds	47,045,646	36%	31,806,379	31%
Bank balances	5,814,786	4%	2,932,483	3%
	<b>131,811,108</b>	<b>100%</b>	<b>103,381,729</b>	<b>100%</b>

The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies act, 2017 and the rules formulated for this purpose.

This includes portion of other group companies noted as follows:

- 1 Dawood Equities
- 2 Crescent Standard Modaraba



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 3 BRR Guardian Modaraba
- 4 B.R.R Investment Private Limited
- 5 786 Investment Limited
- 6 Dawood Global Foundation

47.3.1 The total and average number of employees during the year and as at June 30, 2018 and 2017 respectively are as follows:

	2018	2017
Average number of employees during the year	<u>8</u>	<u>9</u>
Number of employees at year end	<u>8</u>	<u>8</u>

### 48 TRANSACTIONS WITH RELATED PARTIES

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

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

	2018		2017	
	<i>Key management personnel</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- Rupees -----			
<b>Investment in associates</b>				
Balance at beginning of the year	-	202,865,262	-	174,076,054
Share of Profit/(loss) from associates		6,140,443	-	15,859,151
Addition of investment in				
Dawood Income Fund	-	72,000,000	-	-
Disposal of investment in DFTL	-	(19,471,444)	-	-
Disposal of investment in				
Dawood Income Fund	-	(72,967,994)	-	-
Share of unrealised gain/(loss) from associates on remeasurement of investments in other comprehensive income	-	(6,708,340)	-	12,930,057
Balance at end of the year	<u>-</u>	<u>181,857,927</u>	<u>-</u>	<u>202,865,262</u>
Short term loans	965,250	-	-	-
Term finance certificates/sukuk bonds	-	1,771,862	-	12,468,230
<b>Settlement transactions</b>				
Vehicle sold	3,079,000	-	-	-



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018		2017	
	<i>Key management personnel</i>	<i>Associates/ related parties</i>	<i>Key management personnel</i>	<i>Associates/ related parties</i>
	----- Rupees -----			
<b>Charge to profit and loss account</b>				
Common expenses paid	-	168,326	-	204,755
Share of loss from associates	-	6,140,443	-	15,859,151
Rental income	-	840,000	-	1,086,000
Rent expense	-	818,400	-	818,400
Takaful expense	-	96,651	-	68,813
Brokerage expense	-	192,538	-	306,944

#### 49 SEGMENT ANALYSIS

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

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

##### Primary segment information

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

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

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

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

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



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

49.1 Segment information for the year ended June 30, 2018

	Leasing		Investments		Long term finances		Placements and finances		Fee, commission and other income		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	----- Rupees -----											
Segment revenues	2,330,581	4,365,073	12,945,264	17,984,082	63,484	4,878,644	-	1,019,162	688,682	3,630,537	16,028,011	31,877,498
Share of (loss) / profit from associates	-	-	5,949,473	15,859,151	-	-	-	-	-	-	5,949,473	15,859,151
Segment results	2,330,581	4,365,073	18,894,737	33,843,233	63,484	4,878,644	-	1,019,162	688,682	3,630,537	21,977,484	47,736,649
Reversal of provision for potential lease and other loan losses - net	(37,708,547)	21,452,458	-	(10,670,000)	(14,614,806)	18,851,328	(930,000)	(31,757,954)	(5,585,000)	(442,507)	(58,838,353)	(2,566,675)
Unrealized gain / (loss) on remeasurement of investments	-	-	(2,441,441)	(9,272,983)	-	-	-	-	-	-	(2,441,441)	(9,272,983)
Loss on settlement of liabilities	-	-	-	-	-	-	-	-	-	-	62,492,349	-
Administrative expenses	-	-	-	-	-	-	-	-	-	-	(37,462,739)	(39,216,290)
Finance cost	-	-	-	-	-	-	-	-	-	-	(3,347)	(8,586)
Other operating charges	-	-	-	-	-	-	-	-	-	-	-	(683,857)
Reversal of provision	-	-	-	-	-	-	-	-	-	-	172,925	-
Loss on disposal of asset classified as held for Sale	-	-	-	-	-	-	-	-	-	-	(10,592,960)	-
(Loss) / profit before taxation											(24,696,082)	(3,327,885)
Taxation											(1,849,146)	(296,360,790)
(Loss) / profit after taxation											(26,545,228)	(299,688,675)
Segment assets	124,548,852	94,436,806	171,255,284	282,427,381	91,625,335	77,539,731	39,025,413	42,025,413	-	-	426,454,884	496,429,331
Unallocated assets	-	-	-	-	-	-	-	-	-	-	604,152,379	562,178,677
Total assets											1,030,607,263	1,058,608,008
Segment liabilities	155,348,639	123,490,111	213,892,182.09	369,315,631	114,437,011.11	101,394,683	48,741,449.31	54,954,452	-	-	532,628,037	649,154,876
Total liabilities											532,628,037	649,154,876
Net Assets											497,979,226	409,453,132

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

Segment by class of business

Class of business	2018					%
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	
Chemicals, fertilizers and pharmaceuticals	67,172,921	4,183,136	46,910,127	-	118,266,184	9.26
Construction	8,919,225	-	97,446,462	-	106,365,687	8.33
Electrical goods	14,779,300	4,622,892	-	-	19,402,192	1.52
Energy, oil and gas	576,620	3,165,838	3,077,500	-	6,819,958	0.53
Food, tobacco and beverages	-	3,978,632	-	-	3,978,632	0.31



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Class of business	2018					
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	%
	----- Rupees -----					
Individuals	37,007,631	-	39,045,610	168,070,023	207,115,633	16.21
Insurance	-	-	-	-	-	-
Steel, engineering and automobile	7,964,447	2,897,516	-	-	10,861,963	0.85
Sugar and allied	11,083,030	-	-	-	11,083,030	0.87
Textile	167,643,425	457,658	-	-	168,101,083	13.16
Transport and communication	159,475,340	819,282	10,521,065	2,100,000	172,915,687	13.54
Financial	-	226,131,260	4,625,235	75,000,000	305,756,495	23.94
Leather and Tanneries	-	392,490	-	-	392,490	0.03
Miscellaneous	80,389,853	-	52,879,141	13,000,000	146,268,994	11.45
	<b>555,011,792</b>	<b>246,648,705</b>	<b>254,505,140</b>	<b>258,170,023</b>	<b>1,277,328,029</b>	<b>100</b>

Class of business	2017					
	Leasing operations	Investments	Long-term finances	Placements and finances	Total	%
	----- Rupees -----					
Chemicals, fertilizers and pharmaceuticals	67,172,921	4,967,093	46,910,127	-	119,050,141	8.39
Construction	8,919,225	-	97,446,462	-	106,365,687	7.49
Electrical goods	14,779,300	2,567,380	-	-	17,346,680	1.22
Energy, oil and gas	576,620	4,140,843	3,077,500	-	7,794,963	0.55
Food, tobacco and beverages	-	6,844,972	-	-	6,844,972	0.48
Individuals	37,007,631	-	39,574,812	169,000,023	245,582,466	17.30
Insurance	-	96,276,046	-	-	96,276,046	6.78
Steel, engineering and automobile	7,964,447	3,078,607	-	-	11,043,054	0.78
Sugar and allied	13,606,112	132,430	-	-	13,738,542	0.97
Textile	170,994,458	377,668	-	-	171,372,126	12.07



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2017					
	<i>Leasing operations</i>	<i>Investments</i>	<i>Long-term finances</i>	<i>Placements and finances</i>	<i>Total</i>	<i>%</i>
	----- Rupees -----					
Transport and communication	163,475,340	22,199,982	10,521,065	2,100,000	198,296,387	13.97
Financial	-	191,701,017	4,625,235	75,000,000	271,326,252	19.12
Leather and Tanneries	-	655,000	-	-	655,000	0.05
Miscellaneous	80,442,820	4,348,775	52,879,141	16,000,000	153,670,736	10.83
	<u>564,938,874</u>	<u>337,289,813</u>	<u>255,034,342</u>	<u>262,100,023</u>	<u>1,419,363,052</u>	<u>100</u>

The Company's operations are restricted to Pakistan only.

### 50 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 Rupees	2017 Rupees
<b>Financial assets as per balance sheet</b>		
<b>Held for trading</b>		
Quoted equity securities	17,569,141	46,213,114
<b>Available for sale</b>		
Term finance certificates	1,771,862	12,468,230
Investment held with Nazir SHC	42,377,778	-
Unquoted equity securities	-	20,565,212
	<u>44,149,640</u>	<u>33,033,442</u>
<b>Loans and receivables</b>		
Net investment in lease finance	124,548,852	94,436,806
Long-term finances	91,625,335	77,539,731
Long term deposits	2,500,000	4,139,822
Placements and finances	39,025,413	42,025,413
Loans and advances	1,154,748	194,998
Mark-up accrued	46,856	152,869
Other receivables	6,000,000	6,000,000
Cash and bank balances	90,515,101	4,084,279
	<u>355,416,305</u>	<u>228,573,918</u>
	<u>417,135,086</u>	<u>307,820,474</u>
<b>Financial liabilities as per balance sheet</b>		
<b>Financial liabilities measured at amortised cost</b>		
Long term loans	369,213,673	426,813,673
Long term deposits	60,917,863	60,917,863
Mark-up accrued	33,028,644	95,520,993
Short-term borrowings	56,266,346	56,266,346
Accrued and other liabilities	5,349,014	8,756,384
	<u>524,775,540</u>	<u>648,275,259</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
<b>50.1 Reconciliation of financial assets and liabilities with total assets and liabilities</b>		
<b>Total financial assets</b>	<b>417,135,086</b>	<b>307,820,474</b>
<b>Add: Non financial assets</b>		
Property and equipment	338,835	730,135
Intangibles assets	883,528	983,578
Assets classified as held for sale	-	93,295,960
Investment properties	61,805,000	27,070,000
Investment in associates - equity method	151,914,281	203,180,826
Income tax refund	-	7,023,091
Prepayments	191,961	37,293,617
Deferred tax asset	397,338,572	381,210,328
	<u>613,472,177</u>	<u>750,787,535</u>
<b>Total assets</b>	<u><b>1,030,607,263</b></u>	<u><b>1,058,608,009</b></u>
<b>Total financial liabilities</b>	<b>524,775,540</b>	<b>648,275,259</b>
<b>Add: Non financial liabilities</b>		
Taxation	7,852,497	879,617
<b>Total liabilities</b>	<u><b>532,628,037</b></u>	<u><b>649,154,876</b></u>

### 50.1.1 Mismatch of interest rate sensitive assets and liabilities

Effective interest rate	2018							Total
	One year or less	More than one year but less than two years	More than two year but less than three years	More than three year but less than four years	More than four year but less than five years	More than five year	Not exposed to interest rate risk	
	Rupees							
<b>Financial assets</b>								
Net investment in lease finance	8% - 29.17%	107,159,244	17,389,608	-	-	-	-	124,548,852
Long term investments	6.85%-10.845%	-	-	-	-	349,786	151,564,495	151,914,281
Long-term finances	13.5% - 15.1%	91,625,335	-	-	-	-	-	91,625,335
Long term deposits	-	-	-	-	-	-	2,500,000	2,500,000
Short term investments	-	-	-	-	-	-	19,341,003	19,341,003
Investment held with Nazir SHC	-	42,377,778	-	-	-	-	-	42,377,778
Placements and finances	8.5% - 24%	39,025,413	-	-	-	-	-	39,025,413
Loans and advances	-	-	-	-	-	-	1,154,748	1,154,748
Mark-up accrued	-	-	-	-	-	-	46,856	46,856
Other receivables	-	-	-	-	-	-	6,000,000	6,000,000
Cash and bank balances	4.52% - 7%	1,085,542	-	-	-	-	89,429,559	90,515,101
		<u>281,273,312</u>	<u>17,389,608</u>	<u>-</u>	<u>-</u>	<u>349,786</u>	<u>270,036,660</u>	<u>569,049,366</u>
<b>Financial liabilities</b>								
Long term loans	0% - 6.31%	310,073,673	17,000,000	20,000,000	22,140,000	-	-	369,213,673
Long term deposits	-	-	-	-	-	-	60,917,863	60,917,863
Mark-up accrued	-	-	-	-	-	-	33,028,644	33,028,644
Short-term borrowings	17.00%	56,266,346	-	-	-	-	-	56,266,346
Accrued and other liabilities	-	-	-	-	-	-	5,349,014	5,349,014
		<u>366,340,019</u>	<u>17,000,000</u>	<u>20,000,000</u>	<u>22,140,000</u>	<u>-</u>	<u>99,295,521</u>	<u>524,775,540</u>
<b>On balance sheet gap</b>		<u><b>(850,066,707)</b></u>	<u><b>389,608</b></u>	<u><b>(20,000,000)</b></u>	<u><b>(22,140,000)</b></u>	<u><b>-</b></u>	<u><b>349,786</b></u>	<u><b>170,741,139</b></u>
		<u><b>44,273,826</b></u>						



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The Company has investment properties and assets held for sale Rs.62.81 million and Rs.0 million respectively for settlement of its liabilities. Further, the Company plans to restructure its liabilities so as to manage the on-balance sheet gap in the coming years.

Effective interest rate	2017							Total
	One year or less	More than one year but less than two years	More than two year but less than three years	More than three year but less than four years	More than four year but less than five years	More than five year	Not exposed to interest rate risk	
	----- Rupees -----							
<b>Financial assets</b>								
Net investment in lease finance	8% - 29.17%	94,436,806	-	-	-	-	-	94,436,806
Long term investments	6.85%-10.845%	-	-	-	-	315,564	202,865,262	203,180,826
Long-term finances	13.5% - 15.1%	77,539,731	-	-	-	-	-	77,539,731
Long term deposits	-	-	-	-	-	-	4,139,822	4,139,822
Short term investments	-	-	-	-	-	-	79,246,555	79,246,555
Placements and finances	8.5% - 24%	42,025,413	-	-	-	-	-	42,025,413
Loans and advances	-	-	-	-	-	-	2,469,419	2,469,419
Mark-up accrued	-	-	-	-	-	-	152,869	152,869
Other receivables	-	-	-	-	-	-	6,000,000	6,000,000
Cash and bank balances	4.52% - 7%	302,144	-	-	-	-	3,782,135	4,084,279
		<b>214,304,094</b>	-	-	-	-	<b>315,564</b>	<b>298,656,062</b>
								<b>513,275,720</b>
<b>Financial liabilities</b>								
Long term loans	0% - 6.31%	301,073,673	-	-	-	-	-	301,073,673
Long term deposits	-	-	-	-	-	-	60,917,863	60,917,863
Mark-up accrued	-	-	-	-	-	-	95,520,993	95,520,993
Short-term borrowings	17.00%	56,266,346	-	-	-	-	-	56,266,346
		<b>357,340,019</b>	-	-	-	-	<b>156,438,856</b>	<b>513,778,875</b>
<b>On balance sheet gap</b>		<b>(143,035,925)</b>	-	-	-	-	<b>315,564</b>	<b>142,217,206</b>
								<b>(503,155)</b>

The Company has investment properties and assets held for sale Rs.27.07 million and Rs.93.3 million respectively for settlement of its liabilities. Further, the Company plans to restructure its liabilities so as to manage the on-balance sheet gap in the coming years.

### 51 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

#### 51.1 Market risk

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

##### 51.1.1 Interest rate risk

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



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Cash flow and fair value interest rate risks

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

	2018 Rupees	2017 Rupees
<b>Fixed rate instruments at carrying amount:</b>		
<b>Financial assets</b>		
Bank balances	1,085,542	302,144
<b>Financial liabilities</b>		
Loan term loans and related current portion	369,213,673	426,813,673
Short-term borrowings	56,266,346	56,266,346
	<u>425,480,019</u>	<u>483,080,019</u>
<b>Variable rate instruments at carrying amount:</b>		
<b>Financial assets</b>		
Net investment in lease finance	124,548,852	94,436,806
Long term finances	91,625,335	77,539,731
Placements and finances	39,025,413	42,025,413
	<u>255,199,600</u>	<u>214,001,950</u>

Management of the Company estimates that an increase of 100 basis points in the market interest rate, with all other factors remaining constant, would decrease the Company's loss by Rs. 2.55 million and a decrease of 100 basis points would result in a decrease in the Company's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

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

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

#### 51.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. As the Company does not have any foreign currency asset and liabilities except for foreign currency accounts amounting to Rs. 0.18 million, therefore, the Company is not materially exposed to foreign currency risk as at June 30, 2018.

#### 51.1.3 Price risk

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

At the balance sheet date, the exposure to listed equity securities is Rs. 17.569 million. Management of the Company estimates that 100 basis points increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Company's net assets by Rs. 0.176 million. However, in practice, the actual results may differ from the sensitivity analysis.

#### 51.2 Credit risk

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

	2018 Rupees	2017 Rupees
Net investment in lease finance	124,548,852	94,436,806
Long term investments	151,564,495	202,865,262
Long term finances	91,625,335	77,539,731
Long term deposits	2,500,000	4,139,822
Short term investments	1,771,862	12,468,230
Placements and finances	39,025,413	42,025,413
Loans and advances	1,320,036	2,469,419
Mark-up accrued	46,856	152,869
Cash and bank balances	90,515,101	4,084,279
	<u>502,917,949</u>	<u>440,181,831</u>



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of lease and other finances and receivables have been classified as loss and the carrying value are reported as per NBFC Regulations, 2008. However, the Company filed recovery suits at different forums against the non-performing parties.

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

	<i>Short term</i>	<i>Long term</i>	<i>Rating agency</i>
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
BankIslami Pakistan Limited (formerly Burj Bank Limited)	A1	A+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Al Baraka Bank	A1	A	PACRA
National Bank of Pakistan	A1+	AAA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Standard Chartered Bank	A1+	AAA	PACRA

### 51.3 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows: -

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for the asset or liability that are not based on observable market data (unobservable).

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>----- Rupees -----</i>		
<b>June 30, 2018</b>			
Investments at fair value through Profit and loss			
Quoted equity securities	17,569,141	-	-
Term finance certificates / sukuk bonds	-	-	1,771,862
Investments in:			
Associates - equity method	36,817,096	-	114,747,399
Defence Saving Certificates - held to maturity	-	349,786	-
<b>June 30, 2017</b>			
Investments at fair value through Profit and loss			
Quoted equity securities	46,213,114	-	-
Unquoted shares	-	-	20,565,212
Term finance certificates / sukuk bonds	-	-	12,468,230
Investments in:			
Associates - equity method	40,633,000	-	162,232,262
Defence Saving Certificates - held to maturity	-	315,564	-

### 51.4 Liquidity risk

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

As of balance sheet date, the Company has liquid assets to the tune of Rs. 109.856 million to meet its commitments and obligations. Further, through recovery measures, the Company is generating a liquidity of Rs. 4 million to Rs. 5 million per month. Since the borrowings of the Company are in restructuring phase, the pressure of payments to creditors is eased to some extent.



FIRST DAWOOD INVESTMENT BANK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 52 CAPITAL RISK MANAGEMENT

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

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

The gearing ratios of the Company as at June 30, 2018 and 2017 were as follows:

	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
Total borrowings	425,480,019	483,080,019
Less: Cash and bank balances	<u>(90,515,101)</u>	<u>(4,084,279)</u>
<b>Net debt</b>	<b>334,964,918</b>	478,995,740
Total equity	<u>497,797,226</u>	<u>409,453,132</u>
<b>Total capital</b>	<b>832,944,144</b>	<b>888,448,872</b>
<b>Gearing ratio</b>	<b>40%</b>	<b>54%</b>

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

### 53 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transactions. Rs. 6,304,855/- has been reclassified from loan and advances to tax refund due from government, further no significant rearrangements or reclassifications were made in these financial statements.

### 54 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **October 01, 2018** by the Board of Directors of the Company.

### 55 GENERAL

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer



FIRST DAWOOD INVESTMENT BANK LIMITED

### Pattern Of Shareholding - Form "34 Shareholders Statistics As At June 30, 2018

Number Of Share Holders	From	Share Holding	To	Total Shares Held
912	1	-	100	30472
502	101	-	500	163445
820	501	-	1000	757322
874	1001	-	5000	2491543
308	5001	-	10000	2549930
122	10001	-	15000	1625549
84	15001	-	20000	1562098
71	20001	-	25000	1677719
50	25001	-	30000	1407553
17	30001	-	35000	569500
23	35001	-	40000	890918
16	40001	-	45000	708500
37	45001	-	50000	1830500
10	50001	-	55000	526000
11	55001	-	60000	637640
9	60001	-	65000	565682
8	65001	-	70000	552000
3	70001	-	75000	220500
7	75001	-	80000	541959
5	80001	-	85000	407000
5	90001	-	95000	462365
10	95001	-	100000	994500
5	100001	-	105000	512880
2	105001	-	110000	216680
5	110001	-	115000	568066
4	120001	-	125000	491501
2	125001	-	130000	258500
4	135001	-	140000	555090
1	140001	-	145000	143000
6	145001	-	150000	892475
1	150001	-	155000	150500
1	155001	-	160000	160000
4	160001	-	165000	654500
1	165001	-	170000	170000
1	175001	-	180000	175352
2	180001	-	185000	366370
2	185001	-	190000	375243
1	190001	-	195000	195000
3	195001	-	200000	600000
3	200001	-	205000	609852
1	215001	-	220000	216791
1	225001	-	230000	226000
1	240001	-	245000	242000
2	250001	-	255000	505096
1	270001	-	275000	275000
1	285001	-	290000	290000
1	290001	-	295000	291500
1	295001	-	300000	300000



FIRST DAWOOD INVESTMENT BANK LIMITED

Number Of Share Holders	Share Holding		Total Shares Held
	From	To	
1	300001	-	305000
2	315001	-	320000
1	320001	-	325000
1	340001	-	345000
1	345001	-	350000
1	395001	-	400000
2	400001	-	405000
1	405001	-	410000
1	475001	-	480000
1	490001	-	495000
1	500001	-	505000
1	595001	-	600000
1	610001	-	615000
1	620001	-	625000
1	695001	-	700000
1	770001	-	775000
1	1020001	-	1025000
1	1180001	-	1185000
2	1345001	-	1350000
1	1370001	-	1375000
1	1415001	-	1420000
1	1585001	-	1590000
1	1800001	-	1805000
1	1920001	-	1925000
1	1980001	-	1985000
1	2295001	-	2300000
1	2340001	-	2345000
1	2380001	-	2385000
1	2585001	-	2590000
1	2800001	-	2805000
1	4995001	-	5000000
1	7200001	-	7205000
1	8945001	-	8950000
1	10375001	-	10380000
1	13830001	-	13835000
1	16765001	-	16770000
1	19910001	-	19915000
<b>4001</b>			<b>148,390,023</b>

Categories of Shareholders	Number Of Share Holders	Total Shares Held	Percentage
Individuals	3,941	73,891,180	49.80
Joint Stock Companies	28	8,702,248	5.86
Insurance Companies	8	17,693,593	11.92
Financial Institutions	7	40,867,292	27.54
Investment Companies	6	1,662,634	1.12
Modarabas	6	3,517,973	2.37
Modaraba Management Companies	1	200,667	0.14
Mutual Fund	1	1,585,564	1.07
Others	3	268,872	0.18
	<b>4,001</b>	<b>148,390,023</b>	<b>100.00</b>



FIRST DAWOOD INVESTMENT BANK LIMITED

### Additional Information Of Ordinary Shares As On June 30, 2018

S. No.	Categories Shareholders	Shares Held	% Age
1	<b>Associated Companies</b>	<b>6,215,794</b>	<b>4.19</b>
	B.R.R. Guardian Modaraba	3,342,562	
	Dawood Capital Management Limited	2,382,641	
	B.R.R. Investment (Pvt.) Ltd.	490,591	
2	<b>NIT &amp; ICP</b>	<b>1,585,784</b>	<b>1.07</b>
	CDC - Trustee National Investment (UNIT) Trust	1,585,564	
	Investment Corporation of Pakistan	220	
3	<b>Directors, CEO, their Spouses and Minor Children</b>	<b>11,784,229</b>	<b>7.94</b>
	Rafique Dawood	8,947,200	
	Hamida Dawood	2,834,529	
	Khurshid A. Khair	500	
	Abu Khursheed M. Arif	500	
	Asad Hussain Bokhari	500	
	Muhamamd Saeed	500	
	Christopher John Aitken Andrew	500	
4	<b>Public Sector Companies and Corporation</b>	<b>10,378,637</b>	<b>6.99</b>
5	<b>Banks, DFIS, NBFIS, Insurance Companies, Modarabas Joint Stock Companies, Mutual Funds and others</b>	<b>52,575,881</b>	<b>35.43</b>
6	<b>General Public</b>	<b>65,849,698</b>	<b>44.38</b>

<b>Shareholders Holding Five Percent Or More In The Company</b>	<b>69,841,418</b>	<b>47.07</b>
National Bank of Pakistan	19,916,637	13.42
The Bank of Khyber	16,768,444	11.30
Abdul Sameer	13,830,500	9.32
State Life Insurance Corp. Of Pakistan	10,378,637	6.99
Rafique Dawood	8,947,200	6.03



FIRST DAWOOD INVESTMENT BANK LIMITED

**FORM OF PROXY**  
**24<sup>th</sup> Annual General Meeting**

First Dawood Investment Bank Limited  
Karachi.

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

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

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

Mr. /Ms \_\_\_\_\_ Folio No. CDC A/c No \_\_\_\_\_

of \_\_\_\_\_ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our  
behalf, at the **24<sup>th</sup> Annual General Meeting** of the Company to be held on Friday October 26, 2018  
at 11 : 30 a.m. and to every adjournment thereof.

And witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2018, signed by the said  
\_\_\_\_\_ in the presence of

Mr. / Ms. \_\_\_\_\_

of \_\_\_\_\_ (full address)

Revenue Stamp  
Rs. 5/-

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature(s) and or Seal

**Important Notes:**

1. The share transfer books of the Company will remain closed from October 19, 2018 to October 26, 2018 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as a proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notorially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered Office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of Proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. The signature on the Instrument of Proxy must confirm to the Specimen Signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of Securities & Exchange Commission of Pakistan for attending the meeting.



FIRST DAWOOD INVESTMENT BANK LIMITED

Fold Here  
↓

<p style="text-align: right;">AFFIX CORRECT POSTAGE</p> <p style="text-align: center;"><b>FIRST DAWOOD INVESTMENT BANK LIMITED</b> 18th floor, B.R.R Tower, Hassan Ali Street off: I.I. Chundrigar Road, Karachi-74000</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Fold Here  
↑

Fold Here  
↑



**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes

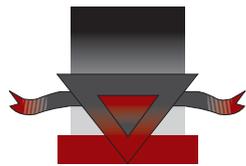


Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 jamapunji.pk

 @jamapunji\_pk

\*Mobile apps are also available for download for android and ios devices



**FIRST DAWOOD INVESTMENT BANK LIMITED**

18th Floor B.R.R. Tower Hassan Ali Street Off: I.I. Chundrigar Road, Karachi- 74000  
PABX : +92 (21) 3260-2401-06, Fax : +92 (21) 3227-1912 Email : [fdib@firstdawood.com](mailto:fdib@firstdawood.com)